Declaration in lieu of oath

I hereby declare, under oath, that this master thesis has been my independent work and has not been aided with any prohibited means. I declare, to the best of my knowledge and belief, that all passages taken from published and unpublished sources or documents have been reproduced whether as original, slightly changed or in thought, have been mentioned as such at the corresponding places of the thesis, by citation, where the extent of the original quotes is indicated.

The paper has not been submitted for evaluation to another examination authority or has been published in this form or another.

Innsbruck, 16/ 07/ 2018

ADAPTABILITY OF ISLAMIC BANKING ACROSS THE EU REGARDING PUBLIC LENDING

– THE UNITED KINGDOM AND

THE SLOVAK REPUBLIC

Master Thesis

In partial fulfillment of the requirements
for the degree

"Master of Arts (MA)"

Master Program:

"International Business & Management"

Management Center Innsbruck

Supervisor:

Dr. Bernulf Bruckner

Author:

Barbora Adamcová

1710622001

Date:

16. 07. 2018

Barbora Adamcová

Abstract

Islamic banking belongs to the fastest growing areas of the global financial sector. The banks have already entered the EU market and operate in several highly multicultural member states. However, in other parts of the EU, the system is still not brought into existence. Due to the perceived dependency of Islamic banks on the Muslim minorities, concerns are raised about the ability of the financial system to operate in countries with low multiculturality. The thesis aims to evaluate the extent of adaptability of Islamic financing solutions in the financial markets of highly multicultural and low multicultural EU member states, more specifically, in the UK and Slovakia. Empirical data was collected through the means of semi-structured interviews and analysed by qualitative content analysis. Findings indicate that the extent of adaptability of Islamic financing products is limited to the usage by Muslim customers. There is only a minimal demand by other customer segments. Therefore, Islamic banks should focus on the improvement of product attractiveness and awareness, in order to expand operations and survive in highly multicultural countries. In low-multicultural member states, the opportunities are negligible; however, product attractiveness and educating customers would be prerequisites for entering the market.

(196 words)

Keywords: Islamic banking, Adaptability, Multiculturalism

Table of contents

List of figures

List of abbreviations

AD= Anno Domini

FDI= Foreign Direct Investment

GDP= Gross domestic product

HM Treasury= Her Majesty's Treasury

KPI= Key Performance Indicators

MiFID= Markets in Financial Instruments Directive

PSD= Payment Services Directive

SME= Small and medium-sized enterprises

1 Introduction

1.1 Current situation

Throughout the history of every nation, religion has always represented a crucial factor for its economic development. Islam has been particularly linked to the provision of Islamic financial services (Aioanei, 2007, p.7). Due to growing globalisation and migration, financial integration and liberalisation have also affected the performance of Islamic financial system and spread its operations to the surrounding markets (Musa & Musová, 2010).

The concept can be defined as a set of financial practices complying with the Koranic principles of Islamic religious law. The system puts emphasis on socially responsible investments, prohibition of interest as a source of revenue or operating in morally impermissible sectors (Musa & Musová, 2010, p. 1; Pepinsky, 2013, para.10). Proponents of Islamic banking argue that the core standards ensure greater stability in the economy and are more sustainable than its conventional counterpart. Furthermore, it is perceived as being less exposed to financial crisis and distress (Mauro et al., 2013, p. 45; Spangler, 2013).

Modern Islamic banking system emerged in the 70s (Musa & Musová, 2010, p. 1). However, the biggest growth has been experienced during the last decade as it has been expanding at the rate of 10-12% annually (Alawode, 2015, para. 3). Islamic banking grows at the accelerated pace, belonging to one of the fastest growing areas of the financial sector in the world (Musa & Musová, 2010, p. 1). Overall, there are more than 500 Islamic financial institutions active in 75 countries in the world. In 2013, Islamic banking industry accounted for a value of $ two trillion and is projected to rise to $ four trillion by 2020 (Alotaibi & Asutay, 2015, p. 8; The Guardian, n.d., para.8). Yet, it still accounts for rather small global market share (Mauro et al., 2013, p. 18). The banking system is tied up mainly with the religion itself. Islam is recognized to be the fastest expanding religion globally professed by 1.6 billion people (Aioanei, 2007, p. 9). Strengthened by ongoing migration, the demand for Islamic banking services appears to be international. In spite of their inherent operational differences, western banks realize the increasing value of Islamic banks and begin to manifest initial efforts to cooperate (Mauro et al., 2013, p. 20). The banking system has also gained increased attention from western investors and thus, the potential clientele started to spread across other continents (Aioanei, 2007; Alawode,

2015) As a matter of fact, 54 financial institutions are already operating on European grounds (Khan & Porzio, 2010, p. 2).

European market conditions are perceived as favourable for further market penetration. Not only there is a potential for market growth, but business activities between the EU and Islamic countries are also projected to increase. In addition, the EU legal framework offers friendly environment towards this business model (Deloitte, 2014b, p. 2). Several European banks and investment institutions to some extent adjusted their instruments to harmonize activities with the Islamic law (Khan & Porzio, 2010, p. 2). The first banks are already opened and attempt to target both Muslim and non-Muslim customer base (Aioanei, 2007, p.7). The banking is rooted in the UK financial sphere; the country currently offers a choice of six financial institutions and 20 lenders providing Islamic financial products (Kunova, 2017, para.1). France as the biggest source of Muslim minorities within the EU began to implement legislative changes to support pluralism in the financial sector. Moreover, Germany´s Deutsche Bank announced cooperation with Islamic banks, in particular creating a joint venture (Kern, 2011, para. 12-18).

However, in other parts of Europe, the system is still not brought into existence (Musa & Musová, 2010, p. 2). The ongoing challenge is to shift the mindsets of EU inhabitants and make Islamic banking generally accepted concept whose reach would go beyond Muslim communities (Aioanei, 2007, p. 16).

1.2 Problem statement

There are concerns about the ability of the financial system to operate in the EU due to a high number of member states and market rules (Khan & Porzio, 2010, p. 2).

There is plenty of literature providing analysis of challenges, trends, and current stage of adaptation of Islamic banking within the structures of the European Union. However, similar trends can be found. First of all, although researchers tend to claim that Islamic financial institutions attempt to reach both Muslim and non-Muslim clients, among their main strategic advantages and unique selling proposition is to provide religiously compliant products for only Muslim population (Aioanei, 2007). In 2016, 25,8 million Muslims resided in the EU, representing a share of 4,9% of EU population. By 2050 the percentage is projected to grow up to 7,4- 14%. However, differences in single EU member states are significant. The largest Muslim communities are located in France (8,8%), the UK (6,3%) and Germany (6,1%). On the other hand, the lowest representation of Muslim ethnicity can be found in Poland (< 0,1%), Slovakia (0,1%), Baltic states (0,1- 0,2 %) and the Czech Republic (0,2%). These countries with low Muslim population and low levels of immigration are perceived as resistant to future above-mentioned demographic changes (Pew Research Center, 2017). In spite of the abundance of literature on functioning and performance in various geographic contexts, there is still a lack of studies focusing on ordinary Muslims´ perspective as potential clients (Pepinsky, 2013, para.2).

Second of all, despite unified jurisdiction of the European Union, in practice, Islamic banking appears to operate only in Western countries with the highest multiculturalism or the highest Muslim population (Deloitte, 2014b). In the rest of Europe, there are not a lot of local institutions offering Sharia services for the public (Musa & Musová, 2010, p. 2). At the moment, institutions offering Sharia banking are active in Denmark, France, Luxembourg, the Netherlands and the United- Kingdom (Sharia Banking, n.d., para.9). As mentioned above, France has among all the European member states the largest Muslim community. Together with Germany, they are recognized to hold the greatest potential (Kern, 2011, para. 17). In addition, studies are also focusing on Italy, Ireland and Luxembourg (Deloitte, 2014b; Mauro et al., 2013). Other parts of Europe, such as Eastern European regions with low multiculturalism are omitted from analyses. There is also a misconception about Islamic banking as it often creates connotations concerning radical groups or cultures that can bias attitudes towards such a type of banking (Záhumenský, 2017, para.1; Zeman, 2015, para.1-2).

1.3 Research objectives and research questions

This thesis will provide theoretical and empirical arguments to answer following research questions:

- What is the extent of adaptability of Islamic banks in the financial markets of highly multicultural EU member states?
- To what extent can be Islamic banks implemented to the financial markets of low multicultural EU member states?

The purpose of the research is to examine and develop a common understanding of business opportunities for adoption of Islamic banking providing public lending (as a subgroup of Islamic finance service industry) within the European Union. As Muslim communities are recognized to be the main potential customer base, the research focuses on the adaptability in both, highly multicultural countries with large Muslim population, such as the UK and low multicultural member states where the Muslim representation is rather negligible, for instance, the Slovak Republic. Utilisation of results will provide recommendations for future expansion of Islamic banks across the EU.

To assess the extent of adaptability in high and low multicultural member states, three aspects will be taken into consideration. Firstly, the research will focus on the assessment of *ease of doing business* [emphasis added] within the member states, examining legal environments, existent barriers and willingness of conventional banks to cooperate (Ahmed, 2006, p. 79; The World Bank, n.d. a). Secondly, the research will assess the current level of *market penetration* [emphasis added], such as market share. Lastly, the level of *social acceptance* [emphasis added] will provide valuable information about the level of public awareness, attitudes towards Islamic banking and how various social aspects are affecting individual`s preferences (Khan & Asghar, 2012, p. 359).

This research does not intend to explore adaptability opportunities for every single member state within the EU. It rather provides recommendations for two preselected countries. Furthermore, the research will not contain step by step marketing strategy for market entry or further market penetration.

Lastly, several limitations connected with the research process need to be taken into consideration and explained. One of the most significant limitations is the lack of previous studies in the research area focusing on the applicability of Islamic financial services in the Slovak Republic. Current academic literature provides mainly information regarding western highly multicultural EU member states; therefore, a risk of minor controversies might increase. Moreover, limited access to confidential information of banks, due to their unwillingness to share certain data can partially hinder the ability of in-depth analysis. In addition, limitations concerning selected research methods play important role in the overall performance and final results of the research. This can include potential biases due to the subjective perception of interviewees or the fact that survey's sample size would not represent every social and economic group equally.

2 Literature review

2.1 Multiculturalism

Multiculturalism theory, as a part of political philosophy, focuses on appropriate understanding and responding to issues derived from cultural and religious diversity. Scholars recognize the existence of barriers that minorities are struggling with in order to pursue their social practices (Song, 2017, para.1-2). Song (2010), suggests that a proper response is to tackle cultural diversity with group-differentiated rights and accommodations (p.1). This can be achieved by implementing normative considerations in a form of various multicultural policies, which aim to provide cultural accommodation for diversified minorities (Vitikainen, 2017, para.1). As Song (2017) claims, multiculturalism is not only a matter of identity and culture; however, it embodies economic interests, as well as political power and its related disadvantages. Relationship between dimensions of ethnic identity and socioeconomic status is interactive and intersecting (as cited in Law, 2014).

2.2 Banking systems

2.2.1 Conventional banking system

Banks, in general, hold a dominant position as the most significant institutions in the vast majority of countries (Cerović, Suljić Nikolaj, & Maradin, 2017, p. 243). The conventional banking system has been established under the capitalism theory with operations being fully built upon manmade principles (Bakar, 2010, p. 13; Hanif, 2011, p. 166; Youssef & Samir, 2015, p. 164). The system acts as financial intermediation facilitating capitalization of projects and investments; whereas, the main objective lays simultaneously in own unrestricted profit maximisation (Ahmad, ur Rehman, & Saif, 2010, p. 138; Bakar, 2010, p. 13; Cerović et al., 2017, p. 243; Youssef & Samir, 2015, p. 164). In fact, banking sector in Europe offers a wide spectrum of diversified and multifunctional institutions providing a variety of financial products and services (Ahmad et al., 2010, p.137; Ayadi et al., 2016, p. 12).

History

Conventional banking system is rich in history with initial antecedents of banking being dated back to ancient times alongside with the start of the exchange of goods. However, only the invention of money prompted the actual emergence of conventional banks possessing the core form that has persisted till the present time (Cerović et al., 2017, p. 243). "The first beginnings of banking similar to modern conventional banking were seen in Italy, in the region of Lombardy, while Casa di San Giorgio in Genoa is considered the first bank and was established in 1407" (Cerović, Suljić Nikolaj, & Maradin, 2017, p. 243). Further advancement was boosted mainly due to increasing needs and capital allocation in area of trade and production. Conventional banking has experienced so far three major development phases caused by the shifts in the economic and political environment. While the process of bank concentration took place between the 19th century and the first world war, the inter-war period witnessed subsequent wave of bank specialisation. The third and the most recent development of modern banking was initiated by the process of globalisation. The phenomenon initiated so-called operational despecialization aiming to establish universal multi-service financial institutions; an attribute that is necessary for the future survival (Cerović et al., 2017, p. 243).

Characteristics

Conventional banks are obliged to guarantee all deposits of their clients (Bakar, 2010, p. 16; Youssef & Samir, 2015, p. 164). Besides money being recognized as a motivational driver, the system of conventional banks perceives money as a commodity, medium of exchange, and performing the function of storing value (Bakar, 2010, pp. 12-14; Youssef & Samir, 2015, p. 164). Furthermore, it puts emphasis on the concept of the time value of money and the whole risk is transferred to a counterparty (Ahmad et al., 2010, p. 138; Hanif, 2011, p. 166; Youssef & Samir, 2015, p. 164). Capital is, according to capitalism, one of the four factors of production; therefore, requiring fixed reward on return. This return is acquired in the form of a predetermined interest rate (Ahmad et al., 2010, p. 138; Bakar, 2010, p. 15; Hanif, 2011, p. 166; Kaleem & Isa, 2003, p. 2; Youssef & Samir, 2015, p. 164).

Lending and interest

An element of creditor-debtor relationship sets the basis for operations (Bakar, 2010, pp. 12, 16; Youssef & Samir, 2015, p. 164). In the spirit of capitalism, lending with a compounding interest rate belongs to the fundamental functions of banking institutions (Bakar, 2010, p. 14; Hanif, 2011, p. 167; Youssef & Samir, 2015, p. 164), wherein the interest is identified as "the price of credit and reflecting the opportunity cost of money" (Bakar, 2010, p. 12). Therefore, the interest is not only a vital driver of banking activities, it is also the major source of revenue and cost of funds (Hanif, 2011, p. 166).

"In fact, it is the time value of money that determines the interest rate offers: the longer the maturity of deposits, the greater the yield that must be offered to the depositor"(Kaleem & Isa, 2003, p. 2). The same applies to the loans, as the additional amount charged accrues with the length of the credit period (Hanif, 2011, p. 167). Fixation of the interest rate enables to obtain an overview respective costs and returns throughout the whole credit period (Kaleem & Isa, 2003, p. 2).

Since loss is a responsibility of a singular party and not further shared, penalties and additional charges can occur in case of a failure of defaulters (Bakar, 2010, p. 14; Youssef & Samir, 2015, p. 164). However, risks can be transferable at a calculated price (Bakar, 2010, p. 15).

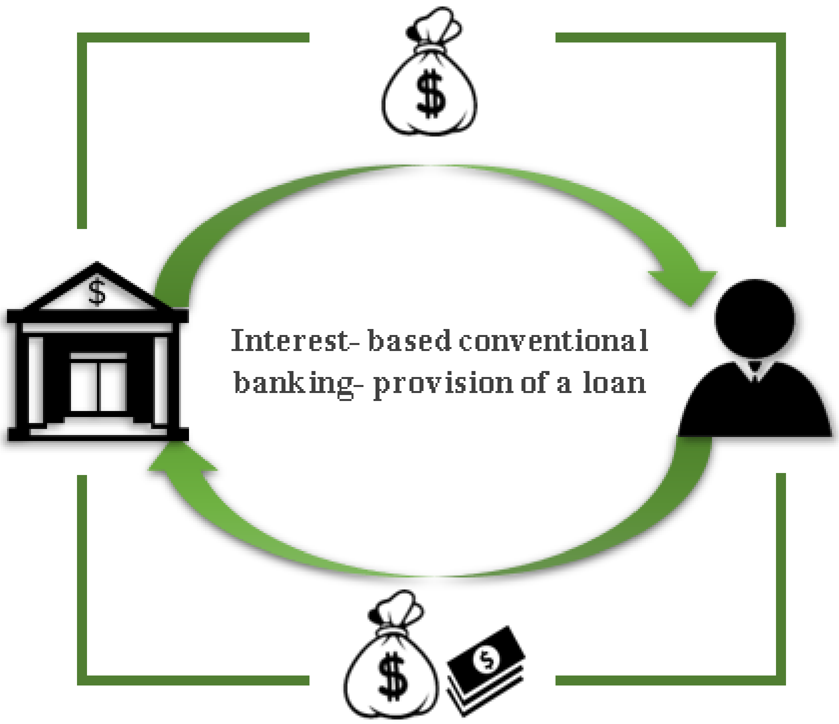

Figure 1: Conventional provision of a loan [Author's representation]

2.2.2 Islamic banking system

Islamic banking theory describes the banking system as being based on ethical principles and standards. Islam does not distinguish between sacred and secular; all aspects of life must comply with the divine law of Islam - the Sharia law. Unified jurisdiction is affecting all aspects of life, including social, religious, economic or political affairs, therefore, values of solidarity and fairness should be inscribed in financial and entrepreneurial activities, applicable in both private and public realms (Hanif, 2014, pp.4-6; Khan & Porzio, 2010, p. 6; Lewis & Iqbal, 2009, pp. 20-21). "Compliance with Sharia principles by Islamic banks should guarantee that they act ethically and do not exploit in any way their partners, whether these are their individual or corporate clients or other financial institutions" (Sobol, 2015, p. 186). Islamic finance principles have been enshrined in three main epistemological sources, the Koran, Hadith, and Sunnah of the Prophet Muhammad (Alotaibi & Asutay, 2015, p. 2). Islamic banking was primarily designed to meet demands of Muslim population and to provide Sharia-compliant solutions to replace questionable practices of conventional banks. However, these financial services are not solely focused on the mentioned target group (Hanif, 2014, pp. 3-4; Ibrahim, 2015, para. 2). In fact, scholars suggest that regarding transaction outcomes, there are no significant differences between conventional and Islamic banks; the systems vary in their philosophy and the process of transactions due to imposed restrictions by Islamic law (Abedifar, Ebrahim, Molyneux & Tarazi, 2015, p.637; Hanif, 2014, pp. 3-18, Ibrahim, 2015, para. 6).

Five pillars of Islamic banking

Five principles represent the main pillars and philosophy of Islamic banking system.

Riba

The fundamental distinction between Islamic and commercial financial institutions is the principle of prohibited riba, interest or any other kind of usury. The reason is the fact that profit is not acquired solely by "man´s work" (Khan & Porzio, 2010, p. 24; Hanif, 2014, pp. 9, Abedifar et al., 2015, p.637).

The implication originates from the Koran that emphasises repeatedly the condemnation of riba practices (Sobol, 2015, p. 186). According to Alotaibi and Asutay (2015), "social justice based perspective states that, by restricting usury (riba) and its associated practices the Islamic system tends to protect the poor from exploitation by the rich, which sooner or later would lead to social instability" (p. 2). Thus, abrogation of exploitation and unjust during an economic activity, regardless of the benefiting party, aims to achieve fair trade based on honesty in dealings (Alotaibi & Asutay, 2015, p. 10).

It is, however, necessary to point out that the concept of riba has never been firmly defined. Therefore, a substantial confusion regarding a common understanding of the term persisted. Whilst Islamic economists perceive riba as any kind of surplus from the principal amount, Islamic scholars identify it as a wealth not generated from a prior economic activity (Sobol, 2015, p. 186). Moreover, some academic literature claims obsolescence of the principle, as it belongs to the pre-Muslim period of ignorance; thus, the forbiddance should not be imposed on the interest as a whole (Mauro et al., 2013, pp. 13-14).

Gharar

Furthermore, avoidance of the risk and uncertainty, gharar, when entering into contracts is expected (Abedifar et al., 2015, p.640; Hanif, 2014, pp. 9-10; Sobol, 2015, pp.186-187). Balala (2011) suggests that the ignorance and lack of knowledge concerning the existence, characteristics of the subject matter, and related contract aspects are the cornerstones of the prohibition, as it can lead into unequal power distribution when bargaining (as cited in Sobol, 2015, pp.186-187). Such avoidance should in the aftermath facilitate open trade, which would benefit from its visibility and quality control (Alotaibi & Asutay, 2015, p. 6). Examples of areas of conventional banking where gharar has been identified are insurance contracts, futures, forwards, and other derivatives because there is no certainty in the future existence of a traded object (Mauro et al., 2013, p. 14).

Maysir

Likewise, speculative exploitation, known as maysir, falls under the subject of condemnation of Islamic finance (Abedifar et al., 2015, p.640; Hanif, 2014, pp. 9-10). Maysir is closely interconnected with gharar, since a certain level of uncertainty is required to execute speculations and gambling, including taking unjustified advantage of legal uncertainty for speculative purposes (Mauro et al., 2013, p. 14; Sobol, 2015, p. 187). Not only is the practice linked to "diverting resources from productive activities" (Mauro et al., 2013, p. 14), maysir is also accused of the being responsible for several severe financial crises (Mauro et al., 2013, p. 14).

Halal vs. haram

The fourth principle, halal, defines permitted areas of doing business. In other word, halal identifies where business can be conducted. Prohibited business activities are predominantly linked to alcohol, arms, pork, tobacco, gambling, pornography, or adultery, which are against Sharia law and identified as haram. Therefore, irrespective of profitability, it is explicitly forbidden to engage in the trade of these items (Hanif, 2014, pp. 9-10, 18; Mauro et al., 2013, p. 15; Sobol, 2015, p. 186). Furthermore, due to an inability to facilitate loans to personas and organisations involved in illicit industries, its significance arises especially in case of Islamic investment banks where the client has an assurance that entrusted capital won't support unethical purposes (Sobol, 2015, p. 187).

Profit and loss sharing

Lastly, the profit and loss sharing attribute plays an important role in Islamic banking (Abedifar et al., 2015, p.640; Hanif, 2014, pp. 9-10). This principle sets the basis for all economic operations on the participation model, whichopposes the conventional understanding of transactions wherein all the risk is borne by a single stakeholder. Instead, this instrument suggests rather a partnership relation between a bank and a debtor. (Sobol, 2015, p. 187). In fact, "there is no guaranteed rate of return on the investment, since income depends on the profit earned by the partnership company and may possibly result in losses" (Sobol, 2015, p. 187). As Mauro et al. (2013) stated, replacement of predetermined interest rates with profit achieves better depiction of a real economic activity, together with greater ethics and fairness (p. 15).

An overview of the five main principles can be observed in the figure below.

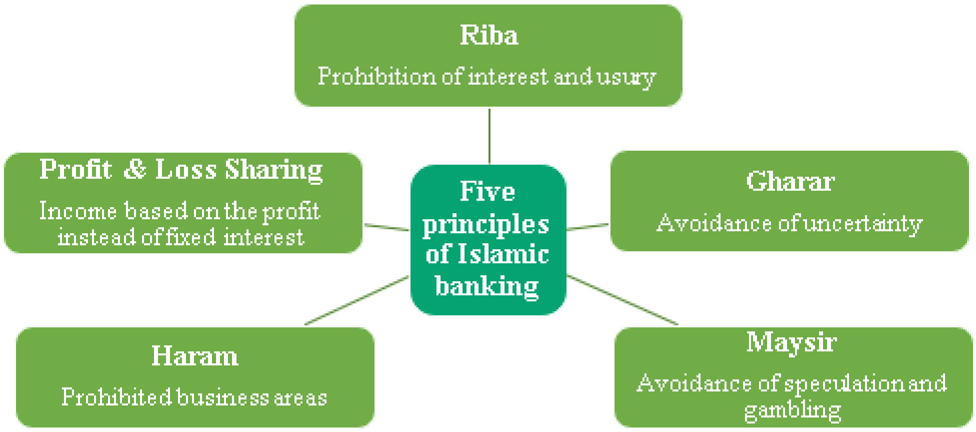

Figure 2: Principles of Islamic banking [Author's representation]

Financial instruments

Financial instruments offered by Islamic banking institutions have to gain an official approval from a Sharia board prior to launch (Sobol, 2015, p. 189). Hence, it is certain that the financial products comply with specifications "acceptable under traditional Islamic legal doctrine" (Mauro et al., 2013, p. 15). Islamic products can be divided into two main sub-categories: profit and loss sharing instruments, and mark-up contracts. In addition, Islamic Sukuk is almost an equivalent certificate to bonds. It is necessary to point out that certain products face a level of scepticism due to existing doubts regarding their Sharia compliance (Mauro et al., 2013, p. 16).

