

Master Thesis U.S.E.

The implementation of the halal mortgage: costly or beneficial? A case study of the Netherlands

Manal Talhi
6270182
m.talhi@students.uu.nl
MSc Economic Policy (USEMT)

First supervisor: dr. Joras Ferwerda
Second supervisor: dr. Peter Gerbrands
Utrecht University
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Abstract

This study provides a social cost-benefit analysis and case study about the potential market size of halal mortgages in the Netherlands. It analyses the effects of implementing the halal mortgage in the Netherlands under two scenarios: with and without adjusting fiscal law. The thesis provides an overview of all costs and benefits and focuses in the results on the costs and benefits for consumers. The used methodology is primarily conducting interviews with 33 participants, backed by secondary data provided from previous research. The results indicate that the potential market size has grown over the past years, indicating a market size between 110,000 and 145,000 potential halal mortgagors. If the law is adjusted, the benefits exceed the costs. In case the law is not adjusted, the quantified costs are higher than the benefits, but the qualitative benefits are most likely worth these costs, as indicated by the qualitative data.

Keywords: halal mortgage, Islamic mortgage, Islamic finance, cost-benefit analysis, case study, potential market (size).

JEL classification: D61, R31, G21, Z12

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1. Introduction

Today, many Muslims in the Netherlands are not able to buy a house, due to religious constraints. In Islam *riba* – which includes interest – is a major sin, and therefore prohibited. Currently, loans without interest are not available in the Netherlands. Hence, Muslims who honour this prohibition do not want to get a loan with interest and therefore are not able to buy a house in the Netherlands. A solution for this is the halal mortgage. A halal mortgage is an Islamically permissible mortgage. While the halal mortgage itself is possible to establish inside the borders of Dutch Law, the problem emerges from the fact that some fiscal laws are hindering the equal footing between a conventional mortgage and a halal mortgage (Hoekstra, 2021; Talhi, 2023; Tijhuis, 2007). This is mainly due to the structures which are used to make a halal mortgage possible. A halal mortgage has a slightly different way of constructing the mortgage, which will be elaborated on in the second chapter. Because of these structures, the transfer tax is paid twice and the taxes on the profit are also taxed, whereas there is no taxation on interest. These laws make the possibility of a halal mortgage more expensive – as stated by experts of Rabobank (personal communication, 4th and 14th of June 2024) and ABN Amro (Tijhuis, 2007) – than a conventional mortgage loan. Because of these extra expenses, the market size would be too small, which caused Dutch banks to not be interested in providing halal mortgages unless fiscal laws were changed. Hence, the halal mortgage never got a place in Dutch society.

In contrast to the previous research done by Rabobank (unpublished) and ABN Amro (Tijhuis, 2007) around 2006, the housing market changed significantly over the years (Boelhouwer, 2024; NVM, 2024), causing more Muslims to be interested in halal housing (Goodlife, 2023). Since then, more Muslims in the Netherlands have obtained higher education (especially second-generation immigrants from Muslim countries), and therefore a higher salary can be expected. With a higher salary, a bigger house and owning their own house could be more interesting. This could indicate that the potential market size changed since 2006 and therefore this analysis will focus on the research question:

What is the current market size for the halal mortgage in the Netherlands and what are the costs and benefits of implementing the mortgage?

And the sub-question: *how did the market change since 2006?*

Currently, the Netherlands counts more than 1 million Muslims (CBS, 2023). More companies focus on marketing for the so-called halal market. Supermarkets like Albert Heijn and PLUS promote dates and “special” *Ramadan* assortments (RTL Nieuws, 2023). Shops like Wibra provide decorations for *Eid-al-Fitr* (the end of *Ramadan* celebration) (Wibra, 2024) and different municipalities and companies are organising – sometimes in combination with mosques – *iftars* for society, bringing Muslims and non-Muslims together (Gemeente Amsterdam, 2024; De Stad Amersfoort, 2024). Furthermore, halal meat is currently also available at supermarkets instead of only at the butcher, other Muslims make equivalents to Dutch snacks in a halal way like Mekkafood, Wahid, and Kadirfood (De Volkskrant, 23-07-2023; Van Loon, 14-09-2023) and sell it in supermarkets like Albert Heijn and Jumbo. Even companies and Universities are paying attention to the inclusion of the Muslim society by providing silence- or prayer rooms, to make praying on time possible (Radboud University, 05-03-2024; VU Amsterdam, n.d.; Snoo, de, 17-03-2023). Considering there is a growing demand for halal goods on the market, it is interesting to estimate if the halal mortgage market is also an opportunity for the Netherlands.

Therefore this research aims first to determine if the market has grown over the past years and second if implementing the halal mortgage in the Netherlands with and without changing the law is feasible at the moment by making a social cost-benefit analysis. A reason to propose an adjustment of law can be the need or welfare that comes from being able to own a house. The need to own a house could be qualified as a benefit derived from the consumption of market goods and public services, as described by CPB (Stolwijk, 2010). Next to this, implementing law can be desirable in two cases: non-functional markets and because of political reasons (Baarsma et al., 2004). In the case of this research,

implementing law can be desirable from the perspective of unequal opportunities between Muslims and non-Muslims to own a house. Since some Muslims do not want to get a loan with interest, they do not have the choice of buying a house without compensating their belief system. Fostering the possibility of a halal mortgage can cause a more inclusive society, where everyone has the same opportunities to build a life despite their religious background.

Previous research about this subject focused on Islamic finance and the types of structures of the halal mortgage (Ayub, 2007; Alharbi, 2016; Cekici & Weill 2011; Tijhuis, 2007; Usmani, 2002), Islamic finance in other European countries (Belouafi & Chachi, 2014; Di Mauro, 2013; Grassa & Kabir Hassan 2015; Hajjar, 2019), why the halal mortgage needs to be implemented in the Netherlands (Hooft & Muller, 2008; Sinke & Kranenborg 2009; Salah, 2011), and how the halal mortgage should be implemented in the Netherlands and which laws need to be adjusted (Sinke & Kranenborg 2009; Salah, 2011; Talhi, 2023). Other research conducted a cost-benefit analysis of other subjects (European Banking Authority, 2023; Van Huizen, Dumhs & Platenga, 2016). European Banking Authority (2023) used surveys to research the possibility of green loans and mortgages. Van Huizen, Dumhs & Platenga (2016) conducted a cost-benefit analysis of the effect of preschool education in Spain. Therefore, both use a cost-benefit analysis with quantitative data. This research will use the same template but with qualitative data, through conducting interviews to collect insights on the motivations and willingness to pay of potential halal mortgagors. This research uses unpublished market research conducted by Goodlife (2023) as a basis. Goodlife (2023) conducted their research by a survey with over 2,300 respondents. Their research showed that the potential market size is 110,000 households, with a market value of € 40 billion. This is based on previous research, their survey data, and data from CBS. They show that 85% of respondents think halal mortgages are impermissible and 76% of respondents will therefore never get a mortgage unless it is *Sharia*-compliant.

To continue their research this thesis will contribute twofold: first, by using a different research approach for this particular subject, being a social cost-benefit analysis. Second, by using qualitative data to estimate both the market size by researching motivations and willingness to pay and by conducting the social cost-benefit analysis. The social cost-benefit analysis will provide an overview of all costs and benefits of implementing the halal mortgage in the Netherlands and will focus in the results in particular on the costs and benefits for consumers (specifically potential halal mortgagors). All research is a case study of the Netherlands. The remainder of this research is structured as follows. Section 2 provides a theoretical framework, followed by Section 3 explaining the methodology to calculate the market size and conduct the social cost-benefit analysis of the implementation. Section 4 describes the results, followed by the final section, which concludes and discusses this research.

2. Theoretical Framework

2.1 Islamic Law

Islamic finance and Islamic banking are not new to the Western World. In the European heart of Islamic finance development – The United Kingdom – Islamic finance has been known since the year 2004 (Gintzburger, 2011; Belouafi & Chachi, 2014). Even in closer-by countries like France and Germany Islamic finance has been emerging since the year 2007 and 2014 respectively (Alharbi, 2016; Hajjar, 2019; Farhoush & Schmidt, 2011). Islamic finance is finance that is in line with the rules of Islam. Islam has commandments and prohibitions in case of borrowing and lending money. Islamic finance is based on the *Sharia*. The *Sharia* consists of two primary sources: the Quran and the *Sunnah* (Pearl, 1979). The Quran is the Holy Book of Islam, and the *Sunnah* are the statements, behaviour and normative customs of the prophet Mohammed (peace be upon him). If these sources are not sufficient secondary sources are used to interpret or help understand Islamic law. The first secondary source is *Ijma* which basically is accepting the law if there is consensus between different scholars (Salah, 2011). The second secondary

source is *Qiyās*, which uses the law of analogy, but only if it is based on a primary Islamic source (Abdullah ibn Baz, 2010). Based on the described sources four prohibitions can be found. Firstly, the prohibition on *riba* (interest), secondly the prohibition of *gharar* (the preventable insecurity), thirdly the prohibition of *maysir* and *qimar* (gambling and profit only because of luck) and finally the prohibition of trading in *haram* markets. *Haram* is the Arabic word for prohibited (versus *halal*: something that is lawful). Examples of *haram* industries are the alcohol, gambling, and sex industry (Salah, 2011). Additionally, there are some specific rules for Islamic contracts. Islamic contracts need to include the following principles: first, the commercial value of the tradable object, money only has an intrinsic value and therefore is not tradable (Wolters, 2009). Second, the object needs to actually exist, unless the contract foresees something that still needs to be build (like a house) or the buyer paying directly for an object that will be delivered later, also called *Al-istina* and *As-salām* respectively (Abdullah ibn Baz, 2010). Third, the vendor needs to own the property (law) of the to-be-delivered goods (Sinke, 2007). Fourth, the contract can only contain one good or object (Hooft & Muller, 2008). Fifth, the offer and the acceptance of the offer need to take place in the same meeting. As soon as the meeting is over and no acceptance has been given, the offer is considered to be dispensed (Salah, 2011). Finally, next to these attributes there are some general rules for offering and accepting a contract like being honest, meeting all obligations of the contract and the prohibition to deceive the opposing party (The Quran, 2013, 2:282; 5:1; 33:70-71).

The most important prohibition and most mentioned problem of mortgage loans is the prohibition on *riba*. *Riba* can be explained in two ways. The conventional way prohibits every way of increasing the money lent, without giving anything in return (Ahmad, 2010). The modern way takes the social consequences of levying interest into consideration (Sinke, 2007; Abdullah ibn Baz, 2010). This means that some do not see interest as *riba*, and therefore do not have a problem with modern interest on for example mortgages. This thesis only focuses on the conventional way, since the latter does not have a problem with conventional banking. The reasons why *riba* is prohibited are given by the Quran, the *Sunnah* and also in the Bible, Torah (The Bible, Leviticus 25:36-37; The Torah, Exodus 22:25) and even in philosophy (Aristoteles 1952-1963; Graeber 2011). The reasons are clear: interest is not in line with the rules of charity, understanding, empathy, brotherhood, and promoting collective prosperity. Furthermore, as Aristoteles stated (Graeber, 2011), money is a medium of exchange and does not have an intrinsic value. Demanding money over money goes against the nature of a medium of exchange. Another reason is that property is seen as inviolable. Therefore, taking something (money) without providing something in return (just the fact of providing the money which is a service), is seen as taking someone else's property unlawfully (The Quran, 5:30; Milo, 2020). More importantly, Islam (as Christianity and Judaism) is based on honesty and justice (The Quran, 9:119; 4:135; 5:8), therefore prohibiting every form of exploitation and stimulating every form of charity and division of wealth. Exploitation can be avoided by assuming both parties have a commercial risk. The risk can justify the profit that might be asked in return. Interest is seen as a passive way to earn money, whereby a positive return is guaranteed (Chapra, 1984). Profit is made by economic growth as an effect of trading, whereby there is a risk of receiving a profit or making a loss. Profit is justified by the fact that there is a commercial or business risk taken. Therefore, trading and profit are allowed, but interest is not (The Quran, 2:275; Olson & Zoubi, 2008). This is in line with the shared responsibility as described in The Bible and Torah (Klamer, et. al., 2020). This so-called Profit- and Loss Sharing (PLS) is the basis for Islamic finance (Tijhuis, 2007).

2.2 Islamic Finance

As some rules can make it harder to participate in the financing and especially banking world in Western countries, scholars came up with constructions to make financing and banking possible without compensating their religious beliefs. To ensure the Islamic rules are indeed enforced the so-called *Sharia* Advisory Board is usually established in an Islamic bank. This Board usually consists of three to five Islamic scholars and can be compared to a supervisory board in a conventional bank. To foster more

unanimity of the Advisory Boards, the Accounting and Auditing Organisation for Islamic Financial Institutions (AOOIFI) was established in 1990 (Wolters, 2009).

Because Dutch law does not state that a loan has to include interest, mortgages without interest are in principle possible. Article 3:263 sub 1 and 2 of the Dutch Civil Code is of regulatory law, meaning that in case nothing has been regulated the law is applicable, but deviation is allowed. The only requirement is to state in the deed of mortgage that you deviate from the law and with how much you deviate from the law. To provide an Islamic mortgage, also called a halal mortgage, considering the described rules for Islamic finance, four structures are “designed”. An important part of the structures is the ownership of the property by the lender, to ensure the lender also having a share in the risk. This business risk (the PLS), as described above, is an important part of making the structure halal (Olson & Zoubi, 2008). The first structure that will be discussed is called *Murabaha*. *Murabaha* is a cost-plus-profit arrangement, whereby the lender purchases the property the buyer has in mind. The buyer will pay the loan back, together with a beforehand agreed profit margin. Some scholars think this way of financing is too similar to the one of the conventional banks, especially since the profit margin is most of the time based on interest rate standards (like EURIBOR). Islamic scholars prefer this way of financing the least, because it is too similar to a conventional mortgage and can therefore be seen as a disguised form of interest (Usmani, 2002). The second structure is called *ijarah wa-iqatina*. This construction can be best described by a lease purchase. The lender will purchase the property for the buyer, which will be leased to the buyer for a predetermined period. After the predetermined period, the buyer will get ownership of the property.

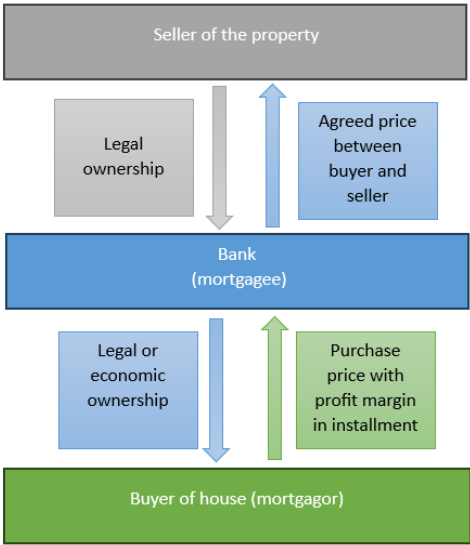


Figure 1: Schematic representation of the murabaha structure.

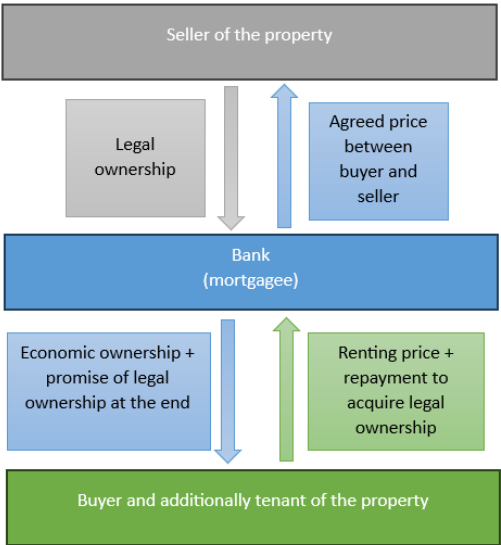


Figure 2: Schematic representation of the ijara wa-iqatina structure.

The last option is *Musharaka mutanaqissa*, using a structure of co-ownership. The lender and buyer will purchase the property together. Over time the buyer will buy more shares in the co-ownership until the buyer owns all the shares. This way the property will be owned by the buyer at the end of the contract (Kranenborg & Sinke, 2009).

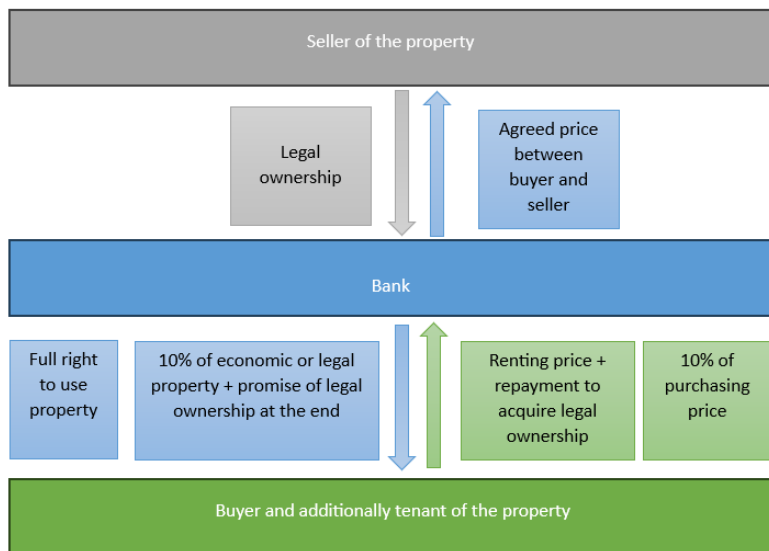


Figure 3: Schematic representation of musharaka mutanaqissa structure.

2.3 Higher costs due to extra taxation

As mentioned before, because of the structures of halal mortgages, taxation benefits available for conventional mortgages are not available (without adjusting the law) for halal mortgages. The extra costs can be divided into extra transfer tax and no tax relief on interest (Hoekstra, 2021; Talhi, 2023; Tjihuis, 2007).

