

The Context of Social and Politics on Being a Center of Islamic Finance in Europe (Evidence from the United Kingdom)

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Abstract

This paper aims to describe qualitatively based on texts, documents, or literature that describes the development of Islamic banking in England. The study of Britain is always interesting to discuss because it is a secular country in the Western European region, where socially and politically, many people are anti-Islamic. But in a very long history, there is much evidence to show that many factors of Islam are closely related to England. The analysis uses the historical approach, and it was found that the rapid development of Islamic banks in the UK reached a total asset of 0.3% of the global Islamic banking market. It was due to the British Government's political support, which was severe in issuing non-discriminatory regulations. However, one cannot forget that historically, the social context of Islam had had a long history in England since the 16th century, when the British Empire, especially in the era of Queen Elizabeth, had contact with the Islamic world and became the forerunner of Islam entering British soil until now. Thus, the context of the British social and political order did indeed play a role in facilitating the growth of Islamic banking in England.

Keywords: Politics; Social; Islamic Banking; Europe; England

A. Introduction

The growth of Islamic finance at the global level is increasing by around 15% or reaching £250 billion every year. But its growth still struggles to integrate into Western economies (Engzell, 2008: 3). An interesting thing happened in England, a secular Western country, but Islamic banking is very developed. In 2021, UK-based Islamic banks' assets were \$7.5bn, down by 1.6% year on year. To put this into context, the UK made up just 0.3% of global Islamic banking assets (TheCityUK2022: 20). At the 9th World Islamic Economic Forum (WIEF), 29-31 October 2013, British Prime Minister David Cameron announced that his Government plans to make the UK an International Financial Center for Islamic Finance (Belouafi and Chachi, 2014: 38). This policy is based on the IBB (Islamic Bank of Britain) as the first bank in the UK to operate since 2004, its total assets continue to increase in average assets per year above 130%, 2005 increased 175%, 2006 increased 132%, and 2007 increased by 139% (Engzell, 2008: 13; see figure 1).

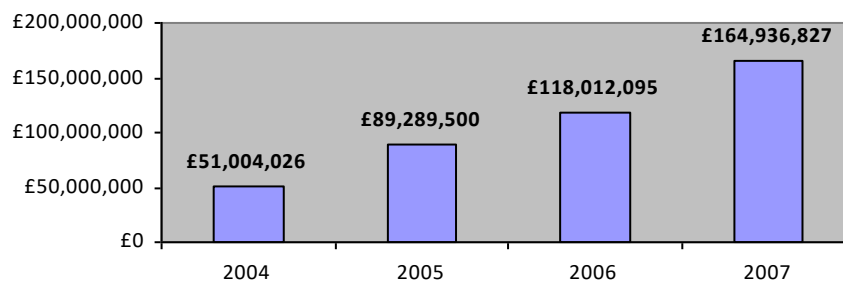


Figure 1. Total Asset Islamic Bank of Britain 2004-2007

If explored more deeply, the development of Islamic banking in England is closely related to the social, political, and economic context among Muslims that has been going on for a long time. In this article, we will discuss the development of Islamic finance, especially Islamic banks, which are overgrowing in the UK concerning the social and political context that has long been culturally embedded in British history, and rarely is the sustainability of this study as a driving factor for the success of Islamic finance and banks developing in the UK.

Rodney Wilson argues that the development of Islamic banks or Islamic financial institutions that can penetrate Europe is politically an essential dimension of relations between the Arab world and Europe. In the past, the Arabs imported conventional financial institutions from Europe, now Europe is importing Islamic service products from Arabs (Wilson, 2007: 2). From many literacies, there is evidence of Britain's success in building Islamic financial institutions, which is closely related to many historical factors. Islam entered Britain in the 16th century, with the growing population of migrants and natives and the political aspects strongly supporting this realization.

