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Market Opportunities for Islamic Banking and Finance in Europe: A Case of Finnish Regulatory Framework

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Abstract. This article assesses market opportunities for Islamic banking and finance (IBF) in Finland, offering an understanding of the legal environment, consumer perceptions, and potential challenges and opportunities for developing Islamic finance within the Finnish legal framework. The study employs a survey to investigate the perceptions and behaviours of Muslims towards IBF in Finland, focusing on its legal dimensions. Utilizing a mixed-methods approach, including quantitative survey data and qualitative analysis, the research aims to understand Finnish Muslims' attitudes, preferences, and experiences towards Islamic banking products and services. The findings show that although a significant proportion of respondents revealed uncertainty or lack of knowledge about IBF, most respondents express their willingness to become customers of an Islamic financial institution if such institutions were available in Finland. This research contributes to the existing body of knowledge in Islamic finance law by elucidating the legal intricacies of Islamic banking within the European context. The insights generated offer valuable implications for policymakers, legal practitioners, and scholars interested in Islamic finance law.

Keywords: Islamic banking and finance; Finland; legal framework; *riba*; financial behaviour.

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INTRODUCTION

The growing demand for Islamic banking and finance (IBF) around the world, particularly in Muslim-majority countries and in regions with significant Muslim populations is expected to continue as more people seek out financial products that are in line with their religious and moral values (Zucchelli, 2022). The IBF sector has grown significantly in recent decades and is progressively being offered in Western countries as well (Alharbi, 2016). The emergence of Islamic banking and finance in the contemporary financial scene, presents a unique blend of financial practices guided by Islamic law (Sharia). IBF has received considerable attention because it offers an alternative to the conventional financial system and can attract investors who are looking for other ways to invest money. (Lanzara, 2021)

Despite the growing interest in the IBF industry and a huge body of research in the field, there is still a gap in understanding the legal and regulatory framework in a non-Islamic environment. The current body of research focuses on economic analyzes and comparative studies on the efficiency of IBF with the conventional financial sector. While previous studies provide valuable insights into the central characteristics of IBF, there is a lack of comprehensive research that examines legal understanding and opportunities, for implementing IBF in Europe (Biancone et al., 2020; Hassan & Aliyu, 2018). This research gap necessitates a closer analysis of the legal and regulatory framework of IBF using the example of Finland.

This study explores the field of IBF in Finland, particularly exploring the dimensions that underpin the perceptions and behaviours of individuals towards Islamic financial products and services.

The motivation behind this study stems from the need to bridge the gap in the literature concerning the intricacies of Islamic banking within the Finnish legal context. By examining market opportunities for IBF in Europe, this research seeks to present new possibilities to develop the IBF sector and inform policymakers, legal practitioners, and scholars interested in the field of Islamic finance law.

Employing a mixed-methods approach, this study combines quantitative survey data and qualitative analysis to offer a comprehensive understanding of the legal aspects surrounding IBF in Finland. Through an exploration of legal regulations, consumer attitudes, and industry practices, this research contributes to the evolving discourse on Islamic finance law and its application in the Finnish financial landscape.

This paper is structured into several main sections. The Introduction provides an overview of the study's purpose, methods, and focus on perceptions towards Islamic banking in Finland. The Literature Review contextualizes the study within existing scholarship. The Methods section outlines the research design and data analysis techniques. Results present findings on participant attitudes and experiences towards Islamic banking, with a legal perspective. The Discussion synthesizes findings and implications for policymakers and practitioners. The Conclusion summarizes key findings and emphasizes the study's contributions, highlighting the need for further research in Islamic finance law.

LITERATURE REVIEW

On 16 March 2023, the left-wing parliamentarian Suldaan Said Ahmed submitted a written question ‘KK 828/2022 vp’ to the Finnish Finance Minister (Ahmed, 2023), asking about the possibility of having Islamic banks in Finland and whether the public sector has opportunities to influence the financial possibilities of Muslim believers in the absence of a market operator (Hanska, 2023). According to Ahmed, there is no bank in Finland offering services according to Islamic principles, which is why believing Muslims cannot take out, for example, a standard mortgage (Rinne, 2023). This may lead to the presumption that if Islamic banks are operating in other EU Member States, the potential establishment of Islamic financial institutions (IsFIs) in Finland should be possible as well. The written question, which is of both socioeconomic and juridical importance, raised several legal questions: among them, first, do IsFIs bring a plus on a socioeconomic level to Finland? Second, is it legally possible to establish Islamic banks in Finland?

The main peculiarity of the IBF system is that interest-taking is not allowed because it is considered a form of *riba*. Conversely, this is not the only feature of the IBF system. *Riba* is often translated as ‘usury’; however, according to most Muslim scholars, raising the interest rate is one form of *riba* because raising the amount of debt in return for a longer delay repaying a loan or any other financing contract is considered *riba* (Iqbal & Mirakhor, 2007: 53; Jackson-Moore, 2009: 13; Vogel & Hayes, 1998: 72-73). The prohibition of *riba* in Islamic law is based on Quranic texts (2:275–281), (3:130), (4:161), (30:39); this means that the prohibition is a clear legal rule from a primary source that needs no further interpretation (Lumban Gaol, 2023). This implies that all types of interest rates are not allowed, be they variable or fixed rates. (Alwazna, 2016)

Islamic economic law stands at the intersection of faith, finance, and socio-economic development, offering a unique framework grounded in Islamic principles for addressing contemporary economic challenges. In recent years, there has been a growing interest among scholars, policymakers, and practitioners across the globe in understanding and applying the principles of Islamic economics especially IBF to various facets of economic life (Bananuka, Kaawaase, et al., 2019; Bananuka, Kasera, et al., 2019; Belwal & Al Maqbali, 2019; Islam & Rahman, 2017; Narayan & Phan, 2019; Oladapo et al., 2022). Research results have contributed to advancing knowledge and fostering dialogue on Islamic banking industry. However, little research has been conducted in Europe, especially in Nordic countries (Alharbi, 2016; Antoniazzi, 2022; Aqib Ali, 2023; di Mauro et al., 2013; Kadi, 2023; Kamdzhalov, 2022; Kurochkina, 2021; Kuznetsov et al., 2017). This study will encourage further research, policy discourse, and practical initiatives aimed at harnessing the potential of Islamic economic principles for promoting inclusive and sustainable economic development by the following; firstly, understanding the financial behaviours and preferences of individuals within the Muslim community in Finland, particularly regarding banking and investment practices, secondly; surveying the level of awareness and adherence to Islamic finance principles, such as the prohibition of *riba* (interest), among Muslim individuals in Finland, thirdly, investigating the factors influencing individuals' decisions regarding homeownership, mortgage acquisition, and engagement with traditional and Islamic banking services, fourthly, examining the potential barriers or challenges faced by Muslim individuals in accessing and utilizing Islamic banking services in Finland, lastly, assessing the cultural and religious backgrounds of respondents and their impact on financial decision-making processes, particularly in relation to banking and investment choices.

This paper aims to provide understandings of the financial behaviours, attitudes, and preferences of Muslim individuals in Finland, with a specific focus on their engagement with banking and financial services, adherence to Islamic finance principles, and homeownership considerations.