2.3.1 Transfer tax

The extra costs because of transfer taxation can be divided into three components. First, the fact that transfer taxation will be taxed twice; once when the bank purchases the house and the second time when the buyer finishes the repayment and the house will be transferred from the bank to the buyer (Article 2 and 5 Wet op belastingen van rechtsverkeer (hereafter: WBR)). This double transfer taxation can be avoided if the bank transfers the house before the end term of six months after the seller transfers the house to the bank. In this case, the exemption of Article 13 WBR is met, therefore there are no double transfer taxation costs. Only *murabaha* consists of a structure to transfer the house in six months. The other structures, legal ownership will be given at the end of the discussed period, which in almost all cases will be longer than six months. Therefore, only *murabaha* can meet the criteria for the exemption of Article 13 WBR, causing no double transfer costs.

The second extra cost of transfer taxation takes place because the profit margin is also being taxed (Sinke & Kranenborg, 2009), whereas interest is not taxed (Moltmaker, 1997). The third extra cost of transfer taxation is due to the fact that the overall transfer taxation tariff is higher because in case of a halal mortgage, the bank purchases the house, therefore the higher tariff percentage of currently 10.4% applies (Article 14 sub 1 WBR). In case the buyer purchases the house directly from the seller (instead of intervention by the bank), the taxation tariff would be 2% (Article 14 sub 2 WBR), or even 0% in case a starter (Koninkrijkrelaties, 2021) purchases the house (Article 15 sub p WBR).

2.3.2 Interest tax relief

Lastly, the interest tax relief, which means that in some circumstances mortgagors can deduct mortgage interest from their income taxation (Wet Inkomstenbelasting 2001 (hereafter: Wet IB 2001)), is available in some cases of mortgages, where halal mortgages cannot make use of this tax relief, because there is no interest (Geppart, 1973; Bruijsten & Van Rij, 2007; Talhi, 2023).

All these extra costs together, make the halal mortgage more expensive than a conventional mortgage. How expensive depends on multiple circumstances like how high someone's mortgage is, for how long the mortgage is secured etc. Since no estimation of an estimation of the extra costs is found in the literature, this research estimates the average extra costs in the Results section.

3. Research Method

This research is twofold. To conduct both parts of the research, multiple research methods are used. The research follows the structure of the report of the European Banking Authority (2023) about implementing green loans and mortgages in Europe. The first research method is a business case study. A case study is suitable for developing an analysis of a specific case, which is the Netherlands in this research (Khan, 2014; Rashid et al., 2019). The second research method is a social cost-benefit analysis. Both research methods follow a qualitative strategy, to collect primary data, backed by secondary data from other research. Secondary data is found from two unpublished research (Goodlife, 2023; Tjihuis, 2007), three open interviews with experts (personal communication, 2nd of May, 4th and 14th of June 2024) and available data in the literature. A qualitative research approach is used to explore insights and understand in-depth motivations (Mohajan, 2018). It is used if motivations cannot be defined by numbers or if motivations are not known yet (Taherdoost, 2022). In this case, the market size is estimated in the research of Goodlife (2023) and will be tested by gathering qualitative data to understand the motivations and willingness to pay of potential halal mortgagors. The qualitative data is collected through semi-structured interviews and is used for both parts of the research. How the data is collected is described under *Data collection*.

3.1 Case study: estimating the potential market size

This research starts with estimating the potential market size by using a qualitative research approach and secondary data. Secondary data is obtained by the research from Goodlife (2023) and by conducting three open unstructured interviews; one with a private researcher and two with employees of Rabobank, by using the method described in Zhang & Wildemuth (2009).

The private researcher is a researcher from Goodlife, whose company conducted market research about the possible size of demand for halal mortgages. This research is a triangulation of their research and other research. Their own research took place by posting a survey on Linked-In, which gained over 2,300 responses in a 30-hour time frame. The research is unpublished, but the researcher shared its conclusions and research findings, which are used as a secondary data source. This research expects a market size of 110,000 households from a top-down assumption. They started with the number of Muslim households in the Netherlands (400,000) minus 31% of society not buying a house (obtained of the Dutch average, (CBS, 2023)). From this number, they deducted an extra 80,000 households, because at the moment an extra 33% of Muslims earn less than the Dutch average. Finally, they apply a 30% correction based on the results of their conducted survey, since the halal option is more expensive than the conventional mortgage. Therefore, some people will not choose the halal option, because they cannot or are not willing to pay extra for it. This resulted in the above-mentioned 110,000 expected households. They estimated using an average mortgage price of € 400,000 (CBS, 2023) that the expected halal mortgage market would be a € 40 billion industry. This research will contribute to the research of Goodlife (2023) by estimating if the market size is bigger or less. To do this semi-structured interviews are conducted with both Muslims who are currently renting and Muslims who have a conventional mortgage. The interviews are conducted to find out what the reasons of participants are to rent or to purchase a house. In addition, the question (in line with Goodlife (2023)) will be asked if they consider conventional mortgages to be *haram* or halal and if they would switch to a halal mortgage (and purchase a home) if made available in the Netherlands. The follow-up questions are if they would pay € 200,- extra above their monthly living costs for a halal mortgage, and how much they are willing to pay extra above their monthly living costs. The € 200,- is based on the estimated extra monthly costs of the halal mortgage, which are described in section 4.2 of this research. The provided answers help us understand the potential market size by understanding motivations and estimate how much consumers are willing to pay for a halal mortgage. Eventually, the cost-benefit analysis shows if the costs are worth the benefits.

The market size will be estimated in the following way. First, by estimating the amount of Muslims in the Netherlands (CBS, 2023) and if they potentially would be interested (Goodlife, 2023) Next, the interviews show how Muslims think about the halal mortgage, if they would potentially switch if the halal mortgage is available, and how much they are willing to pay extra for a halal mortgage. The secondary data resources, combined with the qualitative data output are the basis of the range of potential market size of interested Muslims in the Netherlands. The market size is described in two scenarios: the first scenario is where the law is adjusted to foster equal footing between a conventional mortgage and a halal mortgage. The second scenario is the case if no law is adjusted, therefore the halal mortgage is more expensive than a conventional mortgage.

3.2 Social cost-benefit analysis

In addition to the business case study, this research conducts a social cost-benefit analysis. The social cost-benefit analysis is conducted in the way prescribed by SEO economisch onderzoek (Koopmans et al., 2016; Koopmans & Prins, 2013; Baarsma et al., 2004) and the report on green loans and mortgages of the European Banking Authority (2023). This section starts by showing the main costs and benefits of making a halal mortgage possible, followed by a short overview of the costs and benefits of implementing a halal mortgage in the Netherlands. The costs and benefits are summarised in Table 1.

Table 1: all costs and benefits of implementing the halal mortgage

Effect of fostering a halal mortgage in the Netherlands	Cost (-) or Benefit (+)	Researched in this research?	Quantified ?	Volatile or fixed	Cost/benefit for who?
Implementation costs for government	-	No	n.a.	n.a.	Government
Implementation costs for banks	-	No	n.a.	n.a.	Banks
Education and awareness costs for notarial firms	-	Yes	Yes	Fixed	Notarial firms
Education and awareness costs for banks	-	No	n.a.	n.a.	Banks
Compliance costs with <i>Sharia</i> principles	-	Yes	Yes	Fixed/Volatile	Banks
Missed tax revenues	-	No	n.a.	n.a.	Government
Overheated market costs	-	No	n.a.	n.a.	Society
Higher cost of living for Muslims who currently have a conventional mortgage and switch	-	Yes	Yes	Volatile	Society
Access to homeownership	+	Yes	No	Fixed	Society
Social inclusivity	+	Yes	No	Fixed	Society
International investment	+	No	n.a.	n.a.	Banks/society
Rental housing prices decreasing	+	No	n.a.	n.a.	Society
Higher and lower living costs for Muslims who rent in the private sector	-/+	Yes	Yes	Volatile	Society
Profit for banks or particular companies	+	No	n.a.	n.a.	Banks

The basis for this research is the current situation where a halal mortgage is not possible in the Netherlands. Some Muslims did buy a house, while others did not and are waiting for alternatives. The housing market is overheated anyway, and rental prices are very high because of the tight housing market (Boelhouwer, 2024).

This research provides an overview of all possible costs and benefits but focuses in the results on the cost and benefits for consumers (potential halal mortgagors). This research shows two scenarios: the first one is where the governments adjust fiscal law policies, which would give the halal mortgage the same advantages as a conventional mortgage. The second scenario is that the government does not implement new or adjust fiscal policy, but the market self (banks or private investors) creates an environment to make the halal mortgage available in the Netherlands. Both alternatives have a slightly different cost-benefit analysis, because in the second case, there are for example no implementation costs, but there are higher living costs for people who switch to a halal mortgage. Therefore, this research describes both scenarios and calculates the costs and benefits for both scenarios.

3.3 Data collection

3.3.1 Qualitative data

To estimate both the market size and some benefits, this research uses an inductive research approach, where a qualitative research strategy is examined. To get sufficient answers (Guest, Bunce & Johnsen, 2006), the interviews are conducted until no new information is obtained from taking more interviews (Body, 2016). The sample represents the whole Muslim population as much as possible (Burns & Grove, 2009). The interviews are conducted in the following way. The interviews are semi-structured and focus on two parts: first, if someone already has a mortgage (which is not halal), if they would switch to a halal mortgage, and under what circumstances they would (not) switch. These questions are used for the case study. Second, the impact and views of Muslims on living in the Netherlands and their motivation to choose a conventional mortgage or to rent. Furthermore, if they think they have enough opportunities to fill in their basic needs like housing, without making concessions in their religious beliefs. This part is used for the cost-benefit analysis and specifically for the benefits *Access to homeownership* and *Social inclusivity*.

Participants are found in three ways. The first is by posting a LinkedIn poster and text in Dutch, looking for Muslims to conduct an interview (see Appendix B, Figure 1). Purposely, the word “halal mortgage” is avoided, to minimize the biased effect of only people interested in this particular subject. Instead, the poster asks for Muslims who are interested to talk about their living situation. The second way is by hanging the LinkedIn poster in a mosque (Harderwijk). The last way is by friends/colleagues/family who know other Muslims and connected me to participants. The poster and all interviews are conducted in Dutch, sometimes with a mix of Arabic and/or Tamazight¹, to lower the bar for Participants to conduct an interview. This resulted in 33 interviews with different Muslims. Interviews lasted between five minutes and 1.5 hour. Table 3 shows the anonymized background of the interviewees. Participants are first categorized into different age categories, as known by Dutch government (Koninkrijksrelaties, 2021; *Rijksinstituut voor gezondheid en milieu, 2024*): young adults (starters), adults, and seniors. No seniors were found and therefore interviewed, but the interviews showed that around the age of 55 years, participants mentioned that they are not interested anymore in buying a house, because of their age. Therefore, the age categories are shown in Table 2.

¹ Tamazight is the language spoken in the Northern of Morocco. Sometimes it is called “Berber”.

Table 2: Age categories

Age category	Age range
1. Young adults (starters)	18-35 years
2. Adults	35-55 years
3. Seniors	55+ years

Participants are also asked for their highest education attained. This is divided into two sections: higher education, which includes HBO and University, and *lower education*, which includes MBO and below (middle and lower education in terms of CBS (Statline, 2021)). This distinction is made because higher education usually indicates a higher salary (Stryzhak, 2020; Sieng & Yussof, 2018; Xia & Liitiäinen, 2016; Homann & Jensen, 2013). Higher salaries could lead to not being entitled to social renting. Expected is that the group that is not eligible for social rental housing, is more in need of buying a house, and therefore a (halal) mortgage. This is because renting in the private sector is more expensive at the moment, than purchasing a house (Boelhouwer, 2024). The income threshold for social renting is an annual salary of € 47,699 for a single household and € 52,671 multiple-person household (Rijksoverheid, 2024). No official numbers have been published yet about the income in the Netherlands since 2020, so considering the threshold was € 40,024 in 2020 and the average annual salary for higher educated citizens was € 56,500 back then, most of the higher educated population indeed were not eligible for social renting back then (Statline, 2021) (Appendix B, Figure 2). These people are forced to rent for high prices (up to 3,000 euros a month) or go against their social beliefs and get a mortgage with interest. An overview of participants and their characteristics is shown in Table 3.

Table 3: Table of participants

<i>Participant number</i>	<i>Age category</i>	<i>Man/woman/ x</i>	<i>Lives now in Rental or own home?</i>	<i>Higher or lower education</i>
<i>Participant 1</i>	1	Woman	Rental	Higher
<i>Participant 2</i>	2	Woman	Rental	Higher
<i>Participant 3</i>	1	Woman	Own	Higher
<i>Participant 4</i>	1	Woman	Own	Higher
<i>Participant 5</i>	1	Man	Rental	Higher
<i>Participant 6</i>	1	Man	Own	Higher
<i>Participant 7</i>	1	Man	Rental	Higher
<i>Participant 8</i>	1	Man	Rental	Higher
<i>Participant 9</i>	1	Man	Rental	Higher
<i>Participant 10</i>	1	Woman	Rental	Higher
<i>Participant 11</i>	1	Woman	Own	Higher
<i>Participant 12</i>	2	Woman	Rental	Higher
<i>Participant 13</i>	1	Woman	Rental	Higher
<i>Participant 14</i>	2	Woman	Own	Higher
<i>Participant 15</i>	2	Man	Own	Higher
<i>Participant 16</i>	1	Man	Own	Higher
<i>Participant 17</i>	1	Man	Own	Practical
<i>Participant 18</i>	1	Man	Rental	Higher
<i>Participant 19</i>	2	Man	Rental	Practical
<i>Participant 20</i>	2	Woman	Rental	Practical
<i>Participant 21</i>	2	Woman	Rental	Practical

<i>Participant 22</i>	2	Man	Rental	Higher
<i>Participant 23</i>	2	Man	Rental	Practical
<i>Participant 24</i>	1	Man	Rental	Higher
<i>Participant 25</i>	2	Man	Rental	Higher
<i>Participant 26</i>	2	Man	Rental	Higher
<i>Participant 27</i>	1	Man	Rental	Higher
<i>Participant 28</i>	2	Man	Rental	Practical
<i>Participant 29</i>	2	Man	Rental	Practical
<i>Participant 30</i>	2	Man	Rental	Practical
<i>Participant 31</i>	2	Man	Rental	Higher
<i>Participant 32</i>	2	Woman	Rental	Practical
<i>Participant 33</i>	2	Man	Rental	Practical

Most participants are tenant participants. This is also the focus group (the group that will never get a mortgage unless it is *Sharia*-compliant). The group of owners is useful in understanding which motivations they have to get a conventional mortgage and if they would switch if a halal mortgage becomes available. This helps estimate if the expected 30% correction of Goodlife (2023) is too high or too low. Tenants with a *lower education* background are also interviewed, to check if the focus group (highly educated/high earners who are not eligible for social housing) is rightly addressed. The tenants with *lower education* backgrounds also provide insights into their motivation for purchasing or renting a house. The difference between women and men is used as a control for a complete reflection of (Muslim) society.

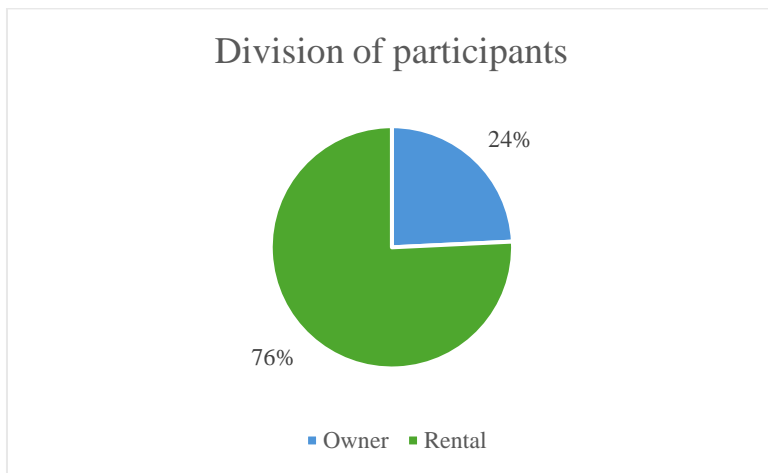


Figure 4: Division of living situation of participants.

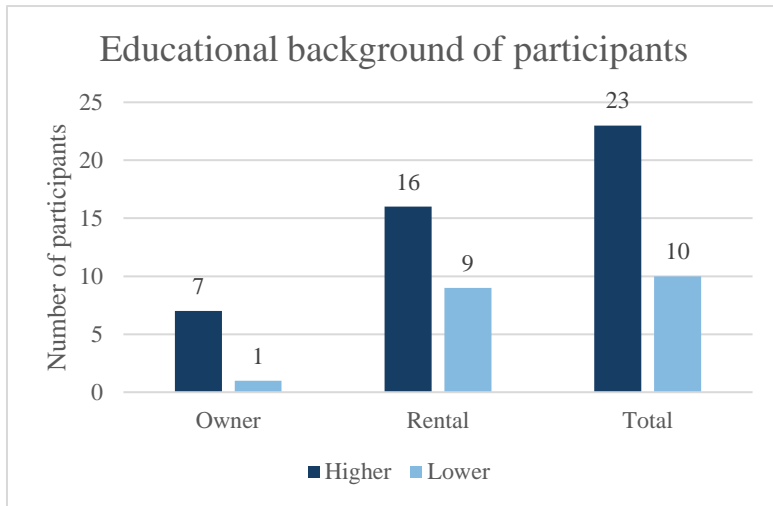


Figure 5: Division of educational background of participants.

