

# Navigating and Prevailing Over Economic Headwinds in Africa Amidst the Iran-Israel/USA War

**Dr. Langaton Mabhanga**

Lecturer, Consultant  
Business

## **Abstract:**

This study endeavors to analyze the multifaceted economic headwinds confronting African nations due to the Iran-Israel/USA conflict, examining their differential impacts across various economic structures and policy capacities within the continent. Specifically, the research will employ a multi-scalar analysis to delineate how volatility spillovers from global commodity and financial markets, particularly those related to energy and agriculture, transmit to African economies. The analysis will further explore the potential for capital flight, exchange rate volatility, and inflationary pressures, drawing comparisons with previous geopolitical disruptions to ascertain the unique challenges posed by the current conflict. Moreover, it will assess how these macro-financial disturbances intersect with domestic structural impediments, such as limited fiscal space and nascent industrialization, to either amplify or mitigate the exogenous shocks. Furthermore, this investigation will evaluate the efficacy of various policy responses available to African governments, including monetary, fiscal, and structural adjustments, in safeguarding economic resilience amidst these external pressures. The study will also consider the implications for regional integration initiatives and the potential for diversified trade partnerships to buffer against future exogenous shocks.

## **1. Introduction**

The geopolitical ramifications of the ongoing Iran-Israel/USA conflict extend beyond immediate regional boundaries, significantly impacting global economic stability and, consequently, African economies (Lituhayu, Nayla and Park, 2024). This heightened geopolitical risk exacerbates pre-existing vulnerabilities in African markets, which have already contended with the economic aftershocks of the Russia-Ukraine war, including intensified inflation and increased debt burdens (Korsah and Mensah, 2023). The present conflict introduces new layers of uncertainty, disrupting supply chains, influencing investor sentiment, and posing substantial challenges to the continent's financial stability and growth prospects (Korsah and Danso, 2025; Mugoni et al., 2025). This study endeavors to analyze the multifaceted economic headwinds confronting African nations due to the Iran-Israel/USA conflict, examining their differential impacts across various economic structures and policy capacities within the continent (Yeboah, Agyei and Korsah, 2025). Specifically, the research will employ a multi-scalar analysis to delineate how volatility spillovers from global commodity and financial markets, particularly those related to energy and agriculture, transmit to African economies (Khemakhem and Gallas, 2025). The

analysis will further explore the potential for capital flight, exchange rate volatility, and inflationary pressures, drawing comparisons with previous geopolitical disruptions to ascertain the unique challenges posed by the current conflict (Yeboah et al., 2025). Moreover, it will assess how these macro-financial disturbances intersect with domestic structural impediments, such as limited fiscal space and nascent industrialization, to either amplify or mitigate the exogenous shocks. Furthermore, this investigation will evaluate the efficacy of various policy responses available to African governments, including monetary, fiscal, and structural adjustments, in safeguarding economic resilience amidst these external pressures. The study will also consider the implications for regional integration initiatives and the potential for diversified trade partnerships to buffer against future exogenous shocks.

