UNIVERSITY OF TOKYO
GRADUATE SCHOOL OF PUBLIC POLICY (GraSPP)

FROM PRINCIPLES TO PRACTICE
A Policy Roadmap Beyond Ideological Resistance in France's Adoption of Islamic finance

Master Thesis

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A thesis submitted in partial fulfillment of the requirements for the award of the Master of Public Policy of the University of Tokyo

JUNE 2025

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to Prof. Toshiro Nishizawa (College of Design Planning and Coordination Office, formerly Graduate School of Public Policy, University of Tokyo), my thesis supervisor, for his generous guidance and support. He kindly agreed to supervise this project despite its divergence from his primary field of research, and his thoughtful, rigorous perspective offered a valuable external lens that profoundly enriched my approach.

I am equally thankful to Prof. Bo Tiojanco (Graduate School of Law and Politics, University of Tokyo), whose teaching consistently challenged me to interrogate the purpose behind my writing and to explore the intersections between law, politics, and economics. His intellectual encouragement has been a steady source of inspiration throughout this journey.

I am especially indebted to Dr. Roberto Roccu (Department of European and International Studies, King's College London), who first introduced me to Islamic finance and sparked my curiosity about the political economies of the Middle East and North Africa—particularly in relation to their integration with Europe.

I would also like to thank Prof. Yu Sasaki (Graduate School of Economics, University of Tokyo), who recommended *The Emancipation of Europe's Muslims* by Jonathan Laurence to me. This work deeply informed the theoretical foundation of this research.

I am grateful as well to the Graduate School of Public Policy for providing the institutional support and academic environment that made this research possible.

Finally, I owe heartfelt thanks to my family and friends for their unwavering support, patience, and understanding throughout this process. And to think—it all began with a spontaneous conversation during a weekend road trip.

Abstract

This thesis examines the paradox of Islamic finance in France, a model legally compatible with French civil law and economically promising, yet persistently marginalised within domestic institutions. The 2008 global financial crisis briefly positioned Shari'ah-compliant finance as a resilient and ethical alternative, prompting political interest and legal reforms; yet, this momentum failed to produce a lasting domestic industry. Through legal analysis, stakeholder interviews, and comparative policy review, the study argues that France's stalled progress stems not from technical barriers, but from ideological resistance rooted in rigid interpretations of laïcité*, postcolonial legacies, and institutional unease with Islamic visibility in public policy. A comparison with the United Kingdom, where inclusive reforms have successfully mainstreamed Islamic finance, shows that outcomes are shaped more by political culture than by economic logic. Despite regulatory openings, such as the* fiducie *(trust framework), France confines Islamic finance to symbolic or foreign-facing roles. Adopting a postcolonial political economy lens, the thesis reframes Islamic finance as a tool for ethical innovation and inclusive growth. It proposes ideologically neutral reforms, including regulatory harmonisation, rebranding under* finance éthique*, and integration into France's development diplomacy. Ultimately, Islamic finance serves as a litmus test for the adaptability of republican universalism in an increasingly pluralist society.*

EXECUTIVE SUMMARY

This thesis examines **why Islamic finance, despite early optimism and favourable demographic conditions, failed to gain meaningful traction in France.**

The 2008 global financial crisis marked a profound rupture in the perceived stability of conventional finance, exposing the systemic risks posed by speculative trading, excessive leverage, opaque instruments, and regulatory complacency. In this climate of uncertainty, Western economies, including France, saw Islamic finance as both a reputational opportunity and a source of resilient capital, particularly from Gulf states that were less affected by the crisis. Yet in France, this initial momentum failed to translate into structural reform in the subsequent years.

This thesis contends that the marginalisation of Islamic finance in France cannot be explained by legal or technical incompatibilities but by deeper institutional reluctance rooted in political resistance, rigid interpretations of *laïcité* (French principle of secularism), and enduring postcolonial anxieties. While much of the existing literature centres on technical, doctrinal, or comparative legal dimensions, it has largely neglected the influence of institutional culture and ideological framing on policy outcomes. Hence, this thesis fills a critical gap by applying postcolonial political economy and institutional theory to unpack France's exceptional resistance. Instead of treating Islamic finance as a purely religious alternative, it considers it as a hybrid model that integrates ethical principles within conventional financial practices.

Empirically, the study employs a qualitative case study methodology, combining policy analysis, legal review, stakeholder interviews, and regulatory mapping. Data are drawn from French legal texts, policy documents, and semi-structured interviews with financial practitioners, regulators, and academics. The findings reveal a paradoxical landscape: a fragmented and cautious domestic supply side coexists with robust and growing demand, not only from observant Muslim consumers seeking Shari'ah-compliant products but also from younger, ethically minded non-Muslims interested in values-driven alternatives.

Despite its compatibility with French civil law and enabling reforms such as the 2010 fiscal guidelines and the *fiducie* (trust framework), Islamic finance remains institutionally sidelined. France has largely externalised Islamic finance to regions where it is mainstream—particularly the Gulf, Middle East and North Africa (MENA), and Southeast Asia—through the activities of banks like BNP Paribas and Crédit Agricole while avoiding equivalent offerings at home. This strategic externalisation prioritises geopolitical and financial gains abroad over inclusive policy reform at home, leaving domestic development to a handful of private actors operating without institutional support.

Against this backdrop, London provides a compelling counterpoint. Since the early 2000s, the United Kingdom (UK) has integrated Islamic finance into its mainstream financial system through tax-neutral policies, sovereign *sukuk*, and inclusive branding, demonstrating that secular governance and Shariah compliance are not inherently at odds. By 2023, London had attracted over US$7.3 billion in Islamic finance assets, facilitated more than US$50 billion in *sukuk* issuances, and cultivated a client base of which roughly 30% were non-Muslims. France, by comparison, risks compounding financial exclusion, forfeiting access to ethical capital, and ceding ground to more agile global hubs.

By contrast, targeted and ideologically neutral reforms could unlock substantial opportunities. Key measures include eliminating double taxation on *musharakah* (profit-sharing) contracts, creating a national task force to harmonise regulatory treatment, and rebranding Islamic finance under the broader umbrella of *finance éthique* (ethical finance). France should also explore the integration of Islamic finance into its economic diplomacy strategy. Instruments such as green *sukuk* offer geopolitical utility, aligning closely with both sustainable development goals and France's own climate finance commitments. Collectively, these steps could activate a €10–15 billion domestic market, attract Gulf sovereign wealth funds, catalyse fintech innovation and position Paris as a leader in inclusive, values-based financial governance on the global stage.

Spanning from 2008 to 2025, this thesis maps the rise and stagnation of France's engagement with Islamic finance. While the findings are specific to the French context, they offer broader insights into how ideological frameworks and institutional legacies shape the implementation of financial pluralism. Islamic finance is not a religious concession but a litmus test for France's ability to reconcile republican universalism with the pluralist realities of a postcolonial society.

This reframing also challenges common objections. Fears that Islamic finance fosters communalism or undermines secular neutrality misread its hybrid and pragmatic nature. Rather than institutionalising religious differences, these reforms would expand consumer choice within a unified legal framework and embed transparency, accountability and ethical standards at the core of financial practice. They do not call for the creation of parallel legal structures, but for the inclusion of Islamic finance within existing republican institutions, under the same regulatory principles that govern all financial actors. In doing so, France would not compromise its secular model but demonstrate its capacity to adapt universal principles to the lived realities of a pluralist society.

Ultimately, France faces not just a regulatory challenge, but a symbolic one: whether to uphold an exclusionary reading of secularism or to embrace Islamic finance as a pathway to inclusive growth and global legitimacy

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I. INTRODUCTION

Islamic finance refers to the management of financial activities in accordance with Islamic ethical and legal principles.[1] From its early conceptual foundations in Islamic law to its institutional resurgence in the 1970s, it has developed as a hybrid system shaped by the interplay of scriptural ethics, economic pragmatism and geopolitical strategy.[2] Core prohibitions against interest (*riba*), excessive uncertainty (*gharar*), and speculation (*maysir)* are paired with modern financial instruments that prioritise risk-sharing, asset-backing and socially responsible investment.[3]

In recent decades, the repeated failures and crises within conventional finance have highlighted the need to include alternative models. Against this backdrop, Islamic finance has expanded globally, rooted in religious ethics yet adaptable to contemporary financial demands, and gained considerable attraction among policymakers in both Muslim-majority and secular countries. However, the reception and development of Islamic finance have varied widely across national contexts.[4]

In France, serious policy interest in Islamic finance emerged only after the 2008 global financial crisis.[5] Framed as a tool for financial diversification and a potential source of Gulf-based investment, it briefly captured the attention of key policymakers—most notably Christine Lagarde, then the Minister of Finance, who described the industry as "prometteuse mais sous-utilisée" ["promising yet underutilised"].[6] However, over two decades later, France has made little structural progress. Despite strong trade links with Muslim-majority neighbours (e.g. Morocco, Algeria, Tunisia) and growing demand from ethically conscious consumers of all backgrounds, no meaningful domestic industry has materialised beyond modest regulatory adjustments.[7]

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[1] Law, Jonathan, and John Smullen, eds. *A Dictionary of Finance and Banking*. (New York: Oxford University Press, 2014).

[2] The detailed implications and applications of these foundational principles will be examined in later sections of this study rather than in the introduction. For readers interested in the emergence of Islamic finance, particularly its formalization in the Gulf, Baig et al. (2024), De Luxembourg (2016) and Islahi (2018) provide comprehensive historical overviews in their work.

Baig, Omar Rehan, Aishath Muneeza, M. Kabir Hassan, and Paolo Biancone. "The State of Islamic Finance in Europe." In *Islamic Finance in Eurasia*, edited by M. Kabir Hassan, Paolo Biancone, and Aishath Muneeza. (Cheltenham: Edward Elgar Publishing, 2024).

De Luxembourg, Marie-Liesse. "La finance islamique en France : que valent ces paroles ?" [Islamic finance in France: What are these words worth?] *Archives de Sciences Sociales des Religions* 175 (2016): 159–180. Abdul Azim Islahi, "History of Islamic Banking and Finance," *Intellectual Discourse* 26 (2018): 403–429.

[3] See ***Appendix A*** for a glossary of key terms used in this paper.

[4] Domat, Chloe. "Islamic Finance: Just for Muslim-Majority Nations?" *Global Finance Magazine*, January 1, 2024. https://gfmag.com/banking/islamic-finance-just-muslim-majority-nations/.

[5] Jouini, Elyès, and Olivier Pastré. "Enjeux et Opportunités Du Développement de La Finance Islamique Pour La Place de Paris" [Challenges and Opportunities of Developing Islamic finance for the Paris Financial Center]. January 1, 2008.

[6] Gatinois, Claire. "Bercy Veut Faciliter Le Développement de La Finance Islamique En France." [The French Ministry of Economy and Finance Aims to Facilitate the Growth of Islamic finance in France.] Le Monde.fr. Le Monde, July 3, 2008. https://www.lemonde.fr/economie/article/2008/07/03/bercy-veut-faciliter-le-developpement-de-la-finance-islamique-en-france_1065925_3234.html.

Lagarde, Christine. "Christine Lagarde : La Finance Islamique Présente Avantages." [Christine Lagarde: Islamic finance presents advantages]. IIe Forum Français de la Finance Islamique [2nd French Forum on Islamic finance]. OummaTV, November 26, 2008. https://www.dailymotion.com/video/x7jn4s.

[7] Harrison, Martin. *Islamic Finance & the UK*. Golfer Economic Report Series. Lancaster: Lancaster University Management School, 2018.

To date, no comprehensive studies have systematically examined the post–2008 trajectory of Islamic finance in France. Although regional analyses have addressed Islamic finance in Europe more broadly, France's specific institutional, legal, and ideological context remains understudied.[8] From a public policy standpoint, understanding this inertia is crucial, especially considering France's stated ambitions to promote financial innovation, attract international investment, and strengthen its global competitiveness.[9]

This study therefore addresses a central and underexplored question:
Why, despite early optimism and favourable demographic indicators, has Islamic finance failed to gain meaningful traction in France?

This thesis argues that the limited development of Islamic finance in France cannot be attributed to legal or technical incompatibilities, but stems from a deeper institutional reluctance rooted in political resistance, rigid interpretations of *laïcité*, and entrenched social perceptions of Islam in the public sphere.[10] Crucially, France's failure reflects a reductionist conceptual misreading. Both policymakers and much of the academic literature have overlooked the integrative potential of Islamic finance, obscuring how it could strengthen France's financial infrastructure through ethical innovation and inclusive growth. By framing it narrowly as a religious exception rather than a legitimate element of modern finance, they have relegated it to the margins of policy debate. Ultimately, the principal barrier in the French case is not feasibility, but a lack of institutional and conceptual willingness to embrace financial pluralism.

To explore this dynamic, this study evaluates both the barriers that have hindered the institutionalisation of Islamic finance in France and the opportunities it still presents. It analyses how regulatory ambiguity, political resistance, and socio-cultural discomfort—particularly surrounding the visibility of Islam and the restrictive application of *laïcité*—have discouraged sustained institutional engagement. At the same time, it highlights the sector's untapped potential as a tool for expanding financial inclusion among France's sizeable Muslim population and as a vehicle for attracting ethical investment from Gulf and Southeast Asian markets.

This thesis also directly engages with anticipated counterarguments, notably the concern that Islamic finance might legitimise religious separatism or threaten the cohesion of France's secular financial framework. It contends instead that embedding Islamic finance within a unified, transparent legal architecture does not fragment republican values, but rather reinforces

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[8] Baig et al., "The State of Islamic Finance in Europe."
Di Mauro, Filippo, Pierluigi Caristi, Stéphane Couder, Angela Di Maria, Lauren Ho, Baljeet Kaur Grewal, Sergio Masciantonio, Steven Ongena, and Sajjad Zaher. *Islamic Finance in Europe*. Occasional Paper Series No. 146. Frankfurt: European Central Bank, 2013. Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe," *Kyoto Bulletin of Islamic Area Studies* 15 (2022): 49–70.

[9] Atout France, and French Republic. "Finance and Fintech in France: Remarkable Growth." Atout-france.fr, 2025.

[10] *Laïcité,* the principle of secularism in France (Article 1 of the Constitution), originated during the country's 19th-century secularization and has since acquired a distinct socio-political meaning. It denotes not only the separation of religion and state but also the expectation of religious neutrality in public institutions. In recent decades, it has increasingly been applied to restrict visible religious expression (particularly of Islam), reflecting broader debates over national identity and social cohesion.
Conseil Constitutionnel. *Texte intégral de la Constitution du 4 octobre 1958 en vigueur* [Full Text of the Constitution of October 4, 1958, in Force]. Paris, 2018. https://www.conseil-constitutionnel.fr/le-bloc-de-constitutionnalite/texte-integral-de-la-constitution-du-4-octobre-1958-en-vigueur.
Buisson, Ferdinand. *Dictionnaire de pédagogie et d'instruction primaire* [Dictionary of Pedagogy and Primary Education]. (Paris: Hachette, 1887). Available via Gallica. https://gallica.bnf.fr/ark:/12148/bpt6k24232h.

them by advancing inclusion, ethical governance and consumer choice in a pluralist society. As Anouar Hassoune, then Vice President at Moody's Ratings, aptly observed in 2008, the challenge is to "prove that Islamic finance is neither communal nor inclined to undermine the dogma or religious neutrality".[11]

The structure of the thesis reflects this multi-layered approach. It begins by tracing the rise of Islamic finance as a global sector and the early enthusiasm it generated in France following the 2008 financial crisis, including the policy momentum around the *Rapport Jouini-Pastré*.[12] The second chapter turns to France's domestic context, with particular attention to the fragmented regulatory environment and the ideological tensions associated with the visibility of religiously aligned finance in a secular republic. The United Kingdom (UK) is used as a comparative benchmark to illustrate how regulatory pragmatism and multicultural accommodation have enabled Islamic finance to grow within a similarly secular, but more institutionally flexible, framework.
To investigate the sector's potential and constraints in France, the thesis adopts a mixed-methods approach structured around four interrelated components:

- **Regulatory and Legal Trajectory**: This section revisits the 2008 *Rapport Jouini-Pastré* as both a benchmark and analytical lens for evaluating France's regulatory evolution. It assesses areas of progress and inertia through the analysis of legal texts and comparative insights from jurisdictions such as the UK.
- **Stakeholder Insights and Interviews**: Drawing on semi-structured interviews, this section explores evolving perceptions of Islamic finance. Interviewees highlight rising interest among younger Muslims, increasing demand from non-Muslim ethical investors, and widespread frustration over its branding as exclusively 'Muslim'. These insights suggest that bottom-up market pressure may, over time, catalyse policy change.
- **Strategic Relevance and Missed Opportunities**: This component reassesses the relevance of Islamic finance for France today by examining (1) the externalisation of Islamic finance by French banks abroad, which contributes to capital outflows; (2) France's diplomatic and economic ties with Muslim-majority regions, where Islamic finance plays a central role; and (3) the contrast with the UK's more institutionally supported and affluent Muslim community. Together, these factors point to a need to revisit Islamic finance not as a religious concession, but as a strategic economic opportunity.
- **Policy Options, Risks, and Rebranding Strategies**: The final section explores how Islamic finance could be better integrated into the French financial landscape. It proposes rebranding the sector under the broader umbrella of ethical finance and presents policy recommendations to facilitate this shift. Using SWOT and stakeholder analysis, it identifies institutional gaps in legal clarity, capacity-building, and political leadership. While acknowledging potential drawbacks, such as market fragmentation or reputational risks, the thesis offers practical measures to mitigate them through regulatory alignment, inclusive messaging, and targeted innovation.

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[11] Hassoune, Abderrahmane. "Vers une France plus accueillante pour la finance islamique ?" [Towards a More Welcoming France for Islamic finance?] *Le Point*, 2008. Quoted in Bouslama, Ghaleb. "La finance islamique : une récente histoire avec la France, une longue histoire avec ses banques" [Islamic finance : A Recent History with France, a Long History with Its Banks], *Revue d'Économie Financière* [Review of Financial Economy] 95 (2009): 325–350.

[12] Jouini, Elyès, and Olivier Pastré. "Enjeux et Opportunités Du Développement de La Finance Islamique Pour La Place de Paris" [Challenges and Opportunities of Developing Islamic finance for the Paris Financial Centre].

Through a combination of legal analysis, stakeholder interviews, and a comparative lens, the study adopts a postcolonial political economy perspective. Rather than viewing Islamic finance as inherently oppositional, it repositions the sector as more than an economic alternative: it becomes a hybrid lens to examine how secular governance, financial inclusion, and cultural pluralism intersect.

This thesis contributes to both the academic literature on inclusive finance and the policy debate on reconciling republican values with increasingly diverse socio-economic realities. It demonstrates how *laïcité* operates not just as a constitutional principle, but as a normative filter that conditions which economic models are seen as legitimate. Beyond conventional policy analysis, the study positions financial governance as a key arena for negotiating identity, pluralism, and institutional boundaries. In turn, it offers concrete policy pathways for aligning universalist state principles with the inclusive demands of a postcolonial and pluralist society.

Ultimately, France's reluctance to embrace Islamic finance is not simply a missed policy opportunity, but a reflection of deeper epistemological hierarchies and unresolved tensions within its model of secular modernity. By decentring dominant financial assumptions and exposing the ideological dimensions of market governance, this study argues that financial pluralism is more than an economic strategy, it is a test of democratic adaptability in postcolonial, multicultural societies striving to reconcile universalism with lived diversity.

II. LITERATURE REVIEW: A Hybrid and Adaptive System

This chapter traces the conceptual evolution of Islamic finance, situating its foundational principles within broader historical and intellectual currents. It follows the trajectory of Islamic finance from initial doctrinal debates and institutional experiments to its emergence as a multitrillion-dollar industry operating in over 80 countries. By foregrounding the hybrid nature of Islamic finance, anchored in faith yet responsive to commercial imperatives, this part serves as a literature review that establishes the conceptual framework necessary to assess France's reluctance to engage with Islamic finance.

2.1 Conceptual Review

2.1.1 Fundamentals of Islamic finance

First, and before any analyses, it is crucial to understand its core principles and how they translate into financial practices. Far from being a monolithic system, Islamic finance is an evolving, heterogeneous, and contested field that resists simplistic definitions. At its foundation, it refers to the provision of financial services in accordance with Shariʾah law, which is derived directly from the Qur'an and the Sunnah—the recorded teachings and practices of the Prophet Muhammad (PBUH).[13]

Fundamentally, Islamic finance treats money not as a commodity to be traded for profit but as a medium of exchange meant to facilitate real economic activity.[14] This principle necessitates financial transactions to be underpinned by tangible assets or productive enterprise, thereby ensuring that wealth generation is grounded in value creation rather than speculative gains. By anchoring finance in the real economy, this asset-based approach promotes stability, discourages excessive leverage, and aligns returns with underlying economic performance.

Among the core principles that underpin the Islamic financial framework, two are particularly foundational and mark its most significant departures from conventional finance: the prohibitions of *riba* (interest) and *gharar* (excessive uncertainty or speculation).[15] These prohibitions aim to uphold justice, transparency, and mutual consent in financial dealings. The Qur'an explicitly denounces unjust enrichment through exploitative or deceptive practices, while the Prophet Muhammad (PBUH) prohibited transactions involving *gharar* due to their inherent ambiguity and speculative risk.[16] As articulated by Abdur Rahman Shad (1986), *riba* is viewed as morally corrosive, encouraging selfishness and social inequality—akin to the portrayal of the moneylender Shylock in Shakespeare's *The Merchant of Venice*.[17]

Beyond the prohibition of *riba* and *gharar*, the sector is further structured around the concept of risk-sharing. Unlike conventional debt-based systems that guarantee returns to capital regardless of the outcome, Islamic finance promotes profit-and-loss sharing arrangements such as *mudarabah* (trust-based profit-sharing) and *musharakah* (joint ventures).[18] These models distribute financial risk and reward equitably between financiers and entrepreneurs, fostering shared accountability and potentially enhancing productive investment and inclusive growth.[19]

An equally distinctive feature of Islamic finance lies in its emphasis on ethical investment and social justice. The obligation of *zakat*, one of the five pillars of Islam, mandates the redistribution of wealth through a 2.5% tithe on accumulated assets, including financial

[13] The Qur'an is the holy book of Islam, believed by Muslims to be the literal word of God, revealed to the Prophet Muhammad through the Angel Jibril (Gabriel). It serves as the primary source of Islamic teachings, encompassing theology, ethics, and law. The Sunnah, in contrast, refers to the recorded sayings, actions, and approvals of the Prophet Muhammad, offering practical applications and interpretations of the Qur'an. It is preserved in Hadith collections, which compile authenticated reports of the Prophet's words and deeds. Together, the Qur'an and Sunnah form the foundation of Shari'ah law, the Islamic legal framework.

[14] Ayub, Muhammad. *Understanding Islamic Finance*. (Chichester: John Wiley & Sons, 2007).

[15] Kuran, Timur. *Islam and Mammon: The Economic Predicaments of Islamism*. (Princeton: Princeton University Press, 2006).
Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

[16] Hussain, Mumtaz, Asghar Shahmoradi, and Rima Turk. "An Overview of Islamic Finance." IMF Working Paper No. 15/120, June 2015.

[17] Kuran, Timur. *Islam and Mammon.*

[18] French Ministry of Economics, Finance and Industrial and Digital Sovereignty. "Qu'est-ce que la finance islamique ?" [What is Islamic finance?]. November 29, 2024. https://www.economie.gouv.fr/cedef/finance-islamique.

[19] For clarification, *mudarabah* is a trust-based profit-sharing contract in which one party provides capital (*rabb al-mal*) and the other provides managerial expertise (*mudarib*). Profits are shared according to a pre-agreed ratio, while financial losses are borne solely by the capital provider, unless caused by negligence or misconduct. In contrast, *musharakah* refers to a joint partnership where all parties contribute capital and may participate in management. Profits are shared based on mutual agreement, and losses are shared proportionally to capital contributions. For more details, see ***Appendix A.***
Kammer, Alfred, Mohamed Norat, Marco Pinon, Ananthakrishnan Prasad, Christopher Towe, and Zeine Zeidane. *Islamic Finance: Opportunities, Challenges, and Policy Options*. Staff Discussion Notes No. 15/5. Washington, DC: International Monetary Fund, 2015.

holdings.[20] This systematised form of charity seeks to alleviate poverty and promote social cohesion. Islamic financial institutions may also be subject to *zakat* on capital, reserves, and profits, further institutionalizing their social responsibility.[21]

Investment decisions in Islamic finance are subject to rigorous Shari'ah screening to ensure alignment with Islamic ethical principles. Sectors linked to alcohol, gambling, and speculative trading are excluded, and financial instruments such as *sukuk* (Islamic bonds) replace interest-bearing debt with asset-backed structures that reflect real economic activity. To ensure compliance, countries that adopt Islamic finance typically require institutions to establish Shari'ah Supervisory Boards—panels of Islamic scholars who issue *fatwas* (legal opinions) on the permissibility of financial products and practices. [22] These boards interpret Islamic law through *ijma* (consensus) and *qiyas* (analogical reasoning), allowing for modern applications independent of literal readings of the Qu'ran and Sunnah.[23] Unlike conventional credit systems, project evaluation in Islamic finance emphasizes expected profitability alongside broader socio-economic impact.[24]

Taken together, these principles articulate a model of finance that aspires to moral integrity, distributive justice, and economic inclusion. In 2012, Michel Roux, former dean of Université Paris 1, wrote that Islamic finance represents more than a regulatory framework; it actually embodies a vision of finance as a tool for advancing human welfare, sustainable development, and equitable resource distribution.[25] In other words, by tethering financial returns to real economic activity and social outcomes, this Shari'ah-compliant sector offers an alternative paradigm in which ethical considerations are not peripheral but central to financial design and implementation.[26]

The following table offers simple, real-life illustrations of how solutions are offered by Islamic and conventional finance in everyday contexts.

Table 1. Everyday Applications of Islamic vs. Conventional Finance

Aspect	**Real-life Example**	**Conventional Finance**	**Islamic finance**
Buying a house	You want to buy a home but can't afford to pay upfront	The bank lends you money. You buy the house and repay the bank monthly with added interest	The bank buys the house first, then sells it to you at a higher price, paid in instalments — **Murabaha**.

[20] Ayub, Muhammad. *Understanding Islamic Finance.*
[21] Hussain, Mumtaz, Asghar Shahmoradi, and Rima Turk. "An Overview of Islamic Finance."
[22] Alliance for Financial Inclusion. *Islamic Finance and Financial Inclusion: AFI Members' Perspectives*. (Kuala Lumpur: AFI, 2024.)
[23] Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."
[24] Al-Omar, Fuad, and Mohammed Abdel-Haq. *Islamic Banking: Theory, Practice and Challenges*. London: Zed Books, 1996.
[25] Roux, Michel. "Finance éthique, finance islamique : Quelles convergences et potentialités de développement dans la banque de détail française ?" [Ethical finance, Islamic finance: What convergences and development potential in French retail banking.] *La Revue des Sciences de Gestion* [Review of Science and Management] 255–256, no. 3 (2012): 103.
[26] In addition to primary sources like the Qur'an and Sunnah, Islamic jurisprudence incorporates *ijma* (scholarly consensus), *qiyas* (analogical reasoning), and *ijtihad*, the process of independent legal reasoning. *Ijtihad* allows qualified scholars to interpret and apply Shari'ah principles to contemporary issues where explicit rulings are absent. This ensures that Islamic legal thought remains responsive to evolving financial contexts while remaining anchored in core religious values.