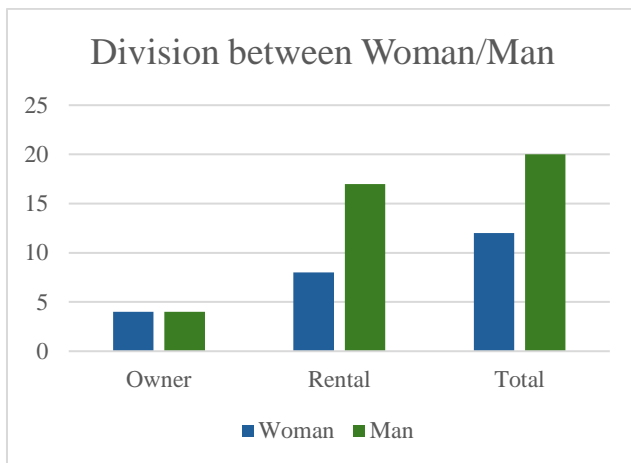
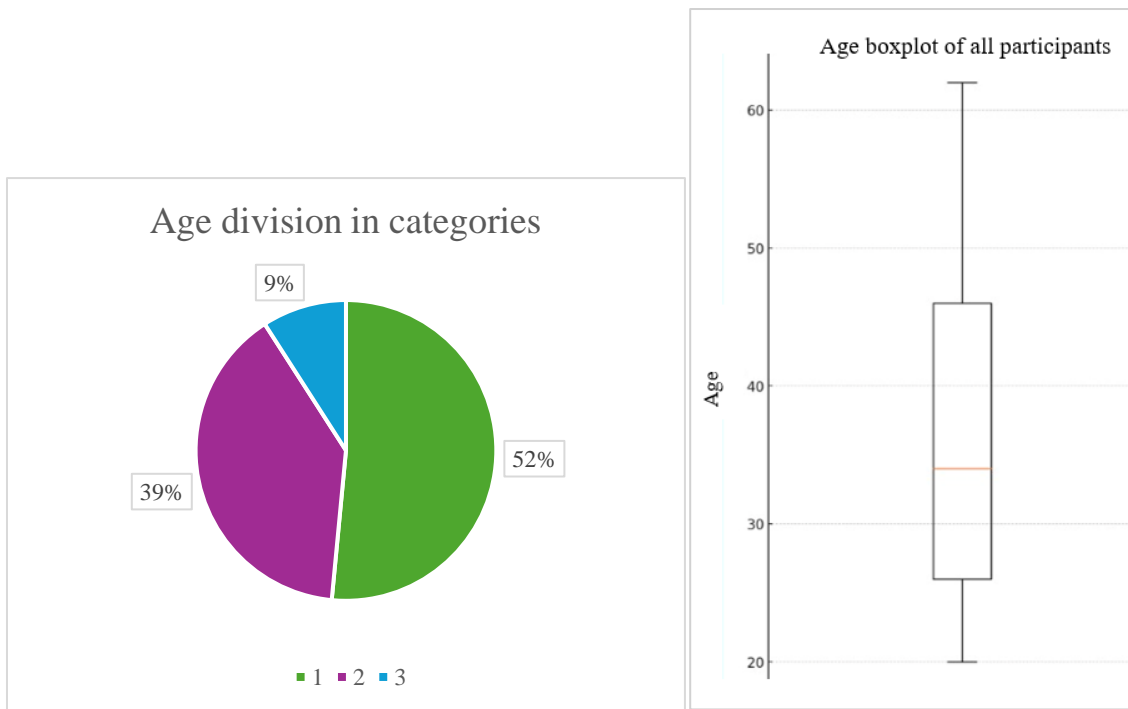


Figure 6: Division between women and men.

The difference between age is important to check again if the focus group is addressed. Expected is that the potentially interested group mostly consists of starters with a high educational background.



Figures 7 and 8: Age division of participants. Most participants are starters. The average age is 36.36 years.

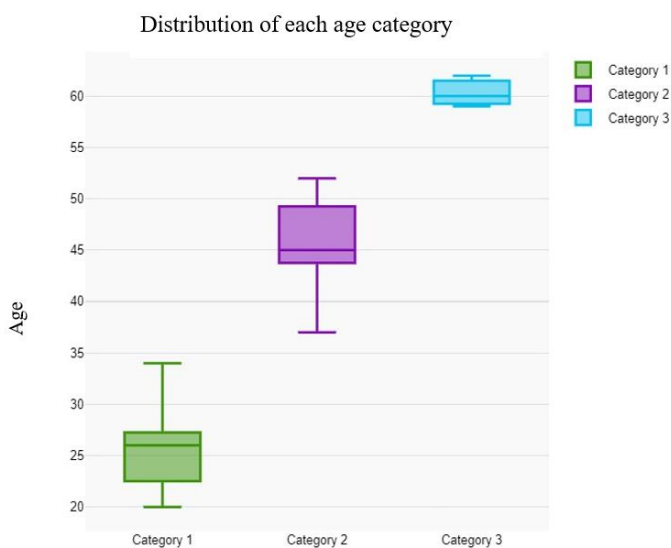


Figure 9: Distribution of each age category. The line indicates the average age in-between each category.

3.3.2 Data analysis

The data will be analysed using thematic analysis. The Gioia (2013) method is followed to conduct the data analysis. All interviews are transcribed in Dutch using intelligent verbatim transcription. The interviews that are taken in Arabic or Tamazight are first transcribed and then translated into Dutch. The transcribed files are then coded, using Nvivo for coding. A division is made between the two main themes based on the research part: the case study and the social cost-benefit analysis. Into these main themes, sub-themes are created, as can be seen in the coding scheme in Appendix A. The sub-themes are created according to the relevant questions asked in the interviews. The questions are asked according to the data that is needed for the research. Next, the transcriptions of the interviews are

analysed by looking for similarities and differences, followed by linking the answers to corresponding subthemes. The complete coding system is shown in Appendix A. After coding, the most relevant quotes are translated into English and used in the Results part. Finally, conclusions are drawn for both parts of the research. Due to preserve anonymity, transcriptions will not be attached in the Appendix, but are available upon request at the researcher. The interview questions used are shown in Appendix D.

3.4 Methodology of the social cost-benefit analysis

Two scenarios

The social cost-benefit analysis differs per scenario. As mentioned earlier, the social cost-benefit analysis focuses on the costs and benefits for potential mortgagors. Therefore, all costs and benefits will be described in this section, but only the costs and benefits for consumers are calculated in the results. Costs and benefits are mostly based on the report of the European Banking Authority (2023) about implementing green loans and mortgages. All quantified costs and benefits are calculated for a year, to make further research more comparable. The costs and benefits are quantified for the potential market sizes, which are calculated in section 4.1.

Scenario 1: The government takes measures and adjusts the fiscal law, which fosters the possibility of the same fiscal benefits as a conventional mortgage has.

Scenario 2: The government does nothing, banks and private investors provide halal mortgages. This causes the halal mortgage to be more expensive, because of higher taxation costs.

Scenario 2 also has two sub-scenarios:

Scenario 2.A.: this scenario shows the extra costs for starters in the housing market. Starters have some extra fiscal benefits (like an exemption for transfer taxation). Therefore, without an adjustment in law, the loss of getting a halal mortgage (the extra costs) is higher for starters.

Scenario 2.B.: this scenario shows the extra costs for non-starters who will use a halal mortgage.

3.4.1 Scenario 1

3.4.1.1 Costs

The costs can be divided into direct, indirect, and external costs, as can be seen in the table below.

Table 4: Costs of implementing the halal mortgage

Cost	Frequency	Variable or fixed	Quantified?	Direct, indirect or external cost
Implementation costs for the government	Once	Fixed	n.a.	n.a.
Implementation costs for banks	Once	Variable	n.a.	n.a.
Costs of switching from conventional to halal mortgage	Once	Variable	Yes	Indirect
Education and awareness costs for notarial firms	Recurring	Variable	n.a.	n.a.
Compliance costs with <i>Sharia</i> principles	Recurring	Variable	n.a.	n.a.
Missed tax revenue	Once	Variable	n.a.	n.a.
Overheated market costs	Recurring	Variable	n.a.	n.a.

The costs of implementing the halal mortgage if the law is adjusted can be seen in Table 5. Below is a description of all possible costs of Scenario 1. If laws are implemented to provide equal footing to halal mortgages as conventional mortgages, the only costs to consumers are the costs of conventional mortgagors because of switching to a halal mortgage. Because of the law implementation, conventional mortgagors will have the same living costs and private sector tenants will have lower living costs. This reduction in costs will be calculated in the benefits section.

Calculated costs

Costs for switching from a conventional mortgage to a halal mortgage consist of advisory costs and a formalisation fee for a bridge loan, notarial costs, and a fine fee (Dalmulder, 2015; *Hypotheek oversluiten*, n.d.). These costs are calculated in the following way. First, by estimating the costs of a bridge loan by comparing these costs at the three biggest banks in the Netherlands (ING, Rabobank, and ABN Amro). Second, the notarial costs will be estimated by the average price for a deed of a bridge loan. The fine is very specific to every case. Therefore this will not be calculated in this research. Because the costs of switching are a one-time cost and the other costs are recurring costs calculated for a year, the costs of switching are divided by 30 years. The reason for the 30 years is, that this is the usual amount of time for a mortgage (Noorlag, 2024).

Non-calculated costs

Implementation costs for the government consists of drafting regulations and organizing public consultations, salaries of public officers and everyone involved in the process. It also includes printing new (fiscal) law books and adjusting websites to the new law (European Banking Authority, 2023).

Implementation costs for banks involve product development costs, system updates, and the education of staff on how to help (potential) customers. Product development costs are needed since the normal way of mortgage is not possible. Dutch Law prevents a mortgage on own property (Article 3:84 and 3:227 Civil Code). This means that the bank needs to implement a construction, also to prevent having many properties on their balance, that works for halal mortgages or even Islamic finance in general (Di Mauro, 2013; El-Zoghbi & Alvarez, 2015).

Education costs for notarial firms are necessary because the deed of transfer and/or deed of mortgage needs to be structured in a specific way. These costs of education can be calculated by taking the general tariff of educational courses for notarial employees. Specific training for notarial firms about in-depth and specific topics usually takes one or two courses.

Compliance costs includes costs to establish and maintain the existence of the halal mortgage in the Netherlands. These compliance costs are for example the costs of establishing a *Sharia* Advisory Board and getting the right scholars to watch over it. Another example is penalties and fines, if a bank does state they are providing halal mortgages, but are not following all the rules (Verhoef, Azahaf & Bijkerk, 2008).

3.4.1.2 Benefits

Benefits can also be divided into direct, indirect or external benefits.

Table 5: Benefits of implementing the halal mortgage

Benefit	Frequency	Variable or fixed	Quantified?	Direct, indirect or external benefit
Lower living costs for private tenants	Recurring	Variable	Yes	Direct
Access to homeownership	Once	Fixed and qualitative	No	External
Social inclusivity	Once	Fixed and qualitative	No	External
Profit for banks or private companies providing halal mortgage	Recurring	Variable	n.a.	n.a.

Calculated benefits

Lower living costs for tenants will be calculated in the following way. CBS Statline (2022) shows that in 2021 the average cost of living for private renters is € 944,-, compared to € 919,- for owners. Social housing tenants have a monthly living cost of € 622,-. Therefore, lower living costs are just a benefit for tenants who currently rent in the private sector in the case of scenario 1. Muslims who already bought a house with a conventional mortgage will probably have higher living costs or as high as their conventional mortgage. Muslims who rent in the social housing sector, will probably not be able to buy a house and pay less monthly living costs with social housing. Hence the amount of lower living costs (therefore more disposable income for private sector tenants), is equal to the difference between the cost of living of owners and private sector renters. The total amount is calculated by taking the monthly savings times the potential amount of private-sector tenants who would get a halal mortgage. The potential amount is calculated in the case study.

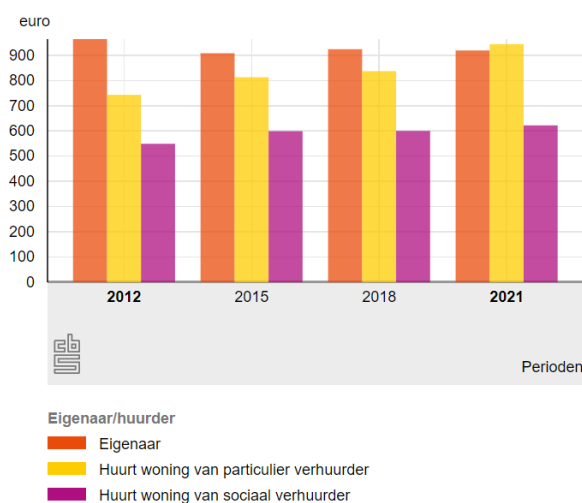


Figure 10: Costs of living for different consumers on the housing market (CBS Statline, 2022).

Access to homeownership and social inclusivity. These two benefits are not quantified, but rather external qualitative effects of fostering a halal mortgage in the Netherlands. These benefits are found in the qualitative data as described in *Data collection*. *Access to homeownership* is analysed by asking if they are content with their choice for a rental or owner-occupied property if they would switch to a halal mortgage and if they value owning a house. The benefit of *Social inclusivity* is asked through the following questions: “Do you think the housing market is inclusive enough at the moment?” and the question if they believe their needs to build a sustainable life in the Netherlands are met. All questions are formulated as an open question or followed by the question to explain their answer (see Appendix D). All answers are analysed thematically, hence similarities and differences between groups are discussed in the results. If an answer was interesting, but does not fall into the scope of one of the sub-themes it is placed in the category “extra”.

Non-calculated benefits

Profit for banks or companies providing a halal mortgage. Banks might have a different expected profit based on the type of halal mortgage they provide. In the case of *murabaha*, the profit per mortgage will probably be as high as a conventional mortgage. In the case of *musharaka mutanaqissa* or *ijarah wa-iqtina* the profit depends on the contract the bank offers for the profit and loss construction.

3.4.2 Scenario 2

This scenario describes the implementation of the halal mortgage in the Netherlands without adjusting fiscal laws. This causes the halal mortgage to be more expensive, because of higher taxation costs. This scenario makes a cost-benefit analysis for this case, specifically for consumers. First, an overview of all costs and benefits is provided. Second, a distinction is made between the costs and benefits that will be calculated in this research and those which are not. Additionally, this scenario will be divided into two sub-scenarios: one for starters (Scenario 2.A. and one for non-starters (Scenario 2.B.)

3.4.2.1 Costs

Table 6: Costs of implementing the halal mortgage

Cost	Frequency	Variable or fixed	Quantified?	Direct, indirect or external cost
Higher living costs for consumers who currently have a conventional mortgage	Once	Variable	Yes	Direct and indirect
Higher living costs for Muslims who currently rent in the private sector	Once	Variable	Yes	Direct and indirect
Costs of switching from conventional to halal mortgage	Once	Variable	Yes	Indirect
Implementation costs for banks	Once	Variable	n.a.	n.a.
Education and awareness costs for notarial firms	Recurring	Variable	n.a.	n.a.
Compliance costs with <i>Sharia</i> principles	Constant monitoring	Variable	n.a.	n.a.

Calculated costs

Higher living costs for consumers who currently have a conventional mortgage are calculated in the following way. First, by taking the average living costs for owners provided by CBS Statline (2022) as

a basis again and calculating the monthly extra expense (also found in Scenario 1). The average monthly cost of living of owners (€ 919,-) is the basis for calculating the extra costs of taxation. The higher costs of living are then calculated by adding four extra taxation expenses: higher transfer taxation, double transfer taxation, transfer tax over the profit marge, and mortgage interest tax relief.

Higher transfer taxation and double transfer tax: a distinction between the two scenarios is made. Scenario 2.A. uses a taxation rate of 10.4% for extra costs, while for Scenario 2.B. an extra taxation rate of 8.4% is used. Scenario 2.A. is if someone is a starter as defined by Rijksoverheid (2021) and Scenario 2.B. is if someone is not a starter. This distinction is made because starters have an even bigger fiscal benefit on the housing market since they have an exemption for paying transfer tax. In case of fiscal law not being changed, starters pay 10.4% more taxes for their halal mortgage than people who get a conventional mortgage. Non-starters pay 8.4% more taxes for their halal mortgage.

For the transfer tax over the profit and the mortgage interest relief, the estimation in this research uses the average interest percentage range in 2024. The interest percentage range in 2024 is between 3.36 – 5.2% (Figure 16). This range will be used to calculate the possible price of taxes on profit and the mortgage tax relief. The extra monthly taxation costs for a halal mortgagor are then added to the conventional mortgage costs of living. These costs times 12, shows the yearly extra costs an owner will pay extra for a halal mortgage in a year. Finally, these costs are calculated times the range of potential owners switching to a halal mortgage.

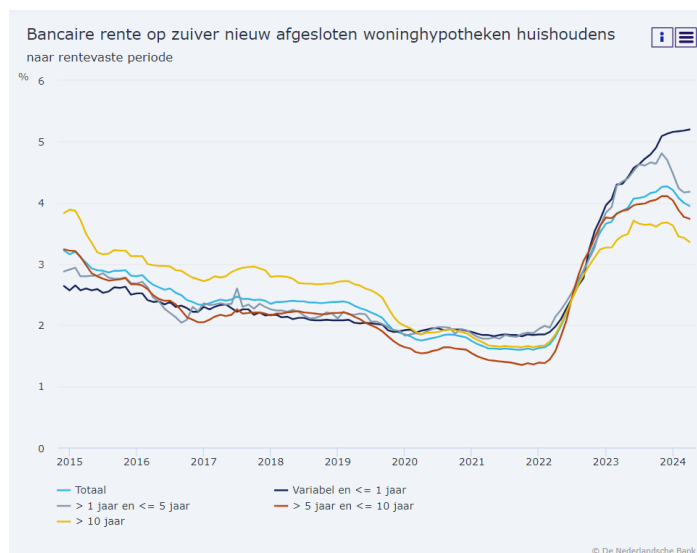


Figure 11: Interest rates in 2015 – 2024 (DNB, 2024).