Profit and loss contracts

Derived from the participation model profit and loss contracts are more acceptable in terms of Sharia law. Two main financial models can be identified: *musharaka* and *mudaraba* [emphasis added] (Mauro et al., 2013, p. 16; Sobol, 2015, p. 187).

The essential difference between the two types of contract is that while in case of musharaka, the contract is based on a joined ownership and shared conferred capital, under mudaraba, the financial capital is fully provided by only one party, a bank, to another participant. Ownership rights remain with the bank. Musharaka ensures similar rights and liabilities; profits are shared in accordance with a ratio set in the contract and losses are allocated proportionally to contributed capital. On the other hand, mudaraba suggests profit-sharing practices based on pre-arranged percentage, while losses are solely borne by the financial contributor unless the loss resulted from a mistake of the second counterparty. In the former case, implementation and management business activities are shared. The latter case divides clearly the accountability between the parties, provision of financial means belongs to the bank and the receiver is responsible for an involvement in managing operations (Mauro et al., 2013, p. 16; Sobol, 2015, p. 187).

Despite an assumption of dominance linked to the practical use of above-mentioned instruments, “they play only a secondary role. The reason for such a situation lies in the fact that there are many problems associated with those modes of finance” (Sobol, 2015, p. 188). For instance, existing information asymmetry leads to a risky behaviour of the debtors (Sobol, 2015, p. 188). Musharaka is, furthermore, limited in terms of implementation, as the long-term nature of the product opposes short-term maturity of the majority of Islamic deposits. Moreover, it suffers from the lack of support on behalf of small businesses, which are rather reluctant to external interventions (Mauro et al., 2013, p. 16). According to Chapra (2009), risk sharing principle of profit and loss tools stimulate Islamic banks to take on more careful approach towards lending, risk assessment, and subsequent monitoring (As cited in Sobol, 2015, pp. 187-188).

Mark-up contracts

Mark-up contracts, the second sub-category, are frequently utilized financial products at the current market (Mauro et al., 2013, p. 16; Sobol, 2015, p. 188). “In this case, the remuneration does not explicitly refer to the temporal dimension and is thus considered the compensation for a commercial service (...) or for the use of a good" (Mauro et al., 2013, p. 16). These trade-based or asset-based instruments encompass a fee from a purchase of goods, which the funding was intended for. In fact, the cashflows resemble those of a conventional nature (Mauro et al., 2013, p. 16). Types of mark-up contracts include the following:

- Murabaha: Under this contract, a requested commodity is purchased by a bank and subsequently sold to the counterparty with an additional margin. Price is payable at the end or in a form of instalments (Mauro et al., 2013, p. 17; Sobol, 2015, p. 188). Even though it is one of the most popular tools (Mauro et al., 2013, pp. 16-17), murabaha is rather controversial as the mark-up fee is often derived from an interest rate; thus, its compliance with Sharia is doubted. As a result, the contract can be utilized only temporarily when neither musharaka nor mudaraba can be implemented (Sobol, 2015, p. 188).

- Salam: It is a very specific short-term contract (Sobol, 2015, p. 188) facilitating “deferred sale of an asset with an immediate payment of the price involved” (Mauro et al., 2013, p. 17).
- Istisna: The contract is similar to salam . However, payment is done via instalments proportional to the stage of asset’s development; therefore, Istisna is suitable for the financing of projects and constructions (Mauro et al., 2013, p. 17; Sobol, 2015, p. 188).
- Ijara: This contract is an instrument similar to the leasing contract, whereby an asset remains under the ownership of a lessor and its usufruct is leased to a client against the fee for a pre-agreed time period (Mauro et al., 2013, p. 17; Sobol, 2015, p. 188).

“Finally, there is also financing free of charge (qard hasan), which is intended for individuals or companies in financial difficulties and is merely a form of charity” (Mauro et al., 2013, p. 17).

An overview of financial instruments can be found below:

Figure 3: Islamic financing instruments [Author's representation]

Main differences with conventional banks

Conventional banks differ from their Islamic counterparts in the core of their operations and in their product offer. These differences are observable in both cases of deposits and financing. The most significant difference regarding deposits is in the nature of rewards. Under conventional system, the reward is agreed upon in advance and fixed, whereas Islamic reward can vary. Moreover, in contrast with its conventional counterpart, both risk and the subsequent reward are shared with depositors. Western banks bear all the risk, as well as they receive the whole reward (Hanif, 2014, p.11). Although both institutions are providing financing, Islamic banks are only allowed to issue interest-free loans. These banks can, however, receive a profit on investments by providing required assets to clients. These conditions significantly influence the ability and manner in which banks operate in all areas of financing, including overdrafts, short-term, medium and long-term loans, leasing, agricultural loans, house financing, and investments (Hanif, 2014, pp. 12 - 17). Contrary to interest-based transactions built on a principle of rationality, the theory of Islamic moral economy rather embraces social responsibility and justice (Alotaibi & Asutay, 2015, pp. 3, 13).

Islamic banking and the EU

Due to its presence in the EU jurisdiction, Islamic banking system is under regulatory measures of the Basel Committee on Banking Supervision, whose main purpose is to foster financial stability, resilient banking system, and quality of banking control (Harzi, 2011, p.1; Spinassou & Wardhana, 2018, p.2; Zinsa & Weill, 2017, para.6). Islamic banking has been substantially affected by the reforms of Basel II, focused on stability and solvency of the industry, Basel III, aimed to prevent future financial crisis, as well as Basel IV, which is considered to be a future game-changer for the European banking industry (Harzi, 2011, p.1; Kahf, 2005, p. 294; Schneider, Schröck, Koch & Schneider, 2017, p. 5).

2.2.3 Development of Islamic banking

Origins

In spite of the general belief, Islamic finance cherishes a considerably long history with origins dating back to approximately 1400 years ago. Historians point to existing written records from early years of Islam, which indicate an occurrence of banking activities comparable to modern financial transactions during the sixth and seventh century AD. Furthermore, around the eighth century AD, goods Sukuk were a frequently utilized mean of payment to state employees, including soldiers (Alharbi, 2015, p. 12; Alharbi, 2016, p. 110; Alotaibi & Asutay, 2015, p. 7; Financial Services Review, 2008, p. 12). It is, however, necessary to point out that these banking activities did not require institutional engagement; therefore, banking institutions in the Muslim world did not appear for centuries (Alotaibi & Asutay, 2015, p. 7).

In the Middle Eastern trade of medieval times, Sharia was encompassed by financial transactions which incidentally corresponded with the principles existent in Europe at that time (Financial Services Review, 2008, p. 10). Growing trade relationships between the Middle East and Europe and increasing Western influence through colonization led to the creation of interest-based branches of European banks in these geographical areas. Despite few initiatives, for instance, Ottoman-Spanish trade establishments based on profit-loss sharing principle without interest, Western economic role and conventional financial model became predominant and was adopted in Islamic countries in the 19th century (Alharbi, 2015, p. 13; Alharbi, 2016, p. 111; Financial Services Review, 2008, p. 10). For instance, Egypt´s first conventional bank, Bank of Egypt, was opened in 1856 and operated for over 50 years (Alharbi, 2015, p. 13; Alharbi, 2016, p.111). Yet, at the end of the century and the beginning of the 20th century, traces of the interest-free economy could be still found in Muslim areas and Indian sub-continent (Alotaibi & Asutay, 2015, p. 8). One of the first experiences of European banks with the non-interest financial model in the recent history took place at the beginning of 20th century. Eastern Bank (today Standard Chartered) operating in Bahrain and Dutch National Handelsbank (today ABN-Amro) with a branch in Jeddah could engage in business transactions under the condition of absolute interest avoidance (Sobol, 2015, p. 189).

Notwithstanding, the expansion of conventional banks across Islamic countries persisted until the middle of the 20th century. Independence of colonies and related attempts to recreate Islamic identity, however, triggered the resumption of Islamic finances (Alharbi, 2015, p. 13; Alharbi, 2016, pp. 111-112; Alotaibi & Asutay, 2015, p. 7).

First attempts

An essential cornerstone in the re-emergence of Islamic finance is the year 1963. The foundation of Egyptian local saving Bank Mit Ghamr commenced the development of modern Islamic banks (Alharbi, 2015, p. 14; Alotaibi & Asutay, 2015, p. 8; Sari, Bahari, & Hamat, 2016, p. 178). Many academics perceive it as the first attempt of Islamic banking in the modern era. The institution ceased in 1967, as it merged with government banks. However, despite firm's short existence, its significance remained (Alharbi, 2015, p. 14; Alotaibi & Asutay, 2015, p. 7; Financial Services Review, 2008, pp. 10-11; Sari et al., 2016, p. 178). "It is believed that the establishment of Bank Islam Mit Ghamr paved the way for the establishment of Islamic banks" (Sari et al., 2016, p. 178). Further attempts occurred in 1971 when Nasser Social Bank was founded in Egypt. The bank was interest-free and a member of International Union of Islamic Banks (Alharbi, 2015, p. 14; Alotaibi & Asutay, 2015, p. 8; Financial Services Review, 2008, p. 11).

Growth

Events of the 70s initiated exponential growth of Islamic banks in terms of both quantity and size (Alharbi, 2015, p.15; Alharbi, 2016, p 112; Sari et al., 2016, p. 178). The private sector, especially in the Gulf States, played a pivotal role in the subsequent development of Islamic financial institutions (Sari et al., 2016, p. 178; Sobol, 2015, p. 185). In fact, "almost all the Islamic banks that were established in the 1970s were partly or even totally funded by oil-linked wealth" (Sobol, 2015, p. 185).

In 1974, Islamic Development Bank was established with the purpose to foster an economic and social development of member states and Muslim communities in line with Sharia principles (Alharbi, 2015, p. 14; Alotaibi & Asutay, 2015, p. 8; Sari et al., 2016, p. 178). Thus, the first international Islamic bank significantly affected further Islamic movement in the financial industry (Alharbi, 2015, p. 14). In addition, the first commercial Islamic bank named Dubai Islamic Bank was founded one year later (Alharbi, 2016, pp. 111-112; Alotaibi & Asutay, 2015, p. 8; Sari et al., 2016, p. 178).

This trend endured throughout the following decades and by 2009, a significant increase in business presence could be observed in both Arab and non-Arab countries (Alotaibi & Asutay, 2015, p.9). "Finally, the current financial crisis has played a role by reducing the relative strength of the conventional banking system. Islamic banks have managed to avoid the effects of this crisis, which has strengthened their position and financing model" (Alharbi, 2015, p. 20). From 2010 onward, the growth rate seemed to slow down. Nevertheless, the overall pace of growth maintained high (Alotaibi & Asutay, 2015, p. 9).

Europe & The UK

Substantial financial industry developments were not limited to predominantly Arab countries. Europe experienced significant developments in the late 1970s as well (Alharbi, 2016, p.112; Sobol, 2015, p. 189). Since Islamic banking was perceived as a new promising profitable business model, European countries saw first initiatives being taken. The establishment in 1978 of Islamic Finance House Universal Holding S.A. in Luxembourg was the very first attempt to bring Islamic banking system in the Western world. Later, in 1981, Dar Al-Maal AlIslami Trust established its headquarter in Switzerland and the UK´s Al-Baraka Intentional Company initiated their operations (Alharbi, 2015, p.20). Al Baraka International Bank targeted the British Muslim community, specifically, the wealthy class of Arab population residing temporarily in the city of London. The business enjoyed growing success and by the 90s, the bank´s client base reached almost 12 000 people. However, due to latter regulatory problems, the bank was forced to cease operations and continue only as an investment institution (Alharbi, 2016, p. 121; Sobol, 2015, p. 189).

Even though Luxembourg enjoys historical primacy, the UK has been recognized as the main gateway through which Islamic banks have penetrated the European market. In fact, a long-term encouragement of these activities led the UK to become the European hub of Islamic finances (Alharbi, 2016, p. 121). In the 1980s, European banking institutions, especially in the UK, began to offer liquidity management solutions for newly established Islamic banks from the Middle East which were unable to utilize interest-based conventional instruments. A handful of London-based banks, in particular Saudi International Bank and the United Bank of Kuwait, facilitated provision of liquidity management services in accordance to Sharia principles, encompassing murabaha overnight deposits conducted via London Metal Exchange (Alharbi, 2016, p. 121; Mauro et al., 2013, p. 28; Sobol, 2015, p. 189).

Dedicated to overcome challenges faced by the Islamic banking system once incorporated into the British legal framework, a special committee was appointed in 2001 to identify and tackle main obstacles of the system (Sobol, 2015, p. 190). Besides numerous taxation changes, supervision, and legislative improvements regarding Sukuk to accommodate Islamic finance in the system more effectively, the abolishment of the double stamp duty in 2003 is seen as one of the most important measures. Islamic mortgages were subject to taxation twice: when a property was purchased by the bank and then once it was transferred to the client. It is believed that the removal helped to equalise the competition of UK Islamic banks with their conventional counterparts and increased customer demand of home financing (Alharbi, 2016, p. 122; Mauro et al., 2013, p. 29; Sobol, 2015, p. 190).

The crucial breakthrough took place in August 2004 when the UK´s first fully-fledged Islamic bank came into existence. The Islamic Bank of Britain was not only the first one operating in the country, but also in the whole European Union. Authorisation and regulation were carried by the Financial Services Authority of the United Kingdom, which in the following years provided licences to other Islamic banks, such as European Islamic Investment Bank or Bank of London and the Middle East (Alharbi, 2015, p.20; Sobol, 2015, p. 190). The situation further developed in 2005, when the first European and UK corporate Sukuk was launched (Alharbi, 2016, p. 122; Mauro et al., 2013, p. 29).

However, in other parts of the EU, there were no banking institutions in existence which were wholly Islamic yet. Only a limited offer of services in a form of Islamic windows could be found in Germany, France, and Luxembourg. It was not until 2014, when the first fully-fledged Islamic bank in Eurozone, Luxembourgish Eurisbank, opened its door (Sobol, 2015, p.191). In the same year, the government of the UK "sold £200 million of Sukuk, maturing 2019, for investors based in the UK and in major hubs in Islamic finance industry around the globe making it the first EU country to issue sovereign Sukuk" (Alharbi, 2016, p. 122).

The figure below provides an overview of the historical development of Islamic banking.

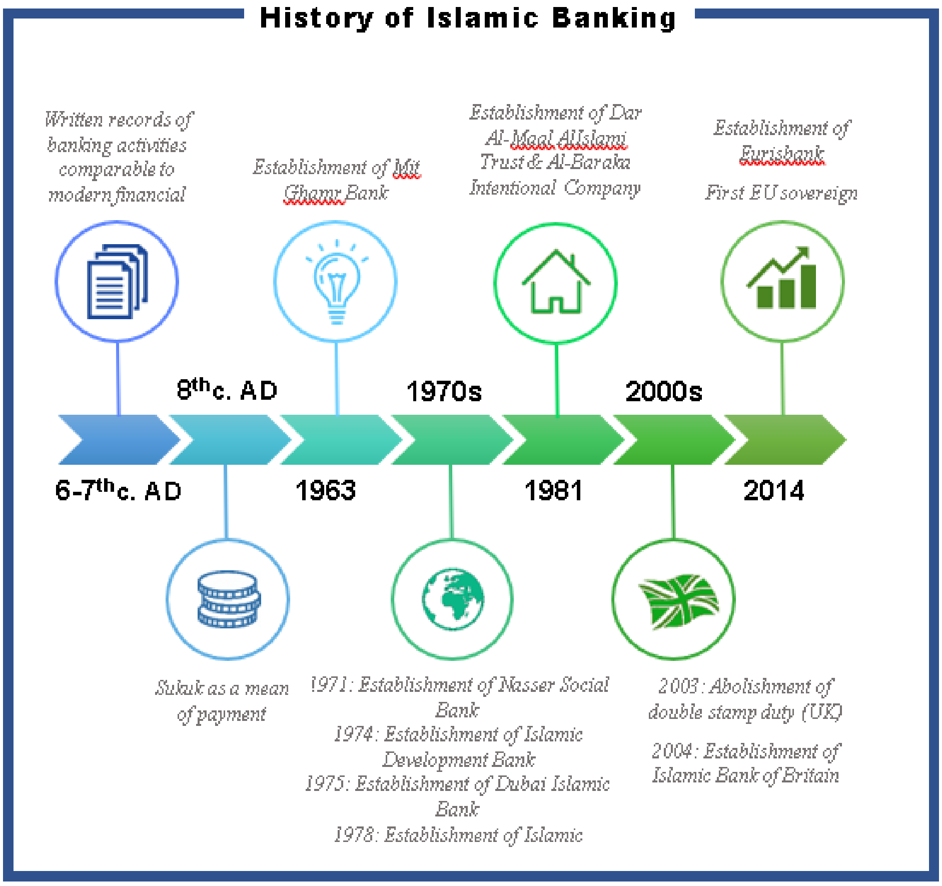

Figure 4: History of Islamic banking [Author's representation]

2.2.4 Recent developments

In spite of its rich history, the biggest advances have been, however, observed during the last decade. The Islamic banking industry has been expanding at the rate of 10-12%

annually (Alawode, 2015, para. 3; Mauro et al., 2013, p.19). Due to its accelerated pace, it belongs to one of the fastest growing areas of the financial sector in the world (Alotaibi & Asutay, 2015, p. 8; Mauro et al., 2013, p.19; Musa & Musová, 2010, p. 1). Not only the financial system has internationalized and geographically expanded, it has gained a substantial global recognition (Alotaibi & Asutay, 2015, p. 8). Islamic finance is growing in significance, as well as having lasting impact on business and trade globally; yet, it still accounts for relatively small market share (Alotaibi & Asutay, 2015, p. 8; Mauro et al., 2013, p. 18; Riaza, Burton, & Monk, 2017, para.1; Sobol, 2015, p. 185).

"The number of banks offering Islamic financial services is growing and is no longer limited to small niche banks, and large conventional banks are offering Islamic finance through their 'Islamic Windows' "(Financial Services Review, 2008, p. 11). Some conventional banking institutions have even transmuted entirely into Islamic banks (Alharbi, 2015, p.15). Overall, there are more than 500 Islamic financial institutions active in 75 countries in the world. In 2013, Islamic banking industry accounted for a value of $ two trillion and is projected to rise to $ four trillion by 2020 (Alotaibi & Asutay, 2015, p. 8; The Guardian, n.d., para.8). The greatest presence has been noted mainly in Gulf Cooperation Council countries, South and Southeast Asia; however, penetration of the financial markets can be seen in areas with Muslim minorities, such as Australia, Europe, and the USA (Alotaibi & Asutay, 2015, pp. 8-9; Sobol, 2015, p. 185).

Islamic banking in the EU is still in its infancy and there is rather a hesitance regarding the future feasibility of Islamic banks becoming an equally competitive alternative to their conventional counterparts (Sobol, 2015, pp. 185-189). Nevertheless, they are recognized to be system´s "viable addition" (Sobol, 2015, p. 185). The growth potential is exponential due to growing Muslim minorities, governmental incentives, desires to seek alternative solutions triggered by the financial crisis, achieve diversification, and to lure liquidity from emerging markets (Alharbi, 2015, p. 20; Mauro et al., 2013, pp.19-20).

"The UK belongs to the top western countries with the most developed Islamic financial market. Furthermore, it draws the attention as an attractive destination for foreign financial organizations offering Sharia-based products (Mauro et al., 2013, p. 28). "The British government has asserted its explicit desire to tackle the financial exclusion of UK-based Muslims and support ethical practices in the sector more widely" (Riaza et al., 2017, para 3). As a result, the banking is deeply rooted in the UK financial segment. At the moment, one can choose from six financial institutions and 20 lenders providing Islamic financial instruments (Kunova, 2017, para.1). France as the biggest source of Muslim minorities within the EU began to implement legislative changes to support pluralism in the financial sector. Moreover, Germany´s Deutsche Bank announced cooperation with Islamic banks, in particular, creating a joint venture (Kern, 2011, para. 12-18). However, none of these two countries has fully-fledged Islamic bank present in the market (Sobol, 2015, p. 191).

2.2.5 Cooperation between Islamic and conventional banks

According to Abedifar, Hasan, and Tarazi (2016), in a dual financial system, Islamic and conventional banks do not only supplement each other, but they compete for clientele and investments (para. 7).

> Islamic banks are now an integral part of the banking system, not only in Islamic countries but also in the West. They operate parallel to conventional banks both within the banking system of their own countries and in respect of international financial and business operations. Therefore, conventional and Islamic banks are forced by circumstance to establish correspondent relationships. (Interaction with conventional system, n.d., para. 4)

Conventional banks realize steadily increasing value of Islamic financial markets as they create significant business possibilities to either provide alternative financial solutions or establish cooperation (Cerović et al., 2017, p. 244; Ullah, 2007, p. 241). However, the extent of cooperation has been due to their core differences rather limited (Ullah, 2007, p. 242). Islamic counterparts are not able to engage in many business activities such as borrowing and lending due to its interest-based nature; notwithstanding, there are areas of business where Islamic financial institution can participate (Interaction with conventional system, n.d., para. 1).

Cooperation activities can be observed on local and international level or expected to occur in following areas:

- Financing of large-size development projects
- Co-financing of projects
- Leasing, lines of leasing, and hire purchases
- Joint equity participation

- Financing of foreign trade
- Correspondent banking services that are not against Sharia principles
- Consultation, training, and exchange of business information (El-Gawady, 2004, p. 29; Interaction with conventional system, n.d., para. 1-5; Ullah, 2007, pp. 241-258)

Stages of integration of Islamic financial system

The following sections provide an overview of the main integration stages of Islamic banking services within a conventional financial market. The nascent stage is characterised by a limited provision of Islamic financial products, followed by an establishment of fully-fledged Islamic banks in the sector. The third, final stage, is identified by an incorporation and expansion of Islamic financial products by other non-bank financial organisations (Solé, 2007, p.7).

Islamic financial instruments

The first stage can be accomplished by two means, either by a foundation of so-called *Islamic windows* [emphasis added], or through Islamic investment banking. In the former case, conventional banks begin to offer a range of Islamic financial products to enlarge their customer base either by reaching an ever-growing Muslim population or by attracting foreign investors interested in Sharia-compliant instruments (Cerović et al., 2017, p. 244; Solé, 2007, p. 7). Shortly said, conventional banks incorporate a special department utilizing solely Sharia-compliant products into its already existing branch structures. Usually, the instrument spectre encompasses safekeeping of deposits and trade-finance products for SMEs (Salim, 2017, p. 3; Solé, 2007, p. 8). Latter case facilitates Sharia-based investment solutions to further proliferate and penetrate the financial markets (Solé, 2007, p.8). While conventional institutions aim to tap the market potential of Asian and Gulf Cooperation Council states, lenders are in return enabled to access Western markets without breaching Islamic jurisprudence (Solé, 2007, pp. 8-9).