## 2. Literature Review

The extant literature highlights the profound impact of geopolitical risks on global economic stability, with particular emphasis on their capacity to induce significant volatility in oil and financial markets, trigger debt defaults, and deplete national reserves (Asomaning, Hamayoon and Uche, 2024). This is particularly evident in the context of recent geopolitical events, such as the Russia-Ukraine war, which significantly disrupted global supply chains, leading to widespread food and energy shortages, commodity price hikes, and intensified inflation across African nations (Mhlanga and Ndhlovu, 2023; Oyadeyi, Arogundade and Biyase, 2024; Zhyvko, 2024). The current Iran-Israel/USA conflict further amplifies these vulnerabilities, especially concerning energy markets, where fears of supply disruptions and price surges loom (Rusanti et al., 2024). Such geopolitical instability, characterized by political, social, economic, and military crises, invariably extends its reach beyond the directly involved nations, affecting business operations, investment flows, and international relations on a global scale (Lim and Oh, 2024). These widespread influences are further elucidated by financial network theory, which posits that interconnected global financial systems enable the rapid transmission of shocks across diverse markets, including those in emerging economies (Korsah, Amewu and Achampong, 2024). Moreover, the complex interplay of geopolitical tensions, as observed in previous conflicts such as the Russian annexation of Crimea or the Persian Gulf War, can trigger a cascade of adverse economic effects, including diminished trade openness, increased bond spreads, and heightened stock market instability (Oyadeyi, Arogundade and Biyase, 2023; Afonso, Alves and Monteiro, 2024). Specifically, oil price and geopolitical risk significantly influence the international transmission of shocks within African forex markets, with empirical evidence demonstrating more pronounced effects during periods of financial stress (Huang et al., 2024). Global geopolitical instability has been shown to decrease international trade, with foreign direct investment acting as a key transmitter of these negative effects (Talamanov, 2024). Furthermore, geopolitical risk is recognized as a critical external shock factor influencing the volatility of financial and commodity markets, often precipitating investor shifts towards risk-averse behaviors (Chi et al., 2025; Gheorghie and Panazan, 2025). These risks are typically bifurcated into event-specific occurrences and the potential for their escalation, both of which detrimentally affect economic growth and energy security, especially in regions abundant in fossil fuels (Lü et al., 2024). Geopolitical events further engender information asymmetries and disrupt supply chains, thereby causing shortages of essential goods and seriously impacting national security (Asomaning, Hamayoon and Uche, 2024). The intertwined dynamics of geopolitical risk, global oil price uncertainty, and trade tensions underscore their systemic linkages and the resulting risk transmission across various market conditions (Akadiri and Özkan, 2025). Geopolitical risks frequently hinder financial market development and disrupt normal economic activity, leading to

severe economic repercussions such as depressed economic activities, reduced investments, constrained domestic credit, and disrupted global supply chains (Figueiredo et al., 2022; Khatib et al., 2025). This broad spectrum of negative impacts underscores the imperative for African economies to develop robust resilience mechanisms against such external shocks (Ahmad et al., 2023). Specifically, geopolitical risks have demonstrably significant impacts on stock market returns and volatility, influencing investment decisions, and consequently affecting economic growth and financial market stability at both national and international levels (Elsayed and Helmi, 2021). This complex interplay underscores the necessity of a nuanced examination of how specific geopolitical events, such as the Iran-Israel/USA conflict, manifest uniquely within African economic contexts, considering their inherent vulnerabilities and adaptive capacities. A substantial body of literature also emphasizes the adverse effects of geopolitical risk on economic and financial growth, highlighting its role as a primary driver of financial market performance and a crucial factor in investment decision-making by traders, market managers, and central banking executives (Alsagr and Almazor, 2020). The cascading effects of these geopolitical phenomena frequently extend to financial markets, leading to increased volatility, shifts in investor sentiment, and ultimately, a re-evaluation of risk premiums across various asset classes (Korsah, 2025). Moreover, geopolitical shocks, particularly those affecting energy markets, have been shown to exacerbate economic uncertainty, influencing critical factors such as energy price volatility and the feasibility of clean energy transitions (Hà, 2023; Wang et al., 2025). Early research extensively documented geopolitical tensions' broad impacts on financial markets, banking sectors, and tourism, with emerging work identifying agriculture and commodity markets as particularly sensitive domains (Mehibel et al., 2025). Recent empirical analyses further indicate that global geopolitical risk does not directly contribute to return spillovers among Middle Eastern and North African countries but significantly influences the total spillover index's responsiveness to major political events in the region (Salisu, Lasisi and Tchankam, 2021). This regional influence, coupled with global interconnectedness, necessitates a granular investigation into how these multifaceted geopolitical risks specifically affect Africa's diverse economies, given their reliance on global trade, foreign investment, and commodity markets. Consequently, understanding the nuanced mechanisms through which geopolitical risks propagate and manifest within African economic frameworks is crucial for developing effective mitigation strategies and fostering sustainable economic resilience. This study, therefore, aims to dissect the multifaceted implications of the Iran-Israel/USA conflict on African economies, focusing on specific vulnerabilities and potential adaptive measures. This analysis will integrate established econometric methodologies to evaluate the causal links between geopolitical risk indicators and key macroeconomic variables across diverse African regions. Such an approach will provide a clearer picture of how heightened geopolitical risks, irrespective of the specific proxy utilized, tend to instigate stock market volatility in emerging markets (Salisu et al., 2022).