Higher living costs for consumers who currently rent in the private sector are calculated in the same way as described above, except before calculating the extra monthly costs, the extra costs private sector tenants are currently paying more than an owner will be deducted. These costs times 12, show the yearly extra costs a private tenant will pay extra for a halal mortgage in a year compared to their rental living costs. Finally, these costs are calculated times the range of potential tenants switching to a halal mortgage.

Costs of switching from conventional to halal mortgage is already described in scenario 1, this cost will not be different for Scenario 2.

Non-calculated costs

All these costs are already discussed in Scenario 1 and will not differ in Scenario 2.

3.4.2.2. Benefits

Table 7: Benefits of implementing the halal mortgage

Benefit	Frequency	Variable or fixed	Quantified?	Direct, indirect or external benefit
Access to homeownership	Once	Fixed and qualitative	No	External
Social inclusivity	Multiple	Fixed and qualitative	No	External
Profit for banks or private companies providing halal mortgage	Constant, depending on the profit marge	Variable	n.a.	n.a.
Extra tax revenues from halal mortgagors	Constant	Variable	n.a.	n.a.

Calculated benefits

Access to homeownership and social inclusivity. These benefits are described in Scenario 1 and do not differ in Scenario 2.

Uncalculated benefits

Extra tax revenues from halal mortgagors for the government because this is more than conventional mortgagors would pay.

4. Results

4.1 Case study: potential market size

In the open interviews with the employees of Rabobank, we concluded that the market has changed since 2006 in two ways: first, more Muslims attained higher education (HBO or University). Muslims in the Netherlands consist mostly of second-generation migrants. This means that the people from this generation are born in the Netherlands, but their parents were born outside Europe in a non-Western country. The three biggest groups of Muslims in the Netherlands are Turkish, Moroccan, and Surinam citizens (CBS, 2007). These groups are used as a proxy for Muslims in the Netherlands. CBS Statline (2024) shows that during the last ten years, the number of non-Western second-generation students pursuing higher education increased up to 81%. The last year available with actual numbers is the school year 2022/2023, 2023/2024 is just a prognosis, so these will not be considered for this research. Moroccans show the biggest growth with an increase of 81.14% between 2011 and 2023 (Appendix B, Figure 3). Turkish citizens show an increase of 38.97% during these years (Appendix B, Figure 4), and Surinam citizens show an increase of 15.56% (Appendix B, Figure 5). The overall increase of students pursuing a higher education in the Netherlands, is 8.88% (Appendix B, Figure 6), the increase of second-generation students with a Turkish, Moroccan, or Surinam background is therefore significantly higher than the overall average since 2013. This might indicate that the market did indeed increase, since more people are highly educated, indicating a higher salary (Stryzhak, 2020; Sieng & Yussof, 2018; Xia & Liitiäinen, 2016; Homann & Jensen, 2013). A higher salary means more income to buy a house, but also more people are not eligible to live in social rental housing. Hence, more Muslims could want the opportunity to buy a house.

The second way in which the market has changed is that the whole housing market changed. Before, the interest rates were substantially higher than today (CBS Statline, 2004), which made the purchase of a house and its monthly expenses as high as rental expenses. In addition, rental prices increased from 2014 until 2024-Q1 by 77.78% (Figure 12). The figures below show the prices of basic rent, meaning not furnished. Prices for furnished homes are even higher (at this moment almost € 25.00 per m²). The average rental price currently is monthly € 1,329 for a house with a surface area of on average 98 m² (Figure 13), while in 2013 rental houses with a surface area of 100 m² were on average € 880-890 (NVM, 2014). This means the average renting price in 2013 per m² was € 8.80-8.90 instead of the € 15.86 in 2024. CBS (2022) confirms that in 2021 private rental tenants pay relatively the highest monthly living expenses and have the highest housing-cost ratio. This ratio shows the percentage of someone's income that is used for living expenses (Figure 14).

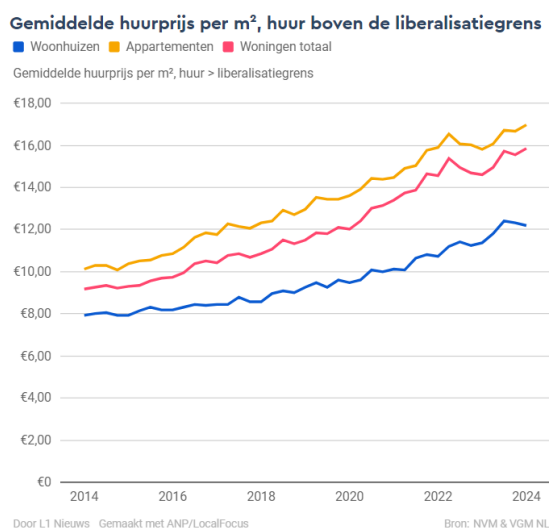


Figure 12: Average renting price per m² in the private sector from 2014-2024 Q1. Source: NVM (2024).

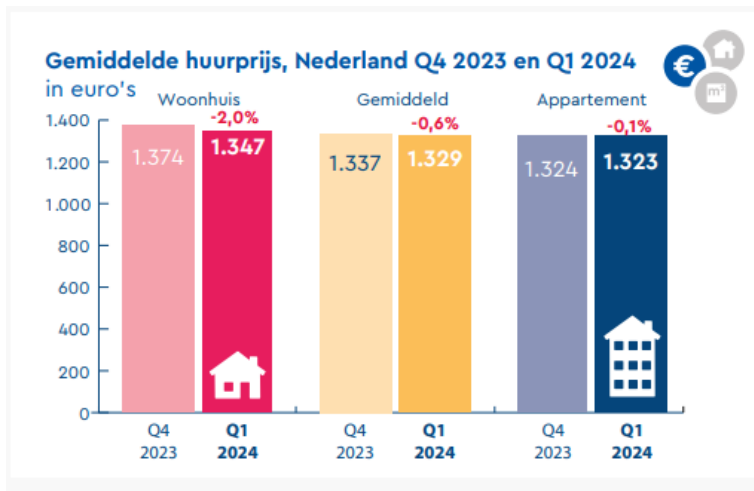


Figure 13: Average monthly renting price in the private sector from 2014-2024 Q1. Source: NVM (2024).

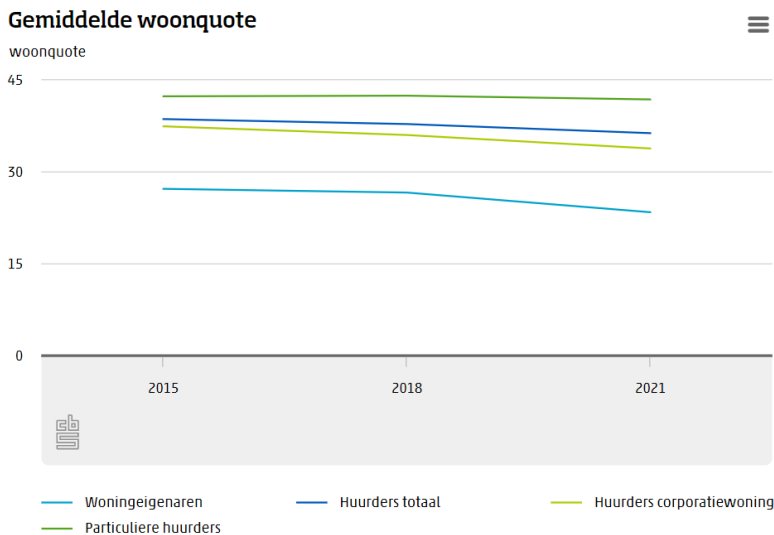


Figure 14: Housing-cost ratio per type of housing (CBS, 2022).

Considering everything above, the expectation is that Muslims who are not eligible for social renting will use the opportunity of a halal mortgage. Expected was that Muslims who already bought a house with a conventional mortgage were not interested in the halal mortgage if it is more expensive. The qualitative data shows the opposite. All participants with owned property would switch to a halal mortgage if it becomes available in the Netherlands. If the halal mortgage would be more expensive, most participants would still switch to a halal mortgage. As Participant 3 stated: *“I will be more at peace, so the extra money is no money for me then. I would rather do that”*.

4.1.1 Choice for rental housing

This increase in rental prices could be a reason why more Muslims are interested in purchasing a house nowadays. The qualitative data shows this too. All participants that are not eligible for social housing, mentioned that one of the reasons for wanting to purchase a house is that renting a house in the private sector is too expensive. Of the 25 participants who currently live in a rental home, 16 participants attained higher education. As all participants confirmed, they are not eligible for social renting (or will not be in the future). With the high rental prices, all these participants expressed their need for purchasing a house. The only thing that kept them from purchasing a house is the fact that there is no opportunity to get a mortgage without interest.

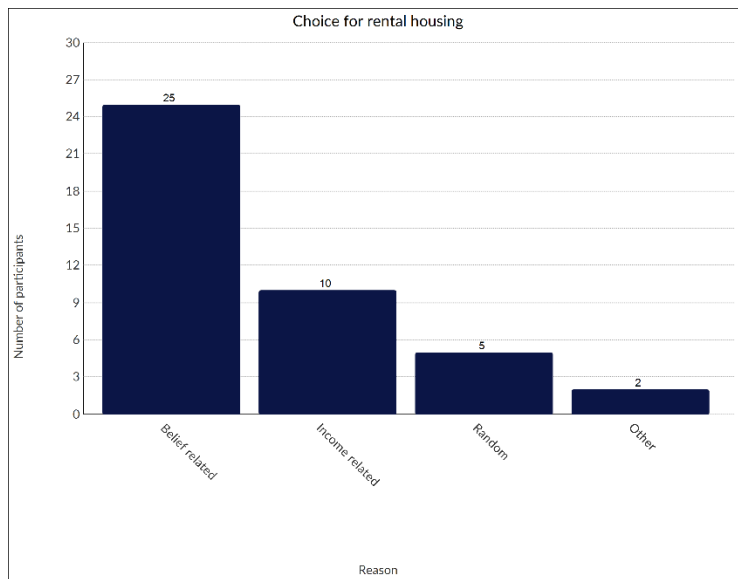


Figure 15: Reason(s) of participants for rental housing.

As Participant 22 stated: “I chose, well actually I was forced to rent, because Islamically speaking I cannot get a mortgage, since we cannot pay and receive interest.”. Participant 24 said: “Yes, for me the reason is very simple. I think you know that in Islam interest is a no-go. That is my main reason actually. Besides that, if you look at it from a financial view, it is a stupid choice of course.”. Participant 7 stated that: “for now I live in a social rental house. This is most likely going to change in the future, due to a higher income, in which case I am not eligible anymore for social renting.”.

All 9 Participants who completed *lower education* reported that their main reason for a rental house is income. In addition, they expressed that even if they had the income, their belief restricts them also from purchasing a house in the Netherlands. For example, Participant 20 said: “I needed a house and buying was not an option because I did not earn enough to purchase a house.”. All participants with a rental house and a *lower education* background are currently renting in the social sector. Their expectation is not to switch, due to income restrictions or because they are already of age.

The participants who said that their choice was random mentioned this was due to the housing market that is currently overheated. They also expressed that their choice for a rental house specifically is because of religious beliefs. Participant 1: *Well, I do not think we specifically chose it. My partner got assigned to an apartment, but eventually we would want to buy if there were no restrictions in Islam.*”. Everyone expressed their main reasons, and some Participants explained that it is a mix of two reasons: their belief and another reason. For example, Participant 23 mentioned: “I chose it [a rental home] because I cannot purchase, I do not have enough money, but also because there is interest on it.”. Two participants – both completed *lower education* – mentioned that they are not really sure if purchasing a house is that valuable, next to religious and income restrictions. One of the reasons was that they did not know yet if they would stay in the Netherlands.

4.1.2 Choice for owner-occupied housing

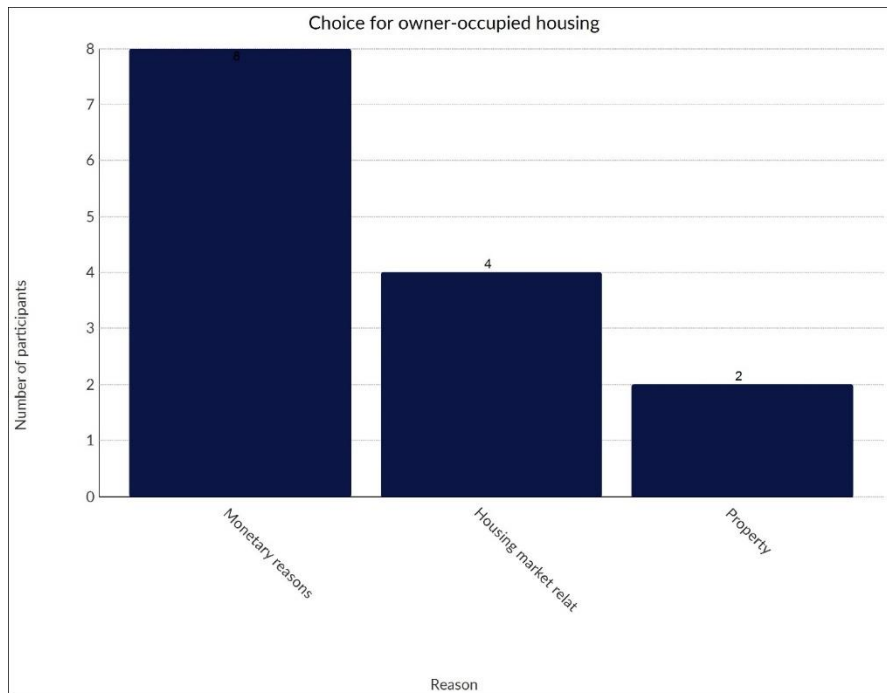


Figure 16: Reason(s) of participants for owner-occupied housing.

Participants with an owner-occupied house mostly reported monetary reasons as their choice for purchasing a house. All owner participants did report that a mortgage with interest is *haram*, but all had a reason to still get a conventional mortgage. In fact, all 33 participants reported that a conventional mortgage in principle is *haram* because of interest (Figure 7). All were aware of the prohibition, in contrast with the 85% of the research of Goodlife (2023). Although they thought in principle it was *haram*, all owner-occupied participants had their reason to deviate from the prohibition. 75.7% of all participants never buy a home unless it is *Sharia*-compliant, which is perfectly in line with the estimated 76% of the research done by Goodlife (2023). Most owner-occupied participants mentioned necessity as a reason for deviation, because of the high prices they otherwise would have to pay in the private sector. Participant 6 mentioned: “*In principle, I think it falls under it [the restriction]. But, I also think in this society and in the Western World it is very hard for a Muslim to find a house because of the restriction.*”. Participant 16 stated that: “*In principle yes. I am of course no expert in this area, but knowing the basics, I would say yes. But, especially because of the lack of alternatives, I think for a lot of people there is no other choice than choosing for it [a conventional mortgage].*”.

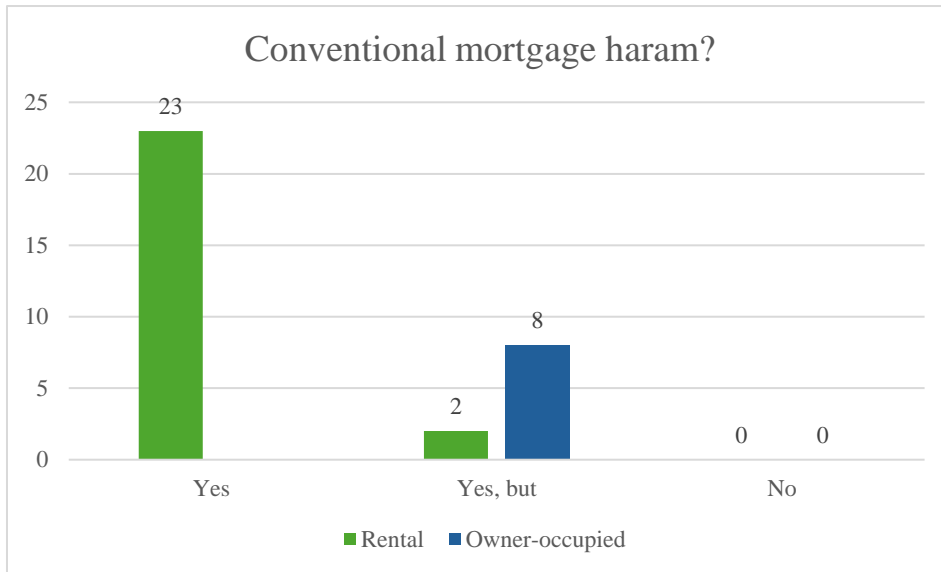


Figure 17: Answers to the question if participants think a conventional mortgage is haram.

When asked the question if they would switch to a halal mortgage, seven out of eight owner-occupied participants mentioned they would. The other one would definitely think about it, but said it would depend on the difference in costs (Figure 8). All tenants (16) who could afford to buy a house, would definitely switch to purchase housing with a halal mortgage instead of rental housing. Participant 1: “And if it is with a halal mortgage, I would have definitely made that choice a 100%”. Participant 5 mentioned: “Immediately. It is not wise at all, economically I think, to rent and throw your money down the drain without investing in an asset.”.

The other eight participating tenants will not switch, because of two reasons. The main mentioned reason is their income. In addition, 50% mentioned that they are already too old to purchase a house at the moment. As Participant 25 said: “I am already too old. In addition, it is too expensive to purchase a house for me.”. Similarly, Participant 29 said: *I do not think this is important anymore. I am already of age, so I do not think it is worth it anymore.*”.