Establishment of full-fledged Islamic bank

The second integration phase builds on the success of the previous one. "As the activities of the Islamic window expand, the bank may consider fully segregating the window into a separate subsidiary" (Solé, 2007, p. 8). Another alternative is a conversion into a wholly Islamic bank to demonstrate greater commitment and credibility. These means allow financial institutions to better exploit knowledge concentration and economies of scope, as well as offer a wider range of Sharia-compliant products and services (Salim, 2017, p. 3; Solé, 2007, p. 9). However, "Shariah scholars have raised concerns regarding the legitimacy of establishing Islamic subsidiaries (...) because it is not guaranteed that the funds provided by the parent bank will originate from Islamic compliant sources" (Solé, 2007, p. 9).

Non-bank Islamic financial institutions and products

Finally, if the previous business model proves to be viable in practice, other Islamic institutions and instruments might establish their presence, such as products focused on insurance, derivatives, investment funds, and Sukuk. It is necessary to point out that the list of Islamic instruments is not finite; therefore, the future business opportunities are continuously evolving (Solé, 2007, p.11).

2.3 Analysis of the markets

2.3.1 PESTEL analysis

PESTEL framework is a strategic analytical tool aimed to identify main external macroeconomic factors in the business environment. The analysis describes main trends that influence organisations, both directly and indirectly in any industry. The acronym stands for six core elements: political, economic, social, technological, environmental and legal factors, and it is considered to be a scanning component of strategic management (Ab Talib, Hamid, Zulfakar, & Jeeva, 2014, p.121; Gupta, 2013. p.35; Mullerbeck, 2015, p. 1-2; PESTLE Analysis: Strategy Skills, 2013, p. 2; Yüksel, 2012, p. 53)

The above-mentioned analysis cannot be, however, directly conducted prior to objective assessment of its attributes, in particular, the description of main limitations. Although PESTEL model is a frequently chosen method, it is recognized to lack objectivity and a sufficiently detailed examination. Missing quantitative approach to measurement due to qualitative nature of the factors inhibits objective analysis. Furthermore, the unequal relative significance and inter-dependence of separately measured PESTEL factors are not taken into consideration, and therefore, hindering the practical application of the conceptually prescribed holistic approach (Yüksel, 2012, p. 53).

Nevertheless, PESTEL analysis provides an extensive overview of the conditions within a country or organisation; thus, it is should be taken into consideration when engaging in an organisational strategic planning or decision-making process (Mullerbeck, 2015, p. 1; PESTLE Analysis: Strategy Skills, 2013, p. 5; Yüksel, 2012, p. 53).

The Slovak Republic

This section provides information with regard to external factors influencing banking industry in the Slovak Republic

Political Factor

The Slovak Republic emerged after the dissolution of Czechoslovakia in 1993 (BBC, 2018, para. 2). Slovakia joined the European Union in May 2004 and entered Eurozone and Schengen Area in 2009 (BBC, 2018, para. 4-6, 20-21; Government Office of the Slovak Republic, n.d., para. 8; World Trade Organization, n.d., para. 20; Zenkner, n.d., para. 1). Foreign direct investment is highly encouraged through an establishment of low tax rates and various government incentives, as it belongs to one of the strongest driving forces of the economy (Santander, 2018a, para. 6).

<u>Political stability and corruption</u>

In 2016, the country scored 0,6 in the political stability index, wherein -2,5 signifies instability and 2,5 indicates strong stability (The World Bank, 2016; Slovakia: Political stability, n.d.). In addition, according to Marsh's 2018 Political risk map, the Slovak Republic delivers moderate results in the operational risk index, shows relative stability regarding political and country risks, and demonstrates greater stability attributes in the economic risk index (Marsh, n.d.). However, due to the recent development of events which has shaken Slovak politics, the future ranking might have been affected. Murder of a Slovak journalist Ján Kuciak, investigating government corruption, has revealed an alarming presence of Slovak oligarchy, which substantially hinders domestic investigative journalism. In the aftermath, the country experienced large political turbulences as nationwide protests took place and forced the long-time prime minister to resign (BBC. 2018, para. 11 -17; The Economist Intelligence Unit, n.d., para. 1).

Corruption represents an issue within the country, especially due to a number of high-level corruption scandals in Slovak politics. Transparency International ranked Slovakia 54th in the 2016 and 2017 Corruption Perceptions Indices. Even though the government has already implemented several measures to mitigate the corruption, yet the efforts were ineffective (EBRD, 2017, p. 20; Transparency International, 2018, para. 5).

<u>Macroprudential policy</u>

As a reaction to economic developments, in particular, global financial crisis, macroprudential policy concept has been introduced. It opposes traditional understanding of maintaining the stability of individual financial institutions and focuses rather on stabilizing the financial system as a whole. The main idea is to create financial risk reserves and to mitigate moral hazard, risks related to excessive credit growth, and maturity discrepancies between assets and liabilities (Národná Banka Slovenska, n.d. d, para. 1-4).

<u>Government interventions</u>

Despite the post-crisis period of the sector, the global financial market still considers, inter alia, regulations and political interventions as the main threats (PwC Slovensko, 2016, para. 1, 12). In 2012, the Slovak government introduced special tax levy for banks with an annual rate of 0,2%, which should serve as a protective measure to prevent a potential crisis in the sector. Banks, as subjects to the levy, are obliged to collect a total sum of € one billion, and it is predicted to be fulfilled by 2021 (Accace, 2018, para. 17; INESS, 2016, para. 8). Furthermore, low-interest rates in combination with strong economy boosted excessive mortgage growth, which caused greater indebtedness of the nation in comparison with neighbouring countries. Increased risk led to government intervention in a form of restrictions on the provision of 100% mortgages at the local level to decelerate development and a creation of a requirement for clients to possess a certain financial cushion. Therefore, an individual is obliged to partially engage in the purchase of a property by their own means too (Apolen, P, 2017b, para. 2-5).

Economic Factor

As mentioned in the previous section, since 2009, the country has been a part of the Eurozone, thus, the official currency is Euro.

Slovak economy is experiencing a robust growth. GDP of Slovakia in 2017 accounts for $96,008 million, ranked 63rd out of 195 countries assessed, which represents 3,4% growth from the previous year. Real GDP is predicted to increase by over 4% next year. GDP per capita amounts to $17,664, which attains 77% of the EU average; therefore, Slovakia is recognized to be the second wealthiest economy in Central Europe and Baltic area (EBRD, 2017, p.3; European Commission, n.d., para. 2; Slovakia GDP - Gross Domestic Product, n.d). Slovak public debt is relatively stable and low, situated below the EU level (OECD, 2017, p. 4). Furthermore, the average inflation is calculated at 2,34% (Inflation Slovakia 2018, n.d., para. 3). According to the World Bank, the Slovak Republic ranks 39th out of 190 economies in 2018 Ease of Doing Business index, dropping by six positions (Santander, 2018a, para. 1; The World Bank, n.d. b, para. 4).

The current unemployment rate of 5,72%, has achieved its historical minimum since the establishment of the Slovak Republic in 1993, caused by a strong and stable cyclic growth of the economy (The Slovak Spectator, 2018, para. 1, 8). Labour costs are despite gradual increase still significantly lower than the EU average. In 2017, the average monthly wage represented €954, and in 2018, the growth has reached €1000 threshold. Minimal wage has been calculated at €480. It is, however, necessary to point out that labour costs are rising disproportionately to productivity growth (Liptáková, 2018, para. 10-11; Priemerná mzda: Rok: 2017 a 2018, n.d., para. 1-3; Trading Economics, n.d. a, para. 1).

Inequality of income distribution is relatively low in Slovakia. In 2015, the ratio was 3,5, meaning that the richest 20 % received 3,5 times more income than the bottom 20 %. On the other hand, the at-risk-of-poverty gap was measured above 25%, which is higher than the EU average (Eurostat, 2017, para. 14-17). However, regional disparities and inequalities among social groups are significant (OECD, 2017, pp. 7-9).

Financial sector

According to the Slovak National Bank, there is no evidence of having an Islamic bank present in the Slovak financial market (D. Kravecová, personal communication, January 15, 2018).

"The banking sector makes up around 70 per cent of the financial sector" (Harper, 2016, para. 4). Retail loans have been prevailing and steadily growing on the domestic market, whose growth rate is one of the highest in the EU. For instance, in 2016 the Slovak lending market experienced 14% annual increment, accounting for €3,3 billion. Not only is the demand for loans very high, but also it is consistent throughout the whole year, as a result of low-interest rates and increasing disposable income (Erste Group, n.d., para. 1; European Banking Federation, n.d.a, para. 5; Národná Banka Slovenska, 2017 a, p. 22). Likewise, disposable personal income reached its peak in December 2017, amounted to €13 781 million (Trading Economics, n.d. b, para. 1).

The household debt-to-disposable income ratio is steadily increasing, in fact, the level is the second highest in the Central and Eastern European region and the highest in terms of growth rate. Since the post-crisis period, it has already doubled its amount (Národná Banka Slovenska, 2017 a, p. 8).

Social Factor

With the population of 5 443 120, Slovakia represents 1,1% share in EU inhabitants (Eurostat, 2016, para. 2; Ústredie štatistického úradu Slovenskej republiky, 2018, para. 1). The Official language is Slovak; however, there are relatively large communities of Hungarian and Roma speaking population (IndexMundi, 2018a, para. 24). In fact, according to the decennial census of the Statistical Office of the Slovak Republic, ethically, the country is composed of mainly Slovaks (80,7 %), Hungarians (8,5 %), Roma citizens (2,0 %), and Czechs (0,6 %); the rest is distributed among insignificant representation of nations or unspecified (Government Office of the Slovak Republic, n.d., para. 6). It is necessary to point out that the number of Roma population in official statistics is often lower than in the reality; the estimated percentage is between 7 and 11% (GLOBSEC, 2017, para. 15; IndexMundi, 2018a, para. 22). Dominant religion identified within the country is Christianity. More than 13,4% of inhabitants do not identify themselves with any religion (Government Office of the Slovak Republic, n.d., para. 7).

<u>Muslims in Slovakia</u>

"The Slovakian Muslim community, which counts about 5,000 members, is not a registered religious community and therefore, is not financially supported by the state "(Zaviš, 2017, p. 520). This number accounts for only 0,1% of all Muslims resigning within the Union and is considered to be one of the lowest in the EU. Countries with a low population of Muslim ethnicity and a low level of immigration are perceived as rather resistant to future demographic changes predicting a substantial increase of Muslim minority (Pew Research Center, 2017).

Islamophobia represents a real danger to democratic principles and social peace in the European Union (Bayrakli & Hafez, 2017, p.5). Slovakia has rather a cautious attitude towards other cultures, especially due to negative experiences with Roma population, which falls behind in terms of social inclusion, employment, and integration (GLOBSEC, 2017, para. 15). According to the European Islamophobia Report 2016, Islamophobic behaviour in Slovakia can be found in three areas, particularly in politics, mass media and the general public. Rare, yet in certain cases, regular Islamophobic declarations of politicians disturb relatively peaceful coexistence of Muslim community. Concerning attitudes of general public, Islamophobic incidents are rather exceptional. With enlarging Muslim minority, differences have become more acceptable and negative encounters are on the decline too. Moreover, as the report states, mass media acknowledges people primarily about negative news, including violence and disasters; thus, the lack of positive information about Muslim communities abroad and within the borders can threaten public perception of Islam (Zaviš, 2017, pp. 518-523).

Trust in mass media

The content of mass media has, in this case, a pivotal role due to the fact that Slovaks have a high trust in information provided by mainstream media. According to GLOBSEC research, despite Slovaks question the true picture of reality provided by this information channel, they are not proactive enough to research information by themselves and believe that all necessary information can be found in mainstream media. Even more alarming is that youth is much more prone to believe fake news than other age groups (Milo, Klingová & Hajdu, 2017, pp. 24-26).

Trust in the banking sector

Moreover, trust enormously influences the economy and is recognized to be a cornerstone of the banking sector. Lack of trust represents a global issue for financial services, especially after the financial crisis took place (Järvinen, 2014, p. 551). According to 2012 research focusing on consumer trust in the banking sector across 29 European countries, the Slovak Republic was found to have overall medium trust level; however, it varies highly across financial services. Slovaks have relatively high trust in bank accounts, while they are rather suspicious about investments and pensions. With regard to loans and credits, the trust level was ranked as medium (Järvinen, 2014, pp. 556-558). Approximately 40 % of Slovak inhabitants hold their reserves in cash. Fear of crisis is one of the incentives discouraging residents to put their savings into bank accounts (Cash isn’t going anywhere anytime soon, 2018, para. 7).

Hofstede's cultural dimensions theory

Slovakia is considered to be a highly masculine, pragmatic, and restraint society with high power distance, meaning, the culture is able to adapt tradition easily in varying circumstances, accepts unequal distribution of power, and have a propensity to save and invest (Country Comparison: What About Slovakia?, n.d.). Culture attributes *individualism and uncertainty avoidance* [emphasis added] significantly influence the banking sector of a country, especially its credit risk behaviour and the use of loan loss provisions. In societies characterized by high individualism or low uncertainty avoidance, banks are recognized to take greater risk and smaller allowances for loan losses are expected (Lopes, 2016, p. 342, 352). Slovakia is, however, in both cultural dimensions indifferent (Country Comparison: What About Slovakia?, n.d.).

Technological Factor

Slovak digital literacy reaches 79%, which is above the EU average level. Furthermore, internet usage is steadily growing; nowadays, 85% of individuals use the internet and 81% of Slovak households have access to it (SARIO, 2017, p.3).

E-Commerce

The Slovak Republic belongs to one of the fastest growing regions in Central Europe with regard to e-commerce. Business-to-consumer e-commerce model is commonly implemented in areas of product purchase, information management and personal finances (Lesáková, 2015, p. 259, 261). As Vejačka and Štofa (2017) stated in the research, perceived security and subsequently gained trust have significant implications on the attitude of Slovak society towards the use of electronic banking. The element of security is, therefore, essential, as trust indirectly influences acceptance (p.146). This can be achieved through greater transparency, digital footprint, collaboration, advisory practices, and ensured data privacy (Accenture, 2016, p.4).

Internet banking is a commonly used platform; yet, according to Slovak consumers, it is considered to be obsolete and inflexible, thus, unsatisfactory. Despite its frequent occurrence, steady increase of smartphone usage opened new possibilities for innovations in the banking sector too. Mobile banking is a booming phenomenon among Slovak residents, as it offers benefits of flexibility, non-stop service, and instant information flow (Apolen, 2017a, para, 1; Špeciál: Mobilné aplikácie prekonajú internetové bankovníctvo,2016, para. 1-3). Technological advancements offer utilisation of mobile functions, such as QR code, barcode, and IBAN scanners through a smartphone camera, which significantly improve convenience of transactions (Mittaš, 2016, para. 5). Moreover, it accelerates transactions themselves, as the credit or debit card information can be stored directly in the app and available for immediate use (Diaz-Unzalu, 2014, para. 6).

Digitization has also affected lending practices; at the moment, several banks and peer to peer online lending platforms within the country offer a possibility of online loans. In addition, due to inclination towards internet and mobile banking, the role of physical branches slowly shifts from transaction-oriented to consultancy, where digitization can once again improve effectivity; for instance, implementation of information and communication technology in the financial sector can potentially enable teleconferencing with bank´s personnel or a loan officer to improve customer service (Diaz-Unzalu, 2014, para.5; Mittaš, 2016, para. 7).

Cashless economy

Lastly, the cashless economy is on the rise too; however, the situation in the Slovak Republic is still far from the EU average. The frequency of the use of electronic payment is one of the lowest in the EU. The main reasons are low financial literacy, incomplete bank penetration, an insufficient network of cashless payment outlets, and existent mental barriers, for instance, fear of losing privacy. Thus, in spite of the growing trend and popularity, especially due to mobile payments, absolute eradication is still not feasible (Molnár & Nádasdi, 2016).

Environmental Factor

“More than ever, financial institutions are taking environmental, social and governance (ESG) factors into account and offering socially responsible investment products” (World Finance, 2017, para. 3).

Extensive information exchange caused by information and communication technologies prompted increasing awareness of general public with regard to existing interdependence of the real economy, society and the natural ecosystem. As a result, customers demand banks to adopt more conscious behaviour regarding moral implications of investments (World Finance, 2017, para. 10- 11).

Organisations attempt to adopt ecological focus within their structures, which can notably vary in terms of depth and specification. Engagement in sustainable practices ranges from an advisory role, provision of environmental risk management and green bonds, which are bond instruments generating profits solely aimed to finance green projects, to the internal management of company´s environmental footprint of its operations and supply chain. Integration of such measures not only reduces costs, but it is also a source of extra profit (Abb & Miller, 2016, pp. 15-19; TheCityUK & Centre for Climate Finance & Investment, 2017, p. 11). Socially responsible investment assets can be most commonly found in Europe since it accounts for 52% of the global share (World Finance, 2017).

For several years, Slovak financial institutions have sought to find ways to apply elements of so-called green banking and support ecologically oriented investment projects. For instance, electronic delivery of bank statements via e-mail, digitization of forms, and a possibility of e-signatures significantly decrease the amount of paperwork necessary for operations; thus, serve as a tool for cost and paper reduction. Furthermore, waste management is one of the top priorities of sustainable strategies of Slovak banks, especially in terms of waste separation, recycling, and conscious approach towards office waste production. This goal is pursued by the use of paper with reduced grammage and office supplies, which can be ecologically disposed of. Moreover, reduction of energy consumption and carbon footprint are commonly implemented strategies to achieve greater sustainability too. Modernisation of facilities and replacement of obsolete electrical appliances with ecological ones can significantly decrease energy intensity of processes and operations. In addition, little changes, for instance, a proper set up of sleep mode on computers, can improve energy efficiency. Ecological measures can be also taken when travelling, such as conscious choice of transportation means when conducting business trips. Lastly, greater cooperation with suppliers and education programmes for firm's employees serve as a tool to increase awareness and positively shape corporate culture and competences (Banky sa začínajú správať ekologicky - zelene, n.d., para. 1; ČSOB, n.d., p.3; Slovenská sporiteľňa, 2017, p. 58; UniCredit Bank, n.d., pp. 70-72; VÚB banka, 2018, p.39)

Financial institutions have begun to focus on the sustainability, and this approach shifts from an exception to the mainstream standardisation of metrics; however, its core idea has not yet been firmly set, as it is still changing its shape and meaning. Nevertheless, these measures enable to achieve greater objectivity in appraising environmental and social consequences of banks´ operations (World Finance, 2017, para. 1, 2, 10).

Legal Factor

All financial entities are obliged to comply with national laws and if applicable, a number of European and international regulations.

<u>National regulations</u>

The National Bank of Slovakia, in collaboration with Ministries of Finance and Labour, Social Affairs and Family, elaborate together draft laws and other generally binding legal regulations that are later enforced on the Slovak financial market (Národná Banka Slovenska, n.d. c, para. 1). Primarily, at the national level, supervised financial entities are required to comply with act No. 483/2001- Act on Banks and on Amendments to Certain Acts, defining conditions for an establishment, organisation, management, business activities, and dissolution of domestic and foreign banks on the Slovak financial market and supervision, as well as related delegated legislature (D. Kravecová, personal communication, January 15, 2018; Zákon č. 483/2001 Z. z.: Zákon o bankách a o zmene a doplnení niektorých zákonov, n.d.). Financial market, especially the lending market, has been highly influenced by Slovak legislative environment. As of 2016, a statutory cap for charges derived from early repayment of housing loans has been introduced, while a consumer loans` interest rate cap has abided twice the market average. These circumstances encouraged the growth of loans, decreased interest margins, resulting in tightened conditions for loan provisions (Národná Banka Slovenska, 2017 a, p. 8).

EU regulations

At the European level, one of the essential regulations is a regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (D. Kravecová, personal communication, January 15, 2018), which "aims to strengthen the prudential requirements of banks, requiring them to keep sufficient capital reserves and liquidity" (EUR-Lex, 2015, para. 3). According to the EU legislation and Basel III agreement, the capital requirement amounts to at least 8% of risk-weighted assets, out of which 4,5% share has to come from Tier ine capital, and the liquidity requirement is set to cover a period of 30 days. (Council of the European Union, 2017, para. 1-12). Furthermore, directive MiFID II represents broader and more complex regulatory measures in the EU financial market to achieve independence of investment firms. The goal is to limit the inflow of monetary and non-monetary incentives by cautious defining of the suitability of financial products for clients and proper data storage. The changes affect mainly internal processes, systems, reporting, and communication with clients (Apolen, P, 2017b, para. 10 - 13). Moreover, directive PSD2 is of a revolutionary character as it enables third parties to access clients´ accounts to extract information or initiate transactions. Therefore, these third parties can act as authorised payment service providers (Apolen, P, 2017b, para. 22). As of 2014, EU regulation No. 260/2012 has come into force, unifying rules and standards of banking payments instruments across the Eurozone and introducing Single Euro Payments Area (Slovakia - Banking Systems, 2017, para. 4).

Basel Agreement

Due to the presence in the EU jurisdiction, Slovakia is under regulatory measures of the Basel Committee on Banking Supervision, a global regulatory body operating in the banking sector since 1988, whose main purpose is to foster financial stability, a resilient banking system, and the quality of banking control. Following Basel II focused on stability and solvency, the most recent international regulatory framework Basel III was designed as a consequence of 2008 financial crisis defining the amount of a bank´s own financial sources required to cover risks related to its activities. In addition, preparations of future Basel IV suggest the framework to be future game changer in the industry. (Harzi, 2011, p.1; Maxwell, as cited in Nová banková regulácia: Komu pomôže a prečo ju krajiny únie nechcú, 2016, para. 3, 10; Spinassou & Wardhana, 2018, p.2; Zinsa & Weill, 2017, para.6).

Supervision

Several institutions conduct supervision on national and EU level. Firstly, the National Bank of Slovakia is an independent central bank of the country, with the main purpose to engage in the common monetary policy. This involves issuing euro, promotion and regulation of smooth operations of payment systems, clearing systems, and currency circulation, controlling minimum capital and reserve requirements, and supervision of entities of the domestic financial market to ensure economic efficiency (Národná Banka Slovenska, n.d. a, para. 1-3; Slovakia - Banking Systems, 2017, para. 1). Regarding the EU regulatory system, the National Bank of Slovakia oversees the compliance with these legal acts (Národná Banka Slovenska, n.d. c, para. 3).

Secondly, the European System of Financial Supervision is an EU network ensuring consistent and appropriate supervisory practices across member states in close collaboration with European Central Bank. The network consists of three European Supervisory Authorities, European Banking Authority, European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority, focused on microprudential supervision, the European Systemic Risk Board, responsible for macroprudential supervision, and national supervisors. The goal is to prevent or mitigate risk by developing risk assessments, issuing warnings, recommendations, and subsequently monitoring progress. In addition, the network establishes and implements harmonized prudential standards for individual financial institutions (European Central Bank, n.d., para. 1-12).

The figue below provides a comprehensive overview of the main findings.