			There's no interest; the profit is known from the start. The bank takes on the initial ownership and risk. You pay for the house and part of the profit over time
Real estate co-investment	You want to buy a property with shared ownership and shared risk	Buying a property together, sharing both ownership and risk	This is called **Musharakah** — a joint venture where both parties invest in a property. Over time, the client buys out the bank's share while also paying rent for the bank's portion
Starting a business	You want to open a café but need money to start	A bank loans you $10,000. You must repay it with interest, even if your café loses money	An Islamic bank gives you $10,000 as an investment — **Mudarabah**. You run the business. If it profits, you both share gains (e.g., 60/40). If it fails, the bank loses its money, and you lose your time and effort. No repayment is required if there's no profit
Using a car	You want a car but can't pay for it all at once	You get a car loan and repay monthly with interest. You own the car	The bank buys the car and rents it to you — **Ijara**. You pay a monthly rental fee. Part of your payment is for using the car; part goes toward buying it over time. Once fully paid, ownership is transferred to you
Getting quick cash	The bank needs fast money for daily operations	It borrows from other banks and pays interest (e.g. through treasury bills or repo agreements)	Islamic banks use **Tawarruq** — they buy a commodity like metal, sell it at a markup, and get immediate cash. Or they trade **sukuk**, which are asset-backed bonds. These avoid interest and are tied to real transactions

Investment choices	A bank wants to invest in large companies	It can invest in any profitable business, even those selling alcohol, gambling or weapons	The bank must follow **Shari'ah guidelines** — only investing in ethical sectors. Any business involving alcohol, pork, gambling, or unethical behaviour is excluded. Full screening is required
Late payment fees	A customer falls behind on their payments	Charged late fees that the bank keeps as profit. These add to the customer's financial burden	A small penalty may be charged, but it's donated to **charity**, not kept as profit — the goal is to discourage delay, not profit from hardship. Some banks may give extra time or restructure payments
Infrastructure funding	The government or corporation needs long-term funding	Issues conventional bonds with fixed interest payments to investors	Issues **sukuk** — Islamic bonds backed by real assets. Investors earn returns from profits generated by the asset, not from interest
Insurance protection	You want insurance for health, life, or assets	You pay a premium to an insurance company that profits from pooled risk and investments	You participate in a cooperative risk-sharing system — **Takaful**. Members contribute to a pool used to support those who suffer losses. Surpluses may be redistributed or reinvested ethically
Ethical investing	You want to invest your savings in line with ethical or religious values	You choose any mutual fund or stock portfolio based on performance	You invest in **Shari'ah-compliant funds** — portfolios screened to exclude unethical sectors (alcohol, gambling, interest). Returns come from permissible, asset-backed ventures

2.1.2 Historical Development in the World

Historical evidence points to the deep roots of Islamic finance in classical Islamic thought and practice. Although medieval Islamic societies did not develop banking systems analogous to modern institutions, classical scholars articulated comprehensive financial norms governing contracts, debt, profit-and-loss sharing, and charitable endowments (*waqf*).[27] According to records, prominent jurists such as Abu Yusuf (731–798 CE) and Al-Mawardi (972–1058 CE) developed doctrines on taxation, contracts, and distributive justice that inform modern frameworks.[28]

Building on these traditions, the modern resurgence of Islamic finance began in the mid–20th century, shaped by the intellectual contributions of thinkers such as Sayyid Abul-Ala Mawdudi in Pakistan and Sayyid Qutb in Egypt. Though writing in different contexts, both articulated a vision of Islam as a holistic system that encompassed moral, political, and economic life, thereby offering a normative alternative to both capitalism and socialism.[29] These ideological contributions laid the groundwork for practical experimentation, including the establishment of early Islamic banking models in the 1960s.

The first initiative occurred in Egypt in 1963 with the establishment of the Mit Ghamr Savings Bank. Inspired by German cooperative banking, the initiative implemented core Islamic principles, notably *riba* and *mudarabah* profit-sharing contracts. Despite a 450% increase in deposits between 1966 and 1967 and expansion beyond Mit Ghamr, the project was ultimately curtailed by political opposition.[30] Suspicious of links to Islamic political movements, the Egyptian state prohibited the collection of public savings; by 1967, the bank's operations had been absorbed into the state-controlled financial system.

Nonetheless, the Mit Ghamr experiment served as a blueprint for subsequent developments. According to Lena Rethel, it marked the onset of the modern history of Islamic finance, and from the late 1970s onwards, Islamic banking gained more widespread endorsement by both public and private actors.[31] For example, the Islamic Development Bank (IsDB) was established in 1975, "to foster economic development and social progress" after the oil embargo.[32] In addition, economic and political developments, such as the rise of pan-Islamism and the energy crises of the 1970s and early 1980s, led to an increase in Islamic finance's popularity among Muslim countries.[33] Despite some stagnation with sinking oil prices and the First Gulf War, Islamic finance experienced a new impetus from the mid–1990s onwards—but this time, from the West. By the mid–1990s, global Islamic assets amounted to approximately

[27] Kuran, Timur. *Islam and Mammon.*
[28] Islahi, Abdul Azim. "The genesis of Islamic economics: Revisited." *Islamic Economic Studies* 23, no. 2 (2015): 1–28.
[29] Mawdudi is often credited, particularly by the Turkish American economist Timur Kuran, with introducing the concept of Islamic economics into Indo-Islamic discourse and framing it within political Islam.[29] Yet this attribution has been contested by scholars such as Muhammad Siddiqi and Abdul Azim Islahi, who argue for a more diverse genealogy of Islamic economic thought grounded in earlier and broader intellectual traditions.
Kuran, Timur. *Islam and Mammon.*
Islahi, Abdul Azim. "The Genesis of Islamic Economics: Revisited."
Siddiqi, Muhammad. "Islamic Economics: Where From, Where To?" *Journal of King Abdulaziz University-Islamic Economics*27, no. 2 (2014).
[30] Orhan, Zeynep Hilal, and Sevde Kavakcı. Mit Ghamr Savings Bank: A role model or an irreproducible utopia? *International Journal of Islamic Economics and Finance Studies* 10, no. 2 (2024): 127–147
[31] Rethel, Lena. "Whose Legitimacy? Islamic Finance and the Global Financial Order." *Review of International Political Economy*18, no. 1 (February 7, 2011): 75–98.
[32] Islamic Development Bank. *In Brief 1426H.* Jeddah: Islamic Development Bank, May 2005. 3. https://www.isdb.org/sites/default/files/media/documents/2018-12/IDB_In_Brief_1426H.pdf
Adekoya, Adegboyega A. Islamic banking and finance in developing countries: The goals, challenges and prospects. *International Journal of Economics, Commerce and Management* 5 (2022).
Orhan, Zeynep Hilal, and Sevde Kavakcı. Mit Ghamr Savings Bank: A role model or an irreproducible utopia?
[33] Kuran, Timur. *Islam and Mammon.*
Rethel, Lena. "Whose Legitimacy? Islamic Finance and the Global Financial Order."

US$ 150 billion.[34] For Rethel, this symbolised a clear desire to “use Islamic finance to create a more multipolar global financial system”.[35]

From the early 2000s onward, growing global interest in ethical finance and the strategic importance of capital flows from Muslim-majority nations accelerated the internationalisation of the sector.[36] The United Kingdom incorporated Shari’ah-compliant frameworks into its regulatory regimes, while a diverse set of non-Muslim-majority jurisdictions—including Luxembourg, Hong Kong, and Japan—entered the market by issuing sovereign *sukuk*.[37] Islamic finance thus transitioned from a peripheral experiment to a recognised component of the global financial system.

However, the 9/11 attacks and the 2008 global financial crisis created new dimensions to the discourse around Islamic finance, each reshaping how Islamic finance was perceived and positioned. The 9/11 attacks, in which coordinated terrorist strikes by al-Qaeda on U.S. soil killed nearly 3,000 people, led to a wave of global security tightening and widespread suspicion toward Islamic institutions, including financial entities.[38] Islamic investment funds began re-evaluating their portfolios, many of which were heavily invested in U.S. treasury instruments.[39] Islamic finance came under heightened scrutiny not only from financial regulators but also within broader political and cultural discourses. What had once been a relatively niche domain became entangled in narratives of security, identity, and religious visibility, particularly in Western contexts.[40] In response, many Muslim-majority countries accelerated the formalisation of Islamic finance as both a defensive measure and a tool for asserting religious and economic autonomy.

Nearly a decade later, the 2008 meltdown, triggered by the collapse of Lehman Brothers and systemic failures in subprime lending, eroded confidence in the conventional system. Major institutions collapsed, credit markets froze, and public trust was shaken.[41] This prompted renewed interest in ethical, asset-backed alternatives like Islamic finance, which offered a model grounded in risk-sharing and real economic activity.[42] Combined with the 9/11 attacks in the US, it created a dual legacy of expansion and suspicion: while Islamic finance was embraced for its ethical promise, questions grew over whether the sector was diluting its moral foundations in favour of regulatory compatibility and commercial growth.

In short, the global ascent was accompanied by growing tensions over the sector’s identity and purpose: while some continue to frame it as a mere alternative to conventional finance, its evolution suggests a more nuanced reality. Increasingly, Islamic finance operates not in outright opposition, but as a complementary model that integrates ethical principles and risk-sharing mechanisms within the broader financial system. Understanding this dynamic is crucial,

[34] Ibid.
[35] Ibid. 84.
[36] Bassens, David, Ben Derudder, and Frank Witlox. “Searching for the Mecca of finance: Islamic financial services and the world city network.” *Area* 42, no. 1 (2010): 35–46.
[37] Islahi, Abdul Azim. “The genesis of Islamic economics: Revisited.”
[38] Prades, Julien. Narrative (De)Securitizations of Islam in Western Europe: A comparative analysis of public discourse in Germany, Britain, and France. HAL Archives, 2022.
[39] Coste, François. Homo Islamicus: La réinvention d’une économie et d’une finance islamique (1940–2014) [Homo Islamicus: The reinvention of an Islamic economy and finance (1940–2014)]. HAL Archives, 2015. https://sciencespo.hal.science/tel-03646692.
[40] Pollard, Jane, and Michael Samers. “Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography.”
[41] Kuran, Timur. *Islam and Mammon.*
[42] Coste, François. Homo Islamicus: La réinvention d’une économie et d’une finance islamique (1940–2014) [Homo Islamicus: The reinvention of an Islamic economy and finance (1940–2014)].

especially in contexts where regulatory and ideological factors shape its reception. The following section explores the current debate around Islamic finance's place in the global order, with a particular focus on how these issues are negotiated in France.

2.2 Current Debate

Although Islamic finance is grounded in principles of ethical conduct, social responsibility, and risk-sharing, its modern practice has sparked considerable debate, particularly in Western academic and policy circles. Rather than being recognised for its potential to enrich and diversify national financial systems, Islamic finance is often dismissed as a superficial or symbolic deviation from conventional models—a perception that has been especially consequential in France. This narrow framing overlooks both the adaptive, hybrid nature of Islamic finance and its capacity to serve as a complementary framework addressing the shortcomings of global capitalism, such as volatility, opacity, and inequality.

Reframing Islamic finance as a legitimate and complementary element of the modern financial system is essential not only for ethical innovation and inclusive growth, but also for advancing financial pluralism in France. The following analysis examines the main critiques of Islamic finance, explores its postcolonial and adaptive character, and considers how a more nuanced understanding could unlock its potential within the French context.

2.2.1 Critiques of Islamic finance: Between Idealism and Co-optation

A growing body of critical literature argues that many Islamic financial products merely mimic conventional instruments, particularly interest-bearing loans, through alternative terminologies and contractual forms. This functional convergence has led to doubts about whether Islamic finance offers a substantive departure from the capitalist logic it claims to resist.[43] Critics argue that Islamic finance has increasingly drifted from its foundational aims of justice equity and risk-sharing. In 1998, Mufti Muhammad Taqi Usmani expressed concern that the Islamic finance sector had "totally" neglected its "basic philosophy."[44] Since the 1980s, the industry has been seen as prioritising the creation of Shari'ah-compliant versions of conventional products, often at the expense of cultivating a truly distinct economic model.[45] More than a decade later, a range of scholars, namely Mahmoud El-Gamal, Timur Kuran and Mohammad Omar Farooq deepened this critique, questioning whether Islamic finance represents a genuine alternative to conventional banking or merely repackages existing financial instruments under Islamic labels.[46] For these authors, this trajectory reduces Islamic finance to a matter of legal

[43] Kuran, Timur. *Islam and Mammon.*

[44] Usmani, Muhammad Taqi. *An Introduction to Islamic Finance*. (New Delhi: Idara Isha'at-e-Diniyat, 1991). 166.

[45] For example, Nadar Siddiq who argues that Islamic economics was aimed at freedom from colonial rule, exploitation and oppression through a return to Islam. He critiques the role of Shari'ah experts in reinforcing form over substance.

Siddiq, Nadar. "Islamic Economics and Colonial Legacy." In *Integrating Islamic Finance into the Mainstream: Regulation, Standardization and Transparency*, edited by Nazim Ali, 99–107. (Cambridge, MA: Harvard Law School, 2007). Cited in David Bassens, Ben Derudder, and Frank Witlox, "Searching for the Mecca of Finance: Islamic Financial Services and the World City Network," *Area* 42, no. 1 (2010): 35–46.

[46] El-Gamal, Mahmoud A. *Islamic Finance: Law, Economics, and Practice*. (Cambridge: Cambridge University Press, 2006).

Farooq, Mohammad Omar. "Exploitation, Profit and the Riba-Interest Reductionism." *Social Science Research Network*, 2012.

Kuran, Timur. "The Absence of the Corporation in Islamic Law: Origins and Persistence." *The American Journal of Comparative Law* 53, no. 4 (2005): 785–834.

form rather than substantive difference, thereby limiting its transformative potential and reinforcing neoliberal logic under the guise of religious legitimacy.

The argument extends beyond questions of economic functionality into the realm of political instrumentalization. Scholars such as Olivier Roy and Farhat Ullah Khan et al. have shown how Islamic finance has often been co-opted by state actors not to challenge global financial capitalism, but to consolidate political power and shape identity politics. In *The Failure of Political Islam* (1996), Roy argued that the broader Islamist movement has failed to articulate a coherent alternative economic system, with Islamic finance instead mimicking existing structures.[47] Khan et al, in their 2012 study on Pakistan, revealed how Islamic banking frequently relies on superficial modifications. For example, rebranding interest as "markup", without altering the underlying logic of profit maximisation.[48] Clement Henry and Rodney Wilson (2004) have further contended that Islamic finance has often served more as a tool for political legitimation than as a mechanism for financial inclusion. In their edited volume *The Politics of Islamic finance*, contributors illustrate how Islamic financial institutions have frequently been embedded in state-controlled systems and mobilised to serve ideological ends.[49] This dynamic is particularly evident in Sudan, where, as Endre Stiansen illustrates, Islamic finance was deployed by the ruling regime to align economic policy with an Islamist political agenda.[50] Rather than promoting economic justice or innovation, Sudan's financial reforms functioned primarily as a tool of political consolidation by redistributing resources toward regime-affiliated actors and entrenching authoritarian governance under a religious guise.

These critiques not only expose the functional and political ambiguities of Islamic finance but also invite deeper reflection on its symbolic role in the global order. Such interpretations resonate with Samuel Huntington's 'Clash of Civilisations' thesis, which places cultural and religious identities at the core of contemporary geopolitical tensions.[51] Within this framework, Islamic finance is understood not merely as an economic system, but as a symbolic affirmation of Islamic identity in a globalised world perceived as culturally homogenising. Timur Kuran reinforces this view, arguing that Islamic economics is "as much a response to contemporary grievances as it is a nostalgic escape into the imagined simplicity, harmony, and prosperity of an ancient social order."[52] In *Islam and Mammon*, he contends that its primary function has been to reaffirm Islam's relevance in public life, with its economic programme often serving a secondary, largely rhetorical role.[53] From this vantage point, Islamic finance appears less as a structurally autonomous challenge to capitalism and more as a postcolonial identity project shaped by political disillusionment, cultural differentiation, and the search for authenticity amid growing global standardisation.

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[47] Roy, Olivier. *The Failure of Political Islam*. *Contemporary Sociology* 25, no. 1 (1996): 68.

[48] Khan, Fawad U., Bilal Khan, Zubair Awan, and Talha Hassnain. "Growth of Islamic Banking in Pakistan: A Comparative Study." December 1, 2012.

[49] Henry, Clement, and Rodney Wilson, eds. *The Politics of Islamic Finance*. (Edinburgh: Edinburgh University Press, 2019).

[50] Ibid.157-167.

[51] Huntington argues in his book that post–Cold War conflicts would be shaped less by ideological or economic divisions than by cultural and civilizational differences. Within this paradigm, Islam is framed as a distinct and oppositional civilization to the West. Applied to Islamic finance, this lens suggests that the sector's evolution is not purely economic but is imbued with cultural resistance. It frames the sector as a symbolic challenge to Western financial hegemony and a reassertion of Islamic authenticity in a globalised, secular order.

Huntington, Samuel P. *The Clash of Civilizations and the Remaking of World Order*. (New York: Simon & Schuster Paperbacks, 1996).

[52] Kuran, Timur. *Islam and Mammon.* 4.

[53] Ibid. 5.

2.2.2 Reframing Convergence: Islamic finance as a Postcolonial and Adaptive System

Nonetheless, criticism of Islamic finance may overlook its adaptive and pluralistic nature. Rather than standing in absolute opposition to capitalism or fully conforming to it, Islamic finance occupies a hybrid space rooted in indigenous epistemologies while engaging with global financial norms.[54] It should be seen not as a static alternative, but as a dynamic, postcolonial economic system that integrates moral principles with market mechanisms. From its inception, it has positioned itself as a 'third way' between capitalism and socialism, combining free-market tools with commitments to social justice, risk-sharing, and equitable wealth distribution.[55] This dual character is especially relevant in the French context, considering the *laïcité* concept of the French republican model.

To illustrate, scholars such as Karen Pfeifer and Ayesha Awan et al. (2023) emphasize its normative foundations in a moral economy, embodied by the figure of *homo islamicus*, whose behaviour is shaped by ethical responsibility and communal welfare, in contrast to the self-interested *homo economicus* of neoclassical theory.[56] Awan et al., for instance, argue that while capitalism exacerbates inequality and favours monopolistic accumulation, and socialism often succumbs to bureaucratic inefficiency, Islamic finance aspires to synthesize the dynamism of the free market with mechanisms of ethical redistribution. Instruments such as *zakat*, *mudarabah*, and *musharakah* operationalize these ideals, offering inclusive and participatory alternatives to interest-based financial systems.

Beyond its normative framework, Sakina Anzar Basha and Ezzedine Ghlamallah reframe it as an assertion of Muslim identity and self-determination in the wake of colonial subjugation.[57] As they observe in their work about Islamic banking in France, "Le développement de la finance islamique a donc nécessité une profonde réflexion sur l'identité culturelle, religieuse et sociale des musulmans avec l'affirmation de ses caractéristiques distinctives." ["The development of Islamic finance therefore required a profound reflection on the cultural, religious, and social identity of Muslims, with the affirmation of its distinctive characteristics."][58] In this sense, Islamic finance is not only a technical innovation but also an assertion of political and cultural agency—a point often underappreciated in French policy circles where colonial histories continue to shape contemporary Muslim experience and economic inclusion.

At the same time, Islamic finance does not evolve in isolation (as we have seen in 2.1.2). Since the 1970s, it has been shaped through its interactions with global financial institutions and

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[54] Hayat, Usman, and Adeel Malik. *Islamic Finance: Ethics, Concepts, Practice*. (CFA Institute, 2014).
Laldin, Mohamad Akram, and Hafas Furqani. "The Foundations of Islamic Finance and the Maqāṣid al-Sharīʿah Requirements." *Journal of Islamic Finance* 2, no. 1 (2013): 31–37.
[55] Hefner, Robert W. "Islamic Economics and Global Capitalism." *Society* 44, no. 1 (2006): 16–22.
David Bassens, Ben Derudder, and Frank Witlox, "Searching for the Mecca of Finance: Islamic Financial Services and the World City Network," *Area* 42, no. 1 (2010): 35–46.
[56] Awan, Adeel, Waqas Ali, Hafiz Kamran Ur Rehman, and Sheeraz Idrees. "Comparative Analyses of the Islamic System with Other Economic Systems in the World." *Pakistan Journal of Humanities and Social Sciences* 11, no. 2 (2023): 833–843.
Pfeifer, Karin. "Is There an Islamic Economics?" In *Political Islam*, edited by Joel Beinin and Joe Stork, 154–165. (Berkeley: University of California Press, 1997).
[57] Basha, Souad Ait, and El Hadj Ghlamallah. "Les conditions de mise en œuvre de la banque islamique en France." [The conditions for implementing Islamic banking in France.] *Les Cahiers de Recherche de Financia Business School [The Books of Research of Financia Business School]*, no. 4 (2023): 56–86.
[58] Ibid.

norms. As the American anthropologist Bill Maurer argues, the distinction between Islamic and conventional finance is sustained not by separation, but by constant interconnection and mutual adaptation.[59] Lena Rethel further documents in her work how Islamic finance has pursued international legitimacy by aligning with global regulatory standards, while institutions such as HSBC and Citibank now offer Shari'ah-compliant products.[60]

This hybridity, however, should not be dismissed as mere co-optation. Abdul Hamid Ahmad Abu Sulayman asserts that Islamic economics represents a holistic paradigm grounded in divine principles, rather than a contingent market framework.[61] As Byson Majanga, Jemma Dridi, and Maher Hasan argue, Islamic finance should not be viewed as a replacement for conventional models, but as a complementary framework addressing the shortcomings of global capitalism—namely volatility, opacity, and inequality.[62] Its accommodation with global finance should not eclipse its foundational call for systemic transformation.

Jane Pollard and Michael Samers offer a compelling postcolonial interpretation, warning against framing it purely as an 'alternative' in a way that reifies Western financial orthodoxy. Instead, they emphasize how Islamic finance can reshape global norms from within, notably through its emphasis on ethical investment and asset-backed transactions.[63] These features resonate in contexts where conventional finance has produced exclusionary or unstable outcomes, or in other words, what Abbas Mirakhor and Wang Yong Bao diagnosed in 2013 as a structural market failure to meet the demand for faith-based financial services.[64]

This dual identity, both normatively distinct and globally integrated, is particularly relevant in the French context. Outside of the model of *laïcité* and securitisation narratives often related to Islam, mentioned several times already, the postcolonial dimension of Islamic finance is especially salient in France, given the country's colonial history in North Africa and its large Muslim population.[65] Understanding Islamic finance as both an economic and identity project helps explain why its development is so contested, and so necessary, in the French context. In addition, in a country where debates over national identity, social cohesion and economic justice are increasingly urgent, embracing the pluralism and innovation embodied by Islamic finance could contribute to a more inclusive and resilient financial system.

Thus, interpreting Islamic finance through both postcolonial and strategic lenses reveals that France's reluctance stems less from technical incompatibility than from institutional inertia and ideological unease. Its hybrid form, blending moral principles with international standards, offers precisely the kind of innovation France seeks as it repositions Paris as a leading global financial hub.

[59] Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

[60] Rethel, Lena. "Whose Legitimacy? Islamic Finance and the Global Financial Order."

[61] Sulayman, Abdul Hamid Abu. "The Theory of the Economics of Islam (I)." *International Journal of Economics, Management and Accounting* 6, no. 1 (1998)

[62] Dridi, Jemma, and Maher Hasan. "The Effects of the Global Crisis on Islamic and Conventional Banks: A Comparative Study." *IMF Working Papers* 10, no. 201 (2010): 1.

Majanga, Byson. "Is Time Ripe to Adopt Islamic Financial Systems in Secular Developing Countries? A Review of Literature." Ssrn.com, August 16, 2015.

[63] Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

[64] Mirakhor, Abbas, and Wang Yong Bao. "Epistemological Foundation of Finance: Islamic and Conventional." *Islamic Banking and Finance Review* 01 (2014): 01-22.

[65] Prades, Jeanne. "Narrative (De)Securitizations of Islam in Western Europe: A Comparative Analysis of Public Discourse in Germany, Britain, and France."

2.2.3 Divergence and Convergence[66]

The preceding discussion has traced the complex evolution of Islamic finance through postcolonial thought driven by ethical aspirations and shaped through global integration. To assess its practical viability in secular contexts like France, it is necessary to move beyond theoretical debates and examine its structural mechanics. While earlier sections illustrated real-world applications, the next part adopts a comparative lens to explore the financial logic underpinning Islamic and conventional systems. Rather than treating them as oppositional, it highlights key areas of divergence, such as profit generation, risk-sharing, liquidity management, and ethical screening, alongside points of convergence through regulatory alignment and institutional robustness.

This comparative framework helps illuminate Islamic finance as a hybrid model: one that engages global financial tools while maintaining a distinct ethical core. In the French context, where debates often conflate religious identity with economic utility, such clarity is crucial. The following table and discussion aim to disentangle these dimensions, providing an empirical foundation to evaluate Islamic finance's potential for ethical innovation, resilience, and inclusive growth.

Table 2. Example of Comparative Features of Islamic and Conventional Finance

Aspect	**Islamic finance**	**Conventional Finance**
Profit Mechanism	Asset-backed trade (Murabaha) or profit-sharing (Mudarabah/Musharakah)	Interest-based lending, compounding returns regardless of project success
Risk Allocation	Shared risk (e.g Musharakah losses split proportionally)	Risk transferred to borrowers; lenders insulated from outcomes
Liquidity Management	Commodity Tawarruq (75% of liquidity tools) and *sukuk*	Interest-bearing instruments (treasury bills, repos)
Crisis Resilience	3.5% higher capital-asset ratios; 32% lower exposure to toxic assets (2008)	Higher leverage (avg. debt-equity ratio 8:1 vs. 5:1 for Islamic)
Ethical Constraints	Prohibits alcohol/gambling investments; screens 100% of portfolios	No inherent restrictions beyond regulatory compliance

When Islamic finance is evaluated through its ethical foundations rather than reduced to superficial compliance, it emerges as a serious response to the moral and structural flaws of conventional finance. As the above comparative table demonstrates, Islamic finance diverges from mainstream models in key areas: profit-sharing mechanisms, risk distribution, liquidity management, and ethical investment criteria. These distinctions highlight its potential not only as a culturally rooted system but as a financially viable and structurally distinct model.

[66] Alghfais, Mohammed. "A Comparative Study between Islamic and Conventional Banks-the Case of Saudi Arabia: A Binary Logistic Regression Approach." SAMA Working Paper, August 2017.
Beck, Thorsten, Asli Demirgüç-Kunt, and Ouarda Merrouche. *Islamic vs. Conventional Banking: Business Model, Efficiency and Stability*. *Policy Research Working Papers*. The World Bank, 2010.
Tlemsani, Issam, and Robin Matthews. "Conventional Banks Risk Diversification: A Case for Islamic Finance." *Theoretical Economics Letters* 09, no. 06 (2019) : 1967–80.

Acknowledging these features can help move French policy debates beyond identity politics and toward a more substantive assessment of Islamic finance as a credible contributor to ethical, inclusive, and sustainable economic development.

2.3 Literature Gaps and Conceptual Tensions: Toward a Grounded Inquiry

This literature review has traced the conceptual foundations, historical evolution, and contemporary critiques of Islamic finance, ultimately revealing that the challenges it faces—particularly in France—reflect not merely gaps in policy or technical compatibility, but a deeper misalignment between the sector's ethical ambitions and the institutional, political, and social environments in which it operates. In France, this disjuncture is especially pronounced: rather than recognizing Islamic finance as a dynamic and complementary system capable of fostering ethical innovation and financial pluralism, prevailing attitudes have too often relegated it to the margins, shaped by reductionist interpretations of *laïcité* and persistent postcolonial anxieties

This review is necessarily partial. Much of the academic literature is shaped by either ideological critique or aspirational theorizing, with limited empirical grounding in how Islamic finance is understood and experienced by institutional actors within France. Moreover, while theoretical accounts are rich in framing Islamic finance as a postcolonial, ethical, or hybrid system, they often bypass the granular legal and policy mechanisms through which such systems succeed or fail in specific national contexts. Importantly, this thesis does not present Islamic finance as a panacea nor as a morally superior system populated solely by virtuous actors. Such overly idealised portrayals can in fact be counterproductive, obscuring the need for rigorous scrutiny of its operations and feasibility.[67] A meaningful integration of Islamic finance in secular contexts like France requires first a clear understanding of its mechanisms, and then a pragmatic assessment of how it might operate alongside conventional finance.

This tension informs the research design of the next chapter. To move beyond the abstractions and polarised discourse that dominate the literature, my methodology turns to legal-policy analysis and elite interviews with actors involved in regulation, finance, and Islamic advisory bodies. Rather than treating France's Islamic finance stagnation as a cultural inevitability or institutional accident, the study interrogates it as a structured outcome: one shaped by political choices, legal interpretations, and selective forms of inclusion and exclusion. The goal is not only to explain why Islamic finance has struggled to take root in France but to ask under what conditions it might yet evolve into a viable tool for inclusive and ethical financial governance.

III. MISSED MOMENTUM: From 2008 to Now

[67] Bessedik, Abdelkader. *Les opérations de financement et d'investissement dans le droit musulman*. [Financing and investment operations in Muslim law.] PhD diss., Université Paris-Est, 2013. https://theses.hal.science/tel-00986353.