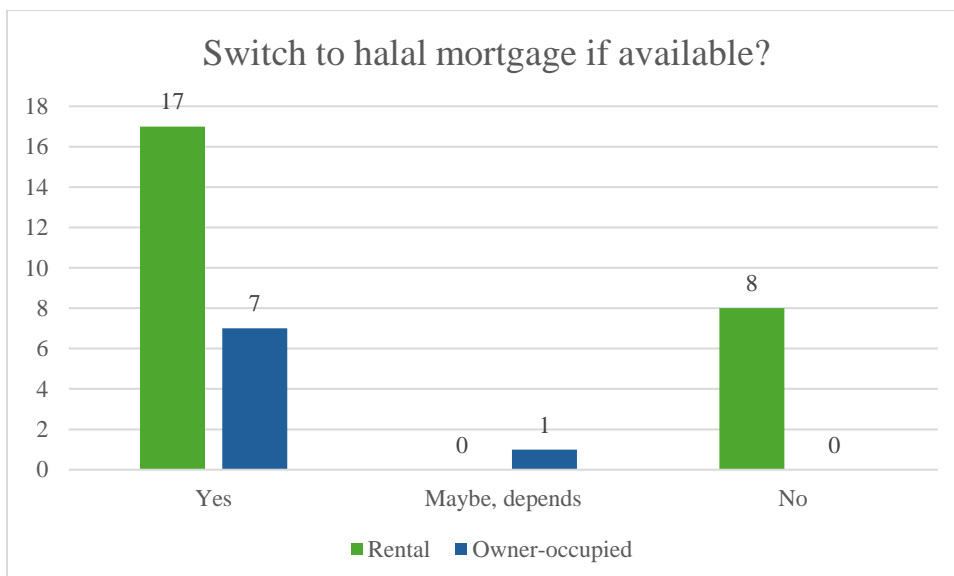


Figure 18: Answers to the question if participants would switch to a halal mortgage if made available.

Asking further, until what extra price they think it is still worth to switch to a halal mortgage, answers differed. Of the Participants who live in a rental house and financially could afford to purchase a house,

the answers differed from € 200 up to “even if it is my last penny” (Participant 5). Participant 5 nuanced this with “On the condition that my future partner agrees too”. This group of participants is willing to pay on average € 600 on top of a conventional mortgage, while participants who own a house are willing to pay approximately € 330 on top of their conventional mortgage. This big difference can be explained by the fact that private-sector tenants already have higher monthly living costs than homeowners. This is also confirmed in the qualitative data. As Participant 12 said: “Most of all, there is no compromise, it is getting so expensive. Before the private sector was a very good option, this is not the case anymore. The “room” to pay more for a mortgage is bigger for those who – due to religious reasons – already pay high prices for a rental house in the private sector. Some Participants did not give a number, but a percentage or indication. For example, Participant 24 said: “I would say 25% above the normal mortgage amount, like what you would borrow monthly.”. Participants who live in social housing at the moment but know that they have to move in the future because their income will increase, state they are willing to pay more. For example Participant 10 stated that: “I think it depends on what my income would be. I think, well, something like more than double the rent? That would be too much.”.

On the other hand, participants who own a house are not as willing to pay that much to switch to a halal mortgage. This is expected because their living costs are already lower than the living costs of private sector tenants and their choices are not as limited as participants who do not buy a house just because of their religion. For example, Participant 17 said: “I do not know if I would pay extra for it. If it is just a kind of extra sticker, it is nice to have. I would do it if it is € 10 extra a month. Everything above, would be too much.”. While another owner said: “I think if I earn more later, I am willing to pay up to 750 a month above my conventional mortgage costs.” (Participant 6).

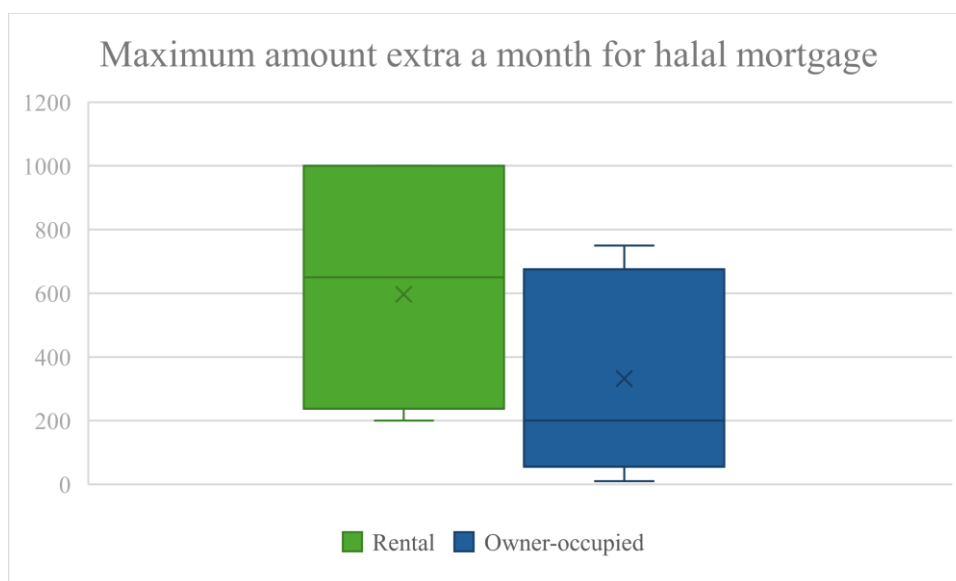


Figure 19: Maximum amount of extra cost Participants are willing to pay for a halal mortgage. The cross indicates the average.

All of the above indicates in line with Goodlife (2023) and the open-interviews with Rabobank, that the number of potential halal mortgagors increased since the research of Tjihuis (2007) and Rabobank (2006, unpublished). The qualitative data indicates that the correction of 30% research of Goodlife (2023) because of halal mortgages being more expensive is too high and therefore the market size might be bigger. Based on the qualitative data, this research proposes a correction between 10-20%. This would result in a potential market size range of 145,000 and 130,000 households in the Netherlands. Following the expected price as used in the research of GoodLife (2023), the expected market size shows a range of expected industry value between € 40 billion and € 58 billion (Table 8).

Table 8: Expected industry value

Potential market size	Expected industry value
110,000	€ 40 billion (Goodlife, 2023)
130,000	€ 400,000 x 130,000 = € 52 billion
145,000	€ 400,000 x 145,000 = € 58 billion

Summarizing, the potential market size range is therefore between 110,000 and 145,000 potential buyers with a market value between € 40 billion and € 58 billion. This potential market size can be divided into current tenants and current owners. Following Goodlife (2023) and the qualitative data, current tenants will make up 76% of the potential market size and current owners will make 24% of the potential market size. This means, as Table 9 shows that the number of current tenants that are potential halal mortgagors is between 83,600 and 110,200. The number of current owners who are potential halal mortgagors is between 26,400 and 34,800 (Table 10). These numbers are used as a basis for the social cost-benefit analysis.

Table 9: Current tenants who are potential consumers

Potential market size	Potential market size x 76 %
110,000	83,600 potential consumers
145,000	110,200 potential consumers

Table 10: Current owners who are potential consumers

Potential market size	Potential market size x 24%
110,000	26,400 potential consumers
145,000	34,800 potential consumers

4.2 Social cost-benefit analysis

This section shows the social cost-benefit analysis for both scenarios. It starts with showing the overall costs and benefits for both scenarios (Table 11), followed by a specific cost-benefit analysis for each scenario.

Table 11: Costs and benefits for consumers

Cost/ Benefit	Cost (-) or benefit (+)	Scenario 1 or 2	Frequency	Variable or fixed	Quantified?	Direct, indirect or external cost
Higher living costs for Muslims who currently have a conventional mortgage	-	1 and 2	Recurring	Variable	Yes	Direct
Higher living costs for private sector tenants	-	2	Recurring	Variable	Yes	Direct
Costs of switching from conventional to halal mortgage	-	1 and 2	Once	Variable	Yes	Direct
Access to homeownership	+	1 and 2	Once	fixed and qualitative	No	External
Social inclusivity	+	1 and 2	Once	fixed and qualitative	No	External
Lower living costs for private sector tenants	+	1	Recurring	Variable	Yes	Direct

4.2.1 Scenario 1

In case of adjustments in law, the halal mortgage will have the same fiscal benefits as a conventional mortgage. Therefore, living costs for owners will stay the same and living costs for tenants of the private sector will decrease. How much lower is calculated below. Table 12 shows all costs and benefits for Scenario 1.

Table 12: Costs and benefits Scenario 1

Cost/ Benefit	Cost (-) or benefit (+)	Frequency	Variable or fixed	Quantified?	Direct, indirect or external cost	Range in € per year
Costs of switching from conventional to halal mortgage	-	Once	Variable	Yes	Direct	€ 3,141,600 – € 4,634,200
Lower living costs for private sector tenants	+	Recurring	Variable	Yes	Direct	€ 25,080,000 – € 33,060,000

Access to homeownership	to	+	Once	Fixed and No qualitative	External	-
Social inclusivity		+	Once	Fixed and No qualitative	External	-

4.2.1.1 Costs of switching from conventional to halal mortgage

Knowing that all fiscal benefits of a conventional mortgage are the same, the amount of potential halal mortgagors will be higher, because current owners will also switch, as indicated by the qualitative data. Switching costs will differ per situation. An estimation is calculated and shown in Table 13.

Table 13: Costs of switching

Costs of Switching	ING (2024)	Rabobank (2024)	ABN Amro (2024)
Costs of bank Advice + handling fee	€ 2,700	€ 2,750	€ 2,325 – 2,600
Notarial deed	€ 650	€ 650	€ 650
Penalty fee (AFM, 2023)	Depends on specific situation	Depends on specific situation	Depends on specific situation
Optional: taxation costs	€ 595	€ 595	€ 595
<i>Total without penalty fee</i>	€ 3,945	€ 3,995	€ 3,570 – € 3,845

Table 13 shows the costs of switching mortgages, from the top 3 biggest banks in the Netherlands (Statista, 2023) are between € 3,570 – € 3,995. This is a one-time cost, therefore the costs are calculated by multiplying the possible market size for switching (Appendix C, Table 1). For a potential market size of 26,400 owners, the total range of costs is between € 94,248,000 – € 105,468,000. For a potential market size of 34,800 owners, the total range of costs is between € 124,236,000 – € 139,026,000. Calculating the costs over a time frame of 30 years, the yearly costs of switching would be approximately between € 3,141,60 – € 4,634,200 (Appendix C, Table 2).

4.2.1.2 Lower living costs for private sector tenants

As described in the method the average living costs of owners is € 919,- and € 944,- for private tenants. So, the average living costs for current private tenants who would switch to a halal mortgage if available in the Netherlands, would decrease on average with € 944 – € 919 = € 25 a month. With the range of potential mortgagors calculated in the case study, this would mean total on average monthly expenses for consumers decrease between € 2,090,000 – € 2,755,000 (Appendix C, Table 3). On a yearly basis, this is a benefit worth between € 25,080,000 and € 33,060,000 (Appendix C, Table 4).

4.2.1.3 Qualitative benefits

Access to homeownership

This benefit is assessed by two questions “How important is owning a home for you?” and “Do you think your needs are met to build a sustainable life in the Netherlands?”.

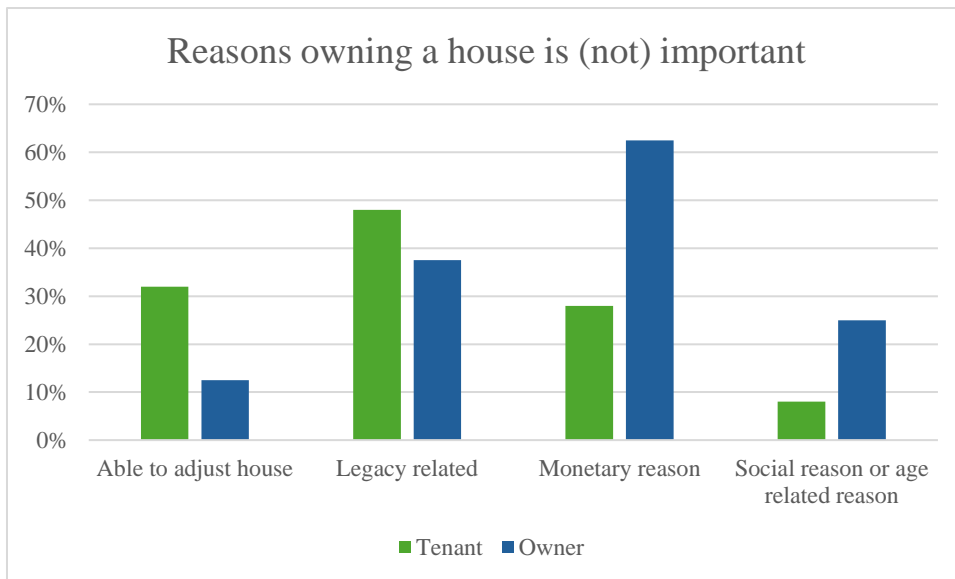
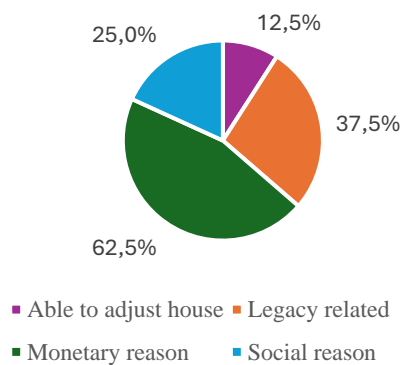


Figure 20: Reasons why Participants think owning a house is (not) important.

Reasons of owners



Reasons of tenants

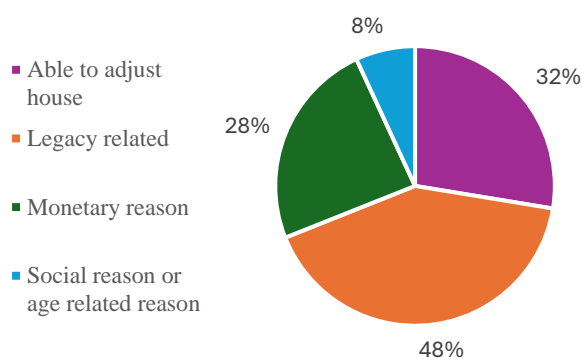


Figure 21 and 22: Reasons of owners and tenants why owning something is (not) important

Owners mostly mention financial reasons on the question why they think it is important to own a home. They consider owning a home as an investment. This investment can also be for later generations, which is the legacy reasoning. Participant 14 said: *“Well, it is an investment for the future because real estate in general increases in value. And if I am blessed enough to get children, it will definitely be something I can leave behind for them.”* When asked the follow-up question that investment can also turn out to be a loss if the house depreciates, all participants still considered it to be an investment. *“Rent is a waste of money anyway, the chance the house depreciates is of course there, but there is at least some assurance of having a home.”* (Participant 6). In contrast, tenants mostly value a legacy and the fact that they can adjust anything to their home without asking their landlord. They are not able to leave something for future generations. As Participant 12 expressed: *“That seems like a very nice thing. A future with your own home, is important because it is your own space, and you can do whatever you want with it. For example, I wanted to adjust something to my current home, but I realised then that this is not my property, so I did not want to invest too much in it.”* Some tenants did not think owning a house was important. They expressed that they are already of age, so owning something has no value to them anymore. This confirms the case study's conclusion further that mostly second-generation migrant Muslims are interested in halal mortgages and the conclusion of Goodlife (2023) that 94% of Muslims consider owning a home important.

All owners answered positively to the question if they think their needs are met to build a sustainable life in the Netherlands. Sustainability in this sense means a life without too much uncertainty, possibly even for multiple generations. This is in contrast to the tenant participants. As Figure 23 shows, 18 out of 25 tenants did not feel like they are able to build a sustainable life in the Netherlands for different reasons. The other 7 tenants did feel like they could build a sustainable life in the Netherlands. Remarkable is that those participants are the participants with a social housing.

Tenants who did not feel like enough possibilities to build a sustainable life in the Netherlands mostly mentioned the fact they have less disposable income. This is in line with the case study results, where tenants of private housing pay a higher amount of rent monthly. This leaves those tenants with less disposable income, while they could have more disposable income with a (conventional) mortgage. Participant 18 said: *“You will leave less likely out of a country if you own a house. So, the need for building a sustainable life as a Muslim in the Netherlands is not met.”*. And Participant 26 stated that: *“But, as a Muslim you are disadvantaged if you have to pay thousands of extra euros on rent. You do not build any assets, which is possible with a property-owned house. As a Muslim, you do not own anything at the end of the road.”*. Some Participants also expressed their worry about the uncertainty of being able to stay in their homes. They mentioned that the fact that they rent they always live in uncertainty, not knowing if they might have to leave. The remainder of the Participants thought it is not possible for reasons like the housing market being overheated anyway (2 participants), and the current political situation (2 participants).

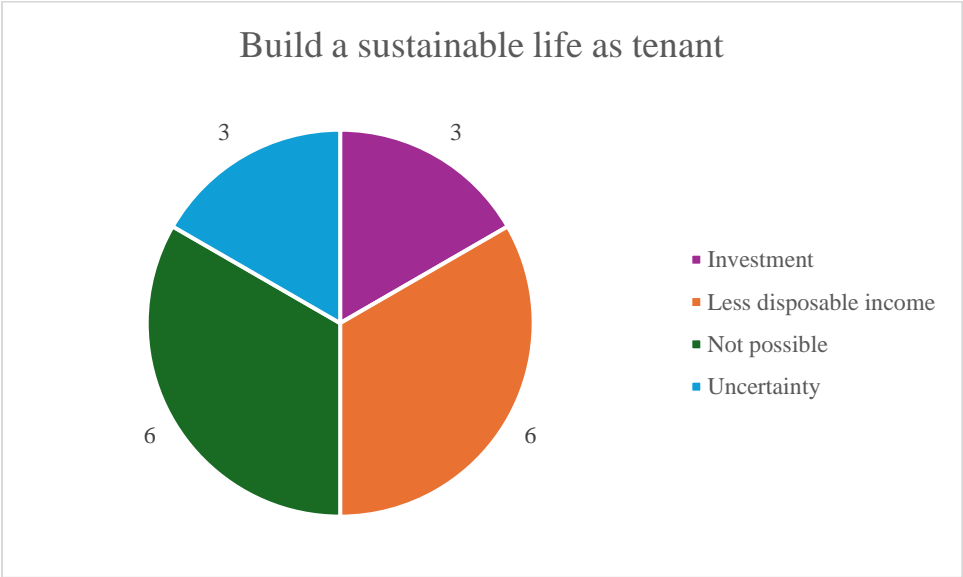


Figure 23: Reasons why Participating tenants feel like they are not able to build a sustainable life in the Netherlands.