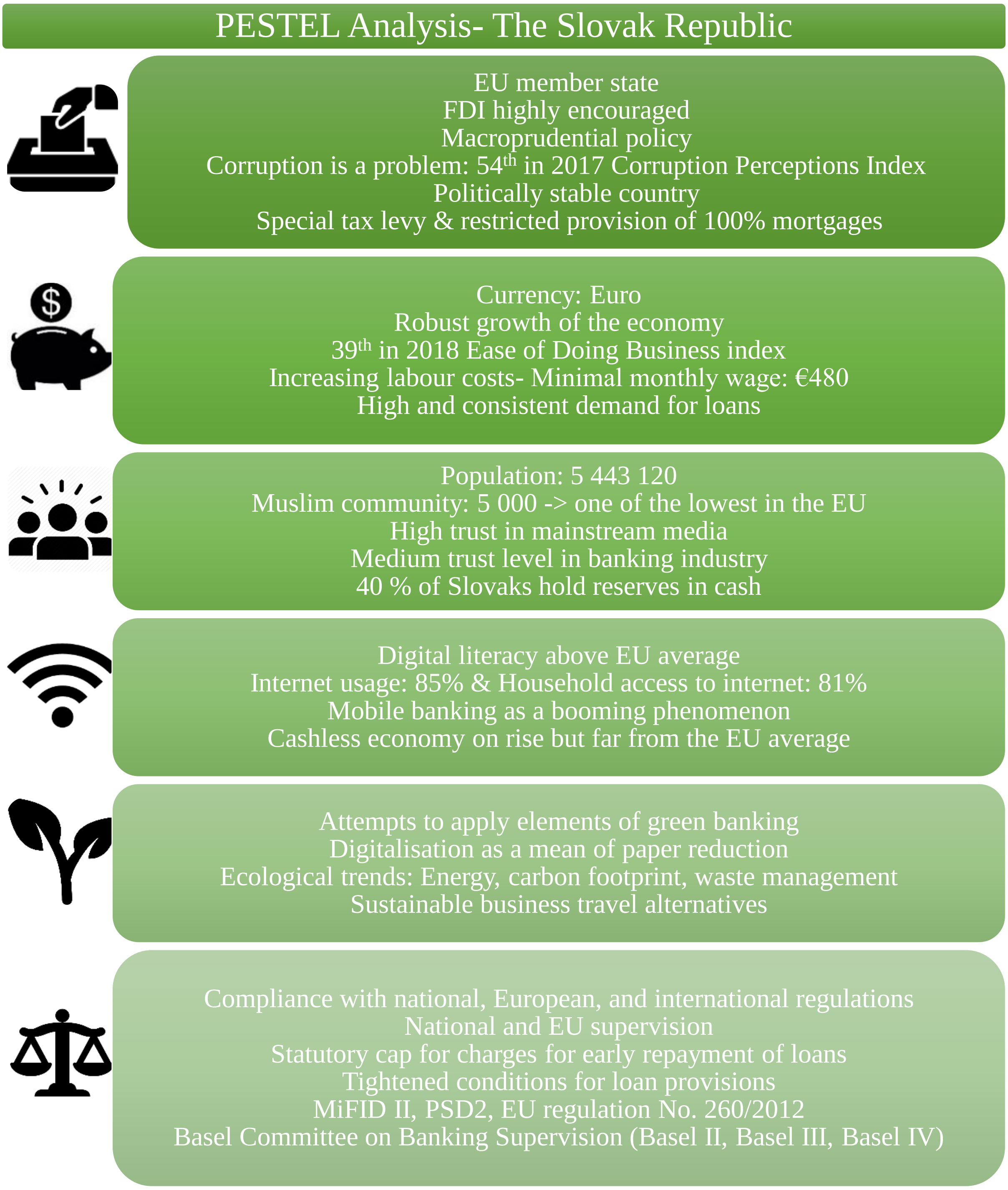

Figure 5: PESTEL Analysis of the Slovak Republic [Author's representation]

The United Kingdom

The following section demonstrates political, economic, social, technological, ecological, and legal contexts of the United Kingdom.

Political Factor

The United Kingdom of Great Britain and Northern Ireland is a parliamentary constitutional monarchy with London being the capital city. In 1973, the UK joined the European Union; however, the country has never been a part of Eurozone nor the Schengen Area (Central Intelligence Agency, n.d., para. 2, 55-57; European Commission, 2015, p. 2; IMUNA, n.d., para. 1-2). Euroscepticism among the population and politicians led to the 2016 United Kingdom European Union membership referendum, resulting in favour of Brexit; therefore, the official withdrawal is scheduled to take place on March 29, 2019. (Central Intelligence Agency, n.d., para. 2). Upcoming Brexit will influence the financial sector and create additional risk to global financial stability (United Kingdom - 6- Financial Sector, 2017, para. 7). Due to its membership linked to a large number of organizations, the country is politically a crucial global player.

<u>Political stability and corruption</u>

According to Worldwide Governance Indicators provided by the World Bank (2016), the UK political stability and absence of violence index was in 2016 estimated at 0,4 on a value range of -2,5 to 2,5. Furthermore, Marsh's 2018 Political risk map delivers relatively positive results with respect to political, country, and operational risks; only economic risk index demonstrates rather moderate stability (Marsh, n.d). The United Kingdom reached also the eighth position in 2017 Corruption Perceptions Index which represented significant progress since 2012 (Transparency International, 2018, para. 5-6).

<u>Macroprudential policy</u>

HM Treasury, the British economic and finance ministry, is a governmental body responsible for the facilitation of strong, stable, and sustainable economic growth. Supported by 13 agencies and public institutions, the Treasury monitors and manages public spending, tax system, economic policies, infrastructure projects, and related investments (HM Treasury, n.d.a, para. 1-12; HM Treasury, n.d.b., para. 1). In the spirit of stability, a revision of the financial regulatory structure took place to facilitate effective implementation of the UK's macroprudential policy (International Monetary Fund, 2016, p.4).

<u>Government interventions</u>

The British governmental policies aim to support the free flow of capital and resources in the markets (United Kingdom - 6- Financial Sector, 2017, para. 2). The attitude towards foreign direct investment is rather positive; the UK encourages investments via proactive policies and in the vast majority of cases, does not discriminate businesses based on a nationality (United Kingdom - 1-Openness to, & restriction upon, foreign investment, 2017, para. 1-7). Interventions can be observed in the past, as well as today, utilized as a mean to maintain UK banking system viable. Investments in the bank recapitalization or provision of various schemes, such as credit guarantee scheme, special liquidity scheme, or asset protection scheme, served as rescue packages during the period of 2007 and 2009 which financial consequences can be seen even today together with further measures (Edmonds, 2017, pp. 4-11; Office for National Statistics, n.d.; United Kingdom - 6- Financial Sector, 2017, para. 7). However, governmental interventions are considered to potentially hinder financial globalisation by limiting banking activities in terms of depth, breadth, and persistence (Kleymenova, Rose, & Wieladek, 2016, para. 2).

Economic Factor

The United Kingdom has experienced a gradual deceleration in economic growth after the Brexit referendum in 2016. The official currency, a British pound, has suffered sustained depreciation, which in the aftermath caused a rise in consumer and producer prices (IndexMundi, 2018c, para. 3). In 2017, GDP per capita amounted to $43 600, with a real GDP growth rate of 1,7% and 2,6% inflation rate. The UK service sector, especially in areas of banking, and insurance, is the focal driver for nation´s economic growth, as it accounts for approximately 80% of the British GDP composition (IndexMundi, 2018c, para.1-22; Jackson, Tetlow, Bernard & Pearson, n.d., para. 2, 31). In January 2018, net FDI inflow accounted for £8 667 million. In fact, the foreign direct investment in the UK financial sector experienced its peak in the last years dominating the European market (EY, 2016, para. 4; Martin, 2017, para. 1; Trading Economics, n.d. d, para. 1).

In 2017, the unemployment rate has been calculated on 4,4%, which is the lowest level in British history (IndexMundi, 2018c, para. 14; Jackson et al., n.d. para. 12). Labour costs remained fixed in 2018, wherein minimal monthly wage has been calculated on €1,401, while average weekly wage has amounted to £513 (Trading Economics, n.d. c, para. 1; United Kingdom (UK) National Minimum Wage - NMW, 2018, para. 1). The UK median disposable household income accounted for £27,300 at the end of 2017, detecting an increase with regard to both retired and non-retired households. Furthermore, income inequality remained almost unchanged (32,2%); however, the aspect has experienced a moderate decline during the last decade (Office for National Statistics, 2018, p. 2).

Financial sector

The UK was ranked seventh in the World Bank's 2018 Doing Business assessment list (Santander, 2018b, para. 1; The World Bank, n.d. c, para. 4). In fact, London is the top global financial centre, followed by the city of New York and Singapore. With more than 1000 domestic and international financial institutions present in the country, the UK has the largest European banking sector accounted for the value of $ eight trillion assets (the fourth largest in the world) and $77 billion in net exports of financial services. As a matter of fact, 250 UK based international banks hold approximately half of the UK's banking sector assets. Moreover, the country is one of the largest players in cross-border banking, private and investment banking, with a high portion of activities conducted in the capital city (TheCityUK, 2017, pp. 3 -17).

> The industry contributes nearly 11% of the UK's total economic output and employs over 2.2 million people, with two thirds of these jobs outside London. It is the largest tax payer, the biggest exporting industry and generates a trade surplus greater than all other net exporting industries combined. (TheCityUK, 2017, p. 2)

Factors reinforcing the leading position of London as a global financial hub:

- Fair political, legal, and regulatory systems
- Favourable and competitive fiscal policy
- A business-friendly environment with easy access to the markets
- Advantageous geographical location between important time zones
- High quality of labour force and other services (TheCityUK, 2017, p.11, 17)

Islamic banking

With 40 years of experience, the UK is identified as a leading western centre for Islamic finance; ranked as 22nd on a global scale and fourth among non-Muslim-majority nations following Singapore, Sri Lanka and South Africa. The number of UK based banks providing Islamic financial services exceeds 20, whilst five are licenced as fully Sharia-compliant. The amount is significantly higher than in other Western countries, the EU and the US included. In 2016, only solely Sharia-compliant banking assets amounted to approximately $4,5 billion. In addition, as of 2014, the UK was also the first Western country issuing sovereign sukuk (TheCityUK, 2017, pp. 25-26).

Since Brexit can potentially cause jeopardy of London´s dominance in the EU financial market, the UK has to seek other potential trade and investment opportunities globally, especially to focus on significant countries such as US, China, Japan, India, and the Commonwealth (IndexMundi, 2018c, para. 3; TheCityUK, 2017, pp. 12-16).

Social Factor

With the population of 65 million and 0,52% annual growth rate, the United Kingdom is identified as the world's 21st most populous country (IndexMundi, 2018b, para. 1, 5; Office for National Statistics, 2017b, para. 2; United Kingdom Population 2018, 2018, para. 1). The official language is English, however, the recognition as a regional language has been given to Scots, Scottish Gaelic, Welsh, Irish, and Cornish (IndexMundi, 2018b, para. 25).

Despite an ageing population, the inflow of migrants induces an overall growth. The growth is linked to the expansion of EU member states and its freedom of movement. (Office for National Statistics, 2017a, pp. 3-7). Largest ethnic minorities are Polish, Indian, Pakistani, Irish, and German (United Kingdom Population 2018, 2018, para. 7).

Muslims in the UK

Based on the 2011 census, the main religious composition of the country comprises 59,5% of Christians, 4,4% of Muslims, 1,3% of Hindu, and 25,7% of the population not professing any religion. The rest was considered as unspecified or members of other minor religions (IndexMundi, 2018b, para. 24). In spite of the fact that provided information is from the most recent official census, the estimations do not capture current migration shifts, which has taken a place for several years already. "In recent years, Europe has experienced a record influx of asylum seekers fleeing conflicts in Syria and other predominantly Muslim countries" (Pew Research Center, 2017, para. 1). The country has not only been a desired haven for refugees, the UK has also been recognized as a top destination for regular Muslim migrants. In fact, between the years 2010 and 2016, 43% of all migrants were identified as Muslims; hence, in the aftermath, the minority in the country grew up to 6,3%. European countries with a high share of refugees professing Islamic religion are projected to experience major demographic shifts, in particular, the UK should expect a rise of Muslim population reaching a range from 9,7% to 17,2% till 2050. Future Brexit can, however, significantly affect future immigration patterns of the UK system (Pew Research Center, 2017, para. 1-45).

The UK is recognized to hold rather a negative attitude towards Muslim immigration (Bayrakli & Hafez, 2017, pp.6-7). Especially Brexit has unleashed a wave of Islamophobia and hatred across the country as it has been perceived as a form of legitimisation of prejudice and related actions. Negative attitudes have not only taken a form of purely online abuse via derogatory and xenophobic content of posts on social media, its impact has been also notable by the increased occurrence of severe abuse and physical attacks of Muslim residents. Islamophobia could be seen in systematic discrimination of employment opportunities, biased educational material, anti-Muslim attitude and vandalism in schools, as well as religiously and culturally hostile state interventions, police profiling, and anti-Muslim policy. Politicians were accused of inappropriate rhetoric and instrumentalising Islamophobia and extremism as a tool for their strategies. Additionally to the worsened political discourse, media came under intense scrutiny due to the encouragement of Islamophobic narratives and content. Although several corrective initiatives took place, even these have been a subject to numerous attacks by media and political figures (Merali, 2017, pp. 588-603; Muslim Council of Britain, n.d., para. 3- 4).

<u>Hofstede's cultural dimensions theory</u>

The United Kingdom is a success-driven masculine society, with low power distance, and neither normative nor pragmatic attitude. Culture attributes *individualism and uncertainty avoidance* [emphasis added], which are, as mentioned previously in the paper, influential factors in the banking sector, suggest greater risk-taking behaviour of the industry (Country Comparison: What about the UK?, n.d.; Lopes, 2016, p. 342, 352).

<u>Trust in the banking sector</u>

Within the European Union, trust in banks is generally higher in case of Eurozone member states rather than non-Eurozone countries (Järvinen, 2014, pp. 553- 556). According to Järvinen (2014), in comparison with the rest of the EU, the United Kingdom tends to have medium consumer trust in banking, regardless of the banking service (pp. 557-558).

<u>Trust in mass media</u>

In addition, Edelman's annual Trust Barometer discovered an exceptional fall of trust in media, reaching the lowest level in history (as cited in KPMG, 2017, p. 4). Despite greater general trust in TV and radio sources in the UK, rather than social media and blogs, the media consumption of the UK youth tends to incline towards digital platforms (KPMG, 2017, pp. 5- 8).

Technological Factor

Digital technology shapes the UK society and is of a great importance for its economic development. Although the internet penetration within the country exceeded 94% in 2016, lack of digital skills among general public represents still an issue, especially affected by one's age, disability, social class, income, and education. Hence, several initiatives have been taken to improve the situation (ECORYS UK, 2016, pp. 2-4; IndexMundi, 2018d, para. 1; White, 2017).

Nevertheless, due to its highly developed technology, infrastructure, a strong venture capital base, and tax breaks creating numerous opportunities and complex support for businesses, London has been, recognized as a leading global hub for FinTech, an "intersection of innovative technology and financial services" (TheCityUK, 2017, p. 28). FinTech businesses aim to provide alternative banking solutions and to replace traditional financial institutions through sizeable cost savings, greater agility, innovativeness, and fast adaptability. They operate mainly in software-based sectors, including mobile payments, money transfers, loans, and fundraising (Gulamhuseinwala, Bull & Lewis, 2015, pp. 3-5; Romānova & Kudinska, 2016, para. 3; Srinivas, Fromhart, Goradia, & Wadhwani, 2017, pp. 6-7; TheCityUK, 2017, p. 28).

FinTech

The UK's FinTech sector generated an average revenue of £5 million in 2016, representing a 22% leap since 2014. Likewise, an inflow of investments experienced significant growth over the years and is predicted to continue in the future (TheCityUK, 2017, p. 28). The UK institutional bodies have already recognized significant potential of FinTech and are eager to facilitate further development at the national level to promote innovation and competition. These initiatives focus primarily on alternative forms of lending, digital currency and improving access to the matter-related bank information (Gulamhuseinwala et al., 2015, p. 6; TheCityUK, 2017, p. 28). Furthermore, research conducted by TheCityUK and PwC predicts huge transformation of the UK financial industry in the next decade leading to even greater digitisation, innovation and customer-centrism, putting the country at the global forefront of cyber security (TheCityUK, 2017, p. 28).

Mobile banking

In the UK, an increased smartphone usage, a key driving force of mobile banking adoption, together with a development in technology offerings have enabled a provision of advanced features, such as login with a fingerprint or ATM cash withdrawal via smartphones. In addition, Barclays has even introduced payment transactions option via the Twitter handle (Barclays, n.d., para. 1-5; Deloitte, 2015, pp. 7-10, 20; HSBC, n.d., para. 1). Furthermore, mobile digital wallets for in-store payments and widespread online digital wallets allowing online purchases have been recently on a rise. PayPal and V.me launched by Visa can be considered the most well-known digital wallets in the country (Deloitte, 2015, pp. 21-23).

Lastly, a prognosis for an upcoming trend of implementing artificial intelligence through an entire value chain in the finance sector suggests major changes in processes, final product and services, as well as the customer experience itself (Consultancy.uk, 2017, para. 1-7; Jubraj & Graham, & Ryan, 2018, p. 2).

Environmental Factor

G20 Green Finance Study Group (2016) defines green financing as a "financing of investments that provide environmental benefits in the broader context of environmentally sustainable development." (as cited in TheCityUK & Centre for Climate Finance & Investment, 2017, p. 8). The UK belongs to the world´s green finance pioneers and plays a crucial role in its development. With respect to the matter, the UK's Green Investment Bank is of a great importance as it was not only one of the first green banks globally, but it also invested in over 100 green infrastructure projects (TheCityUK, 2017, p. 24; TheCityUK & Centre for Climate Finance & Investment, 2017, p. 17). Furthermore, the European Investment Bank issued the world's very first green bond in 2007 on the London Stock Exchange, and by 2017, the platform listed in total 45 green bonds equalling $12,1 billion in seven different currencies. Together with the US, China, and France, the countries are responsible for 70% of global green bond issuance (TheCityUK, 2017, p. 24; TheCityUK & Centre for Climate Finance & Investment, 2017, p. 3). Since climate change is an international issue, green finance practices are especially applicable in cross-border transactions, in which, as mentioned before, the UK holds a leadership position, suggesting even a greater potential for country´s further development (TheCityUK, 2017, p. 24).

Just as the Slovak Republic, the UK is a member of the EU emissions trading system regulating emissions production of particular greenhouse gases across the European Union and few other nations. Companies receive an allocation of annual emissions allowances by member states which they need to obey to avoid fine impositions. UK´s future participation is due to upcoming Brexit uncertain; membership will heavily depend on future trade agreements which might require compliance with existing mitigation efforts (TheCityUK & Centre for Climate Finance & Investment, 2017, p. 15).

Various approaches are taken through which banks endeavour implementation of more sustainable practices and address issues linked to resource scarcity, population growth, and energy supply. Apart from green finances, these environmental goals particularly include dissemination of information through advisory services and training, waste, paper, and carbon reduction, as well as water management. In addition, banks aim to invest in renewable energy sources and optimisation of energy efficiency measures to achieve a reduction in greenhouse gas emissions. Lastly, ecological targets can be also attained by creating partnerships, improving disclosure and reporting, or simply by considering more sustainable travel alternatives (Barclays PLC, 2018, pp. 9-13, 20, 29; HSBC, 2018, pp. 29-31; Lloyds Banking Group, n.d.; Royal Bank of Scotland, n.d.; Schroders, n.d., p. 12, 17).

Legal Factor

The United Kingdom enjoys a high density of financial institutions with a pivotal role for the economy was severely hit during the financial crisis prompting structural and regulatory changes of the banking system (Lovegrove, & Prettejohn, 2018, para. 1-2; Putnis, Hammond, & Bonsall, 2014, p. 855).

<u>National and EU regulations</u>

Nowadays, the UK´s underlying regulatory framework for banking and financial sector present in the legislature is known as the Financial Services and Markets Act 2000. Although it is recognized to be the main source of governance, the legal environment is, moreover, increasingly shaped by numerous European laws which set minimum capital, liquidity, and leverage requirements in the European Economic Area, for instance, Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on capital requirements establish and implement obligations derived from Basel III agreement (Lovegrove, & Prettejohn, 2018, para. 4; Penn, & Dillon, 2017, para. 3-5).

Besides the key EU regulations MiFID II and PSD2 which were already mentioned in the PESTEL analysis of the Slovak Republic, to the scope of EU responsibilities, furthermore, belong frameworks addressing market abuse, infrastructure, financial instruments, short selling, securities financing transactions, and important benchmarking regulations (Lovegrove, & Prettejohn, 2018, para. 73; Penn, & Dillon, 2017, para. 6).

Supervision

At the national level, the UK banks are predominantly subjects to three regulatory bodies, in particular, Prudential Regulation Authority and Financial Conduct Authority which are the leading authorities, and the Bank of England which role is to intervene and exercise resolution powers in case of failing banks (Penn, & Dillon, 2017, para. 8-9; Putnis et al., 2014, p. 855). Moreover, while Prudential Regulation Authority aims to facilitate safety, stability, and effective competition of the UK financial system, Financial Conduct Authority is in charge of managing effective financial markets, promoting competition and customer protection, including the provision of payment services via Payment Services Regulations 2009 and the issuance of electronic money established in Electronic Money Regulations 2011 (Lovegrove, & Prettejohn, 2018, para. 8-12; Penn, & Dillon, 2017, para. 12-16). Furthermore, protection and enhancement of stability and resilience of the financial system are the key objectives of the Financial Policy Committee of Bank of England. The institution aims to diminish systematic risk by identifying, monitoring and intervening with the main focus on macroprudential policy (Lovegrove, & Prettejohn, 2018, para. 3; Penn, & Dillon, 2017, para. 11; Putnis et al., 2014, p. 855).

The United Kingdom is a subject to the same supervisory bodies as the Slovak Republic. To add up to already acquired body of knowledge, the purpose of the European Banking Authority is to oversight financial situation in the country, control compliance with EU laws, and to promote better coordination among national supervisory bodies (Penn, & Dillon, 2017, para. 25). However, it is necessary to address expected structural changes affecting substantially banking regulatory framework in the nearest future due to the UK´s vote to withdraw EU membership in 2016 (Lovegrove, & Prettejohn, 2018, para. 17-18, 24; Penn, & Dillon, 2017, para. 7).

The figure below provides a comprehensive overview of the main findings.

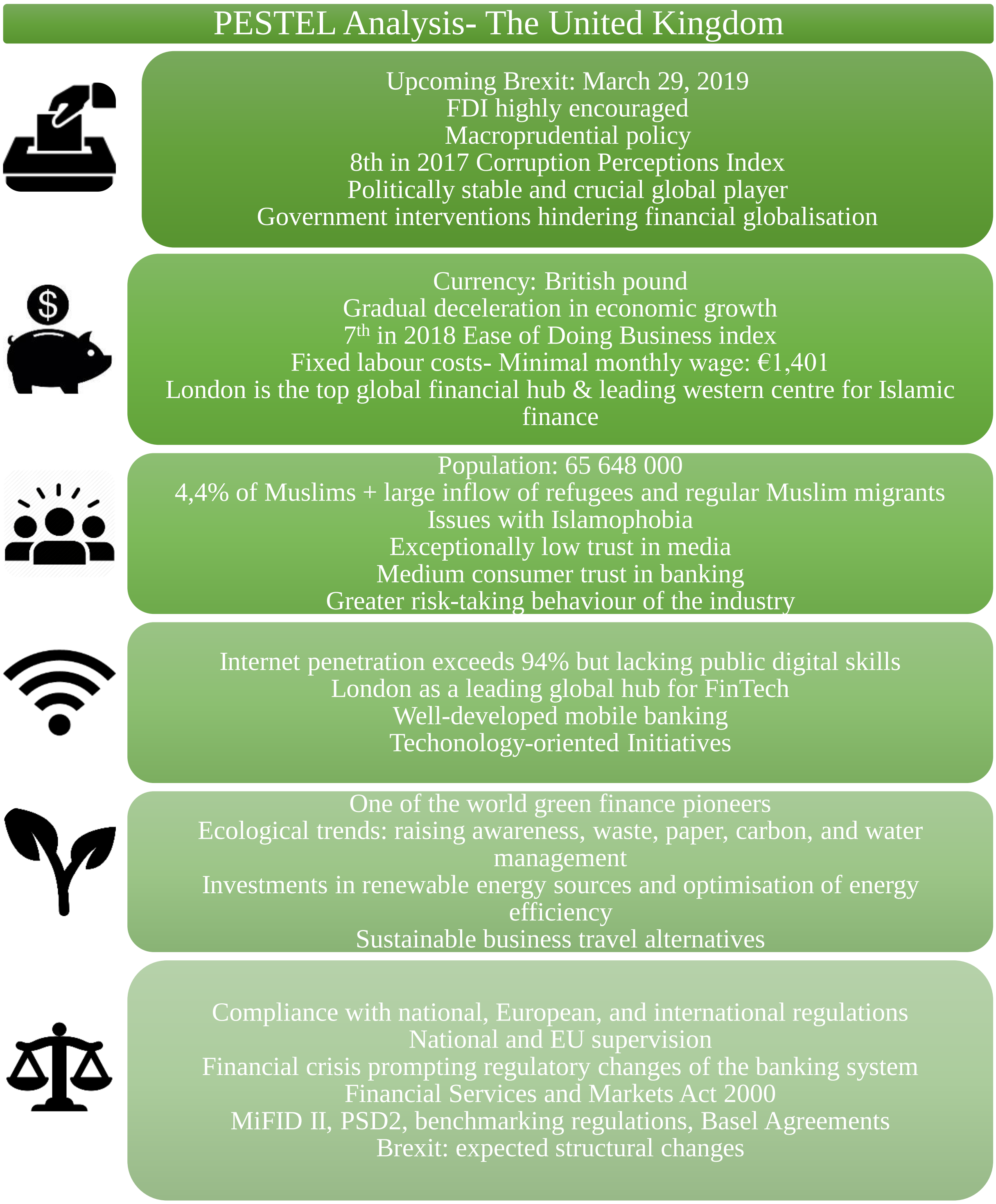

Figure 6: PESTEL Analysis of the United Kingdom [Author's representation]

2.3.2 Porter's Five Forces analysis

Porter’s Five Forces model offers valuable insights in the bargaining position, competition intensity, and strategic competitive forces present within a given business environment (Grigore, 2014, p. 32; Yunna & Yisheng, 2014, para. 6). The significance of each force can substantially differ across these industries. As short-term profitability can be affected by a myriad of different aspects, Porter’s Five Forces framework aims to explain an industry structure which defines medium to long-term competition rules and profitability (Grigore, 2014, pp. 32-33).

