Islamic Banking and Finance

Introducing Islamic Banking and Finance with The Help of Service Design

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ABSTRACT

A bank is a financial institution and intermediary that receives deposits and uses them to fund lending operations through loans or capital markets. Banks can borrow money by accepting deposits on current accounts, accepting term deposits, and issuing debt securities like bonds and banknotes. Banks lend money via funding advances on current accounts for consumers, disbursing installment loans, and investing in marketable debt securities, among other methods. Interest applies to both receiving and making deposits. An Islamic bank is a type of financial institution that works to bring Islam's monetary and economic tenets to life in the banking industry. Islamic banks operate according to profit-loss sharing and other acceptable business models as per Shariah law. The essential distinctions between conventional banking and Islamic banking lie in how each has conducted business and, more importantly, in the principles underpinning Islamic banking's entire framework and worldview.

In recent years the Islamic banking and finance industry has been growing considerably. Islamic banking and financial assets have grown faster than conventional banking assets in most Muslim countries. Non-Muslims from European, American, African, and Asian countries have also expressed interest in Islamic Finance. Sharia-compliant Islamic financial assets value is estimated at $3.374 trillion, including bank and non-bank financial institutions, capital markets, money markets, and insurance.

This thesis investigates customer satisfaction with Islamic banking services and shows customers' experiences for future influences on new customers and markets, how Islamic banks or finance can develop their service and handle new customers' financial problems.

Qualitative and quantitative research are the main methods of this research. Survey data was acquired via a questionnaire from students, service holders, and businesspeople. The research findings will benefit new Islamic banking and finance customers like Muslim immigrants, startup enterprises, and markets, as well as the further development of Islamic banking and financial products. In addition, it helped to understand how service design may be used in Islamic banking and finance to improve the customer experience.

Language: English **Keywords:** Islamic banking or finance, Islamic Law, Sharia

Abbreviations

AAOIFI - Auditing Organization for Islamic Financial Institutions

BCBS - Basel Committee on Banking Supervision

CAR - Capital Adequacy Ratio

CCG - Conventional Corporate Governance

CIS - Collective Investment Scheme

GCC - Gulf Cooperation Council

IB - Islamic Banking

IBBL - Islamic Bank Bangladesh Limited.

IBS - Islamic Banking Service

IF – Islamic Finance

IFSB - Islamic Financial Services Board

IFS – Islamic Finance Service

IMF - International Monetary Fund

OECD - Organization for Economic Cooperation and Development

OIC - Organization of Islamic Cooperation

RSA - Regulatory and Supervisory Authority

RWA - Risk-Weighted Assets

SEA - Southeast Asia

SME - Small and Medium Enterprises

GCC- Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates)

Contents

1 Introduction

A bank is an organization that is licensed or permitted to accept deposits and investments. Banking and Islamic banking are inextricably linked. Deposit collection and funding are two of the essential functions of any bank, including Islamic banks. The main activity of conventional banks and financial institution is to take deposit and lend it to people in exchange of interest. The primary source of income for banks is interest. From ancient to modern time, banks have followed the same basic procedure. Islamic banking refers to financial services operations that must follow Sharia law, such as banking, finance, and credit (Islamic law). In Islamic law, offering interest is strictly forbidden. Any Islamic bank collects funds and makes investments under the condition that profits and losses be shared with the depositor. Assets that are in line with sharia law, as well as larger amounts of capital and stock markets, are all included in this phrase. In recent years, it has been seen that Islamic banks provide better customer services and products than other conventional banks in the Muslim world as well as in Europe and America. The fact that the industry's worldwide assets continued to rise by more than 10%, rising 14% to $3.374 trillion, was one of the most significant things the year of evaluation 2020 revealed. Although this is a decrease from the 15% growth in 2019, it is nevertheless a success given the devastating impact the COVID-19 pandemic had on our communities, cultures, and economies in 2019 (ICD-Refinitiv IFDI Report 2020.Pdf, n.d.). Nowadays, many conventional banks and financial companies are converting into Islamic banks and Islamic finance companies or opening Islamic windows separately. The goal of the research findings is to benefit the new customers of Islamic banking and finance like Muslim immigrants, startup enterprises, and markets, as well as the further development of Islamic banking and finance products. More specifically, the study will investigate customer satisfaction with Islamic banking services and existing customers' experiences for influencing new customers and markets in future. It will also identify how Islamic banks and finance can design their service and handle new customers' financial problems, and the most recent market entity that inspires the new customer to take this service. Some of the mechanisms of Islamic banking and finance are Mudarabah, Wadiah, Musharaka, Murabaha, Ijarah etc.

Mudarabah profit sharing and loss bearing

A partnership agreement between a capital provider and an entrepreneur under which the supplier would invest money in a business or activity that the entrepreneur would manage. Losses are to be paid completely by the capital provider unless they are caused by misconduct, negligence, or a breach of the terms of the contract, in which case losses are to be divided according to the percentage stipulated in the contract (Hassan, Kayed & Oseni, 2013, p. 302).

Wadiah safekeeping

An agreement that outlines the safekeeping of assets using a trust and their eventual return in response to owner requests. Payment may or may not be necessary to complete the agreement. The safe keeper holds the assets on a trust basis and does not offer a guarantee unless there has been wrongdoing, negligence, or a violation of the terms (About IBBL: Concept & Ideology, n.d.).

Musharaka joint venture

A partnership agreement commits the participants to fund a business, whether it is new or already exists. The enterprise's profits are divided according to the percentage outlined in the Mushraka contract, and its losses are distributed according to the capital contributions made by each partner (About IBBL: Concept & Ideology, n.d.).

Murabaha cost plus

Murabaha transaction based on the purchase of a commodity from a seller or broker, its resale to the customer based on deferred Murabaha, and the customer's subsequent selling of the commodity for a spot price to a third party in order to obtain liquidity (Hassan, Kayed & Oseni, 2013, p. 302).

Ijarah leasing

A leasing agreement is signed to rent the usufruct of a specific asset for a predetermined amount of time. It might be preceded by a legally binding promise made unilaterally by one of the contractual parties. Both parties must abide by the terms of an Ijrah contract (Hassan, Kayed & Oseni, 2013, p. 417).

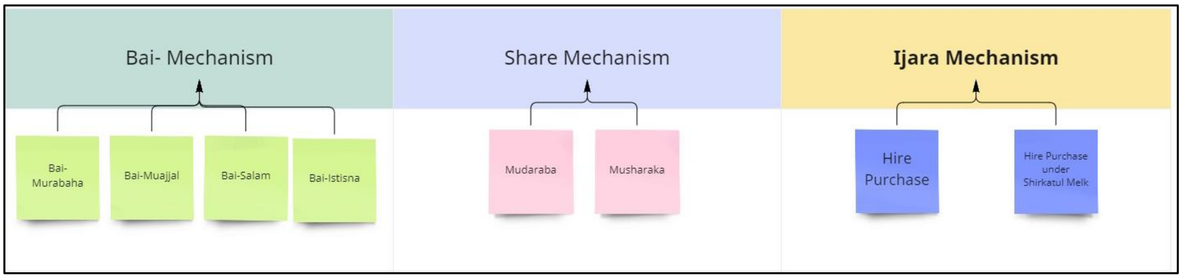

Figure 1: Investment mechanisms in Islamic Banking or Finance (About IBBL: Concept & Ideology, n.d.).

I am the principal officer of the Al-Arafah Islami Bank Limited investment department in Bangladesh. Due to its goods and services based on Islamic law and shariah, this second-generation bank is a well-known Islamic bank in Bangladesh. This bank opens a variety of savings and investment accounts to provide the most modern banking services.

2 Problem area

An Islamic bank is a financial institution that clarifies in its status, policies, and rules that it follows Islamic Shariah and does not accept or pay interest on any of its transactions. Two essential principles of Islamic banking are that lenders and investors cannot charge or receive interest and must share profits and losses. Islamic Banking Service (IBS) or Islamic Finance Service (IFS) needs lots of observation with ethical and Shariah support, which creates difficulties in knowing everyone, mainly non-Muslims. Among those problems, rules and regulations maintain that Shariah is a critical component of Islamic Banking (IB) and Islamic Finance (IF) services in non-Muslim countries. The customer prefers fixed or compound interest, which is not permitted in Islamic banking. In recent years, many conventional banks in Muslim countries have changed into Islamic banks, keeping all their services, like the rate of return on deposits, ways to invest, asset management, and foreign trade management.

However, the concepts of Islamic banking and conventional banking differ in many ways, and customers do their day-to-day banking with several banks according to their needs. Islamic banking prefers the profit-sharing and loss-bearing concept to conventional banking, which follows profit-based banking, for its existence. Also, some products are prohibited in sharia-based banking. This thesis investigates how to work in Islamic banking services and assist immigrants, new businesses, and emerging markets. It also helps figure out how service design can be used to improve customers' experiences in Islamic banking or finance.

3 Research questions

Research questions are the following:

1. What services or products are offered by Islamic banking or finance?
2. What factors are at play in the establishment of Islamic finance?
3. What challenges does Islamic finance face in non-Muslim nations?
4. What is the customers' preference in choosing Islamic banks?

4 Process map

The design process is efficiently explained to both designers and non-designers in Double Diamond (Framework for innovation, n.d.). The two diamonds stand for the idea that before making a decision (convergent thinking), one should first engage in divergent thinking (a process of deeper inquiry). The methodology for this thesis was based on design thinking and the double diamond method in banking, which assists in identifying and addressing challenges in Islamic banking and achieving successful results by creating financial solutions in 4 steps:

1. Empathize
2. Define
3. Ideate
4. Prototype

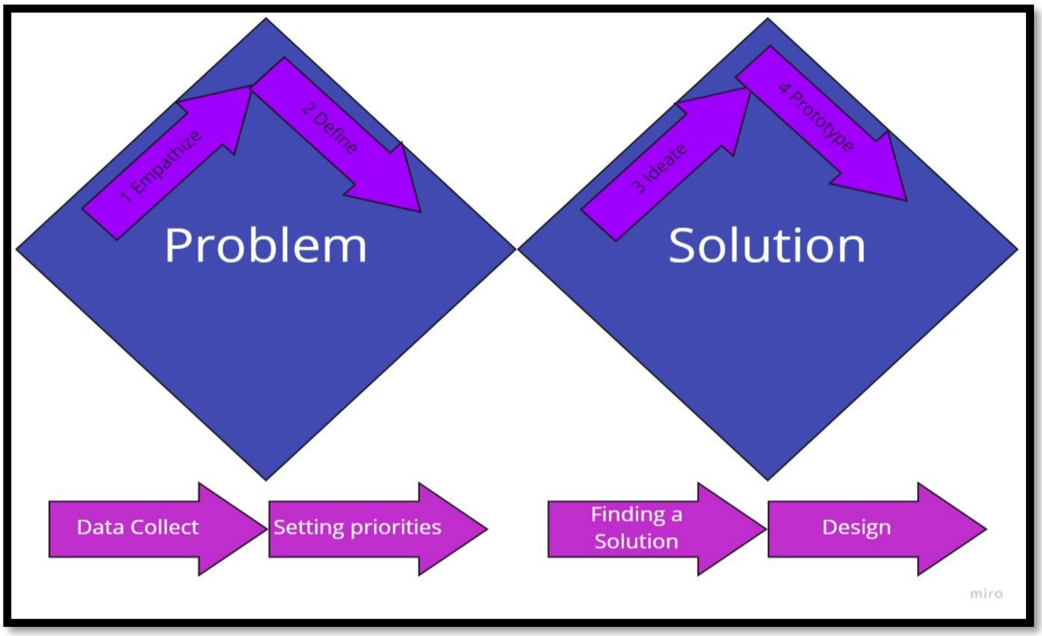

Figure 2: Double Diamond Design (Framework for innovation, n.d.).