Social cohesion and inclusion

This benefit is indicated by asking the question: “Do you think the housing market in the Netherlands is inclusive enough at the moment?”. Sometimes with the additional question: “Does the housing market offer enough opportunities for you without having to compensate for your beliefs?”

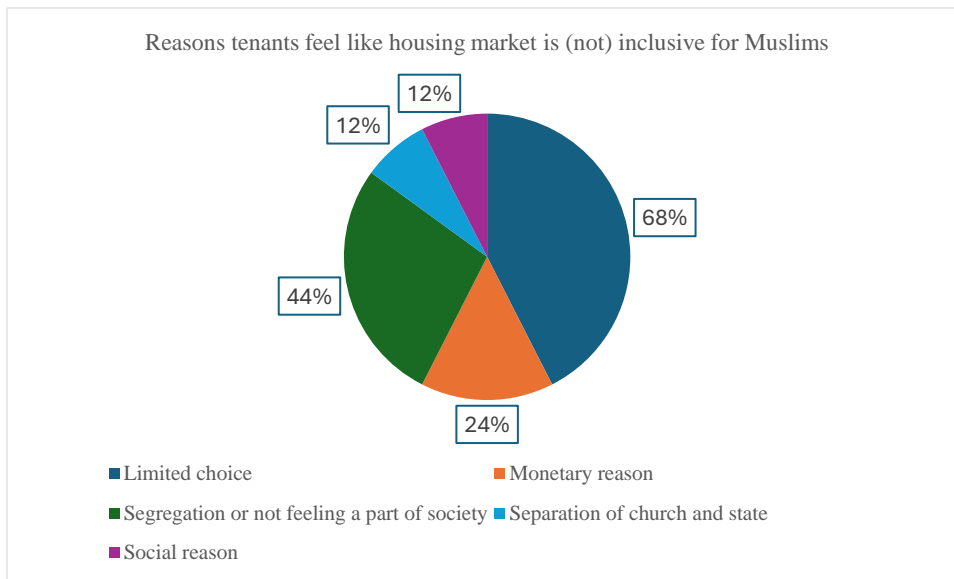


Figure 24: Reasons tenants feel like housing market is (not) inclusive for Muslims.

As can be seen in Figure 24, 68% of tenants feel like they have limited choices in the Dutch housing market. This is mainly because they feel like they are forced to rent since buying is not an option without compensating for their religious beliefs. As Participant 10 said: *“While Other people are able to do that [purchasing a house]. I would always have to cave in on something, just because of who I am. I do not consider that inclusive.”*. Participant 31 mentioned: *“In my opinion, it is not inclusive enough because there are no other ways to buy in the Netherlands without interest, so you are forced to rent. Currently, there are way fewer rental houses and the available ones, you are not eligible for. This makes purchasing the only option, which goes against a lot of people's principles.”*. Participant 5 states: *“Because of the lack of choices, you are forced to rent a house, even if you want to live there for 30 years. I think that is the problem right now. And the right to private property is very important.”*. Two Participants stated even to think about moving to another country, because of the lack of opportunities here. *“And I also thought about maybe moving abroad, because those things [referring to purchasing a house without interest] are possible there. So in that case, I think it is not inclusive at all. On the other hand, I would really find it a pity if I have to move from the Netherlands, purely because of not being able to purchase a home.”* (Participant 10).

Eleven participants (44%) state that they feel like they are not part of society or even feel like they are segregated from the rest of society because of their religion. Participant 9 said: *“The right to housing is something that is in the Civil Code, but the market is not equal. Because a Dutch [non-Muslim] person could buy a house here, while I cannot.”*. Participant 7 stated that: *“owning a house is very important, also to prevent segregation. You lose a lot of money, by paying too much for rent and with purchasing you can make profit. There is not enough attention for this.”*. While those Participants feel like the Dutch housing market is not inclusive enough, 12% of Participants think we have a separation of church and state in the Netherlands, so lacking the possibility of a halal mortgage in the Netherlands is not surprising to them. They mention that *“it is not as if you do not have a choice at all, you can always rent. It is your own choice.”* (Participant 1). Participant 18 nuances this with: *“It is not weird that it is not possible in an originally Christian country to get a halal mortgage. Although, I think that we can adjust ourselves faster to the wishes of all citizens.”*.

The Participants who stated a social reason all mentioned that owning a house feels like an achievement they will never be able to get in the Netherlands. The feeling of accomplishment is lacking now. The other 24% of participants stated that the fact that they have to pay so much more because of renting prices (they are all private sector tenants), gives them not the same opportunities as non-Muslims. They

explained that they mean that they cannot invest in something and at the end of the month they also have less disposable income. These reasons are clustered under “Monetary Reason”.

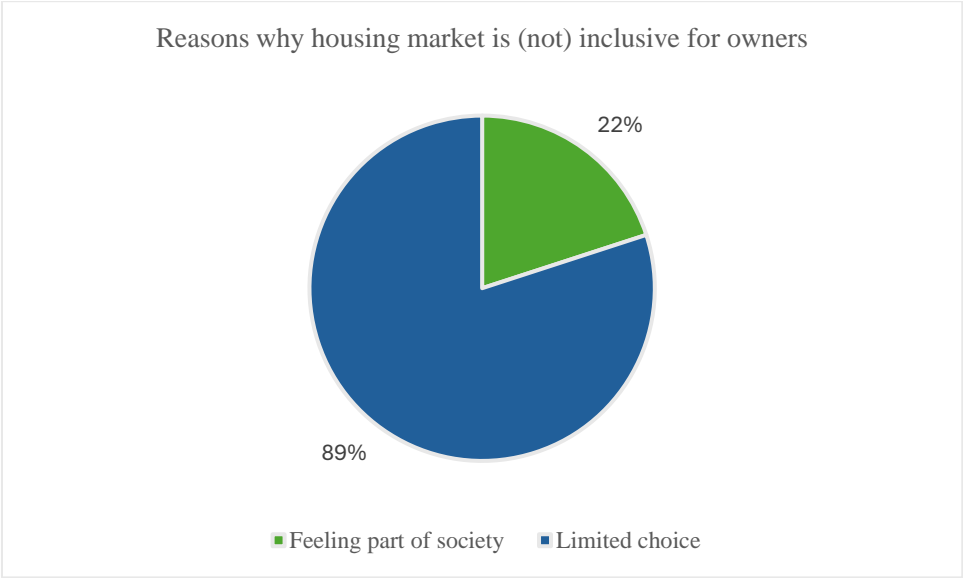


Figure 25: Reasons owners feel like the housing market is not inclusive for Muslims.

Eight out of nine owners feel like they have limited choice in the housing market. Participant 15 stated: “There is no alternative than getting a mortgage with interest. There is a yes and a no, nothing in between.”. Participant 16 said: “The lack of alternatives, is why a lot of people do not have a choice to choose for a conventional mortgage. I think as long as there is demand, supply must be created, like in every market”. Two participants stated that they do not feel like they can be a whole part of society. For example, Participant 17 said: “Yes, it actually causes you to not be able to follow the rules of society. You have to make sure you can rent. And that is also quite a thing because not everyone can rent. Well, what do you do then? You cannot stay with your parents till you are 30.”.

Concluding, most Muslims feel like they have limited choice in housing. They prefer a halal mortgage over a conventional mortgage or even renting a home as long as they can keep it halal. Although not every participant thinks it is the task of the government to facilitate options for every religious background, most participants feel like they cannot be a (complete) part of society, because of their limited choice in housing and the effects this has. The outstanding benefit of providing a halal mortgage is to foster a more inclusive society where Muslims feel part of society and have the same opportunities as non-Muslims.

4.2.2 Scenario 2

4.2.2.1 Costs

Higher living costs for owners and tenants in the case fiscal laws are not adjusted are shown below. As mentioned in section 2.2 of this research, two sub-scenarios are used. Scenario 2.A. uses a taxation rate of 10.4% for extra costs, while for Scenario 2.B. an extra taxation rate of 8.4% is used. Scenario 2.A. is if someone is a starter as defined by Rijksoverheid (2021) and Scenario 2.B. is if someone is not a starter. This research uses the average monthly expense of a mortgagor of € 919,- and an average interest percentage between 3.36 – 5.2% (DNB, 2024). This range will be used to calculate the possible price of taxes on profit and the mortgage tax relief. Next to this, a distinction is made between a *murabaha* structure and the other two structures. The *murabaha* structure is the only structure that could qualify for the exemption of Article 13 WBR, hence double transfer taxation is not an issue. The extra costs for all halal mortgagors are summarized in Table 14. Table 15 shows an overview of all extra costs for owners. A distinction is made between Scenario 2.A. and Scenario 2.B. and between *murabaha* and the

other two structures. The total extra costs are then calculated over a year and multiplied by the range of potential market size. Table 16 shows the same for private-sector tenants.

Table 14: Overview of all extra costs in case of Scenario 2

Extra cost	Percentage range	Scenario 2.A. (range of) extra costs	Scenario 2.B. (range of) extra costs
Higher transfer tax over the price of a house	8.4 - 10.4 %	€ 95.58	€ 77.20
Double transfer tax over the price of a house (only in case of musharaka mutanaqissa and ijarah wa-iqtina)	2%	€ 18.38	€ 18.38
Non-deductible mortgage interest tax relief	3.36 – 5.2 %	€ 30.88 – € 47.79	€ 30.88 – € 47.79
Extra transfer tax over profit	8.4 - 10.4 % (tax %) And 3.36 – 5.2% (interest %)	€ 3.22 – € 4.96	€ 2.57 – € 4.04
The total range of extra monthly costs for owners	-	€ 129.68 – € 166.71	€ 110.65 – € 147.41
Total range of extra monthly costs for tenants	-	€ 104.68 – € 141.71	€ 85.65 – € 122.41

Owners

Table 15: Overview of all extra costs for owners in case of Scenario 2

Scenario	<i>Murabaha</i> or other structures of halal mortgage	Total range of extra monthly costs for current owners	Total range of extra yearly costs for current owners with potential market size between 26,400 – 34,800
Scenario 2.A. (range of) extra costs	<i>Murabaha</i>	€ 129.68 – € 148.33	€ 41,082,624 – € 61,942,608
	Other structures	€ 148.06 – € 166.71	€ 46,905,408 – € 69,618,096
Scenario 2.B. (range of) extra costs	<i>Murabaha</i>	€ 110.65 – € 129.03	€ 35,053,920 – € 53,882,928
	Other structures	€ 129.03 – € 147.41	€ 40,876,704 – € 61,558,416
Total range of extra yearly costs for both scenarios	<i>Murabaha</i>	€ 110.65 – € 148.33	€ 35,053,920 – € 61,942,608
	Other structures	€ 129.03 – € 166.71	€ 40,876,704 – € 69,618,096

Private-sector tenants

Table 16: Overview of all extra costs for private-sector tenants in case of Scenario 2

Scenario	<i>Murabaha</i> or other	Total range of extra monthly	Total range of extra yearly costs for current private-sector tenants
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	structures of halal mortgage	costs for current private-sector tenants	with potential market size between 83,600 – 110,200
Scenario 2.A. (range of) extra costs	<i>Murabaha</i>	€ 104.68 – € 123.33	€ 105,014,976 – € 163,091,592
	Other structures	€ 123.06 – € 141.71	€ 123,453,792 – € 187,397,304
Scenario 2.B. (range of) extra costs	<i>Murabaha</i>	€ 85.65 – € 104.03	€ 85,924,080 – € 137,569,272
	Other structures	€ 104.03 – € 122.41	€ 104,362,896 – € 161,874,984
Total range of extra yearly costs for both scenarios	<i>Murabaha</i>	€ 85.65 – € 123.33	€ 85,924,080 – € 163,091,592
	Other structures	€ 104.03 – € 141.71	€ 104,362,896 – € 187,397,304

4.2.2.2.1 Higher living costs for owners

With the basis of € 919, taking into account that the interest rates are also into these expenses. Three costs are added. Table 1 of Appendix C shows that the extra transfer taxes paid are € 95.58 in the case of Scenario 2.A. and € 77.20 in the case of Scenario 2.B. In the case of other structures than *murabaha*, double taxation takes place. This is the case if the bank transfers the legal ownership to the buyer. Because the bank transfers it to a private individual and the property will not be used differently than the primary residence, the 2% tariff is applicable (Article 14 sub 2 WBR). This adds an extra cost of € 18.38 in the case of *Musharaka mutanaqissa* and *ijarah wa-iqtina* (Appendix C, Table 5). Furthermore, the non-deductible mortgage tax relief leads to possible extra costs between € 30.88 – € 47.79 for both scenarios (Appendix C, Table 6). Finally, the extra transfer tax over the profit margin of the house (to establish a halal mortgage) shows extra monthly costs between € 2.57 – € 4.96 (Appendix C, Table 7)

Summarizing all the costs, in Scenario 2.A. on average the monthly extra costs above a conventional mortgage will be between € 129.68 – € 166.71 for all structures of the halal mortgage, while those of Scenario 2.B. range from € 110.65 – € 147.41 (Appendix, Table 9). Because the total range of cost does not exceed € 200,-, we expect all potential owners calculated in section 4.1 of this study to be interested in the halal mortgage. Therefore in the case of Scenario 2.A. the total yearly extra costs for the potential market size is between € 41,082,624 – € 61,942,608 in the case of *murabaha* (Appendix C, Table 10), and between € 46,905,408 – € 69,618,096 for *musharaka mutanaqissa* and *ijarah wa-iqtina* (Appendix C, Table 11). For Scenario 2.B. the total yearly extra costs for the potential market size is between € 35,053,920 – € 53,882,928 in the case of *murabaha* (Appendix C, Table 12), and between € 40,876,704 – € 61,558,416 for *musharaka mutanaqissa* and *ijarah wa-iqtina* (Appendix C, Table 13). Summing up, Scenario 2.A. shows a total range of yearly extra costs for owners between € 41,082,624 and € 69,618,096 (Appendix C, Table 10 and 11), while Scenario 2.B. shows a total range of extra yearly costs for owners between € 35,053,920 and € 61,558,416 (Appendix C, Table 12 and 13). Concluding, the total range of yearly extra costs for owners in Scenario 2 is between € 35,053,920 and € 69,618,096.

4.2.2.2.2. Higher living costs for private tenants

To calculate the higher living costs, specifically for private sector tenants, the monthly extra expenses of owners are deducted by €25,-, because private sector tenants are already paying €25,- more (€ 944 – € 919) than owners every month for living expenses (CBS, 2023) (Appendix C, Table 14). The range of extra costs for private-sector tenants is between € 104.68 – € 141.71 for Scenario 2.A., and € 85.65 – € 122.41 for Scenario 2.B. (Appendix, Table 15). To calculate the yearly extra costs, the same method is

used as in section 4.2.2.1. Therefore the total yearly extra costs for the potential market size of private-sector tenants in Scenario 2.A. are between € 105,014,976 – € 163,091,592 in the case of *murabaha* (Appendix C, Table 16), and between € 123,453,792 – € 187,397,304 for *musharaka mutanaqissa* and *ijarah wa-iqtina* (Appendix C, Table 17). In the case of Scenario 2.B. the total yearly extra costs for the potential market size is between € 85,924,080 – € 137,569,272 in the case of *murabaha* (Appendix C, Table 18), and between € 104,362,896 – € 161,874,984 for *musharaka mutanaqissa* and *ijarah wa-iqtina* (Appendix C, Table 19). Summing up, Scenario 2.A. shows a total range of yearly extra costs for private-sector tenants between € 105,014,976 and € 187,397,304 (Appendix C, Table 16 and 17), while Scenario 2.B. shows a total range of extra yearly costs for private-sector tenants between € 85,924,080 and € 161,874,984 (Appendix C, Table 18 and 19). Concluding, the total range of yearly extra costs for owners in Scenario 2 is between € 85,924,080 and € 187,397,304.

Figure 25 shows an overview of the costs in all possible scenarios. The total extra costs for Owners are the highest, because tenants currently pay more for their rent. Therefore, the extra costs above their current living costs are lower. Next to this, tenants do not have costs of switching from a conventional mortgage to a halal mortgage. The costs of Scenario 1 are, as shown in section 4.2.1. the lowest. Remarkably, as mentioned before, none of the scenarios exceed the € 200,- bound.