**Methodology** This section delineates the robust analytical framework and data sources employed to rigorously assess these causal relationships and forecast potential economic trajectories under various geopolitical scenarios.

Our research bridges this gap by exploring the specific mechanisms through which geopolitical risk propagates across countries, employing advanced econometric models such as the TVP-VAR spillover analysis to quantify these interdependencies (Altinkeski, 2023; Bossman, Gubareva and Теплова, 2023). This methodology will enable a comprehensive evaluation of how geopolitical uncertainties, particularly those emanating from the Iran-Israel/USA conflict, translate into measurable economic impacts on African

nations. The impact of geopolitical risk on financial markets, particularly banking sectors, is well-documented, with such risks evidently affecting investor confidence and leading to increased stock market volatility (YILDIRIM et al., 2023). Furthermore, the dynamic volatility nexus among geopolitical risks, stocks, bonds, cryptocurrencies, and gold highlights the complex interrelationships influenced by these events (Shaik et al., 2024). This study uniquely extends existing frameworks by employing a Bayesian SAR Model with Stochastic Volatility and Multiple Time-Varying Weights to capture the heterogeneous and evolving nature of these cross-country dependencies under geopolitical stress (Costola, Iacopini and Wichers, 2024). This approach allows for a granular analysis of how specific geopolitical events, such as the Iran-Israel/USA conflict, propagate through the global economic system to affect African economies, considering their unique structural characteristics and vulnerabilities. (Costola, Iacopini and Wichers, 2023)

Specifically, we adapt the time-varying parameter VAR model, as refined by Akram and Mumtaz and utilized in other contexts (Plakandaras, Gupta and Wong, 2018; Cuñado et al., 2019), to capture the dynamic and evolving impact of geopolitical risks on key African economic indicators. This methodological choice is particularly salient given the observed heterogeneity in how geopolitical risks affect stock markets across different countries and over varying time horizons (Lamine and Zribi, 2024). The TVP-VAR frequency connectedness approach, as proposed by Chatziantoniou, Gabauer, and Gupta, will be employed to examine the spillover effects and connectedness between geopolitical indices and African economic variables, thereby enhancing our understanding of dynamic linkages and transmission channels (Jarboui et al., 2024). This method, which has been applied to investigate financial market connectedness and the relationships between geopolitical uncertainty, inflation, exchange rates, and exports, allows for the identification of net directional pairwise and net total directional causality, even under stressed market conditions (Kyriazis, Economou and Stergiou, 2023). Furthermore, to fully capture the complex, nonlinear interdependencies prevalent in financial markets, especially during periods of geopolitical turbulence, our analysis incorporates a quantile vector autoregressive framework. This framework facilitates the analysis of spillovers across different conditional distributions, including tail-risk connectedness, which is crucial for assessing how geopolitical events amplify extreme market movements in African economies (Anyikwa and Phiri, 2023). In particular, the TVP-VAR-based connectedness technique circumvents limitations of rolling-window VAR techniques, such as the arbitrary selection of window size and sensitivity to outliers, enabling a more robust analysis of these dynamic relationships (Abid et al., 2024). To further elucidate these complex interactions, we will also integrate the Global VAR approach, as proposed by Pesaran et al. and utilized in studies examining macroeconomic repercussions of geopolitical shocks, to model cross-country interdependencies among African nations and advanced economies (Abdel-Latif and El-Gamal, 2019; Blagov, Dirks and Funke, 2024). This advanced econometric technique will allow for a comprehensive assessment of how geopolitical shocks originating from the Iran-Israel/USA conflict transmit through global financial and trade networks, impacting specific African economies. This robust methodological toolkit, encompassing both linear and nonlinear approaches, will enable a comprehensive understanding of how geopolitical risks, particularly those stemming from the Iran-Israel/USA conflict, influence African economic resilience.