The 2008 global financial crisis marked a pivotal shift in France's engagement with Islamic finance**.** While Paris Europlace had already launched an Islamic finance Commission in late 2007, it was the collapse of global markets that elevated Shari'ah-compliant finance from a peripheral curiosity to a subject of serious policy interest. In this moment of systemic distress, Islamic finance was increasingly framed not only as an ethical and risk-averse model but also as a potential source of liquidity and financial stability. This reframing catalysed a wave of institutional initiatives—backed by prominent political figures and industry actors—that sought to position Paris as a credible hub for Islamic finance. What follows is an examination of the rhetorical enthusiasm, regulatory reforms, and institutional strategies that emerged in this period, as well as their ultimate limitations.

3.1 Post-2008 Momentum and Policy Interests

In early 2008, then–Economy Minister Christine Lagarde publicly highlighted the strategic potential of Islamic finance within French economic policy. She described it as a "top priority" and remarked that the financial model presented "bien des avantages" ["many advantages"].[68] Speaking later at a Paris summit, she reinforced this position, asserting that "Les principes pour lesquels nous luttons sont au cœur de la finance islamique" ["the principles we're fighting for are very well inscribed in Islamic finance."][69] At the time, the global Islamic finance industry was valued at over US$700 billion in assets, with annual growth rates ranging from 10% to 30%.[70] It offered a dual appeal to national governments as both a promising economic sector and a model aligned with the growing demand for responsible capitalism.

This rhetorical enthusiasm culminated in the *Rapport Jouini-Pastré* (2008), a strategic blueprint commissioned by Paris Europlace at the request of Minister Christine Lagarde.[71] Forecasting that France could attract up to €100 billion in Islamic investment, the professors Elyès Jouini and Olivier Pastré proposed ten actionable reforms, including tax neutrality, regulatory adjustments, and financial education initiatives, to integrate Islamic finance within the country's secular legal system. They believed that Islamic finance was well-positioned as a tool for innovation, competitiveness, and economic diversification.[72]

Policy reforms followed swiftly. Between 2008 and 2010, the Ministry of Economy and the *Autorité des Marchés Financiers* (AMF) [Financial Markets Authority] released regulatory guidelines to enable *sukuk* listings and ensure tax parity for Islamic products.[73] Measures addressed issues such as double transfer taxes in *murabaha* transactions and clarified the tax

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[68] De Luxembourg, Marie-Liesse. "La finance islamique en France : que valent ces paroles ?" [Islamic finance in France: What are these words worth?]
Gatinois, Claire. "Bercy Veut Faciliter Le Développement de La Finance Islamique En France." [The French Ministry of Economy and Finance Aims to Facilitate the Growth of Islamic finance in France.]
Lagarde, Christine. "Christine Lagarde : La Finance Islamique Présente Avantages." [Christine Lagarde: Islamic finance presents advantages].
Wharton Staff, "Finding a Home for Islamic Finance in France," *Knowledge at Wharton*, November 2, 2010. https://knowledge.wharton.upenn.edu/article/finding-a-home-for-islamic-finance-in-france/
[69] Chebil, Mehdi. "Paris Courtise La Finance Islamique." France 24. FRANCE 24, October 9, 2009. https://www.france24.com/fr/20091009-paris-courtise-finance-islamique.
[70] Joyner, James. "Islamic Banks Surge, Thanks to Financial Crisis," *Atlantic Council*, December 24, 2008. https://www.atlanticcouncil.org/blogs/new-atlanticist/islamic-banks-surge-thanks-to-financial-crisis/.
[71] Jouini, Elyès, and Olivier Pastré. "Enjeux et Opportunités Du Développement de La Finance Islamique Pour La Place de Paris." [Challenges and Opportunities of Developing Islamic finance for the Paris Financial Centre.]
[72] Ibid.
[73] Santelli, Jean-Baptiste, and Racha Wylde. "Islamic Finance and Markets in France."

treatment of profit-sharing instruments, thereby allowing a parity of treatment that practitioners had long lobbied for.[74] The 2007 *fiducie* (trust framework) was also amended to accommodate Shari'ah-compliant structures.[75] By 2010, detailed tax instructions covered all major Islamic financing modes (*murabaha, sukuk, ijara,* and *istisna*) cementing a principle of tax neutrality.[76] These reforms were coordinated across institutions; Islamic finance specialist Thierry Dissaux was appointed to develop a legal framework for Shari'ah-compliant finance.[77] In parallel, Paris Europlace and Franco-Arab business organisations organised high-profile forums and undertook concrete institutional initiatives to advance Islamic finance in France.[78]

Initial market responses were promising, though limited. Several Gulf-based institutions quickly took notice: Qatar Islamic Bank, for instance, applied in 2009 to become the first fully Islamic bank in France, and Kuwait Finance House and Al Baraka Bank were also cited as exploring entry strategies by practitioners.[79] French banks began offering Islamic windows, with one launching the country's first Shari'ah-compliant deposit in 2011, followed by a 10-year *murabaha* home financing product.[80] The asset management sector also gained modest traction: France's first Islamic mutual funds had been approved in 2007, and by the early 2010s, a small number of Shari'ah-compliant equity and money-market funds were active.[81] French authorities promoted these developments as evidence that Paris could rival London as a European hub, especially given France's large Muslim population and deep ties with North Africa and the Middle East.[82]

Crucially, the government framed these efforts in strictly secular terms. Institutions like the AMF publicly stated that Shari'ah compliance was "outside its remit," distancing regulatory endorsement from religious validation.[83] This discursive framing was not merely bureaucratic; it was strategic. It allowed France to pursue Islamic finance without appearing to compromise its republican ideal of *laïcité*. While isolated criticisms emerged from lawmakers wary of 'Koranic principles' influencing national law, these voices were marginal and did not derail the reform process.[84]

Yet beneath this carefully neutral framing, deeper structural hesitations persisted.[85] In effect, Islamic finance was welcomed as a source of foreign capital but not integrated as a domestic tool for financial inclusion.[86] The next section will explore further this disconnect and how

[74] Di Mauro, Filippo, Pierluigi Caristi, Stéphane Couder, Angela Di Maria, Lauren Ho, Baljeet Kaur Grewal, Sergio Masciantonio, Steven Ongena, and Sajjad Zaher. *Islamic Finance in Europe*.
[75] Santelli, Jean-Baptiste, and Racha Wylde. "Islamic Finance and Markets in France."
[76] Joyner, James. "Islamic Banks Surge, Thanks to Financial Crisis."
Wharton Staff, "Finding a Home for Islamic Finance in France."
[77] Saeed, Momna. "The Outlook for Islamic REITs as an Investment Vehicle." Edited by Mohammad Ali Qayyum. *New Horizon: Global Perspective on Islamic Banking and Insurance* 1432, no. 180 (2011): 10–13.
[78] Fadlallah, Ibrahim, Dominique Hascher, Alice Pézard, and François-Xavier Train. "«Proposal – Group on Governing Law and Dispute Resolution in Islamic Finance." Edited by Georges Affaki, September 1, 2009.
[79] Joyner, James. "Islamic Banks Surge, Thanks to Financial Crisis."
[80] Ibid.
[81] Santelli, Jean-Baptiste, and Racha Wylde. "Islamic Finance and Markets in France."
[82] De Luxembourg, Marie-Liesse. "La finance islamique en France : que valent ces paroles ?" [Islamic finance in France: What are these words worth?]
[83] Santelli, Jean-Baptiste, and Racha Wylde. "Islamic Finance and Markets in France."
[84] Le Monde. "Point de Vue : La Finance Islamique Menace La Laïcité Française." Le Monde.fr. Le Monde, November 20, 2009. https://www.lemonde.fr/idees/article/2009/11/20/la-finance-islamique-menace-la-laicite-francaise_1269797_3232.html.
[85] El Karoui, Hakim. "Un Islam Français Est Possible." [A French Islam is possible.] Institut Montaigne, September 2016. Un islam français est possible.
[86] Hassoune, Anouar, and Mardig Haladjian. "Islamic Finance in France: Strong Potential, but Key Obstacles Persist." Moody's Global Banking, July 2008.

France's demographic advantage and early political will failed to translate into a sustainable Islamic finance ecosystem.

3.2 Timeline of Policy Initiatives and Regulatory Evolution

Table 3. Timeline of Islamic finance in France

Period	Key events and developments	DETAILS
The early 2000s	**Initial Interest and Banking Sector Moves**[87]	Major French banks such as **BNP Paribas (2003)**, **Société Générale**, and **Calyon (now Crédit Agricole)** began developing expertise in Islamic finance, primarily through their operations in **Bahrain** and other Gulf markets. BNP Paribas received approval for its first Shari'ah-compliant fund under this framework in Luxembourg in 2006.
2007	**Regulatory Opening by the AMF**[88] **Creation of *Sukuk* Segment & Tax Neutrality Measures**[89]	The **AMF** published its first comprehensive guidance to support the development of Islamic asset management in France. This included authorisation for Shari'ah-compliant mutual funds (OPCVM) to: (i) adopt Islamic financial indices (e.g., Dow Jones Islamic Index); (ii) purify non-compliant income through charitable donations (up to 10%); and (iii) consult a Shari'ah board, provided it does not compromise the autonomy of the asset manager. The AMF also explicitly supported *mudarabah structures***.**
December 2007	**Paris Europlace Islamic finance Commission established**	The **Islamic finance Commission** was launched to promote Paris as a hub for Islamic finance. The **Sarkozy government** publicly endorsed Islamic finance as a strategy to attract Gulf investment.
2008	**Government Support and Fiscal Working Group**[90]	In **February 2008**, Economy Minister **Christine Lagarde** publicly reaffirmed the French government's support for the development of Islamic finance.

[87] Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities." *International Journal of Islamic Economics and Finance Studies* 1, no. 1 (October 1, 2015).
[88] Autorités des Marchés Financiers. "Rapport Annuel AMF 2008." [Annual Report AMF 2008.] AMF, 2008.
[89] Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."
Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe."
[90] Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]
Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."

		By **September**, she established a **fiscal working group** composed of financial professionals and tax officials to enhance legal clarity and predictability for Shari'ah-compliant transactions. In **July 2008,** The **Paris Stock Exchange** introduced a *sukuk* listing segment. **French tax authorities** published four tax instructions to ensure parity between Islamic and conventional financial instruments, covering *murabaha* and *sukuk* transactions. In the same month, the **AMF** issued two formal positions authorizing both Shariʾah-compliant investment funds and *sukuk listings* on the Paris financial market. In parallel, French tax authorities published four interpretative guidelines covering *murabaha***,** *sukuk***,** *ijarah***,** and istisna contracts. These measures ensured tax parity with conventional financial products, including in terms of corporate taxation, VAT, and registration fees, thereby creating a more level playing field for Islamic finance in France. The government formally confirmed in **December 2008** that: (i) *sukuk* income would not be subject to withholding tax**;** **(ii)** payments related to *sukuk* would be tax-deductible**;** and (iii) *murabaha transactions* would benefit from tax neutrality. Additionally, reforms to the *fiducie* (trust framework) were under consideration to further align French legal instruments with Shari'ah-compliant structures.

Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe."
Makhlouf, Amel. "The Emergence of Islamic Finance in France." *Centre for Commercial Law Studies (CCLS) Alumni Bulletin, QUML* 14 (May 1, 2012).
Oseni, Umar Aimhanosi, M. Kabir Hassan, and Dorsaf Matri. "An Islamic Finance Model for the Small and Medium-Sized Enterprises in France." *SSRN Electronic Journal*, 2013.

Cautious progress 2009	**Continued Legal Adjustments and Political Debate**[91]	In **April**, Islamic finance in France remained focused on real estate transactions for Shari'ah-compliant funds (SGCIB, HSBC, Citi, Eurohypo). In **September and October**, the French Constitutional Council reviewed and ultimately invalidated legislative amendments that would have supplemented Article 2011 of the Civil Code to facilitate Islamic finance—specifically, the issuance of *sukuk* and the adaptation of the *fiducie* regime. The invalidation was based on procedural grounds rather than the substance of Islamic finance. During this period, broader political debates on secularism and the place of Islam in French society (including early discussions around the burqa ban) were intensifying, contributing to a challenging environment for the expansion of Islamic finance, though the main legal obstacle remained constitutional procedure.
2010	**Legal Reforms facilitating *Sukuk* Issuance**[92]	**July 2010** reforms removed double stamp duties, streamlined property tax procedures, and enabled easier *sukuk* structuring, further easing legal barriers to Islamic finance.
2011	**First Islamic Deposit and Sukuk Issuance in France**[93]	In **June**, a conventional French bank introduced the first Shari'ah-compliant deposit scheme via an Islamic window. The first French *sukuk* (~€5 million) was issued in the halal fast food sector. In **November**, AAOIFI Shari'ah standards were made available in French, supervised by Paris Europlace's Islamic finance Law Committee.
Supportive but limited 2012-2014	**Market Growth and International Partnerships**[94]	By **2012**, seven Shari'ah-compliant funds operated in France, managing ~$69.2 million. In **2014**, **Alliance International Holding (France)** partnered with **Gulf Finance House (Bahrain)** on a $3M Tunisia project.

[91] Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]
Oseni, Umar Aimhanosi, M. Kabir Hassan, and Dorsaf Matri. "An Islamic Finance Model for the Small and Medium-Sized Enterprises in France."
[92] Mohammed, Naveed. "Islamic Finance." Islamic Finance Foundation - Sukuk.com, June 22, 2014. https://www.sukuk.com/article/france-1903/#/?playlistId=0&videoId=0
[93] Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."
Makhlouf, Amel. "The Emergence of Islamic Finance in France."
[94] Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."

		Partnerships between **BPCE** and **Qatar Islamic Bank** were also signed.
Regulate and increase transparency 2015-2020	**Stagnation and Political Discourse**[95]	Despite early regulatory efforts, the development of Islamic finance in France remained limited. By the mid–2010s, **Chaabi Bank** was the sole institution offering Islamic financial products through its 17-branch network. Structural barriers to entry for fully-fledged Islamic banks persisted, including regulatory complexity and limited political support. While the **AMF** and tax authorities had announced plans to issue further guidance on *musharakah* and *mudarabah* contracts after 2011, these initiatives were never fully implemented. Meanwhile, broader political debates over Islam's role in French society continued to influence public and institutional perceptions of Islamic finance, often associating it with foreign influence and raising concerns over financial transparency and compliance with republican values.
Regulate and increase transparency 2020-2022	**Macron's Policies and Focus on Transparency**[96]	President **Emmanuel Macron** launched policies to curb foreign religious funding. In **October 2020**, he announced the end of "consular Islam" (foreign-trained imams) and tightened regulation on Islamic associations and mosque funding, citing the need for financial transparency aligned with republican values. These measures indirectly affected perceptions and regulatory momentum around Islamic finance.

The chronology of France's engagement with Islamic finance reveals a pattern of initial institutional enthusiasm followed by cautious adaptation and eventual stagnation. While Section 2.1 highlighted the political momentum and policy reforms spearheaded under Christine Lagarde, this section shifts focus to the broader regulatory landscape and the

[95] Alouane, Rim-Sarah. "Islam, Made in France? Debating the Reform of Muslim Organizations and Foreign Funding for Religion." Brookings, May 1, 2019. https://www.brookings.edu/articles/islam-made-in-france-debating-the-reform-of-muslim-organizations-and-foreign-funding-for-religion
Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."
Macron, Emmanuel. "Fight against Separatism – the Republic in Action." elysee.fr, October 2, 2020. https://www.elysee.fr/en/emmanuel-macron/2020/10/02/fight-against-separatism-the-republic-in-action-speech-by-emmanuel-macron-president-of-the-republic-on-the-fight-against-separatism
[96] Macron, Emmanuel. "Fight against Separatism – the Republic in Action.".

disconnect between technical feasibility and sustained implementation. Despite the creation of enabling fiscal instruments, the development of *sukuk* frameworks, and high-level commissions, Islamic finance in France has yet to achieve systemic integration. As Bochra Kammarti observes, this limited uptake cannot be explained by legal incompatibility alone.[97]

In fact, France's legal and regulatory architecture has long offered viable pathways for Islamic finance. As early as 2008, Estelle Céline Brack outlined three routes for Islamic banks to operate in France: as licensed domestic credit institutions; as new entities approved by the Comité des Établissements de Crédit et des Entreprises d'Investissement (now ACPR); or by leveraging the European passport through the freedom to provide services (LPS).[98]

These avenues remain accessible today. Islamic banks are subject to the same prudential standards, capital requirements, and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) obligations as conventional banks under EU law. French civil law, with its emphasis on contractual freedom, allows for the structuring of Islamic financial instruments without necessitating religious justification or major statutory reform; in theory, it is deemed 'Shari'ah friendly'.[99] With targeted tax guidelines introduced in 2010, key Shari'ah-compliant instruments such as *murabaha, sukuk, ijara,* and *istisna* became legally operable, rendering statutory reform largely unnecessary.

This tension between regulatory possibility and symbolic resistance has defined France's trajectory. Under former president Nicolas Sarkozy, a rare alignment of political will and technocratic interest created short-lived momentum.[100] His administration supported initiatives like the Paris Europlace Islamic finance Commission, AMF guidelines, and targeted fiscal reforms. Crucially, these reforms were justified not as religious accommodation but as part of a broader strategy for financial innovation, capital attraction, and inclusive growth, especially in a post–2008 context.[101] This positioning was not incidental: unlike his predecessors, Sarkozy faced the dual pressure of restoring post–crisis economic credibility and asserting France's competitiveness amid London's growing prominence in Islamic finance

[97] Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe."
[98] Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]
[99] Global Legal Insights. "Banking Laws and Regulations 2025 | France." GLI, March 11, 2025. https://www.globallegalinsights.com/practice-areas/banking-and-finance-laws-and-regulations/france/
Kurochkina, Iryna, and Ulija Us. "The Development and Special Aspects of Islamic Finance in Europe at the Present Stage." Edited by S. Panchenko, G. Vatulia, and V. Dykan. *SHS Web of Conferences* 67 (2019): 06033.
[100] Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities----- International Journal of Islamic Economics and Finance Studies."
[101] Elysee. "Déclaration de M. Nicolas Sarkozy, Président de La République, Sur Les Relations Entre La France et Les Pays Arabes, à Paris Le 22 Novembre 2010." [Statement by Mr. Nicolas Sarkozy, President of the Republic, on Relations between France and the Arab States, in Paris on 22 November 2010."] elysee.fr, November 22, 2010. https://www.elysee.fr/nicolas-sarkozy/2010/11/22/declaration-de-m-nicolas-sarkozy-president-de-la-republique-sur-les-relations-entre-la-france-et-les-pays-arabes-a-paris-le-22-novembre-2010.
Fougier, Eddy. "The Sarkozy Revolution of the French New Right." IRIS, May 15, 2012.
Sarkozy, Nicolas. Entretien de M. Nicolas Sarkozy, Président de la République, dans "Gulf Daily News" et "Akhbar Al Khalij" du 11 février 2009, sur les relations franco-bahreïniennes et sur la situation au Proche-Orient. [Interview with Mr. Nicolas Sarkozy, President of the Republic, in "Gulf Daily News" and "Akhbar Al Khalij" on February 11, 2009, on Franco-Bahraini relations and the situation in the Middle East.] Interview by Gulf Daily News and Akhbar Al Khalij, February 11, 2009. Sarkozy emphasised the importance of developing Islamic finance in France, highlighting cooperation between the Banque de France and foreign financial institutions (e.g Bahrain) as a strategic priority: "Le secteur de la finance offre d'ailleurs un très bon exemple de la diversification des échanges […] pour nous aider à développer la finance islamique en France. Cette coopération revêt à mes yeux une grande importance." ["The finance sector, in fact, provides a very good example of the diversification of exchanges [...] to help us develop Islamic finance in France. This cooperation is of great importance to me."]

Sarkozy's willingness to engage with Islamic finance also reflected his broader civic philosophy. In *La République, les Religions, L'espérance* (2004), he had already called for greater integration of Islam into French public life and praised Islamic civilisation as "one of the most beautiful the world has known.". [102] His embrace of Islamic finance thus combined economic pragmatism with a civic republican desire to accommodate religious diversity, albeit within firm republican boundaries.

The critical barrier, then, lies not in law but in political and discursive will. As Kammarti contends, France's approach is emblematic of the broader European trend toward "norm plasticity," where Islamic contractual forms are pragmatically accommodated through reinterpretation rather than legislative overhaul.[103] This plasticity, however, has limits. Unlike the UK, which amended its 2003 Finance Act to explicitly recognise Islamic mortgages and reassure market actors, France relied on administrative circulars and tax rulings.[104] These lacked the symbolic and legal clarity needed to build investor confidence or market scale.

As such, pragmatism quickly encountered ideological headwinds. As Kurochkina and Us have noted, early backlash stemmed less from financial concerns than from fears of legitimizing Shari'ah in the French public sphere.[105] The reforms, although legally secular and consistent with European law, sparked a wave of suspicion amplified by parallel debates over *laïcité*, the burqa ban, and national identity. The turning point came with the 2009 ruling by the Constitutional Council, which invalidated legislative provisions supporting Islamic financial contracts, citing procedural issues and concerns over introducing religious norms into the republican legal order.[106] Despite clarifications that Islamic financial institutions would remain entirely under French and EU legal oversight, the initial political backlash severely eroded momentum.

In sum, despite early legal flexibility and Sarkozy-era political will, France's engagement with Islamic finance ultimately plateaued, revealing a deeper disconnect between institutional ambition and durable implementation. The reforms introduced between 2008 and 2010 laid the important technical groundwork, but the absence of a coherent long-term strategy, compounded by political backlash, stalled broader integration. To understand the gap between aspiration and outcome, it is essential to revisit the roadmap that initially guided France's ambitions – the topic of our next section.

3.3 Evaluating the Jouini-Pastré Agenda

This subsection evaluates the implementation of the 2008 *Rapport Jouini-Pastré*. Positioned as a pragmatic plan to modernize France's financial infrastructure, the report framed Islamic finance as an economic opportunity that could align market innovation with social inclusion, without contravening the secular foundations of the French legal system.

[102] Reuters. "Sarkozy Sparks French Debate over God and Faith." *Reuters*, January 17, 2008. https://www.reuters.com/article/world/sarkozy-sparks-french-debate-over-god-and-faith-idUSL17123529/.
Sarkozy, Nicolas. *La République, Les Religions, L'espérance.* [The Republic, Religions, Hope.] CERF., 2004.
[103] Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe."
[104] Harrison, Martin. "Islamic Finance & the UK."
[105] Kurochkina, Iryna, and Ulija Us. "The Development and Special Aspects of Islamic Finance in Europe at the Present Stage."
[106] Conseil Constitutionnel. "Décision N° 2009-589 DC Du 14 Octobre 2009." Conseil constitutionnel, October 14, 2009. https://www.conseil-constitutionnel.fr/les-decisions/decision-n-2009-589-dc-du-14-octobre-2009-references-doctrinales.

The report projected that, with adequate reform and coordinated promotion, Paris could attract up to €100 billion in Islamic financial investment by 2020. To reach this objective, Jouini and Pastré outlined ten concrete policy recommendations spanning fiscal harmonisation, institutional capacity-building, product development, and public communication. These included:

A. A significant communication effort by the Paris Financial Centre directed toward countries where Islamic finance is developing most rapidly
B. Encouragement for the establishment of one or more Islamic financial institutions in France
C. Creation of an Islamic stock market index by NYSE Euronext
D. Accelerated development of training programs in Islamic finance, in partnership with institutions in Muslim-majority countries
E. Creation within NYSE Euronext of a dedicated compartment for *sukuk,* followed by one or more private *sukuk* issuances
F. Development of savings collection from Muslim residents in France
G. Elimination of double taxation on land registration and notary fees in non-speculative buy-sell operations
H. Reform of the legal framework concerning fiduciary arrangements (*fiducie*)
I. Exemption from latent defect liability in the context of simultaneous buy/sell transactions, and allowance for civil assignments as collateral (Exemption from warranty against hidden effects; civil transfer as collateral; deductibility of returns and confirmation of no withholding tax)
J. Reform of refinancing conditions for lease-purchase arrangements (*crédit-bail*)

While some of the report's recommendations were partially implemented, this analysis shows that the main obstacles have not been technical or economic, but rather political, legal, and socio-cultural. The table that follows provides a systematic assessment of the implementation status of each of the ten proposals, offering a clearer picture of France's legal and institutional readiness for Islamic finance and highlighting the persistent gap between policy ambition and regulatory reality.

Table 4. Implementation Status of the Jouini-Pastré Recommendations (2008-2025)

#	Recommendation	Aspect	2008–2010 (Post-Rapport)	2025 (Present days)	STATUS	Commentary
1	***Strategic communication campaign by Paris Financial Centre***	Political Support	Strong support under Christine Lagarde; Paris Europlace Commission active	Political momentum stalled; no major legislative proposals since the 2010s	**Not Implemented**	No sustained or coordinated communication efforts were undertaken to promote Islamic finance.
2	***Support the establishment of Islamic financial***	Retail Banking	First Islamic deposit scheme (2011);	No Islamic retail banks; limited	**Not Implemented**	No Islamic banks are licensed in France;

	institutions in France		Murabaha home financing launched	home financing via foreign institutions		activity remains foreign led.
3	***Creation of an Islamic stock market index by NYSE Euronext***	Capital Markets	Discussions held under Paris Europlace; Euronext launched *sukuk* listing segment, but no stock index materialized.	No Islamic equity index created in France; investors rely on foreign indices (Dow Jones, MSCI, FTSE).	**Not Implemented**	The stock index recommendation was never carried out. Euronext focused instead on *sukuk* listings, leaving France without a domestic Islamic benchmark for equities.
4	***Accelerated development of training programs in Islamic finance***	Capacity Building	Some early training initiatives launched (e.g. Paris Dauphine, HEC modules; AMF workshops raised awareness of Islamic finance)	No sustained national strategy; training scattered across a few universities and private institutes. Limited pipeline of domestic experts.	**Partially Implemented (limited institutionalisation)**	Initial training programs existed but were not institutionalized, leaving capacity gaps in legal and financial expertise.
5	***Creation of a dedicated sukuk compartment within NYSE Euronext***	*Sukuk* market	Euronext Paris *sukuk* segment launched; First corporate *sukuk* issued (GDF Suez, 2014)	Minimal activity; Only 2 French corporate *sukuk*; mostly foreign issuers	**Partially Implemented**	Segment launched in 2008, but activity remained marginal (only 2 corporate *sukuk*).
6	***Development of savings collection mechanisms from Muslim residents in France***	Retail banking	First Islamic deposit scheme (2011); *Murabaha* home financing launched	No Islamic retail banks; limited home financing via foreign institutions	**Not Implemented**	No targeted savings products or outreach efforts were developed.

7	***Elimination of double taxation on land registration and notary fees in non-speculative buy-sell operations***	Tax Neutrality	*Murabaha/sukuk* tax neutrality; double stamp duty removed for *sukuk* (2010)	No major updates since 2010; unclear treatment for newer products (e.g., takaful)	**Implemented (scope incomplete)**	Core tax reforms were enacted to align Islamic finance with conventional treatment for land transfers and *sukuk.* However, the scope has not been extended to newer instruments
8	***Reform of the legal framework concerning fiduciary arrangements (fiducie)***	Legal Framework	Fiducie law reformed in 2007; further adjustments enabled its use in Islamic structures (e.g., *sukuk*)	AMF guidelines unchanged; subsequent refinements to contract law in 2016; subsequent minor adjustments (including in 2023) clarified adhesion contracts and good-faith principles, but had little direct impact on Islamic finance.	**Implemented (limited application)**	Legal adjustments improved the fiducie's compatibility with Islamic finance, but application remains limited in practice
9	***Exemption from latent defect liability and allowance for civil assignments as collateral***	Legal Framework	AMF authorised Shari'ah-compliant funds; fiducie reforms	Same as Row 8: only limited clarifications since 2010; no major reform relevant to Islamic finance.	**Partially Implemented**	Partial legal clarifications were made; comprehensive reforms still lacking.
10	***Reform of refinancing conditions for lease-purchase***	Legal Framework	AMF authorised Shari'ah-compliant	Same as Row 8: no targeted reforms	**Not Implemented**	No reforms to adapt lease-purchase financing to

	arrangements (crédit-bail)		funds; fiducie reforms	since 2010; overall framework unchanged.		Islamic finance.

Despite the initial momentum generated by the *Rapport Jouini-Pastré* and early administrative reforms, several foundational gaps continue to hinder the institutionalisation of Islamic finance in France. While tax guidelines were developed for debt-based instruments (*murabaha* and *sukuk)*, proposed provisions for equity-based contracts (*musharakah* and *mudarabah)* were never finalised, leaving these profit-and-loss sharing models in a state of legal uncertainty. Efforts to enshrine Islamic finance within a coherent legislative framework have similarly stalled. Following the Constitutional Council's 2009 invalidation of key provisions, no significant attempt has been made to establish a unified legal basis for the sector. As a result, today, the regulatory environment remains fragmented, and market actors face continued uncertainty. Equally significant is the near-complete absence of Islamic finance from the domestic retail space. No Islamic banks have been licensed, and existing offerings, whether it is home financing or ethical investment products, are largely limited to initiatives by foreign institutions. Segments such as Muslim households, SMEs, youth and ethically minded savers remain chronically underserved.

