The abrupt growth of the Muslim population in EU countries has led to the growing amount of influence that Muslim migrant communities are now enjoying over the economic and political life of European countries. The percentage of Muslims in the population of European states is constantly growing, with this number jumping from around 4% back in 1990 up to more than 7% of the total population in 2014. According to the Pew Research Center, this ratio will exceed 8% of the EU population by 2030.

However, it won't be an exaggeration to state that Muslims have never played the role that they are playing today in the financial sectors of the EU economy. Islamic finance practices deserves a special attention, since it's becoming an integral part of the global financial system. This phenomenon that is based on the traditional values of Islam, appeared in the second half of the 20th century after the collapse of the colonial system. Islamic finance practices are providing a sort of an alternative to the liberal values of capitalism and the principles of socialist planning. The share of Islamic financial services still makes up about 15% of the market even in the Islamic world. And in the global volume of assets of the financial sector it amounts to mere 2%, but they've been gaining ground rapidly over the years.

The EU countries are only witnessing the initial stage of activization of Islamic banks and funds, which, during the global financial crisis, have maintained their stability through diversification of financial risks, while attracting new sources of investment, thus transforming themselves into a profitable market niche for the European financial institutions. By increasing the range of their financial activities in European countries, Islamic banks count both on Muslim clients and non-Muslim ones, while diversifying the investment portfolio and using new financial instruments in cooperation with those used by more traditional banks.

The first Islamic banks in Europe was established in Geneva in the late 1970's - early 1980's by the Saudi royal family. The Islamic Banking System International Holding first appeared on the market as a joint-stock company. Then, the Al-Baraka investment group acquired the Hargrave Securities in the UK back in 1982, making it the first EU bank to be converted into an Islamic bank due to the high demand for Islamic financial products in the country.

As of December 15, 2014, the assets of Islamic funds in Europe were distributed as follows: 22.9% in the Cayman Islands, 44.97% in the UK, 20.04% in Luxembourg, 5.55% in the British Virgin Islands, 4.92% in Ireland, 0.34% in Germany, 0, 24% - in France. The total amount of assets managed by Islamic banks in Europe at the end of 2015 amounted to some 14.4 billion dollars. However, Europe's share in the total assets controlled by Islamic banks remains insignificant. Back in 2014 it was estimated that it only amounted to 0.5% of all assets controlled by those banks. According to the report of the Ernst & Young World Islamic Banking Competitiveness released in 2014-2015, Islamic assets on the accounts of commercial banks in international markets exceeded 778 billion dollars, and the total number of their customers reached 38 million people. Major European banks associated with Islamic finance are UBC Goup AG (Switzerland), HSBC Holding and Royal Bank of Scotland (UK), Credit Agricole and Group BNP Paribas (France), Deutsche Bank (Germany).
The first Islamic bank in the United Kingdom was opened in 2004 that was known as the Islamic Bank of Britain that was later remained in the Al Rayan Bank in 2014. In July 2015, the first German Islamic bank - the KT Bank with the authorized capital of 49.5 million dollars, owned by the Kuwait-Turkish financial institution Kuveyt Turk Beteiligungsbank (KTB), opened its doors. In France, there's only Chaabi Banque, a subsidiary bank of the Moroccan People's Bank that does in fact offer Islamic financial services. French financial companies are actively involved in joint ventures that use Islamic finance for projects in the Maghreb countries. According to official forecasts, France can attract 120 billion dollars of Islamic investments by 2020 for its business and financial sector. Investors from the Persian Gulf are now working to establish a Islamic bank in Luxembourg that will be known under the name of Eurisbank. It is also planned that this bank will open its branches in Paris, Brussels, Amsterdam and Frankfurt.

The total number of Islamic funds in Europe reached the total number of 186 by 2013: 87 of them being in Ireland (with the total assets of 4.8 billion dollars), 30 in the UK (1.3 billion dollars in assets), 52 in Luxembourg (800 million dollars in assets), 7 in France (147.2 million dollars in assets). However, it won't come as a surprise that the largest center of Islamic finance in Europe is London, where there's over 10 investment funds making deals in the real estate market along with 13 banks providing Islamic services, with 6 of them being totally Islamic.

Islamic banks are also issuing securities known as sukuk. In addition, there is growing interest in obtaining education in the Islamic finance. In total, there are 109 educational institutions providing education in this area, 63% of which are based in the UK.

These processes indicate that the trend towards the expansion and diversification of Islamic finance in Europe continues. Interest in Islamic financial products is growing slowly but steadily, which creates opportunities for the Western states to obtain additional investments for their projects.

*Olga Trofimova, PhD in Economics, Senior Researcher of the Center for European Studies of the Institute of World Economy and International Relations of RAS, exclusively for the online magazine “New Eastern Outlook”.*