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Overcoming the Invisible Ceiling for the Empowerment of Refugees and Immigrants Through Islamic Finance

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The 21st century has been marked by continuous political, economic and financial crises on a global, regional and national scale, leading to an unprecedented movement of people in the form of refugees and immigrants. The global refugee crisis has reached unprecedented levels, with millions of people displaced due to conflicts, persecution and natural disasters. Access to adequate finance is critical for refugees, as it significantly impacts their ability to improve their living conditions, access essential services such as education and health care, and create economic opportunities for themselves and their communities. However, refugees often face substantial barriers to accessing financial services, including a lack of appropriate financial products, restrictive regulations and limited awareness among financial institutions about their specific needs. Considering the *Shari'ah* compliant requirement of financial transactions, Muslim refugees are particularly face enormous challenges in this regard.

The observed unprecedented human movement has created substantial challenges in generating the necessary funding to help refugees and immigrants establish dignified lives in their new communities. Despite substantial resources directed towards military expenditure and war economies, human security—basic necessities such as food, shelter, education, health, employment and integration—remains critically underfunded. This lack of significantly insufficient support has left many refugee and immigrant communities in precarious living conditions, which unambiguously contrasts with the United Nations' Sustainable Development Goals (SDGs) that aim to eradicate global poverty by 2030. Empowering refugees and immigrants and enabling them to build sustainable livelihoods remains a

significant global policy and financial challenge, necessitating exploring alternative economic and financial sources.

A large proportion of refugees and immigrants originate from Muslim-majority countries, presenting a unique opportunity to leverage Islamic finance as a tool for financial inclusion and empowerment. Islamic finance, with its emphasis on social equity, ethical investment and community welfare, offers a range of financial instruments that could be particularly effective in addressing the needs of refugee and immigrant communities. Traditional Islamic social welfare institutions, such as *zakat* (obligatory almsgiving), *waqf* (endowment) and *sadaqah* (voluntary charity), provide significant potential to mobilise resources in support of these segments of populations. In addition to such obligatory and voluntary resources, by providing *Shari'ah*-compliant or Islamically authenticated financial services, Islamic finance can enhance financial inclusion for refugees and immigrants, motivating and financing their entrepreneurial skills and supporting the development of businesses.

The application of Islamic finance in supporting refugees and immigrants has its challenges. In many Western countries, where large numbers of Muslim refugees and immigrants are resettling, *Shari'ah*-compliant or Islamic financial instruments are not available or if they are available, are limited. This gap in the financial markets leads to financial exclusion for Muslim refugees and immigrants, as they may refrain from using conventional financial products due to religious prohibitions against interest (*riba*). Research has shown that Muslim immigrant entrepreneurs often resort to informal financing methods because

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they cannot access *Shari'ah*-compliant tools and instruments through formal channels. This reliance on informal finance restricts their accessibility to resources and growth potential and delays economic integration into host societies. Moreover, structural barriers in labour market participation, coupled with limited access to appropriate financial products, mean that Muslim entrepreneurs are often unable to realise their potential fully in their new surroundings.

In an increasingly globalised world, the convergence of entrepreneurship and Islamic finance offers a compelling framework for addressing the diverse needs of underrepresented and underserved communities. The principles of Islamic finance, rooted in equity, risk-sharing and ethical investments, provide a unique alternative to the conventional financial system that often overlooks or excludes those who do not align with its operational models.

To explore such emerging and vital issues in the face of increased human movements and unfortunate tragedies, in March 2023, we organised an international conference at Al Maktoum College of Higher Education, Dundee, Scotland, in partnership with the 'New Scots Integration Delivery Research Project' at the Al-Maktoum College of Higher Education funded by Scottish Government and the EU Asylum, Migration and Integration Fund (the European Union); 'Invisible Ceiling Project' at the CMI Bergen, Norway, funded by the Norwegian Research Council; Durham Centre for Islamic Economics and Finance at Durham University Business School; and Dundee University School of Business.

With the selection of the papers presented at the conference, this special issue of *Global Policy* addresses the challenges mentioned above by examining the financial environment for refugees and immigrant communities, focusing on the role of Islamic finance. The issue brings together a collection of scholarly works that explore various dimensions of Islamic finance in action, highlighting its potential to promote financial inclusion and empowerment among refugees and immigrant communities. The research presented in the papers particularly explores the synergies between Islamic finance and entrepreneurship by focusing on marginalised groups, such as Muslim refugees and immigrant entrepreneurs.

This special issue brings together diverse perspectives on the role of Islamic finance in promoting financial inclusion and empowerment. The papers offer valuable insights into the challenges and opportunities for supporting refugees and immigrants in establishing dignified lives in their new communities. The papers underscore the importance of developing innovative Islamic financial solutions that are responsive to the needs and values of refugee and immigrant communities, promoting their economic integration and contributing to global efforts to eradicate poverty and promote sustainable development. In sum, the papers in this special issue aim to deepen our understanding of how Islamic finance can foster inclusive economic growth and social development by addressing financial exclusion and promoting sustainable entrepreneurship.

Considering human and sustainable development challenges, Islamic finance has to go back to its fundamentals by bringing substantive morality into its decision-making process through

internalising the interests of all the stakeholders, including refugees and immigrants. The moral turn of Islamic finance in its new trajectory has to essentialise rescuing 'humans, environment and land' by providing an emancipatory and empowerment opportunity space within Islamic institutional logic. We hope that the research presented in this special issue can bring substantive Islamic morality back into Islamic finance institutions and their operations and contribute to the broader debate on the emancipation and empowerment of refugees and immigrants.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Data sharing not applicable to this article as no datasets were generated or analysed during the current study.