To understand these study purposes from a legal perspective, it is important to understand the differences between IsFIs and conventional financial institutions. Since Finland's financial regulatory system is designed around conventional finance principles, introducing IsFIs based on Sharia law may need a special focus on examining the legal frameworks and regulatory environments surrounding IBF in Finland. Establishing IsFIs in Finland will have many legal implications, especially regarding licensing and regulatory compliance, and taxation laws. It is important to understand how Islamic finance principles, such as the prohibition of interest (*riba*) and speculative transactions (*gharar*) align with or diverge from conventional banking practices and regulations. IsFIs may face legal challenges or barriers in operating within the Finnish legal framework, including issues related to regulatory compliance, double taxation, consumer protection, and contractual arrangements (Calandra et al., 2022), however, given that IsFIs have been successfully implemented in other EU countries, its implementation in Finland should also be possible. The role of legislation and legal frameworks in promoting or hindering the growth and development of IBF in Finland is crucial (Kadi, 2023), and potential legislative reforms or policy measures are necessary to support the expansion of Islamic finance activities

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in the country. Furthermore, the Finnish Minister of Finance has promptly answered to the written question addressed by the Member of the parliament, stating that there are no restrictions on the establishment of banks based on religion or ideological orientation as long as they comply with European and Finnish laws and regulations. This means that on the juridical level, IsFIs can be legally established in Finland if they comply with EU regulations and directives and Finnish laws (Saarikko, 2023).

After examining these legal aspects in conjunction with the study's purposes, the study aims to assess the financial behaviours, preferences, and cultural factors among Muslim individuals in Finland, the research provides a comprehensive understanding of the legal and regulatory landscape surrounding IBF in the country (Kadi, 2023).

METHOD

A study was conducted using a structured questionnaire comprising 40 questions from October 1st, 2022, to December 31st, 2024, the study gathered responses from a total of 138 participants. The objective was to investigate respondents' perceptions, attitudes, and behaviours regarding Islamic banking services in Finland, and understand their views on the ethicality, accessibility, and potential utilization of IBF products and services within the Finnish financial landscape.

The questionnaire covered a wide range of topics, including respondents' background, their knowledge of Islamic banking principles, their financial behaviours, their preferences regarding conventional and Islamic banks, and their willingness to engage with Islamic financial products. By exploring these dimensions, the study aims to assess the market opportunities of IBF in Finland.

RESULTS

To analyze the results and their significance for research on IBF in Finland, we break down the data by gender, age, origin, and citizenship of the respondents.

1. **Sample background**:

Most respondents are women (80) compared to men (57). This gender distribution suggests a higher level of interest or engagement among women in the topic of IBF, which could be an interesting finding to explore further in future research.

The largest age group is between 36-45 years old (58 respondents), followed by 26-35 years old (41 respondents). This indicates that individuals in their late 20s to mid-40s are more likely to participate in discussions or have opinions about IBF in Finland. It may be worthwhile to investigate the specific financial needs or concerns of this demographic in relation to Islamic banking products and services.

The data shows a diverse range of origins among the respondents, with the highest number of respondents originating from Iraq (24), followed by North Africa (23), Somalia (14), and Syria (11). This diverse representation suggests that individuals from various cultural and geographical backgrounds in Finland have an interest in or experience with IBF. It highlights the importance of catering to the financial needs of different ethnic communities within Finland, including those originating from Muslim-majority countries.

The majority of respondents hold Finnish citizenship (104), which represents over 75% of the respondents, while a smaller number are non-Finnish citizens (34). This distribution suggests that both Finnish nationals and immigrants residing in Finland are interested in or affected by IBF. It underscores the importance of providing accessible and inclusive financial services that cater to the needs of diverse populations within Finland.

One interesting aspect of the results regarding the length of time respondents have lived in Finland is the distribution across different time periods. Here are a few observations:

1. **Diverse Length of Residence**: The responses span a wide range of time periods, from less than one year to more than 15 years. This diversity suggests a varied sample of individuals with different levels of familiarity and integration into Finnish society.

2. **Significant Presence of Long-Term Residents**: A notable finding is the relatively large number of respondents who have lived in Finland for 5-10 years (40) and more than 15 years (31). This indicates a significant presence of long-term residents among the respondents, who may have a deeper understanding of the Finnish economic and financial landscape, as well as potential experiences with the banking and financial systems in Finland.

3. **Variability in Short-Term Residents**: On the other hand, there is a smaller number of respondents who have lived in Finland for less than one year (3) or less than two years (1). While these numbers are smaller, they represent individuals who are relatively new

to Finland and may have unique perspectives on their initial experiences with the financial sector in the country.

4. **Moderate Presence in Intermediate Time Periods**: The responses also include individuals who have lived in Finland for 2-5 years (9) and 10-15 years (17). This suggests a moderate presence of respondents who have been in Finland for intermediate lengths of time, potentially reflecting different stages of adaptation and integration into Finnish society.

The survey results provide understandings about the educational background and current occupation of the respondents. Understanding these demographics is crucial for analyzing various aspects of financial literacy and behaviours regarding Islamic banking within the surveyed population (Figure 1).

Figure 1. Time of residence in Finland

Source: Author's elaboration.

The distribution of educational levels among the respondents indicates a diverse range of backgrounds. A significant proportion of respondents (86) have attained higher education degrees from universities, suggesting a relatively well-educated segment of the population (Figure 2). Vocational school graduates constitute the next largest group (34), followed by secondary school graduates (22). A smaller number of respondents have completed primary school (5), elementary school (15), or attended Quranic school (2). Interestingly, there are also respondents who reported having no formal education (2), which highlights the diversity within the sample.

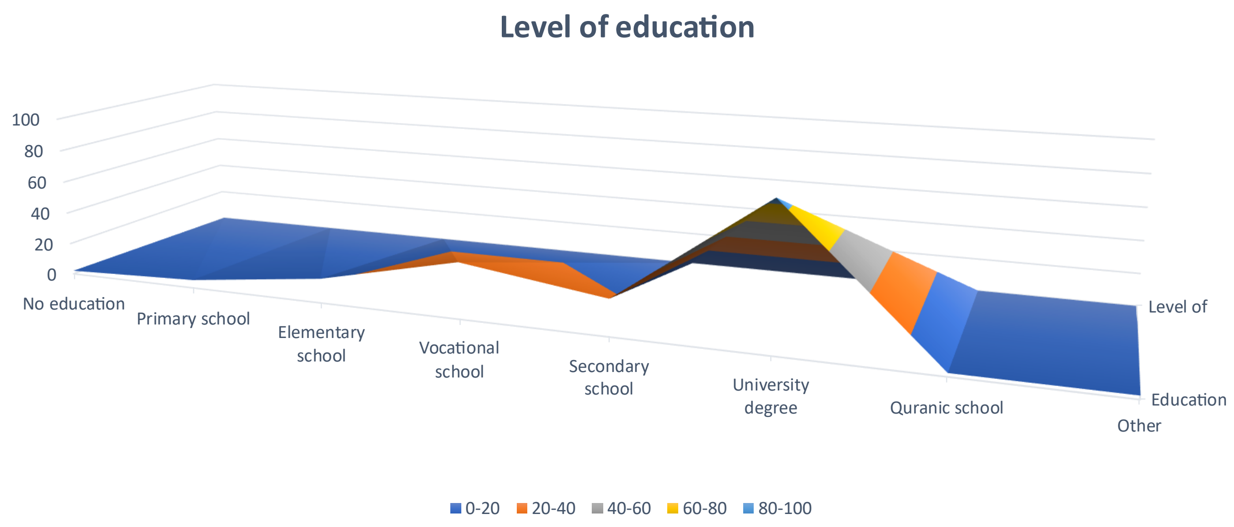

Figure 2. Level of education of respondents

Source: Author’s elaboration.

The distribution of current occupations reflects the varied employment status of the respondents. Most respondents (72) identified themselves as employees, indicating that they are actively engaged in the workforce. Students represent a sizable portion of the sample (30), suggesting a younger demographic or individuals pursuing further education. Other significant groups include job seekers (17) and businessmen (11), indicating a mix of individuals actively seeking employment and those engaged in entrepreneurial activities. A smaller number of respondents are retired (8) or on maternity/paternity leave (5), indicating different stages of life and employment status within the sample. There are also respondents on sick leave (2) and others with miscellaneous status (9), adding further diversity to the sample.

Analyzing respondents' education and current occupation provides perceptions of the demographic composition of the surveyed population and its potential implications for financial literacy and behaviours regarding Islamic banking. Understanding these demographics can inform targeted financial education initiatives and marketing strategies for Islamic banking services to effectively reach and engage with different segments of the population. Table 1 illustrates the sample background.