B. Literature Review

Many studies have discussed the development and growth of Islamic banking in the UK from various contexts. The dissertation that examines the social context of Muslims in England related to Islamic banking and finance is Najat Abdullrahim (2010). It was found that many Muslims living in the UK do not know the meaning of the terms Islamic finance, Islamic banking, or information about Islamic banking products and services available in the market. They need to be made aware of the existence and benefits of Islamic banking in the UK. In terms of financial institutions and Islamic banks, it was also found that they did not try to approach many Muslims in Britain (Abdullrahim, 2010: 153-

4). The political and political context can be seen in Md Rubel Ahmed's dissertation (2019) found that the roles of the British Government, FSA, HMRC, and the Bank of England were very positive, supporting and encouraging to promote the Islamic banking system. The Government has made several structural changes to support this system as it intends to make London the "HUB" of the world's Islamic banking and finance industry. The results show that 87.1% of BBMC (British Bangladeshi Muslim Community) members think that demand for an Islamic banking system is growing in the UK, while 92.4% of participants have a view of a genuine need for an Islamic banking system. In addition, 87.9% of participants stated that Islamic banks and their products and services are significant to BBMC members. From the survey results, it is evident that the BBMC uses the Islamic banking system for the following reasons: religious beliefs (73.5%), Sharia Compliance Law (65.4%) and interest-free opportunities (64.4%). From the point of view of the interests of the broader BBMC members, the policies of the UK government and financial regulatory authorities are not very supportive of the growth and development of Islamic banking and finance due to the unfavourable socio-economic conditions of the BBMC regarding housing, poverty, employment, education and migration patterns (Ahmed, 2019).

Belouafi and Chachi (2014) historical analytical methodology approach shows that the UK is the number one country in the West, judging by the number of institutions and Universities involved in education and training aspects related to Islamic Finance (IF), the number of licensed intermediaries providing 'Islamic' financial services, and the number of law firms engaged in legal and advisory services in the field of IF. Among the main factors explored to explain the gradual but steady progress of IF in the country are: (i) the proactive role of the British Government and (ii) the active role played by many British Muslim organizations.

Benamraoui et al. (2020) examine the regulatory and non-regulatory challenges facing the growth of Islamic banking in the UK. Our analysis reveals that UK policymakers and regulators have taken many actions to encourage the development of Islamic finance. However, despite appropriate environmental regulations, UK Islamic retail banks have yet to convince consumers of the credibility of their services due to the dubious structure of their products. Interestingly, the current sharia guarantee system has several areas for improvement that might cause ambiguity, confusion and loss of

credibility in the eyes of consumers. Our findings also reveal some critical ethical-religious considerations. In particular, we recognize that the future of UK Islamic retail banking is bleak unless this issue is urgently addressed by creating a more transparent Islamic banking system and improving the Shariah-compliant product structure to maintain ethical and societal expectations.

Hussain et al. (2015) Islamic financial reporting has grown in international finance worldwide, with some concentration in a few countries. The nearly 20% annual growth of Islamic finance in recent years indicates its resilience and broad appeal, partly due to the principles governing Islamic finance activities, including equity, participation and ownership. In theory, Islamic finance is resilient to shocks because of its emphasis on sharing, excessive risk-taking limits, and strong linkages to actual activities. However, the empirical evidence on the stability of Islamic banks so far is mixed. While these banks face the same risks as conventional banks, they also face particular risks which require adjustments to current risk management practices. The macroeconomic policy implications of the rapid expansion of Islamic finance are far-reaching and deserve careful consideration.

C. Research Methods

This study is a research library that adopts a qualitative research approach based on a historical examination of the political and social context in driving the growth of Islamic banking in England. This study has also been chosen to explore England's factors as the center of European Islamic banking growth. The primary data collected from historical data was sourced from scholarly literature and publicly available government reports of the United Kingdom and other publications.

D. Result and Discussion

British Proximity to Islamic History

Britain's closeness in Islamic history began when Queen Elizabeth made connections with Murad III, which led in May 1580 to an Ottoman helping the British navy against the Spanish fleet, for English merchants in Ottoman-controlled seas and ports in the eastern Mediterranean (the Levant) and along the Barbary coast of North Africa

(Woodhead, 2009: 2). The connection policy was a suggestion from Lord Burghley, Elizabeth's principal adviser (Collins, 2016: 5). At that time, the power of the Muslim fleet significantly dominated the Mediterranean Sea, the dominance of the Ottoman Navy was enhanced with the rise to prominence of Khayr al-Din Barbarossa. He was Grand Admiral of the Ottoman Navy in 1534 and an international actor in the sixteenth-century global balance of power system. The development of the Ottoman maritime armament (naval base), shipbuilding and logistics support system was responsible for maintaining one of the largest naval fleets in the world, the Venetian and Genoese fleets. In 1515, Sultan Selim I ordered the construction of the Istanbul Naval Base, and he became the largest in the world, rivalled only by Venice (Yaakob, 2013).