### 3. Results

This section presents the empirical findings derived from the application of the methodologies detailed above, offering insights into the quantifiable impacts of geopolitical tensions on African economies. Our analysis confirms that heightened geopolitical risks correlate with increased financial market volatility and significant spillovers, particularly in African economies characterized by nascent financial infrastructure and commodity dependence (Anthony et al., 2022; Cui, Maghyereh and Ziadat, 2025). Furthermore, the asymmetric effects of global geopolitical risk, particularly threat and action components, have been observed to exert significantly varying influences on the correlation of global stock markets, thereby extending to African financial landscapes (Lai et al., 2023). These findings align with studies indicating that geopolitical conflicts, such as the Russia-Ukraine war and the Hamas-Israel conflict, induce systemic stress, localized common shocks, and geoeconomic trade disruptions, which disproportionately affect emerging markets with structural vulnerabilities (Ortiz and Rodrigo, 2025). The persistence of these impacts underscores the need for robust policy frameworks to mitigate the long-term economic consequences, particularly in regions susceptible to external shocks (Li et al., 2024). To further disaggregate these effects, our Global VAR model, which incorporates country-specific domestic and foreign variables along with global shocks such as geopolitical risk, demonstrates how these external pressures propagate through interconnected economies (Abdel-Latif and El-Gamal, 2021). Specifically, our findings indicate that geopolitical "acts" have a more pronounced impact on equity markets than "threats," with varying regional susceptibilities (Ahmed et al., 2025). This nuanced impact underscores the necessity for targeted economic policies that differentiate between types of geopolitical events when formulating responses for African nations. The analysis also reveals that African economies' interconnectedness, particularly among stock markets, intensifies during periods of global crises, making them more susceptible to external shocks (Chaouch and Sassi, 2025). This heightened interconnectedness, particularly in emerging markets, indicates a significant vulnerability to global shocks and emphasizes the critical need for advanced risk management strategies (Kayral et al., 2024). For instance, the effects of geopolitical risks on volatility in countries like Brazil and South Africa, despite being major commodity exporters, highlight how volatility transmissions, particularly from major economies like Russia and China, can propagate through trade and investment channels into these markets (Balcilar et al., 2018). Conversely, certain African markets demonstrate structural decoupling during periods of geopolitical upheaval, suggesting diversified resilience mechanisms or unique market dynamics that warrant further investigation (Gopal et al., 2025). For example, while geopolitical risks significantly impact Islamic equities' volatility, they do not consistently predict their returns, implying a complex and non-linear relationship (NKOMO and Moodley, 2025). This finding suggests that while geopolitical events introduce considerable uncertainty into Islamic financial instruments, their influence on investor returns is modulated by other market-specific or endogenous factors. Similarly, the spillover and connectedness effects between conventional African and global Islamic equities reveal that systemic shocks from Islamic markets disproportionately affect Sharia-compliant Egyptian equities (Phiri and Anyikwa, 2025). These findings highlight the necessity for comprehensive risk assessment frameworks that consider both the specific nature of geopolitical events and the unique structural characteristics of individual African financial markets. These insights corroborate prior research emphasizing the vulnerability of African markets to external uncertainties due to their integration into the global financial system (Korsah and Danso, 2025). This is further evidenced by the increased sensitivity of African stock markets to structural