These unresolved issues point to a broader structural reality: while France's legal framework permits Islamic finance in theory, political caution and symbolic sensitivity continue to impede its systematic integration. The disconnect that emerged in post–2010 France, following the initial momentum of 2008–2009, suggests that the barriers to Islamic finance are not rooted in legal incompatibility or lack of market demand, but in the symbolic weight the sector carries within a secular, postcolonial republic still negotiating its boundaries of identity, cohesion, and institutional inclusion. The next section explores how these deeper ideological dynamics have shaped the ambivalent response that continues to define France's approach to Islamic finance today by tracing both the historical precedent for religiously inspired financial ethics and the contemporary marginalisation of Islamic models.

3.4 Islamic finance in France

Today, Islamic finance in France stands in a paradox: legally viable but institutionally sidelined. As evidenced by the policy timeline and scholarly research, the primary barriers to the development of the sector are not rooted in law or economics, but in deeper socio-normative constraints. This section delves into the tension between France's universalist republican ideals and postcolonial identities by examining the intersection of financial exclusion and secular ideology. It situates Islamic finance within an ideological context where religion is expected to remain private and Muslim visibility in policy domains like finance often triggers heightened resistance.

3.4.1 Financial Exclusion and the Politics of *Laïcité*

Historically, France's, and more broadly Europe's, own financial tradition is rooted in religious norms, with no interest. As documented in *Banque et finance islamique en France* [Bank and Islamic finance in France] by Estelle Céline Brack, early Christian thought, influenced by

Aristotle and theologians like Thomas Aquinas, condemned usury as morally unjust.[107] The First Council of Nicaea forbade clerics from charging interest, a prohibition later reinforced by Charlemagne and medieval canon law. It was only with the Calvinist reinterpretation of scripture, which permitted interest under specific conditions, that modern banking practices emerged. Notably, many of Europe's early financial institutions developed in Protestant regions such as Geneva and Amsterdam, where ethical constraints and risk-sharing principles bore significant resemblance to those found in Islamic finance today.[108]

Thus, Paris's hesitation to institutionalize Islamic finance must be seen not as a rejection of religion in finance per se, but as a selective response shaped by contemporary ideological anxieties, particularly when that religion is Islam. While formally a legal doctrine, *laïcité* also operates as a normative framework that shapes the visibility and legitimacy of religious expression in public institutions.[109] Within this context, Islamic finance, with its explicit grounding in Shari'ah principles, challenges the presumed neutrality of France's technocratic financial order. As a result, it is rarely evaluated solely on its economic merits but instead becomes entangled in broader debates over identity, cohesion, and the boundaries of religion in the public sphere.

This political discomfort with Islamic finance is not merely circumstantial but deeply embedded in France's historical and ideological trajectory. As Ahmet T. Kuru argues, France's restrictive approach stems from a combative secularism initially forged in opposition to the Catholic Church, later repurposed in the postcolonial era to regulate Islam's growing visibility.[110] In *Secularism, State Policies and Muslims in Europe: Analysing French Exceptionalism*, Kuru traces how the emergence of a visible Muslim population in the 1980s gave rise to two competing models of secularism. The first, *laïcité de combat* (combative secularism), advocated by figures like Debray and Peña-Ruiz, seeks to exclude religious expression from public life entirely, portraying Islamic finance as a threat to republican values.[111] This interpretation often disregards empirical realities; for instance, over 90% of mosques in France are funded domestically, undermining claims of foreign influence.[112] In contrast, pluralist secularists like Jean Baubérot advocate for a more inclusive secularism that accommodates religious diversity without compromising state neutrality.[113] Yet, such perspectives remain marginal in policymaking, where Islam is often tolerated only when rendered institutionally invisible (unlike Catholicism and Judaism, which benefit from enduring historical accommodations).

Jonathan Laurence's *The Emancipation of Europe's Muslims* extends this critique by showing how the French state has consistently treated Islam as an exception.[114] While Catholicism and Judaism enjoy formal recognition through concordats and embedded institutional roles, Islam is managed via top-down constructs such as the Conseil Français du Culte Musulman (CFCM) [French Council of the Muslim Faith], created by the state without grassroots legitimacy or institutional autonomy. Laurence calls this model "controlled recognition": Islam is

[107] Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]
[108] Ibid.
[109] Kuru, Ahmet T. "Secularism, State Policies, and Muslims in Europe: Analysing French Exceptionalism." *Comparative Politics.* 41, no. 1 (October 1, 2008): 1–19. https://do
[110] Ibid.
[111] Ibid.
[112] Alouane, Rim-Sarah. "Islam, Made in France? Debating the Reform of Muslim Organizations and Foreign Funding for Religion."
[113] Belhaj, Abdessamad. "Secularism as Equality: French Islamic Discourses on Laïcité." *Religions* 13, no. 10 (October 3, 2022): 927.
[114] Laurence, Jonathan. *The Emancipation of Europe's Muslims*. (Princeton University Press, 2011).

acknowledged, but structurally constrained. Its presence in public policy domains is carefully managed to avoid disrupting the myth of a religion-blind republic.[115]

These ideological constraints have significant implications for Islamic finance. Unlike private religious practices, financial systems require public infrastructure, legal recognition, and institutional support. Yet, Laurence notes that the French state has repeatedly resisted granting Muslim actors such institutional footholds, particularly when their activities intersect with public policy domains like education, media, or finance.[116] The result is a paradox: while Muslims are rhetorically encouraged to integrate, they are simultaneously denied the institutional mechanisms necessary to participate fully.[117] Islamic finance, by virtue of requiring regulatory recognition and public endorsement, becomes emblematic of this broader tension between rhetorical inclusion and structural exclusion.

This historical context highlights the selective nature of France's secular sensitivities. While religiously inspired financial ethics have shaped European banking traditions, Islamic finance is uniquely scrutinised, not for its technical incompatibility, but for its symbolic challenge to dominant notions of republican neutrality. What emerges, then, is a pattern of symbolic exclusion rather than legal impossibility. As the *Rapport Jouini-Pastré* and subsequent legal reforms have shown, Islamic finance can be structured to comply with French financial and legal norms.[118] Many Islamic products are functionally equivalent to conventional instruments and have already been accommodated through tax and regulatory adjustments.[119] The hesitation is not technical, but political: legitimizing Islamic finance is perceived as validating group-based religious identity in a republic that defines equality as sameness.

Hence, Laurence's insight is key here: the French state's insistence on privatised religiosity has created an institutional culture in which the public expression of Islamic norms, whether sartorial, educational, or financial, is met with suspicion.[120] This helps explain why Islamic finance, despite being legally feasible and economically viable, has failed to take root in France. It violates the unspoken rule that Islam must remain invisible within public institutions. In this configuration, financial exclusion is not simply a product of market inertia or regulatory ambiguity; it is the outcome of a deeply embedded ideological model that privileges homogeneity over pluralism. Understanding this symbolic barrier is essential to explaining why, in a country with both clear demographic demand and technical capacity, Islamic finance remains institutionally marginalised.

3.4.2 Socioeconomic Realities and Banking Discrimination

Beyond ideological resistance, socioeconomic structures and discriminatory practices further constrain the development of Islamic finance in France. While France is home to the largest

[115] Ibid.
[116] Ibid.
[117] Adida, C. L., D. D. Laitin, and M.-A. Valfort. "Identifying Barriers to Muslim Integration in France." *Proceedings of the National Academy of Sciences* 107, no. 52 (November 22, 2010): 22384–90.
[118] Jouini, Elyès, and Olivier Pastré. "Enjeux et Opportunités Du Développement de La Finance Islamique Pour La Place de Paris," [Challenges and Opportunities of Developing Islamic Finance for the Paris Financial Center].
[119] Bouslama, Ghaleb. "La finance islamique : une récente histoire avec la France, une longue histoire avec ses banques" [Islamic finance: A Recent History with France, a Long History with Its Banks].
Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]
Coste, François. Homo Islamicus: La réinvention d'une économie et d'une finance islamique (1940–2014) [Homo Islamicus: The reinvention of an Islamic economy and finance (1940–2014)].
[120] Laurence, Jonathan. *The Emancipation of Europe's Muslims*.

Muslim population in Western Europe, estimated at 6 million in 2023 and 9 million in 2025, this demographic potential has not translated into financial inclusion.[121] Islamic finance is often rhetorically justified as a way to meet the ethical preferences of this population. Yet such framing risks oversimplifying the issue by focusing narrowly on faith-based demand, while overlooking the broader structural barriers that hinder access to financial services. For many French Muslims, the challenge is not just the absence of Shari'ah-compliant products, but systemic exclusion rooted in socioeconomic stratification and racialised marginalisation from mainstream economic institutions.[122]

These structural obstacles are further compounded by persistent patterns of banking discrimination. Nearly a decade ago, Ghaleb Bousslama cited empirical studies (i.e. Institut Français d'Opinion Publique (IFOP) [French Institute of Public Opinion] surveys and qualitative research conducted by Islamic finance Advisory Services (IFAS)) and demonstrated that Muslims in France report higher rates of bank rejections, increased scrutiny under anti-money laundering (AML) frameworks, and difficulty obtaining credit, even when income and risk profiles are comparable to non-Muslim applicants.[123] Applicants with 'foreign-sounding' names or addresses in stigmatised postal codes are more likely to be flagged or denied altogether.[124] As Pollard and Samers note, such discriminatory practices are not isolated incidents but are embedded within a political economy that securitizes Muslim identity while curtailing institutional access.[125]

In this context, the absence of financial products tailored to the diverse needs of France's Muslim population and the disconnect is deepened by the socio-professional stratification of the Muslim population. According to studies conducted by Hakim El Karoui (2016, 2017) within the Institut Montaigne, Muslims are significantly overrepresented in precarious labour categories: 24% are manual workers, 22% are employees, and nearly 30% are inactive non-retirees, a category that includes students and job seekers.[126] By contrast, only 4.5% of Muslims hold executive positions, compared to 10% of individuals with no religious affiliation.[127] This

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[121]INSEE's 2023 report, based on the 2019–2020 Trajectoires et Origines (TeO2) survey, estimated that Muslims comprised 10% of France's metropolitan population aged 18 to 59. This figure reflects self-declared religious affiliation within the constraints of the country's secular data collection policies.

However, in April 2025, Prime Minister François Bayrou referenced "nos 9 millions de compatriotes musulmans" [our 9 million Muslim compatriots] during a discussion on proposed legislation concerning religious symbols in sports. This higher estimate, equating to approximately 13% of the total population, was attributed to confidential government data not publicly disclosed, highlighting discrepancies between official statistics and internal assessments.

Barbarit, Simon. "Laïcité Dans Le Sport : La Ministre, Marie Barsacq Assure Que 'Le Gouvernement Dans Son Ensemble' Soutient La Proposition de Loi Du Sénat - Public Sénat." Public Sénat, April 30, 2025. https://www.publicsenat.fr/actualites/politique/laicite-dans-le-sport-la-ministre-marie-barsacq-assure-que-le-gouvernement-dans-son-ensemble-soutient-la-proposition-de-loi-du-senat.

Insee. "Religious Diversity in France: Intergenerational Transmissions and Practices by Origins − Immigrants and Descendants of Immigrants | Insee." Insee.fr, 2023. https://www.insee.fr/en/statistiques/7342918?sommaire=7344042

[122] Demirgüç-Kunt, Asli, Leora Klapper, and Douglas Randall. "The Global Findex Database Islamic Finance and Financial Inclusion." Findex Notes (World Bank), October 2013.

[123] Bouslama, Ghaleb. "La finance islamique: une récente histoire avec la France, une longue histoire avec ses banques" [Islamic finance: A Recent History with France, a Long History with Its Banks].

[124] Council of Europe. "ECRI Report on France (Sixth Monitoring Cycle)" 2022.

[125] Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

[126] The reader should note that the numbers come from the 2016 study, which examined 15 459 Muslims above the age of 15 in France.

El Karoui, Hakim. "Un Islam Français Est Possible." [A French Islam is possible.]

[127] Ibid.

—. "Nouveau Monde Arabe, Nouvelle 'Politique Arabe' Pour La France." [New Arab World, New 'Arab Policy' for France.] *Institut Montaigne*, August 2017.

structural imbalance not only limits purchasing power and financial literacy but also reduces confidence in, and access to, formal financial institutions.

Importantly, these forms of exclusion are experienced not merely as economic hardship, but as symbolic denial. A 2019 report by IFOP among 1000 French Muslims found that 42% of Muslims reported discrimination based on religion, more than any other group.[128] Complementary findings cited by the Council of Europe further note studies that found that 40% have encountered workplace or institutional discrimination, frequently linked to visible religious markers such as the hijab.[129] In this context, the demand for Islamic finance is not simply about accessing faith-aligned services. It reflects a broader aspiration for recognition, equity, and dignified inclusion within a system that often treats Muslim identity as incompatible with the republican ideal of *égalité* [equality].

3.5 Explaining the Stagnation

While the post–2008 period saw a flurry of regulatory reforms, including the adaptation of the *fiducie* (trust framework) to accommodate Shari'ah-compliant structures, France's legal and technical environment has, in principle, allowed for the operation of Islamic finance. Tax neutrality was established for key instruments, and the regulatory authorities demonstrated a willingness to clarify and adjust existing frameworks rather than overhaul the legal system. These steps, along with high-level political rhetoric and institutional initiatives, initially signalled a genuine openness to integrating Islamic finance into the French financial landscape.

However, as this chapter demonstrates, the momentum quickly stalled. Despite the technical feasibility and legal flexibility, Islamic finance failed to achieve systemic integration. The primary obstacles were not regulatory or economic, but political and symbolic. The sector was largely welcomed as a channel for attracting Gulf capital yet remained institutionally marginalised as a domestic tool for financial inclusion and ethical innovation. Two broad categories of constraint explain this impasse.

First are the ideological tensions embedded in the French model of *laïcité,* which frames Islamic finance not as a neutral financial innovation, but as a potential challenge to republican cohesion. Rather than evaluating these instruments on their economic or ethical merits, public discourse often associates Islamic finance with political Islam or communal separatism, casting it as a Trojan horse for identity-based claims. This symbolic framing has discouraged serious institutional engagement and reinforced the state's reluctance to grant Islamic finance a legitimate space within the public financial architecture.[130]

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[128] Ferhat, Ismail, and François Kraus. "État Des Lieux Des Discriminations et Des Agressions Racistes Envers Les Musulmans de France." [State of Play: Discrimination and Racist Attacks Against Muslims in France.] Fondation Jean-Jaurès, November 6, 2019. https://www.jean-jaures.org/publication/etat-des-lieux-des-discriminations-et-des-agressions-racistes-envers-les-musulmans-de-france/.

Le Monde. (2019, November 6). Selon un sondage, 42 % des musulmans de France disent avoir été discriminés à cause de leur religion. [According to a Survey, 42% of Muslims in France Say They Have Been Discriminated Against Because of Their Religion.] *Le Monde.fr*. https://www.lemonde.fr/societe/article/2019/11/06/selon-un-sondage-40-des-musulmans-de-france-ont-fait-l-objet-de-racisme_6018225_3224.html.

[129] Council of Europe. "ECRI Report on France (Sixth Monitoring Cycle)"

[130] Bracke, Sarah, and Luis Manuel Hernández Aguilar. "Thinking Europe's 'Muslim Question': On Trojan Horses and the Problematisation of Muslims." *Critical Research on Religion* 10, no. 2 (October 25, 2022).

Second are the structural barriers rooted in socioeconomic exclusion and discriminatory banking practices. As evidence shows, Muslim individuals and communities in France face persistent barriers to financial inclusion, from credit access and savings products to broader institutional recognition.[131] These limitations are not merely the result of unmet faith-based preferences but stem from a systemic lack of institutional trust, compounded by patterns of racialisation, class-based stratification, and unequal treatment by mainstream financial actors. In this context, the demand for Islamic finance is not just about religious observance but an expression of a broader claim for dignity, inclusion, and equal participation in economic life.

Taken together, these ideological and structural dynamics reveal that the stagnation of Islamic finance in France is symptomatic of a deeper institutional discomfort with cultural and religious plurality, particularly when that plurality intersects with economic citizenship. The post–2008 reforms, while notable in scope and ambition, ultimately stopped short of embedding Islamic finance into the long-term fabric of the financial system. What emerged instead was a policy trajectory defined by rhetorical openness but structural hesitation; one that curtailed France's ability to position itself as a credible hub for ethical, Shari'ah-compliant finance, and exposed the limitations of its universalist model in an increasingly plural society.[132]

IV. PANDORA'S BOX: New Dynamics in French Islamic finance

While the previous chapter outlined the structural and ideological conditions that contour the development of Islamic finance in France, legal feasibility and regulatory reform tell only part of the story. Building on the paradox outlined earlier, this chapter shifts the focus to ground-level actors to explore how Islamic finance is interpreted, adapted, and advanced in practice.

Anchored in a postcolonial political economy perspective, this chapter investigates how cultural norms, consumer behaviour and market dynamics intersect to shape the lived realities of Islamic finance in France. It draws on in-depth interviews with Yanis Mahmoud and Kader Merbouh, co-hosts of the podcast *Parlons Finance Islamique* [Let's talk Islamic finance] and active figures in both the public discourse and technical training around Shari'ah-compliant finance.[133] Their testimonies shed light on shifting demand, the reframing of resistance, and the everyday negotiations required to sustain Islamic finance in a context where secularism, financial orthodoxy, and social stigma frequently collide.

Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

[131] Sénat. "La Finance Islamique En France : Quelles Perspectives ?." [Islamic finance in France: What Perspectives?] Sénat, May 14, 2008. https://www.senat.fr/rap/r07-329/r07-329_mono.html.

[132] Di Mauro, Filippo, Pierluigi Caristi, Stéphane Couder, Angela Di Maria, Lauren Ho, Baljeet Kaur Grewal, Sergio Masciantonio, Steven Ongena, and Sajjad Zaher. *Islamic Finance in Europe*.

[133] See Mahmoud, Yanis, and Kader Merbouh. "Parlons Finance Islamique." [Let's talk Islamic finance.] YouTube, 2024. https://www.youtube.com/channel/UCBMfv3gyYeWAPCeL5Ss17nQ, where they regularly discuss contemporary issues in Islamic finance in France.

The use of qualitative interviews, conducted separately, here is both methodological and conceptual.[134] It prioritises situated knowledge over generalisation through narratives and strategies of those shaping the sector from within. Though the two interviewees share a common media platform, their perspectives are shaped by distinct generational trajectories and institutional vantage points.[135] This contrast enhances rather than duplicates the insights presented, revealing the subtle tensions between pedagogical leadership and practitioner innovation, institutional positioning and grassroots rebranding, as well as ethical commitment and market pragmatism.

Naturally, this approach has its limitations. The insights presented are partial, shaped by the positionalities, institutional affiliations, and strategic priorities of the participants, and the data is interpretive rather than statistical. This chapter does not claim to measure market penetration, consumer segmentation, or regulatory effectiveness in empirical terms; it seeks instead to bring analytical depth to the argument. The accounts offered by Mahmoud and Merbouh move beyond professional assessments, illuminating both enduring constraints and emergent pathways for Islamic finance in a society still uncertain about its place.

4.1 Foundations and Evolving Demand

4.1.1 Beyond Religion: Unpacking the Ethical Potential of Islamic finance

During the interviews, both interviewees emphasised the normative and transformative potential of Islamic finance beyond its religious roots, particularly as a vehicle for addressing social and environmental challenges.

Yanis Mahmoud, who trained at Financia Business School and Durham University, emphasised his belief that finance should serve a social purpose. For him, Islamic finance offers a framework to reintroduce ethical accountability into economic life. He expressed frustration that, while the conceptual framework for Islamic finance exists in France, its real-world application remains limited. Through his work, in wealth management and as co-creator of the podcast *Parlons Finance Islamique*, Mahmoud aims to shift public discourse from niche technical training to accessible education, advocating for financial models that combat inequality, environmental degradation and systemic exclusion.

Kader Merbouh shared a similar perspective, though from a more institutional vantage point. He noted the widespread misconceptions that continue to surround Islamic finance in France, where the topic remains poorly understood and often caricatured. One of the podcast's core aims, he explained, is to challenge this narrative by offering clear, rigorous, and ideologically neutral content. Since its launch in November 2024, *Parlons Finance Islamique* has served as a public education platform, covering everything from technical mechanisms to ethical debates.

For both interviewees, Islamic finance is not simply a tool for Muslim clients, but a framework with broad relevance in a context where ethical investing and environmental, social, and

[134] For an overview of the interview protocols, guiding questions, and analytical approach, see ***Appendix B.***
[135] For background on the interviewees' educational and professional trajectories, areas of expertise, and motivations, see ***Appendix C.***

governance (ESG) criteria are gaining traction. In their view, Islamic finance offers a bridge between faith-based values and contemporary concerns about the sustainability and equity of global capitalism**.**

4.1.2 Diverse Aspirations: Evolving Consumer Demand for Islamic finance in France

According to Yanis Mahmoud, demand for Islamic finance among French Muslims stems not from niche preference, but from a religious obligation that increasingly overlaps with broader ethical concerns. For observant Muslims, aligning financial practices with Islamic principles (for example, avoiding interest (*riba*), engaging in risk-sharing contracts, and practising obligatory charity (*zakat*)) is a matter of religious coherence. The consumer landscape, however, is not monolithic. Mahmoud pointed to a clear generational divide: younger Muslims are increasingly drawn to halal investing, particularly in areas such as real estate, cryptocurrency, and entrepreneurship. In contrast, older generations, shaped by *fatwas de nécessité* (rulings of necessity) that once permitted conventional finance under constrained circumstances, tend to be more sceptical or disengaged.[136]

This demographic divergence is reinforced by age-based trends: as Pew Research (2017) notes, the median age of French Muslims is 27 (compared to 43 for non-Muslims) indicating a demographic tilt toward youth, particularly among those aged 16–30, actively seeking halal alternatives in real estate and equity investments.[137] These differences also reflect varying levels of financial literacy and exposure to Islamic economic thought. While younger Muslims may be more eager to explore halal investing, both age groups often face significant knowledge gaps. Although Islamic finance is conceptually rooted in justice, risk-sharing, and redistribution, its actual mechanisms, such as *mudarabah* or *musharaka*, remain poorly understood, even among Muslim consumers themselves. Decades of misinformation and oversimplification, especially regarding the permissibility of conventional borrowing, have further complicated efforts to make informed financial choices.

Kader Merbouh, Director of the Islamic finance Department at Financia Business School, echoed this analysis but underscored a significant shift in who is driving the sector forward. Rather than top-down institutional initiatives, he sees momentum coming from individuals -- particularly younger generations -- who are seeking to align their financial lives with their ethical and religious commitments: "*En tant que directeur, on voit une quarantaine d'étudiants, et des groupes d'experts comptables qui travaillent sur le sujet… Ce sont les individus qui changent petit à petit le monde dans lequel on es*t." ["As a director, I see about forty students, and groups of accounting experts working on the subject... It's the individuals who are changing the world we live in, little by little."] Growth, he noted, is not exponential but steady and determined: "*une vraie croissance, lente mais sûre*." ["a true growth, slow but steady."].

[136] In Islamic jurisprudence, a *fatwa de nécessité* is a religious ruling that temporarily suspends certain Islamic prohibitions under conditions of necessity or acute hardship. It historically permitted Muslims in non-Muslim-majority countries, like France, to use conventional interest0based banking systems when Shari'ah-compliant alternatives were unavailable.

Dalvi, Abdul Shakoor, Md Faruk Abdullah, and Abu Bakkar Siddique. "Fatwa on Financial Needs in Non-Muslim Majority Countries: A Case on Mortgages and Insurance." *Journal of Fatwa Management and Research* 30, no. 2 (May 30, 2025): 17–33.

[137] Pew Research Centre. (2017, November 29). Europe's Growing Muslim Population.

Crucially, this grassroots momentum is not confined to Muslim consumers alone. As both interviewees emphasised, the appeal of Islamic finance extends well beyond the French Muslim population. Mahmoud argued that Islamic finance embodies "*éthique sans l'islam*" ["ethics without Islam"]—an ethical framework that resonates with a broader audience, particularly those concerned with social justice, sustainability, and responsible investing. He illustrated this convergence with the example of a Jehovah's Witness client who sought to avoid investments in the arms industry and was drawn to Shari'ah-compliant funds for their emphasis on sectors such as healthcare and technology. This example underscores how Islamic finance principles, particularly in their emphasis on ethical screening, risk-sharing, and exclusion of harmful industries, can align with secular ESG goals and attract a diverse set of value-conscious investors.

This expanding appeal reflects a broader post–pandemic recalibration of consumer values. Mahmoud noted a growing religious and ethical awareness among Muslim and non-Muslim youth worldwide in the aftermath of COVID-19, a trend also evident in France.[138] While not radical, this shift has been substantial enough to reshape the Islamic finance consumer base, transforming passive savers into ethically motivated investors. However, despite this momentum, both Mahmoud and Merbouh emphasised that institutional responses remain limited. Financial providers continue to underestimate or overlook this demand, and when products do exist, they are often stripped of explicit Shari'ah branding to avoid political sensitivities or market pushback.

The next subsection examines this persistent disconnect more closely: despite the rise of a new generation seeking financial solutions aligned with both religious and ethical values, the domestic market remains structurally and strategically ill-equipped to serve them.

4.2 Market Offerings and Structural Barriers

4.2.1 A Marginal Market: Branding, Visibility and Grassroots Growth

Both interviewees described the Islamic finance market in France as marginal, fragmented, and largely shaped by private initiative rather than public support.

Yanis Mahmoud explained that, while some Shari'ah-compliant products are available (e.g. real estate funds or ethically screened portfolios), they are rarely marketed as Islamic. Instead, providers rely on alternative labels like "ethical," "ESG-compliant," or "debt-free" to avoid political controversy and attract a wider audience. This branding strategy reflects not only reputational caution but also a deeper reluctance among French institutions to associate with religiously framed finance in a secular public space. In many cases, products are presented in neutral terms even when they meet all criteria of Islamic compliance, a practice Mahmoud referred to as "*pragmatique mais en fin de compte, limitant*." ["pragmatic but ultimately, limiting"].

[138] Davis, Hallie, and Andrea Hasler. "Millennials' and Gen Z's Money Management during COVID-19: Challenges and Opportunities." In *WP 2021-4 GFLEC Working Paper Series*, 2021.
Nalty-Roach, Megan. "How Millenials and Gen Z Are Changing Finance." Triumph Capital Management, September 2024. https://www.triumphcapitalmanagement.com/blog/how-millennials-and-gen-z-are-changing-the-future-of-finance

This cautious approach extends beyond branding to the structural underpinnings of the sector. Kader Merbouh highlighted the lack of institutional infrastructure: no fully Islamic banks are operating in France, and most mainstream financial institutions have chosen to sidestep the market altogether. A few French banks do offer Islamic financial services, but only through branches based abroad.[139] Academic support has similarly deteriorated. Merbouh pointed to the closure of the Islamic finance Master program at Université Paris-Dauphine, Paris (where he served as both Director and Founder), which had once been a leading hub for scholarly and professional development. Today, Financia Business School stands as the only institution offering a dedicated Executive MBA and certificate in Islamic finance. While this initiative has drawn participants from across the Francophone world, including government officials from Cameroon, Chad, and other countries, Merbouh acknowledged that it remains an exception in an otherwise indifferent educational and professional landscape.

For both Mahmoud and Merbouh, this limited visibility and institutional disengagement reflect more than simple market oversight; they are symptomatic of broader structural and ideological barriers. Mahmoud stressed that, in the absence of public leadership, it is ethically committed professionals, educators and entrepreneurs who are driving the sector forward from the ground up. The demand is present and growing, particularly among younger, value-conscious consumers, but the financial ecosystem has not evolved to meet it. Merbouh echoed this point, noting increasing engagement from professionals, students, and diaspora communities both within France and across postcolonial and francophone networks. In his words, "*le marché va décoller*" ["the market will take off"] even without state intervention, because "*la boîte de Pandore a été ouverte*" ["the Pandora's box has been opened"].