Meanwhile, the history of the first British converts to Islam was explained by Joel M. Gillaspie in his dissertation that John Sanders, in his book *The Voyage made to Tripoli* (1583), said the three captives of the King of Tripoli, namely John Nelson, Richard Burges and James Smith were offered to become a Turk and convert to Islam, but only John Nelson wanted to be circumcised and converted to Islam in 1386 (Gillaspie, 2015: 152-3; Esposito (Ed.), 2022). Sanders' story was then used as a reference to an Englishman in the early era who converted to Islam, John Nelson, the son of a low-ranking officer who was a member of the Queen's bodyguard and became a prisoner of the King of Tripoli.

Britain's closeness to Islam in its history is also explained by Jerry Brotton, writing that Queen Elizabeth has a vast role for Muslims from North Africa, the Middle East, and Central Asia to be able to work in London and its surroundings as diplomats, traders, translators, musicians, waitpersons, and others. It all started with Queen Elizabeth isolating from Catholic Europe a papal decree prohibiting Christian trade with Muslims and creating commercial and political alliances with various Islamic nations, including Morocco's Sa'adian dynasty, the Ottoman Empire, and the Shia Empire of Persia. However, Queen Elizabeth sent diplomats and traders to the Muslim world, inviting Muslims to come to England even though at that time they were perceived by Westerners and Christians as chaos and paganism as "Moors", "Indians", "Negroes" and "Turks" (Brotton, 2016). Moors were a Muslim living in Spain and Portugal. Moors were an ethnic mix of Arabs, Africans, white Europeans, and Berbers. They built the Andalusian society and Granada (Akyildiz, 2020: 7).

In 1562, Elizabeth's merchants reached the court of Shah Tahmasp of Persia and learned about Islamic theology, and returned to London to present the Queen with a Muslim Tatar slave girl named Aura Soltana, who eventually became Queen Elizabeth's loyal servant (Brotton, 2016).

Islam in England continued to grow, especially during the time of King Charles I, who was still closely connected with Arab politics and kept evidence of his collection of Arabic and Persian manuscripts. The most famous collection of King Charles I is the manuscript letter of al-Waleed (Sultan of Morocco) to King Charles I in the original language and several versions of its translation in the Bodleian Library in Oxford (Richards, 1973; Budi, 2018).

The role of King Charles I was interrupted when The First Civil War occurred: 1642-1646. In 1646 King Charles I was exiled to Oxford after being besieged by the armed forces led by Oliver Cromwell (1599-1658). But the worst battle still happened and ended in defeating troops loyal to King Charles I, which ended in the darkest tragedy in English political history because Charles I was beheaded by Cromwell in 1649 (Ekkebus, 2008: 78-9).

Cromwell was in power for 11 years (1649-1660), with radical changes, namely against the British monarchy and creating the English republic, and also considered puritanical and anti-Catholic who did not believe in the king as an extension of God (Adams & Overbeeke, 2008). The term power of the Commonwealth emerged under the power of Oliver Cromwell, Lord Protector (1653-1658), and Richard Cromwell, Lord Protector (1658-1659).

Despite all these destructive perceptions, Cromwell and his secretary, John Milton (1608-1674), continued their attention to Islam. Found evidence of a letter sent to the Muslim rulers of Al-Jazair in June 1656, which quoted al-Quran texts in the letter's contents. Meanwhile, John Milton's participation in Arabic is described by him as a member of an influential circle that discussed *the Risale Hayy Ibn Yaqzan* by the famous Andalusian philosopher Abu Bakr ibn Tufail (1110-1185) (Ismail: 2014, 94-5).

Cromwell's attention to Islam was also evidence that in his time in 1641, the term "a sect of Mahomatens" had been found as a thriving community in London (Rosser-Owen, 1998). At the same time, the Koran was first translated into English by Alexander Ross and

was published in 1649. In the introduction, Ross emphasizes that his translation was "for the satisfaction of those that desire to look into the Turkish vanities", indicating the clear interest (even if adverse) in Islam at the time, given the ongoing Ottoman wars in Europe (Amer, 2020: 17).