The model identifies five key forces, namely a degree of rivalry among competitors, bargaining power of buyers, bargaining power of suppliers, a threat of new entrants, and a threat of substitutes (Grigore, 2014, p. 32; Yunna & Yisheng, 2014, para. 6).

Porter's model has been, however, a subject of criticism (Grigore, 2014, p. 33). "Since Porter’s Five Forces relies on the principals of microeconomics, the challenge of the credibility of the model is limited" (Dälken, 2014, p. 7). Three critical aspects, deregulation, digitalisation, and globalisation shape the structure and attractiveness of industries and generate greater scope, dynamics, and instability of networks. Nevertheless, the model as the whole is still valid and can be considered as a vital source of information. However, strategists should be aware of its potential limitations and are advised to utilize the model in combination with other supplementing frameworks (Dälken, 2014, p. 7).

Figure 7: Porter's Five Forces model [Author's representation]

The Slovak Republic

Rivalry among existing competitors

Critical elements when assessing the level of rivalry present in any market are for instance the degree of concentration of competitors, diversity of competitors, product differentiation, and cost conditions. The Slovak financial market is marked with a high risk of concentration (Národná Banka Slovenska, 2017 b, p. 7). At the moment, the Slovak National Bank has registered 27 bank subjects; however, one has to keep in mind that the market is relatively small with the population of 5 443 120 inhabitants (D. Kravecová, personal communication, January 15, 2018; Národná Banka Slovenska, n.d. b). The substantial competition influences the earning conditions of financial entities as it pushes extensively down interest rates, margins, and fees, and incites banks to engage in higher-risk activities to stay profitable (Kláseková, & Záborský, 2016, para. 2-5; Maxa, 2018, para. 3; Národná Banka Slovenska, 2017 b, pp. 5-7).

The banking sector is rather homogeneous with only a few peer-to-peer lending competitors. Besides, none of the existing banks conducts Islamic financial operations (D. Kravecová, personal communication, January 15, 2018; Národná Banka Slovenska, n.d. b). PSD2 should bring a change and enhance the diversity of the industry. The directive facilitates the introduction of new forms of businesses, but well-established banks will also benefit from it since they will also be able to steal customer base of their competitors more effectively (Skyba, 2017, para. 1-3). Lastly, due to the intense rivalry of the market together with regulatory measures that continuously increase banks' costs, the entities attempt to offer innovative solutions and differentiate themselves from each other and generate additional revenue. This is often done through the process, marketing, and organisational means, as well as, by widening product portfolio. Product differentiation can be observed in areas of quality, technical specifications, components, and software utilized ((Frajková, 2015, pp. 47-48).

Bargaining power of suppliers

A significant strength of Slovak banks lies in their liquidity and the ability of self-financing from domestic deposits. Hence, in contrast to other countries, Slovak subsidiaries are not dependent on the capital of parent companies (Apolen, 2014, para 4). It is necessary to point out that since customers are also banks' suppliers, the same conditions apply

Threat of substitutes

A threat of substitutes emerges when buyers recognize prices and performance of business alternatives as more appealing and begin to incline towards them. Among the biggest threats Slovak bankers face is a proliferating trend of peer-to-peer lending. The concept is based on the idea of a shared economy, whereby investors finance debtors via apps independently from banks. The business model is increasingly earning success on the market and gaining a larger market share (Beracka, 2017, para.1; Kláseková, 2016, para. 1). The main benefit is the omittance of banks as an intermediary, which positively affects the price, more specifically the interest rates (Beracka, 2017, para. 3).

Moreover, as already mentioned, directive PSD2 is responsible for future inflow of new business models that offer banking solutions instead of traditional banking institutions. Therefore, third parties will significantly threaten the direct contact with clients and the monopoly of current internet banking (Brejčák, 2018, para. 1; Skyba, 2017, para. 2). FinTechs will benefit from the directive; however, IT giants, such as Apple, Google, and Facebook will pose the biggest threat. Due to their considerable financial resources and technical capabilities, their competitiveness is much higher. (Skyba, 2017, para. 2,7).

Bargaining power of buyers

Bargaining power of buyers evaluates the dependency of consumers on banks, possibilities to switch and get information about other products. Favourable macroeconomic developments in the labour market have resulted in higher income and a sense of stability which led to a growing demand for loans. In fact, this demand has been recognised as one of the fastest-growing across the EU member states (Národná Banka Slovenska, 2017 b, p. 5). As mentioned previously, Slovak buyers can choose from a relatively wide variety of banks and products. Customers can furthermore easily access information about current offers at the market (Spotrebné úvery, 2018). In addition, the barriers to switching banks are non-existent with transfer fees being only one per cent (Kláseková, & Záborský, 2016, para. 8).

Threat of new entrants

Legal requirements play an essential role in the level of entry barriers (Yunna & Yisheng, 2014, para. 9). As PESTEL analysis suggests, the economic and legal conditions are favourable in the financial market. An increased requirement for countercyclical capital buffer might impose a hardship for new companies to enter; however, the majority of banks are not significantly affected by it (Národná Banka Slovenska, 2017 b, p. 8).

Despite the fierce competition, the country's banking market expects two new increments in the foreseeable future, namely 365 Bank and Hello Bank that focus on mobile and internet-based channels of service provision (Maxa, 2018, para. 2-3). An even greater influx of new entrants can be expected as a result of the PSD2, whereby new business models are expected to occur (Skyba, 2017, para. 1-3).

The United Kingdom

Rivalry among existing competitors

The banking sector in the UK is, in general, considered to be highly competitive as it offers an excessive spectrum of more than 350 financial institutions, with both domestic and foreign origins (European Banking Federation, n.d.b, para. 6). Focusing solely on the Islamic banking, six financial institutions and 20 lenders are present in the market. (Kunova, 2017, para.1). Such structural composition facilitates a great variety of products and diversification of competitors. Yet, UK's banking industry is highly concentrated, whereby a handful of large banks dominate the market. As it accounts for approximately two-thirds of total retail banking activity, the environment can be defined as oligopolistic (Economics Online, n.d., para. 1-6; European Banking Federation, n.d.b, para. 6). Furthermore, there are operational and technical barriers while trying to scale up (Furnivall & Coyne, 2016, para 6-9

Concerning the barriers to exit, mechanisms were put in place to protect customers from a disorderly exit of banks from the market; however, there is a debate whether regulations like the Special Resolution Regime and the Financial Services Compensation Scheme have an adverse effect on overall exit barriers (Benson, & Watts, 2010)

Bargaining power of suppliers

Suppliers' power lays in the ability to control resources (Yunna & Yisheng, 2014, para. 7). Depositors are identified as the main source of funding of the sector and enhanced access to various markets and products have enabled investors to exploit financial opportunities on a much larger scale (Talpur, 2016, para. 6). Hence, the bargaining power of buyers can also be applicable to the bargaining power of suppliers.

Threat of substitutes

New forms of financing have emerged in recent years, especially due to technological and regulatory developments. The Second Payment Services Directive leads the sector towards greater openness. By facilitating access to the banking information, other banks, FinTech start-ups, and businesses outside of the industry can establish business platforms and provide services such as payments, investments, and lending (PwC, n.d., para. 2-5). Despite the initial hype, the dominance of traditional forms of banking is still presumed to persist in the nearest future (Furnivall & Coyne, 2016, para. 1). Nonetheless, "banks take the threat of larger tech organisations such as Google, Amazon, Apple and Facebook very seriously" (PwC, n.d., para. 4), as their financial and technological resources facilitate strong competitiveness abilities (Skyba, 2017, para. 2,7).

Concerning the substitutes for the Islamic financing practices, a peer-to-peer financing platform called Beehive has recently caught increased attention as it encompasses Shariah-based window utilizing murabaha instrument (Dewar & Hussain, 2017, para. 10). In general, a peer-to-peer is perceived to be a cheaper alternative (Beracka, 2017, para. 3).

Bargaining power of buyers

Due to the degree of competition and existence of possible substitutes, avenues for raising funds increase; thus, "the borrower is naturally placed with greater bargaining power" (Talpur, 2016, para. 5). Moreover, the number of existing and potential customers of Islamic banks is in the country rather limited (Fry, 2014, para 26; Summerfield, 2016, para. 13). Despite hesitance of the UK banks' customers to switch, one has easy access to information to make an informed choice and compare the offers (Rovnick, 2016).

Regarding the barriers to switching, manual switching process where so-called hassle factor and fear of error in the switching process occur is recognized as the most significant issue (Smith, Hoehn, Marsden, May, & Smith, 2016, pp. 187-188).

Threat of new entrants

Regarding the threat of new entrants, the sources provide slightly conflicting information. On the one hand, the banking industry faces considerable barriers to entry and is a subject to stricter regulations to ensure financial stability and competitiveness (Economics Online, n.d., para. 5-6). Three barriers have been recognized as hindering entry to the market, namely a long, non-transparent authorisation process and disproportionally high capital and liquidity requirements for new banks, and high costs of satisfying the IT requirements unless a bank reaches a sufficient scale. While authorities try to address the first two barriers, IT requirements are not expected to change (The Financial Services Authority, 2013, p. A3:2). On the other hand, a high inflow of new entrants, especially in retail banking could be observed in practice (Andreasyan, 2018, para. 1; Deloitte, 2014a, para.4; Furnivall & Coyne, 2016, para. 3). Since 2010 the number of newly established companies exceeded 25 (Furnivall & Coyne, 2016, para. 2). These companies often diversify themselves by focusing on specific aspects of the banking services (Furnivall & Coyne, 2016, para. 2; PwC, n.d., para. 1).

Even though new entrants are common phenomena, they have to later struggle with several challenges to survive the competitive environment. Not only counterattacks on behalf of the big banks can be expected to occur, but newly established firms also have to deal with a pressure of the growing cost of regulation that pushes them to engage in high-risk activities. Furthermore, there are operational and technical barriers while trying to scale up (Furnivall & Coyne, 2016, para 6-9).

UK' legal and financial infrastructure has been indeed beneficial to Islamic banking too (Summerfield, 2016, para. 17). A large number of rules exists in the UK financial market for new banks to comprehend though (Fry, 2014, para. 25). "There are also many challenges for Islamic banking in the UK, which include product integrity and the high costs associated with running Sharia accounts" (Fry, 2014, para. 3).

3 Methodology

The research was conducted as a descriptive study with the purpose of answering main research questions (Vaismoradi, Turunen & Bondas, 2013). Literature review was examined by the means of a desk research, providing an academic basis for the consecutive empirical part (Webster & Watson, 2002). The empirical section of the research was elaborated by the means of a qualitative data collection technique.

Qualitative research enables a convergence of empirical and theoretical dimensions (Myers, 2013, p. 13). Its core idea is to acquire a deeper understanding of an empirical world, in particular, social and cultural phenomena prevailing within it (Myers, 2013, pp. 5-8; Taylor, Bogdan & DeVault, 2015 pp. 7-9). By interacting with carefully chosen respondents, a comprehension of an organizational context can be achieved and transformed into a novel theoretical contribution to the body of knowledge, which is the primary goal of any research (Bloor, 2016, p. 26; Myers, 2013, pp. 5-9; Taylor et al., 2015, p. 7).

For the purpose of the research, data has been collected through a semi-structured interview and analysed by qualitative content analysis.

3.1 Preparation of data

Preparation of information necessary for the creation of questions is taking place at two levels. Firstly, prior to an actual data collection, core questions and topic areas have to be identified. Secondly, real-time preparation of questions linked to the pre-defined topic area can be required to build on already extracted information to expand and deepen particular understanding (Kajornboon, 2005, p. 5). Careful formulation of the questions is essential as it is recognized to be the main weakness of the research method. Incorrect use can compromise data quality. Moreover, the respondent's background and expertize can also significantly influence the content of answers; thus, bias may be created (Harrell & Bradley, 2009, p. 24).

In case of the research, core questions have been formulated to cover the whole area of the research and the research gap. Subsequently, the set of questions has been adjusted to individual competencies and professional focus of each respondent to assure the greatest fit. Finally, a peer-review of questions took place to ensure the relevance and understandability of the questions.

3.2 Collection of data

For the purpose of this research, qualitative data has been gathered via interviews with the experts in the field to obtain professional opinion and in-depth insights (Cohen & Crabtree, 2006; Galletta, 2013, pp. 1–2).

3.2.1 Interview

An interview is one of the most popular in-depth data extraction methods based on a systematic and directed interaction between an interviewee and an interviewer (Cooper & Schindler, 2014, p. 152; DiCicco-Bloom & Crabtree, 2006, p. 314; Kajornboon, 2005, p. 2; Myers, 2013, p. 8; Stuckey, 2013, p. 56).

Since various types of the interview can encompass substantially differing characteristics, ranging from the level of pursuit formality, means of communication, and the structure flexibility, a critical evaluation of related benefits has to be made to justify one's choice (Brinkmann, 2014, para. 1; Cooper & Schindler, 2014, p. 152).

> Demonstration of the trustworthiness of data collection is one aspect that supports a researcher's ultimate argument concerning the trustworthiness of a study.

> Selection of the most appropriate method of data collection is essential for ensuring the credibility of content analysis. (Elo et al, 2014, p. 3)

While the structured interview method guided by a detailed, rigid, and pre-defined structure enables consistency that facilitates neutrality, and is valuable for subsequent comparability of answers, the second extreme, an unstructured interview, allows a more organic flow of the conversation due to a significantly high level of flexibility (Cooper & Schindler, 2014, p. 153; DiCicco-Bloom & Crabtree, 2006, p. 315). Therefore, to achieve desired flexibility and simultaneously, necessary precision and reliability, a semi-structured interview has been selected as a method of data collection (Cohen & Crabtree, 2006; Galletta, 2013, pp. 1–2).

In addition, a channel of execution is highly dependent on the proximity of participants, individual preferences, as well as research goals because different scope of data can be collected though each channel. Since the research focuses on the adaptability of Islamic financing solutions, with a specific focus on the Slovak Republic and the United Kingdom, greater geographical reach was required. Furthermore, time zones, as well as potential travel expenses had to be taken into consideration. Observation of non-verbal communication patterns was not essential for reaching a conclusion; therefore, Skype and phone interviews were utilized to achieve a time-saving, cost-saving collection of data with a global access (Bernard, 2018, pp. 163-165; Cooper & Schindler, 2014, p. 152; DiCicco-Bloom & Crabtree, 2006, p. 315). Conversation needs to be, however, documented, for instance recorded, to store information for later analysis (Kajornboon, 2005, p. 6).

3.2.2 Benefits

Besides the above-mentioned advantages, the semi-structured interview benefits primarily from the organic flow of conversation that allows participants to prompt questions and examine specific topic areas that fit a respondent the most. Therefore, more in-depth and personal insights can be obtained. Freedom of expression allows the questions to be rephrased, and responses explained, and the interview guide assures the topic relevance and comparability of results is facilitated (Cohen & Crabtree, 2006; Doody & Noonan, 2013, p. 3; Drew, Hardman, & Hosp, 2008, p. 190; Kajornboon, 2005, pp. 5-6; Qu & Dumay, 2011, para. 42-43).

3.2.3 Limitations

One has to be, however, fully aware of method's drawbacks to not underestimate potential threats that can jeopardize quality of the results. Required time, resource, and skill intensity are identified as main limitations of the semi-structured interview. Interviewer's incompetence reflected in an inability to formulate questions and perform evaluation can result in a loss of valuable data. Moreover, answer distortion by respondents, as well as confidentiality of information are aspects that must be addressed to succeed (Doody & Noonan, 2013, p. 3; Drew et al., 2008, p. 190; Kajornboon, 2005, pp. 6, 8; Qu & Dumay, 2011, para. 45). Critical interpersonal capabilities demonstrating both neutrality and encouragement and critical consistent listening can be gained through a designated training or sufficient praxis (Cooper & Schindler, 2014, p. 152; Hove & Anda, 2005; Qu & Dumay, 2011, para. 46-48).

The choice of the interviewees has been based on their professional background, in order to acquire the largest spectrum of respondents as possible. Since Islamic banking affects a wide range of business aspects, participants come not only from various countries but also focus on different segments of banking. Interviews were conducted with professionals from the researched countries, Slovakia and the UK, as well as from Malaysia where the Islamic banking is well-implemented, to gain an informed *outsider's perspective* [emphasis added] on the subject matter. Various knowledgeable respondents have been approached, ranging from bank employees, consultants, lawyers and other banking professionals, to address the phenomenon from numerous perspectives.

3.3 Analysis of data

The content of interviews was, if applicable, translated, fully transcribed in a comprehensible manner and subsequently, reviewed for greater accuracy (McLellan, MacQueen, & Neidig, 2003). To analyse provided data and construe its meaning, a qualitative-interpretive approach of qualitative content analysis was utilized, containing a mixed set of qualitative and quantitative steps (Elo et al, 2014, p. 1; Mayring, 2014, pp. 10, 63-65).

> Qualitative content analysis is a method to analyse qualitative data. It focuses on subject and context and emphasizes variation, e.g. similarities within and differences between parts of the text. It offers opportunities to analyse manifest and

> descriptive content as well as latent and interpretative content. (Graneheim, Lindgren, & Lundman, 2017, p. 29)

Selected inductive data-driven approach focuses on the identification of existing patterns, both contradicting or reinforcing ones, at various levels of abstraction and interpretation (Graneheim et al., 2017, p. 30). Crucial ability to create categories, concept, and models enables to cluster information in order to define research phenomena (Elo et al, 2014, p. 1). However, the limitations of the analysis technique belongs an inconsistent utilisation of categories, themes, as well as the levels of abstraction and interpretation throughout the analytic process (Graneheim et al., 2017, p. 29). Therefore, establishing necessary rigour and decision trails facilitate logical and congruent implementation of the approach (Graneheim et al., 2017, pp. 33-34).

3.4 Interpretation of data

Finally, the results have been interpreted in a form of descriptive summaries and conclusions to present findings in a coherent way (Mayring, 2014, pp. 10, 63-65). Elo et al. (2014) emphasize the power of wording which is crucial for the accuracy, effectiveness, and understandability of the results. As they pointed out, some aspects of rich data sets can easily fade away and decrease quality of the research due to its insufficient representation in the final interpretation; yet, importance of this process step is often overlooked (p. 6). "Results should be reported systematically and carefully, with particular attention paid to how connections between the data and results are reported" (Elo et al, 2014, p. 6). Reporting problems can be also solved by incorporating figures into the result section to provide a better overview of the finding as a whole (Elo et al, 2014, p. 6).

3.5 Research focus

In order to narrow down the focus and therefore, conduct more in-depth analyses, two member-states have been chosen to represent interests of both groups. The countries have been chosen based on their demographic and geographic characteristics to cover the biggest possible scope the EU can offer. To gain a perspective of a highly multicultural country which has already experienced Islamic banking within its structures, the United Kingdom has been chosen as a representative sample. The UK is considered to be the top destination for regular migrants professing Islam and therefore, substantial cultural demographic shifts are predicted to take place (Pew Research Center, 2017, para.14).

On the contrary, to achieve greater understanding of low multicultural countries, the Slovak Republic has been selected to represent the second group. According to the Slovak National Bank, there is no evidence of having Islamic bank present in the Slovak financial market (D. Kravecová, personal communication, January 15, 2018). With the current status of having only 0,1 % of population recognized as Muslims, and only little prospect of the future growth, Islamic banking institutions will have to target mainly non-Muslim clientele to ensure business success (Pew Research Center, 2017).

4 Analysis of results

This chapter provides an in-depth analysis of collected interview data. As presented in the paragraphs below, questions have been formulated to provide a basis for answering the main research questions and their sub-categories. Thus, the extracted content has been clustered into four sections to achieve greater clarity.Collected answers were examined through the interpretive qualitative content analysis to identify re-occurring patterns and potential deviations.

4.1 Market penetration

According to Sanderson, Eglinton, and Sulaiman, the Islamic banking has successfully penetrated the market, but in terms of company size, customer base, and the velocity of growth, it is rather insignificant in comparison to its conventional counterparts. Yet, success exceeded the expectations in the Eglinton’s opinion. As the interviewee stated, there are five purely Sharia-compliant banks and 20 banks offering Islamic services.

Záhumenský, Sýkora, and Džugas all agree that market penetration is Slovakia is non-existent as there are neither attempts nor notable demand to implement Islamic banking in the country's financial market. Furthermore, Džugas and Sýkora state that banks do not have a firm understanding of the concept and no direct experiences. Sulaiman sets a contrasting example of Malaysia where almost 99% of all the banking institutions have incorporated Islamic banking products into their structures.

4.2 Business opportunities for adoption of Islamic banks providing public lending

Investigation of business opportunities focuses on the role and positioning of Islamic banks in the financial markets, as well as potential effects of future political-economic structural changes in the form of upcoming Brexit. Therefore, three core questions are presented:

4.2.1 What is the current role of the Islamic banking and Islamic financial products in the UK and Slovakia:

In more general terms, Sulaiman defines the role of Islamic financial products as a mean of providing Sharia-compliant financial solutions to the market players, which ranges from retail banking, including housing and personal loans, wholesale banking, corporate loans, working capital to interest rates swaps.

On the other hand, Eglinton and Záhumenský define two main roles of Islamic financial products in the EU. The first dimension is London as a global Islamic financial centre. According to Eglinton, the role of Islamic banking products is to invest Sharia-compliant money in a Sharia-compliant manner for Sharia-compliant purposes. This accounts for the larger share of the Islamic financial business and focuses on London's interbank markets and real estate. The second role identified by Eglinton and Záhumenský is a provision of marginal retail banking services to Muslim minorities. According to Eglinton, UK Islamic banks emphasize an ethical factor and trust as a competitive advantage as opposed to conventional banks that caused the financial crisis. Furthermore, Záhumenský explains that by offering financial alternatives to Muslim communities that are not allowed to use conventional products, they address the gap in the market. As he further claims, the relevance of the role depends on a considerable Muslim representation within a country; when the community is missing, he doubts its applicability.

Sanderson also recognizes two types of roles, however, with a slightly different distinction between market segments. The main two roles are facilitating financial services to expatriates or business establishments from the Gulf and financing ordinary people buying ordinary houses. According to Sanderson, a general purpose is to mimic conventional banking while getting around the usury laws prohibited under the Sharia law. Nevertheless, the interviewee pointed out a disparity between a theoretical and practical implementation of Islamic financial principles, such as a genuine sharing of risk.