Table 1. Sample demograpghic background

Variable	Categories with count
Gender	Male (57), female (80), not answered (1)
Age	18-25y (15), 26-35y (41), 36-45y (58), 46-55y (16), 56-65y (7), more than 66y (1)
Origins	Native Finns (36), Russian republics (4), Middle East (15), Iraq (24), Syria (11), Somalia (14), Turkey (5), North Africa (23), Afghanistan (1), East Asia (1), Caucasus (1), Other (10)
Citizenship	Finnish citizens (104), others (34)
Time of residence in Finland	Lifelong resident (37), less than 1y (3), less than 2 y (1), 2-5y (9), 5-10y (40), 10-15 y (17), more than 15y (31)
Education	No education (2), primary school (5), elementary school (15), vocational school (34), secondary school (22), higher university degree (86), Quranic school (2), other (2)
Occupation	Businessmen (11), employee (72), student (30), job seeker (17), retired (8), maternity/paternity leave (5), sick leave (2), other (9)

According to the results, a remarkable 97% of respondents affirmed their affiliation with the Muslim faith when asked, "Are you Muslim?" (Figures 3, 4) This robust affirmation of religious identity was further echoed in responses to Question 25, where a substantial majority (92%) confirmed their awareness of *riba* (Figure 11), a significant concept within Islamic finance principles. Interestingly, a notable 78% of participants stated that they were born into the Muslim faith, highlighting a strong cultural and religious background among the respondents. This trend continued in their responses to Question 18, where 91% of respondents answered in the negative regarding their application for mortgages, indicating a potential reluctance or barrier to engaging with traditional banking products. Furthermore, most respondents (87%) answered negatively to Question 32, indicating a lack of engagement with Islamic banking services. These findings suggest a complex interplay of cultural, religious, and financial factors influencing respondents' attitudes and behaviours towards banking and financial services (Figure 5).

Figure 3. Religious identity

Source: Author’s elaboration.

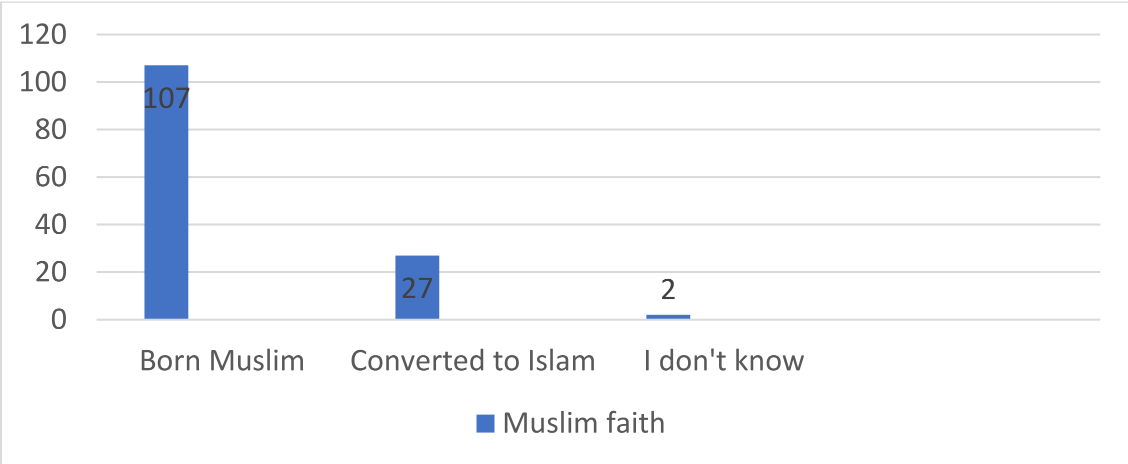

Figure 4. Composition of Muslims

Source: Author’s elaboration.

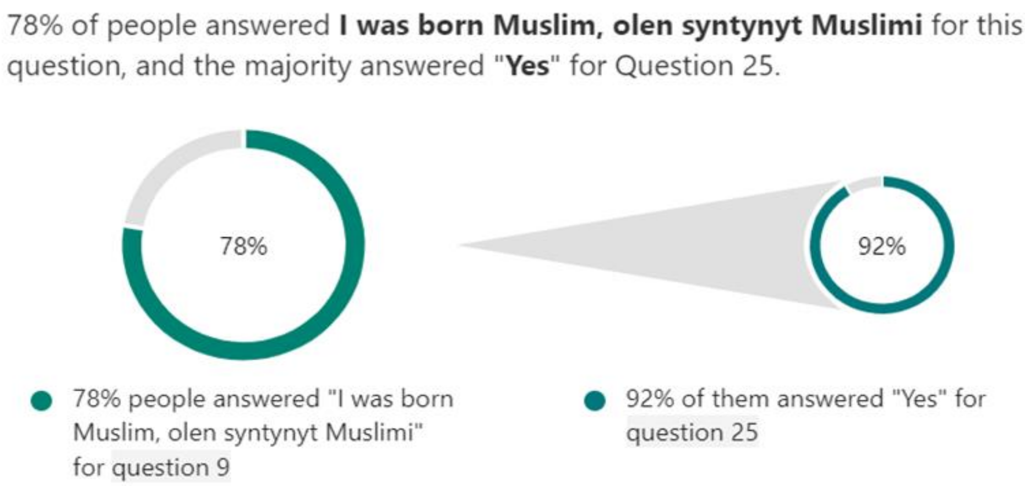

Figure 5. Level of awareness about *riba* among Muslim-born respondents.

Source: Author’s elaboration.

Questions 10, 11, 12, and 13 provide information on the respondents' household compositions, banking habits, housing situations, and property ownership, offering understandings of the diverse household compositions, widespread banking access, prevalence of renting, and varied property ownership structures among the respondents.

Question 10 queried respondents about the number of children in their household. The distribution of responses indicates that 40 respondents (29%) reported not having children living with them, while 21 (15%), 26 (19%), 29 (21%), 13 (10%), and 8 (6%) respondents reported having one, two, three, four, or five or more children, respectively (Figure 6).

Moving to question 11, which inquired about respondents' banking status, the findings reveal that a significant majority of respondents have at least one bank account. Specifically, 87 respondents (63%) reported having one bank account, while 49 respondents (36%) indicated having two or more bank accounts. Only 2 respondents (1%) reported not having a bank account (Figure 7).

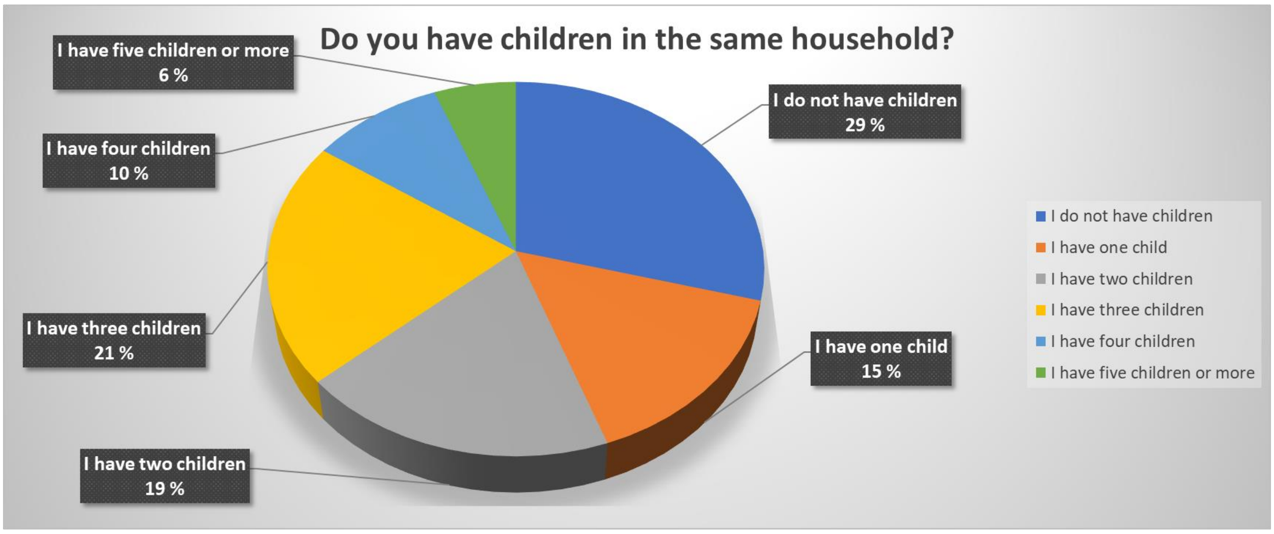

Figure 6. Composition of respondents’ household

Source: Author’s elaboration.