Consequently, the preliminary steps of the thesis will be structured as follows:

i. Empathize stage

According to the Design Council UK (2019), the empathize stage of double diamond design mainly tries to understand the problem by speaking and spending time with concerned people. For this thesis, interview and survey have been conducted to gather information on what customers want/expect and information about the environment the service will be used.

ii. Define problems

The knowledge gained during the empathize phase can be used to re-define the problem (Framework for Innovation, n.d.). To understand the problems of the customers, the insights gathered from the previous stage have been analyzed, synthesized and prioritized. The data has been observed from a variety of perspectives, including business, psychology, user behavior, competition, and marketing, etc.

iii. Ideate

In ideate stage, participants are encouraged to provide various ideas for the clearly stated problem, look for inspiration elsewhere, and collaborate on the design with a range of individuals (Framework for Innovation, n.d.). Based on the findings from the previous stage, different hypotheses for solutions have been developed in this stage.

iv. Prototype

A prototype entails trying out several ideas on a small scale, discarding the ones that won't work, and enhancing the ones that will (Framework for Innovation, n.d.). At this stage, work is being done on designing the final version while displaying previously developed concepts about how the finished solution could look and function.

5 Research methods

Qualitative and quantitative research methodologies are used in this research. Initially, primary data came from surveys. An online survey was conducted to learn more about the knowledge and opinions of immigrants and Finnish citizens residing in Turku regarding Islamic banking. This study aims to explain Islamic banking tools and concentrate on the promotional campaigns used by Islamic banks and make an effort to realize their influence and impact. The questions are prepared in English to understand their view regarding the interest-free profit-and-loss sharing banking system and to clearly understand people's demand for having Islamic banks or practicing Islamic banking tools. The online survey was done through WhatsApp and Facebook groups (Foreigners in Turku, Yo-kylä Länsi/Turku Student Village West, Yo-kylä Itä/Student Village East Turku, Yo-Kylä 1–14 West and Expat Turku Network), where foreigners and native Finnish residents were members. Forty-one people responded to this survey.

In qualitative research, an interview is a conversation in which people are asked questions to learn more about them. Interviews were used to determine the current and future opportunities with putting this service in different areas. Six immigrants working in various fields in Finland were interviewed for this thesis to obtain first-hand information. After looking at the research results and interview transcripts, the most critical problems regarding banking and financing facing SMEs and startups are identified. The informational interview took place in Turku towards the end of October 2022. The following chapter gives a more thorough explanation of the interview.

SWOT analysis is a framework for identifying and analyzing an organization's strengths, weaknesses, opportunities, and threats (TechTarget). A SWOT analysis is used to measure Islamic Banking or Finance’s service strengths, weaknesses, opportunities, and threats.

6 Process timeline

The thesis was completed in the following ways between August and November 2022:

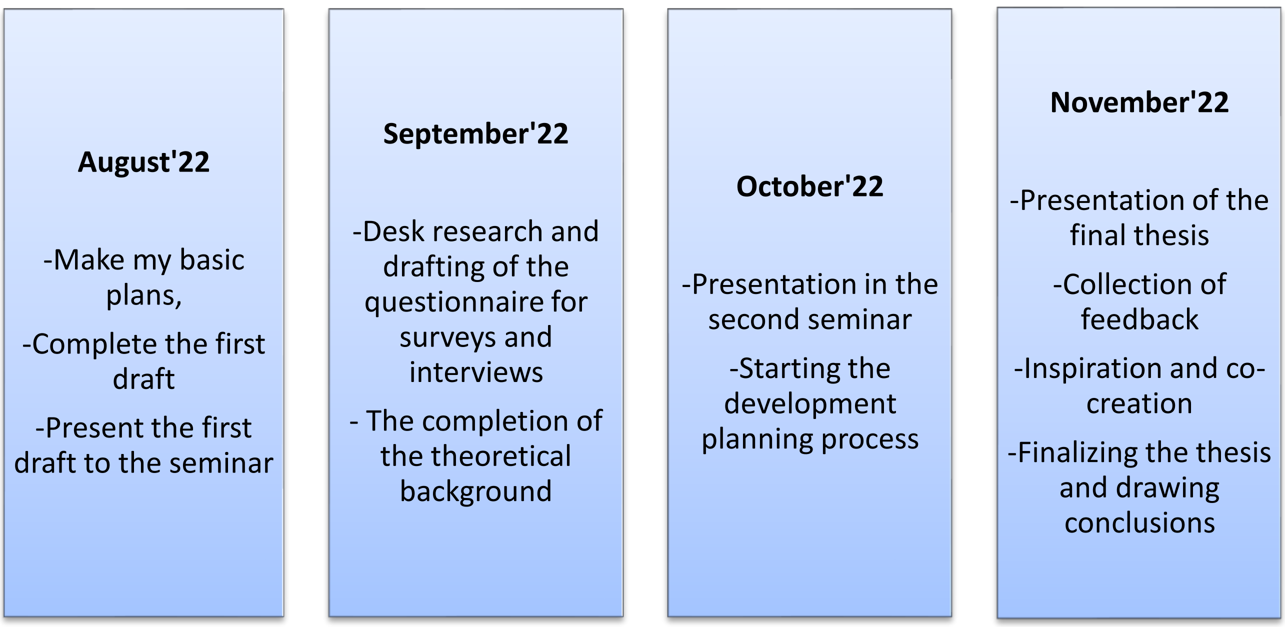

Figure 3: Process timeline

7 Background

The history of Islamic Finance, the fundamental tenets of Islamic banking, and the evolution of Islamic banking and Finance are all covered in this literature review.

Banks or financial institutions' main task is collecting deposits and giving credit or investments. Banking is the business of keeping other people's money. Banks lend this money, earning interest for themselves and their clients.

The principal objective of conventional banks or finance is to accept deposits based on loans from customers as a safe keeper, lend this money to their customers based on loan contracts, and generate profit by taking an interest. This interest is called 'riba' according to Islamic banking.

An Islamic bank and Islamic finance accept deposits based on partners and invests this money to their customers based on profit or loss sharing contracts.

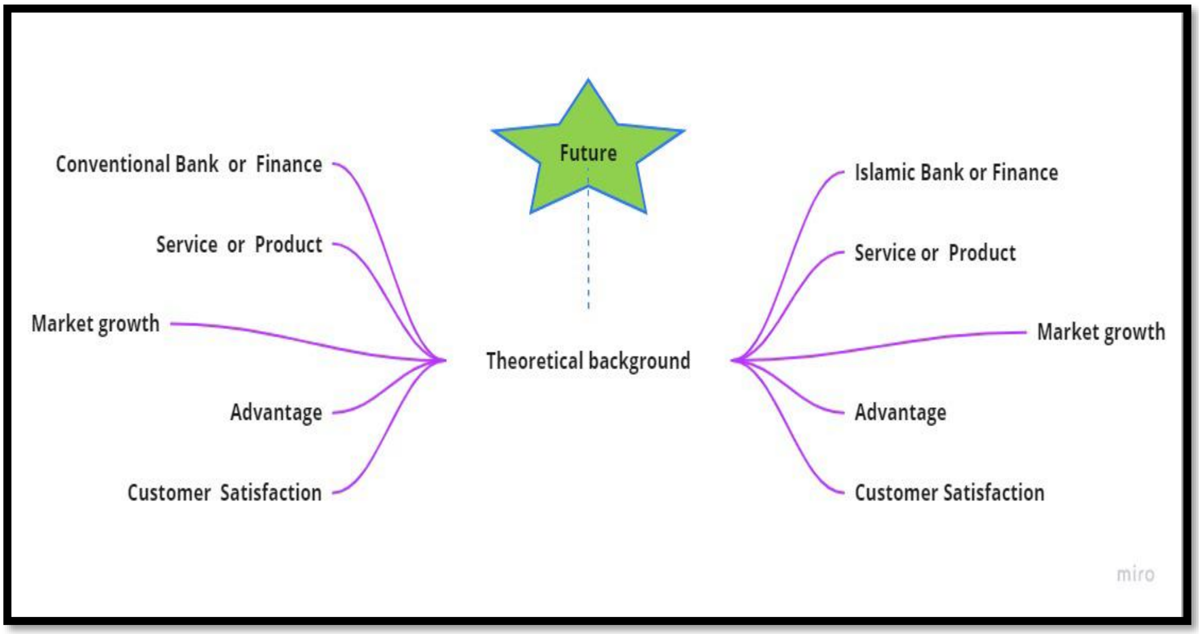

Figure 4: Theoretical Background

The Islamic bank invests capital in businesses based on the Shariah profit-loss sharing principle. It makes Musharakah or Mudarabah investments in the business world and distributes profits according to a predetermined ratio. In the event of a loss, it also distributes the loss according to a set percentage. Islam forbids interest (riba); hence the Islamic bank does not accept it. Riba is implies increase, add, excess, etc. It is against Islamic law for someone to lend money to someone else and charge them a fixed-rate interest (Kettell, 2011, p. 14).

7.1 Islamic bank and Islamic finance's historical period

Islamic finance had existed since the seventh century, when the Prophet Muhammad forbade all transactions, including interest, gambling, speculation, or fraud of any type in commerce (El-Ashker & Wilson, 2006, p. 11). During the Islamic Golden Age, the khaliphate, which is also referred to as Islamic capitalism, was the birthplace of early forms of proto-capitalism and free markets. The khaliphate developed an early market economy and an early form of mercantilism between the 8th and 12th centuries. Bills of exchange, the first kinds of partnerships (Mufawada), limited partnerships (Mudaraba), the first kinds of capital (al-mal), capital accumulation (nama al-mal), checks, promissory notes, trusts (waqf), transactional accounts ledgers, and assignments are only a few examples of economic ideas and practices that were applied in early Islamic banking (Kettell, 2011, p. 14).

In the medieval Islamic world, businesses independent of the government also existed, and the concept of "agency" was also developed at that time. Several of these nascent capitalist concepts were taken up and refined in medieval Europe, beginning in the 13th century. The institution of Islamic Finance has, nevertheless, undergone numerous stages of development in the modern era. In its initial phase, between 1940 and 1950, many Muslim nations gained independence from European colonial rule. The establishment of a savings bank in rural Egypt's Mit Ghamr region marked the start of the second phase of the development of Islamic institutions in the 1960s. That was founded using money that Islamic Shariah handled. As the bank provided essential services to end after three years, this experiment was practical and supported by local groups, including farmers and students. The bank played a vital role in helping rural people pay their obligations. It relieved dependence on a few lenders who impose exorbitant interest rates on the money they give clients (El-Ashker & Wilson, 2006, p. 335).

The establishment of a savings bank in rural Egypt's Mit Ghamr region marked the start of the second phase of the development of Islamic institutions in the 1960s. That was founded with money handled in accordance with Islamic Shariah. This experiment was successful, and it had the support of local organizations like farmers and students because the bank provided crucial services to the community. Despite this, after three years, the banking experiment was over. The bank was especially helpful in that it helped rural areas with their debt problems. It gave relief from dependence on a few lenders who impose exorbitant interest rates on the money they give clients. The first Sharia-compliant fund was formed in Malaysia that same year known as the Pilgrim's Savings Corporation (El-Ashker & Wilson, 2006, p. 202).

