


# Chapter 3

## The Role of Islamic Finance in Shaping Abrahamic Financial Principles: A European Perspective

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### **ABSTRACT**

*This chapter explores the role of Islamic finance in shaping Abrahamic financial principles from a European perspective. It highlights shared ethical values among Abrahamic traditions and the distinct contributions of Islamic finance. The chapter examines the presence of Islamic finance in Spain and Europe, addressing legal and regulatory frameworks. Additionally, it assesses the sustainability of Islamic finance and its lessons for broader Abrahamic finance. By integrating these insights, the chapter proposes a cohesive financial framework rooted in ethical and sustainable principles.*

### **INTRODUCTION**

Throughout history, Europe has been the place of arrival of many civilizations and where most of them flourished in an extraordinary way. As a Spaniard, I can't stop thinking about my homeland, of Al-Andalus, that mythical place in the Islamic

DOI: 10.4018/979-8-3373-6706-4.ch003

imagination where Islam developed in relative peace for centuries and that today continues to inspire millions of Muslims around the world.

The flourishing of Al-Andalus represented a golden age of Islamic civilization in the Iberian Peninsula. From the 8th to the 15th centuries, this region became a vibrant center of intellectual, cultural, and economic activity. Cities like Cordoba, Granada, and Seville thrived, boasting impressive advancements in fields such as mathematics, astronomy, medicine, and philosophy. This era witnessed a remarkable synthesis of Islamic, Christian, and Jewish cultures, fostering an environment of relative tolerance and exchange. The architectural marvels of Al-Andalus, such as the Great Mosque of Cordoba and the Alhambra palace, stand as enduring testaments to the era's artistic and engineering achievements.

For Muslims, Al-Andalus has profound historical and cultural significance. It symbolizes a period of Islamic excellence in Europe, where Islamic scholarship and innovation made invaluable contributions to the world. It serves as a reminder of a time when Muslims, Christians, and Jews coexisted, contributing to a rich and diverse society. The legacy of Al-Andalus continues to inspire Muslims today, representing a period of high achievement and a testament to the potential for cultural exchange. It also promotes thought about the historical existence of the peaceful coexistence of multiple religions.

It is clear that Al Andalus is already part of Muslims' universal legacy and is in the past, but Europe is still there, and Europe is in a unique position to foster inter-faith financial collaboration. As a continent with deep-rooted Christian and Jewish traditions and a growing Muslim population, it can serve as a bridge between the financial principles of these three Abrahamic faiths. European financial centers, particularly in the United Kingdom, France, and Germany, have shown a strong commitment to ethical finance and have already integrated the principles of Islamic finance into their banking systems. Given its legal and financial infrastructure, Europe can lead the world in developing a shared framework that accommodates principles of ethical finance that are common to all three of these religious traditions.

Having worked at Triodos Bank, a Dutch ethical bank with a branch in Spain, I had the opportunity to witness firsthand the interest in and demand for ethical financial services in Spain.

The 2008 financial crisis had a profound and lasting impact on Spain, exposing structural weaknesses in its economy and triggering a prolonged recession. The crisis was largely driven by the collapse of the real estate bubble, which had fueled years of rapid economic growth but was built on a foundation of excessive debt and speculative investment. When the global financial system faltered, Spanish banks—in particular, the regional savings banks (*cajas de ahorros*)—faced severe liquidity problems, leading to a banking crisis that required government intervention and a European bailout. Unemployment soared, reaching over 25% at its peak, with youth

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