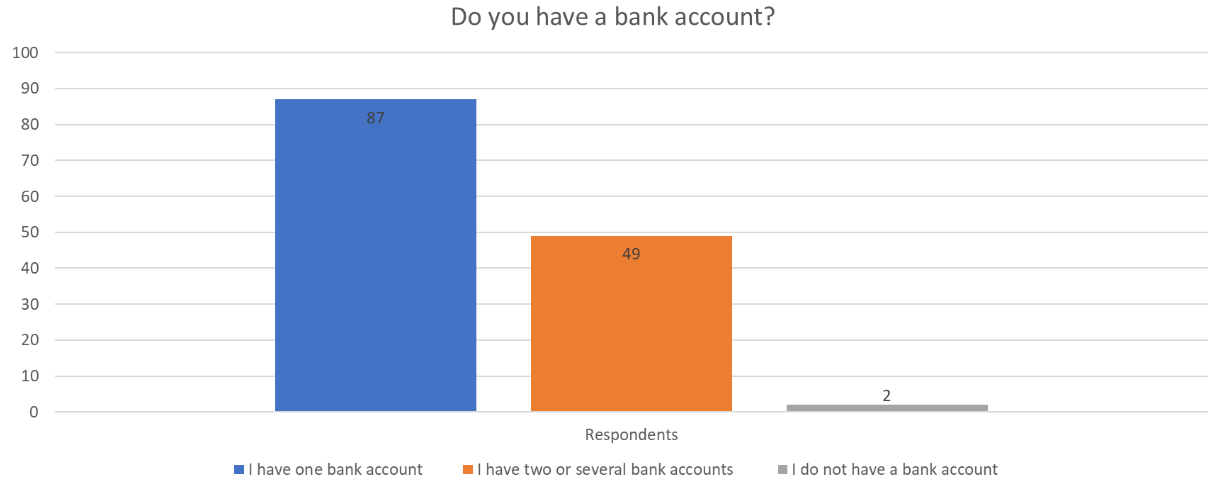

Figure 7. Bank account ownership among respondents

Source: Author's elaboration.

Question 12 explored respondents' housing situations in Finland. The responses indicate that most respondents live in rental houses, with 114 respondents (83%) residing in rental accommodations. Meanwhile, 11 respondents (8%) reported living in their own households, 8 respondents (6%) live in right of occupancy houses, and 5 respondents (4%) reported other forms of living arrangements, such as living with roommates or parents (Figure 8).

Question 13 focused on property ownership for those renting or living in right of occupancy houses. The distribution of responses reveals that rental properties are predominantly owned by private rental companies, with 58 respondents (42%) indicating this ownership structure. Additionally, 52 respondents (38%) reported rental properties belonging to the city, while 18 respondents (13%) reported properties owned by private individuals (Figure 9).

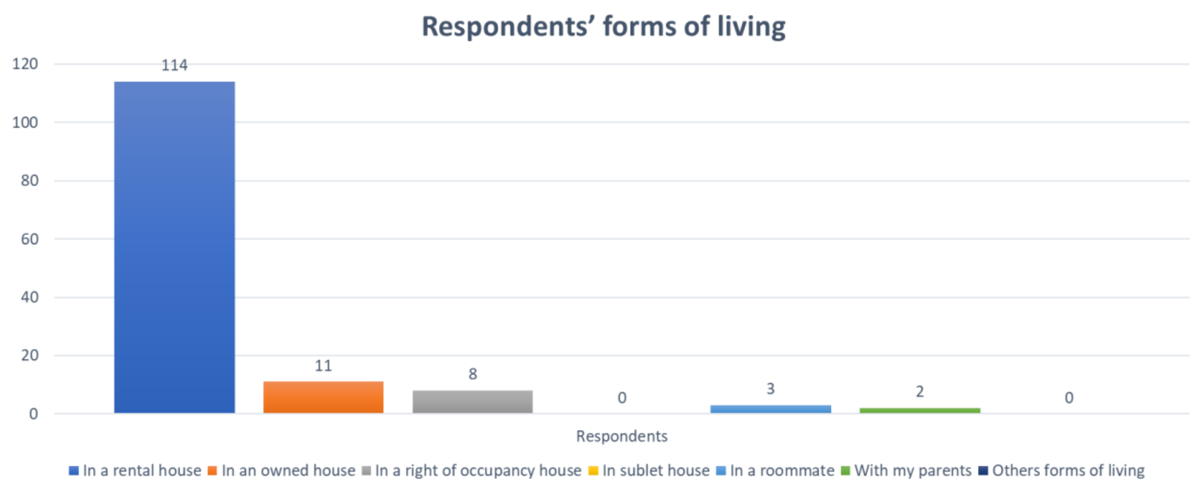

Figure 8. Composition of respondents' living forms in Finland

Source: Author's elaboration.

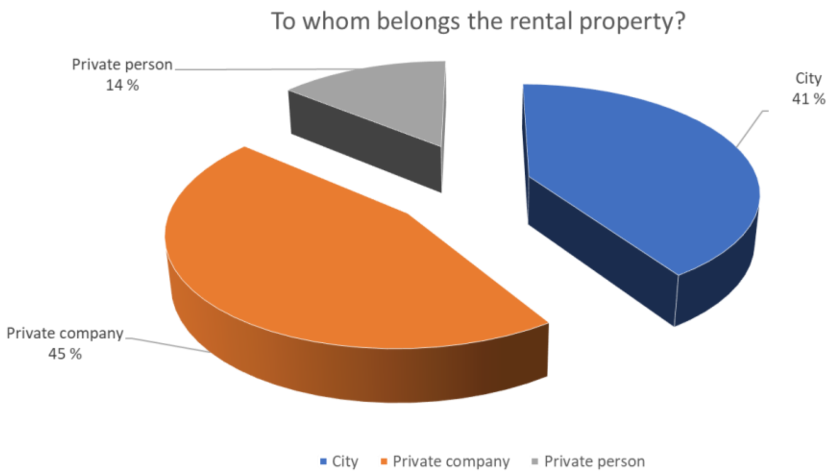

Figure 9. Composition of rental property's ownership

Source: Author's elaboration.

The fact that 83% of respondents reported living in rental houses in response to question 12, and 93% of them answered "No" to question 18, which inquired about whether they have applied for a mortgage, provides substantial implications related to the housing and financial situations of the respondents. The high percentage of respondents living in rental houses highlights the prevalence of renting as a housing option among the surveyed individuals. This indicates that a large portion of the respondents may not have ownership stakes in their residential properties, which could influence their financial circumstances and decision-making regarding financial products such as home equity loans. Thus, the vast majority of respondents (93%) answering "No" to question 18, shows a low level of engagement with mortgage-related activities among the respondents. This finding is consistent with the high proportion of respondents living in rental houses, as renting typically does not involve mortgage transactions (Figure 10).