After this time, it set the stage for a number of other Islamic institutions to follow the blueprint set forth by these early trials. The Egyptian Nasser Social Bank, which was founded in 1971, is one of the institutions that rose from the ashes of these attempts. The bank aims to help low-income communities that were previously neglected by the neighborhood financial institutions. In addition to this, an intergovernmental bank called the Islamic Development Bank (IDB) was founded in 1975, followed by the establishment of the Dubai Islamic Bank (DIB) in the same year (El-Ashker & Wilson, 2006, p. 331). With the launch of the Tabung Haji in Malaysia (THM) in 1963, one of these significant trials was conducted in Malaysia.

The establishment of the Dubai Islamic Bank in the 1970s marked the third stage in the development of Islamic banking. The formation of the Islamic Development Bank, which came next, encouraged the growth of Islamic financial institutions around the world, leading to the presence of about 600 institutions in both Islamic and non-Islamic nations (El-Ashker & Wilson, 2006, p. 336).

7.2 Determinants of Islamic banking and finance service

When a significant amount of actual savings cannot support lending, financial instability results; these primary elements contribute to economic instability and counter to what makes Islamic banking unique. Equity-based financing and investing tools are encouraged by Islamic finance, and profit- and risk-sharing methods are improved. Islamic finance forbids interest and speculation while promoting asset backing, a crucial component sometimes absents from conventional banking. Islamic finance criticized the role of interest rates and bank credit in the cyclical process and emphasized the role of interest rates in promoting economic instability (Bellalah & Masood, 2013, p. 15).

Various causes have influenced the growth of Islamic banking and the development of Islamic finance. Islamic financial services have expanded due to the significant economic boom that the GCC nations and Asian economies have experienced as well as the growing

Muslim population. Using country-level data for 1992 to 2006 (World Economic Outlook Database October 2009, n.d.) examined the factors that contributed to the pattern of global dispersion of Islamic banks. It has been stated that the massive infusion of petrodollars from the late 1970s and the constantly high oil prices on the international markets has given the growth of various Islamic banks in the Middle East a significant boost. Islamic banking is not just practiced in Muslim nations but also in places where there is a substantial Muslim population (Bellalah & Masood, 2013, p. 74).

Justification for interest	**Argument against interest**
Interest is a benefit for saving money.	Such a reward could be justified if savings were actual toward investments and natural value creation. Absence from consumption does not qualify for a refund.
Interest is regarded as the capital's marginal production.	The productivity of capital is unrelated to interest percentage. Interest is paid as a fee for the use of money rather than as a return on capital. The potential capital that can be invested is money. Applying enterprise, which involves taking calculated risks and having the requisite knowledge to coordinate the various production components to maximize profit, is necessary to turn cash into capital (or loss).
Interest is the economic value of money.	It seems more reasonable to let the economy of the next year decide the size of the reward, even if time preference is based on the difference in price between goods this year and the next.
Interest serves as compensation for the opportunity cost.	The modern capital holder, whose capital is deposited in a bank, has access to their money whenever they need it. The argument of lost opportunity is unfounded. They not only didn't miss any opportunities, but even when they didn't

	have any, their money was making interest. Banks and other lenders of money are not often risk-taking entrepreneurs looking for business prospects. Opportunity cost is a false justification.

Table 1: Justification for interest

7.3 Islamic banking and Islamic finance market

The aggregate assets of the top twenty banks in the GCC countries increased by 24% in 2008. A wider geographic reach and the rise of new financial centers for Islamic banking, distinct from the conventional ones like Dubai, Bahrain, and Kuala Lumpur, were the results of the market players in Islamic banks diversifying. Islamic banking is now on par with conventional banking practices in terms of competitiveness, thanks in large part to the growth of an increasingly diverse variety of retail products and services (Bellalah & Masood, 2013, p. 74).

Saxony-Anhalt in Germany has already employed this financing option. A sovereign Islamic bond has already been issued by the United Kingdom. Even France and Japan have expressed a desire to issue sovereign Sukuk (Bellalah & Masood, 2013, p. 140).

The Islamic banking system was endorsed by the IMF in April 2015, noting that it might offer a safer alternative to conventional forms of financing. Islamic banking is widespread in Islamic nations and is beginning to spread to other nations that do not practice Islam. The UK was the first non-Islamic nation to grant the Islamic bank of Britain a license, allowing it to operate in accordance with Sharia law. In 1999, the Dow Jones launched an Islamic market index that only included companies that adhered to Shariah law (Desai, 2016).

There are currently 25 Islamic financial institutions functioning in the United States, with the American Islamic Finance House, University Bank (via its subsidiary University Islamic Financial), and the Harvard Islamic Finance Project ranked first, second, and third, respectively, in terms of total assets. JP Morgan began providing Islamic banking services in 2013. Following suit, investment banks like Standard Chartered Bank now provide

Islamic banking services in the US, the Middle East, Europe, and Asia. Banks like Maybank from Malaysia, Warba Bank and National Bank of Kuwait from Kuwait, Intesa Sanpaolo from Italy, and MASIC, Saudi Arabia-based private equity firm run by the Al Subeaei clan, along with asset manager Boubyan Bank, have recently taken part in US-based commercial Islamic finance agreements involving commercial real estate (Dajani, 2021).

Several states in the USA have retail banks:

- The first and only shariah-compliant bank in the US is University Islamic Financial (a division of University Bank), which is headquartered in Ann Arbor, Michigan.
- Services for Islamic financing are frequently provided by Chicago's Devon Bank.
- The largest non-bank financial institution providing services for Islamic finance is Guidance Residential, located in Reston, Virginia; and
- Another significant Islamic mortgage lender that offers company finance is Lariba, located in California.

7.4 Principles of compliance with shariah

Islamic banks and other financial entities that offer Islamic banking services and products must set up a Sharia Supervisory Board (SSB). The SSB's role is to provide guidance and guarantee that the operations and activities of the banking institutions adhere to Shariah law (Kettell, 2011, p. 92).

The operations of Islamic banks are guided by six fundamental principles-

- It is forbidden to pay back loans with fixed interest rates (riba).
- The Islamic system is based on profit and loss sharing.
- It is unethical to make money out of nothing; all financial transactions must be secured by assets.
- Engaging in speculation is not permitted.
- Only agreements sanctioned by Shariah are valid.
- All agreements are sacred.

7.5 Islamic versus conventional corporate governance

Islam is a way of life that upholds moral principles and ethical ethics. This idea can also be used and implemented into the Corporate Governance (CG) process. It cannot be denied that these rules continue to be based on traditional corporate governance (CCG) norms like those of the Basel Committee on Banking Supervision (BCBS) and Organization for Economic Cooperation and Development (OECD). During the past decade, Islamic finance standard-setting bodies such as AAOIFI (Accounting and Auditing Organization for Islamic Finance Institutions), IFSB (Islamic Financial Services Board), and BNM (Bank Negara Malaysia) attempted to issue guidelines on corporate governance and Shariah governance in IFIs. The OECD (2004) established the CG principles, which serve as a global standard for decision-makers, investors, businesses, and other stakeholders (Abu-Tapanjeh, 2009). These principles serve as the foundation for CG in IFIs as well, and they share similar concerns with CCG. However, IFSB (2006) modified these principles for IFIs by adding some Shariah-related features of CG. A short while afterwards, the IFSB (2009) and BNM (2010) released guidelines on shariah governance and the function of the SSB in IFIs (Harrison & Ibrahim, 2016).

7.6 Interest (Riba)

Riba is Arabic for excess, growth, expansion, surplus, and increase. A surplus of a good or an excess of a return without compensation is riba, in accordance with Shari'ah. According to a general perspective, riba is an amount predetermined as an excess or surplus above the loan that the creditor has conditionally received in regard to a specific time period. After the Hijrah, in the eighth or ninth year, riba was prohibited (Jalil & Rahman, 2010).

Islam expressly forbids the payment of interest (riba) on loans and promotes the donation of qard al-hasan to those in need. Taking interest on loans has been deemed one of the worst offences by Shariah. In addition, the shariah has urged people to engage in commerce by making investments with extra cash (Surah Baqarh, verse 275). Profit from commercial operations is halal; it is not riba. Muslims can use their excess funds to start a business and make money (Ghannadian & Goswami, 2004). If they lend money to those in need, they are not allowed to charge fixed interest; instead, they must give the funds as qard al-hasan (interest-free loan) (Jalil & Rahman, 2010).

However, if we ponder on those verses, we may find the following reasons for prohibiting riba (interest) (Jalil & Rahman, 2010). They are:

a) Riba corrupts society.
b) Riba implies improper appropriation of other people's property.
c) Riba's ultimate effect is negative growth.
d) Riba demeans and diminishes human personality.
e) Riba is unjust

7.7 Mode of Islamic banking and finance

There are many modes of Islamic banking and finance. In this thesis, we will use the most-used modes of Islamic banking and financing to compare with conventional banking and finance.

7.7.1 Murabaha (Agreed profit margin sale with cash or deferred payment of price)

Mudaraba is a business arrangement where one party contributes finance, and the other party contributes labor and skills. "Shahib al-maal" is the name of the financier; "Mudarib" is the name of the supplier of labor and skill (Hassan, Kayed & Oseni, 2013)

Thus, a Mudaraba may be described as a partnership agreement whereby the Shahib al-maal gives the Mudarib funds in exchange for the latter using his labor and initiative to invest it in a business. Both parties split the profits in accordance with the agreed-upon ratio, and any losses are paid for by Shahib al-maal, the party who provided the funds, unless they result from a breach of trust, such as misbehavior, negligence, or failure to adhere to the Mudarib's stipulations. The Mudarib is held accountable for any losses incurred as a result of the aforementioned factors.

Works

Mudaraba is a profit-sharing arrangement between a firm or enterprise and the bank for a predetermined duration. Customers can deposit money with the bank, which will subsequently invest it in businesses and economic activity that adhere to Sharia law.

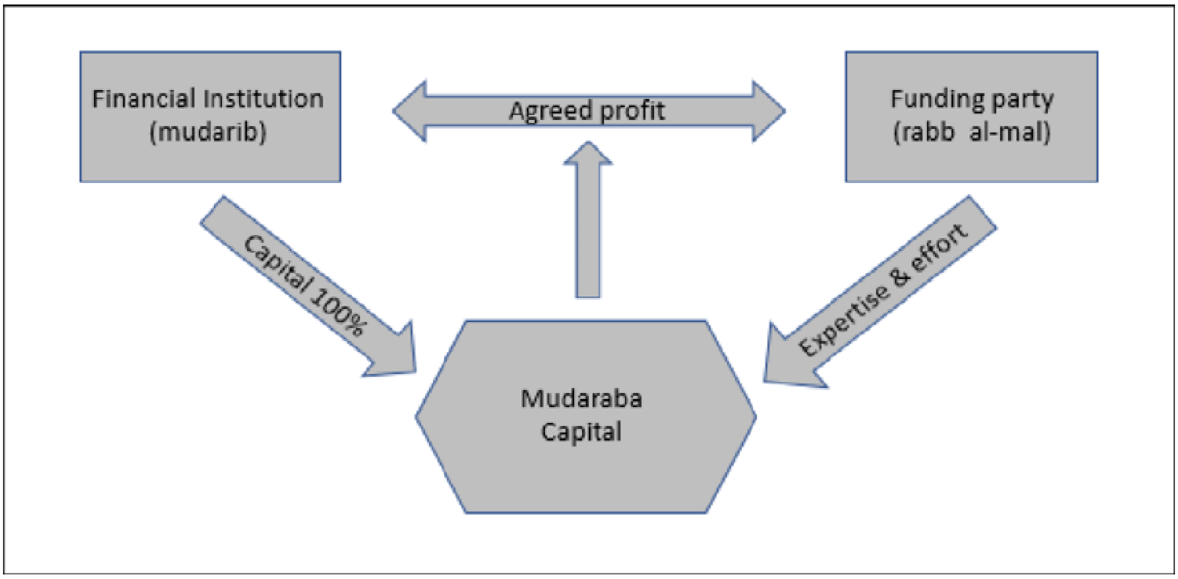

Figure 5: Basic structure of a Mudaraba contract (Alqahtani, 2018).