4.2.2 Will Brexit affect the functioning of UK Islamic financial institutions, especially in terms of provision of loan instruments?

Both Sanderson and Eglinton, the professionals, focusing on the UK market, state that the impact will be rather modest as the UK Islamic banks concentrate their operations mainly in the domestic market and the Middle East. They do a very little business in the rest of the EU. Sanderson further adds that Brexit will not affect financing instruments in any way and changes will influence mainly upper banks. Nevertheless, the post-Brexit relationship will be according to Eglinton critical for the future existence of London as a financial hub. Since this factor is the reason for the presence of the Islamic banking in the city, if the global financial centre collapsed, London's Islamic banking hub would cease to exist, too.

4.2.3 Do Islamic banks and their financing alternatives have a chance to become equally competitive to conventional lending products in the future?

Sulaiman and Záhumenský suggest that the opportunity of Islamic financing products becoming equally competitive to conventional lending products is market-specific. According to Sulaiman, at the global level, Islamic banks will never replace conventional institutions; however, in countries with a substantial demand, it has a chance to grow significantly. Záhumenský is also of the opinion that it mainly depends on the level of demand. Furthermore, he points out that the level of competitiveness of the products and the type of alternatives present in the market play a role in its further growth.

Although Muslim representation helped Islamic financial institutions to commence successful, marginal retail operations in the UK, neither Eglinton nor Sanderson expect substantial further growth of significance in the foreseeable future. Sanderson even predicts the downfall of its value as a result of a secular environment pushing away religious attachment. At the moment, Džugas is firmly convinced that Islamic banking does not even have a chance to settle in Slovakia due to the market's complete lack of interest.

4.3 Ease of doing business

Ease of doing business analyses two main topic areas, cooperation possibilities between conventional and Islamic banks and the suitability of a current legal system. Hence, data collection focused on two fundamental questions:

4.3.1 How do conventional and Islamic banks manage to cooperate?

Sulaiman distinguishes cooperation possibilities on two levels, cooperation between Islamic and conventional banks belonging to the same banking group and collaboration between absolute competitors. In the former case, the spectrum of cooperation is more comprehensive, ranging from support, training, human resources, talent to IT system and unified finance department. However, issues with a cannibalisation of customers and competition between departments due to the separate management teams and KPIs can occur. In the latter case, cooperation does not distinguish between Islamic or conventional and automatically, it offers fewer possibilities. Industry-level collaboration enables assistance in areas of market research, planning, and committees for common benefits. Suleiman identified the main issues here as the protection of trade secrets, products, and talent form each other due to an ongoing competition.

In Slovakia, according to Sýkora and Džugas, banks have not yet had any experiences with Islamic banking; thus, they do not have any specific attitude towards it, as well as there is no incentive for them to implement Islamic financial solutions. It is necessary to point out that even though Džugas works for one of the biggest Slovak banks, he stated employees themselves have insufficient knowledge and expertise about Islamic finance. Nonetheless, Sýkora and Záhumenský believe the cooperation is feasible as long as it is profitable and legal. At this level, once collaboration is possible, for instance, to create a syndicated loan, the type of the bank does not play any role. What is crucial, according to Sýkora, is the history and the name of the potential cooperation partner as a bank with stronger foundations abroad has higher credibility. However, according to Záhumenský, the cooperation is only possible in one direction; Islamic banks cannot offer convenient banking.

4.3.2 Is the current legal system suitable for further growth of the Islamic banking?

There is a unified view among interviewees that the current legal system, existent in both the UK and the Slovak Republic, is suitable for the establishment and the growth of Islamic financial institutions. Eglinton, Sanderson, and Sulaiman agree that the major changes to incorporate and accommodate Islamic finance within the UK market took place in the past. According to Eglinton and Sanderson, even though changes regarding regulations, tax, and capital requirement were already enacted, there is still a room left for improvement to equalise chances of the banking subjects. In fact, as Záhumenský points out, the UK enjoys the benefits of the global financial centre also due to a stable legal system and proper law enforcement.

Regarding Slovakia, Sýkora and Záhumenský perceive the legal system as suitable, without any specific barriers to trade. Sýkora points out business equality in the market which is also enshrined in the Slovak legal framework. If a banking subject obtains a licence and satisfies requirements, the system does not hinder such establishment. The same applies to cooperation between conventional domestic banks and foreign Islamic banks;

unless the foreign country is excluded from trading activities, no legal barrier can stop this cooperation. Záhumenský further elaborates on the legal system across the EU, which suitability is mostly country-specific. The majority of Islamic products and services can be incorporated into the Slovak financial market, primarily because of the absence of a property acquisition tax. However, he points out that despite the acceptable legal system, there is not a significant demand for such institutions.

4.4 Social acceptance

To explore drivers of social acceptance of Islamic banking, four core questions were formulated:

4.4.1 Does multiculturalism play a role in the level of public acceptance and the feasibility of adaptation of Islamic finances in the country?

Provided answers, in this case, demonstrate a considerable inconsistency of opinions which points out precariousness of the effect that multiculturalism can bring.

Záhumenský and Eglinton agree that multiculturalism and the Muslim representation in a country indeed play an essential role. However, both of them emphasised the need to distinguish between two dimensions of Islamic finance, the retail level, and the corporate level financing. In case of the retail market, multiculturalism in the UK and the EU is essential, as Muslims are the primary client base and targeted customer group of Islamic banks. Although, Eglinton states that it is only a small market segment since Muslims in the UK account for only approximately five per cent of the population. Regarding the interest of the non-Muslim community, Záhumenský is sceptical. According to him, it is not feasible that this customer group would utilise Islamic banking products or proactively seek information about Islamic financial solutions at the retail level. While Eglinton believes interbank markets in London are much bigger sector, Záhumenský suggests that Islamic financing on the corporate level of non-Muslim clients is still minimal, only in case of an inability to obtain financing through conventional means.

On the contrary, Sýkora, Sanderson, and Sulaiman bring to the fore other factors that might have an even stronger influence on the acceptance and the feasibility of adaptation of Islamic financial products. Sýkora and Sanderson emphasize the attractiveness of the products themselves as the primary decisive factor. According to Sýkora, no opinion about Islamic banking has been created on behalf of Slovak banks yet due to the non-existent experience. However, if the products appeal to all, there is no reason, in his opinion, to omit Islamic banks from the bank selection process. Sanderson puts much stronger emphasis on the secular aspects of today's society which prompts indifference to religious commitment. Hence, the choice will be based on purely practical reasons of who provides a better offer. According to the interviewee, Islamic banks are slightly more expensive and less competitive. Lastly, Sulaiman is rather indifferent regarding the multiculturalism aspect; however, educating bank employees and the market itself is in his opinion more critical factor. He claims that lower familiarity might be a reason for the small market share in the UK as opposed to the well-educated Malaysian market. Regarding the incites for a bank’s choice, his experiences from the Malaysian market suggest that religion is to some extent an irrelevant factor whereas individual preferences and product’s features play an important role.

4.4.2 Due to an expected expansion of Islamic banks across the EU, how well will they settle in member states with low multiculturality, such as Slovakia?

An inconsistency in the content of the answers can be observed. On the one hand, Džugas and Záhumenský argue that there is no chance for Islamic banks to accommodate in the Slovak financial market, at least not in the foreseeable future, due to a missing demand. Záhumenský highlights that the presence of a Muslim community in any country is a common prerequisite for the initial take-off. It is mainly because the non-Muslim community does not tend to utilise Islamic banking on the retail level at all. It would have to offer products which are particularly beneficial for the potential customer to consider switching. On the other hand, Sýkora has a more positive outlook of success if a bank focuses on the whole spectrum of clients and appeal to all segments.

4.4.3 What are the experiences of Islamic financial institutions with targeting non-Muslim customer base?

Due to a non-existent presence of Islamic institutions in the Slovak Republic, the extent of knowledge regarding the subject matter is limited. The claim is, furthermore, supported by Sýkora, who perceives Slovak public awareness regarding Islamic finance as rather minimal. Záhumenský’s builds on it with an argument that due to lack of knowledge, Slovaks tend to be rather sceptical about the Islamic business model.

However, Sulaiman adds that in other parts of the world, such as Malaysia, where the Islamic finance is developed, and the market is familiar with the concept, Islamic financial products are well accepted by the whole population, which is reflected in a high number of non-Muslim customers. As Eglinton states, in the retail sector, the success exceeded expectations; yet, it still accounts for a tiny market share. There is not considerable interest; thus, the profitability if low. Moreover, Sanderson highlights the fact that despite good customer service and low default rates, the services are pricier which pose a threat to the attractiveness of products to conventional users.

4.4.4 Is there a prejudice on behalf of non-Muslim citizens which would represent an issue for Islamic banks to fully adapt in the market?

A repeating pattern is found in the responses of Záhumenský, Sýkora, and Eglinton. All three suggest that prejudice could be to some extent an influencer; however, there are other drivers worth highlighting. While Záhumenský believes that one's convenience and low awareness also cause the reluctance of non-Muslim citizens to try Islamic banking, prejudice is the dominant factor. In Slovakia, a cynical attitude towards Islamic banking is a widespread phenomenon due to a lack of a deep understanding of its core structures, which cannot be seen on the surface of the concept. Therefore, convenient solutions are perceived as a much simpler option. Moreover, Sýkora also emphasises the need for prior enlightenment and dissemination of transparent information about the establishment in the Slovak market. Sýkora further explains that attitudes towards bank switching vary from a customer to customer. Nonetheless, satisfaction, loyalty, as well as the quality of offer influence client's switching behaviour. Thirdly, Eglinton identifies trust building and brand recognition, which is a process of two or three generations, as a stronger decisive factor and that it has nothing with religious beliefs.

On the other hand, according to Sulaiman and Sanderson, there is no prejudice against Islamic banking. Sulaiman suggests consumer behaviour being based predominantly on personal preferences and the attractiveness of financial solutions and Sanderson puts the emphasis on the low competitiveness of the bank in the market due to higher costs being the main issue.

The figure below provides a comprehensive overview of the interviews' results.

	The Slovak Republic			The United Kingdom		
Respondent	*Džugas*	*Záhumenský*	*Sýkora*	*Eglinton*	*Sanderson*	*Sulaiman*
Market penetration	Non-existent	Non-existent	Non-existent	Small	Small	Small
Business opportunities						
Role of Islamic baking	-	Sharia-compliant investments and servicing Muslim minorities	-	Sharia-compliant investments and servicing Muslim minorities	Servicing clients from the Gulf and ordinary people	Providing Sharia-compliant financial solutions
Effect of Brexit	-	-	-	Small impact	No impact financing instruments	-
Chance for future equality	No	Market-specific	-	No	No	Not globally
Ease of doing business						
Cooperation possibilities	Neutral attitude, no experience and no demand	Feasible if profitable and legal Only one way possible	Feasible if profitable and legal	-	-	Feasible, within one banking group much larger
Legal system	-	Suitable	Suitable	Suitable	Suitable	Suitable

Figure 8: Overview of the results part 1 [Author's representation]

	The Slovak Republic			The United Kingdom		
Respondent	*Džugas*	*Záhumenský*	*Sýkora*	*Eglinton*	*Sanderson*	*Sulaiman*
Social acceptance						
Influence of multiculturalism	-	Multiculturalism is important	Yes, but product and awareness are more important	Multiculturalism is important especially in the retail market	Yes, but product is more important	Educating market is more important
Low multicultural countries	They will not	They will not	Good, if the offer is attractive to the market	-	-	-
Non-Muslim target group	No demand in Slovakia	Scepticism	Market awareness is minimal	Small interest	Small interest	Accepted if market is educated
Prejudice	-	Prejudice, convenience, and low awareness	Prejudice but Influence of enlightenment and information exchange	Prejudice is a threat, but trust and brand recognition are more influential	No prejudice against Islamic banking Competitiveness more important	Personal preferences and offer more important

Figure 9: Overview of the results part 2 [Author's representation]

5 Discussion

Integration of the theoretical dimension elaborated by extensive desk research and empirics of qualitative interview enables observation of common trends and patterns that can be identified throughout the research.

5.1 The Slovak Republic

5.1.1 Ease of doing business

Slovakia is a democratic parliamentary republic and a part of the EU, Eurozone and Schengen Area. Generally, it is a stable country; however, high-level corruption poses a problem. The economy is experiencing robust growth. Income, as well as loan demand, have been steadily increasing. Both, empirical and theoretical research perceive the Slovak legal system as suitable for an establishment and the growth of Islamic banks, without any specific barriers and ensured business equality in the market. In contrast to some other EU member states, Slovakia does not have a property acquisition tax; therefore, double taxation is eliminated, and most of the Islamic financial structures can be implemented in the market. Favourable conditions also apply for potential cooperation of Islamic and conventional bank, which can take a form of either industry-level collaboration of competitors or between banks of the same banking group. Foreign direct investment is highly encouraged, and the country is ranked as 39th out of 190 economies in 2018 Ease of Doing Business index. Government intervention can be found in the form of restrictions on the provision of 100% mortgages and a bank levy.

Slovak financial market is identified with a high risk of concentration and substantial competition which pushed extensively down interest rates. At the moment, there are 27 banking subjects, but none is performing Islamic finances. Despite the intense competition, the market still expects new entrants and substitutes, especially because of the new EU directive PSD2.

Interviewees suggest that a chance of Islamic banks to become equally competitive as the conventional counterparts is on the global scale impossible and locally, it is very market-specific. Despite favourable conditions in Slovakia, interviewees do not predict success due to lacking demand.

5.1.2 Market penetration

Results of the semi-structured interviews, as well as the findings of the PESTEL analysis, demonstrate the missing presence of Islamic Banking in the Slovak Republic. The statement was also confirmed by the representative of the Slovak National Bank, which is responsible for the supervision of the banking subjects in the country's financial market.

Even though the conventional banks have neither understanding nor experiences in this area of business, the results of the interview suggest neutral attitudes of Slovak banks, which not refuse an idea of potential cooperation with Islamic banking institutions, if it satisfied the requirements of profitability, legality, and sufficient demand of the market. However, enlightenment and incentive need to be brought to the market first.

5.1.3 Social acceptance

As written in the PESTEL section, Slovakia has a population of 5 443 120 inhabitants out of which only 0,1% is Muslim with no prospects of future growth. Such an insignificant minority is a disadvantage for Islamic banking considering the fact that numerous interviewees pointed out the importance of having the Muslim community for its business success. Indeed, the primary role of Islamic banks has been in the majority of cases identified as the provision of the Sharia-compliant financial solution, whereas primarily Muslims tend to utilise these products. In the EU, specifically in the UK, non-Muslims do not seek Islamic financial services at the retail level at all. At the moment, there is very low awareness and no demand for Islamic banking in the country.

Findings of the result analysis define prejudice, convenience, low awareness and attractiveness of products as the main factors of the reluctance. PESTEL analysis describes a rather cautious approach of Slovaks towards other cultures due to bad experiences. Concerning Islamophobia, the biggest challenge is the negative content of mass media. This is pivotal because of the high trust in Slovak mass media.

Furthermore, an insufficient understanding of the core idea of Islamic banking leads to the scepticism of potential customers. However, Sulaiman suggests that the success lays in the education of the market, which is also supported by other respondents. If the market understands, social acceptance is higher. Besides, personal preference and attractiveness of offered products are usually critical decisive factors in bank selection process, not the religious background. One the one hand, this would be a good sign for Islamic banking in Slovakia; however, Islamic banks are not that competitive due to their higher price.

Therefore, unless substantial benefits are offered, there is hardly any point to leave the convenience of traditional institutions and to experience new, barely understood concept of banking. Moreover, a lack of brand recognition and trust can be even more amplified by low awareness and understanding.

Not being understood and incurring higher cost are two elements which significantly hurt the attractiveness of Islamic financial institutions. In addition, despite steadily growing demand for loans and increasing income, Slovakia does not belong to the high -income EU countries. One has to keep in mind that the bargaining power of buyers is here very high as there is a variety of banks to choose from, no barriers and almost no costs when switching banks. Hence, the price of the product can play a crucial role.

In conclusion, social acceptance could be slowly achieved if the product would be visibly beneficial and attractive to potential customers. Furthermore, the market has to be well-educated on what benefits does Islamic banking bring to overcome prejudice, convenience.

By taking into consideration all the above-mentioned factors, Slovakia has favourable conditions in terms of politics and economy; however, lack of demand and social acceptance pose the biggest problems. At the moment, the Slovak Muslim minority is insignificant in terms of numbers to adopt Islamic banking alone, and non-Muslim inhabitants are not interested due to lack of knowledge and scepticism. One has to intensively educate the market to achieve an understanding of the concept and offer products which are more beneficial than their conventional equivalents. Building trust is, however, a long-term process. In addition, even in highly multicultural EU countries, Islamic banks operate only marginally at the retail level. Therefore, in the foreseeable, the extent of possible implementation of Islamic financing alternatives to the financial markets of low multicultural EU member states is minimal.

5.2 The United Kingdom

5.2.1 Ease of doing business

The UK is characterised by favourable conditions prevailing in the financial market. It is a stable country with low corruption and positioned high in the Ease of Doing Business ranking. A business-friendly environment with easy access to the markets and fair legal system with favourable and competitive fiscal policy are just one of the many advantages the market facilitates.

The banking sector in the UK is considered to be highly competitive, yet, concentrated, whereby a handful of large banks dominate the market. New entrant and substitutes have on the one hand easy access to the market; on the other hand, the competitive environment challenges their survival.

Although Brexit will most likely jeopardise partly stability of the financial hub, collected empirical data states that there will not be any impact on the Islamic financing instruments. Since UK Islamic banks do not conduct businesses in the rest of the EU, the overall impact will be minimal.

It is necessary to point out that based on the empirical results, Islamic banks and their financing instruments are not predicted to become equally competitive as conventional banks. The UK´s market environment is despite high competition favourable for the growth. The reason for the small market share, therefore, lays in other factors.

5.2.2 Market penetration

As pointed out in both forms of the research, Islamic banking successfully penetrated the UK's financial market; however, it accounts for only a small market share. Especially in terms of retail financing, the operations are marginal, mainly utilized by the Muslim customers. At the moment, five fully Sharia-compliant banks and 20 banking institutions with Islamic financial products are operating in the market.

5.2.3 Social acceptance

The UK experiences Islamophobia waves against immigration which was further reinforced by the upcoming Brexit. However, the results of interviews claim that the prejudice does not target Islamic banking itself. The Muslim population in the UK represents 4,4%. The country is not only a desired destination for Muslim refugees, but also for regular Muslim migrants. Hence, future major changes concerning the UK's religious composition are expected to take place. Islamic banks might benefit from this, as their primary target group in the retail market are expatriates from the Gulf and the Muslim community it the UK. Islamic banks also try to expand non-Muslim customer base; however, there is no significant interest on their behalf. Thus, multiculturalism is essential, although it only facilitates marginal operations. Other aspects, such as education, brand recognition, and product attractiveness, are brought to the fore that might influence the position of the Islamic finance. This is also supported by Sanderson's prediction of the downfall of religious attachment, which will put emphasis on secular needs. Therefore, no major growth is expected to happen in the foreseeable future.

To sum it up, a potential customer base of the Muslim population is expected to grow due to migration and refugees; however, the emphasis is continuously put on other factors than the religious compliance. Therefore, to increase social acceptance, Islamic banks have to increase the market's awareness and improve product attractiveness.

UK Islamic banking has already experienced initial growth, wherein the main target group is the Muslim community. Till now, the banks were unable to attract a substantial number of non-Muslim customer base and therefore, in spite of the favourable conditions of the market, Islamic financing solutions have been incapable of cutting greater retail market share. With the growing number of Muslims in the country, Islamic banks might have temporary room for growth; however, unless gaining interest of non-Muslim population too, the survival will be threatened. Especially due to pressures of the secular environment and diminishing religious commitment, Islamic banks will depend on increasing attractiveness of their products and education of the market.

To sum it up, the extent of adaptability of Islamic banks in the financial markets of highly multicultural EU member states is at the moment limited to the amount of Muslim representation in the country with a questionable future dependent on the ability of Islamic banks to attract non-Muslim customers.

5.3 Limitations

Regarding the literature review, weaknesses of the desk research posed several threats. One of the most critical limitations is the lack of previous studies in the research area focusing on the applicability of Islamic financial services in the Slovak Republic. Current academic literature provides mainly information regarding western highly multicultural EU member states; therefore, a risk of minor controversies might increase. Secondly, due to significant pollical, economic, and legal changes, numerous academic sources have been identified as obsolete. Thus, one has to pay close attention to the publishing dates and event to assess the appropriateness of the information for the research.

Moreover, drawbacks of the market analyses, such as PESTEL and Porter's Five Forces model, have to be taken into consideration as their limitations might have an effect on the overall result of the research. As mentioned in the PESTEL section, to the biggest challenges of the practical application of the model belong limited objectivity, depth of the examination, and a missing quantitative approach to the measurement. Furthermore, relative significance and inter-dependence of factors are omitted. In spite of the insufficient consideration of the effects of deregulation, digitalisation, and globalisation in the competitive environment, by combining Porter's Five Forces analysis with other models, elimination of its drawbacks is assumed. Yet, it cannot be taken for granted.

The main limitations of the empirical part of the research were recognized in the phases of data collection and analysis. Besides already stated limitations of the semi-structured interview, including time, resource, skill intensity, confidentiality of information, and data distortion, the process of data collection faced several additional limitations worth mentioning. One of the most significant barriers was the low awareness of the subject in the Slovak financial market and among other professionals. As a matter of fact, many big Slovak banks have refused to participate in the interview because of insufficient knowledge of the bank’s employees regarding the topic; hence, were unable to provide necessary information. Such pattern also applies to other areas of business where the source of information was expected to exist. On the contrary, UK banks and other relevant firms were either unwilling to participate in interviews or do not have platforms for addressing such queries. This reluctance resulted in high dependency on information provided by only a handful of respondents. Drawbacks of qualitative content analysis threatened the quality of data analysis; in particular, it increased the risk of inconsistent utilisation of categories, themes, and the levels of abstraction and interpretation throughout the process.

6 Conclusion

Islamic banking belongs to the fastest growing segments of the global financial market. The growing significance of the system has been continuously recognised, resulting in an extensive expansion and internationalisation of its operations. Even western banks have shown interest in Islamic financing and began to incorporate its instruments into their structures. In the European Union is the presence of Islamic banks limited to only multicultural western member states. Demand for Islamic financing is linked to the growing number of Muslim communities. However, concerns were raised regarding the accommodation possibilities of Islamic banking structures in EU countries that lack Muslim representation. The research aimed to answer two research questions, what the extent of adaptability of Islamic banks in the financial markets of highly multicultural EU member states is, and to what extent can Islamic banks be implemented to the financial markets of low multicultural EU member states. The research utilised semi-structured interviews for the data collection and qualitative content analysis for the examination of existing patterns of the phenomena.

Although the EU facilitates a favourable market environment for the development of Islamic banking., its market is very small in the UK and non-existent in Slovakia. The results have pointed out the dependency of Islamic banking on the Muslim communities, identifying the presence of a minority as a prerequisite for the initial market entry. Non-Muslim population does not exhibit an interest in the Islamic financial products. However, other factors, such as the level of awareness, understanding by the market, and product attractiveness can even have a more significant influence on the social acceptance.

In case of low multicultural member states, the possibilities for implementation of Islamic financing products are minimal. At the moment, there is no demand, low awareness, and lacking understanding of the subject matter even in the financial sector. Therefore, one has to educate the market first and develop sufficiently attractive financing alternative to be able to enter the market and survive the competition without targeting Muslim consumers. However, the chances of success are at the moment negligible.