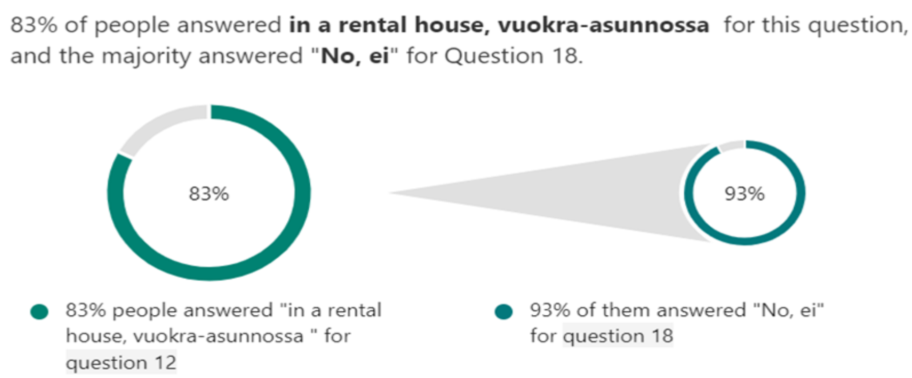

Figure 10. The level of engagement with mortgage-related activities among respondents living in rental houses

Source: Author's elaboration.

In addition to the insights provided, it is noteworthy that 90% of respondents answered "Yes" to question 25, indicating their awareness of *riba*. This high percentage underscores a widespread understanding of the concept of *riba* among the surveyed individuals, which is significant within the context of Islamic finance principles (Figure 11).

Furthermore, 90% of respondents answered "No" to question 32, which asked whether they have used Islamic bank services. This reveals a significant lack of engagement with Islamic banking products among the surveyed individuals. This finding suggests that while respondents are aware of *riba* and its implications in Islamic finance, there is limited adoption or utilization of Islamic banking services among them.

These additional perceptions highlight a widespread understanding of Islamic finance principles, particularly regarding *riba*, among respondents. However, it also underscores a low level of engagement with Islamic banking products, indicating potential opportunities for education and promotion within the Islamic finance sector to increase adoption and utilization of Islamic banking services among individuals in the surveyed population.

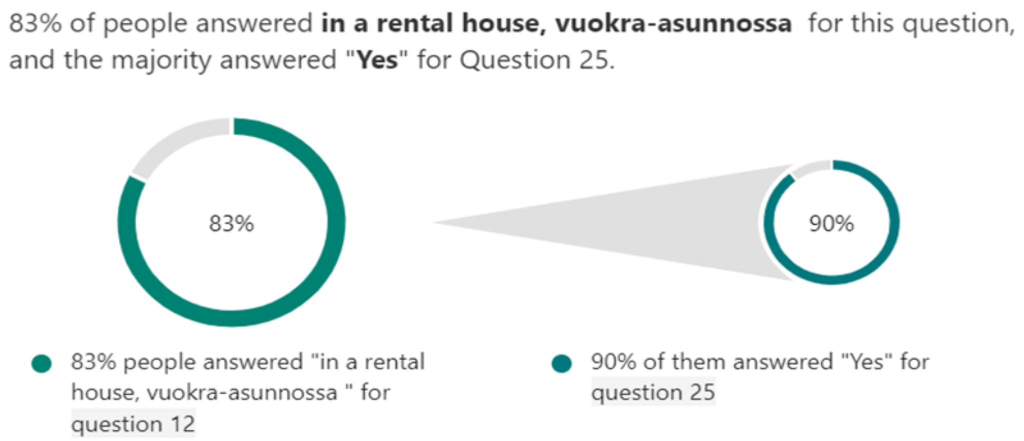

Figure 11. The level of awareness of *riba* among respondents living in rental houses

Source: Author’s elaboration.

Questions 14 and 15 discuss the respondents' savings habits and investment behaviours. In question 14, respondents were asked whether they have savings. The results show that most respondents, 76 individuals (55%), answered "No", indicating that they do not have savings. On the other hand, 62 respondents (45%) answered "Yes", indicating that they do have savings. This distribution suggests a relatively balanced split among respondents regarding their savings habits. Moving to question 15, which asked about respondents' investment of saved money, the findings reveal that the majority of respondents, 95 individuals (69%), answered "No", indicating that they do not invest their saved money. Among those who do invest, 23 respondents (17%) stated that they invest it in projects, while smaller proportions reported various other forms of investment: 1 respondent (1%) receives interest from the bank, 16 respondents (12%) do not receive any interest from the bank, and 15 respondents (11%) do not even keep their savings in the bank.

In general, these calculations suggest that while a significant portion of respondents have savings, a majority do not invest their saved money (Figure 12, 13). This shows a potential opportunity for financial education and awareness campaigns to encourage individuals to consider investment options for their savings. As well, the answers indicate a preference for alternative investment avenues, such as investing in projects, among those who do choose to invest their saved money, rather than traditional banking products that offer interest.

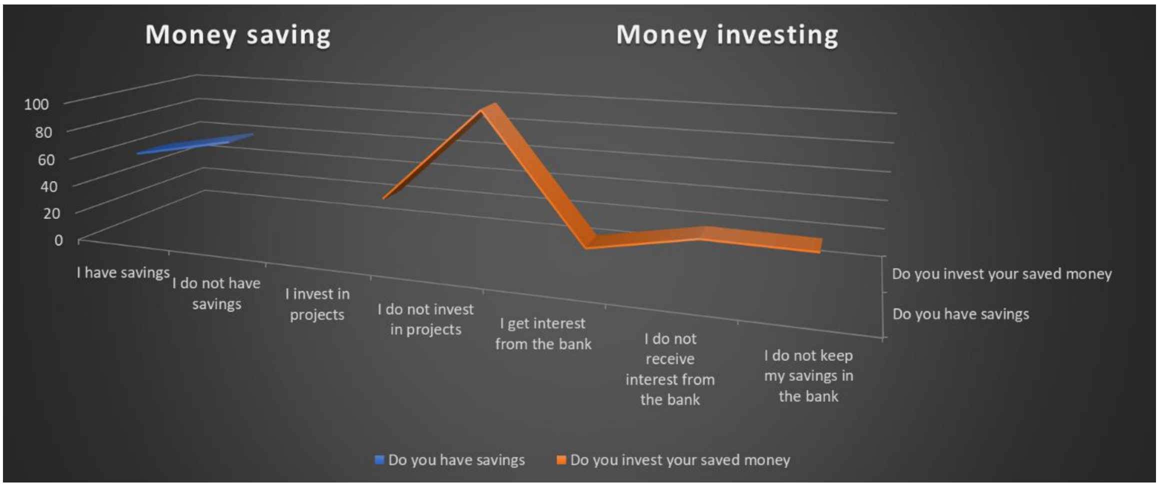

Figure 12. Money saving and investment practices

Source: Author's elaboration.

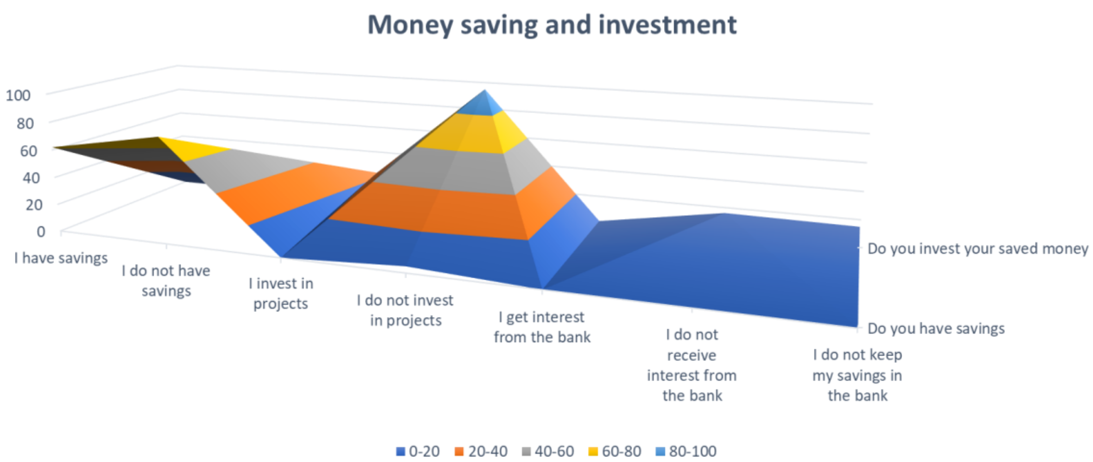

Figure 13. Saving habits and investment behaviours

Source: Author's elaboration.

