Islamic Finance and Economic Universalism:

An Analytical Response to a Communitarian Reading**

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Paris, January 2026

Abstract

Islamic finance is often subject to critical interpretations that tend to associate it with a communitarian or confessional logic, particularly in African contexts marked by religious and institutional pluralism. This article offers an analytical response to such interpretations by demonstrating that Islamic finance should primarily be understood as a universalizable ethical and economic normative framework. Based on a selective review of the literature and a comparative analysis of financial mechanisms, the paper shows that the principles of Islamic finance address structural challenges common to African economies, including financial inclusion, productive financing, governance, and stability. The article argues that reducing Islamic finance to an identity-based expression prevents a proper assessment of its actual economic relevance.

Keywords: Islamic finance, financial ethics, financial inclusion, Africa, economic governance.

1. Introduction

Since the early 2000s, Islamic finance has experienced significant growth across several African economies, both through banking institutions and capital market instruments. This expansion, however, has been accompanied by intellectual controversies, with some analyses reducing Islamic finance to a communitarian phenomenon allegedly incompatible with the requirements of economic and institutional neutrality.

The article to which this contribution responds falls within this critical tradition, associating Islamic finance with religious referentials and potential risks of social fragmentation. Such an interpretation, however, is based on a conceptual confusion between ethical norms, social practices, and economic mechanisms. As emphasized by Iqbal and Mirakhor (2011), any financial system must be assessed primarily through its modes of financing, risk-sharing mechanisms, and value creation processes, regardless of its original cultural anchoring.

The objective of this article is therefore to re-examine Islamic finance through the lenses of political economy and comparative finance, with particular emphasis on its relevance to contemporary African economies.

2. Islamic Finance and Communitarianism: An Analytical Clarification

Equating Islamic finance with a communitarian project implies that access to financial instruments would be conditioned upon religious affiliation. Empirical literature, however, contradicts this assumption. Islamic financial instruments—such as Sukuk, Ijara, Musharakah, and Mudarabah—are widely used by non-Muslim public and private actors, both in Africa and beyond (El-Gamal, 2006).

This confusion reflects a well-documented conceptual issue in social sciences: the conflation of legal norms with social identity (Griffiths, 1986). Islamic finance operates within a normative contractual framework, comparable to other forms of ethical or cooperative finance.

As shown by Sanda Awal (2025), the core principles of Islamic finance—asset-backing, risk-sharing, and the prohibition of excessive speculation—are designed to achieve economic efficiency and distributive justice, independently of any confessional considerations.

3. Financial Ethics and Economic Rationality

One recurring argument in communitarian critiques is the alleged opposition between ethics and economic rationality. This dichotomy has increasingly been challenged in contemporary economic literature, particularly in the aftermath of the 2008 global financial crisis.

Chapra (2008) argues that incorporating ethical constraints into financial systems aims precisely at correcting market failures arising from information asymmetries, moral hazard, and excessive speculation. Islamic finance aligns with this corrective logic by promoting contractual mechanisms based on shared responsibility.

Comparative analyses presented by Sanda Awal (2025) indicate that, in the financing of SMEs and infrastructure projects, Islamic financial mechanisms may offer improved risk distribution and enhanced financial resilience, especially in African contexts characterized by shallow banking systems.

4. Islamic Finance and Africa's Development Challenges

In African economies, major challenges remain financial inclusion, productive investment financing, and institutional trust. From this perspective, Islamic finance can be viewed as a complement to existing financial frameworks rather than as an exclusive alternative.

Institutional data (World Bank, UNDP) indicate that African economies suffer less from liquidity shortages than from deficiencies in mechanisms that transform savings into productive investment. Islamic instruments, grounded in profit-and-loss sharing, can help bridge this gap (Iqbal & Mirakhor, 2011).

The limitations of Islamic finance are real—particularly regarding standardization and governance (AAOIFI, 2022)—but these challenges are institutional and regulatory in nature, not ideological.

5. Discussion: Moving Beyond Identity-Based Suspicion

Communitarian readings of Islamic finance reflect political suspicion more than economic analysis. In Africa, where economic systems are already hybrid, informal, and pluralistic, rejecting a financial tool solely because of its normative origin amounts to foregoing potential solutions.

As emphasized by Sanda Awal (2025), the central issue is not the religious origin of the principles, but their ability to address real economic needs within a secure institutional framework.

6. Conclusion

Islamic finance cannot be reduced to a communitarian expression without disregarding its economic and analytical substance. It represents a universalizable ethical financial framework whose principles resonate with widely shared concerns in contemporary debates on financial governance.

For African economies, the challenge is not to replace one model with another, but to expand the financing toolkit for development. A rigorous analysis, free from identity-based prejudice, allows Islamic finance to be understood for what it fundamentally is: an economic instrument subject, like any other, to empirical validation.

7. References

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