References to Islam are also part of the discussion, often discussed in the political context. Arabic texts on mathematics, astronomy, chemistry and medicine are central themes for the prestigious universities, Oxford and Cambridge programs. In 1636 a department of Arabic was opened at the University of Oxford (*The Guardian*, June 18 2002).

Robert Boyle was one of the figures involved in the costly project of translating literature from and to Arabic, and most notably when he supported Edward Pococke's Arabic translation of Hugo Grotius' important treatise, *On the Truth of the Christian Religion*, the impact of which he opposed by Puritan theologians John Owen and Richard Baxter. He even tried to learn Arabic before failing his eyesight, forcing him to abandon the project (Davis, 2007).

Michael White, biographer of Isaac Newton (1642–1726) stated that the thoughts of Arab Muslim scholars greatly influenced Newton. In 1674, Newton, with entire risk and courage, refused to hold on to the holy teachings of the trinity, considering Christ to be the intermediary between God and man, basically Christ the Son is not the same essence as God the Father (Morrison, 2007; Toribio, 2020). Newton is well known for his Arabic-language literature, and he and Roger Bacon were influenced by al-Kindi's theory "that everything in the world emits rays in every direction" (el-Saba, 2021). Muslim intellectual figures began to be known by names with an English accent, such as Algazel (Al-Ghazali), Abensina (Ibn Sina), Abenrusd (Ibn Rusd), Alhazen (Ibn Hazn), Almanzor, Abulfeda, Abdiphaker, and others.

Britain's historical closeness to Islam continued until the early 19th century. The Muslim population in Britain continued to grow, especially during the significant immigration of Muslims to Britain through attacks on sailors recruited by the East India Company from Yemen and Gujarrat. In 1869, after the opening of the Suez Canal and widespread British colonial expansion, Muslim immigrants multiplied and began to form new settlements in port cities such as Cardiff Shout Shields, London, and Liverpool (*The Guardian*, June 18 2002).

Meanwhile, M. Ali Kettani argues that the first immigrants to England were the people of Aden and Yemen, who settled in Cardiff and built one of the first mosques in England in 1870. Then came Muslim migrants from India who settled near London and made the Shah Jehan Mosque in Woking (Kettani, 1976: 42).

The positive Muslim development also includes the academic world. The activities such as free speeches, Islamic socio-cultural activities on campuses, and competitions between students to occupy important positions in the Student Union (Student Senate). There are Islamic religious organizations that are growing on campus which are of interest to many people, including:

1. The Islamic council of Europe berfungsi sebagai pengawas Kebudayaan Eropa.
2. The Union of Moslem Organization.
3. The Asosiasi of British Moslems.
4. Islamic Foundation dan Moslem Institute.

The royal family also gave an appreciation of Islam. In his speech on Islam and the West at the Oxford Center for Islamic Studies, Prince Charles said Medieval Islam was a religion of extraordinary tolerance; Jews and Christians had the right to practice their faith, but it was not exemplified in the West. Most local Christian Churches have been persecuted as heretical schemes by foreign Christian Orthodoxy. Islam is a universal system of mentoring people from different religious backgrounds and protecting the rights of its diverse subjects from their treatment. Only Islam practices tolerance as part of its basic teachings, regardless of the deviations of some Muslims. Many non-Muslim writers conclude that Islam has embodied a distinctive form of tolerance. It is the only system that contains the whole truth as it is and is preserved in the original words of the Creator of the Qur'an (Al-Kahtany, 2009: 52).