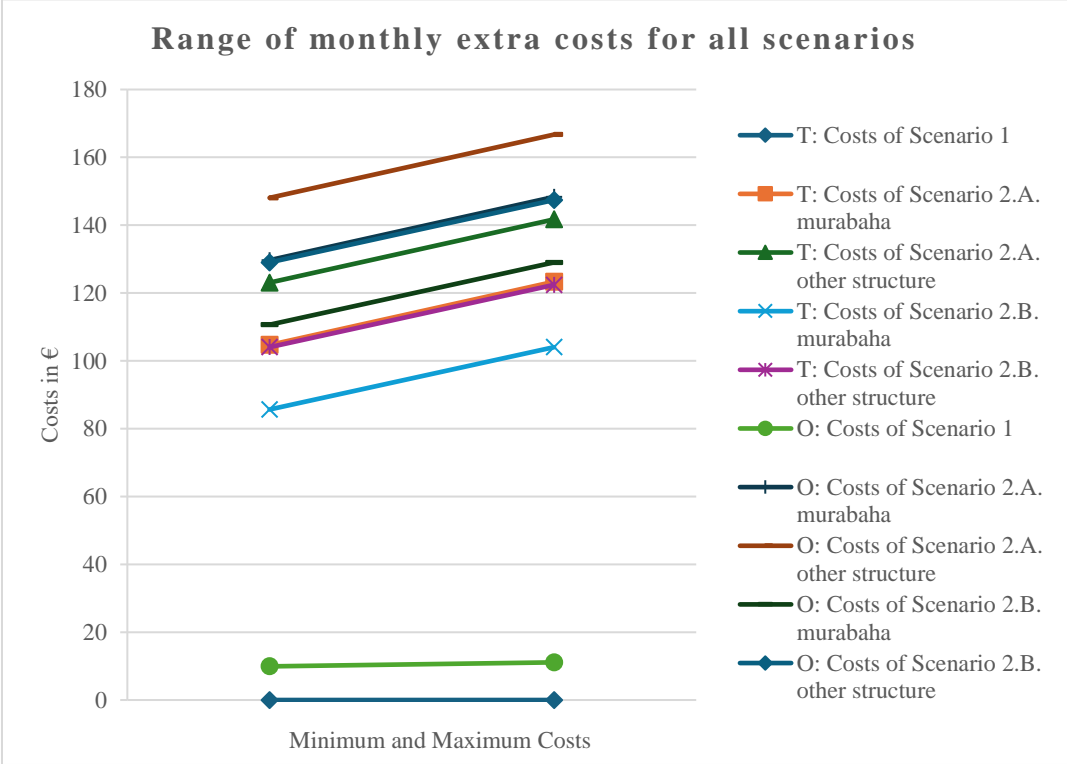


Figure 25: Visual representation of the monthly extra costs of all possible scenarios. ‘T’ stands for private-sector tenants and ‘O’ stands for owners.

4.2.2.2 Benefits

The benefits are the same as in Scenario 1, except for lower living costs for private-sector tenants. Despite the reduction in disposable income for tenants who transition to a halal mortgage, the qualitative data indicates that the benefits are worthwhile, as reported by participants.

5. Conclusion and Discussion

Concluding, this research answers to the question:

What is the current market size for the halal mortgage in the Netherlands and what are the costs and benefits of implementing the mortgage?

And the sub-question: *how did the market change since 2006?*

As shown in the Results, the potential market has grown over the past decade in two ways: first, more Muslims are attaining higher education in the last decade, therefore earning more income every month and becoming able to buy a house. Next to this, the qualitative data shows that the current generation of starters wants to build a life in the Netherlands, and owning a house is a starting point for them, whereas the older generation did not specifically have this need. Second, the housing market self has changed, which caused living costs for private renting houses to become more expensive than owning a house. The interviews showed that consumers would rather buy and invest in a house for the same price (or even higher) than rent it. Participants indicated that they lack opportunities at the moment. Opportunities to invest in a home, to be a part of society, and to leave a legacy for their children. The Results show, in line with Goodlife (2023), that 76% of Muslims will never buy a house if it is not *Sharia*-compliant. The qualitative data shows that the other 24% will switch to a halal mortgage if available. If the price is the same (as in Scenario 1), the potential market size is most likely higher. In the case of the law not being adjusted, the potential market size will be lower than Scenario 2, because the extra costs are higher. As shown in the Results, the potential market size therefore ranges between 110,000 households and 145,000 households. Further research could interview more participants. Participants lived mostly between Amsterdam – Rotterdam and in the middle of the Netherlands (Utrecht, Harderwijk, Zwolle). Further research could research if Muslims in Limburg or Groningen have a different view.

Section 4.2.2. showed the costs and benefits for both scenarios. Table 17 shows the social cost-benefit analysis of Scenario 1. The costs for owners are higher, while tenants can only benefit from a halal mortgage if fiscal laws are adjusted. Table 17 shows that the quantitative benefits exceed the quantitative costs, causing a net present value with a minimum of € 20,445,800 and a maximum of € 29,918,400. This number can be divided into a net loss for owners and a net benefit for tenants. In addition to the quantified net present value, as the Results show, there are also qualitative benefits such as access to homeownership and social inclusivity. Although this is positive, it should be remarked that the analysis shows a rough estimation of every calculated cost and benefit, by using ranges of costs and benefits, and the average living costs of an owner as a basis. In the case of costs of switching, the penalty fee is not calculated. This cost could not be estimated, since it depends on different circumstances. Therefore, these costs will probably be higher.

Table 17: Social cost-benefit analysis of Scenario 1

Cost/ Benefit	Cost (-) or benefit (+)	Frequency	Variable or fixed	Quantified?	Direct, indirect or external cost	Range of costs or benefits in € for potential market per year
Costs of switching from conventional to halal mortgage	-	Once	Variable	Yes	Direct	€ 3,141,600 – € 4,634,200
Access to homeownership	+	Once	fixed and qualitative	No	External	-

Social inclusivity	+	Once	fixed and qualitative	No	External	-
Lower living costs for private sector tenants	+	Recurring	Variable	Yes	Direct	€ 25,080,000 – € 33,060,000
<i>Total yearly net benefit</i>	+	Recurring	Variable	Yes		€ 20,445,800 – € 29,918,400

Table 18 shows the social cost-benefit analysis of Scenario 2 for consumers. In Scenario 2, there is a net loss of all quantified costs and benefits. The yearly net loss for the potential market is between € 124,119,600 and € 261,649,600. Although the quantified costs are higher than the quantified benefits, the qualitative benefits are most likely worth the quantified costs, as the qualitative data indicates. The qualitative data shows that all participants would switch to a halal mortgage, especially if the extra costs are below € 200,- a month. The Results show this is the case (Appendix C, Tables 9 and 15), hence we can conclude that the market size falls in between the calculated range of the case study.

Table 18: Social cost-benefit analysis of Scenario 2

Cost/ Benefit	Cost (-) or benefit (+)	Frequenc y	Variable or fixed	Quanti fied?	Direct, indirect or external cost	Extra range of costs or benefits in € for potential market per year
Higher livings costs for Muslims who currently have a conventional mortgage (owners)	-	Recurring	Variable	Yes	Direct	€ 35,053,920 – € 69,618,096
Higher living costs for private sector tenants	-	Recurring	Variable	Yes	Direct	€ 85,924,080 – € 187,397,304
Costs of switching from conventional to a halal mortgage	-	Once	Variable	Yes	Direct	€ 3,141,600 – € 4,634,200
Access to homeownership	+	Once	Fixed and qualitative	No	External	-
Social inclusivity	+	Once	Fixed and qualitative	No	External	-
<i>Total yearly net loss</i>	-					€ 124,119,600 – € 261,649,600

Further research could focus on the other agents of the market like the government and banks. Furthermore, recently (1st of July 2024) a new law has been implemented to increase the higher bound of renting, making renting hopefully more affordable. Further research could include the effects of this new law for the social cost-benefit analysis and the business case study. Another point of discussion is that the housing market keeps changing, so results might differ every decade. Although this is the case, the expectation is that the potential market size of the halal mortgage will increase over the years because the number of second-and third-generation migrant Muslims will increase (Boelhouwer, 2024).

In conclusion, the estimated market size is between 110,000 (Goodlife, 2023) and 145,000, hence the market has indeed grown since the last research by Rabobank (unpublished, 2006) and ABN Amro (Tijhuis, 2007). The social cost-benefit analysis shows that if fiscal laws are adjusted (Scenario 1), the benefits exceed the costs for consumers. If fiscal laws are not adjusted (Scenario 2), the quantified costs exceed the quantified benefits, causing a net loss. Although there is a net loss, the qualitative benefits most likely exceed this loss, as indicated by the qualitative data. Since the average monthly costs are below € 200,-, most owners and tenants will get a halal mortgage, even if it is more expensive than a conventional mortgage. Therefore, we can conclude that as Goodlife (2023) and this study show, there is a significantly bigger market for halal mortgages. Additionally, as the qualitative data shows, in the light of social inclusivity and equal opportunities for all citizens, the halal mortgage can be considered as beneficial for society.

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Appendix A – Codebook

Research and codes	Description of codes	Files	References
Case study	All themes for case study about potential market size	33	149
<i>Owner-occupied home</i>	<i>Participant who lives in an owner-occupied home</i>	8	41
Education level		8	8
Higher education		7	7
Lower education		1	1
Choice for owner-occupied home		8	14
Housing market related	Choice based on the opportunities of the housing market	3	4
Monetary reasons	Choice based on rental houses being to expensive	5	8
Property	Choice based on the fact that participant wants to own a house	2	2
Maximum amount extra	The maximum amount someone wants to pay extra above their conventional mortgage for a halal mortgage	7	7
Pay € 200 extra		7	9
No		1	1
Yes		6	9
Switch to halal mortgage	If a participant would switch from their conventional mortgage to a halal mortgage if available	8	11
Maybe, depends		1	1
No		0	0
Yes		7	10
<i>Rental home</i>	<i>Participant who lives in a rental home</i>	25	74
Education level		25	25
Higher education	HBO or University	16	16
Lower education	All education up to MBO-4	9	9
Choice for rental		25	35
Belief related	Choice made based on belief	20	21
Income related	Choice made based on income	7	7
Other	Other reason	2	2
Random/ no choice	Just how things worked out	4	4
Maximum amount extra		18	21
Pay € 200 extra		19	20
No		3	3
Yes		16	17
Switch to halal mortgage		25	30
No		8	10
Yes		17	20

Social cost-benefit analysis	All themes for social cost-benefit analysis	33	186
<i>Owner-occupied home</i>	<i>Participant who lives in an owner-occupied home</i>	8	51
Conventional mortgage <i>haram</i>	Does participant view a conventional mortgage <i>haram</i> ? (No option just yes, because otherwise they would not have gotten a conventional mortgage)	8	11
No		0	0
Yes, but		8	11
Importance of owning something		8	20
Able to adjust	Being able to renovate and adjust the home	1	2
Legacy related	Being able to leave something to future generations	3	4
Monetary reason	Investing into something	5	9
Social reason	Social acceptance or pressure	2	5
Inclusive housing market		8	16
Feeling part of society	The feeling of not being a part of Dutch society	2	2
Limited choice		8	14
<i>Rental home</i>	<i>Participant who lives in a rental home</i>	25	135
Conventional mortgage <i>haram</i>		25	25
No		0	0
Yes		23	23
Yes, but	Initially yes but there are some exceptions	2	2
Importance of owning something		25	38
Adjusting home	The ability to renovate or adjust the house without consent of the home-owner	8	8
Investment	Possibility to invest in the future	7	10
Legacy	Possibility to leave something behind for future generations	12	17
Not because of age	Not important because already old	2	2
Inclusive housing market		25	54
Limited choice	Limited opportunities on the housing market for a Muslim	17	22
Monetary reason	Income too low or private renting is too expensive	6	7
Segregation or not feeling a part of society	The feeling segregation takes place because of not having the same opportunities as a non-Muslim and the feeling of not being a part of Dutch society, needs are not met	11	18
Separation of church and state	The government is (not) responsible for the housing market because religion should not be involved in politics	3	3

Social reason	Pressure from society or environment	3	4
Sustainable life	The possibility to build a sustainable life with the opportunities the housing market offers at the moment	18	21
Investment	Investment not possible	3	4
Less disposable income	Less disposable income because of high private sector prices	6	7
Not possible	Other reasons Participants feel like it is not possible to build a sustainable life	6	6
Uncertainty	Uncertain about the future (in the Netherlands)	3	4
<i>Extra</i>		<i>23</i>	<i>54</i>
Considerations for a house		19	40
Environment		18	19
Price		11	11
Size		10	10
Other		8	14

Appendix B – Figures



Beste netwerk,

Voor mijn scriptie voor de master Economic Policy aan de Universiteit Utrecht ben ik op zoek naar moslims die een kort interview met mij willen doen over hun (voorkeur) voor manier van wonen en de woningmarkt. Het onderzoek gaat in op de vraag waarom je als moslim hebt gekozen of gaat kiezen (mensen die momenteel thuis wonen zijn dus ook welkom!) voor een huur- of koophuis. De interviews worden uiteraard anoniem verwerkt. Het interview hoeft niet langer dan 15 minuten te duren en kan zowel fysiek als online plaatsvinden. Stuur mij even een privéberichtje indien je wilt deelnemen of een e-mail naar m.talhi@students.uu.nl. Alvast bedankt!

Figure 1: Poster and text used for finding participants.

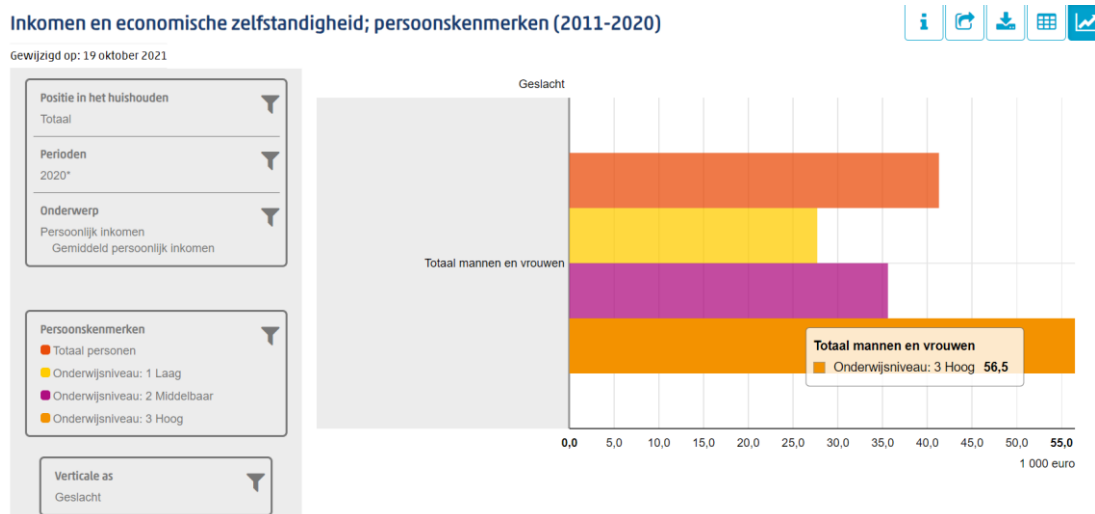


Figure 2: Average income per education level. Higher educational citizens earn on average € 56,500 a year.

Onderwerp: Totaal ingeschrevenen
 Geboorteland (ouders): Geboren in NL, ouder(s) buiten NL
 Herkomstland: Marokko
 Onderwijssoort: Hoger onderwijs
 Geslacht: Totaal mannen en vrouwen

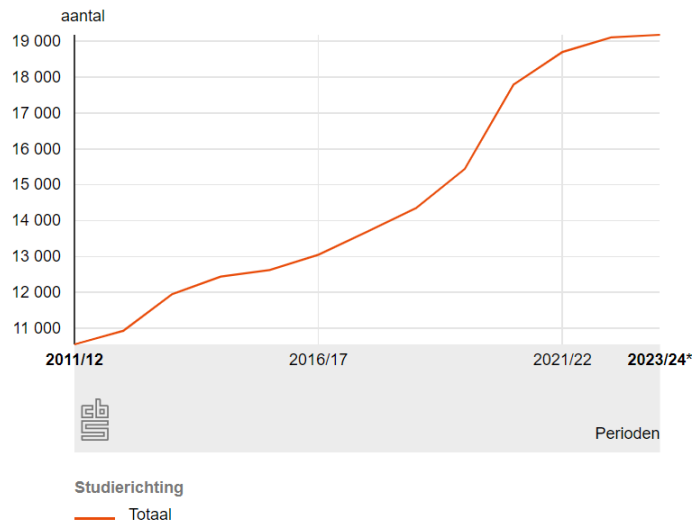


Figure 3: Amount of second-generation Moroccans attaining higher education between 2011 and 2024.

Onderwerp: Totaal ingeschrevenen
 Geboorteland (ouders): Geboren in NL, ouder(s) buiten NL
 Herkomstland: Turkije
 Onderwijssoort: Hoger onderwijs
 Geslacht: Totaal mannen en vrouwen

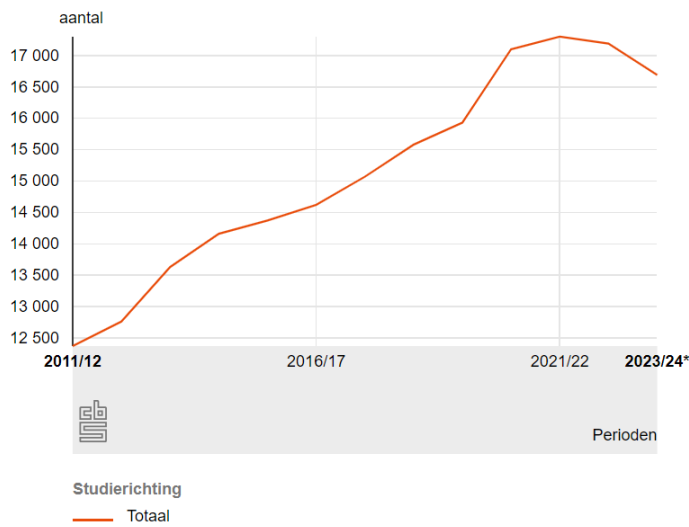


Figure 4: Amount of second-generation Turkish attaining higher education between 2011 and 2024.