In case of highly multicultural member states, adaptability options are still limited in the retail market; however, the initial launch can be executed by attracting Muslim communities and gaining small market share. Nevertheless, to sustain the operations, Islamic financial institutions should shift the attitude of the non-Muslim segment too. This might be done by pressing on the consumer's rationality and offer beneficial financing solutions that would appeal to clients not seeking Sharia-compliant products. Educating the market about the core functioning of Islamic banking can also increase understanding and acceptance by the market.

This research was intended to provide an overview of the attitudes of the market from a business perspective. For the further research, it is recommended to execute an in-depth quantitative analysis of the perspectives of potential non-Muslim customers in both, high and low multicultural EU member states, to identify critical drivers and requirements that would improve the competitiveness of Islamic banks at the retail level. Further research can also encompass an in-depth analysis of the adaptability of Islamic financing solutions in structures of existing conventional banks that would facilitate expansion of product portfolios.

References

Ab Talib, M.S., Hamid, A. B. A., Zulfakar, M. H. & Jeeva, A.S. (2014, June 24). Halal Logistics PEST Analysis: The Malaysia Perspectives. *Asian Social Science, 10*(14), 119-131. http://dx.doi.org/10.5539/ass.v10n14p119

Abb, C., & Miller, S. (2016, October). *Guide to banking and sustainability* (2nd ed.). Retrieved from http://www.unepfi.org/wordpress/wp-content/uploads/2017/06/CONSOLIDATED-BANKING-GUIDE-MAY-17-WEB.pdf

Abedifar, P., Ebrahim, S. M., Molyneux, P. & Tarazi, A. (2015). Islamic Banking and Finance: Recent Empirical Literature and Directions for Future Research. *Journal of Economic Surveys, 29*(4), pp. 637–670.

Abedifar, P., Hasan, I., & Tarazi, A. (2016, December). Finance-growth nexus and dual-banking systems: Relative importance of Islamic banks. *Journal of Economic Behavior & Organization*, *132*, 198-215.

Accace. (2018, January 17). *2018 Tax Guideline for Slovakia*. Retrieved from https://accace.com/tax-guideline-for-slovakia/

Accenture. (2016). *Digital Trust: Erase the trust paradox in banking: 2016 Accenture Technology Vision for Banking.* Retrieved from https://www.accenture.com/t20160529T211723Z__w__/us-en/_acnmedia/PDF-20/Accenture-Banking-Tech-Vision-Digital-Trust.pdf

Ahmad, A., ur Rehman, K., & Saif, M. I. (2010, February). Islamic banking experience of Pakistan: Comparison between Islamic and conventional banks. *International Journal of Business and Management*, *5*(2), 137-143.

Ahmed, H. (2006, February). Islamic Law, Adaptability and Financial Development. *Islamic Economic Studies, 13*(2), 79-101.

Aioanei, S. (2007, November). European Challenges for Islamic Banks. *The Romanian Economic Journal*, *Year X*, 25, 7-20.

Alawode, A. A. (2015, March 31). *Islamic Finance*. Retrieved from http://www.worldbank.org/en/topic/financialsector/brief/islamic-finance

Alharbi, A. (2015, June). Development of the Islamic Banking System. *Journal of Islamic Banking and Finance, 3*(1), 12-25. http://dx.doi.org/10.15640/jibf.v3n1a2

Alharbi, A. (2016, November). Development of Islamic finance in Europe and North America: Opportunities and challenges. *International Journal of Islamic Economics and Finance Studies, 2*(3), 109-136.

Alotaibi, M. N., & Asutay, M. (2015, April). Islamic banking and Islamic e-commerce: Principles and realities. *International Journal of Economics, Commerce and Management United Kingdom, 3*(4), 1-14.

Andreasyan, T. (2018, May 30). *UK challenger banks: who's who (and what's their tech)*. Retrieved from https://www.bankingtech.com/2018/05/uk-challenger-banks-whos-who-and-whats-their-tech/

Apolen, P. (2014, June 25). *Konzultačná spoločnosť upozorňuje na zraniteľnosť bankového sektora* [Consulting company draws attention to the vulnerability of the banking sector]. Retrieved from https://www.investujeme.sk/clanky/ak-slovenske-banky-zaspia-predbehne-ich-zahranicna-konkurencia/

Apolen, P. (2017a, May 10). *Čo Slovákov hnevá na bankách najviac…* [What makes Slovaks mad about the banks the most...]. Retrieved from https://www.investujeme.sk/clanky/co-slovakov-hneva-na-bankach-najviac/

Apolen, P, (2017b, December 08). *Slovenské banky čelia novej regulácii na slovenskej aj európskej úrovni* [Slovak banks face new regulation at the Slovak and European level]. Retrieved from https://www.investujeme.sk/clanky/slovenske-banky-celia-novej-regulacii-na-slovenskej-aj-europskej-urovni/

Ayadi, R., De Groen, W. P., Sassi, I., Mathlouthi, W., Rey, H., & Aubry, O. (2016). *Banking business models monitor 2015 Europe*. Montréal: International Research Centre on Cooperative Finance.

Bakar, M. A. (2010, March 17). *Seminar on Islamic finance: Broad distinction between Islamic & conventional banking.* Retrieved from http://bankislam.com.my/en/Documents/Shariah/BroadDistinctionBetweenIslamicConventional.pdf

Banky sa začínajú správať ekologicky - zelene. [Banks begin to behave ecologically - green] (n.d.). Retrieved from http://postovesluzby.sk/aktualita/61/banky-sa-zacinaju-spravat-ekologicky-zelene/

Barclays. (n.d.). *Contactless cash: Take out cash with a tap*. Retrieved from https://www.barclays.co.uk/ways-to-bank/contactless-cash/

Barclays. (2018). *Positioned for growth, sharing and success: Environmental Social Governance Report 2017.* Retrieved from https://www.home.barclays/content/dam/barclayspublic/docs/InvestorRelations/AnnualReports/AR2017/Barclays%20PLC%20ESG%20Report%202017.pdf

Bayrakli, E., & Hafez, F. (2017). *European Islamophobia Report: 2016*. Ankara, Turkey: SETA. ISBN: 978-975-2459-00-7.

BBC. (2018, April 12). *Slovakia country profile*. Retrieved from http://www.bbc.com/news/world-europe-17847682

Benson, I., & Watts, D. (2010, December 08). *Barriers in the retail banking sector*. Retrieved from: https://www.lexology.com/library/detail.aspx?g=3ffb2c26-f0fe-4e99-821d-8c0b3ad56387

Beracka, J. (2017, May 15). *Peer to peer pôžičky sú rizikové, varuje NBS.* Retrieved from http://www.finreport.sk/banky-a-poistovne/peer-to-peer-pozicky-su-rizikove-varuje-nbs/

Bernard, H. R. (2018). *Research methods in anthropology: Qualitative and quantitative approaches* (6th ed.). Lanham, MD: Rowman & Littlefield.

Bloor, M. (2016). Addressing social problems through qualitative research. In D. Silverman (Ed.), *Qualitative Research* (4th ed.) (pp. 15-30). London: SAGE Publications.

Brejčák, P. (2018, January 12). *Banky prichádzajú o monopol v internetbankingu. Majú sa báť novej konkurencie?* [Banks are losing monopoly of the internet banking. Should they be afraid of the new competition?]. Retrieved from https://www.etrend.sk/financie/banky-prichadzaju-o-monopol-v-internetbankingu-maju-sa-bat-novej-konkurencie.html

Brinkmann, S. (2014). Interview. In T. Teo (Ed.), *Encyclopedia of critical psychology*. https://doi.org/10.1007/978-1-4614-5583-7_161

Cash isn't going anywhere anytime soon. (2018, March 1). Retrieved from https://financialobserver.eu/poland/cash-isnt-going-anywhere-anytime-soon/

Central Intelligence Agency. (n.d.). *Europe: United Kingdom*. Retrieved from https://www.cia.gov/library/publications/resources/the-world-factbook/geos/print_uk.html

Cerović, L., Suljić Nikolaj, S., & Maradin, D. (2017). Comparative analysis of conventional and Islamic banking: Importance of market regulation. *Ekonomska misao i praksa*, *26*(1), 241-263.

Cohen, D., & Crabtree, B. (2006, July). *Qualitative Research Guidelines Project*. Princeton, NJ: Robert Wood Johnson Foundation.

Consultancy.uk. (2017, September 28). *How Artificial Intelligence is transforming the banking industry*. Retrieved from https://www.consultancy.uk/news/14017/how-artificial-intelligence-is-transforming-the-banking-industry

Cooper, D. R., & Schindler, P. S. (2014). *Business research methods* (12th ed.). New York, NY: The McGraw-Hill.

Council of the European Union. (2017, November 10). *Capital requirements for the banking sector*. Retrieved from http://www.consilium.europa.eu/en/policies/banking-union/single-rulebook/capital-requirements/

Country Comparison: What About Slovakia? (n.d.). Retrieved from https://www.hofstede-insights.com/country-comparison/slovakia/

Country Comparison: What about the UK? (n.d.). Retrieved from https://www.hofstede-insights.com/country-comparison/the-uk/

ČSOB. (n.d.). *Správa o spoločenskej zodpovednosti ČSOB za rok 2015* [ČSOB 2015 corporate social responsibility report]. Retrieved from https://www.csob.sk/documents/11005/127943/CSR_Report_2015.pdf

Dälken, F. (2014). *Are Porter's five competitive forces still applicable? A critical examination concerning the relevance for today's business* (Bachelor's thesis). from http://essay.utwente.nl/65339/1/D%C3%A4lken_BA_MB.pdf

Deloitte. (2014a, September 22*). Five threats to retail banks*. Retrieved from http://blogs.deloitte.co.uk/financialservices/2014/09/five-threats-to-retail-banks.html

Deloitte. (2014b, April 3). *Islamic Finance in Europe. The 2nd International forum for Islamic banks and financial Institutions*. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/lu-en-islamicfinance-ineurope-11042014.pdf

Deloitte. (2015, July 30). *The impact of Innovation in the UK Retail Banking Market: A Final Report for the Competition and Markets Authority*. Retrieved from https://assets.publishing.service.gov.uk/media/55ba0461ed915d155c000013/The_impact_of_innovation_in_the_UK_retail_banking_market__2_.pdf

Dewar, J., & Hussain, M. (2017, November). *The Islamic Finance and Markets Review - Edition 2: United Kingdom*. Retrieved from https://thelawreviews.co.uk/edition/the-islamic-finance-and-markets-review-edition-2/1150804/united-kingdom

Diaz-Unzalu, M. (2014, March 28). *Technology Trends Affecting the Banking Industry*. Retrieved from https://www.frbatlanta.org/education/publications/extra-credit/2014/spring/technology-trends-affecting-banking-industry

DiCicco-Bloom, B., & Crabtree, B. F. (2006, April). The qualitative research interview. *Medical Education*, *40*(4), 314-321. https://doi.org/10.1111/j.1365-2929.2006.02418.x

Doody, O., & Noonan, M. (2013). Preparing and conducting interviews to collect data. *Nurse Researcher*, *20*(5), 28-32. Retrieved from http://hdl.handle.net/10344/5588

Drew, C. J., Hardman, M. L., & Hosp, J. L. (2008). *Designing and conducting research in education*. London: SAGE Publications.

EBRD. (2017, November 29). *Slovak Republic Country Strategy: 2017-2022*. Retrieved from http://www.ebrd.com/documents/strategy-and-policy-coordination/slovak-republic-country-strategy-2017.pdf

Economics Online. (n.d.). *UK Banks*. Retrieved from http://www.economicsonline.co.uk/Business_economics/Banks.html

ECORYS UK. (2016, January). *Digital skills for the UK economy*. Retrieved from https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/492889/DCMSDigitalSkillsReportJan2016.pdf

Edmonds, T. (2017, December 01). *Government bank rescues: Financial consequences*. Retrieved from http://researchbriefings.files.parliament.uk/documents/SN05748/SN05748.pdf

El-Gawady, Z. M. (2004). *Possibility of cooperation between Islamic banks and conventional banks.* Retrieved from http://dspace.must.edu.eg/handle/123456789/556

Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K., & Kyngäs, H. (2014). Qualitative content analysis: A focus on trustworthiness. *SAGE open*, *4*(1), 1-10.

Erste Group. (n.d.). *Consumer loans in Slovakia on record-high with Erste's Slovenská sporiteľňa in the lead.* Retrieved from https://www.erstegroup.com/en/news-media/press-releases/2015/06/25/consumer-loans-slovakia-alias

EUR-Lex. (2015, October 7). *Prudential requirements for credit institutions and investment firms.* Retrieved from https://eur-lex.europa.eu/legal-content/EN/LSU/?uri=celex:32013R0575

European Banking Federation. (n.d.a). *Slovakia's banking sector: Facts & Figures*. Retrieved from https://www.ebf.eu/slovakia/

European Banking Federation. (n.d.b). *United Kingdom's banking sector: Facts & Figures.* Retrieved from https://www.ebf.eu/united-kingdom/

European Central Bank. (n.d.). *European System of Financial Supervision*. Retrieved from https://www.bankingsupervision.europa.eu/about/esfs/html/index.en.html

European Commission. (n.d.). *Economic forecast for Slovakia*. Retrieved from https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/slovakia/economic-forecast-slovakia_en

European Commission. (2015, June 03). *The Schengen area: Europe without borders.* Retrieved from https://publications.europa.eu/en/publication-detail/-/publication/09fcf41f-ffc4-472a-a573-b46f0b34119e/language-en

Eurostat. (2016 July). *Slovakia in the EU*. Retrieved from http://ec.europa.eu/eurostat/documents/10186/6870038/Slovak+presidency+-+EN/8f2524c4-57cc-47af-aae3-fbf6cebbb50f

Eurostat. (2017, February). *Income distribution statistics.* Retrieved from http://ec.europa.eu/eurostat/statistics-explained/index.php/Income_distribution_statistics#Income_inequalities

EY. (2016, June 13). *Foreign direct investment in UK financial services industry at highest level since 2006.* Retrieved from http://www.ey.com/uk/en/newsroom/news-releases/16-06-13---foreign-direct-investment-in-uk-financial-services-industry-at-highest-level-since-2006

Financial Services Review. (2008, August). *Islamic finance – a history.* Retrieved from http://www.assaif.org/content/download/5961/34413/file/Islamic

Frajková, L. (2015, May). Produktové trendy v bankovníctve [Product Trends in Banking Sector] (Bachelor's thesis). Retrieved from: https://is.ambis.cz/th/gcnln/final_Frajkova__1_.pdf

Fry, A. (2014, October 02). *Challenging conditions in UK retail for Islamic finance* [White paper]. Retrieved from https://kae.com/ideabank/challenging-conditions-in-uk-retail-for-islamic-finance/

Furnivall, N., & Coyne, B. (2016, March 03). *New banking entrants face big challenges to growth*. Retrieved from https://www.grantthornton.co.uk/insights/new-banking-entrants-face-big-challenges-to-growth/

Galletta, A. (2013). *Mastering the Semi-Structured Interview and Beyond. From Research Design to Analysis and Publication*. New York, NY: New York University Press.

GLOBSEC. (2017, May 9). *Migration politics in Slovakia: Balancing domestic and EU-level goals*. Retrieved from https://www.globsec.org/publications/migration-politics-slovakia-balancing-domestic-eu-level-goals/

Government Office of the Slovak Republic. (n.d.). *Základné údaje* [General information]. Retrieved from http://www.vlada.gov.sk/slovensko/

Graneheim, U. H., Lindgren, B. M., & Lundman, B. (2017). Methodological challenges in qualitative content analysis: A discussion paper. *Nurse education today, 56*, 29-34.

Grigore, A. M. (2014, March). Book Publishing Business in Romania-An Analysis from the Perspective of Porter's Five Force Model. *Review of International Comparative Management, 15*(1), 31-47

Gulamhuseinwala, I., Bull, T. & Lewis, S. (2015, November 7). FinTech is Gaining Traction and Young, High-Income Users are the Early Adopters. *Journal of Financial Perspectives. 3*(3). Retrieved from https://poseidon01.ssrn.com/delivery.php?ID=243069124094101110028084104112116007000076081034060007022067064097004107122017081119005102039099016121119028114089105072077097020045006069064005104083015082069126076040065013110091118026009112086026113122116000001090101069030093125078071013004124022085&EXT=pdf

Gupta, A. (2013, May 30). Environment & PEST Analysis: An Approach to External Business Environment. *International Journal of Modern Social Sciences, 2*(1), 34-43. ISSN: 2169-9917.

Hanif, M. (2011, February). Differences and similarities in Islamic and conventional banking. *International Journal of Business and Social Science, 2*(2), 166-175.

Hanif, M. (2014, April 28). Differences and Similarities in Islamic and Conventional Banking. *International Journal of Business and Social Sciences, 2*(2).

Harper, J. (2016 May 12). *Slovakia's banking sector resilient to potential shocks – central banker says.* Retrieved from https://financialobserver.eu/ce/slovakias-banking-sector-resilient-to-potential-shocks-central-banker-says/

Harrell, M.C., & Bradley, M.A. (2009). *Data Collection Methods. Semi-Structured Interviews and Focus Groups*. Santa Monica, CA: RAND Corporation.

Harzi, A. (2011). *The impact of Basel III on Islamic banks: A theoretical study and comparison with conventional banks.* Research Chair of Ethics and Financial Norms. Retrieved from: https://cenf.univ-paris1.fr/fileadmin/Chaire_CENF/pdf/The_impact_of_Basel_III_on_Islamic_banks_-_chaire_Paris_1.pdf

HM Treasury. (n.d.a). *About us*. Retrieved from https://www.gov.uk/government/organisations/hm-treasury/about

HM Treasury. (n.d.b). *What we do*. Retrieved from: https://www.gov.uk/government/organisations/hm-treasury

Hove, S. E, & Anda, B. (2005, September). Experiences from conducting semi-structured interviews in empirical software engineering research. *In Software metrics, 2005. Paper presented at the 11th IEEE international symposium* (pp. 10-23). Como: IEEE.

HSBC. (n.d.). *Smart security with fingerprint log-on*. Retrieved from https://www.business.hsbc.uk/en-gb/everyday-banking/ways-to-bank/touch-id

HSBC. (2018, April). *Environmental, Social and Governance (ESG): Update Supporting sustainable growth*. Retrieved from http://www.hsbc.com/-/media/hsbc-com/newsroomassets/2018/pdfs/180329-esg-update-april-2018.pdf

Ibrahim, A. (1997). Legal Framework of Islamic Banking. *Undang- Undang: IKIM Law Journal*, *1*(1), 1-29.

Ibrahim, M. H. (2015, September). Issues in Islamic banking and finance: Islamic banks, Shari'ah-compliant investment and sukuk. *Pacific-Basin Finance Journal*, *34*, 185-191. https://doi.org/10.1016/j.pacfin.2015.06.002

IMUNA. (n.d.). *United Kingdom of Great Britain and Northern Ireland*. Retrieved from http://www.imuna.org/resources/country-profiles/united-kingdom-great-britain-and-northern-ireland

IndexMundi. (2018a, January 20). *Slovakia Demographics Profile 2018*. Retrieved from https://www.indexmundi.com/slovakia/demographics_profile.html

IndexMundi. (2018b, January 20). *United Kingdom Demographics Profile 2018*. Retrieved from https://www.indexmundi.com/united_kingdom/demographics_profile.html

IndexMundi. (2018c, January 20). *United Kingdom Economy Profile 2018.* Retrieved from https://www.indexmundi.com/united_kingdom/economy_profile.html

IndexMundi. (2018d, January 20). *United Kingdom Internet users*. Retrieved from https://www.indexmundi.com/united_kingdom/internet_users.html

Inflation Slovakia 2018. (n.d.). Retrieved from http://www.inflation.eu/inflation-rates/slovakia/historic-inflation/cpi-inflation-slovakia-2018.aspx

INESS. (2016, August 21). *Government changes tax policy (The Slovak Spectator).* Retrieved from http://www.iness.sk/sk/stranka/11792-Government-changes-tax-policy-The-Slovak-Spectator

Interaction with conventional system. (n.d.). Retrieved from http://www.financialislam.com/operations-within-the-conventional-system.html

International Monetary Fund. (2016, June). *United Kingdom: Financial sector assessment program: Macroprudential institutional framework- Technical note*. Retrieved from https://www.imf.org/external/pubs/ft/scr/2016/cr16160.pdf

Jackson, G, Tetlow, G., Bernard, S. & Pearson, T. (n.d.). *The UK economy at a glance*. Retrieved from https://ig.ft.com/sites/numbers/economies/uk

Järvinen, R. (2014, August). Consumer trust in banking relationships in Europe. *European Journal of Marketing, 32*(6), 551-566. http://dx.doi.org/10.1108/IJBM-08-2013-0086

Jubraj, R., Graham, T., & Ryan, E. (2018). *Redefine banking with Artificial Intelligence.* Retrieved from https://www.accenture.com/t00010101T000000Z__w__/gb-en/_acnmedia/PDF-68/Accenture-Redefine-Banking.pdf#zoom=50

Kahf, M. (2005, November). Basel II: Implications for Islamic Banking. Paper presented at the 6th International conference on Islamic economics and banking, Jakarta. Retrieved from: http://www.mbri.ac.ir/userfiles/file/Islamic%20Banking/%D8%A8%D8%A7%D9%86%DA%A9%20%D9%85%D9%82%D8%A7%D9%84%D8%A7%D8%AA/Regulating%20Islamic%20financial%20institutes/Basel%20II%20Implications%20for%20Islamic%20Banking.PDF

Kajornboon, A. B. (2005). Using interviews as research instruments. *E-journal for Research Teachers, 2*(1), 1-9. Retrieved from http://www.culi.chula.ac.th/research/e-journal/bod/annabel.pdf

Kaleem, A, & Isa, M. M. (2003). Causal relationship between Islamic and conventional banking instruments in Malaysia. *International Journal of Islamic Financial Services, 4*(4), 1-8.

Kern, S. (2011, May 19). *Islamic "Shariah-Compliant" Banking Takes Root in Europe*. Retrieved from https://www.gatestoneinstitute.org/2130/islamic-Shariah-compliant-banking-europe

Khan, H. N., & Asghar, N. (2012, January). Customer awareness and adoption of Islamic Banking in Pakistan. *Interdisciplinary Journal Of Contemporary Research In Busines,. 2*(9), 359-366.

Khan, M. F., & Porzio, M. (2010). *Islamic Banking and Finance in the European Union*. Cheltenham, UK: Edward Elgar Publishing.

Kláseková, M. (2016, April 27). *Commerzbank sa ide pustiť do peer-to-peer úverov* [Commerzbank is going to engage in peer-to-peer loans]. Retrieved from https://www.etrend.sk/ekonomika/commerzbank-sa-ide-pustit-do-peer-to-peer-uverov.html

Kláseková, M., & Záborský, J. (2016, April 24). *Daniel Kollár: Boj medzi bankami je nemilosrdný, s cenami sa ide na dreň* [Daniel Kollár: Fight between the banks is ruthless, the prices go to the bottom]. Retrieved from https://www.etrend.sk/trend-archiv/rok-2016/cislo-16/na-trhu-vladne-nemilosrdny-boj.html

Kleymenova, A., Rose, A., & Wieladek, T. (2016, April 05). *Government intervention reduces banking globalisation.* Retrieved from https://voxeu.org/article/government-intervention-reduces-banking-globalisation

KPMG. (2017, June). *Media Tracker: Trust in the UK media*. Retrieved from https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/06/media-tracker-may-2017.pdf

Kunova, M. (2017, February 17). *Britain has more Islamic banks and lenders than any other Western country*. Retrieved from https://www.citywealthmag.com/news/britain-has-more-islamic-banks-and-lenders-any-other-western-country

Law, I. (2014, May 12). Theories of multiculturalism: an introduction. *Ethnic and Racial Studies Review*, *37*(10), 1963-1966. https://doi.org/10.1080/01419870.2014.911348

Lesáková, Ľ. (2015). Main Trends in B2C E-commerce in the Slovak Republic. In P. Michelberger (Ed.), *Management, Enterprise and Benchmarking in the 21st Century* (pp. 259-266). Budapest, Hungary: Óbuda University. ISBN 978-615-5460-47-0.