The Mousque Development

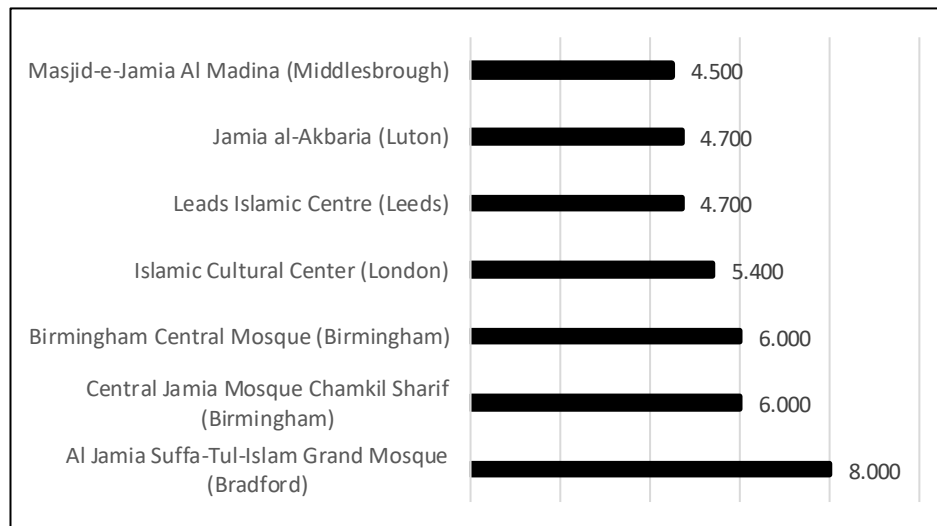
Mosques in Britain are not just places of worship but symbols in the social and political context of Islam which are multicultural and inclusive. In 1860 the first mosque in England was recorded in the religious sites register at 2 Glyn Rhondda Street, Cardiff. The massive increase in Muslim immigrants from various Muslim countries to England in the 1950-1960s, especially from India, Pakistan and Bangladesh, affected the need for mosques

(Luthra & Platt, 2017: 5-6). The year 1977 was the construction of the "London Central Mosque" with the Islamic Cultural Center (Cultural Islamic Center), which had a significant influence on the development of Islam in England in particular and Europe in general and can be said to be the beginning of modern Islamic civilization in England.

The cities of London and Birmingham are the two cities with the largest Muslim populations, and in these cities, there are mosque buildings that have a very positive influence on the existence of the Muslim community. Birmingham has a Muslim population of 62%, most of whom were Pakistani migrants in the 1960s who worked as cheap labour in the industrial Small Heath area. In 1993, the Ghamkol Sharif mosque, a large building in the urban landscape, played a significant social and religious role in the Muslim community (Saleem, 2012).

The statistical data does not show the exact number of mosques in England, but there are figures of nearly 1,500. The mosque building consists of the original mosque building (16%), the house turned into a mosque (45%), and the conversion of church into a mosque (45%) (Hassan, 2015: 40).

Table 1. Mosques in the United Kingdom in 2017 by Dedicated Prayer Space Capacity



Source: (Statista (online), June 21, 2022).

Islamic Political Dynamism

The dynamics of political Islam in England began in 1893-1908s, a group of Muslim intellectuals published a weekly journal with Islamic nuances, "The Crescent" and "The Islamic World", published in Liverpool. Its founder was a Muslim of British noble descent named William Henry Quilliam (1856-1932), or Sheikh Abdullah Quilliam, who converted

to Islam in 1887 after living in Algeria and Morocco for a long time. Quilliam's two periodicals, which ran from 1893 to 1908, had subscribers worldwide, in Canada, the United States, countries across Europe, the Maghreb, the West African coast to South Africa, Sudan, Afghanistan, India, Australia, and elsewhere. In 1894, Sultan Abdulhamid II took notice of Quilliam and his publications and appointed him "Sheikh al-Islam of the British Isles" (Page, 2018: 2-4). Quilliam once left the UK after facing hostility and persecution, being the first Muslim to experience "Islamophobia" in the UK. He eventually returned to England, changed his name to Harun Mustafa Leon, and died in 1932 near Woking (Geaves, 2010: 23-59).

There is also a movement Shaykh David Rosser-Owen, also known as Shaykh Daoud, is the caretaker Amir (leader) of the Association of British Muslims (ABM or AOBM), which claims to be "the oldest such organization", created in 1889. Born in Swansea in South Wales, he considered himself "a fairly devout and practising Christian" of the Presbyterian Church until his conversion to Islam. He is now a khalifa of the Naqshbandi, a prominent spiritual order of Sufism (Lopes, 2015).

In the era of open politics, there is Sadiq Khan, the first Muslim to become the London Mayor, on May 6 2016, by defeating Zac Goldsmith (Conservative Party), a Jew who carries religious sentiments in his campaign. On May 8 2021, Khan, who came from the Labor Party, returned to become Mayor of London by obtaining 1,206,034 votes (55.2%), defeating conservative candidate Shaun Bailey.

The figures above show that British Muslim thinkers and movements have played a role in British political dynamics since John Nelson, the first British convert of Pakistani descent, to Sadiq Khan, the first Muslim to become Mayor of London.