Onderwerp: Totaal ingeschrevenen
 Geboorteland (ouders): Geboren in NL, ouder(s) buiten NL
 Herkomstland: Suriname
 Onderwijssoort: Hoger onderwijs
 Geslacht: Totaal mannen en vrouwen

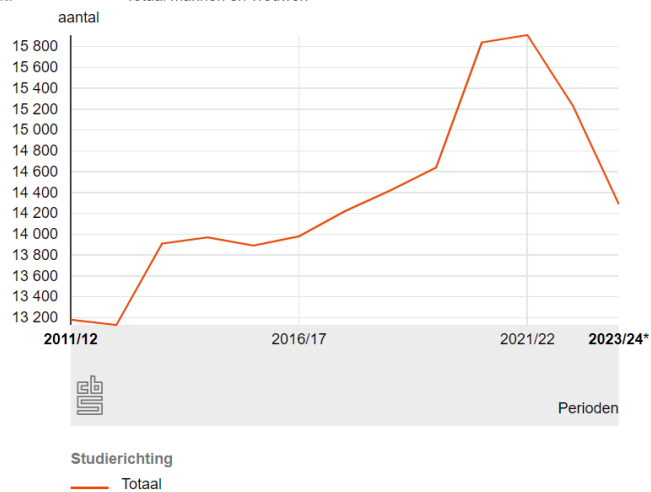


Figure 5: Amount of second-generation Surinams attaining higher education between 2011 and 2024.

Onderwerp: Totaal ingeschrevenen
 Geboorteland (ouders): Totaal
 Herkomstland: Totaal
 Onderwijssoort: Hoger onderwijs
 Geslacht: Totaal mannen en vrouwen

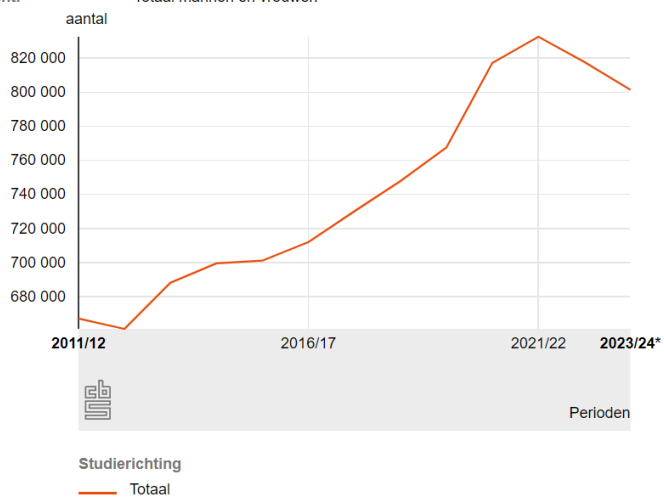


Figure 6: Total amount of students attaining higher education between 2011 and 2024.

Appendix C – Tables

Scenario 1

Calculation of Costs of switching

Table 1: Gross costs of switching

Potential Market Size	Minimum Costs	Maximum Costs	Total Range of Costs of Switching In €
26,400	26,400 X € 3,570 = € 94,248,000	26,400 X € 3,995 = € 105,468,000	€ 94,248,000 – 105,468,000
34,800	34,800 X € 3,570 = € 124,236,000	34,800 X € 3,995 = € 139,026,000	€ 124,236,000 – 139,026,000

Table 2: Total costs per year minimum and maximum

Range	Total costs	Total costs divided by 30 years
Minimum	€ 94,248,000	€ 94,248,000 / 30 = € 3,141,600
Maximum	€ 139,026,000	€ 139,026,000 / 30 = € 4,634,200

Calculation of lower living costs for private sector tenants

Table 3: Total yearly benefit per potential market size

Potential market size	Benefit per person X potential market size	Total benefits for potential market size
83,600	€ 25 x 83,600	€ 2,090,000
110,200	€ 25 x 110,200	€ 2,755,000

Table 4: Total benefit per year minimum and maximum

Range	Total benefit	Total benefit X 12
Minimum	€ 2,090,000	€ 2,090,000 x 12 = € 25,080,000
Maximum	€ 2,755,000	€ 2,755,000 x 12 = € 33,060,000

Scenario 2

Calculation of extra costs

Higher living costs for owners

With the basis of € 919, taking into account that the interest rates are also into these expenses. The following calculations are made:

Table 5: Transfer tax over the price of a house

Scenario	Extra cost in %	Extra cost in €
Scenario 2.A.	10.4 %	10.4 % x € 919 = € 95.58
Scenario 2.B.	8.4 %	8.4 % x € 919 = € 77.20
Total range	8.4 – 10.4 %	€ 77.20 – 95.58

In case of other structures than *murabaha*, double taxation takes place. This is the case if the bank transfers the legal ownership to the buyer. Because the bank transfers it to a private individual and the property will not be used differently than the primary residence, the 2% tariff is applicable (Article 14 sub 2 WBR).

Table 6: Double taxation costs

Structure	Extra cost in %	Law applicable	Extra cost in €
<i>Murabaha</i>	0 %	Exemption of article 13 WBR.	0 x € 919 = € 0
<i>Musharaka mutanaqissa</i> and <i>ijarah wa-iqtina</i>	2 %	Lower tariff of Article 14 sub 2 WBR	2 % x € 919 = € 18.38
Total range	0 – 2 %		€ 0 – 18.38

Table 7: Non-deductible mortgage interest tax relief

Scenario	Range interest in %	Extra monthly cost in €
Interest %	3.36 %	3.36 % x € 919 = € 30.88
	5.2 %	5.2 % x € 919 = € 47.79
Total range	3.36 – 5.2 %	€ 30.88 – 47.79

Table 8: Extra transfer tax over profit of house

Scenario	Range interest in %	Extra cost in %	Extra monthly cost in €
Scenario 2.A.	3.36 %	10.4 % x 3.36 % = 0.35 %	0.35 % x € 919 = € 3.22
	5.2 %	10.4 % x 5.2 % = 0.54%	0.54 % x € 919 = € 4.96
Scenario 2.B.	3.36 %	8.4 % x 3.36 % = 0.28%	0.28 % x € 919 = € 2.57
	5.2 %	8.4 % x 5.2 % = 0.44%	0.44 % x € 919 = € 4.04
Total range of cost	3.36 – 5.2 %	0.28 – 0.54 %	€ 2.57 – 4.96

Table 9: Overview of monthly extra costs per scenario and halal mortgage structure

Scenario	<i>Murabaha</i> or other structure	Range of extra costs in €
Scenario 2.A.	<i>Murabaha</i>	€ 129.68 – 148.33
	Other structure	€ 148.06 – 166.71
Scenario 2.B.	<i>Murabaha</i>	€ 110.65 – 129.03
	Other structure	€ 129.03 – 147.41
Total range of cost		€ 110.65 – 166.71

Table 10: Total yearly costs for potential market size Scenario 2.A., *murabaha*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 26,400	Total yearly extra costs for maximum potential market size of 34,800
€ 129.68	€ 129.68 x 12 = € 1,556.16	26,400 x € 1,556.16 = € 41,082,624	34,800 x € 1,256.16 = € 54,154,368
€ 148.33	€ 148.33 x 12 = € 1,779.96	26,400 x € 1,779.96 = € 46,990,944	34,800 x € 1,779.96 = € 61,942,608
Range of cost	€ 1,256.16 – 1,479.96	€ 41,082,624 – 46,990,944	€ 54,154,368 – 61,942,608

Table 11: Total yearly costs for potential market size Scenario 2.A., *musharaka mutanaqissa* or *ijarah wa-igtina*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 26,400	Total yearly extra costs for maximum potential market size of 34,800
€ 148.06	€ 148.06 x 12 = € 1,776.72	26,400 x 1,776.72 = € 46,905,408	34,800 x € 1,776.72 = € 61,829,856
€ 166.71	€ 166.71 x 12 = € 2,000,52	26,400 x € 2,000,52 = € 52,813,728	34,800 x € 2,000,52 = € 69,618,096
Range of cost	€ 1,776.72 – 2,000,52	€ 46,905,408 – € 52,813,728	€ 61,829,856 – € 69,618,096

Table 12: Total yearly costs for potential market size Scenario 2.A., *murabaha*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 26,400	Total yearly extra costs for maximum potential market size of 34,800
€ 110.65	€ 110.65 x 12 = € 1,327.80	26,400 x € 1,327.80 = € 35,053,920	34,800 x € 1,327.80 = € 46,207,440
€ 129.03	€ 129.03 x 12 = € 1,548,36	26,400 x € 1,548.36 = € 40,876,704	34,800 x € 1,548.36 = € 53,882,928
Range of cost	€ 1,327.80 – 1,548,36	€ 35,053,920 – 40,876,704	€ 46,207,440 – 53,882,928

Table 13: Total yearly costs for potential market size Scenario 2.B., *musharaka mutanaqissa* or *ijarah wa-iqtina*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 26,400	Total yearly extra costs for maximum potential market size of 34,800
€ 129.03	€ 129.03 x 12 = € 1,548.36	26,400 x € 1,548.36 = € 40,876,704	34,800 x € 1,548.36 = € 53,882,928
€ 147.41	€ 147.41 x 12 = € 1,768.92	26,400 x € 1,768.92 = € 46,699,488	34,800 x € 1,768.92 = € 61,558,416
Range of cost	€ 1,548.36 – € 1,768.92	€ 40,876,704 – € 46,699,488	€ 53,882,928 – € 61,558,416

Higher living costs for private tenants

Table 14: Overview of monthly extra costs per sub-scenario

Scenario	Extra costs in €	Corrected monthly living costs for private-sector tenants
Scenario 2.A.	Minimum € 129.68	€ 129.68 – € 25 = € 104.68
	Maximum € 148.33	€ 148.33 – € 25 = € 123.33
Scenario 2.B.	Minimum € 110.65	€ 110.65 – € 25 = € 85.65
	Maximum € 129.03	€ 129.03 – € 25 = € 104.03
Total range	€ 110.65 – 148.33	€ 85.65 – € 123.33

Table 15: Overview of monthly extra costs per scenario and halal mortgage structure

Scenario	<i>Murabaha</i> or other structure	Range of extra costs in € for halal mortgage	Range of extra living costs for private sector tenants with deduction of € 25,-
Scenario 2.A.	<i>Murabaha</i>	€ 129.68 – € 148.33	€ 104.68 – € 123.33
	Other structure	€ 148.06 – € 166.71	€ 123.06 – € 141.71
Scenario 2.B.	<i>Murabaha</i>	€ 110.65 – € 129.03	€ 85.65 – € 104.03
	Other structure	€ 129.03 – € 147.41	€ 104.03 – € 122.41
Total range		€ 110.65 – € 166.71	€ 85.65 – € 141.71

Table 16: Total yearly costs for potential market size Scenario 2.A., *murabaha*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 83,600	Total yearly extra costs for maximum potential market size of 110,200
€ 104.68	€ 104.68 x 12 = € 1,256.16	83,600 x € 1,256.16 = € 105,014,976	110,200 x € 1,256.16 = € 138,428,832
€ 123.33	€ 123.33 x 12 = € 1,479.96	83,600 x € 1,479.96 = € 123,724,656	110,200 x € 1,479.96 = € 163,091,592
Range	€ 1,256.16 –	€ 105,014,976 – 123,724,656	€ 138,428,832 – € 163,091,592

	€ 1,479.96		
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Table 17: Total yearly costs for potential market size Scenario 2.A., *musharaka mutanaqissa* or *ijarah wa-iqtina*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 83,600	Total yearly extra costs for maximum potential market size of 110,200
€ 123.06	€ 123.06 x 12 = € 1,476.72	83,600 x € 1,476.72 = € 123,453,792	110,200 x € 1,476.72 = € 162,734,544
€ 141.71	€ 141.71 x 12 = € 1,700.52	83,600 x € 1,700.52 = € 142,163,472	110,200 x € 1,700.52 = € 187,397,304
Range	€ 1,476.72 – 1,700.52	€ 123,453,792 – € 142,163,472	€ 162,734,544 – € 187,397,304

Table 18: Total yearly costs for potential market size Scenario 2.B., *murabaha*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 83,600	Total yearly extra costs for maximum potential market size of 110,200
€ 85.65	€ 85.65 x 12 = € 1,027.80	83,600 x € 1,027.80 = € 85,924,080	110,200 x € 1,027.80 = € 113,263,560
€ 104.03	€ 104.03 x 12 = € 1,248.36	83,600 x € 1,248.36 = € 104,362,896	110,200 x € 1,248.36 = € 137,569,272
Range	€ 1,027.80 – € 1,327.80	€ 85,924,080 – € 104,362,896	€ 113,263,560 – € 137,569,272

Table 19: Total yearly costs for potential market size Scenario 2.B., *musharaka mutanaqissa* or *ijarah wa-iqtina*

Monthly extra costs per tenant	Yearly extra costs per tenant	Total yearly extra costs for minimum potential market size of 83,600	Total yearly extra costs for maximum potential market size of 110,200
€ 104.03	€ 104.03 x 12 = € 1,248.36	83,600 x € 1,248.36 = € 104,362,896	110,200 x € 1,248.36 = € 137,569,272
€ 122.41	€ 122.41 x 12 = € 1,468.92	83,600 x € 1,468.92 = € 122,801,712	110,200 x € 1,468.92 = € 161,874,984
Range	€ 1,027.80 – € 1,468.92	€ 104,362,896 – € 122,801,712	€ 137,569,272 – € 161,874,984

Appendix D – Interview questions

Interview questions rental home

Who are you?

- Woman/Man/X
- Age
- Highest education attained
- What is your living situation at this moment?
 - With how many people do you live?
 - Partner/children/parents?

Question 1: Why did you choose for a rental home?

Question 2: How satisfied are you with your choice? Would you like to change it in the future?

Question 3: Are you familiar with the ban on interest in Islam? If yes, do you think a normal mortgage with interest falls under this ban? Why (not)?

Question 4: Would you switch to buying a house if halal mortgages were made possible and why (not)?

Question 5: Do you think the housing market is inclusive enough at the moment? Extra explanation: does the housing market offer enough opportunities for you without having to compensate in your beliefs? Can you explain why?

Question 6: Do you think your needs are met for building a (sustainable) life in the Netherlands? If necessary, further explanation: Are you able to build a long life (possibly for generations long) in the Netherlands? Why (not)?

Question 7: How important is owning a home for you? Further explanation: actually owning, so no rental home. And why is it (not) that important for you?

Question 8: Which considerations did you make when you looked for a house? / Which considerations are you making while looking for a house? (location/price/size etc.)

Question 9: If a halal mortgage becomes possible in the Netherlands, but it will be 200 euros a month more expensive than your rent, will you buy a house with a halal mortgage or would you keep renting? Why (not)?

Follow-up question: At which extra cost a month (than your rent) do you think it is too expensive to take a halal mortgage instead of renting?

Last question: Do you have any questions or further remarks?

Interview questions owner-occupied home

Who are you?

- Woman/Man/X
- Age
- Highest education attained
- What is your living situation at this moment?
 - With how many people do you live?
 - Partner/children/parents?

Question 1: Why did you choose for an owner-occupied home? Are you satisfied with your choice?

Question 2: Did you get a mortgage to pay for your home? Why (not)?

Question 3: Are you familiar with the ban on interest in Islam? If yes, do you think a normal mortgage with interest falls under this ban? Why do(n't) you think so?

Follow-up questions if no satisfying answer:

If yes: Why did you got a mortgage then?

If not familiar: explain the possible views on mortgages in Islam and ask question again.

Question 4: Would you switch to a halal mortgage if that was made possible in the Netherlands and why (not)?

Question 5: What do you think of the fact that there is no halal mortgage yet in the Netherlands? Do you lack something at the moment?

Question 6: Do you think the housing market is inclusive enough at the moment? Extra explanation: does the housing market offer enough opportunities for you without having to compensate in your beliefs? Can you explain why?

Question 7: Do you think your needs are met for building a (sustainable) life in the Netherlands? If necessary, further explanation: Are you able to build a long life (possibly for generations long) in the Netherlands? Why (not)?

Question 8: How important is owning a home for you? Further explanation: actually owning, so no rental home. And why is it (not) that important for you?

Question 9: Which considerations did you make when you looked for a house? / Which considerations are you making while looking for a house? (location/price/size etc.)

Question 10: If a halal mortgage becomes possible in the Netherlands, but it will be 200 euros a month more expensive than your current mortgage (so housing cost), will you switch to a halal mortgage? Why (not)?

Follow-up question: At which extra cost a month (than your current mortgage payments) do you think it is too expensive to switch to a halal mortgage?

Last question: Do you have any questions or further remarks?

Appendix E – Glossary

Al-istina: an exception to the existence requirement of a thing in a contract. This involves a good that has yet to be manufactured.

As-salâm: an exception to the existence requirement of a thing in a contract. This involves the delivery of a registered property in advance.

Bible: The Holy Book of Christians.

Eid al-fitr: the end of Ramadan celebration.

EURIBOR: Euro Interbank Offered Rate. The interest rate which European Banks offer money to each other.

Fatwa: an advise or opinion of islamic law experts (imams).

Gharar: the avoidable uncertainty.

Halal mortgage: a mortgage that takes the Islamic rules into consideration.

Halal: something that is Islamically permissible.

Haram: something that is Islamically forbidden.

Iftar: the meal at sunset that breaks the fast.

Ijarah wa-iqtina: a structure of halal mortgage that resembles leasing.

Ijma: the consensus between different scholars on a particular doctrine.

Ijtihad: personal reasoning based on knowledge of Islam and common sense.

Maysir and *qimar*: speculate or gamble.

Murabaha: a structure of halal mortgage based on a cost-plus-profit arrangement

Musharaka mutanaqissa: a structure of halal mortgage using co-ownership.

Qiyâs: the method of analogy.

Quran: The Holy Book of the Muslims.

Ramadan: *Ramadan* is the 9th month of the Islamic Calendar. In this month Muslims reflect on their life and beliefs, fast during sunrise and sunset, and try to do and give as much charity as possible.

Riba: interest or every way of increasing the money lent, without giving anything in return.

Sharia: the Islamic doctrine of duties. Islamic precepts are based on this.

Soera or *Surah*: a chapter in the Quran.

Sunnah of *Soenna*: the sayings, behaviours and normative practices of Prophet Muhammad (peace be upon him).

Tenach: the Holy Book of the Jews.

Wet belastingen op rechtsverkeer: Dutch law for transfer taxation.

Wet Inkomstenbelasting 2001: Dutch law for income taxation

Usury: the interest rate that is unreasonably high and demanded from someone in a financial emergency.