

Market Acceptance of a Murabaha-Based Finance Structure within a Social Network of Non-Islamic Small and Medium Enterprise Owners in African Procurement

Authors : Craig M. Allen

Abstract : Twenty two African entrepreneurs with Small and Medium Enterprises (SMEs) in a single social network centered around a non-Muslim population in a smaller African country, selected an Islamic financing structure, a form of Murabaha, based solely on market rationale. These entrepreneurs had all won procurement contracts from major purchasers of goods within their country and faced difficulty arranging traditional bank financing to support their supply-chain needs. The Murabaha-based structure satisfied their market-driven demand and provided an attractive alternative to the traditional bank-offered lending products. The Murabaha-styled trade-financing structure was not promoted with any religious implications, but solely as a market solution to the existing problems associated with bank-related financing. This indicates the strong market forces that draw SMEs to financing structures that are traditionally considered within the framework of Islamic finance.

Keywords : Africa, entrepreneurs, Islamic finance, market acceptance, Murabaha, SMEs

Conference Title : ICIBFI 2018 : International Conference on Islamic Banking, Finance and Investment

Conference Location : Kuala Lumpur, Malaysia

Conference Dates : February 12-13, 2018