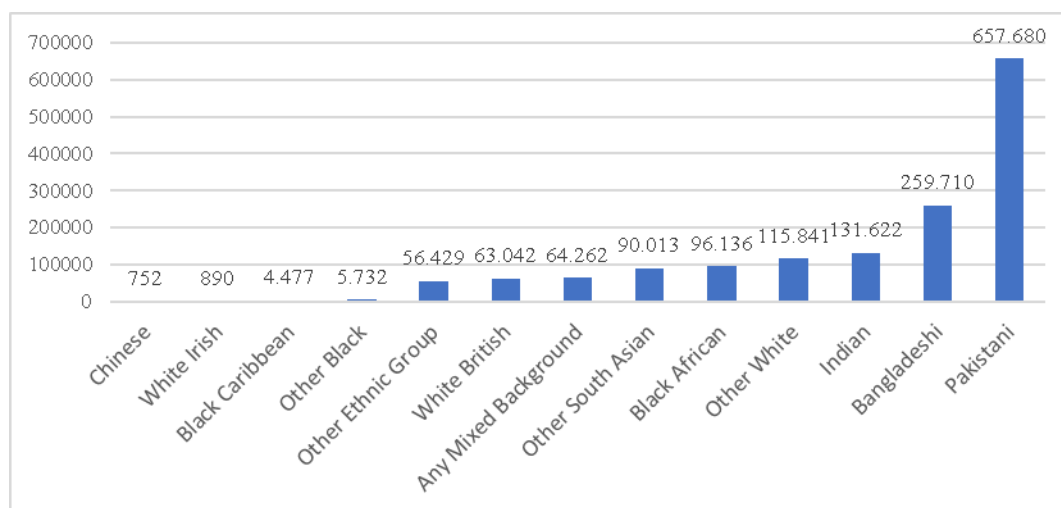
Evidence of Britain as the Qibla of Islamic Finance in Europe

1. Market potential

The 1948 Nationality Act established the right for all commonwealth residents to reside in Britain, a policy that opened borders with Britain to an estimated 600 million people (Luthra & Plat, 2017: 5-6). Its' impact was that in the 1960s-1970s, immigrants from Pakistan, Bangladesh, and India entered Britain a lot. However, the Muslim population in England was also many converts and generations of Muslims born in the 1990s.

The 2001 census data, Office for National Statistics in the United Kingdom (UK), showed that the total Muslim population in England was 1.6 million, comprising 3% of the total population and 52% of the people of non-Christian religions. In January 2009, The Times survey showed that the Muslim population in Britain had grown to 2.4 million. Then in October 2009, The Pew Forum on Religion and Public Life stated, "The UK is home to less than 2 million Muslims, about 1% of the total Muslim population in the world" (Faimau, 2016; Pew Forum, 2019). Jumlah 2 juta merupakan potensi sangat besar bagi pasar bank Islam di Inggris, juga didukung oleh ragam ethnic group yang juga sangat beragam.

Table 2. Number of Muslims for the Ethnic Group from Census 2001



Source: (Brice, 2010: 10)

The potential market for Islamic finance is also based on British society, which has a strong tradition of giving rise and flexibility, as well as a significant increase in the UK Muslim population reaching above 5% in the 2011 Census (Dewar & Hussain, 2021: 31).

If Islamic banking is interpreted as part of religious activities, then this does not become a barrier in marketing. The Muslim community in England does not have many significant difficulties when trying to implement its diversity. The freedom of religion and practising religious principles allows Muslim communities to extend or build mosques, Islamic centers, Islamic financial institutions and banks.

The Muslim community's response to the need for Islamic banking can be seen in Md Rubel Ahmed's dissertation thesis in the section on respondents' opinions about the Islamic banking system through several selected introductory statements. The response is indeed only for the Muslim community of British Bangladesh, but this can be used to

indicate that Islamic bank products are essential and a need that is answered with excellent agreement reaching 50%. However, there are still many who do not understand (28%) and still consider Islamic banks only as brands (35%) (Ahmed, 2019: 106-7).

2. Good and Equal Regulation

Two critical things related to regulations related to Islamic banks; First, English law is already the preferred legal jurisdiction for many Islamic finance transactions (Ainley, et al., 2007: 7). Second, the British Government has succeeded in making London the center of Islamic finance in the West (Dewar and Hussain, 2021: 31).