4.2.2 Permitted but Penalised: Regulatory and Fiscal Barriers to Islamic finance

While Islamic finance is legally permissible in France under private law, both Yanis Mahmoud and Kader Merbouh emphasised that key regulatory and fiscal frameworks remain poorly adapted to its specific requirements.

Merbouh underscored the persistent absence of dedicated Islamic finance offerings within mainstream institutions. He explained that regulatory rigidity is compounded by a lack of technical expertise, regulatory rigidity and enduring political hesitation. In his view, the French state took initial steps after the 2008 financial crisis to explore Islamic finance, particularly to attract Gulf-based institutional capital.[140] However, it quickly retreated without putting in place the fiscal or regulatory adjustments necessary to support long-term growth. Since then, no coordinated policy effort has been made to support the sector's long-term development. Isolated actors, from fintech startups to boutique asset managers, have attempted to fill the void, but their efforts remain fragmented and unsupported by a broader ecosystem.

Mahmoud expanded on these points by identifying specific legal and fiscal obstacles that constrain Islamic financial instruments. One of the most significant, he noted, is the lack of tailored treatment for contracts like *musharaka mutanaqisa* (diminishing partnership) or *ijarah* (leasing), both of which are used internationally as Shari'ah compliant alternatives to

[139] The next chapter will explore this aspect in more details.
[140] Such statement is aligned with the findings of Chapter III.

conventional mortgages. In France, however, these structures are penalised by repeated *droits de mutation* (property transfer taxes), making them financially uncompetitive when compared to standard loans, which are taxed only once. Mahmoud contrasted this with the United Kingdom, which between 2003 and 2006 enacted a series of legal and tax reforms that placed Islamic home financing on equal footing with conventional mortgages, which eliminated legal redundancy and fiscal penalties

This misalignment also extends to capital market instruments. While France introduced a tax instruction in 2010 to facilitate the issuance of *sukuk* (Islamic bonds), the instrument has seen little to no use.[141] For Mahmoud, this is less a question of legal absence than one of institutional inertia: existing tools are available, but they are neither mobilised nor operationalised. He argued that instead of calling for new laws, French actors could already do much more by interpreting existing civil contract frameworks more flexibly, applying current tax guidance, and initiating pilot projects. The real barriers, he concluded, are a lack of initiative, institutional coordination, and regulatory familiarity.

Together, their insights point to a climate of cautious inaction. Islamic finance in France exists in a paradoxical space: legally viable yet structurally discouraged. Without targeted reforms, like adjusting tax treatment for participatory finance or clarifying the regulatory treatment of Islamic investment products, Islamic finance in France is unlikely to move beyond its current marginal status.

4.3 Political and Cultural Resistance

4.3.1 Legal Neutrality, Social Stigma: *Laïcité* and the Limits of Visibility

While Islamic finance is often assumed to conflict with French secularism, both Mahmoud and Merbouh reject this interpretation as reductive. For Mahmoud, *laïcité*—properly understood as a principle of state neutrality—does not legally obstruct the development of faith-informed financial tools. The real obstacle, he argues, lies not in the legal framework but in prevailing public attitudes. "*Parler de l'Islam est mal perçu en France*" ["Talking about Islam is poorly received in France"], he explained, noting that Islam remains a politically charged and socially stigmatised topic. As a result, financial institutions often choose not to publicize their Shari'ah-compliant offerings, fearing reputational risk or backlash from clients and media alike.

Merbouh extended this argument by situating it within France's broader socio-political context. When asked whether *laïcité* constituted a structural barrier, he dismissed the premise outright: "*C'est un faux débat*" ["It's a false debate"]. In his view, the real issue stems from how Muslim visibility has become entangled with narratives of insecurity and social fragmentation. This climate, shaped by waves of immigration, uneven integration policies, and economic marginalisation, has made any public association with Islamic identity politically fraught. Yet,

[141] Chapter III discussed the 2009 decision by the Constitutional Council to reject proposed amendments to the *fiducie* (trust framework) that would have enabled dual ownership. This legal constraint poses a significant barrier to the issuance of *sukuk*, which require the transfer of underlying assets to Special Purpose Vehicles (SPVs) to comply with Shari'ah principles. Unlike conventional bonds, *sukuk* structures are more complex and entail higher issuance costs—factors that deter corporate issuers, particularly in stable markets where simpler, lower-margin instruments are preferred.

as Merbouh pointed out, the irony is striking: the most significant push for Islamic finance in France came not from grassroots Muslim communities, but from the state itself. In 2008, it was then-Minister of Economy Christine Lagarde who spearheaded efforts to attract Islamic capital to position Paris as a global financial centre.

This top-down origin only deepens the paradox: Islamic finance is both promoted and silenced by the same institutional forces, constrained more by symbolic politics than legal barriers. Merbouh insisted that framing Islamic finance as a *droit privé* (private law) matter, as opposed to a religious or *droit public* issue, could help depoliticize the discussion.

This caution is not abstract. Mahmoud recounted internal discussions within a major bank's communication team, which concluded that openly promoting a Shari'ah-compliant branch might result in a net loss of customers, rather than expanding their base. This approach stands in marked contrast to international contexts, such as the UK or Malaysia, where Islamic finance is marketed as a principled and strategic segment of the financial system.[142] In France, even when Shari'ah-compliant investment products are offered, they tend to be presented without explicitly religious framing, resulting in minimised visibility to preserve reputational neutrality.

Political cycles have further reinforced this dynamic. Mahmoud noted that the most active period of state engagement came under Nicolas Sarkozy, whose administration pursued Islamic finance primarily for economic gain, not religious accommodation. The shift came with François Hollande, under whom *laïcité* was reinterpreted in stricter ideological terms, leading to a retreat from earlier efforts. Today, since his first term, Emmanuel Macron has not reversed this trajectory.[143] Despite his pro-business orientation, the political sensitivity surrounding Islam has kept Islamic finance off the policy agenda, rendering it institutionally permissible but strategically invisible.

4.3.2 Balancing Values and Viability: Ideological and Market Forces in Islamic finance

Despite institutional ambivalence, both interviewees emphasised that the barriers to Islamic finance in France are not solely political, they are also conceptual. At the core lies a tension between ideological sensitivities and economic pragmatism, which continues to shape how Islamic finance is understood, marketed, and institutionalised.

Mahmoud outlined three competing visions that have informed France's approach to Islamic finance: (1) as a form of religious accommodation for French Muslims; (2) as a broader financial inclusion tool that serves Muslims but is open to all citizens; and (3) as a geopolitical lever to attract investment from Gulf countries. He noted that the third vision has been quietly pursued in practice. For example, France has engaged in discreet partnerships with Gulf investors, particularly in sectors like AI, where contracts could be fully Shari'ah-compliant yet

[142] Rethel, Lena. "Whose Legitimacy? Islamic Finance and the Global Financial Order."
[143] BBC News. "France's Macron Vows to Fight 'Islamist Separatism'.".
Le Monde. "Terrorisme, Laïcité, Etat de Droit… Ce Qu'il Faut Retenir Du Discours de François Hollande." [Terrorism, Laïcité, Rule of Law…What to remember from Francois Hollande's speech] Le Monde.fr. Le Monde, September 8, 2016. https://www.lemonde.fr/election-presidentielle-2017/article/2016/09/08/ce-qu-il-faut-retenir-du-discours-de-francois-hollande_4994589_4854003.html.

carefully stripped of explicit religious branding. The logic, he explained, is straightforward: when Islamic finance is framed as an economic asset rather than a religious project, the state becomes more receptive, especially under fiscal pressure.

This strategic distancing from religious terminology is not confined to the state. Mahmoud stressed that when Islamic finance is framed narrowly as a religious offering, it alienates non-Muslims and reinforces political sensitivities. However, when positioned within the broader ecosystem of ethical finance, alongside ESG criteria and impact investing, it resonates far more widely. "*Il y a une véritable quête de sens*," ["There is a real search for meaning today,"] he noted, "*pas seulement dans nos carrières aujourd'hui, mais aussi dans la façon dont nous investissons*." ["not only in our careers but also in how we invest."] The ethical foundations of Islamic finance (e.g. avoiding harmful industries, prioritizing real economy investments, and ensuring transparency) appeal to a much larger public when decoupled from explicitly Islamic branding.

This pragmatic rebranding is already happening in practice. Mahmoud cited the example of Shari'ah-compliant SCPI (Société Civile de Placement Immobilier) [real estate investment funds] operating in France: while they adhere strictly to Islamic principles, eschewing debt financing and receiving approval from Muslim wealth managers, they are marketed to the public as ESG or ethical funds. As such, they attract both Muslim and non-Muslim investors. The logic is strategic: by removing the label, the product gains market legitimacy while still adhering to its ethical foundations.

However, Merbouh remains sceptical that a state-led revival of Islamic finance is either likely or desirable. "*Ce n'est pas au gouvernement d'attirer la finance islamique, mais au marché de mener le secteur,*" ["It's not the government's role to attract Islamic finance; the market must lead the way."] he argued. In his view, the future of the sector depends less on top-down intervention than on the initiative of private actors, civil society, and consumers. Since the last meaningful government engagement over a decade ago, momentum has shifted to those working independently to meet demand and expand the ecosystem. The challenge ahead, Merbouh suggests, lies in navigating the delicate balance between ideological legitimacy and market viability; in other words, between remaining visibly Islamic in values and broadly accessible in practice.

4.4 Future Directions

This chapter builds on the broader thesis of this study, which frames Islamic finance in France as a space where postcolonial legacies, socio-political dynamics, and market forces converge. Moving beyond purely regulatory explanations, it has foregrounded the lived realities of those working within the sector to understand why Islamic finance remains marginal despite legal feasibility and growing demand. Through the insights of Yanis Mahmoud and Kader Merbouh, two key actors engaged in public education and professional training, the chapter has revealed how the sector is shaped by a dual dynamic: entrenched cultural resistance on the one hand, and incremental bottom-up innovation on the other.

Several key findings emerged. First, demand among French Muslims (particularly younger, financially active demographics) is growing and diversifying. However, this demand is often unmet due to a combination of financial illiteracy, reputational caution, and regulatory misalignment. Second, Islamic financial offerings remain fragmented not because tools are unavailable, but because the institutional actors best positioned to scale them have either misread the opportunity or strategically avoided the sector. Third, although France's secular framework (*laïcité*) does not legally obstruct Islamic finance, it cultivates a politics of visibility that discourages explicit institutional support. Finally, and perhaps most importantly, both interviewees identified a shift in momentum: away from state-led reform and toward private, educational, and diasporic initiatives as the most viable engines of future development.

Looking ahead, Mahmoud and Merbouh outlined a pragmatic yet hopeful path forward. Rather than waiting on government intervention, they underscored the need for market actors to develop viable models within the existing legal and fiscal landscape. These grassroots experiments, once successful, could then serve as leverage for broader policy change. Both emphasised the importance of investing in human capital, through academic programs, certification schemes, and practitioner networks, and of encouraging financial innovation that aligns Shari'ah principles with modern market dynamics. For them, the core challenge is not one of legal feasibility, but of political resolve and cultural openness: the ability to accommodate faith-based finance without defaulting to fear, caricature, or ideological rigidity.

While not exhaustive, their reflections contribute something essential to this inquiry: an understanding of Islamic finance not merely as a regulatory or economic framework, but as a contested social practice. Through their experiences, the marginality of Islamic finance in France emerges not as a simple byproduct of policy failure or lack of consumer demand, but as a symptom of deeper struggles over who holds the power to define financial legitimacy, and on what terms, in a secular, postcolonial republic.

V. FRANCE'S STRATEGIC CONTRADICTION: Between Global Pragmatism and Domestic Reluctance

Having examined the domestic barriers to Islamic finance from regulatory inertia to the symbolic politics of secularism, this chapter expands the lens to interrogate France's paradoxical posture on the global stage and how it stems from a failure to view it as hybrid and complementary to the current financial landscape. Despite favourable demographics, early political momentum, and an accommodating legal framework, the country has failed to cultivate a viable domestic Islamic finance ecosystem. What emerges instead is a compartmentalised approach in which Islamic finance is treated as a strategic asset abroad but remains a political liability at home.

This chapter explores this strategic contradiction in three parts. The first section maps France's international footprint, focusing on how major financial institutions, such as BNP Paribas and Société Générale, leverage favourable regulatory environments in the Gulf, Southeast Asia, and the UK to structure sukuk, offer *murabaha* mortgages, and manage Islamic investment portfolios. These activities, however, are carefully insulated from domestic operations. The second section examines the domestic vacuum: despite rising consumer demand and innovation from fintech startups, Islamic finance remains institutionally sidelined due to policy inertia, regulatory ambiguity, and reputational risk. The final section broadens the scope to assess the geopolitical implications of France's fragmented stance, particularly considering missed opportunities in development diplomacy and ethical finance leadership.

5.1 France's Engagement with Islamic finance

5.1.1 Global Expansion: Technical Leadership, Domestic Detachment

The active role of French banks in structuring Islamic finance abroad, despite the sector's domestic stagnation, reveals a central contradiction in France's policy stance. It reflects a deliberate strategy of externalisation, where financial and geopolitical gains are prioritised over domestic inclusion and regulatory reform. Major institutions such as BNP Paribas, Société Générale, and Crédit Agricole CIB have focused their Islamic finance operations in regions where Shari'ah-compliant instruments are mainstream, notably the Gulf Cooperation Council (GCC), the broader Middle East and North Africa (MENA), and Southeast Asia. While these banks have cultivated international credibility in the Islamic finance market, their sustained absence within the French domestic sphere underscores the disjuncture between global pragmatism and internal reluctance.[144]

BNP Paribas, for example, has long anchored its global Islamic finance operations in Bahrain, leveraging the country's pioneering role in developing Islamic financial infrastructure since the 1970s.[145] Crédit Agricole and Société Générale, by contrast, have prioritised the United Arab Emirates (particularly Dubai) as their primary base for regional engagement, taking advantage of its regulatory sophistication and strategic positioning as a global Islamic finance hub.[146] Beyond these core markets, French banks have also maintained an active presence in other key Islamic finance centres across the region, including Qatar and Egypt.[147]

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[144] While other banks operating in France may possess niche expertise or limited exposure to Islamic finance, BNP Paribas, Société Générale, and Crédit Agricole CIB are the only French institutions with a sustained, visible, and strategically organised presence in global Islamic finance markets. The sole exception in the retail space is Chaabi Bank, a subsidiary of Morocco's Banque Populaire, which provides Shari'ah-compliant deposit and mortgage products. Accordingly, the analysis in this chapter focuses on the three French banking actors as emblematic of France's externalised approach to Islamic finance.
For a visual overview of this international footprint, see the map illustrating regions where Shari'ah-compliant services are well established.
Islamic Corporation for the Development of the Private Sector, and London Stock Exchange Group Data Analytics. "ICD - LSEG Islamic Finance Development Report 2024: From Niche to Norm." London Stock Exchange Group, 2024.

[145] Bahrain formally embraced Islamic finance in 1979 with the establishment of Bahrain Islamic Bank (BisB). It is further the home for the AAOIFI a standard-setting body for the industry.
BNP Paribas. "BNP Paribas in MEA." BNP Paribas, September 21, 2023. https://mea.bnpparibas.com/en/our-business/

[146] Dubai offers a mature Islamic finance ecosystem supported by institutions like the Dubai International Financial Centre (DIFC) and the Dubai Financial Services Authority (DFSA), which provide a common law framework, regulatory certainty, and tax advantages. The city's positioning as a global Islamic finance hub, reinforced by the 2013 "Dubai: Capital of Islamic Economy" initiative, makes it an attractive platform for French banks offering *sukuk* structuring, Shari'ah-compliant project finance, and advisory services
Crédit Agricole CIB. "Our Network in United Arab Emirates." Crédit Agricole CIB, 2023. https://www.ca-cib.com/en/our-network-united-arab-emirates
———. "Global Islamic Banking." yumpu.com. Crédit Agricole CIB, 2025. https://www.yumpu.com/en/document/read/30111823/global-islamic-banking-credit-agricole-cib.
Société Générale. "Societe Generale in the Middle East." Société Générale, 2025. https://mea.societegenerale.com/en/about/societe-generale-the-middle-east/

[147] BNP Paribas. "BNP Paribas in MEA."
Crédit Agricole CIB. "Global Islamic Banking."

In Southeast Asia, Malaysia has emerged as another strategic axis. BNP Paribas established its Asia-Pacific Islamic finance hub in Kuala Lumpur in 2011 and began operating under a local banking license the following year, offering Shari'ah-compliant services through its Najmah platform.[148] Société Générale has similarly drawn on Malaysia's sophisticated legal infrastructure to issue *sukuk*.[149] Malaysia's highly institutionalised Islamic finance ecosystem, characterised by a dual banking model, a centralised Shari'ah Advisory Council, and a well-developed *sukuk* market, offers both regulatory clarity and reputational credibility.[150] For French financial institutions, it presents an ideal environment to expand Shari'ah-compliant operations in a region where Islamic finance is mainstream and policy-supported.

French banks have also established significant operations in Europe's most receptive Islamic finance environment: London. Crédit Agricole CIB, for instance, has maintained a major presence in the City of London since 1870, leveraging this longstanding foothold to deliver complex capital markets solutions, including Islamic finance transactions, to a diverse international client base.[151] Notably, it served as a joint book-runner for the Islamic Development Bank's landmark € 550 million *sukuk* issuance in the London market, the first Euro-denominated *sukuk* since 2019, demonstrating its capacity to structure and distribute Shari'ah-compliant instruments across global markets.[152] BNP Paribas, through its Corporate & Institutional Banking division, similarly utilizes its London hub to offer Islamic finance services, building on its Najmah platform.[153] Société Générale, although more active in Asia, also capitalizes on the UK's business-friendly regulatory regime to broaden its Islamic finance offerings.

These engagements are not merely geographic but also institutional. Each bank has adopted a distinct structural strategy tailored to the regulatory and cultural context of the foreign markets it serves. BNP Paribas manages its Najmah platform as a standalone brand, fully decoupled from its domestic operations, allowing it to offer Shari'ah-compliant products without political entanglement at home.[154] Société Générale integrates Islamic finance into its global corporate and investment banking services through region-specific teams, often partnering with local institutions in the Middle East rather than establishing a dedicated in-house Shari'ah board.[155] Crédit Agricole CIB, for its part, presents its Islamic finance activity as a discrete "Global Islamic Banking" initiative, operating an Islamic window under Dubai's regulatory regime without forming a separate legal entity.[156] These models reflect a deliberate compartmentalisation strategy: Islamic finance is pursued where regulatory environments are favourable and demand is high, yet remains institutionally and symbolically segregated from the French domestic market. This calibrated approach reveals how market pragmatism abroad

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Société Générale. "Societe Generale in the Middle East."

[148] BNP Paribas. "BNP Paribas in Malaysia." BNP Paribas Asia Pacific, September 30, 2024. https://apac.bnpparibas/en/malaysia/

[149] Reuters. "Societe Generale Sets up Sukuk Program in Malaysia." Reuters, June 12, 2014.

[150] Kuran, Timur. *Islam and Mammon.*

[151] Crédit Agricole CIB. "Our Network in United Kingdom." Crédit Agricole CIB, 2023. https://www.ca-cib.com/en/our-network-united-kingdom

[152] ———. "Crédit Agricole CIB Acts as Bookrunner on First Euro Sukuk since 2019 through the Islamic Development Bank." Crédit Agricole CIB, November 9, 2023. https://www.ca-cib.com/en/news/credit-agricole-cib-acts-bookrunner-first-euro-sukuk-2019-through-islamic-development-bank

[153] BNP Paribas. "BNP Paribas in MEA."

[154] Ibid.

[155] Société Générale. "Societe Generale in the Middle East."

[156] Crédit Agricole CIB. "Our Network in United Arab Emirates."

coexists with domestic ideological caution, where institutional design limits Islamic finance to an exportable asset, not a domestic norm. [157]

Thus, while profitable abroad, this distancing reinforces marginalisation at home, limits institutional learning, and signals reluctance to adapt to France's shifting socio-demographic landscape. The next subsection examines how this disconnect plays out domestically, where rising demand continues to meet policy inertia.

5.1.2 Domestic Stagnation: Policy Paralysis and Capital Flight

Islamic finance is among the fastest-growing segments of the global financial system. Between 2012 and 2023, total assets expanded from US$ 1.71 trillion to US$ 4.93 trillion, with projections estimating a rise to over US$ 7.5 trillion by 2028.[158] This growth reflects mounting demand for ethical, Shari'ah-compliant financial instruments across banking, capital markets, and insurance. Islamic banking alone represents 73% of these global assets, underscoring its systemic importance and institutional maturity.[159] Despite these global trends and a sizable domestic Muslim population, France remains a marginal actor, contributing less than 0.01% to global Islamic finance assets.[160]

Yet, France's underperformance cannot be attributed to a lack of entrepreneurial effort. Innovative French fintechs like Fair Invest, Syla Invest, and Lina have introduced halal-compliant savings and investment tools. However, they remain structurally constrained by limited regulatory support, reputational concerns, and the absence of major institutional partners, as we have seen in previous chapters. In this vacuum, French Muslim consumers increasingly turn to international platforms. Providers such as Wahed Invest (US), Inaia Finance (Germany), YIT Capital (Luxembourg), and AZZA Asset Management (US) have filled the gap left by domestic inaction. Wahed's UK expansion in 2018, for instance, was enabled by clear regulatory guidance—something France has failed to deliver despite introducing selective tax reforms as early as 2008. [161] These reforms lacked sustained communication and implementation, leaving entrepreneurs without a viable policy environment.

The implications are profound. France's failure to develop a coherent domestic framework has allowed capital flight and prolonged the financial exclusion of Muslim consumers. The only exception within France, Chaabi Bank, offers *murabaha*-based home financing but has limited reach and product diversification. In this context, foreign competitors thrive under pragmatic regulatory regimes, while French innovators navigate legal ambiguity and social stigma. As early as 2008, Jouini and Pastré warned that the UK was absorbing unmet French demand.[162] By 2009, banks like Gatehouse were already targeting French clients via the Paris Europlace,

[157] Joyner, J. (2008, December 24).
Grassa, Rihab, and M Kabir Hassan. "Islamic Finance in France: Current State, Challenges and Opportunities."
[158] For readers interested in further analysis of the structural components and market performance of Islamic finance globally, see the ICD-LSEG Islamic Finance Development Indicator (IFDI) reports, particularly the 2023 and 2024 edition
Islamic Corporation for the Development of the Private Sector, and London Stock Exchange Group Data Analytics. "ICD - LSEG Islamic Finance Development Report 2024: From Niche to Norm."
[159] Ibid.
[160] El Karoui, Hakim. "Un Islam Français Est Possible." [A French Islam is possible.]
[161] World Bank Group. "Leveraging Islamic Fintech to Improve Financial Inclusion," 2020.
[162] Jouini, Elyès, and Olivier Pastré. "Enjeux et Opportunités Du Développement de La Finance Islamique Pour La Place de Paris," [Challenges and Opportunities of Developing Islamic finance for the Paris Financial Center].

leveraging London's regulatory infrastructure.[163] More recently, HSBC's 2023 sukuk ETF, listed in London, drew significant French retail investment, capital that could have otherwise supported infrastructure or SMEs in Marseille or Lyon.[164]

France's selective embrace reflects a deeper strategic contradiction. Profitable foreign operations stand in sharp contrast to persistent marginalisation at home, which stifles institutional learning and signals an unwillingness to adapt to evolving socio-demographic realities. As global demand for Islamic finance grows, this disconnect risks not only economic losses but also the erosion of France's credibility in championing inclusive, ethical finance.

5.2 Untapped Potential: Islamic finance in France's Development and Diplomatic Outreach

The gap between France's global pragmatism and domestic reluctance extends beyond financial markets into the sphere of foreign policy. While French banks have successfully leveraged Islamic finance abroad to attract international capital, the French state has yet to incorporate these instruments into its own diplomatic and development strategies. The very tools that bolster France's financial presence in the Gulf, Southeast Asia, and London remain largely absent from its bilateral and multilateral engagements with Muslim-majority countries.

By overlooking the diplomatic utility of Islamic finance, France not only misses economic opportunities but also limits its influence in regions where ethical and faith-based finance is gaining traction. According to a 2020 OECD policy paper, Islamic finance offers significant potential for strengthening development partnerships between Arab donors and OECD-DAC countries[165] Shari'ah-compliant instruments, such as *sukuk*, *zakat*, and *waqf*, are increasingly used to finance sustainable development in ways that integrate ethical, social, and religious values. The $2.5 billion Lives and Livelihoods Fund (LLF), co-financed by Gulf donors and the Gates Foundation, exemplifies how Islamic finance can be effectively blended with Western philanthropic capital to support healthcare, agriculture, and infrastructure in 33 countries.[166] Thus, France's absence from such initiatives highlights a missed opportunity to align its development ambitions with this expanding model of values-based finance.

This underutilisation is particularly striking given France's longstanding ties with Muslim-majority countries in the MENA region and Francophone Africa. Countries such as Tunisia, Chad, and Côte d'Ivoire remain core development partners, and France holds an influential position in multilateral platforms like the Union for the Mediterranean.[167] These platforms

[163] British Embassy Bishkek. "Islamic Finance in the UK," 2015.
[164] HSBC Asset Management. "Global Sukuk UCITS ETF." HSBC Global Funds ICAV, April 10, 2025.
[165] OECD. "How Islamic Finance Contribues to Achieving the Sustainable Development Goals?" *OECD Development Policy Paper*, 2020. https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/06/how-islamic-finance-contributes-to-achieving-the-sustainable-development-goals_ba8b0e21/ac1480ca-en.pdf.
[166] Islamic Development Bank. "Lives and Livelihoods Fund." Isdb.org, 2025. https://www.isdb.org/llf.
[167] Founded in 2008, the Union for the Mediterranean (UfM) promotes regional cooperation in areas such as infrastructure, energy, and sustainable development, with a focus on fostering integration and stability across the region. Other notable multilateral platforms engaging MENA or Francophone African countries include the Middle East and North Africa Civil Society Network for Displacement (MENA CSND), which coordinates regional humanitarian and refugee responses; Initiatives Climate, a South-South cooperation program advancing sustainable development in

promote regional cooperation in sectors where Islamic finance instruments could serve as effective catalysts, such as infrastructure, energy, and inclusive growth. Recent financial pledges further underscore this strategic contradiction. In 2025 alone, France formalised a strategic partnership with the United Arab Emirates through a Political Consultations Memorandum, deepened cooperation in health, education, and sustainable development, and pledged €150 million to environmental and infrastructure projects in Western Sahara, alongside €10 million to the Sustainable Energy Fund for Africa.[168] These actions build on broader commitments, including a €750 million pledge for food and nutrition aid by 2030 and targeted UNDP funding for fragile states across MENA and sub-Saharan Africa.[169]

Nonetheless, none of these efforts have incorporated Islamic financial instruments. Despite the growing relevance of Shari'ah-compliant tools and their clear alignment with Sustainable Development Goals, France continues to rely exclusively on conventional funding channels. In doing so, it misses the opportunity to leverage Islamic finance as both a culturally resonant and structurally innovative complement to its development agenda. [170] This disparity highlights an institutional reluctance to reimagine Islamic finance as a legitimate component of France's broader diplomatic and development strategy.

As Qayyum Khan and Bhatti (2018) argue, Islamic finance can serve as a diplomatic bridge by facilitating interfaith collaboration, fostering political moderation, and enabling ethical forms of capital mobilisation.[171] For France, engaging with this model goes beyond financial modernisation; it offers a strategic opportunity to deepen development cooperation through enhanced cultural literacy and geopolitical alignment. One practical avenue for France to operationalize its engagement with Islamic finance lies in co-financing programs through multilateral mechanisms such as the UNHCR's Zakat Fund. This initiative channels donations from Gulf countries to support displaced populations in crisis zones including Syria, Myanmar, and Palestine.[172] By partnering in such efforts, France could expand its humanitarian footprint while embedding Islamic philanthropy within established international frameworks. This would not only depoliticize religious giving but also enhance France's credibility among Muslim-majority states and signal a genuine commitment to inclusive, values-driven diplomacy.

All in all, the irony is stark: while France champions universalist ideals abroad, it continues to marginalize at home the very instruments that are gaining recognition globally as tools for inclusive and values-based growth. In an increasingly multipolar financial order, this strategic incoherence risks not only economic costs but also reputational damage in global forums where ethical and Islamic finance are gaining traction.

Francophone Africa; and the Open Government Support Program (#PAGOF), which supports transparency and open government in Francophone African states.