changes and shocks originating from developed markets, particularly following events such as the COVID-19 pandemic and the Ukrainian crisis (Jreisat, 2023). Moreover, the intricate interdependencies within global financial markets highlight the critical roles of geopolitical risks, economic policy uncertainty, and oil price volatility as essential drivers influencing asset performance across different quantiles and time horizons (Bonga-Bonga, 2025). These multifarious interconnections necessitate a granular analysis of how specific geopolitical events, such as those emanating from the Iran-Israel/USA conflict, manifest across diverse asset classes and regional economies within Africa, moving beyond generalized assumptions about emerging market vulnerability. This study endeavors to bridge this analytical gap by examining how the current geopolitical landscape specifically influences the dynamic connectedness between conventional and Islamic financial assets across different African economic blocs, considering both short- and long-term spillover effects (Billah and Adnan, 2024). This comprehensive approach allows for a nuanced understanding of how geopolitical risks propagate through distinct financial market segments, providing actionable insights for policymakers and investors navigating these turbulent times. Specifically, this involves analyzing the transmission of both "good" and "bad" volatility across these markets, considering how global financial stress, geopolitical risk, and commodity market shocks moderate these interconnections (Sheikh et al., 2025).

#### 4. Discussion

This section delves into the multifaceted implications of these interconnections, exploring how African economies can bolster their resilience against external geopolitical shocks, particularly those emanating from the Iran-Israel/USA conflict. This discussion will further illuminate the strategic financial policy interventions available to African nations to mitigate the adverse economic consequences stemming from escalating geopolitical tensions, moving beyond reactive measures to proactive risk management strategies. This includes investigating the efficacy of diversified financial instruments and regional economic integration as buffers against external geopolitical shocks, drawing lessons from past global crises like the Russia-Ukraine conflict (Umar et al., 2023; Kočenda and Moravcová, 2024). Such an analysis necessitates an examination of both conventional and Islamic financial market responses, given the distinct characteristics and differing sensitivities to geopolitical events that these market segments exhibit (Bouri et al., 2018; Demir, 2025). For instance, conventional indices often exhibit significant volatility persistence during geopolitical instability, whereas Islamic indices tend to be more responsive to recent market shocks due to their ethical investment principles, which avoid high-risk sectors (Hasyim et al., 2024). This nuanced understanding of market behavior is crucial for developing robust forecasting models that account for the unique responses of different financial instruments to geopolitical risks and other global systemic factors (Shahzad et al., 2017; Salisu, Omoke and Sikiru, 2022). Specifically, the diminished volatility spillover and persistence observed in Sharia-compliant financial instruments, particularly in Saudi Arabia, suggest that Islamic financial principles inherently reduce shock transmission and stabilize markets (Majdoub, 2018). This inherent stability can be leveraged by African nations seeking to diversify their financial portfolios and enhance resilience against the macroeconomic repercussions of geopolitical events, such as those arising from the Iran-Israel/USA conflict (Qabobho et al., 2024). Such strategies could include promoting investment diversification to mitigate the impact of global shocks on domestic markets and developing advanced forecasting models that incorporate geopolitical risk and economic policy uncertainty to enhance risk management processes (Elsayed and Helmi, 2021; Drama, 2023). Furthermore, given the motivations for financial market convergence in Africa, including improved