Questions 16 and 17 focus on respondents' homeownership status and their considerations regarding owning a house in Finland. In question 16, respondents were asked whether they own a house in Finland. The results show that most respondents, 122 individuals (88%), answered "No", indicating that they do not own a house in Finland. In contrast, only 10 respondents (7%) answered "Yes", indicating that they do own a house. Additionally, 6 respondents (4%) stated that they owned a house previously but no longer do.

Question 17, inquired about respondents' thoughts on owning a house in Finland, the findings show that most respondents, 71 individuals (51%), answered "Yes", indicating that they have considered owning a house in Finland. Among those who have considered homeownership, 24 respondents (17%) answered "Sometimes", 3 respondents (2%) answered "Often", and 6 respondents (4%) answered "Very often". Only 1 respondent (1%) answered "Never", indicating that they have never considered owning a house in Finland. These results suggest that while most respondents do not currently own a house in Finland, a significant proportion have considered homeownership. This indicates a potential interest among respondents in pursuing homeownership in the future. The various response options in question 17 provide additional granularity regarding the frequency and extent of respondents' considerations regarding homeownership, offering significant awareness of their housing aspirations and preferences.

Question 18 investigates respondents' past experiences with applying for mortgages to understand their engagement with housing financing options. The results reveal that most respondents, 121 individuals (88%), indicated that they have not applied for a mortgage previously. In contrast, only 17 respondents (12%) indicated that they have indeed applied for a mortgage at some point in the past. This disparity in responses suggests a limited level of involvement with mortgage applications among the surveyed individuals. The overwhelming majority have not pursued mortgage financing for housing purposes, which may reflect various factors such as financial circumstances, housing preferences, or access to alternative forms of housing arrangements (Figure 14).

The relatively low number of respondents who have applied for loans highlights potential challenges or barriers in accessing mortgage financing, indicating a need for further examination of the factors influencing individuals' decisions regarding homeownership and mortgage acquisition. Understanding these factors can inform strategies to enhance accessibility to housing finance options and address the needs of individuals seeking to acquire homes in Finland.

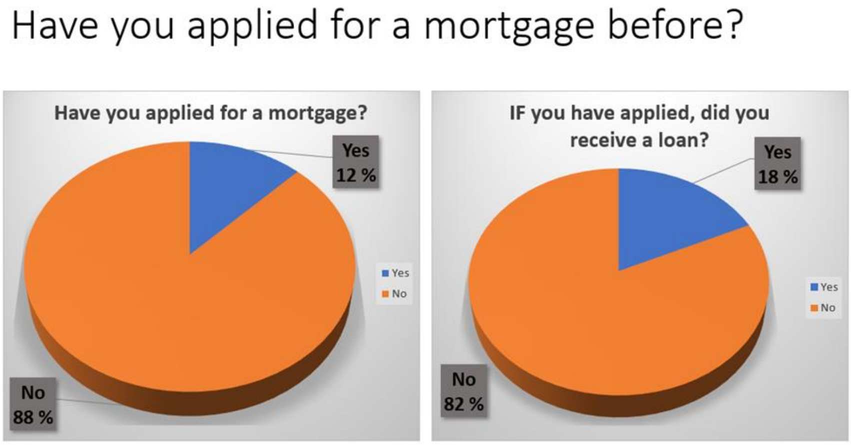

Figure 14. Home ownership

Source: Author's elaboration.

The study aimed to examine the reasons given by respondents for not owning a house in Finland. The responses indicate a variety of factors influencing individuals' decisions regarding homeownership. The most cited reason for not owning a house is the high cost of real estate, with 52 respondents mentioning this factor. This suggests that affordability is a significant barrier for many individuals in Finland. A substantial portion of respondents (19) noted the difficulty in obtaining a loan as a reason for not owning a house. This barrier could be due to strict lending criteria or financial constraints faced by potential buyers. Several respondents mentioned financial concerns such as bad salary (25) and high interest rates (21) as reasons for not owning a house. These factors highlight the importance of financial stability and favorable lending conditions in facilitating homeownership.

Interestingly, a significant number of respondents (74) cited religious reasons, specifically the prohibition of interest in Islam, as a barrier to homeownership. This suggests that cultural and religious beliefs play a significant role in shaping attitudes towards homeownership. A smaller portion of respondents (13) indicated that renting is a preferable option compared to owning a house. This suggests that some individuals may prioritize flexibility and convenience over the long-term commitment of homeownership. A minority of respondents mentioned other reasons such as uncertainty (11), discrimination (5), and a general unwillingness to take out a loan (30) as reasons for not owning a house (Figure 15).

The results of question 20 highlight a range of economic, cultural, and personal factors influencing individuals' decisions regarding homeownership in Finland. These factors include

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affordability, access to credit, financial stability, religious and cultural beliefs, and personal preferences regarding housing arrangements. Understanding these reasons can inform policies and initiatives aimed at promoting homeownership and addressing barriers to housing access in Finland.

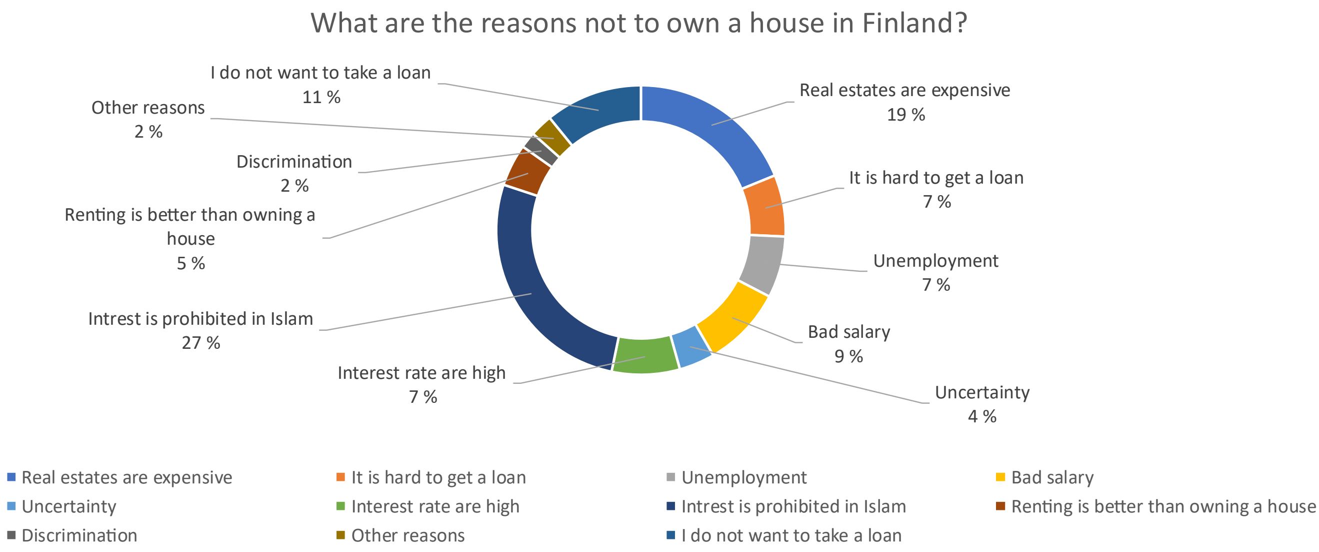

Figure 15. Reasons not to own a house in Finland

Source: Author’s elaboration.