Other evidence that strengthens regulation is; in September 1995, Lord Edward George, Governor of the Bank of England, at a conference organized by the Islamic Foundation, acknowledged the growing importance of Islamic banking in the Muslim world and its emergence on the international stage and the need to place Islamic banking within the context of London's tradition of 'competitive innovation' (Ainley, et al., 2007: 8). This speech can be said as a British sign welcoming Islamic finance.

In 1998, the Bank of England and the FSA (The Financial Services Authority) officially opened to the public the development of Islamic finance in England (Ainley, et al., 2007: 8). However, the UK's approach to Islamic finance regulation has remained more or less the same. The Financial Services and Markets Act 2000 stipulates that anyone wishing to carry out regulated activities in the UK must apply for a permit with the FSA. While the FSA as authorization has formed a regulatory concept, the licensing process, system, and application is the same between conventional and Islamic companies (TheCityUK, 2022: 9; di Mauro, et al., 2013: 28).

Sir Howard Davies, when he was Chairman of the FSA. For example, in a speech at a conference on Islamic Banking and Finance in Bahrain in September 2003, he told his audience that he had 'no objection in principle to the idea of an Islamic bank in the UK' (Ainley, et al., 2007: 9). All financial institutions graduating from the FSA and operating in the United Kingdom are subject to the same standards, being allowed to specialize according to certain religious principles. This approach is consistent with the FSMA's six Principles of Good Regulation, particularly facilitating innovation and avoiding unnecessary barriers to entry or expansion in financial markets (Ainley et al., 2007: 10).

The British FSA was politically very encouraging towards the development of Islamic banking by anticipating regulation of the Islamic financial system since 2002. Until May 2008, Britain was still the only country with Islamic bank licenses in Europe, and London became the market "gateway" of Islamic finance in Europe (Engzell, 2008).

The International Financial Services London (IFSL) reports the development of the UK as an Islamic finance center in recent years has been strongly supported by the Government. Duncan McKenzie, Economic Director of IFSL, said that the UK government's policy support place Islamic financial services like conventional services, and it is the only western country that adheres to the features of Islamic finance. In 2011, the UK was the leading Western country and a major European center with assets of \$19 billion (McKenzie, 2011).

The FSA was abolished in 2013, and its responsibilities are divided between two new bodies: the Financial Conduct Authority and the Prudential Regulation Authority of the Bank of England (TheCityUK, 2022: 9). After the closure of the FSA, the development of Islamic banks in England has continued to progress until now. In 2022, growth will be recorded from full-fledge Islamic commercial banks and conventional banks providing sharia services (Table 3).

Table 3. The Number of Islamic Banks in The UK

Islamic Banking Type	Name of the Bank/ Institution (Establishment)
Fully Sharia-compliant	<ol style="list-style-type: none"> 1. IBB (Islamic Bank of Britain)/ Al Rayan Bank 2. Alburaq (Arab Banking Corporation) 3. EII (Europe Islamic Investment Bank) 4. EFH (European Finance House) 5. Abu Dhabi Islamic Bank 6. Bank of London and The Middle East 7. Gatehouse Bank 8. Qatar Islamic Bank UK (QIBUK)
Conventional banks offering Islamic financial services	<ol style="list-style-type: none"> 1. ABC International Bank 2. Ahli United Bank 3. Bank of Ireland Barclays BNP Paribas Bristol & West Citi Group Deutsche Bank IBJ International London J Aron & Co Lloyd's Banking Group Royal Bank of Scotland 4. Standard Chartered UBS United National Bank 5. HSBC Amanah (Islamic subsidiary of global giant HSBC) 6. AUBUK (Al Ahli United Bank-UK PLC)/The

	United Bank of Kuwait PLC
	7. UNB (United National Bank)
	8. Lloyds TSB- Islamic account

Sources: Abdullrahim (2010: 34); Belouafi & Chachi (2014: 53); Hussain et al. (2015: 27)

3. Numbers and Assets of the Institutions

Islamic finance came to the UK in the 1980s when the first UK Islamic bank, Al Baraka International, was launched in 1982. It was followed by a growth in Shariah-compliant products in trade finance, leasing, and project finance. In the early 2000s, the British Government began to take a severe interest in Islamic finance. It developed a work program to make UK financial services regulation compatible with the growth of Islamic Finance. Changing tax treatment to ensure that Islamic and conventional financial transactions with equal objectives result in similar tax bills is also an important step to enable the market to grow (Ord-Smith, nd.: 4).