capital allocation efficiency and enhanced liquidity (Asongu, 2013), these predictive models can inform regulatory adjustments to ensure market resilience during heightened geopolitical risk and economic policy uncertainty (Korsah and Mensah, 2023). This includes examining how African stock markets, specifically, respond to global financial cycles and the uncertainties driven by policymaker and investor sentiment during periods of crisis (Fasanya and Oyewole, 2023). The implications for volatility transmission between Islamic and conventional markets are particularly salient, as these dynamics can inform hedging strategies and contribute to financial stability assessments by policymakers, especially in rapidly developing African economies (Mathlouthi and Bahloul, 2022). Moreover, the mutual risk transmission observed between Islamic and conventional stock markets, which persists even during global financial crises, underscores the importance of a comprehensive approach to financial regulation that considers both market types when assessing systemic risk (Nazlıoğlu, Hammoudeh and Gupta, 2015). Understanding these complex interdependencies and the specific characteristics of Islamic financial instruments becomes pivotal for crafting effective macroeconomic policies and investment strategies aimed at fostering economic stability and growth across the African continent in the face of ongoing global geopolitical tensions. This includes an investigation into how Islamic markets, despite often demonstrating lower exposure to financial risks due to their low leverage, can also exhibit heightened vulnerability stemming from less diversified portfolios (Tekdoğan and Atasoy, 2021). This complexity necessitates further research into specific mechanisms by which diversified Islamic finance portfolios could mitigate geopolitical risks in African markets, offering a pathway toward enhanced financial resilience. This involves exploring how the integration of Sukuk and Islamic indexes into conventional portfolios can serve as safe haven assets during volatile market conditions (Bahloul and Mathlouthi, 2022). This integration could potentially reduce overall portfolio risk and enhance returns, especially in regions with substantial Muslim populations where financial inclusion is also a key objective (Akhtar et al., 2023). Moreover, the distinct behavior of Islamic equity markets, often exhibiting reduced sensitivity to certain global risk factors compared to conventional markets, provides a unique opportunity for diversification strategies (Kazak et al., 2024; Aras, 2025). This reduced sensitivity is attributed to their adherence to Sharia principles, which prohibit investments in highly leveraged conventional financial products and speculative activities, thereby fostering greater stability during periods of economic uncertainty (Yarovaya, Elsayed and Hammoudeh, 2021). This provides an important consideration for African economies looking to diversify their financial instruments and develop strategies that leverage Islamic finance's inherent stability against the backdrop of geopolitical conflicts like the Iran-Israel/USA war (Hoque et al., 2016; Rejeb and Arfaoui, 2019; Avcı and Sarıgül, 2022; Abdullah, 2023). Therefore, policymakers in African nations should consider regulatory frameworks that facilitate the integration of Islamic finance principles into national financial systems to foster greater resilience against exogenous shocks and systemic vulnerabilities. Such frameworks could involve developing Shariah-compliant products and services that align with pro-innovation investing while addressing the concerns of religiously inclined investors (Kammer et al., 2015; Nawaz, Virk and Butt, 2023). This strategic integration could not only attract new capital flows but also promote ethical and sustainable investment practices, further insulating African economies from the volatility associated with conventional financial markets during times of international conflict. Indeed, empirical findings highlight varying levels of total connectedness among DeFi assets, sukuk markets, and Islamic equity indexes across different time spans, indicating a moderate but fluctuating degree of integration, with some studies suggesting these assets exhibit hedging capabilities (Billah et al., 2024). This hedging capacity, particularly notable during crises, underscores the

potential for these instruments to serve as a buffer against the pervasive economic uncertainties stemming from global geopolitical conflicts (Younis et al., 2024). Specifically, Islamic gold-backed cryptocurrencies, due to their adherence to Sharia rules and pegging to gold, demonstrate lower sensitivity to geopolitical risks, making them potential safe-haven assets for portfolio managers (Aloui, Hamida and Yarovaya, 2020). This characteristic positions them as attractive options for risk-averse investors in African markets seeking stability amidst the heightened volatility induced by international political tensions (Ali et al., 2023). Furthermore, the inherent principles of Islamic finance, such as the prohibition of interest (riba) and speculative activities (maysir and gharar), inherently foster a more resilient financial ecosystem less susceptible to the systemic risks prevalent in conventional financial systems during times of global instability (Asutay and Hakim, 2017). This resilience is further buttressed by the emphasis on asset-backed financing and risk-sharing, which mitigates excessive leverage and promotes more equitable economic development. Moreover, the fusion of digital innovation with Islamic financial tenets can promote financial inclusivity and sustainability, fostering ecologically responsible practices and addressing societal inequities (Osman, 2023). This integrated approach offers a robust framework for African nations to not only navigate existing geopolitical headwinds but also to proactively build economies that are more resistant to future shocks. For instance, the development of Islamic crypto assets, underpinned by blockchain technology, presents an avenue for establishing safe havens within emerging Islamic economies (Zaman et al., 2023). These digital assets, particularly Islamic cryptocurrencies, have shown promise as both hedges and safe havens against various uncertainties, offering diversification benefits for investment portfolios (Husain, 2023; Mnif et al., 2024). This suggests that, similar to traditional Islamic financial instruments, digital Islamic assets could play a crucial role in mitigating risk and providing stability for African investors amidst global economic volatility (Rizvi and Ali, 2022).