Lewis, M. K., & Iqbal, Z. (2009). *An Islamic Perspective on Governance*. Cheltenham, UK: Edward Elgar Publishing.

Liptáková, J. (2018, March 07). *Average wage is expected to increase to above €1,000 in 2018: Lack of qualified labour drives up wages.* Retrieved from: https://spectator.sme.sk/c/20771210/average-wage-is-expected-to-increase-to-above-1000-in-2018.html

Lloyds Banking Group. (n.d.). *Environment*. Retrieved from http://www.lloydsbankinggroup.com/RBEnvironment

Lopes, A. I. (2016, May). Culture dimensions and application of IFRSs in the banking industry. *WSEAS Transactions on Business and Economics. 13,* 341-354. E-ISSN: 2224-2899.

Lovegrove, S., & Prettejohn, J. (2018). *Banking regulation 2018: United Kingdom*. Retrieved from https://www.globallegalinsights.com/practice-areas/banking-and-finance-laws-and-regulations/united-kingdom#chaptercontent1

Marsh. (n.d.) *Political risk map 2018.* Retrieved from https://www.marsh.com/content/marsh/political-risk-map-d3/prm-2018.html#

Martin, B. (2017, June 30). *UK remains Europe's top destination for foreign investment in financial services*. Retrieved from https://www.telegraph.co.uk/business/2017/06/29/uk-remains-europes-top-destination-foreign-investment-financial/

Mauro, F., Caristi, P., Couderc, S., Maria, A., Ho, L., Grewal, B. K., ... Zaher, S. (2013, June). Islamic Finance in Europe [Occasional Paper Series]. *European Central Bank*, 146. ISSN 1725-6534

Maxa, F. (2018, May 22). *Na Slovensko prídu nové online bank. Za jednou stojí BNP Paribas.* [New online banks come to Slovakia. BNP Paribas is responsible for one of them]. Retrieved from https://www.zive.sk/clanok/132377/na-slovensko-pridu-nove-online-banky-za-jednou-stoji-bnp-paribas/

Mayring, P. (2014). *Qualitative Content Analysis. Theoretical Foundation, Basic Procedures and Software Solution.* Retrieved from http://nbn-resolving.de/urn:nbn:de:0168-ssoar-395173

McLellan, E., MacQueen, K. M. & Neidig, J. L. (2003, February 1). Beyond the Qualitative Interview: Data Preparation and Transcription. *Field Methods*, *15*(1), 63–84. DOI: 10.1177/1525822X02239573

Merali, A. (2017). Islamophobia in United Kingdom: National report 2016. In E. Bayrakli & F. Hafez (Ed.), *European Islamophobia Report: 2016* (pp. 583-610). Ankara, Turkey: SETA. ISBN: 978-975-2459-00-7

Milo, D., Klingová, K. & Hajdu, D. (2017). *GLOBSEC Trends 2017: Mixed Messages and Signs of Hope from Central & Eastern Europe.* Retrieved from https://www.globsec.org/wp-content/uploads/2017/09/globsec_trends_2017.pdf

Mittaš M. (2016, September 2016). *Technológie menia tvár bankovníctva* [Technologies are changing the face of banking]. Retrieved from http://www.nextfuture.sk/banky/technologie-menia-tvar-bankovnictva/

Molnár, L., & Nádasdi, M. (2016, Jun 7). *Cashless Slovakia still far off*. Retrieved from https://spectator.sme.sk/c/20180394/cashless-slovakia-still-far-off.html

Mullerbeck, E. (2015, September). *SWOT AND PESTEL: Understanding your external and internal context for better planning and decision-making*. Retrieved from https://www.unicef.org/knowledge-exchange/files/SWOT_and_PESTEL_production.pdf

Musa, H., & Musová, Z. (2010, September). Islamske financie a bankovníctvo – výzvy a

Perspektívy [Islamic finance and banking- challenges and perspectives]. *5. mezinárodní konference Řízení a modelování finančních rizik*, Ostrava, September 8- 9 2010. Ostrava: VŠB-TU Ostrava.

Muslim Council of Britain. (n.d.). *Report Islamophobia with the Muslim Council of Britain.* Retrieved from http://www.mcb.org.uk/report-islamophobia/

Myers, M. D. (2013). *Qualitative research in business and management* (2nd ed.). London: SAGE Publications.

Národná Banka Slovenska. (n.d. a). *Basic information*. Retrieved from https://www.nbs.sk/en/about-the-bank/basic-information

Národná Banka Slovenska. (n.d. b). *Banky a pobočky zahraničných bánk* [Banks and branches of foreign banks]. Retrieved from https://subjekty.nbs.sk/?aa=select_categ&bb=4&cc=&qq=

Národná Banka Slovenska. (n.d. c). *Legislation*. Retrieved from: https://www.nbs.sk/en/financial-market-supervision1/legislation/legislation

Národná Banka Slovenska. (n.d. d). *Macroprudential policy*. Retrieved from https://www.nbs.sk/en/financial-market-supervision1/macroprudential-policy

Národná Banka Slovenska. (2017 a, May 17). *Analysis of the Slovak Financial Sector 2016.* Retrieved from https://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/ASFS_2016.pdf

Národná Banka Slovenska. (2017 b, July). *Štvrťročný komentár k politike obozretnosti na makroúrovni* [A quarterly commentary on macro-prudence policy]. Retrieved from https://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Stvrtrocny_komentar_2017_jul.pdf

Nová banková regulácia: Komu pomôže a prečo ju krajiny únie nechcú [New banking regulation: Who will help and why the EU countries do not want it]. (2016, October 19). Retrieved from https://openiazoch.zoznam.sk/cl/171383/Nova-bankova-regulacia-Komu-pomoze-a-preco-ju-krajiny-unie-nechcu

OECD. (2017, June 21). *2017 OECD Economic survey of the Slovak Republic: Investing in the Future*. Retrieved from http://www.oecd.org/eco/surveys/Slovak%20Republic-2017-OECD-economic-survey-investing-in-the-future.pdf

Office for National Statistics. (n.d.). *UK Government interventions in the financial sector 2007 to 2016.* Retrieved from https://www.ons.gov.uk/methodology/methodologicalpublications/specificmethodology/economy/articles/ukgovernmentinterventionsinthefinancialsector2007to2016#oct-2016

Office for National Statistics. (2017a, March 3). *Overview of the UK population: March 2017.* Retrieved from https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/mar2017/pdf

Office for National Statistics. (2017b, June 22). *Population estimates*. Retrieved from https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates

Office for National Statistics. (2018, January 10). *Household disposable income and inequality in the UK: financial year ending 2017*. Retrieved from https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2017/pdf

Penn, B., & Dillon, K. (2017). *Banking regulation in the UK: overview*. Retrieved from https://uk.practicallaw.thomsonreuters.com/w-008-0211?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1

Pepinsky, T. B. (2013, January). Development, Social Change, and Islamic Finance in Contemporary Indonesia. *Elsevier*, 41, 157-167. https://doi.org/10.1016/j.worlddev.2012.06.007

PESTLE Analysis: Strategy Skills. (2013). Retrieved from http://www.free-management-ebooks.com/dldebk-pdf/fme-pestle-analysis.pdf

Pew Research Center. (2017, November 29). *Europe's Growing Muslim Population. Muslims are projected to increase as a share of Europe's population – even with no future migration*. Retrieved from http://www.pewforum.org/2017/11/29/europes-growing-muslim-population/

Priemerná mzda: Rok: 2017 a 2018 [Average wage: Year: 2017 and 2018]. (n.d.). Retrieved from https://www.minimalnamzda.sk/priemerna-mzda.php

Putnis, J., Hammond, B., & Bonsall, N. (2014, May). United Kingdom. In J. Putnis (Ed.), *The banking regulation review* (5th ed.) (pp. 855-887). London: Law Business Research Ltd.

PwC. (n.d.). *Open Banking will shape the future of UK retail and commercial banking: Here's what challenger banks can do to succeed.* Retrieved from https://www.pwc.co.uk/industries/banking-capital-markets/insights/open-banking-shapes-future-uk-retail-commercial-banking.html

PwC Slovensko. (2016, March 09). *Na Slovensku je najväčšou hrozbou v bankovníctve regulácia, makroekonomické prostredie, cena rizika a politické zásahy* [Regulation, macroeconomic environment, price of the risk, and political interventions are the biggest threats to the Slovak banking]. Retrieved from https://www.pwc.com/sk/sk/tlacove-spravy/Na-Slovensku-je-najvacsou-hrozbou-v-bankovnictve-regulacia-makroekonomicke-prostredie-cena-rizika-a-politicke-zasahy.html

Qu, S. Q., & Dumay, J. (2011). The qualitative research interview. *Qualitative Research in Accounting & Management*, *8* (3), pp. 238-264.

Riaza, U., Burton, B., & Monk, L. (2017, September). Perceptions on Islamic banking in the UK: Potentialities for empowerment, challenges and the role of scholars.

Critical Perspectives on Accounting, 47, 39-60. https://doi.org/10.1016/j.cpa.2016.11.002

Romānova, I. & Kudinska, M. (2016). Banking and Fintech: A Challenge or Opportunity?. In S. Grima, F. Bezzina, I. Romānova & R. Rupeika-Apoga (Ed.), *Contemporary Issues in Finance: Current Challenges from Across Europe* (pp.21 - 35). Retrieved from https://www.emeraldinsight.com/doi/pdfplus/10.1108/S1569-375920160000098002#

Rovnick, N. (2016, May 20). *The best ways to compare bank accounts Breaking up with your bank is easy, comparison is hard*. Retrieved from: https://www.ft.com/content/fbf3a2d4-1c08-11e6-b286-cddde55ca122

Royal Bank of Scotland. (n.d.). *Building a more sustainable bank*. Retrieved from https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Final-Factbook.pdf

Salim, I. M. (2017). Expanding the Islamic Financial Services Frontier: Lessons from Islamic Finance Sector in Kenya. *Journal of Islamic Banking and Finance, 5*(1), 1-6.

Santander. (2018a, April). *Slovakia: Foreign investment*. Retrieved from https://en.portal.santandertrade.com/establish-overseas/slovakia/investing

Santander. (2018b, May). *United Kingdom: Foreign Investment*. Retrieved from https://en.portal.santandertrade.com/establish-overseas/united-kingdom/foreign-investment

Sari, M. D., Bahari, Z., & Hamat, Z. (2016, September 6). History of Islamic bank in Indonesia: Issues behind its establishment. *International Journal of Finance and Banking Research, 2*(5), 178-184.

SARIO. (2017, November). *Information & Communication Technology Sector in Slovakia*. Bratislava, Slovakia: SARIO. ISBN 978–80–89786–36–7

Schneider, S., Schröck, G., Koch, S. & Schneider, R. (2017, April). Basel "IV": What's next for banks? Implications of intermediate results of new regulatory rules for European banks. Retrieved from https://www.mckinsey.com/~/media/mckinsey/business%20functions/risk/our%20insights/basel%20iv%20whats%20next%20for%20european%20banks/basel-iv-whats-next-for-banks.ashx

Schroders. (n.d.). *Sustainable Investment Report: Annual Report 2017*. Retrieved from http://www.schroders.com/en/sysglobalassets/digital/insights/2018/pdf/sustainable-investment-report/english-original/sustainable-investment-report-annual-2017.pdf

Sharia Banking. (n.d.). Retrieved from http://www.Shariabanking.com/

Skyba, M. (2017, March 07). *Banky čaká tvrdšia konkurencia od startupov a veľkých IT firiem* [Tougher competition awaits banks due to start-ups and large IT firm].

Retrieved from https://banky.sk/55772-sk/banky-caka-tvrdsia-konkurencia-od-startupov-a-velkych-it-firiem/

Sobol, I. (2015). Islamic Banking in the European Union Countries. *European Integration Studies, 9*, 184-197. http://dx.doi.org/10.5755/j01.eis.0.9.12806

Solé, J. (2007, July). *Introducing Islamic banks into conventional banking systems* (Working Paper WP/07/175). Retrieved from https://www.imf.org/external/pubs/ft/wp/2007/wp07175.pdf

Song, S. (2010). *Multiculturalism. Encyclopedia of Political Theory*. Retrieved from https://www.law.berkeley.edu/php-programs/faculty/facultyPubsPDF.php?facID=7246&pubID=9

Song, S. (2017). *The Stanford Encyclopedia of Philosophy. Multiculturalism*. Retrieved from https://plato.stanford.edu/entries/multiculturalism/#Bib

Slovakia - Banking Systems. (2017, June 07). Retrieved from https://www.export.gov/article?id=Slovakia-Banking-Systems

Slovakia GDP - Gross Domestic Product. (n.d.). Retrieved from https://countryeconomy.com/gdp/slovakia

Slovakia: Political stability. (n.d.). Retrieved from https://www.theglobaleconomy.com/Slovakia/wb_political_stability/

Smith, A., Hoehn, T., Marsden, P., May, J., & Smith, E. (2016, August 09). *Retail banking market investigation: Final report*. Retrieved from: https://assets.publishing.service.gov.uk/media/57ac9667e5274a0f6c00007a/retail-banking-market-investigation-full-final-report.pdf

Spangler, T. (2013, October 18). *Could principles of Islamic finance feed into a sustainable economic system?*. Retrieved from https://www.theguardian.com/sustainable-business/islamic-finance-sustainable-economic-system

Spinassou, K. & Wardhana, L. I. (2018, March 8). *Regulation of Islamic banks: Basel III capital framework and profit-sharing investment accounts*. Retrieved from https://hal.archives-ouvertes.fr/hal-01674376v2

Spotrebné úvery [Consumer loans]. (2018, June 27). Retrieved from https://banky.sk/spotrebne-uvery/

Srinivas, V., Fromhart, S., Goradia, U., & Wadhwani, R. (2017). *2018 Banking Outlook: Accelerating the transformation*. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/gx-fsi-dcfs-2018-banking-outlook.pdf

Stuckey, H. L. (2013, July 20). Three types of interviews: Qualitative research methods in social health. *Journal of Social Health and Diabetes, 1*(2), 56-59. Retrieved from http://www.joshd.net/temp/JSocHealthDiabetes1256-1999217_053312.pdf

Summerfield, R. (2016, February). *London's Islamic finance market*. Retrieved from https://www.financierworldwide.com/londons-islamic-finance-market/#.Wz4mo9IzbDc

Špeciál: Mobilné aplikácie prekonajú internetové bankovníctvo [Special: Mobile apps will overcome internet banking]. (2016, July 21). Retrieved from https://vofinanciach.sk/special-mobilne-aplikacie-prekonaju-internetove-bankovnictvo/

Talpur, S. S. (2016, February 24). *Michael Porter's model for the Banking industry*. Retrieved from https://www.linkedin.com/pulse/micheal-porters-model-banking-industry-talpur-mba-finance-/

Taylor, S. J., Bogdan, R., & DeVault, M. (2015*). Introduction to qualitative research methods: A guidebook and resource*. Hoboken, NJ: John Wiley & Sons.

The Economist Intelligence Unit. (n.d.). *Slovakia: In brief.* Retrieved from http://country.eiu.com/slovakia

The Financial Services Authority. (2013, March). *A review of requirements for firms entering into or expanding in the banking sector*. Retrieved from: https://www.fca.org.uk/publication/archive/barriers-to-entry.pdf

The Guardian (n.d.). *Islamic finance for beginners*. Retrieved from https://www.theguardian.com/news/datablog/2013/oct/29/islamic-finance-for-beginners

The Slovak Spectator. (2018, March 20). *Unemployment rate reaches historical minimum in Slovakia.* Retrieved from https://spectator.sme.sk/c/20785739/unemployment-rate-reaches-historical-minimum-in-slovakia.html

The World Bank. (n.d. a). *About us*. Retrieved from http://www.doingbusiness.org/about-us

The World Bank. (n.d. b). *Doing Business: Ease of Doing Business in Slovak Republic*. Retrieved from http://www.doingbusiness.org/data/exploreeconomies/slovakia#trading-across-borders

The World Bank. (n.d. c). *Doing Business: Ease of Doing Business in United Kingdom*. Retrieved from http://www.doingbusiness.org/data/exploreeconomies/united-kingdom

The World Bank. (2016, October 19.). *Data Bank: Worldwide Governance Indicators*. Retrieved from http://databank.worldbank.org/data/reports.aspx?source=worldwide-governance-indicators

TheCityUK. (2017, December). *Key facts: About the UK as an international financial centre 2017.* Retrieved from: https://www.thecityuk.com/assets/2017/Reports-PDF/Key-facts-about-the-UK-as-an-International-financial-centre-2017.pdf

TheCityUK & Centre for Climate Finance & Investment. (2017, September). *Growing Green Finance*. Retrieved from https://www.thecityuk.com/assets/2017/Reports-PDF/Growing-Green-Finance.pdf

Trading Economics. (n.d. a). *Slovakia Average Monthly Wages*. Retrieved from https://tradingeconomics.com/slovakia/wages

Trading Economics. (n.d. b). *Slovakia Households Disposable Income*. Retrieved from https://tradingeconomics.com/slovakia/disposable-personal-income

Trading Economics. (n.d. c). *United Kingdom Average Weekly Wages*. Retrieved from https://tradingeconomics.com/united-kingdom/wages

Trading Economics. (n.d. d). *United Kingdom Net Foreign Direct Investment*. Retrieved from https://tradingeconomics.com/united-kingdom/foreign-direct-investment

Transparency International. (2018, February 21). *Corruption perceptions index 2017*. Retrieved from https://www.transparency.org/news/feature/corruption_perceptions_index_2017

Ullah, S. (2007). Integration of Islamic and Conventional Finance. *International Journal of Economics and Business Research, 3*(5), 241-265.

UniCredit Bank. (n.d.). *2013 Sustainability Report*. Retrieved from https://www.unicreditbank.sk/content/dam/cee2020-pws-sk/cz-dokumenty/Sustainability_2013.pdf

United Kingdom - 1-Openness to, & restriction upon, foreign investment. (2017, November 27). Retrieved from https://www.export.gov/article?id=United-Kingdom-Openness-to-and-Restriction-on-Foreign-Investment

United Kingdom - 6- Financial Sector. (2017, November 27). Retrieved from https://www.export.gov/article?id=United-Kingdom-Financial-Sector

United Kingdom Population 2018. (2018, January 24). Retrieved from http://worldpopulationreview.com/countries/united-kingdom-population/

United Kingdom (UK) National Minimum Wage - NMW. (2018). Retrieved from https://countryeconomy.com/national-minimum-wage/uk

Ústredie štatistického úradu Slovenskej republiky. (2018, March 8). *Stav obyvateľstva v SR k 31. decembru 2017* [Population status in Slovakia as of 31 December 2017]. Retrieved from https://slovak.statistics.sk/wps/portal/ext/products/information-messages/inf_sprava_detail/622471d5-5a1c-4563-8605-9eef407eb5c5/!ut/p/z1/rZNfk5owFMU_jY-QC0kA-4Z0RRTtggtqXjrAolLlz0KK9ds3tHY6HbtgZ5oX-Bji_m5t7ThBDW8SKqM0OEc_KIjqL9x3TPnu6Y0wmigkwcTE488V6NbOmqh1QtPlTYKz8J3BezGfbnxMFCEVM_DY9z1u7YQh2qE7BwYoNqyAA-mOo3vkfQ8aH7fCtPZxRMa-KRwAWVuMqNt2xzRnQXwHBtCo45C_yxhzGY-Af_u71JqIKjr3xl4Xn2QiE3Ht5ZJjzG9zTYwwe-dje_O0EfH6oDvBA81H-

PgPX7HyKGW-
FLwih_Rroyb6Cg1pxFkxb6sc5Gitkilpqqj9jqCtkn5STw1VSW68kolGim-
JRKiGJUMDKo3TdE9AT2Oa0K5slWSvaPeQejOUU9bv8qbb-
byBIQzXYUNZZrxnBL8F0_ayaY2JbH_1PosK-
LpRprV1PB1gYEoKA5YodzGf-8uWYRY-OAWJ3u0zqt5a-1-
HzkvPowghFcLhe54cKihmdJI3eu_Q06lg1H2zsx2omJ6-
9OXBE3u83SCwqKLgdntP5HQ2fQnSWLc_mS5DLIuqED1nWDqGSsUYy7V
tV6aS1Fq1XEj1KXOLR9qLZAsy9vb8wUyS0Lnn4TB_yf0a3y4LZyA1-
lk__kG1d8bnMrNpac7r4DilS1Yw!!/dz/d5/L2dBISEvZ0FBIS9nQSEh/

Vaismoradi, M., Turunen, H., & Bondas, T. (2013, September). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & Health Sciences*, 15(3), 398–405. doi:10.1111/nhs.12048

Vejačka, M., & Štofa, T. (2017). Influence of security and trust on electronic banking adoption in Slovakia. *Journal E&M Economics and Management*, *20*(4), 135-150. DOI: 10.15240/tul/001/2017-4-010

Vitikainen, A. (2017, May 24). *Multiculturalism and Political Philosophy*. Retrieved from http://politics.oxfordre.com/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-252

VÚB banka. (2018, February 15). *Konsolidovaná výročná správa 2017* [Consolidated Annual Report 2017]. Retrieved from https://www.vub.sk/files/sekundarna-navigacia/financne-ukazovatele/vyrocne-spravy/vub_vyrocna_sprava-2017.pdf

Webster, J., & Watson, R. T. (2002, June). Analyzing the Past to Prepare for the Future: Writing a Literature Review. *MIS Quarterly*, *26*(2), pp.13-23.

White, S. (2017, August 10). *Digital Skills in the United Kingdom*. Retrieved from https://www.legco.gov.hk/general/english/library/stay_informed_overseas_policy_updates/digital_skills_in_the_uk.pdf

World Finance. (2017). *Banking 2017 The Definitive Industry Guide: Sustainable Banks*. Retrieved from https://www.worldfinance.com/banking-guide-2017/sustainable-banks

World Trade Organization. (n.d.). *Members and Observers*. Retrieved from https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

Youssef, A., & Samir, O. (2015, August). A comparative study on the financial performance between Islamic and conventional banks: Egypt case. *The Business and Management Review*, *6*(4), 161-175.

Yunna, W., & Yisheng, Y. (2014, December). The competition situation analysis of shale gas industry in China: Applying Porter's five forces and scenario model. *Renewable and Sustainable Energy Reviews*, *40*, 798-805.

Yüksel, İ. (2012, November 21). Developing a Multi-Criteria Decision Making Model for PESTEL Analysis. *International Journal of Business and Managemen*,. *7*(24), 52-66. URL: http://dx.doi.org/10.5539/ijbm.v7n24p52

Záhumenský, L. (2017, January 28). *Islamské financie a bankovníctvo I.: základy*. [Islamic finance and banking I: Basics.] Retrieved from https://www.pravne-noviny.sk/islamske-finance-a-bankovnictvo-i-zaklady

Zákon č. 483/2001 Z. z.: Zákon o bankách a o zmene a doplnení niektorých zákonov [Act no. 483/2001 Z. z.: Act on banks and on amendments to certain acts]. (n.d.). Retrieved from http://www.epi.sk/zz/2001-483

Zaviš, M. (2017). Islamophobia in Slovakia: National report 2016. In E. Bayrakli & F. Hafez (Ed.), *European Islamophobia Report: 2016* (pp. 515-530). Ankara: SETA. ISBN: 978-975-2459-00-7

Zeman, M. (2015, July 7). *Chcete islámské bankovnictví v České republice?* [Do you want Islamic banking in the Czech Republic?]. Retrieved from https://www.vstric-nabanka.cz/chcete-islamske-bankovnictvi-v-ceske-republice-28862

Zenkner, P. (n.d.). *Slovensko* [Slovakia]. Retrieved from https://www.euroskop.cz/455/sekce/slovensko/