[168] African Development Bank. "Mission 300: Significant New Donor Pledges in Support of the Sustainable Energy Fund for Africa Announced on Margins of the Africa Energy Summit." African Development Bank Group, January 29, 2025.
Eljechtimi, Ahmed. "French Development Agency to Invest in Morocco-Ruled Western Sahara." *Reuters*, May 13, 2025.
French Ministry of Europe and Foreign Affairs. "Joint Statement: A Strategic Partnership Focused on the Future." In *17th Session of the UAE-France Strategic Dialogue*. France Diplomacy, 2025.

[169] French Minister of European and Foreign Affairs. "The Nutrition for Growth Summit Mobilizes over US$27 Billion to Reach Nutrition-Related Sustainable Development Goals (28 Mar. 2025)." France Diplomacy - Ministry for Europe and Foreign Affairs. France Diplomacy, 2025.

[170] Brack, Estelle Céline. "Banque et Finance Islamique En France." [Bank and Islamic finance in France.]

[171] Qayyum Khan, Abdul, and Arshad Ali Bhatti. "Islamic Banking and Finance: A New Paradigm in International Relations." *Journal of Islamic Business and Management (JIBM)*, April 2018.

[172] UNHCR, and Refugee Zakat Fund. "Islamic Philanthropy Annual Report Impact 2024." Unhcr.org, 2024.

The next sub-section examines how the UK has navigated the domestic integration of Islamic finance and demonstrates that effective implementation, beyond being diplomatically advantageous, is also feasible within secular systems and economically beneficial.

5.3 Comparative Benchmark: The United Kingdom's Strategic Integration of Islamic finance

The following analysis examines the policy choices, institutional innovations, and ethical reframing that have enabled the British success. A comparative market estimation model quantifies the untapped potential in France, offering an empirical basis to assess what is at stake. The findings are clear: Islamic finance need not be treated as an ideological exception; it can, as the UK illustrates, be fully integrated into a nation's financial system as a credible, inclusive, and globally competitive component.

5.3.1 Coherent Policy, Ethical Framing and Market Leadership

The UK represents a compelling benchmark for integrating Islamic finance within a secular financial system.[173] In 2014, it became the first Western country to issue a sovereign sukuk, signalling not only market confidence but also symbolic recognition at the highest levels of government.[174] Rather than treating Shari'ah-compliant finance as a threat to public neutrality, the UK has embraced it as a lever for financial inclusion, international capital attraction, and consolidation of London's global financial status.

This strategy has been marked by sustained policy coherence and institutional innovation. A turning point came in 2013 with the launch of the UK Islamic finance Task Force, co-chaired by ministers from the Treasury and Foreign Office. Its mandate: to position the UK as a global hub, attract Gulf and Southeast Asian investment, and ensure regulatory clarity.[175] These efforts were further strengthened by the Global Islamic finance SDG Taskforce, which linked Islamic finance to the UN Sustainable Development Goals and promoted it as a vehicle for ethical and sustainable capital.[176] Key regulatory institutions, namely the Financial Conduct Authority and the Bank of England, also played a central role in translating these ambitions into operational frameworks. They exemplified the government's "no obstacles, no special favours" policy by emphasising the functional equivalence of Islamic and conventional financial products.[177] Moreover, legal and fiscal adjustments, such as removing double stamp duties on Islamic mortgages and classifying sukuk as Alternative Finance Investment Bonds (AFIBs), established a level playing field.[178] The 2021 introduction of the Alternative Liquidity

[173] Belouafi, Ahmed, and Abdelkader Chachi. "Islamic Finance in the United Kingdom: Factors behind Its Development and Growth." *Islamic Economic Studies* 22, no. 1 (2014): 37–78.

[174] Kammarti, Bochra. "Sociogenesis of Islamic Finance in Europe."

[175] HM Treasury. "Government Launches First Islamic Finance Task Force." GOV.UK, March 11, 2013. https://www.gov.uk/government/news/government-launches-first-islamic-finance-task-force

[176] Islamic Finance Council UK. "Global Islamic Finance & UN SDGs Taskforce." Islamic Finance Council UK, March 4, 2024. https://ukifc.com/sdg/

[177] Government of the United Kingdom. "The Financial Services and Markets Act 2000 (Administration Orders Relating to Insurers) Order 2010." Legislation.gov.uk, 2010. https://www.legislation.gov.uk/id/uksi/2010/3023.

[178] O'Hara, Mary. "Double Stamp Duty Abolished on Islamic Mortgages." the Guardian. The Guardian, April 10, 2003.

Facility enabled Islamic banks to access central bank operations, further embedding them into the national financial architecture.[179]

This coherent approach has produced a robust ecosystem. Today, the UK now hosts six fully Shari'ah-compliant banks (more than any other Western country) and several conventional banks offering Islamic windows. The London Stock Exchange has facilitated the raising of 68 sukuk issuances totalling over US$50 billion, with proceeds financing major infrastructure projects such as the Shard and Battersea Power Station.[180] Altogether, the UK Islamic finance sector manages over US$ 19 billion in assets, accounting for more than 85% of Europe's total (excluding Turkey).[181]

Crucially, and beyond financial metrics, the UK has also invested in the sector's intellectual and legal infrastructure, ensuring stable but sustainable growth. Over 50 academic institutions, including Durham and Birmingham, offer Islamic finance programs.[182] Leading law firms such as Clifford Chance and Allen & Overy provide dedicated Islamic finance services, with English law as the preferred jurisdiction for cross-border contracts and dispute resolution.[183] These complementary pillars enhance London's status as both a financial and intellectual hub.

This inclusive and pragmatic model stands in sharp contrast to France's more hesitant stance. While both countries operate under secular governance, the UK has not viewed the visibility of Islamic finance as incompatible with public neutrality. Instead, British regulators have consistently framed Shari'ah-compliant finance in terms of functional equivalence and consumer choice, emphasizing its role in fostering inclusion and ethical investment.[184] As a result, today, an estimated 30% of Islamic finance clients in the UK are non-Muslim, drawn by its principled investment philosophy and emphasis on ethical constraints.[185]

By framing Shari'ah-compliant finance as part of a broader strategy for sustainable growth, the UK has embedded it within its national financial architecture. France, by contrast, continues to marginalize these instruments, as we have previously seen. The next section quantifies what this caution has cost by using the UK as a benchmark to estimate France's untapped Islamic finance potential.

5.3.2 Estimating France's Untapped Market: Lessons from the UK Benchmark

With a Muslim population of approximately 4 million—less than half that of France—and Islamic finance assets totalling around US$ 7.73 billion, the United Kingdom has outperformed

[179] The Bank of England. "The Alternative Liquidity Facility." www.bankofengland.co.uk, December 2, 2021. https://www.bankofengland.co.uk/news/2021/december/the-alternative-liquidity-facility
[180] London Stock Exchange. "Sukuk." www.londonstockexchange.com, 2025. https://www.londonstockexchange.com/raise-finance/debt/our-products/sukuk
[181] British Embassy Bishkek. "Islamic Finance in the UK," 2015.
[182] Islamic Finance Council UK. "The Best Islamic Finance Qualifications in 2022." Islamic Finance Council UK, January 27, 2022. https://ukifc.com/2022/01/27/the-best-islamic-finance-qualifications-in-2022/
[183] Addleshaw Goddard. "Islamic Finance." Addleshaw Goddard, 2025.
Paracha, Mohammed. "Islamic Finance in the UK: 2025 Outlook." Passle, January 13, 2025.
[184] Belouafi, Ahmed, and Abdelkader Chachi. "Islamic Finance in the United Kingdom: Factors behind Its Development and Growth."
[185] Homer, Andy, Rachael Snelling, and Melissa Economou. "Striving for Growth: Fostering the UK's Islamic Finance Sector." *Gate House Bank*, 2024.

France across every major benchmark in this sector.[186] To better understand the scale of this disparity and isolate the role of institutional barriers, this study employs a counterfactual estimation model that simulates how France's market could evolve under more enabling conditions.

Developed in Python the proportional scaling model uses the UK's ratio of Islamic finance assets to Muslim population as a benchmark, adjusted for France's demographic and macroeconomic profile.[187] This approach provides a heuristic framework to estimate untapped potential. It should not be treated as a forecast, but as an indicative range of what could be achieved under more enabling conditions. The decision to anchor the model in population and asset ratios stems from the premise that, in the absence of cultural, legal, or political barriers, Islamic finance should scale in proportion to demographic demand and institutional capacity.

However, such demographic scaling alone can overstate market readiness if it ignores real-world constraints (e.g. legal ambiguity, political resistance, consumer confidence, and the maturity of domestic financial institutions). Additionally, macroeconomic context matters. The UK's economy is highly concentrated in financial services, which incentivizes innovation in niche areas like Islamic finance. France, by contrast, maintains a more diversified industrial base, which (while not a limitation per se) may deprioritize financial sector reform unless strategically motivated.[188] Notably, the UK's financial dominance did not preclude proactive regulatory adaptation, it incentivised it.

To account for these differences, the model introduces correction factors ranging from 0.4 to 0.8, representing varying levels of market activation.

Table 5. Estimated Islamic finance Market Size in France (Demographic Scaling with Correction Factors)

Correction Factor (%)	Estimated Market Size (billion US$)
40	6.96
50	8.70
60	10.44
70	12.17
80	13.91

The resulting estimates suggest that France's Islamic finance market could range from US$ 6.96 billion to US$ 13.91 billion, with a central estimate of US$ 10.43 billion under a 60 per cent activation scenario. Even the lower-bound estimate approaches the UK's current

[186] Ibid.
[187] See ***Appendix D*** for the full code.
[188] In the United Kingdom, services dominate the economy. It accounts for around 80% of the total economic output, with manufacturing representing only about 9%. In comparison, while services are the largest sector, industry remains a vital pillar of France's national economy, accounting for 18.5% of its GDP in 2024, especially in terms of manufacturing sector, with traditional strength in aerospace (Airbus), automotive (Peugeot, Renault), chemicals and pharmaceuticals (Sanofi), telecommunications and luxury goods.
Hutton, Georgina, and Khadijah Zaidi. "Industries in the UK." London, United Kingdom: House of Commons Library, 2024.
Lloyds Bank. "The Economic Context of France." www.lloydsbanktrade.com. Lloyds Bank Trade, March 2025. https://www.lloydsbanktrade.com/en/market-potential/france/economical-context.

market size, despite the UK's smaller Muslim population, highlighting just how much latent demand remains untapped in France. This gap cannot be explained by demographic or technical limitations; rather, it reflects a deeper policy hesitancy and the persistent failure to integrate Islamic finance into France's broader financial strategy.

Ultimately, this exercise underscores a broader tendency throughout this chapter: the constraints facing Islamic finance in France are political, not structural. By anchoring the policy conversation in empirical benchmarks, the model quantifies what is often dismissed as marginal. It lays bare the opportunity costs of inertia and underscores the strategic potential of reform. France already possesses the demographic depth, legal precedent, and financial infrastructure needed to sustain a robust Islamic finance sector. What remains absent is the political resolve to treat it not as a religious exception, but as a legitimate, ethical, and inclusive component of national economic policy.

5.4 Postcolonial Foundations: How Migration Legacies Shaped Divergent Financial Trajectories

A fuller understanding of France's contradiction of domestic absence but global presence requires returning to the historical roots of institutional exclusion. This section introduces a comparative historical lens, focusing on postcolonial migration and integration policies in France and the UK. Understanding these background dynamics helps explain why identical regulatory instruments have produced markedly different results across the Channel. Reforms will not suffice; financial inclusion requires addressing the long-term structural exclusions on which the current French system rests. Most importantly, it requires acknowledging it requires acknowledging how colonial labour policies, socio-economic segregation, and assimilationist integration paradigms have left enduring marks on financial literacy, entrepreneurial activity, and institutional trust—three pillars essential for the development of a robust Islamic finance ecosystem. These legacies have shaped not only the material conditions of Muslim communities in France, but also the state's perception of Islamic finance as oppositional to republican uniformity.

In France, postcolonial labour recruitment, done through the Office National D'Immigration (ONI) [National Immigration Office], brought large numbers of North African workers (e.g. Algerians, Moroccans and Tunisians) under short-term contracts in sectors like construction and heavy industry.[189] These workers were systematically excluded from stable employment and upward mobility, as the temporary nature of their contracts offered neither the incentives nor the means to pursue entrepreneurship, accumulate capital or engage with formal financial systems.[190] This entrenched a pattern of economic marginalisation that still hampers the emergence of a financially empowered, bankable Muslim middle class. Today, French Muslims remain underrepresented in business ownership and executive roles, with only about

[189] Cadet, Aliénor, and Hugo Mulonnière. "North African Workers during the Second World War." *Encyclopédie d'Histoire Numérique de L'Europe [Encyclopedia of the Numerical History of Europe]*, no. ISSN 2677-6588 (April 1, 2021).

[190] Ibid.

Guennouni, Naima. "Les Droits et Les Obligations Des Migrants Dans Les Pays d'Accueil : Préservation Des Droits Fondamentaux Des Migrants sans Documents." [Rights and Obligations of Migrands in their Host Country: Safeguarding the Fundamental Rights of Undocumented Migrants]. In *Les Migrants et Leurs Droits Au Maghreb* [Migrants and their Rights in the Maghreb], 21 :121–22. (Maroc, Casablanca: LA CROISEE DES CHEMINS, 1983.)

5% holding such positions compared to 10% of the general population.[191] Studies document persistent hiring discrimination, barriers to capital, and institutional scepticism that constrain entrepreneurial development.[192]

By contrast, Britain's postcolonial Muslim communities, largely of South Asian origin, included longstanding commercial networks such as Gujarati traders and Punjabi business owners.[193] Migration was often driven by commerce or family-linked entrepreneurship, rather than solely labour needs. These communities retained transnational economic ties that enabled small business formation and early market participation. Over time, this gave rise to higher levels of SME ownership and specific financial demands.[194] UK institutions responded to this demand through both public policy and market adaptation, from government-backed initiatives like the Prince's Trust offering interest-free loans to regulatory innovations aligned with Shari'ah principles. [195] In other words, the economic integration of South Asian communities represented a feedback look that led to the creation and uptake of Islamic financial products.[196]

In sum, the marginalisation of Islamic finance within France is not merely a byproduct of administrative inertia or political caution; it is rooted in deeper postcolonial legacies that have shaped institutional trust, economic participation, and policy recognition. As Pollard and Samers (2007) argue, postcolonial inequalities are not just economic; they are institutional, shaping how financial trust, advocacy, and legitimacy are distributed.[197] Thus, what presents as legal inaction in France is more accurately a symptom of deeper institutional failure and one that reflects a persistent unwillingness to confront and remedy the structural exclusions inherited from its colonial past. These historical dynamics help explain why Islamic finance, while leveraged abroad for strategic gain, remains domestically sidelined. Hence, without addressing such foundational disparities, regulatory reform will remain insufficient. Bridging the gap between France's international ambitions and its domestic contradictions requires more than technical adjustments. It demands a reconfiguration of the institutions that have long treated Islamic finance as peripheral.

VI. FROM MARGINALISATION TO OPPORTUNITY: Rethinking Islamic finance in France

[191] El Karoui, Hakim. "Un Islam Français Est Possible." [A French Islam is possible.]
[192] Ibid.
[193] Iqbal, Jawad. "The Diverse Origins of Britain's Muslims." *BBC News*, January 18, 2016. https://www.bbc.com/news/uk-33715473.
[194] Patankar, Vishnu, and Nikhil Mehta. "Indian Entrepreneurial Communities: The People Who Set-up Their Businesses." *IOSR Journal of Business and Management (IOSR-JBM)* 20, no. e-ISSN: 2278-487X, p-ISSN: 2319-7668 (2018): 41–49.
Riaz, Umair, Bruce Burton, and Lissa Monk. "Perceptions on the Accessibility of Islamic Banking in the UK—Challenges, Opportunities and Divergence in Opinion." *Accounting Forum* 41, no. 4 (December 2017): 353–74.
Samers, Michael. "A Marriage of Convenience? Islamic Banking and Finance Meets Neoliberalisation." Google.com, 2014.
[195] Ibid.
[196] Riaz, Umair, Bruce Burton, and Lissa Monk. "Perceptions on the Accessibility of Islamic Banking in the UK—Challenges, Opportunities and Divergence in Opinion."
[197] Pollard, Jane, and Michael Samers. "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography."

This chapter interprets the core findings of this thesis, primarily based on qualitative data, and reflects on their theoretical and practical implications. Building on the previous chapters, which established that France's marginalisation of Islamic finance reveals deeper ideological and institutional tensions within its model of secular modernity, it now turns to the question of what a viable reform path could be like.

By situating the findings within the broader context, this chapter outlines a forward-looking framework which not only seeks regulatory reform, but also a broader shift in political and cultural attitudes toward religious and ethical pluralism in economic life. It draws on existing assets, such as legal tools, international networks, and demographic demand, while identifying the institutional and policy blind spots that continue to marginalize the sector.

6.1 Recap: Key Barriers and Opportunities

The chapter begins by revisiting the research question and integrating empirical insights with the conceptual frameworks introduced earlier. It then assesses the broader academic and policy significance of the study, moving beyond descriptive analysis to consider its relevance for France's political-economic landscape.

6.1.1 Revisiting the Research Purpose and Analytical Framing

The central objective of this thesis was to investigate why, despite early optimism and favourable demographic indicators, has Islamic finance failed to gain meaningful traction in France. To explore the question fully, this paper delved into the historical evolution and global context of Islamic finance, tracing its conceptual foundations and examining how its ethical and hybrid nature has been received in secular democracies. The analysis moved beyond technocratic explanations to foreground the ideological, legal, and symbolic barriers specific to the French context—particularly the interplay of *laïcité,* political resistance, and the politics of religious visibility.

To substantiate this argument, **Chapter I** reframed Islamic finance not as a binary alternative to conventional finance, but as a hybrid model that complements existing systems through its emphasis on ethics and risk-sharing, grounded in Shari'ah principles. It highlighted the need to understand Islamic finance as both faith-informed and commercially adaptable, with its viability in secular contexts shaped as much by political culture as by regulatory design.

The subsequent **Chapter II, Chapter III, and Chapter IV** combined a legal-policy analysis with qualitative interviews and comparative benchmarking. This design allowed the study to interrogate how political discourse, institutional norms, and postcolonial anxieties surrounding Islam converge to shape the boundaries of financial legitimacy in France. The research sought not merely to explain stagnation, but to identify the conditions under which Islamic finance might be re-legitimised within France's secular economic governance.

By integrating empirical insights with conceptual frameworks and drawing on comparative lessons (especially from the UK), this study underscores the importance of reimagining policy pathways that reconcile republican values with the realities of a plural, postcolonial society, and highlights the broader stakes of financial inclusion and ethical innovation in contemporary France.

6.1.2 The Architecture of Exclusion: Structural Barriers to Islamic finance in France

At this point, it is necessary to synthesize the structural barriers identified throughout the thesis. France presents a series of paradoxes. It plays an active role in advancing Islamic finance globally, through institutions like BNP Paribas and Crédit Agricole, yet fails to foster a domestic ecosystem; it hosts one of Europe's largest Muslim populations with rising demand for ethical finance yet lacks formal retail offerings; and it initiated early regulatory accommodations between 2008 and 2010, only to retreat into silence and fiscal deterrents. These patterns are not the result of legal prohibitions but of a deeper interplay between political hesitation, institutional ambiguity and symbolic discomforts with faith-linked financial models. What appears as regulatory inaction is better understood as a systemic and reductionist reluctance to normalise financial models associated with Islam, even when they align with broader national priorities such as financial inclusion and ethical investment.

This section, therefore, consolidates the institutional and ideological dynamics that underpin France's selective engagement with Islamic finance, laying the groundwork for the policy solutions proposed in the next chapter.

6.1.2.1 Legal Capacity, Political Will and Institutional Avoidance

Legal tools already exist, and France has the technical capacity to accommodate Islamic finance; the issue is not feasibility, but utilisation. Instruments such as the *fiducie* (trust framework), securitisation vehicles, and targeted tax adaptations were introduced in the late 2000s and are fully capable of supporting Shari'ah-compliant contracts like *murabaha* and *sukuk.* However, despite this regulatory groundwork, these tools remain largely unused within France's domestic market, even as French banks actively employ them abroad to structure Islamic financial products.

As Yanis Mahmoud noted during the interview, "*La France a mis en place des contrats de sukuk qui sont 100% conformes à la charia, mais sans les étiqueter comme finance islamique.*" [France has structured sukuk contracts that are 100% Shari'ah-compliant, but without branding them as Islamic finance.] Domestically, regulatory bodies like the AMF and ACPR maintain a formal position of neutrality, which in practice leads to institutional avoidance. This stands in stark contrast to the UK, where financial authorities have proactively reformed fiscal and legal frameworks to facilitate Islamic mortgages and sovereign sukuk issuances, integrating Islamic finance into the mainstream rather than relegating it to the margins.

6.1.2.2 Laïcité and the Question of Financial Legitimacy

Ideological resistance, rooted in France's distinctive interpretation of laïcité, remains the main barrier. Although *laïcité* is formally intended to guarantee religious neutrality in public affairs, its narrow application in financial regulation often becomes a mechanism for exclusion rather than inclusion. Instead of evaluating Islamic finance as a functional variant of ethical finance, French regulators and policymakers frequently treat it as a politically sensitive anomaly. This stigmatisation discourages both regulatory engagement and public endorsement, even when Islamic financial models align with broader economic, financial and diplomatic trends. Thus, this ideological barrier is less about legal incompatibility and more about symbolic resistance to the public visibility of Islam in the financial sector.

6.1.2.3 *Strategic Contradiction* Between Global Presence and Domestic Absence

A disconnect exists between international leadership and domestic inaction. France's bifurcated engagement with Islamic finance reveals a strategic contradiction with far-reaching implications. While institutions like BNP Paribas, Société Générale, and Crédit Agricole CIB have established themselves as global leaders in structuring Shari'ah-compliant products (e.g issuing sukuk in the Gulf, offering *murabaha* mortgages in Malaysia, and managing Islamic investment portfolios in Southeast Asia), they have deliberately excluded these activities from their domestic operations. This disconnect is not incidental but reflects a calculated institutional strategy: Islamic finance is embraced as a lucrative export while being suppressed as a domestic policy priority.

The consequences of this compartmentalised approach extend beyond market dynamics. By refusing to leverage its technical expertise at home, France undermines its credibility in multilateral forums where Islamic finance is increasingly mainstreamed, such as the OECD and UNHCR. As Kader Merbouh describes, "*La France veut être perçue comme un hub financier mondial, mais refuse de développer cette capacité chez elle.*" ["France wants to be seen as a global financial hub but refuses to build that capacity at home."] This duality exposes a critical hypocrisy: France instrumentalizes Islamic finance abroad to attract capital and project influence yet denies its citizens access to the same ethical and inclusive financial tools.

6.1.2.4 Grassroots Innovation and Institutional Inertia

Private actors are stepping in. In the absence of robust public support and institutional engagement, emerging fintechs and ethical finance educators are developing participatory models with or without explicit Islamic branding. Notably, many of these initiatives avoid explicit Islamic branding, often positioning their offerings under the broader banners of "participatory" or "ethical" finance to navigate reputational sensitivities and appeal to a wider audience.

However, these bottom-up efforts face persistent structural obstacles. The lack of enabling infrastructure, manifested in legal uncertainty, punitive tax treatment, and ambiguous regulatory guidance, creates significant barriers to market entry and growth. Without clear policy signals or formal recognition, new entrants operate in a climate of reputational risk and fiscal disadvantage. The persistent gap between entrepreneurial initiative and regulatory accommodation underscores the need for coordinated policy reform if France is to move beyond symbolic tolerance and realize the full potential of inclusive, ethical finance.

6.2 Rethinking Islamic finance in France

This paper contributes to a growing body of literature that bridges finance, public policy and political economy. By situating France's stalled engagement within a postcolonial political economy framework, it challenges the assumption that the central question is simply why Islamic finance failed and what the state should do. Instead, it advances a more constructive and forward-looking question: how can France meaningfully engage with financial pluralism through inclusive, context-specific policy design?

This approach calls for a strategic reimagining of Islamic finance in France, and notably, one that avoids the limitations of top-down, state-led models. Priority should be given to regulatory modernisation, public-private collaboration, and the integration of Islamic finance into broader ethical and development frameworks. In this context, this section presents a blueprint not just for Islamic finance, but for a realignment of France's financial governance with the plural realities of its society and the multipolar logic of today's global economy, before exploring policy recommendations in Chapter VII.

Crucially, for any reform to be politically viable and publicly legitimate, the integration of Islamic finance must be anchored in France's foundational republican ideals. Thus, Islamic finance should be advanced as a mechanism for realizing the Republic's core principles: liberty, equality, and fraternity.[198]

6.2.1 From State Action to Strategic Partnership

While this thesis has shown that the underdevelopment of Islamic finance in France is rooted in ideological and political resistance, the most immediate and remediable barrier today is taxation. The continued application of double taxation to Shari'ah-compliant contracts such as *murabaha* and *ijara* is not a mere fiscal oversight, but a policy choice that reflects a deeper institutional reluctance to adapt existing frameworks to accommodate alternative financial models. Despite aligning with the ethical principles now gaining traction in mainstream finance, these instruments remain structurally penalised. As a result, taxation has not only constrained institutional engagement but also obstructed the emergence of bottom-up initiatives that are attempting to meet the growing demand for participatory, values-based finance. In this sense, fiscal policy has become the clearest expression of the state's broader unwillingness to reconcile secular governance with financial pluralism.

Comparative evidence makes this dynamic even more visible. In the UK, targeted fiscal reforms (e.g. eliminating double stamp duties and revising tax codes) have enabled Islamic finance to be treated on equal footing with conventional products, positioning London as a global hub for sukuk and ethical investment. Insights from Professor McMillen's experience implementing Shari'ah-compliant structures in the US reinforce this point: Islamic finance thrives there not because of tailored religious accommodation, but because the legal system allows economic substance to take precedence over formal structure.[199] There, *murabaha* and *ijara* are treated as functionally equivalent to conventional loans, avoiding punitive tax consequences. No such fiscal elasticity exists in France, where Islamic

[198] Chamorel, Patrick. "Macron's Rethoric on Internal Security, Republican Values and Radical Islam." Iemed.org, 2023. https://www.iemed.org/publication/macrons-rethoric-on-international-security-republican-values-and-radical-islam/

[199] This insight is drawn from a personal exchange with Professor Michael McMillen (see ***Appendix B***). The discussion took place in May 2025 and focused on the structural and tax-related constraints affecting Islamic finance implementation in civil law systems such as France.

financial contracts remain at risk of double taxation simply because their form diverges from mainstream templates.

Importantly, the persistence of double taxation does not merely disadvantage established financial institutions; it also casts a long shadow over emerging bottom-up initiatives. Fintechs, ethical advisors, and private networks seeking to develop Islamic or ethical-adjacent financial services face structural disincentives, as the additional tax burden makes their offerings less competitive and more costly to scale. As a result, even as market demand grows and new actors attempt to fill the gap left by traditional banks, the unresolved issue of double taxation effectively stifles innovation and limits the reach of participatory, values-based finance at the grassroots level. Without targeted fiscal reform, these bottom-up efforts remain perpetually constrained, unable to achieve the scale or legitimacy needed to transform the broader financial landscape

This has significant policy implications. If France seeks to benefit from Islamic finance. Whether as a tool for financial inclusion, development diplomacy, or ethical capital mobilisation, it must reorient its role. The state need not (and likely will not) lead a top-down rollout of Islamic finance. But it can empower the actors already at work: through tax reform, sandbox experimentation, capacity-building, and regulatory clarity. This requires shifting from the question *'Why hasn't the state acted?'* to *'How can the state act as a partner, not a gatekeeper?'*

This reframing is urgent. As Kader Merbouh noted, "*la boîte de Pandore a été ouverte*" "[the Pandora's box has been opened"]. In the wake of economic crises, terrorism and the COVID-19 pandemic, Millennials and Gen Z have driven a growing demand for transparency, social impact and ethical accountability in finance – values that are pushing new actors to fill the institutional void. [200] While not limited to Muslims or France, this evolution signals a broader global redefinition of financial legitimacy and one that France can either resist or embrace.

In this light, reforms need to be adapted to today's bottom-up dynamics. Collaboration, not centralisation, is today the most effective path forward. Instead of resisting religiously inspired financial models in the name of secularism, the French state can facilitate the emergence of a pluralist, ethical financial ecosystem that reflects the evolving values of its citizens and the realities of a multipolar economy.