7.7.2 Ijarah (Leasing)

Ijara is a lease agreement under which the bank rents real estate to the client in exchange for monthly payments for a predetermined amount of time. At the conclusion of the financing period, the bank agrees to give the customer ownership of the property, providing that all payments have been completed in line with the Sharia documentation (Kettell, 2011, p. 78).

Works

Ijarah is a powerful and useful financing option that enables customer to buy machinery and equipment through leasing rather than outright purchase, lessening the significant weight of capital investment. The customer gets the option to buy the leased item at the conclusion of the lease period, This type of investment use for long time.

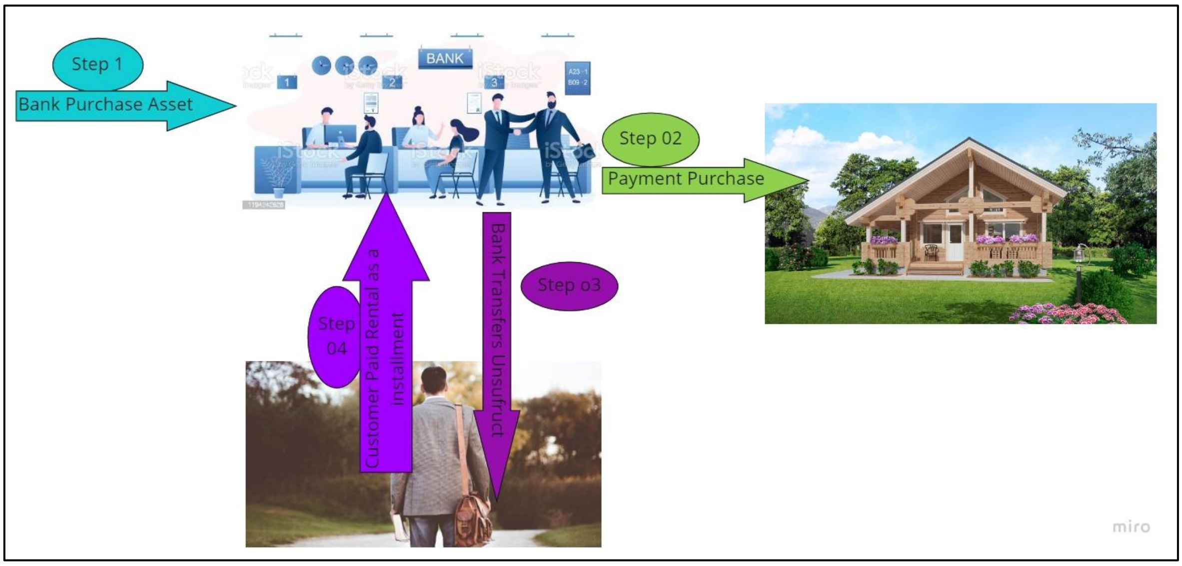

Figure 6: Basic structure of a Ijarah (Leasing).

7.7.3 Salam (Advance payment deferred delivery sale)

Salam means advance purchase. The buyer agrees to pay the price of the products in advance with the understanding that they would be provided or delivered at a specific future date. Within the allotted time, the merchant delivers the products (Kettell, 2011, p. 102). It differs from the concept of Murabahah, in which the price is paid over time but the asset is handed right away.

Works

Modern banks and financial organizations can use this forward-buy technique of financing, especially to finance the agricultural sector. In Salam, the seller agrees to give the customer specified things later in exchange for an advance price that is on the spot payment in full. Cash is used to cover the fee, but the ordered goods don't arrive right away.

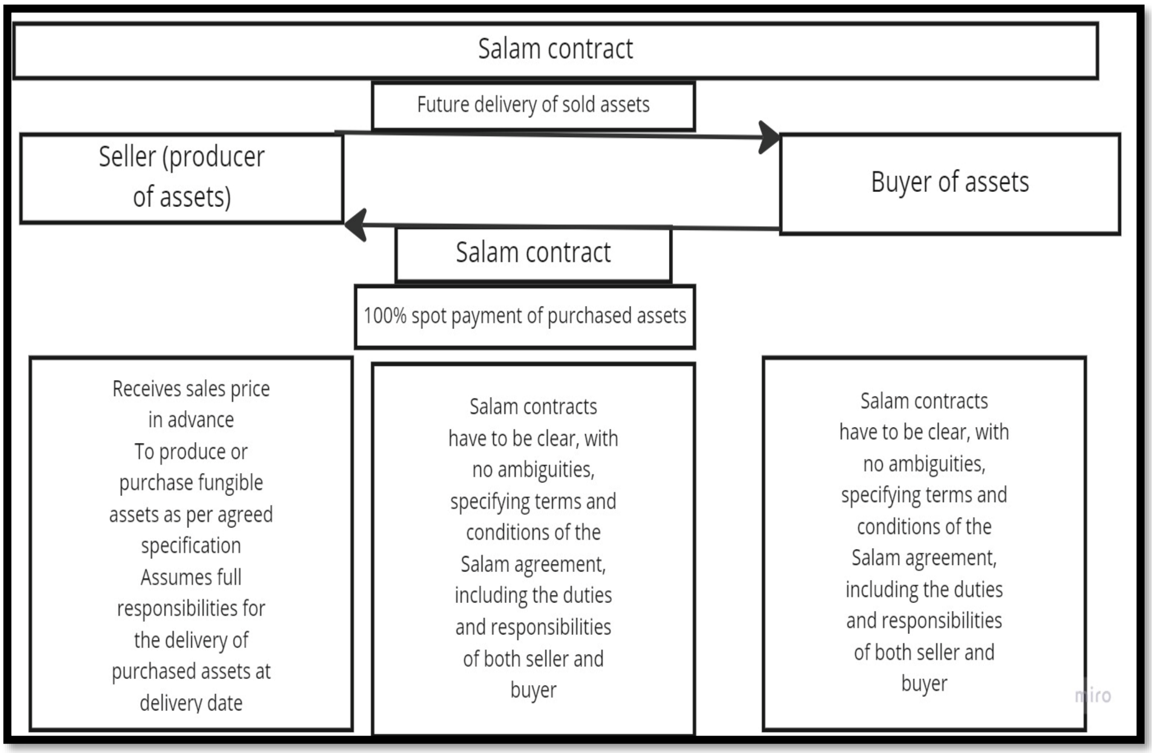

Figure 7: Salam flow chart (Kettell, 2011, p. 102).

7.7.4 Musharaka

The concept describes a method of funding used by Islamic banks. It is a contract wherein the Islamic bank contributes money that is mixed with money from the company and other sources. All capital contributors have the right but not the obligation to take part in management. Each partner bears the loss in accordance with his or her contribution while the profit is divided among the partners in specified percentages (Musharakah | Islamic-Banking.Com, n.d.)

7.7.5 Istisna

Agreement wherein the parties agree to construct, manufacture, create, or develop the item of sale over the course of a particular amount of time and money and in accordance with predetermined parameters. A bank can enter into an Istisna's contract with a contractor, developer, or producer that enables the bank to make progress payments as the building takes shape (Kettell, 2011, p. 92).

Work

Istisna's finance is given to the client who creates, produces, develops, builds, or manufactures the item of sale in the form of advance progress payment(s). The asset is delivered to the parties that agreed to accept delivery of it after the project is finished.

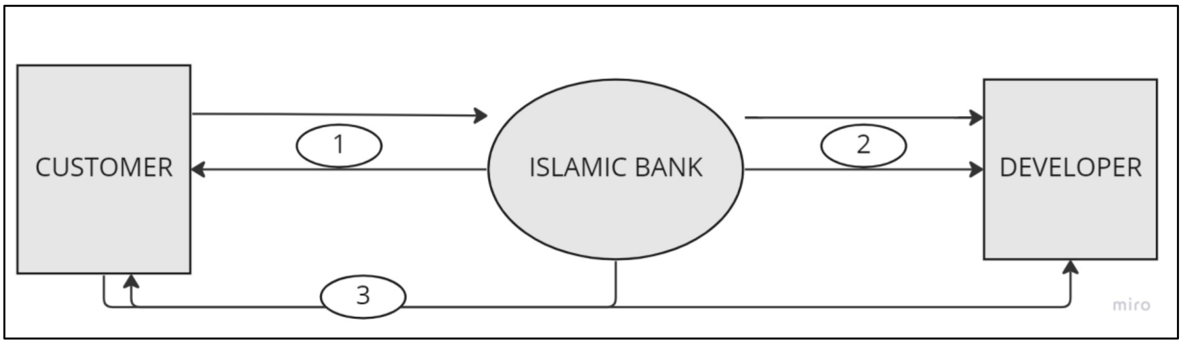

Figure 8: Basic structure of Istisna contract (Alqahtani, 2018).

8 Islamic financing vs. conventional financing

Islamic financing is an asset-backed financing, which is one of its most significant aspects. Banks and other financial institutions are only supposed to trade in money and monetary papers, according to the conventional and capitalist concepts of financing.

In conventional financing, the financier lends his client money in the form of an interest-bearing loan and then has no say in how the client uses it. In contrast, the financier advanced no cash is run by the financier in a Murabaha transaction. Instead, the financier makes their purchases of the goods needed by the client. Murabahah is not achievable unless the financier builds inventory since this transaction cannot be completed until the client is assured all unless the financier makes inventory since this transaction cannot be completed until the client gives the financier assurance that he wants to buy a commodity. In this approach, finance is consistently supported by assets.

Loans can be advanced in the conventional financial system for any profitable use. A casino that offers gambling might obtain financing from a bank to expand its gaming operations. A conventional bank would be happy to have either a house builder or a nudist film studio as clients. Therefore, there are no constraints imposed by the divine or religion on conventional financing. But the nature of the activity for which the facility is needed cannot be ignored by Islamic banks and financial organizations. They cannot carry out Murabahah for any reason that is either against Shariah law or detrimental to society's moral fabric.

Differences between conventional and Islamic banks

Current account	
Conventional	Islamic
Current account uses any underlying mode at all.	Current accounts are based on Qard contracts, which hold the bank accountable for returning depositors' funds upon request.
The bank may invest and use these funds for other things despite Shariah restrictions.	These funds are available for investment and other uses by the bank. It provides the peace of mind that comes with knowing that money is safely placed with a bank and the assurance that the bank is not using the money to engage in activities against Shariah principles.
Savings accounts	
Savings account uses any underlying mode at all.	Islamic savings accounts are "investments for profit" that are supervised by Mudarabah to return investors' investments.
Despite Shariah restrictions, the bank can utilize this fund for investments and other purposes.	The deposited funds are used to purchase investment units in the appropriate investment pool upon investment, deposit, or transfer, on the other hand, the selling of investment shares in the same investment pool upon withdrawal, early encashment, or premature encashment.

