

15 years of Islamic finance in France: State of play

According to a study conducted in 2020 by the French National Institute of Statistics and Economic Studies, around 10% of the French population identifies as Muslim, which amounts to almost seven million people. There are, thus, more Muslims in France than inhabitants in Denmark or Finland, which suggests a promising market for Islamic finance. JAMIL HENNI explores.



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Despite some efforts from the regulators between 2008 and 2012 to clarify the taxation of Shariah compliant financial transactions, Islamic finance is still struggling to reach its full potential. Although there have been a few initiatives before, it was during the subprime crisis of 2007-08 that the Islamic finance movement in France really took off with the support of Minister of Economy Christine Lagarde, at the time.

The French authorities clarified the taxation of several Shariah compliant financial transactions, ensuring their compatibility with the existing legal framework. Tax guidelines were issued to clarify the status of Ijarah and Istisna; Sukuk were classified as debt instruments for tax purposes; and double taxation on banking Murabahah transactions were cancelled.

A detailed report of a roundtable on Islamic finance was published by the French Senate in May 2008 (Report No 329, 2007-2008), which includes a declaration by Thierry Francq, then the head of the economic financing department at the Treasury and Economic Policy Directorate General, stating the following: "As we do not feel there is a great demand for basic Islamic banking products, this is not a priority for us. As far as corporate and investment banking is concerned, we are ready to make all the necessary regulatory and tax adjustments to enable it to comply with the principles of the Quran".

The aim was therefore to capture petrodollars from the Middle East and try to compete with London as a regional hub for Islamic finance, and while the move raised hopes among the local Muslim community, the domestic market was never the government's priority. The tax guidelines issued at the time did, however, enable a few entrepreneurs to

offer the first Shariah compliant solutions for individuals including the banking Murabahah for property purchases.

Over the past 15 years, the market has grown steadily, and the French landscape is now one of the most diversified in Europe in terms of Islamic finance products. These include a wide range of savings and investment solutions, funeral and repatriation insurance, payment solutions and a flagship Islamic window offering basic retail banking products and services.

Popular brokers 570easi and Perenys, both belonging to Conexcap Group, have collected more than EUR85 million (US\$91.71 million) in retail savings over the past decade. Additionally, the first Shariah compliant French real estate investment fund (SCPI), created in 2018, has now reached a EUR100 million (US\$107.89 million) in market capitalization, and Sylvestre-Invest, a company founded in 2023 that describes itself as a platform for presenting investment opportunities, has already raised more than EUR3 million (US\$3.24 million) in equity for French start-ups.

Until early 2023, only one Shariah compliant current account was available, however, several fintechs such as Mizen, Laymoon or Musc-Pay are now offering accounts and debit cards to retail customers, with an estimated 100,000 users for these services.

When it comes to home purchases, the total amount of real estate assets financed using banking Murabahah between 2010 and 2024 is estimated at more than EUR800 million (US\$863.11 million), representing an average annual volume of EUR60 million (US\$64.73 million). However, these figures are still low compared with the market's potential.

As an example, the volume of Murabahah financing amounts to only 0.03% of property financing in France, and is still struggling to gain traction among consumers. The Takaful sector is limited to Saafi Consulting's Sakina Funeral insurance, and apart from tailor-

made consulting services, there is no standardized financing offer or services for SMEs, except for a payment account announced by Musc-Pay in the first quarter of 2025.

A recent study by Businesscoot estimated a EUR32 billion (US\$34.52 billion) market for Islamic finance in France, but how can this capture its full potential? Developing Takaful solutions is essential, as the absence of insurance for banking Murabahah contracts limits both demand and access to real estate financing due to the risk borne by customers.

There is also a need to develop new solutions for property acquisition to complement the existing offer, perhaps based on the Musharakah-Ijarah model, which could significantly lead to market growth as it would offer a new alternative to both Muslims and non-Muslims. Other opportunities lie in car leasing, as more than 50% of new vehicle registrations in France are made on a lease contract. Moreover, SMEs, the backbone of the economy, face a critical shortage of financing and development solutions.

Despite these challenges, the Islamic finance market in France continues to evolve, offering an increasingly diverse range of savings and investment products to retail customers including tax efficient investment wrappers, retirement savings plans, forestry funds, fractional real estate, private equity and precious metals.

With the growing offer of investment solutions and the increasing demand for high-value advisory services, more and more wealth managers specialized in Shariah compliant solutions are emerging such as Athletic Wealth Advisors or Amana Patrimoine.

Ultimately, the sector is still in its early stages, and the future of Islamic finance in France will depend on the players involved and their ability to innovate, providing useful and competitive solutions to both retail consumers and SMEs. ☺