6.2.2 From Religious Exception to Ethical Integration

Building on the argument that France must move beyond state-centred, top-down approaches and address practical barriers such as taxation, the integration of Islamic finance also requires a fundamental shift in how the sector is positioned within public discourse and regulatory frameworks. To move beyond this impasse, it is not enough to resolve fiscal and legal obstacles; Islamic finance must be reframed as part of a broader, pluralistic vision of participatory ethical

[200] Davis, Hallie, and Andrea Hasler. "Millennials' and Gen Z's Money Management during COVID-19: Challenges and Opportunities."
Nalty-Roach, Megan. "How Millennials and Gen Z Are Changing Finance." Triumph Capital Management, September 2024. https://www.triumphcapitalmanagement.com/blog/how-millennials-and-gen-z-are-changing-the-future-of-finance
Rochford, Léa. "Contrepoint - 'Les Générations Futures, C'est Nous !'"
Scholz, Christian, and Anne Rennig. *Generations Z in Europe*. Emerald Group Publishing, 2019.
Williams, Nathaniel. "Trust Issues: How Millennials and Gen Z View Traditional Banks vs. Fintech Startups," April 27, 2025.

finance. This approach deemphasizes overt religious labelling without compromising ethical integrity, instead situating Shari'ah-compliant instruments within France's expanding ecosystem of ESG, socially responsible investment, and values-based banking.

Rather than treating Islamic finance as a religious exception requiring special accommodation, French policymakers could instead present it as one ethical model among others. Terms such as *finance participative* (participative finance) or *finance éthique à partage de risque* (ethical finance with risk-sharing) can be used to emphasize the sector's defining principles (e.g transparency, asset-backing, risk-sharing, and social equity) without activating the secular sensitivities often associated with faith-labelled products. This semantic shift mirrors the successful mainstreaming of halal food and ethical consumption in France, where products are often marketed using overlapping ethical, environmental, and quality-based labels that appeal to diverse consumer motivations.

On the regulatory front, reforms should focus on economic equivalence: treating Shari'ah-compliant financial products as economically comparable to their conventional counterparts, regardless of form. By eliminating residual ambiguities and ensuring tax parity for ethically comparable offerings, France can enable Islamic finance to operate seamlessly within its secular framework—neither privileged nor disadvantaged but evaluated based on their substantive contribution to financial inclusion and ethical investment. This regulatory philosophy, already proven effective in other jurisdictions, would allow France to foster a pluralistic and innovative financial sector without compromising its core legal or secular principles

Overall, a pragmatic Islamic finance strategy must operate on two interconnected tracks: domestic financial inclusion and international financial diplomacy.

- **Domestically**, Islamic finance can promote financial inclusion for underserved populations by the conventional banking system. Targeted efforts could include Shari'ah-compliant mortgages for first-time homeowners in low-income areas, SME financing for entrepreneurs seeking interest-free capital, and digital savings solutions built around ethical investment principles.
- **Internationally**, Islamic finance offers France a strategic avenue to expand both its economic influence and diplomatic engagement, particularly with GCC and Southeast Asian investors. Through regulatory clarity and alignment with ethical finance principles, France could attract cross-border capital into sectors like infrastructure, green energy, and technology. At the same time, instruments such as *sukuk* and *waqf* could be mobilised to support development initiatives in Francophone Africa, positioning France as a credible and values-driven partner in co-financing social infrastructure

Together, these strategies allow Islamic finance to be integrated not as a religious concession, but as a lever for pluralism, economic justice, and strategic relevance in a changing financial order.

VII. POLICY BLUEPRINT: Integrating Islamic finance for an Inclusive Future

Having established the need for both a conceptual reframing and a dual-track strategy for Islamic finance in France in the previous chapter, it is now essential to translate this vision into concrete institutional reforms. This chapter outlines the operational pillars required to institutionalise Islamic finance as a viable and inclusive component of France's financial system, focusing on regulatory modernisation, capacity-building, public-private partnerships and geostrategic alignment. By proposing a phased roadmap and addressing key risks, it provides a policy architecture that balances republican values, economic pragmatism and France's ambitions in a multipolar financial order.

7.1 Policy Pillars for Institutionalisation[201]

7.1.1 Regulatory Modernisation

These proposals seek to ensure that financial instruments delivering equivalent economic functions are treated fairly under French law**.** In doing so, the state upholds its commitment to *laïcité* by neither privileging nor penalizing religiously inspired business models—only ensuring that legal form does not obstruct market access.

7.1.1.1 Tax Neutrality

To place Islamic finance as complementary to conventional products, France must eliminate the double taxation risks that disproportionately burden Shari'ah-compliant contracts, particularly equity-based and leasing models. Despite the 2010 guidelines on *murabaha* and *sukuk*, key instruments like *musharakah* and *ijara* remain fiscally penalised due to their formal divergence from standard credit arrangements.

- **Amend Articles 38 and 39 of the Code Général des Impôts** [General Tax Code] to recognize returns on *musharakah* and *ijara* as economically equivalent to interest income, thereby qualifying them for standard tax treatment.[202]
- **Exempt *musharakah* contracts from recurrent *droits de mutation* [property transfer taxes]** during phased ownership transfers, in line with the UK's 2006 reform for diminishing partnerships.[203] Without such exemption, gradual equity buyouts face cumulative tax charges that render them uncompetitive.

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[201] See ***Appendix A*** for acronyms and functions of different actors mentioned.

[202] Article 38 defines the principles for determining taxable profit for companies in France. It establishes that taxable profit is the net profit, calculated from the overall results of all operations conducted by a business.

Article 39 specifies what expenses are deductible when calculating net taxable profit. It is central in determining the allowable deductions from gross profit to arrive at the net taxable profit for corporate tax purposes.

French Republic. Code général des impôts [General Tax Code], Pub. L. No. 38, 39, Légifrance (2025). https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000044988321/2022-01-01

[203] As seen in 4.3, the UK amended its tax code in 2006 to avoid double taxation on Islamic finance contracts, enabling gradual property transfer without cumulative taxes.

- **Extend the 2010 fiscal parity instructions**, initially applied to *murabaha* and *sukuk*, to cover *ijara*, *musharakah*, and *mudarabah*. In particular, returns on *ijara* leases should be treated as rent for tax purposes, not as financial interest, to align with their economic substance and preserve neutrality.

7.1.1.2 Legal Clarity

Fiscal reforms must be complemented by legal codification to provide interpretive stability and signal regulatory commitment. Current ambiguity around the status of equity-based Shari'ah contracts inhibits both institutional adoption and judicial enforceability.

- **Amend the Code Monétaire et Financier (CMF)** [Monetary and Financial Code] to introduce a dedicated classification for *mudarabah* and *musharakah* under the emerging legal category of *finance participative* [participative finance]. This would build on CMF Article L511-6, which already accommodates certain non-traditional credit models, and offer legal recognition to profit-sharing partnerships as legitimate financial instruments. [204]
- **Issue an *arrêté* through the Autorité de Contrôle Prudentiel et de Résolution (ACPR)** [Prudential Supervision and Resolution Regulator] affirming the principle of *functional equivalence* for Shari'ah-compliant structures.[205] Modelled on the UK's "no obstacles, no special favours" stance, this measure would ensure that legally distinct contracts are assessed based on their economic effect, not their form, thereby reinforcing France's secular neutrality while promoting regulatory pragmatism.

7.1.1.3 Sovereign sukuk

Regulatory change must be accompanied by a strong sovereign signal. A state-issued *sukuk* would not only provide a benchmark for the domestic market but also demonstrate France's commitment to ethical finance innovation on the international stage.

- **Structure a €1 billion sovereign *sukuk al-ijara* over ten years**, backed by revenue-generating state-owned renewable energy assets (e.g., offshore wind farms or solar arrays). Returns would be tied to project performance, ensuring compliance with both Shari'ah principles and ESG norms.
- **List the issuance on Euronext Paris's sustainable finance segment**, using alignment with the EU Taxonomy Regulation to attract socially responsible investors and Islamic financial institutions.

7.1.2 Institutional Capacity Building

Regulatory reform alone cannot sustain a viable Islamic finance ecosystem. France must invest in the institutional and human capital necessary to develop, supervise, and innovate within this

[204] Article L511-6 outlines exceptions to the French banking monopoly, which generally restricts the business of granting loans to licensed credit institutions. The article permits certain non-bank entities to grant loans under specific conditions.
French Republic. Code monétaire et financier [Monetary and Financial Code], L511-6 Légifrance § (2025). https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000038725584/

[205] This means adopting a regulatory approach where contracts or instruments are assessed based on the economic substance and risk profile rather than their legal or religious form

space. The long-term credibility and scalability of participatory ethical finance depend on two critical pillars: academic training and expert coordination.

7.1.2.1 Reviving Academic Programs

The discontinuation in 2016 of the Master's in Islamic finance at Université Paris-Dauphine signalled an important institutional disengagement. To reverse this trajectory, higher education institutions must now reintegrate participatory finance into mainstream curricula, not as a niche specialisation, but as part of the evolving field of sustainable and ethical finance.

- **Re-launch the Université Paris-Dauphine Master's program**, updating it to reflect current market dynamics with a focus on ethical fintech, cross-jurisdictional regulatory practices, and Shari'ah-compliant product structuring.
- **Integrate mandatory modules on participatory finance** into leading Grande École finance programs (e.g., HEC's MSc Finance, Sciences Po's Master in Economic Policy). These courses should be modelled on comparative programs like Financia Business School (Paris, France) and Durham University (Durham, England)'s MBA in Islamic finance, combining doctrinal insight with applied financial analysis.
- **Encourage dual accreditation pathways** for legal and financial professionals to receive advanced training in both French regulatory frameworks and international Islamic finance standards (e.g., AAOIF, Islamic Financial Services Board (IFSB)).

Such efforts would not only reduce the current deficit of qualified Shari'ah auditors and legal advisors but also equip a new generation of professionals to bridge conventional and alternative financial systems**.**

7.1.2.2 Establishing a National Islamic finance Task Force

To ensure strategic coherence and sustained policy engagement, France should create a National Islamic finance Task Force, housed within the Ministry of Economy and chaired by the Director of the Treasury. The task force would act as a cross-institutional coordination body, bringing together key regulators, industry stakeholders, and academic partners.

- **Composition:** Representatives from the ACPR, AMF, and the Banque de France, as well as executives from both conventional and ethical finance institutions (e.g., BNP Paribas, Crédit Coopératif, Fair Invest, Syla Invest).
- **Mandate**:
  - Oversee implementation of regulatory reforms and tax adjustments.
  - Coordinate France's first sovereign sukuk issuance, ensuring alignment with Shari'ah and ESG standards.
  - Develop a national certification framework for Shari'ah advisors**,** drawing inspiration from Malaysia's Securities Commission model, to ensure consistency, independence, and transparency in Shari'ah compliance across institutions.
  - Advise on the inclusion of participatory finance in the national financial literacy strategy and green finance taxonomy.

By formalizing a platform for structured dialogue and strategic alignment, this task force would institutionalize Islamic finance within France's economic governance without compromising its secular foundations.

7.1.3 Public-Private Partnerships

A viable Islamic finance ecosystem requires more than state initiative; it depends on dynamic collaboration with the private sector. In France, fintech startups and retail banks are emerging as key operational actors in participatory finance, yet they remain constrained by regulatory inertia and structural disincentives. To shift from symbolic tolerance to strategic enablement, public authorities must activate a framework of incentives, experimental space, and supervisory alignment, transforming passive neutrality into pragmatic support.

7.1.3.1 Fintech Innovation: Catalysing Islamic Digital Finance

As highlighted in previous chapters, fintech ventures face multiple structural disadvantages when engaging with Islamic finance: complex onboarding procedures under AML/CFT laws, fiscal disincentives on asset-backed contracts (*murabaha*), and limited access to growth capital.

To unleash this sector's potential, the following measures are proposed:

- **Establish a 5-year Halal Fintech Regulatory Sandbox**, jointly administered by the ACPR and Banque de France, allowing authorised fintechs to test Shari'ah-compliant financial technologies in a controlled environment. The DFSA Tokenisation Sandbox (UAE) and Bahrain's Central Bank Sandbox demonstrate successful Islamic fintech testing, providing actionable templates for France. [206] Within this framework, **t**emporary waivers on double taxation for Murabaha-based transactions and simplified AML/CFT onboarding protocols should be granted, subject to periodic review and compliance safeguards.
- **Allocate €50 million in grants via Bpifrance** for Islamic fintech startups aligned with France's green and social transition priorities. Targeted sectors could include green sukuk issuance, *qard al-hasan*-based microfinance, and participatory climate-finance tools**.** To qualify, projects must demonstrate interoperability with the EU Green Bond Standard and Taxonomy Regulation.

By de-risking Shari'ah-compliant innovation and aligning it with France's digital sovereignty and sustainability goals, Islamic fintech can move from the regulatory fringe to an institutional pillar of financial modernisation**.**

7.1.3.2 Retail Banking: Mainstream Ethical Finance Windows

Major French banks such as BNP Paribas and Société Générale already engage in *sukuk* structuring activities in, for instance, Malaysia and the Gulf. However, domestically, these institutions have not leveraged this capacity, highlighting an absence of strategic incentives and a need for a clear governance framework.

To normalize Islamic finance within retail banking:

- **Mandate systemically important banks to open 'ethical finance windows' by 2027**, enabling the pilot of Shari'ah-compliant retail offerings without requiring full institutional separation. These windows should include:

[206] Milken Institute. "Developing Bahrain and the UAE into FinTech Hubs." Milken Institute, July 2019.

- *Ijara*-based mortgage products, backed by state guarantees (e.g., via a Prêt à Taux Zéro [Zero Interest Loan)–style mechanism), particularly targeting first-time homeowners in financially excluded urban areas.
- *Wakala*-based savings accounts, where returns are derived from investments in certified ethical projects. A portion of these profits could be dedicated to social housing or ESG-linked community reinvestment**.**

- **Require the ACPR to implement a Sharīʿah governance oversight protocol**, modeled on the UK's 2019 Shariʾah Governance Code. This would involve mandatory publication of governance structures, the composition and independence of Sharīʿah boards, and external audit mechanisms for compliance verification.

This dual-track approach of retail integration without institutional segregation mirrors international best practices in Malaysia and the UK. It offers a scalable, politically neutral model that enhances consumer choice, strengthens regulatory coherence, and affirms France's capacity to support pluralistic finance within its secular constitutional framework.

7.1.4 Geostrategy and Development Diplomacy

France's engagement with Islamic finance should not be confined to domestic inclusion. It must also be leveraged as a strategic tool of international economic diplomacy, particularly across Francophone Africa and within the European Union's evolving regulatory landscape. These regions present both developmental imperatives and geopolitical opportunities that align with France's financial, diplomatic, and normative ambitions. Islamic finance, when embedded within a coherent foreign policy strategy, can serve as a vehicle for infrastructure co-financing, institutional trust-building, and cross-border financial harmonisation**.**

7.1.4.1 Francophone Africa: Islamic finance for Development

France's historical ties and ongoing economic relationships with Francophone Africa place it in a unique position to co-develop Islamic finance mechanisms that respond to pressing infrastructure and healthcare needs while deepening regional cooperation.

- **Establish a France–IsDB Development Partnership Fund**, beginning with the co-financing of major infrastructure projects. A flagship initiative could include the Dakar–Niamey Railway Corridor**,** structured via a € 500 million *sukuk al-istisna*.[207] France would provide 40% of the capital (via AFD and Bpifrance) while the Islamic Development Bank would mobilize Gulf-based institutional investors through syndicated *sukuk* placement. This project would create a new model for Euro-Islamic-African infrastructure finance, integrating Shari'ah compliance with ESG standards.
- **Pilot waqf-based healthcare endowments in Chad and Niger,** in partnership with local ministries and religious councils. Endowment capital could be deployed to build clinics, with returns from the waqf corpus funding operational costs, mirroring IsDP's existing work in the field (e.g. Lives and Livelihoods Fund). This would create a sustainable financing loop, rooted in Islamic principles yet fully compatible with France's development aid strategies and human capital priorities in the Sahel.

[207] Agence Française de Développement. "THE ISLAMIC DEVELOPMENT BANK GROUP and AGENCE FRANCAISE de DÉVELOPPEMENT SET to CO-FINANCE US$1 BILLION through 2028 to SUPPORT VITAL and GREEN INVESTMENTS in the GLOBAL SOUTH." Www.afd.fr, 2023.

By anchoring Islamic finance in pragmatic development objectives, France can reinforce its presence in strategic African corridors while demonstrating normative leadership in values-based finance.

7.1.4.2 EU Leadership: Harmonizing Ethical Finance Standards

Within the European Union, France has both the regulatory capacity and political capital to lead the institutionalisation of Islamic finance under the broader umbrella of ethical and sustainable finance. Rather than framing Islamic finance as a niche, it should be integrated into pan-European financial directives**,** expanding the reach of participatory models across the Single Market.

- **Propose an EU Directive on Ethical Finance**, co-drafted with a working group of at least seven member states (e.g., Belgium, Germany, Italy, Spain, Luxembourg, the Netherlands, and Sweden). This directive would include provisions to:
    - **Recognize *sukuk* as "green bonds"** when they meet the environmental and governance criteria set by the EU Taxonomy Regulation and the Green Bond Standard**,** thereby allowing Islamic instruments to access mainstream ESG capital pools.[208]
    - **Introduce cross-border regulation for *takaful*,** facilitating EU-wide passporting of ethical insurance products such as *assurance-vie participative*.[209] This would reduce legal fragmentation and enable the scaling of faith-aligned risk protection schemes across diverse European populations.

These reforms would allow France not only to institutionalize its leadership in Islamic finance within the EU but also to reshape ethical finance governance in a way that accommodates religious diversity while reinforcing regulatory coherence.

7.2 Implementation Roadmap[210]

Achieving a viable, pluralistic Islamic finance ecosystem in France requires a sequenced and coordinated policy trajectory. The following roadmap outlines a phased approach over the next decade, balancing institutional reform, market development, and strategic signalling. Each phase builds incrementally on the previous one, moving from foundational groundwork to systemic integration.

[208] The AFD-IsDB partnership emphasizes alignment with the EU Taxonomy regulation, particularly green infrastructure. Recognizing *sukuk* as "green bonds" under this framework is consistent with the EU's ush to standardize sustainable finance Ibid.
Also see the Dakar TER project's integration of environmental and social governance criteria, which can be extended to *sukuk.*
African Development Bank. "Senegal – Funded by the Bank, the Regional Express Train Will Revolutionize the Urban Mobility in Dakar." African Development Bank Group, February 6, 2019.
[209] The AfDB's support for the TER project via syndicated loans illustrates the EU's capacity to harmonize cross-border financial instruments. Extending this to *takaful* would require leveraging existing EU passporting rules, as seen in the UK's pre-Brexit Islamic finance ecosystem.
Ibid.
[210] For a visual summary of the phased roadmap, see ***Appendix E.***

7.2.1 Phase 1 (2025-2027): Foundation

The first phase focuses on depoliticizing the discourse, building institutional familiarity, and initiating targeted pilot programs to test demand and operational feasibility.

- **Publish a national White Paper on Ethical and Participatory Finance**, coordinated by the Ministry of Economics and Finance. The goal is to reframe Islamic finance as one stream within a broader ethical finance ecosystem, aligning it with France's commitments to financial inclusion, pluralism, and ESG standards.
- **Launch a € 500 million pilot mortgage scheme targeting underserved and financially excluded communities across France**, structured around *ijara* or diminishing *musharakah* models. This initiative would be jointly administered by a public bank (e.g., Banque Postale) and local credit cooperatives, targeting first-time homeowners through interest-free or profit-sharing arrangements.
- **Train 500 financial advisors in Shari'ah-compliant instruments and ethical finance**, through a partnership between the ACPR, Université Paris-Dauphine, and fintech associations. This initiative will professionalize retail advice and build domestic human capital in participatory finance.

7.2.2 Phase 2 (2028-2030): Scaling

The second phase aims to institutionalize market instruments, attract international capital, and embed Islamic finance within mainstream education and banking infrastructure.

- **Issue France's first sovereign sukuk**, amounting to € 1 billion, and list it on Euronext Paris within the sustainable finance segment. Backed by revenue-generating renewable energy assets, this *sukuk al-ijara* would test investor appetite, reinforce policy credibility, and align Islamic finance with the EU's Green Bond Standards.
- **Establish a Franco–Gulf Ethical Investment Fund**, capitalised by French public institutions and Gulf sovereign wealth funds. The fund would support Shari'ah-compliant SMEs, ethical tech startups, and ESG-aligned infrastructure across France and Francophone Africa.
- **Expand Islamic finance education to over ten French universities**, integrating modules on participatory finance, Islamic contract law, and fintech applications into economics, law, and business curricula. This academic mainstreaming will address the current shortage of trained professionals and reduce reliance on foreign advisory bodies.

7.2.3 Phase 3 (2031 and beyond): Consolidation

The final phase consolidates Islamic finance as a recognised pillar of France's ethical and inclusive financial architecture, anchoring it in national strategy and global diplomacy.

- **Incorporate Islamic finance into France's Plan France 2030**, particularly under its green transition and financial innovation pillars. This ensures long-term state backing and integration with broader national policy objectives.[211]
- **Host a Global Ethical Finance Summit in Paris**, co-organised with the Islamic Development Bank, OECD, and UNDP. The event would position France as a global convenor of plural finance models, attract investment, and solidify Paris's credentials as a hub for ethical capital flows in a multipolar economy.

7.3 Risk and Feasibility Mapping

To ensure the viability of any policy reform, it is essential to situate France's Islamic finance trajectory within a broader strategic risk framework. This section leverages a SWOT analysis and risk mapping to evaluate the enabling environment and identify barriers to implementation. It serves as a diagnostic and operational section to align policy recommendations with France's institutional constraints and opportunities.

7.3.1 SWOT Analysis: Strategic Environment for Islamic finance in France

Islamic finance in France experienced a brief window of progress between 2008 and 2010, notably through the *Rapport Jouini-Pastré* and tax adjustments facilitating sukuk structuring. Yet, this momentum dissipated without institutionalisation. Notably, the 2009 rejection by the Constitutional Council of an amendment to the Law on Facilitating Access to Credit for SMEs, intended to adapt fiduciary mechanisms to accommodate Shari'ah-compliant financing, marked a turning point in halting legislative momentum. As Chapters II and IV show, this stall was not due to technical infeasibility but to a convergence of regulatory ambiguity, political sensitivities, and post–2010 institutional inertia. The SWOT framework below synthesizes those dynamics and links them directly to stakeholder insights, including interviews conducted with field experts.

Table 6. SWOT Analysis: Islamic finance Ecosystem in France

PURPOSE
Assess the realistic feasibility of developing Islamic finance in France

STRENGTHS	W	WEAKNESSES
Institutional Infrastructure: France's € 100 billion rail modernisation and green energy agenda provide ideal platforms for sukuk issuance, offering both liquidity and alignment with SDG goals. *See Chapter IV*	1	**Incomplete Regulatory Framework:** Initial tax reforms (e.g., for *murabaha* and *sukuk)* remain fragmented. Equity-based contracts like *musharakah* and *mudarabah* lack formal legal and fiscal treatment. *See Chapter II*

211 Plan 2030 is a forward-looking investment strategy launched in 2021 to ensure France's global leadership in key sectors through innovation and ecological transition by 2030.
French Government. "Understanding France 2030." info.gouv.fr, May 8, 2024.
https://www.info.gouv.fr/grand-dossier/france-2030-en/understanding-france-2030

Latent Market Demand: France hosts the largest Muslim population in Europe (~9 million by 2025), with rising interest in halal/ethical finance, especially in real estate, savings, and fintech. *See Chapter III*	2	**Political Sensitivities and Reputation Risk:** The association of Islamic finance with religious visibility and identity politics discourages mainstream banks and regulators due to fear of reputational backlash. *See Chapter IV*
Ethical Finance Alignment: The post–2008 rise of ESG and socially responsible investing creates an ideological overlap with Islamic finance. This paves the way for rebranding under broader participatory ethics. *See Chapter III*	3	**Technical Knowledge Deficiency:** France suffers from a shortage of Shari'ah-trained scholars and regulatory experts able to mediate between Islamic jurisprudence and French financial law, impeding product development and oversight. *See Chapter V*
Dual Legal Flexibility (Civil Law System): French civil law allows for adaptation through interpretive tools (e.g., *fiducie*, silent partnerships), which provides greater potential for legal accommodation without creating new statutes. This is underappreciated in the current policy debate. *See Chapter III*		**Institutional Incoherence Across Ministries:** there is no unified institutional vision; the Ministry of Finance, Banque de France, ACPR, and Bercy each take distinct postures. This incoherence prevents coordinated regulatory evolution. *See Chapters V and VI*
Presence of Innovative Private Actors: Pioneering fintechs and wealth management firms are already offering Shari'ah-compliant services domestically, proving feasibility and serving as testbeds for innovation. Their presence reduces the risk of policy failure if properly supported. *See Chapters IV and V*		**Limited Consumer Awareness and Financial Literacy:** Many potential users of Islamic finance remain unaware of available options or confused by the overlap between religious, ethical, and financial categories. This undercuts demand even when products exist. *See Chapter IV*

OPPORTUNITIES	T	THREATS
Infrastructure Financing through *sukuk*: France's € 100 billion rail modernisation and green energy agenda provide ideal platforms for sukuk issuance, offering both liquidity and alignment with SDG goals. *See Chapter VI*	1	**Entrenched Islamophobia and *Laïcité* Debates:** Public and political anxieties surrounding Islamic visibility, amplified by far-right discourse, can undermine policy credibility and stall reform efforts. *See Chapter IV*
Leadership in Ethical Finance: Integrating Islamic finance into ESG frameworks can help France position itself as a pioneer in ethical finance, leveraging existing ambitions in green and social impact investing.	2	**Fragmented Legal Interpretations:** The absence of a national Shari'ah board and lack of jurisprudential precedent risks inconsistent regulatory decisions and legal uncertainty for financial actors.

See Chapters IV and VI		*See Chapters II, V, and VI*
Geopolitical Outreach: Islamic finance can strengthen bilateral ties with GCC states, Southeast Asia, and Francophone Africa, acting as a soft-power instrument for co-development and financial diplomacy. *See Chapter V*	3	**Global Competition** Other financial hubs (London, Luxembourg, and now Germany) have made more decisive moves in Islamic finance integration, eroding France's window of opportunity. *See Chapter V*
Youth-Driven Demand and Generational Value Shift: A younger generation of Muslim and non-Muslim consumers is increasingly values-driven, digital-first, and less ideologically constrained. Islamic finance, especially through fintech channels, could capitalize on this shift. *See Chapter IV and V*		**Media Framing and Public Misperception**: Negative or reductive portrayals of Islamic finance in mainstream media fuel public misunderstanding and stigmatisation, creating political disincentives even for neutral policy reform. *See Chapter IV*
EU-Level Ethical Finance Frameworks: France could leverage the EU Sustainable Finance Disclosure Regulation (SFDR) and Green Taxonomy to harmonize Islamic finance offerings under pan-European ESG standards, increasing cross-border appeal and compliance confidence. *See Chapter VI*		**Risk of Tokenism Without Structural Reform:** There's a risk that superficial gestures (e.g., pilot *sukuk,* symbolic reports) could replace meaningful institutional reform and lead to disillusionment among stakeholders and further entrenching cynicism. *See Chapters IV and VI*

7.3.2 Mitigating Risks: Toward a Resilient Reform Strategy

Implementing Islamic finance in France requires more than technical reform; it demands also careful risk management across political, institutional, and reputational dimensions. The following strategies are designed to anticipate and address the most salient vulnerabilities identified throughout this thesis, ensuring that reform efforts remain both durable and consistent with republican values.

7.3.2.1 Explicit Risk Types

Islamic finance faces a set of sector-specific risks that must be explicitly recognised and managed. These include:

- **Shari'ah Compliance Risk**: The risk that products or operations fail to meet Shari'ah principles, potentially resulting in reputational damage or legal challenges
- **Operational Risk**: Risks arising from inadequate internal processes, systems or external events, including failures in Shari'ah governance or product structuring.
- **Liquidity Risk**: The challenge of managing cash flow and meeting obligations, especially given the limited availability of Shari'ah-compliant liquidity instruments.
- **Reputational Risk**: The risk of negative public perception, particularly if Islamic finance is framed as a religious or communitarian exception.
- **Legal and Regulatory Risk**: Uncertainties due to fragmented legal interpretations or lack of codified frameworks for Islamic contracts.

- **Ownership Risk**: Unique to Islamic finance, this arises from the requirement that financial institutions have risks associated with asset ownership.

7.3.2.2 Stakeholder Mapping

While legal reform and demographic demand are important, the feasibility of Islamic finance in France ultimately hinges on the coordinated engagement of a fragmented and ideologically cautious stakeholder landscape. Identifying the core actors, their mandates, incentives, and constraints, is essential, as these factors will shape the policy implementation trajectory.