Leasing/Ijarah	
When the bank pays the payment, the lease officially begins that day, regardless of whether the customer has accepted the delivery.	Rental obligations begin when the asset is delivered, not when the bank pays the purchase price.
The customer is responsible for covering all costs associated with buying the item.	Since the bank is the asset's owner, it is responsible for covering all costs associated with buying it.
The lease terms do not distinguish between normal wear and tear or damages brought on by the customer's irresponsibility, and the customer is responsible for any costs associated with natural disasters.	Only misuse and negligence are the customer's fault; uncontrollable situations are not. Ijarah handles each case uniquely.
When a customer makes a late payment, penalties are assessed. They are received by the bank as income.	If a customer misses a rental payment deadline, they agree to pay a charity deposit to their account for future donations to charitable organizations.
A leasing agreement gives the bank the right to terminate the lease independently.	The bank is entitled to terminate Ijarah if the customer violates any agreement provision. Ijarah, however, cannot be cancelled without both parties' approval if there is no violation on the part of the customer.
Lending/Investment	
Conventional banks engage in the lending and borrowing of money at interest.	Islamic banks operate as trading and investment houses rather than lending institutions.
There are no such limitations in conventional banks. As a result, this system's foundation interests and short sales, debt sales, and speculative trades are all too common.	Islamic banks operate under socioreligious rules that forbid charging and paying interest and steer clear of all unlawful activities such as gambling, speculating

	short selling, and the sale of debts and receivables.
Only firms prohibited by local legislation are not supported in conventional banks, although they fund all industries.	Alcohol, cigarettes, and other harmful sectors are not allowed to get financing from Islamic banks.
Most traditional banks don't get involved in business and trade because they only lend money.	Trade is a key component of one of the Islamic bank's business plans. As a result, it must actively participate in commerce and production operations.
Conventional banks treat money as a commodity, which compensates themselves by lending it out at interest.	Islamic banking products typically incorporate renting, trading, and participation in profit-and-loss situations and are asset-backed.
Bank and customers have a creditor-debtor relationship.	Customers and banks have a seller-buyer-partner relationship.

Table 2: Comparison between conventional and Islamic banks (Differences between Conventional Bank and Islamic Bank, n.d.).

9 Research methods

The research methods include a survey, interviews, SWOT analysis, and benchmarking. Service design methods are customer journey maps, customer personas, and service blueprints. The primary result of this study is a strong emphasis on customer personas. The described methods used; definitions are as follows.

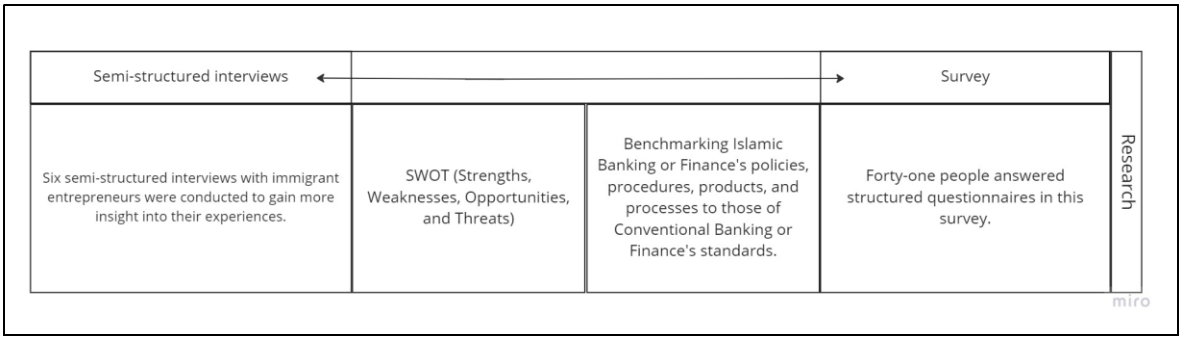

Figure 9: Used methods

9.1 Survey

An essential method in social research has always been the survey. The term "survey" itself, however, is highly general and encompasses a wide range of sorts. It is also utilized in a wide range of settings and methods. Because of this, there is already a lot of written material on survey methods, some of which are general, and some focus on surveys in specific situations (Punch, 2003, p. 13).

An online survey was conducted with immigrants and Finnish citizens residing in Turku to get information about how they see Islamic banking and financing systems and measure their knowledge and attitudes toward Islamic banking and finance. In order to grasp their viewpoint on the interest-free profit-and-loss sharing banking system, as well as the demand for Islamic banks and related banking practices, the questions were written in English. The online survey was done through WhatsApp and Facebook groups (Foreigners in Turku, Yo-kylä Länsi/Turku Student Village West, Yo-kylä itä/Student Village East Turku, Yo-Kylä 1–14 West, and Expat Turku Network), where foreigners and native Finnish residents are members. Forty-one people responded to this survey.

Data and methodology

A survey of 14 structured, closed-ended questions was created. These questions aimed to get a complete picture of people's thoughts about Islamic banking and financial instruments and about their citizenship. Several multiple-choice and small questions were included in the survey.

The respondent's age was the first question. The research questionnaire put people into four age groups and told them to choose one from each. There were four age groups: 20-30 years, 31-40 years, 40-50 years and above 50 years.

Age groups	Response	Percentage
20-30	17	41%
31-40	14	34%
41-50	8	20%
Above 50	1	2%
Not interested	1	2%
Total	41	

Table 3: Age distribution

A total of 41 Turku residents responded to the survey. The distribution of the survey was done randomly. The respondents' ages range from 20 to over 50. Most participants (41%) are between the ages of 20 and 30. On the other hand, the second-largest group of participants (34%) are between the ages of 31 and 40. 20% of the participants are between the ages of 41 and 50. 2% of participants are over 50, and only 2% prefer to keep their age undisclosed.

Findings

They were asked about their wishes and citizenship status according to social perception.

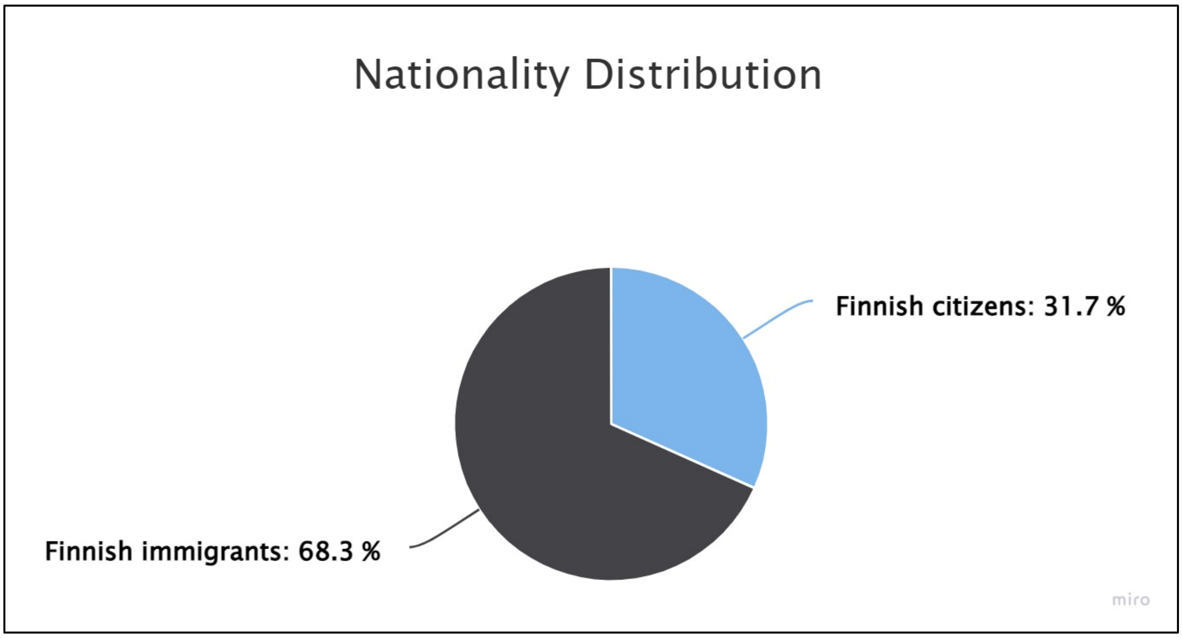

Figure 10: Nationality Distribution

A total of 41 people who are currently living in Turku responded to this survey. Among them, the majority portion (68.30%) are immigrant to Finland, and 31.70% are Finnish citizen.

Knowledge of Islamic banking and Finance

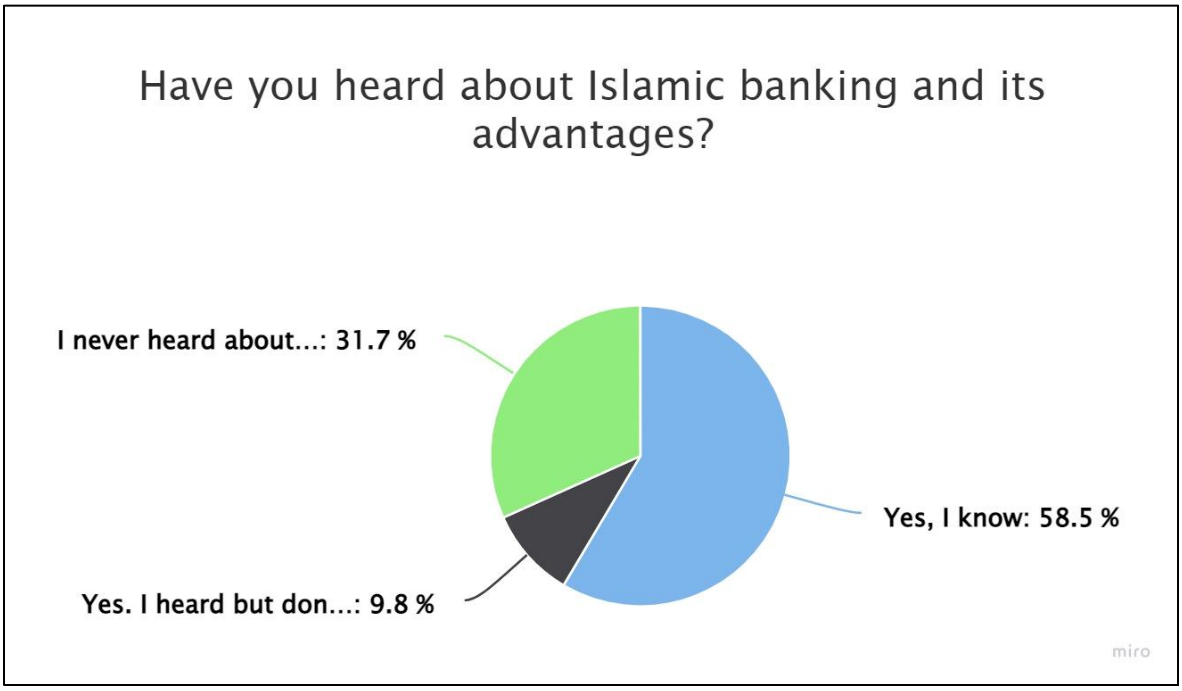

Figure 11: Knowledge of Islamic Banking and Finance

Based on the responses to the question on knowledge of Islamic banking services, most of the respondents are generally aware of these services. Nearly half of the participants (41.50%) are aware of Islamic banking and finance, while 39.0% have heard of it but need more information to use it, and 19.50% have yet to hear of it.

A different question assesses the participants' understanding of the features of Islamic banking. Most participants think Muslims and non-Muslims can use Islamic banking services and products. However, the percentage of respondents who believe that Islamic banking is only available to Muslims is 9.80%. In contrast, the percentages that believe it is available to both Muslims and non-Muslims are 58.50%, and 31.70% have no idea.