More questions were asked to better understand participants’ financial habits and preferences regarding borrowing and repayment. Questions 21 and 22 were related to loan applications for the purchase of vehicles or other equipment and the payment of interest on such loans.

Out of the total respondents, 34 individuals (25%) indicated that they have applied for a loan to purchase a car or other equipment. On the other hand, the majority of respondents, 104 individuals (75%), reported that they have not applied for such loans. Regarding payment of interest on loan, 38 individuals (28% of respondents) reported paying interest when repaying the loan. Conversely, 100 individuals (72% of respondents), stated that they did not pay interest when repaying the loan.

Questions 25 and 26 examine respondents' awareness and perceptions of *riba* based on the provided data, out of 138 respondents, the majority (124) indicated that they have heard about *riba*, while a smaller number (11) stated they have not, and a few (3) were unsure. A minority of respondents expressed positive or neutral views towards *riba*, with 5 considering it good, 8 normal, and 6 acceptable. Most respondents held negative perceptions of *riba*, 48 respondents described it as unfair and unjust, 27 considered it immoral, 36 associated it with usury (charging excessive interest), 62 described it as evil, 15 respondents stated that they did not know what *riba* is, indicating a lack of understanding or familiarity with the concept.

Questions 27 and 28 examine respondents' perceptions on the direct relation between interest on loan and *riba*. For question 27, 81 respondents consider that interest and *riba* mean the same thing, while only 9 respondents consider that interest is not *riba*. 20 considered that interest is a new form of *riba*, 2 respondents consider that interest is allowed, while 26 respondents did not know whether to associate interest on loan with *riba* or not. Question 28 examines whether respondents consider that interest is *riba* and therefore should be prohibited. 97 respondents consider that interest is *riba* and prohibited, 14 respondents did not consider it as such, 16 respondents consider that interest may be *riba*, and 11 did not know whether it is *riba* or not (Figure 16).

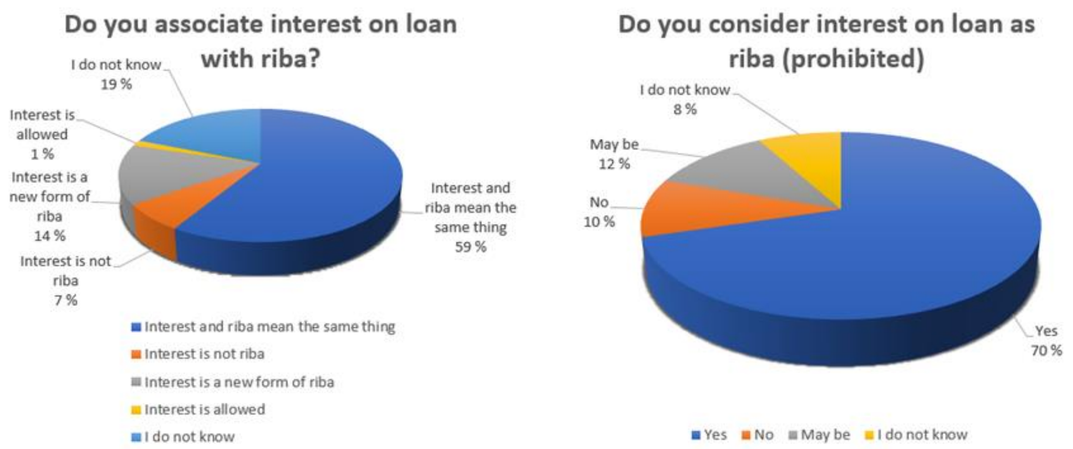

Figure 16. Respondent's perceptions about *riba* (Questions 27-28).

Source: Author's elaboration.

The significant disparity in responses between questions 32 and 35 reveals an intriguing trend among the respondents regarding their knowledge and usage of Islamic banks. Among the respondents, 58% indicated uncertainty or lack of knowledge when asked whether Islamic banks are ethical (question 35), while a substantial 92% of them responded negatively to the question of whether they have used Islamic banks' services (question 32). This discrepancy suggests a nuanced relationship between knowledge, perception, and behaviour concerning Islamic banking.

Furthermore, the analysis reveals a notable correlation between respondents' perception of the ethicality of Islamic banks and their past financial behaviour regarding mortgage applications from conventional banks. While 24% view Islamic banks as ethical, a majority (94%) have not applied for a mortgage from conventional banks before. This suggests a potential alignment between ethical beliefs and financial behaviour, highlighting a preference for alternatives to conventional banking practices among some respondents within the context of IBF in Finland.

The answers to questions 36 and 37 reveal a positive inclination among respondents towards the establishment of Islamic banks in Finland, with a majority expressing interest in accessing Islamic banking services and considering taking loans from Islamic banks if available. These findings highlight potential demand for Islamic banking products and services within the Finnish market, underscoring opportunities for the growth and development of Islamic finance in Finland.

In question 38, most respondents (92) express their willingness to become customers of an Islamic bank if such institutions were available in Finland. This indicates a significant level of interest and demand among respondents for Islamic banking services, highlighting a potential market opportunity for Islamic banks in Finland. A small number of respondents (9) definitively state that they would not become customers of an Islamic bank, while a moderate number (29) respond with "may be," suggesting some level of uncertainty or conditional interest. Additionally, a minority of respondents (8) indicate that they do not know if they would become customers of an Islamic bank, reflecting some level of ambiguity or lack of information among respondents.

In question 39, respondents are asked about their willingness to become customers of a conventional bank if it opens an Islamic window in Finland, offering Islamic financial products. The findings show that a majority of respondents (77) would consider becoming customers of a conventional bank offering Islamic financial products through an Islamic window. This suggests a significant level of interest among respondents in accessing Islamic financial products through established conventional banking channels. A smaller number of respondents (12) definitively state that they would not become customers, while a moderate number (34) respond with "may be," indicating some level of uncertainty or conditional interest. Additionally, a minority of respondents (15) indicate that they do not know if they would become customers, highlighting a level of uncertainty or lack of information regarding this scenario.

The responses regarding the desire to add something about Islamic banking vary widely. Some respondents express a preference for Islamic banking options due to religious considerations, while others mention challenges related to high rents and limited access to information on Islamic banking in Finland. Several respondents advocate for the establishment of Islamic banks in Finland to provide alternatives without interest (r*iba*), potentially supporting the employment of foreign communities and enriching cultural diversity. Concerns are also raised about the potential adaptation of Islamic banks to conventional banking practices and the need for trust in new financial institutions. The responses reflect diverse perspectives on the topic, highlighting both the demand for Islamic banking options and the complexities involved in their implementation.

DISCUSSION

The primary purpose of this study was to explore various aspects related to IBF in Finland, including the awareness, perceptions, and experiences of individuals within the Muslim community, regarding their financial practices. Through the questionnaire administered to 138 respondents from October 1, 2022, to December 31, 2024, this research tried to contribute to the existing literature on Islamic finance in Europe and assess market opportunities for IBF in Finland.

The distribution of education and current occupation provides context for understanding the respondents' potential exposure to financial concepts and their likelihood of engaging with Islamic banking services. Respondents with higher education levels, such as university graduates, may have a greater understanding of financial principles, including Islamic finance, compared to those with lower education levels. Individuals in professional occupations, such as businessmen and employees, may have more financial resources and access to information about Islamic banking compared to those in non-professional or unemployed roles.

The presence of students in the sample indicates a segment that may be receptive to learning about IBF and incorporating it into their financial practices as they transition into the workforce. The diverse range of occupations, including retirees and individuals on leave, suggests that factors beyond education, such as life stage and employment status, may also influence respondents' financial behaviours and attitudes towards IBF.