Table 7. Visual Stakeholder Map

Category	Key Actors	Roles and Functions	Challenges
1. Government Ministries	Ministère de l'Économie et des Finances [Ministry of Economy and Finance] Ministère de l'Intérieur [Ministry of Interior]	- Set national economic policy, taxation, and public investment strategy - Mediate public discourse on *laïcité,* religious neutrality, and social cohesion	- Political risk aversion around faith-marked financial models - Absence of coherent inter-ministerial strategy - Competing priorities in fiscal and industrial reform
2. Financial Regulators	Banque de France [Bank of France] ACPR AMF	- Supervise banks and financial markets - Ensure compliance with EU directives and prudential standards - Approve financial innovation (e.g., sandboxes)	- Lack of codified Islamic finance framework - No centralised Shari'ah compliance protocol - Institutional caution and ambiguity in the interpretation of "religious neutrality"
3. Private Financial Institutions	BNP Paribas Société Générale Chaabi Bank Fintechs (Fair Invest, Syla, Lina)	- Structure and distribute Islamic financial products - Test demand through 'ethical finance windows' or digital platforms - Interface with regulators and consumers	- Fiscal asymmetry (e.g., double taxation on *ijara/murabaha*) - Weak policy signalling from the government - Perceived reputational risk in Islamic branding
4. Civil Society & Religious Experts	Muslim consumer associations Independent Shari'ah scholars Institut Français de Finance Islamique	- Provide Shari'ah legitimacy and ethical framing - Represent community needs and demand-side legitimacy - Contribute to public	- Lack of institutionalised Shari'ah governance body - Low participation in formal policymaking - Fragmented voice; limited professional accreditation

	(IFFI) [French Institut of Islamic finance]	trust and compliance norms	
5. Political Institutions	Assemblée nationale [National Assembly] Sénat [Senat] Political parties (e.g., Renaissance, Les Républicains, Rassemblement National)	- Legislate and amend financial, tax, and regulatory codes - Shape public framing of Islamic finance through discourse and policy proposals	- Populist framing of Islamic finance as "communitarian" - Electoral disincentives to support visibly Muslim-aligned finance - Polarised discourse on secularism and identity
6. Academic and Policy Research Community	Researchers at Sciences Po, Paris Dauphine, Sorbonne Think tanks (e.g., IFRI, Institut Montaigne, Terra Nova)	- Produce comparative legal-financial analysis - Translate Islamic finance models into secular, values-based frameworks - Inform institutional reform proposals	- Limited impact on regulatory agenda-setting - Weak links between research and applied governance - Underfunded Islamic finance-specific scholarship
7. International Reference Models	UK Financial Conduct Authority (FCA) Islamic Development Bank (IsDB)	- Offer case studies in tax neutrality and regulatory pragmatism - Provide soft-law frameworks for Shari'ah governance and capacity-building - Enable co-financing and development diplomacy	- Difficult transposition into France's civil law and *laïcité* context - France's cautious stance toward faith-based international norms - Risk of external dependency without domestic adaptation

7.3.2.3 Mitigation Strategies

- **Political and Reputational Risk**

The most immediate risk is political backlash, particularly from actors who frame Islamic finance as a communitarian or religious exception. To pre-empt this, reforms must be anchored in a language of republican universalism, emphasizing ethical parity, not religious accommodation. Framing Islamic finance as 'participatory ethical finance' offers a *laïcité*-compliant narrative that appeals to shared civic values of equity, transparency, and social utility. As argued earlier, this semantic shift mirrors successful mainstreaming strategies in adjacent sectors such as halal food or green finance, where overlapping ethical logics de-emphasize religious identity without erasing substantive meaning.

- **Strategic Alliances and Cross-Sector Integration**

By explicitly linking Islamic finance to broader sustainability goals, such as funding social housing, green infrastructure, or SME innovation, reformers can build cross-party coalitions, especially among centrist, Green, and progressive factions.[212] Framing sukuk as tools for

[212] In the French political landscape, "centrist" typically refers to parties such as Renaissance (formerly La République En Marche), which support liberal economic policies and pro-European integration. "Green" parties, such as Europe Écologie Les

climate finance or inclusive growth situates them within policy domains that already enjoy broad political consensus, thereby neutralizing sectarian framings and enhancing reform resilience.

- **Market Fragmentation and Interoperability**

A key challenge is the risk that Islamic finance develops in isolation from mainstream financial systems, leading to inefficiencies, regulatory confusion, or marginalisation. To mitigate this, France should pursue a model of interoperability rather than parallelism and fully acknowledge the hybridity nature of Islamic finance. This involves embedding the sector offerings within existing institutions (e.g., "ethical windows" in systemic banks), rather than establishing separate Islamic banks that may inadvertently reinforce perceptions of segregation.
International precedents include Malaysia's Islamic windows, which have allowed conventional banks to offer Shari'ah-compliant products through dedicated divisions since the 1990s, the UK's participatory finance approach, where mainstream banks integrate Islamic finance products without institutional separation, and the US where different institutions and fintech offer Shari'ah compliant mortgages, savings, and investment products under existing federal and state regulations.[213]

- **Institutional and Shari'ah Governance Innovation**

Shari'ah governance in France must evolve to reflect both religious integrity and pluralist accountability. France can innovate by mandating that Shariʾah supervisory boards include not only Islamic jurists but also secular ethicists and ESG experts**,** ensuring that religious compliance coexists with broader ethical, legal, and consumer protection norms.
This hybrid model is gaining traction in international debates with pilot projects in the UK and discussions in academic literature highlighting the benefits of integrating diverse expertise to enhance public trust and institutional legitimacy while avoiding the pitfalls of theological exclusivity.[214]

In sum, by strategically framing reforms, fostering cross-sector alliances, and embedding Islamic finance within existing legal and ethical frameworks, France can mitigate the principal risks facing its Islamic finance strategy, but it needs to transform them from obstacles into levers of institutional renewal.

VIII. CONCLUSION

To conclude, this thesis contends that the primary barriers to the development of Islamic finance in France since 2008 have been ideological and institutional, rather than legal or

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Verts (EELV), prioritize environmental and social justice agendas, often supporting alternative finance models tied to sustainability. "Progressive" factions span both moderate left-wing parties (e.g., Parti Socialiste) and segments of La France Insoumise that advocate for inclusive economic policies. These groups generally view financial reform through the lens of climate resilience, equity, and public service innovation, which created potential alignment with ethical finance initiatives.

[213] For the US, a key example is the office of the Comptroller of the Currency (OCC) has greenlit Islamic home financing structures that comply with conventional banking laws, avoiding the need for parallel.
Dajani, Mona E. "Chapter 12: UNITED STATES." In *Islamic Finance and Markets Law Review Fifth Edition*, edited by John Dewar and Munib Hussain, 2020.

[214] Alam, Md. Kausar, Fakir Tajul Islam, and Mahfuza Kamal Runy. "Why Does Shari'ah Governance Framework Important for Islamic Banks?" *Asian Journal of Economics and Banking* 5, no. 2 (June 4, 2021): 158–72.

technical. Rigid interpretations of *laïcité*, political sensitivities surrounding Islam, and broader discomfort with incorporating pluralism into the financial system have collectively fostered an environment of symbolic exclusion. Nevertheless, instead of embracing Islamic finance as a complementary extension of conventional finance, French institutions have largely treated it as a politically fraught exception.

This contrasts with international financial trends. Globally, Islamic finance reflects some of the most significant shifts in financial thought: the rise of ethical investment, the pursuit of more inclusive financial models, and renewed interest in risk-sharing mechanisms. With global assets projected to exceed $5 trillion by 2025, its growth underscores a broader reorientation of financial systems in response to repeated systemic crises, from the 2008 financial crash to the economic fallout of COVID-19 and ongoing geopolitical volatility. In this evolving landscape, Islamic finance is no longer simply a faith-based alternative; it is a hybrid, forward-looking model that blends ethical imperatives with financial innovation and resilience. France's continued marginalisation of this model not only signals a missed economic and diplomatic opportunity; it also asks questions about its readiness to align republican ideals with the ethical, pluralist imperatives of 21st-century finance.

8.1 Synthesis of Key Findings

The study first established that Islamic finance is not a static or oppositional model that is incompatible with secularism. Instead, it demonstrated its flexibility and dynamism as an evolving system, but which requires institutional adaptation. Regulatory and legal pathways do exist, as shown by post–2008 reforms and the *Jouini-Pastré* roadmap, but political hesitation has prevented their full implementation. Empirical insights drawn from semi-structured interviews with stakeholders further revealed a real and rising demand for Islamic financial services, especially among younger consumers, both Muslims and non-Muslims, motivated by ethical concerns. Together, these findings challenge the widespread perception that Islamic finance is driven purely by religious observance and align it with broader shifts toward transparency and sustainable investing.

France's paradoxical approach becomes clearer when compared with the United Kingdom, used as an analytical counterpoint throughout the study. British policymakers have shown that it is possible to integrate Islamic finance within a secular system and a political landscape shaped by diverse opinions, by providing regulatory clarity, fostering inclusive messaging, and treating Islamic finance as part of a national financial strategy. This suggests that successful integration of Islamic finance hinges not on compromising secular governance, but on the capacity of institutions to reconcile national values with the evolving needs of a diverse society

Thus, as the thesis has proven, the problem lies not in the legal design of Islamic finance, but in the selective way in which legitimacy is extended to alternative economic models. Islamic finance has become a site where questions of identity, legitimacy and institutional inclusion are negotiated. France's reluctance continues to be shaped by colonial legacies, the securitisation of Muslim identity, and a restrictive understanding of neutrality that tolerates certain forms of difference while excluding others. It permits Islamic finance in law but marginalises it in practice.

The implications of this marginalisation are significant. At the domestic level, it perpetuates financial exclusion and diminishes trust in formal institutions among segments of the population. At the international level, it limits France's capacity to attract capital from Muslim-majority markets and undermines its credibility as a partner in ethical finance and development cooperation. More fundamentally, France's current approach to Islamic finance reflects a missed opportunity to reinterpret secularism in a manner that both protects republican values and affirms the legitimacy of plural economic norms. Instead, the stagnated growth of Islamic finance in the country reflects a republican universalism that often conflates equality with homogeneity and treats cultural or religious specificity as a threat rather than an asset.

8.2 Policy Implications

France should adopt a coherent strategy that embeds Islamic finance within broader financial and social policy frameworks. In doing so, this study goes beyond reductionist perception of Islamic finance and frames it as a legitimate and timely instrument of economic policy. The most urgent step in this direction is the establishment of a regulatory sandbox, enabling public-private experimentation with Shari'ah-compliant products, particularly in collaboration with fintech firms and ethical finance actors.

The measures elaborated in Chapter VI address the structural barriers identified in this thesis: not legal incapacity, but institutional inertia and ideological rigidity disguised as neutrality. Building on previous chapters, it demonstrated that, if left unaddressed, these barriers will perpetuate financial exclusion and erode France's credibility as a global player in ethical finance. By contrast, an inclusive and innovation-driven regulatory posture could reinforce social cohesion at a time of rising polarisation while positioning France as a leader in values-based financial governance.

This study ultimately concludes that meaningful progress will require a shift from top-down exceptionalism to collaborative policy engagement. If France aims to realise the potential of Islamic finance—as a mechanism for financial inclusion, a magnet for global ethical investment, and a tool for economic diplomacy—it must demonstrate institutional readiness to move beyond ideological rigidity. Indeed, France is uniquely positioned to act. With its demographic realities, financial expertise, and diplomatic ties across the Muslim world, it holds both the domestic rationale and the international capital to make Islamic finance a strategic asset. The global momentum toward ESG-aligned financial products, the rise of fintech innovation, and post–pandemic fiscal reforms all point toward a more diversified, ethical, and digitally integrated financial future.

In sum, French policymakers and financial institutions must recognise Islamic finance not as a concession, but as an opportunity. A deliberate partnership between public regulators, private innovators, and civic actors is necessary to unlock its full potential. Future research, such as sandbox pilots, inclusive branding strategies and cross-border partnerships, can help ensure that France's republican principles evolve in step with its financial and societal realities.

8.3 Limitations and Future Research

While this study effectively highlights institutional and ideological reluctance as the main obstacles to Islamic finance in France, the boundaries within which these findings were produced need to be acknowledged.

To begin with, the decision to frame the analysis around the French case, supported by a comparative lens drawn from the United Kingdom, allowed for a focused examination of the dynamics at play within a specific republican and postcolonial context. Although the aim of this research was not to produce a cross-national theory of Islamic finance integration but to offer a grounded explanation for France's limited institutional engagement, it recognises that a case-specific approach necessarily limits the generalisability of the findings to other secular governance models.

Secondly, the empirical foundation of this thesis rests on a limited set of expert interviews, which itself reflects the fragmented and underdeveloped nature of the Islamic finance ecosystem in France. Several key informants, including prominent international scholars such as Professor Michael McMillen, were constrained by a lack of current engagement with the French institutional environment. This absence of sustained policy attention or academic infrastructure in the field reinforces the central argument of institutional inertia. Future studies would benefit from complementing this analysis with quantitative tools, including market demand assessments, consumer preference surveys, and financial modelling, to more precisely evaluate the sector's potential.

This study also refrains from undertaking a doctrinal analysis of *laïcité* or an exhaustive legal assessment of Islamic financial instruments under French law. Instead, it interrogates how dominant interpretations of secularism shape institutional behaviour and policy decisions, often serving as a rationale for regulatory inertia. This distinction is critical: legal ambiguity is frequently invoked to mask deeper ideological resistance, yet emerging developments, such as fintech innovation and post–pandemic fiscal realignment, may compel a reassessment of these entrenched positions.

Finally, the author acknowledges the inherent risk of confirmation bias in a study that privileges institutional perspectives and focuses critically on French state actors. A more comprehensive understanding of the issue would be enriched by incorporating voices that are currently underrepresented in academic and policy discourse, including stakeholders from Arabic-speaking communities, Gulf-based financial institutions, and non-Francophone African actors. These perspectives are essential to capturing the transnational complexity of Islamic finance and its evolving geoeconomic significance.

8.4 Final Reflections

Overall, this thesis has demonstrated that financial systems are not solely the product of market dynamics or regulatory frameworks, but are equally shaped by contested notions of legitimacy, identity, and belonging. Islamic finance, far from being a marginal or sectarian issue, reveals how France negotiates the boundaries of pluralism within its economic, social, and political institutions. The evidence presented here suggests that France's marginalisation of Islamic finance is not incidental. It is symptomatic of deeper institutional caution and normative unease—rooted in selective interpretations of secularism.

As global financial systems adapt to the pressures of climate change, digitalisation, and rising ethical standards, France stands at a crossroads. In sidelining a financial model that is both ethically resonant and globally ascendant, France risks reinforcing patterns of exclusion, weakening public trust, and falling behind in an increasingly diversified financial landscape. Conversely, recognising Islamic finance as a legitimate component of a pluralist economy would affirm France's commitment to equity, innovation, and international relevance.

In sum, France's role in shaping tomorrow's financial order will depend on its capacity to align republican ideals with the lived realities of its plural society.

APPENDICES

Appendix A: Glossary of Key Terms (alphabetised)

ACPR (Autorité de Contrôle Prudentiel et de Résolution) – The French banking and insurance supervisory authority responsible for authorizing financial institutions and ensuring regulatory compliance.

AMF (Autorité des Marchés Financiers) – France's independent financial market regulator, in charge of market regulation, investor mediation, authorisation of financial intermediaries, climate-risk disclosures.

Asset-Backed Financing – Financial transactions in which a tangible asset underlies the contract (e.g., real estate, equipment). This principle is central to Islamic finance to avoid speculation (*gharar*).

Bpifrance (Banque Publique d'Investissement) – France's public investment bank and a central pillar of the country's economic and industrial policy. Provides a single, unified point of support for businesses of all sizes across France.

Double Taxation – The imposition of two or more taxes on the same financial transaction. In Islamic finance, it often affects contracts like *murabaha* or *ijara* due to the multiple transfers involved.

ESG (Environmental, Social, and Governance) – A framework for evaluating the ethical impact and sustainability of investments. It overlaps with Islamic finance principles in excluding harmful sectors and promoting ethical goals.

Fatwa – A formal legal opinion or ruling issued by a qualified Islamic scholar on matters of Shari'ah compliance.

Finance Participative (Participatory Finance) – A term often used in France to describe alternative finance models, including Islamic finance, that emphasize ethical standards and risk-sharing.

Fintech – Short for "financial technology," referring to innovations that use technology to improve or disrupt financial services (e.g., digital banking, mobile apps).

Fiducie – A French legal trust-like arrangement that enables asset separation and management. Under a fiducie, a person or company (the settlor, or constituent) transfers ownership of assets, rights, or securities to a trustee (*fiduciaire*), who must keep these assets separate from their own property and manage them for the benefit of one or more beneficiaries

Gharar – Excessive uncertainty or ambiguity in transactions. Islamic finance discourages speculative or unclear contracts.

Ijara – A leasing contract in Islamic finance where the bank purchases and leases an asset to a client, typically with an option to buy.

Islamic Development Bank (IsDB) – A multilateral development finance institution that promotes economic development in member countries according to Islamic principles.

Islamic finance – A financial system based on Islamic law (Shari'ah), which prohibits interest *(riba),* speculation (*gharar),* and investment in forbidden (*haram*) sectors.

Laïcité – The French principle of secularism, mandating state neutrality in religious matters. It has been a central barrier to the institutionalisation of Islamic finance.

Mudarabah – A profit-sharing investment partnership in which one party provides capital and the other provides expertise or management.

Murabaha – A cost-plus financing arrangement where the seller discloses the cost and adds a profit margin. Used as a Shari'ah-compliant alternative to interest-bearing loans.

Musharakah – A joint venture contract in which all partners contribute capital and share profits and losses. Often used in real estate and SME financing.

PPP (Public–Private Partnership) – A cooperative arrangement between public and private sectors to finance, build, and operate infrastructure projects.

Republican Universalism – A French ideological framework that promotes equality through sameness, often resisting group-based or religious distinctions in public policy.

Riba – Interest or usury, which is strictly prohibited in Islamic finance.

Sandbox (Regulatory Sandbox) – A controlled environment where fintech companies can test new products or services under the supervision of regulators without following all standard rules.

Shariʾah – Islamic law derived from the Quran and Sunnah (prophetic teachings). It governs all aspects of a Muslim's life, including economic and financial behaviour.

Shariʾah Compliance – Conformity with Islamic law in financial transactions, usually overseen by a Shari'ah board or certified scholars.

Sharīʿah Governance – The system by which Islamic financial institutions ensure and demonstrate compliance with Shari'ah principles. Includes audits, fatwas, and board supervision.

sukuk – Islamic financial certificates akin to bonds but structured to comply with Shari'ah by linking returns to tangible assets rather than interest.

Trésor Public – The French public treasury, responsible for managing state finances and fiscal policy.

Takaful – Islamic cooperative insurance based on mutual assistance and shared risk.

Wahed Invest – A global halal fintech platform offering Shari'ah-compliant investment portfolios. Its rising popularity in France reflects demand for ethical digital finance.

Waqala – Islamic finance contract of agency in which a principal (called *muwakkil*) appoints an agent (called *wakeel*) to perform a specific task or series of tasks on the principal's behalf. This contract authorises the agent to act legally and financially for the principal within agreed terms.

Waqf – An Islamic endowment of property or wealth for religious, educational, or charitable purposes. Considered a tool for social investment.

APPENDIX B: METHODOLOGICAL DETAILS

Interview Protocols and Data Collection[215]

This thesis draws on qualitative interviews conducted with key stakeholders active in the field of Islamic finance in France. The objective was to gain first-hand insight into the practical, institutional, and cultural dynamics shaping the sector. Two semi-structured interviews were conducted with practitioners specialising in Islamic wealth management and Shari'ah-compliant advisory services. These conversations informed Chapters III, IV, and V of the thesis.

The interview protocol included the following core questions:

- *Could you tell me a bit about your professional background and what led you to specialise in wealth management and Islamic finance?*
- *Based on your experience, is there currently real and active demand in France for Shari' ah-compliant financial products?*
- *How has this demand evolved in recent years, and what types of clients are the most engaged?*
- *What role can private actors (fintechs, SME advisory firms, or wealth managers) play in expanding this market?*
- *In your opinion, does* laïcité *constitute a true legal or structural barrier to Islamic finance, or is it rather a political justification that masks other concerns?*

Interviews were analysed through thematic coding, with particular attention paid to recurring concerns regarding regulatory ambiguity, *laïcité*, reputational risk, and bottom-up innovation. Comparative insights and illustrative quotes were then triangulated with secondary data to build a coherent analytical narrative.[216]

[215] Additionally, an informal exchange was conducted with Professor Michael McMillen, Adjunct Professor of Law at the University of Pennsylvania Carey Law School and Lecturer in Law at Columbia Law School, and an expert on Islamic finance and investment, including in the U.S. context. While this conversation is referenced in the thesis, particularly in discussions around tax treatment and regulatory pragmatism, it is not included in the formal interview corpus due to its technical nature and informal format.

[216] Following Bourdieu's reflexive epistemology, I acknowledge the interpretive influence of both my own background and the interviewees' institutional affiliations. Both interviewees, Mr. Mahmoud and Mr. Merbouh, hold public-facing roles in Islamic finance education and advocacy, notably through their podcast and affiliation with Financia Business School. Their insights are informed not only by professional experience, but also by strategic commitments to expanding Islamic finance in France.

As a Public Policy student, I adopt a reflexive stance toward potential alignment or divergence in normative assumptions. The interviews are thus interpreted not as neutral reportage but as situated narratives that reflect both structural constraints and

Analytical Frameworks and Coding Approach

The data collected through interviews and document analysis were examined using a hybrid framework combining:

- **Thematic coding** to extract recurring narratives around regulatory barriers, political resistance, market fragmentation, and ethical rebranding;
- **Comparative legal analysis** to contrast France's approach with benchmark jurisdictions (UK, Luxembourg, and the US);
- **Postcolonial political economy lens** to interpret the symbolic and institutional dimensions of financial exclusion;
- **Stakeholder mapping** to assess institutional power dynamics and reform leverage;
- **SWOT analysis** to synthesise strengths, weaknesses, opportunities, and threats shaping the French Islamic finance ecosystem.

These tools enabled a multidimensional interpretation of empirical data and informed the structure of policy recommendations in Chapter V.

Consent and Anonymisation Protocol

To ensure ethical research practice and protect the agency of participants, interviewees were offered three consent tiers for public dissemination of insights:

- **Tier 1: Full Attribution**, with name, institutional affiliation, and quotes;
- **Tier 2: Anonymised Quotes**, with identification by institutional role only;
- **Tier 3: Aggregated Thematic Use**, without attribution of specific statements.

Both interviewees in this study consented to **Tier 1** attribution, recognising the value of their public advocacy roles in shaping discourse around Islamic finance in France. Nevertheless, quotes were selected to balance analytical relevance with ethical sensitivity, and no statements were published without confirmation of intent.

APPENDIX C: INTERVIEW PROFILES AND INTEREST IN ISLAMIC FINANCE

	Background	**Current Role**	**Previous Roles**	**Entry into Islamic finance**	**Key Interests**
Yanis Mahmous	Studied economics at Sorbonne. Completed a Master's in corporate finance, followed by Islamic finance	Wealth management advisor at Amana Patrimoine and co-producer of the podcast *Parlons*	Middle officer in private equity (Capital Croissance), financial auditor (EY), consultant at Kabeo, and co-	Initially inspired by post–2008 critiques of deregulated finance, and influenced by professors with alternative	Promotes Islamic finance as a form of ethical and socially responsible investing. Focuses on value-aligned

strategic positioning within France's financial landscape. This reflexivity informed both the framing of questions and the thematic coding process.

Bourdieu, P. (2010). *Science of science and reflexivity*. Brantford, Ont.: W. Ross Macdonald School Resource Services Library. (Original work published 2001)

	certifications at Financia Business School and Durham University.	*Finance Islamique*	founder of ExpePlus.	visions of finance. His interest deepened through formal training and personal conviction about the social and ethical role of finance.	financial practices and public awareness, especially through media and education.
Kader Merbouh	Trained in financial markets. Deeply involved in developing Islamic finance programs and advising institutions since the mid–2000s.	Director of the Islamic finance Department at Financia Business School and co-producer of *Parlons Finance Islamique*.	Founder and director of the Executive Master in Islamic finance at Université Paris-Dauphine, international cooperation officer for MENA, coordinator of the Islamic finance chair (Sorbonne & King Abdulaziz University), and advisor for Paris Europlace and OECD-ISMED.	Began in 2004–2005 through work on alternative finance models, including early interest in Bitcoin and ethical investing. Built educational and advisory structures around Islamic finance globally.	Advocates for Islamic finance as a vehicle for broader ethical financial reform. Emphasises education, institutional capacity-building, and international cooperation

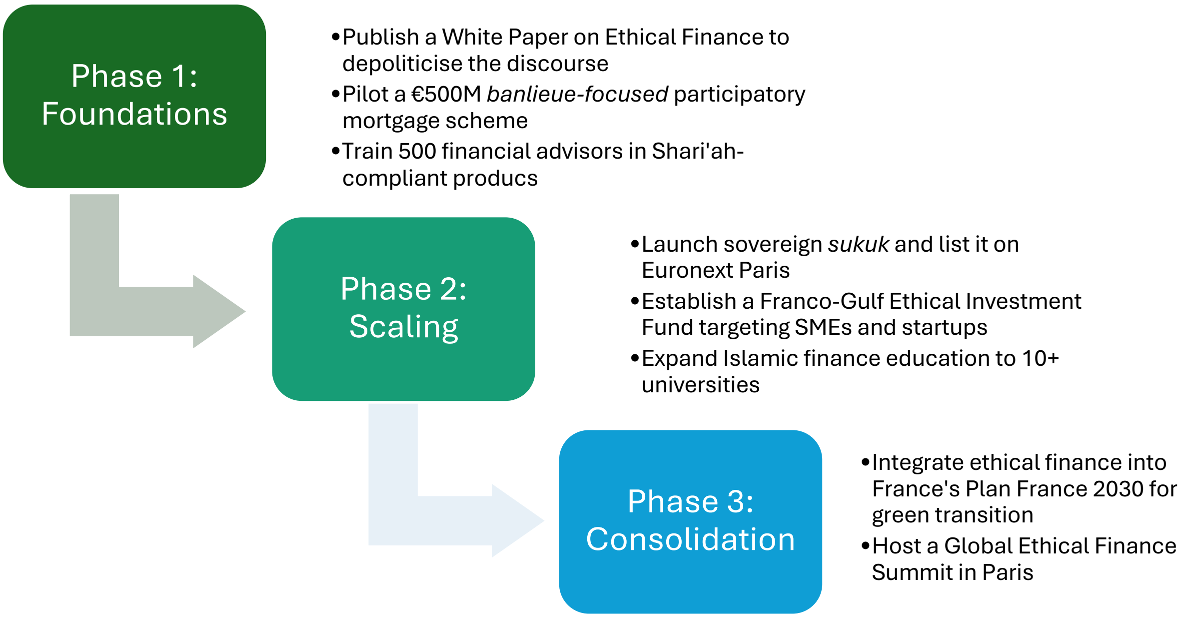
APPENDIX D: PYTHON CODE FOR MARKET SIZE ESTIMATION

```
# Define variables
uk_islamic_finance_market_size = 7.73 # in billion USD
uk_muslim_population = 4 # in million
french_muslim_population = 9 # in million
adjustment_factor = 0.6 # 60% correction

# Function to calculate
def calculate_market(uk_islamic_finance_market_size,
    uk_muslim_population, french_muslim_population, adjustment_factor):
    proportionality_constant = uk_islamic_finance_market_size / uk_muslim_population
    estimated_french_islamic_finance_market_size = proportionality_constant *
    french_muslim_population
    adjusted_french_islamic_finance_market_size =
    estimated_french_islamic_finance_market_size * adjustment_factor
    return adjusted_french_islamic_finance_market_size

# Calculate a range of possible outcomes
adjustment_factors = [0.4, 0.5, 0.6, 0.7, 0.8]
for adjustment_factor in adjustment_factors:
    estimate = calculate_market(
    uk_islamic_finance_market_size,
    uk_muslim_population,
    french_muslim_population,
    adjustment_factor
    )
    print(f&quot;Estimated French Islamic finance market size with {adjustment_factor*100}%correction: {estimate:.2f
```

Appendix E: "Timeline of Implementation Milestones for Islamic finance in France."



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