Most Arab nations have heard about Islamic financial systems. A few Asian, African, European, and American nations have alternative Islamic banking systems. The Finnish banking industry now entirely relies on interest as a source of funding. If Finland adopted an Islamic banking system in addition to its current interest-based banking system, trading with Muslim nations in Asia or the Middle East would be much easier. Unstable global political environment most of the immigrants arriving in Europe are from Muslim-majority nations. Since Islam forbids interest, it can be challenging for Finnish Muslims to obtain an interest-free loan for housing or property acquisition. The inability of Muslim new entrepreneurs to obtain funding choices in Finland that offer interest-free financing makes it extremely difficult for them to launch their businesses. These Muslim communities might become potential clients if banks offer interest-free lending options.

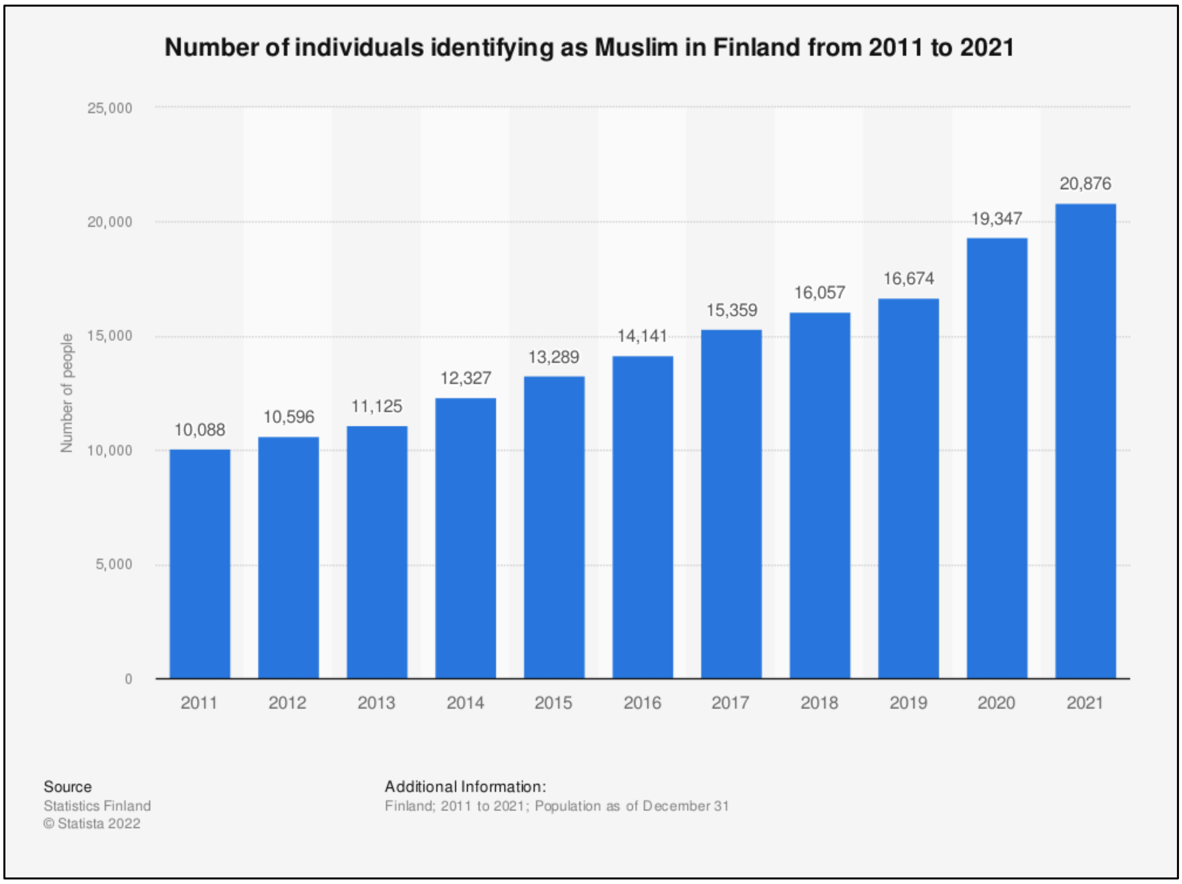

Figure 12: Number of individuals identifying themselves as Muslim in Finland from 2011 to 2021 (Finland, n.d.)

9.2 Interviews

An interview refers to a conversation typically between two persons. However, it is a conversation where one person- the interviewer- is looking for answers from the other person- the interviewee- for a specific reason. This approach may or may not be beneficial to the person being interviewed (Gillham, 2001, p. 1).

In qualitative research, an interview is a dialogue in which questions are used to extract information. For this thesis, interviews and surveys are used to understand the current and future challenges of implementing Islamic banking and finance to different customer.

The interview was conducted with six (6) immigrants, four work at various locations as a worker, one is a master's student, and one owns a small restaurant in Helsinki. All of them have sufficient educational and professional backgrounds. The restaurant owner is planning to expand existing businesses in Finland, while others are planning to start a business.

The first interview was conducted with a group of three people who work in a restaurant in the Turku bus stand. When they came to Finland, two were students, and one was a professional restaurant chef.

The second interview was conducted with a group of two people in Tyyssija's common space, TYS n' Chill. One is a regular master's student at Turku University; he also has a master's degree from Poland, and another works in N-Clean; he came to Finland as a student's spouse; he also has a master's degree and ten years of banking experience.

The third interview was conducted with restaurant owners at his restaurant in Helsinki. He came to Finland as a student twelve years ago. After graduation, he worked in a restaurant and opened his restaurant in Helsinki. Now he needs more capital to expand existing businesses.

Most of the respondents (4) were immigrants wanting to start their own businesses in Finland. One respondent already owned a small restaurant in Helsinki. The purpose of the interview was to investigate, how their needs for financial services change over time. What problems do they encounter when working with banks and starting their businesses with few resources and funds? What concerns do they have while starting a new business?

During the interview, it became clear that a few interviewees with a clear business idea, merit, and business experience needed more courage to take a risk and invest. However, one of the interviewees claimed that despite his efforts to work with banks to secure funding for the launch of a new business, most banks were reluctant to work with aspiring businesspeople. Most loan applications are turned down because he has not run a business before, has no collateral, and wants small loans. However, they have numerous difficulties, particularly when trying to obtain banking services. The interview clarified that these initiatives do not entirely meet their financial demands.

I will analyze the interview material from both the financier's and the entrepreneur's point of view. As a banker, I can understand the former, and as a friend to many entrepreneurs. Most loan applications from entrepreneurs are turned down because they haven't run a business before, their business is still new, they don't have any collateral, the costs of doing business are high, they haven't planned well, they want small loans, their production networks are limited or small, their sales, income, and cash flow are low. One of the biggest difficulties they have is the shortage of funding needed to launch new businesses or grow existing ones.

In this study, Mudharabah, Musharakah, Murabaha, Ijarah, and Salam are all Islamic financial solutions that can be changed to fit the needs of business owners. Islamic finance is asset-backed financing, one of its most significant aspects, so most customers do not need to provide an additional collateral cause of product as collateral security. Islamic banking, often known as interest-free banking, is said to have the power to remove these worries.

Some of these products are short-term in nature, such as Murabaha, which is particularly suitable for financing ongoing business operations and for meeting the need for working capital but carries higher risks than some long-term products, such as Mudharabah, Musharakah, Ijarah, and Salam, which are most suitable for the financial viability of the companies.

To pay for long-term projects, more attention should be paid to long-term contracts or goods that don't involve borrowing money. The current study suggests that Mudharabah, Musharakah, Murabahah, Ijarah, and Salam, which are new Islamic ways of getting money, could help solve these problems. Islamic financial instruments can be better than conventional financial contracts. However, they must be used in various ways based on a basic idea from Shariah, which is the name for Islamic law.

The Islamic financial system does not permit interest or riba, uncertainty (Gharar), gambling, or speculation under any circumstances, which is the main distinction between these two financial systems. Furthermore, most conventional funding is no longer done through partnerships that follow the profit-and-loss-sharing model. Islamic banking emphasizes ethical and open business practices. Their highest priority is to walk the customer through the process to ensure they fully grasp the risks and costs related to the goods and services. The profit-sharing principle, which divides the risk between the bank and the customer, serves as the cornerstone of the Islamic banking model. A fairer distribution of income and wealth is made possible by this system of financial counterparty risk.

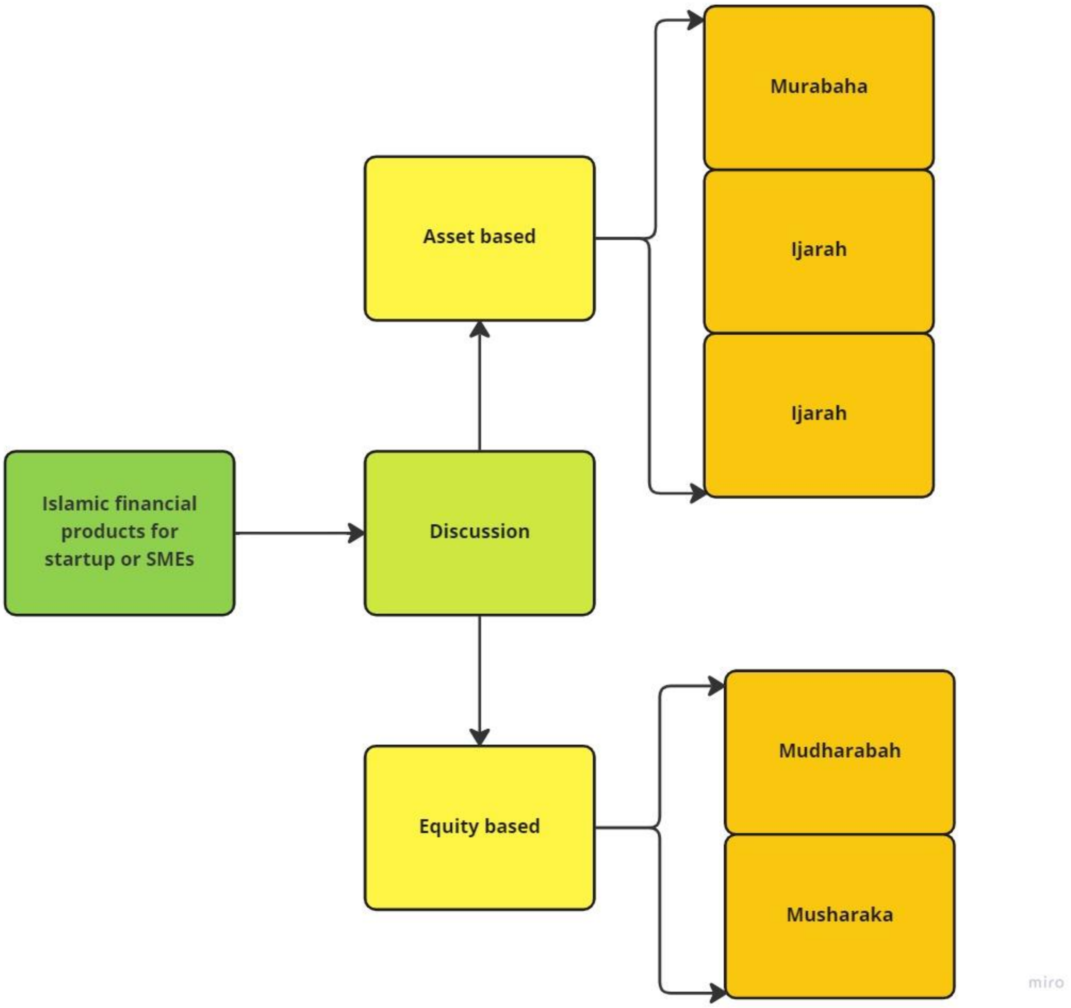

Figure 13: Islamic Financial Product for startup or SMEs.