The study's main contributions lie in highlighting the level of awareness and utilization of Islamic banking services among the Finnish Muslim population. The findings indicate that while a significant portion of respondents were aware of Islamic banking principles, a notable proportion had not utilized Islamic banking services. This suggests a potential gap between awareness and adoption that could be further explored.

The results revealed that most respondents identified themselves as Muslim and expressed familiarity with the concept of *riba*. However, there was a substantial proportion of respondents who were uncertain about whether Islamic banks are truly Islamic and ethical, emphasizing a need for further clarification and education on Islamic finance principles.

The analysis of the respondent demographics reveals a varied and nuanced opinion on interest and engagement with IBF in Finland. The findings highlight the importance of considering gender, age, origin, and citizenship factors when studying the dynamics of IBF within a multicultural society like Finland. Further research could delve deeper into understanding the specific financial needs, preferences, and challenges faced by different demographic groups within the context of IBF in Europe. Additionally, exploring the reasons behind the varying levels of interest and engagement among different demographic groups could be useful for the development and promotion of Islamic financial products and services in the European market.

The distribution of responses regarding the length of time lived in Finland provides understandings of the diverse backgrounds and experiences of the respondents in relation to IBF. It highlights the importance of considering the varying levels of familiarity and exposure to the Finnish financial system among individuals with different lengths of residence when analyzing their perspectives and behaviours related to IBF in Finland. The findings suggest that a significant portion of the surveyed individuals rely on rental accommodations and may not actively seek mortgage financing for homeownership. This information is valuable for understanding the housing preferences and financial behaviours of the respondents, offering visions that can inform strategies for IsFIs and policymakers in addressing the needs of individuals in the Finnish financial market.

The findings indicate diverse financial behaviours among respondents regarding loan applications and interest payment. The data suggests that a significant portion of respondents have not applied for loans to purchase real estates, vehicles, or other equipment. This could indicate several possibilities, such as the high cost of real estates, or the difficulty in obtaining loans, cultural and religious beliefs, financial factors, or simply preference for renting, or not needing loans for such purchases. Among those who did apply for loans, a notable percentage (28%) reported paying interest when repaying the loan. This indicates that while a portion of loan applicants opted for interest-bearing loans, a significant number either secured loans without interest or paid off their loans early to avoid accruing interest. Moreover, the negative perceptions of *riba* in questions 25-26 may reflect broader societal attitudes towards practices related to lending, interest, and financial ethics.

The results show that most respondents have heard about *riba*, indicating a level of awareness within the surveyed group. However, perceptions of *riba* are predominantly negative, with associations of unfairness, immorality, usury, and evil being commonly cited.

Despite a majority expressing uncertainty about the ethicality of Islamic banks, a vast majority claimed not to have utilized their services. This may indicate a disconnect between respondents' perceptions and actual engagement with Islamic banks. The findings prompt further exploration into the factors influencing individuals' perceptions and behaviours regarding Islamic banking, including cultural, religious, and informational influences (Minhas, 2022). Understanding these dynamics is crucial for identifying barriers to the adoption of Islamic banking services and for effectively promoting awareness and understanding of Islamic financial principles among the population.

Questions 38 and 39 provide valuable perceptions about respondents' willingness to engage with Islamic banking services in Finland and their preferences regarding conventional banks offering Islamic financial products. Both questions underscore the respondents' interest in accessing Islamic financial products and services in Finland, whether through dedicated Islamic banks or conventional banks offering Islamic windows. The findings suggest a potential market opportunity for both Islamic banks and conventional banks to cater to the needs and preferences of individuals interested in Islamic finance in Finland.

The findings reveal a complex landscape of perceptions, knowledge, and behaviours among the respondents. Several key conclusions can be drawn from these results. First, there is a broad range of perceptions among respondents regarding Islamic banking, with varying levels of certainty and agreement on its Islamic, ethical, and practical dimensions. Second, a significant part of respondents expresses uncertainty or lack of knowledge about Islamic banking, indicating a need for increased awareness and education about Islamic financial principles and practices.

Moreover, despite the uncertainty, only a small number of respondents exhibit skepticism or reluctance to engage with Islamic banking services. Also, the low percentage of respondents who report having used such services may be due to the lack of access to Islamic banking services. Likewise, cultural background, religious beliefs, and access to information play major roles in shaping respondents' perceptions and behaviours regarding Islamic banking.

Conclusively, the findings highlight opportunities for educational initiatives and awareness campaigns aimed at enhancing understanding and promoting the adoption of Islamic banking services among diverse communities in Finland. Overall, the survey results underscore the need for further research to delve deeper into the factors influencing perceptions and behaviours related to Islamic banking in Finland, including exploring the role of cultural, religious, and informational factors.

In relating the findings to existing literature, the study aligns with previous research indicating a growing interest in Islamic finance globally and the challenges associated with its implementation in non-Muslim majority countries (Aqib Ali, 2023; Sain et al., 2016). The results also echo findings from other studies regarding the need for increased awareness and understanding of Islamic banking principles among both Muslims and non-Muslims (Akbar et al., 2012; Kaakeh et al., 2018; Muslichah & Sanusi, 2019; Naser et al., 2013; Shome et al., 2018). Possible explanations for unexpected or non-significant findings could include factors such as cultural perceptions, lack of access to Islamic banking services, or limited availability of information about Islamic finance options in Finland. On the institutional level, the study highlights the importance of financial institutions and policymakers in promoting awareness and facilitating access to Islamic banking services to provide services for diverse communities within the country.

Going back to the question whether IsFIs bring a plus on a socioeconomic level to Finland, the findings show and confirm previous findings stating that it is necessary to provide such services. (Agustin et al., 2023) On the legal level, it is possible to establish Islamic banks in Finland, if IsFIs comply with the legal provisions and regulations governing banking and financial operations in Finland, including any specific laws or guidelines that facilitate or regulate the establishment and operation of Islamic banks or Islamic banking windows within conventional banks. Islamic financial institutions must ensure adherence to established legal frameworks and regulations. At the same time, they must offer Sharia-compliant financial products and services. This has legal implications of Islamic finance principles on the products and services, such as the prohibition of *riba*, within the Finnish legal system, and how these principles align with or diverge from conventional banking practices and regulations. Islamic banks and financial institutions can also face legal challenges or barriers when operating within the Finnish legal framework, involving issues related to regulatory compliance, taxation, consumer protection, and contractual arrangements.

As legislation and legal frameworks play a major role in promoting or hindering the growth and development of IBF in Finland, potential legislative reforms or policy measures can be necessary to support the development of Islamic financial activities in Finland.

The study has certain limitations that should be acknowledged. These include the relatively small sample size and the potential for respondent bias in self-reported data. Additionally, the study's focus on a specific geographical context may limit its generalizability to other regions or countries with different socio-economic characteristics and regulatory environments.

In terms of future research directions, there is a need for longitudinal studies to track changes in awareness and utilization of Islamic banking services over time. Furthermore, qualitative research methods could provide deeper understandings of the factors influencing individuals' perceptions and decision-making regarding IBF in Finland. Additionally, comparative studies across different countries or regions could offer valuable insights into the contextual factors shaping the adoption of Islamic banking practices.

CONCLUSION

The main findings confirm that even if a significant proportion of respondents expressed uncertainty or lack of knowledge about Islamic banking, most respondents express their willingness to become customers of an Islamic bank if such institutions were available in Finland. The study concludes that despite the limited knowledge about IBF among the Muslim community in the country, there is a readiness to become customers if Islamic banks were to open in Finland. This desire for access to Islamic banking services highlights a crucial opportunity for financial institutions to address the needs of this underserved demographic.

For future research, it is important to conduct longitudinal studies to track changes in awareness and utilization of IBF services over time. Also, qualitative research methods could offer deeper understandings of the factors shaping individuals' perceptions and decision-making regarding the implementation of Islamic financial institutions in Finland. Additionally, comparative studies across different EU countries or regions could offer valuable contributions into the contextual elements shaping the adoption of IBF in Europe.

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