

The Role of Islamic Finance in Fostering Circular Business Investments: the Case of OIC Countries

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Abstract

The linear economic approach described as the “take, make, dispose of” model where the bulk of the material used to make products is ultimately thrown away is recognized as a contributor to the natural resource constraints faced by humanity. Responding to this problem requires an economic paradigm of “reduce, reuse and recycle” conceptualised as Circular Economy(CE). The paper explores ways Islamic finance can support circular businesses within OIC countries to achieve economic growth that is not at the expense of the environment. The study concludes that Islamic finance can use compassionate contracts, equity-like, and risk-sharing financing modes to support circular businesses motivated by the holistic objective of Maqasid.

Keywords: circular economy and Islamic finance, sustainability, Islamic finance and SDGs, blended finance, green Sukuk, Islamic banks and impact