9.3 Implementing Islamic banking and financial services in conventional banks a SWOT analysis

The SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis method shows the things that can help or hurt the success of a business. This would be crucial to use as a decision-making framework. So, according to this research, the process must be based on a few strong internal pillars that Islamic banking and finance must build to ensure the service works. In short, it can focus on a few Islamic banking and finance activities or features that may help the system succeed (Mariani, 2017, p. 40).

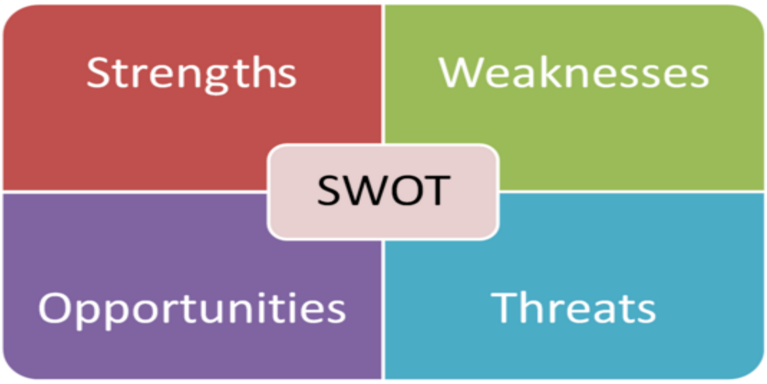

Figure 14: The basic SWOT diagram (Mariani, 2017, p. 40)

The analysis shown below was created by me based on my own findings, knowledge, experience, and evaluation of banking processes, as well as previously completed studies.

Strengths

Attract new entrepreneurs who want to start new enterprises

Appropriate use of targeted loan funding

Avoidance of financial and economic crises and sustainable growth of Islamic banks globally

Due to the generally significant number of Muslim immigrants, it is possible to use retail and corporate banking products to draw in a lot of money and so expand banks' deposit bases

The level of quality is comparable to that of traditional banking services. The same market-based interest rates make banks more competitive

A fairer distribution of income and wealth is made possible by this system of financial counterparty risk.

Weaknesses

Lack of a regulatory environment for commercial banks to develop Islamic banking services

Lack of Islamic banking service experts

Islamic financing services are not widely enough known to the general public and business owners

Population concern towards new financial services

Islamic banks' insufficient capital and lack of deployment of major loans

Lack of expertise in the banking system among the Muslim scholars of the nation.

Opportunities

Attracting investment capital from the populations of Muslim-majority countries and channelling it to the local economy

As the Islamic market has expanded, i.e. new investment ventures, Islamic mortgages, Islamic insurance, and new markets will develop

The tenets of Islamic finance contribute to establishing social justice and reducing social inequity

The population's access to banking services will increase as alternative banking services arise

It offers a wide range of alternatives for Muslim entrepreneurs and SME enterprises who does not use bank loans to avoid interest

The development of Islamic windows in conventional banks will improve competition and create additional chances for Muslims and SME enterprinures

Threats

Islamophobia. a variety of false beliefs on the relationship between terrorism and extremism and Islamic financial services

Significant competition with traditional banks

Large multinational corporations, investment banks, and the major economic forces of the world do not support the system

Deviation from some Islamic precepts in daily life and the growth of systemic mistrust

Religious superstition may impede the country's progress toward Islamic banking

Investors have a bad impression of the Islamic financial system because of the conventional interest-based benchmark, which is used because investors tend to link the Islamic financial system to the traditional financial system.

In the context of the SWOT analysis, certain attributes might be seen as it is difficult and demanding to introduce a new banking technique that is based on ethics and conventions. Islamic banking adheres to Shariah law, which is clearly very strict in many circumstances and is not something that western society is willing to accept. As a result, Islamic banking will initially only have a small, focused clientele. Interest is prohibited in Islamic banking; however, the Finnish and western people don't view this adversely. Although Finland is a country where practically all grocery stores offer alcoholic products, Islamic banking does not encourage drinking. An Islamic bank will find it challenging to conduct business with these supermarkets. It is understandable that Islamic banking will find it difficult to enforce Islamic law under a system of western law. As a result, Islamic banking and finance can be suitable for those who have the lack of capital to start new enterprises or expand existing business. Among the various Islamic banking and financial solutions Mudharabah, Musharakah, Murabaha, Ijarah, and Salam are appropriate for small investment which may be modified to meet the demands of business owners. On the other hand, products which are short-term in nature and has higher risks than some long-term products, such as Murabaha, are particularly ideal for funding ongoing business operations and for satisfying the requirement for working capital.

9.4 Benchmarking

Keeping the banking and financial policies, procedures, products, and processes of conventional bank and financial institution as a benchmark, it has been tried to understand the gaps between Islamic banking and conventional banking. The purpose of the study is to identify the way to introduce Islamic banking in conventional banking.

The phrase ‘Islamic banking and finance’ refers to a broad range of financial products and services. Islamic banking and financial products are similar to conventional banking products in many aspects. The main goal of the both is same which is to make it easier for someone having money to invest and use the money for someone who needs it.

Sharia-compliant banking and finance is a common term in Islamic banking and finance. This is the primary distinction between conventional and Islamic banking and finance. Islamic banking and finance are created to be compliant with Islamic law, even if the both must abide by the laws of the nation in which they are operating.

The following are some of the most widely accepted principles of Islamic banking and finance:

- Investments cannot be made in businesses that deal with alcohol, pig products, gambling, pornography, or assault weapons.
- Interest payments are prohibited in investments.
- Suppression of speculation in investments.
- A minimum of two parties must share the risk.

Islamic banking and financial products have a very different approach to risk than conventional banking and financial products. An Islamic banking and financial product may therefore share a similar goal with a conventional banking and financial product, but it is extremely likely to have a significantly distinct risk/reward profile. Even for investors who are not driven by religious motives, this unusual risk/reward profile can occasionally be alluring.

While most people understand and agree with the fundamentals of Islamic banking and finance, there may be significant disagreement among Islamic scholars on how these principles should be applied in different circumstances. As a result, it's feasible that some regions will consider a given transaction to be acceptable while others won't.

10 Personas

A persona is a profile of a group of people, like a client or user base, a market niche, a subset of employees, or any other group of stakeholders. This description is an archetype based on research. Personas make groups with similar service demands easier to understand. However, customers with particular service demands and objectives sometimes correspond with conventional marketing categories. So, the needs expressed in personas are often used to break down marketing silos that can get in the way of service design. Personas should be based on research, and they should represent a group of people with similar needs or ways of acting (Stickdorn, Hormess, Lawrence & Schneider, 2018, p. 40).

Personas are developed based on interviews with potential client profiles and serve as a road map for creating a product or service. Personas are user models with salient characteristics of the social group they represent. They include their needs, values, way of life, culture, personal history, and demographic profiles.

<table>
<tr><td>Persona 01</td><td colspan="2" rowspan="2">Name: Saleh Ahmed
Student
Master of Social Science: Future Studies, 2024, University of Turku.</td></tr>
<tr><td rowspan="4">Gender: Male
Location: Turku, Finland
Relationship Status: Single

Goals
To get quality service
To buy a convenience house
To build a safe carrier</td></tr>
<tr><td colspan="2">Saleh Ahmed is a master's student. He is trying to settle in Finland by starting a business. He already holds a master's degree in international and European law from the University of Wroclaw (2021).</td></tr>
<tr><td>Likes
He likes to travel</td><td>Needs
Support to start a new business</td></tr>
<tr><td>Challenges
To get bank investments
Taking risks for starting a new business
Fulfilling his dream</td><td>Expectations:
Export import business</td></tr>
</table>

<table>
<tr><td>Persona 02</td><td colspan="2" rowspan="2">Name: Sudipta Dewan
Cleaner</td></tr>
<tr><td rowspan="4">Gender: Male
Location: Turku, Finland
Relationship Status: Married

Goals
To get quality life for family
To buy a convenience house
To build a safe carrier or business</td></tr>
<tr><td colspan="2">Sudipta dewan resides in Turku with his wife and child. His spouse is a Turku University master's student. He has a master's degree from the Asian University in Bangladesh. He has worked in banking for ten (10) years in Bangladesh. They are attempting to settle in Finland.</td></tr>
<tr><td>Likes
He likes to play football</td><td>Needs
Support to start a new business</td></tr>
<tr><td>Challenges
To get capital
Feelings helpless</td><td>Expectations:
Starting own business</td></tr>
</table>

<table>
<tr><td>Persona 03</td><td colspan="2" rowspan="2">Name: Syed Sharful Karim

Resturent worker</td></tr>
<tr><td rowspan="4">Gender: Male

Location: Turku, Finland

Relationship Status: Single

Goals

To get quality life.

To buy a convenience house.

To build a business.</td></tr>
<tr><td colspan="2">Syed Sharful Karim lives in Turku. He has a bachelor's degree and a master's degree in hotel administration from Cyprus, where he also worked as a chef for twelve (12) years. Now he works for Burger Company Oy, Finland.</td></tr>
<tr><td>Likes

He likes to make food</td><td>Needs

Guidance and support to start a new resturent business in Finland</td></tr>
<tr><td>Challenges

To manage capital
Understand Finnish language

Feelings helpless</td><td>Expectations:

Starting own resturent.</td></tr>
</table>

<table>
<tr><td>Persona 04</td><td colspan="2" rowspan="2">Name: Dhonia

Resturent worker</td></tr>
<tr><td rowspan="4">Gender: Female

Location: Turku, Finland

Relationship Status: Single

Goals

To overarching objective is to achieve financial independence.</td></tr>
<tr><td colspan="2">Dhoni, twenty-two years old, lives with her parents in Turku. She came from Iran, where she was twelve (12) years old and completed a high school degree in Finland. Now she works for Burger Company Oy, Finland.</td></tr>
<tr><td>Likes

She likes DJ.</td><td>Needs

Fixed and working capital to start a restaurant business.</td></tr>
<tr><td>Challenges

To get capital
Start own business</td><td>Expectations:

Starting own resturent.</td></tr>
</table>

Based on the interview results, four personas were created for this monitoring. Considering the differences in their ages, educational backgrounds, and occupations, they share many characteristics, which makes sense given their personalities, hobbies, and propensity for starting new businesses. During the interview, it became apparent that while they have a new business idea, merit, and prior business experience, they need more courage to take the risk and invest.

Islamic banking emphasizes ethical and open business practices. Their top priority is to walk you through the process and ensure you understand all the risks and costs that come with the goods and services. The Islamic banking model is based on the idea that the bank and the customer should share the risk and the profits. This is called the profit-sharing principle. A fairer distribution of income and wealth is made possible by this system of financial counterparty risk.

11 Customer journey map

Every journey map is focused on the experiences of one main character, such as a persona-based group of customers or employees. The main character's interaction with another person, a machine, or a digital interface can be considered a service point. Actions like walking or waiting are also parts of the customer journey. The level of detail for each step is based on the journey map's overall scale (Stickdorn, Hormess, Lawrence & Schneider, 2018, p. 45).

The main thing the Islamic banking and finance customer journey map shows is the path of a single customer. It started with why they wanted to be Islamic banking customers. This shows the whole user experience, including the process, pain points of pain, and emotional state of mind. I covered what happens before and after the core experience in an interview, even when it includes interaction with other services and providers.

