

## Islamic Finance and Trade Promotion in the African Continental Free Trade Area: An Exploratory Study

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**Abstract :** Despite the significance of finance as a major trade lubricant, evidence in the literature alludes to its scarcity and increasing cost, especially in developing countries where small and medium-scale enterprises are worst affected. The creation of the African Continental Free Trade Area (AfCFTA) in 2018, an organ of the African Union (AU), was meant to serve as a beacon for deepening economic integration through the removal of trade barriers inhibiting intra-African trade and movement of persons, among others. Hence, this research explores the role Islamic trade finance (ITF) could play in spurring intra- and inter-African trade. The study involves six countries; Egypt, Kenya, Malaysia, Morocco, Nigeria, and Saudi Arabia, and employs survey research, a total of 430 sample data, and SmartPLS Structural Equation Modelling (SEM) techniques in its analyses. We find strong evidence that Shari'ah, legal and regulatory compliance issues of the ITF institutions rhythm with the internal, national, and international compliance requirements equally as the unique instruments applied in ITF. In addition, ITF was found to be largely driven by global economic and political stability, socially responsible finance, ethical and moral considerations, risk-sharing, and resilience of the global Islamic finance industry. Further, SMEs, Governments, and Importers are the major beneficiary sectors. By and large, AfCFTA's protocols align with the principles of ITF and are therefore suited for the proliferation of Islamic finance in the continent. And, while AML/KYC and BASEL requirements, compliance to AAOIFI and IFSB standards, paucity of Shari'ah experts, threats to global security, and increasing global economic uncertainty pose as major impediments, the future of ITF would be shaped by a greater need for institutional and policy support, global economic cum political stability, robust regulatory framework, and digital technology/fintech. The study calls for the licensing of more ITF institutions in the continent, participation of multilateral institutions in ITF, and harmonization of Shariah standards.

**Keywords :** AfCFTA, Islamic trade finance, murabaha, letter of credit, forwarding

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