In 2014, the ICD Thomson Reuters Islamic Finance Development Report gave the UK an index score of 16.2, above the global average of 10.3, and the highest rating of any non-Muslim majority country. The UK's five fully Sharia-compliant banks are among the leaders in the West, with an average asset of \$3.6 billion (2014). More than 20 banks in the UK offer Islamic financial services (Benamraoui, et al., 2020: 8). Sir Andrew Cahn, CEO of UK Trade & Investment, said that although the Islamic economy did not originate in the UK, Islamic finance has found its place in the UK, the UK is ranked eighth in Islamic banking assets worldwide (Ainley, et al., 2007: 11).

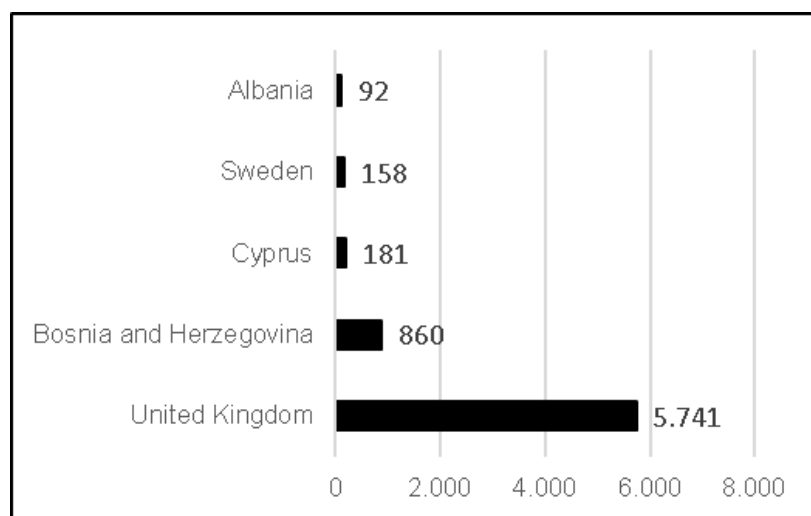


Figure 2. Islamic Banking Assets in Europe by Country, USD m, 2021

Overall, there are four Islamic banks in the UK: Bank of London and Middle East (BLME), Gatehouse Bank, Islamic Bank of Britain (Al Rayan), and Qatar Islamic Bank UK (QIB UK), a wholly-owned subsidiary of Qatar's QIB. These are primary and well-established players in the UK Islamic banking market. Of the four, Gatehouse Bank grew the most in total assets from 2020 to 2021, by 23%, while QIB UK also grew apace in the same period, at 7%. However, assets dropped by 5% and 12% for Al Rayan and BLME, respectively. These mixed year-on-year growth rates indicate the problematic conditions in the UK during the pandemic (TheCityUK, 2022: 17).

Globally, Islamic banking assets will reach \$2.8 trillion in 2021, up from \$1.7 trillion in 2016. As an illustration, over the five years 2016-2021, Islamic banking assets grew strongly at the compound annual growth rate (CAGR) by 10.1% and are projected to increase to \$4 trillion by 2026, according to London Stock Exchange Group projections (TheCityUK, 2022: 7).

The UK is uniquely recognized for acting as the world's global financial center, enabling the company to do business with Asia in the morning and the Americas in the afternoon, and it employs over a million people, two-thirds of whom are based outside London (Treasury, 2015: 7).

E. Conclusion

The social context played a role in the progress of Islamic banking in England based on the long history of the development of Islam in England, which began in the 16th century when the power of the Muslim navy dominated the Mediterranean Sea. Islam is an essential part of British civilization because Islam teaching is not only part of social facts but has also become part of the education system in several universities in England.

In the political context, the development of Islamic banking in the UK is very rapid due to good political support, especially from Prime Minister James Cameron, who was directly involved in several Islamic economic events in England and other financial authorities.

From a social standpoint, the development of Islamic banks in the UK provides an image of modern Muslim civilization. It is open to all humanity, without differences in adapting various technological advances in financial institutions. From an economic standpoint, the development of Islamic banks provides an image of prosperity for the

delegation of capital originating from Muslim communities. Although several banks circulating in the UK are expansions of sharia financial institutions from the Middle East, they can present this to contribute to the unity between the Islamic and non-Islamic worlds.

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