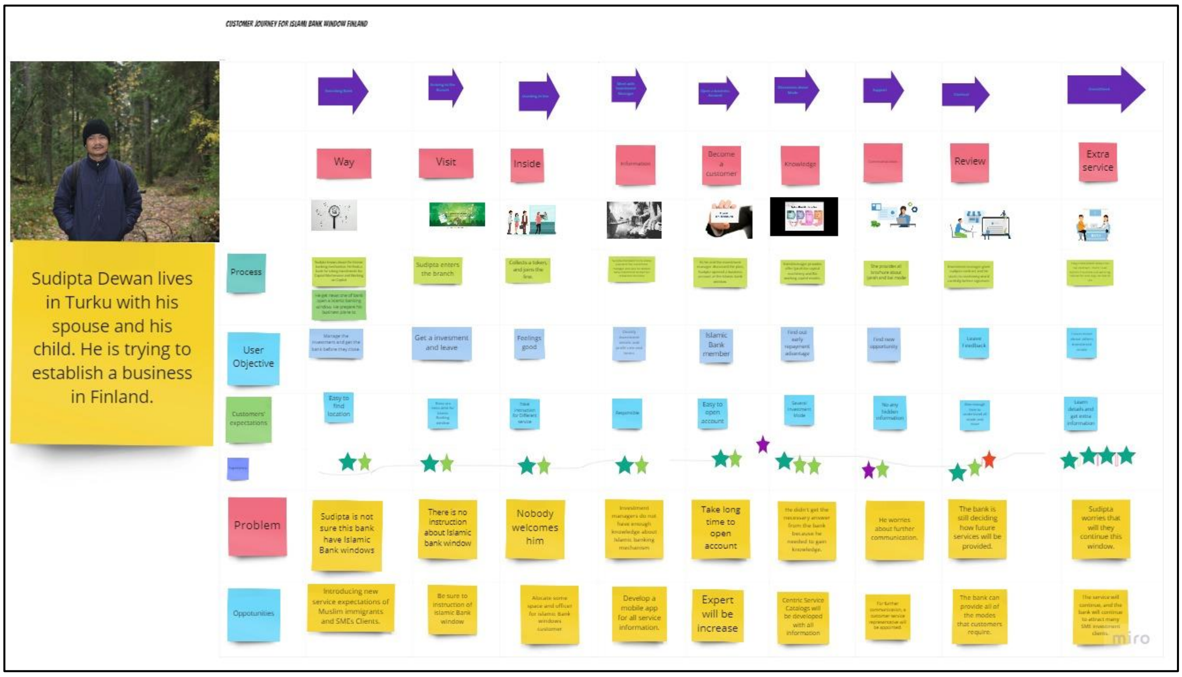

Figure 15: Customer Journey Map.

12 Service blueprint

A service blueprint is a diagram showing how people, props (physical or digital evidence), and processes directly connected to touchpoints in a customer journey work together. Service blueprint is related to a particular customer journey and the unique user goals included in that journey. If the same service can handle various scenarios, it might have many plans for it (Stickdorn, Hormess, Lawrence & Schneider, 2018, p. 45)

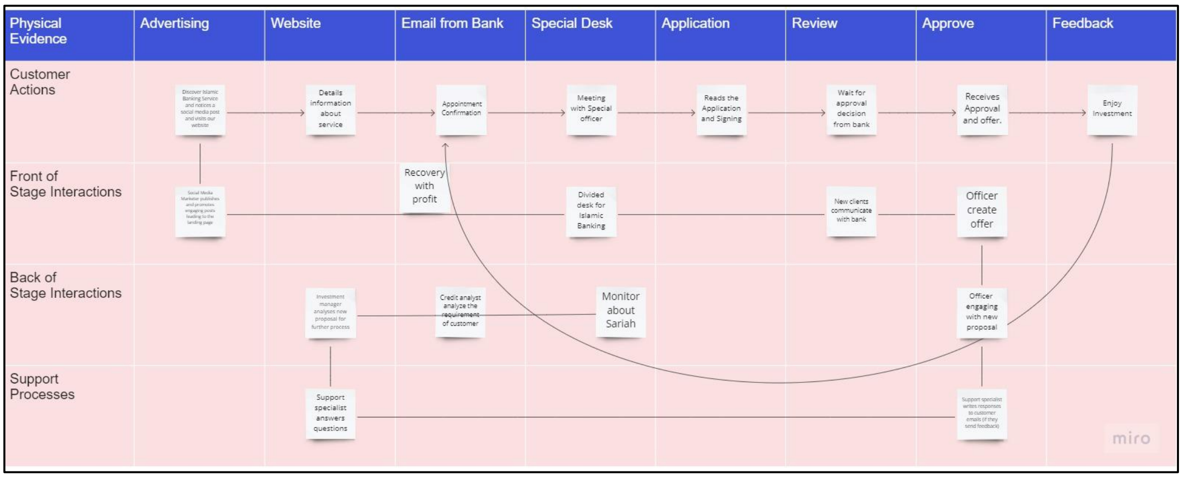

Figure 16: Islamic banking and finance service blueprint.

Journey maps and the idea of service blueprints are related. They are set up to connect the customer experience with the activities and support processes of front and back-office employees. Frontstage refers to individuals and operations with which the user directly interacts. Backstage refers to individuals and functions hidden from the user. Support procedures are actions carried out by other members of the Islamic bank or outside partners.

13 Conclusion

Islamic banking plays a crucial role in achieving Shariah's goals and promoting distributive justice and equality in financial transactions. Because of their moral profit-and-loss sharing banking concept, these banks encourage new and small businesses. Islamic bank or Finance are increasing their market and assets in Muslim countries and becoming a significant component of the global financial system. It was unquestionably one of its most rapidly expanding elements over the last several decades. Many European, American, African, and Asian countries have also started to introduce Islamic banking and finance along with conventional banking and finance. Implementing Islamic banking and finance worldwide requires designers to gather information and work in this sector.

The research questions were:

- What services or products are offered by Islamic banking or Finance?
- What factors are at play in the establishment of Islamic Finance?
- What challenges does Islamic finance face in non-Muslim nations?
- What is the Customers’ Preference in Choosing Islamic Banks?

The term Islamic banking and finance covers a wide range of financial goods and services. In many ways, conventional and Islamic finance products are similar. This is hardly unexpected given that their major objectives are the same—to make it simpler for someone with money to invest and utilize it for someone who needs it.

The research aimed to determine how well Islamic banking could work in Finland and other European countries. After studying the history of the Islamic banking and financial system, it is just like conventional banking and finance in terms of its principles and practices, except some aspects like interest and gambling. Its primary objective is not to make money for its stakeholders. Instead, this banking system works with its clients to reduce poverty and inequality in society while encouraging new business growth through profit- and loss-sharing agreements. According to this research, one must first be familiar with Shariah principles and the Islamic economy to understand Islamic banking and finance. To provide readers with a thorough understanding of how this financial system is growing and developing as an alternative to banking and finance, a brief explanation of Islamic banking and finance's history and current state on a global scale has been provided.

Shariah law, which is followed by Islamic banking, is sometimes highly strict and is not something that Western society is ready to tolerate. As a result, the initial customer segment for Islamic banking will be small and narrowly targeted. Islamic banking forbids the payment of interest and discourages alcohol consumption but almost all food stores in Finland sell alcoholic beverages. Doing business with these supermarkets would be difficult for an Islamic bank. Naturally, Islamic banking will find it challenging to uphold Islamic law in a legal system based on Western law.

While doing this research, I was introduced to several Islamic banking and financial instruments that require only a minimal investment, such as Mudharabah, Musharakah, Murabaha, Ijarah, and Salam. These products can be adjusted to satisfy the needs of business owners, entrepreneurs and newly established businesses. Some of these products are long-term in nature, but others are short-term in nature. One example of a short-term product is murabaha, which has higher risks than some long-term products but is particularly well suited for funding ongoing business operations and meeting the need for working capital. An Islamic bank's business strategy includes trading; hence, it must actively participate in trade and production activities. On the other hand, conventional banks work like moneylenders to trade rather than involve themselves directly in the trading business to make profits.

During the interview, it became clear that the respondents have a clear business ideas, merit, and prior business experience, but they need more courage to take risks and invest money. This research has gathered the results of several empirical investigations that may be analyzed from both the financier's and the entrepreneur's perspectives. According to this study, several Islamic banking and financial approaches can meet business owners' demands. For example, in Islamic banking, most clients do not need to give additional collateral. The bank involves in the trading; hence the product of the trade is treated as collateral which is called asset-backed financing which is one of the most essential components of Islamic banking and finance. As a result, lenders would be more willing to give capital to new entrepreneurs or small business owners.

The main principal of Islamic banking and finance is profit and loss sharing. Additionally, partnerships are no longer the primary method of conventional banking and financing. Instead, Islamic banking and finance place a focus on moral and transparent business operations. It is their top priority to walk the customer through the process so that they fully understand all of the costs and risks of the products and services. Islamic banking is based on profit sharing, which divides risk between the bank and the client. This system of financial counterparty risk makes it possible for wealth and income to be shared more fairly.

On the other hand, all conventional banks' financing and deposit side products are loan oriented, and they view lending money as a profit and a commodity. As a result, customers and banks have a creditor-debtor relationship. Additionally, conventional banks derive their earnings from the interest on loans and are typically less concerned with the profits earned by the clients. In the same way, conventional banks expect to make a set amount of money at the end of each trading period because the interest rates on the loans they give to consumers are fixed. As a result, conventional banks generate profits or income without limitations and do business in a more or less free market.

Both Islamic and conventional banks work toward giving their clients much-needed financial services by offering loans to fund investments and helping the clients maintain custody of their money. However, Islamic banks operate differently than conventional banks. They are frequently referred to as ‘ethical’ or ‘people-friendly’. In addition, Islamic banking is more business friendly than conventional banking since it encourages people to take out smaller loans rather than bigger ones and meet the demands of small business owners, entrepreneurs, and newly established businesses through the Islamic banking process.

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Appendix 1

Questions for the online Survey-

1. Would you please state your age?

- ◯ 20 - 30
- ◯ 31 - 40
- ◯ 41 - 50
- ◯ Above 50

2. How would you evaluate your job?

- ◯ Student
- ◯ Businessman
- ◯ Employee
- ◯ Unemployed

3. Are you a Finnish citizen?

- ◯ Yes
- ◯ No

4. If you are not a Finnish citizen, would you be interested in permanently living in Finland?

- ◯ Yes
- ◯ No
- ◯ Maybe

5. Do you have a bank account?

- ◯ Yes
- ◯ No
- ◯ Yes, I have more than one

6. When selecting a bank, what factors are most important to you?

- ◯ Religious issues
- ◯ Profitability issues
- ◯ Both
- ◯ None of them

7. Have you heard about Islamic banking and its advantages?

- ◯ Yes, I know
- ◯ Yes. I heard but don’t know the details
- ◯ I never heard about Islamic banking

8. Is Islamic banking meant for Muslims only?

- ◯ Yes
- ◯ No
- ◯ I am not sure

9. Do you believe that you need an Islamic bank Service?

- ◯ Yes
- ◯ No
- ◯ I am not sure

10. Why, in your opinion?

11. When your bank starts the concept of Islamic Banking (Profit and Loss sharing) in deposits and investments, do youthink it’s fair and logical?

- Yes
- No
- I am not sure

12. If your bank starts the concept of Islamic Banking (Profit and Loss sharing) in deposits and investments, do you take thisadvantage?

- Yes
- No
- I am not sure

13. Any additional feedback?

14. Email

Appendix 2

Questions for the selective person's interview

1. What do you do for living?
2. How long do you have this work?
3. What are your long-term goals?
4. What is your principal obligation in starting your own business?
5. When negotiating with your bank, what challenges do you typically encounter?

Appendix 3

Customer Journey Map.

Appendix 4

Islamic banking and finance service blueprint.