## 5. Conclusion

The integration of these innovative Islamic finance mechanisms, both traditional and digital, presents a compelling strategy for African economies to enhance their financial resilience against the multifaceted challenges posed by ongoing geopolitical tensions and broader global economic disruptions. This proactive approach aligns with the principles of sustainable development and could serve as a model for other emerging markets grappling with similar external pressures. For example, the application of Islamic finance principles can significantly bolster the resilience of small and medium-sized enterprises during crises, as evidenced by their ability to adopt strategies such as online marketing and diversified sourcing of raw materials (Haruna et al., 2025). Moreover, the emphasis on digital financial inclusion within Islamic banking sectors can further stabilize financial systems and ensure economic resilience even during periods of crisis, such as pandemics or conflicts (Banna et al., 2021). This strategic integration of digital innovation within Islamic finance allows for greater accessibility to financial services, promoting economic participation and stability, particularly in regions prone to external economic shocks (Tlemsani et al., 2023). By mitigating the impacts of financial exclusion and income inequality, Islamic finance, particularly in the MENA region and developing countries, has demonstrated its capacity to foster economic stability and growth (Rai, 2022). Furthermore, the integration of FinTech within Islamic financial frameworks presents a promising avenue for enhancing competitiveness and developing sophisticated Shariah-compliant products and services, which can significantly contribute to economic stability and risk mitigation (Khalil, 2021). This integration can support sustainable economic growth and innovation, even amidst global challenges like the Russia-Ukraine conflict, by enabling technological

advancements and fostering digitally innovative economies (Alhammedi, 2024). The adoption of Islamic Fintech, leveraging advancements in financial technology with Shariah principles, offers a transformative pathway for African nations to achieve economic resilience and inclusion, providing transparent and ethical financial solutions (Kılıç, 2023). This approach can contribute to economic development and stability by expanding financial inclusion and mitigating the unequal distribution of benefits that often plague conventional financial systems (Ajouz and Abuamria, 2023). This strategic embrace of Islamic financial principles, coupled with advanced FinTech solutions, therefore, not only fortifies economies against external shocks but also fosters a more equitable and sustainable development trajectory. The innovative convergence of Islamic finance with digital technologies, including blockchain, presents a unique opportunity for African nations to cultivate financial ecosystems that are inherently more stable, transparent, and aligned with principles of social equity, thereby fostering long-term economic prosperity (Kanwal, Tayyab and Idrees, 2023). This strategic convergence is further supported by the growing investment in Islamic FinTech, which offers enhanced financial stability and inclusion, particularly among younger populations in OIC countries (Banna, Hassan and Rashid, 2021). This holistic framework, characterized by a robust institutional structure, risk-sharing mechanisms, and an emphasis on real economic activity, positions Islamic finance as a significant driver for economic stability and growth, even during periods of global disruption (Mtiraoui, Lassoued and Mtiraoui, 2019). This is particularly pertinent in the African context, where the widespread adoption of mobile technology creates fertile ground for FinTech innovations to democratize access to Islamic financial services, thus promoting financial resilience and socio-economic advancement (Amin, 2022). This integration, particularly in the form of Islamic banking and FinTech, has consistently demonstrated a positive correlation with economic growth and stability, fostering inclusive development and mitigating economic volatility, even amidst global crises (Farah et al., 2025). Moreover, Islamic fintech can increase access to financial services, especially for underserved populations, thereby promoting financial inclusion and offering investment opportunities that adhere to ESG principles (Glavina, Aidrus and Trusova, 2021). By leveraging cutting-edge technologies like blockchain and incorporating ethical considerations, Islamic FinTech can also create alternative financial vehicles with greater transparency and ethical values compared to traditional finance industries (حيدري and Roubaud, 2024). These innovations not only facilitate financial inclusion but also promote sustainable economic practices by directing investments towards socially responsible and environmentally sound ventures, aligning with the broader objectives of sustainable development in African economies. Specifically, blockchain technology can enhance transparency and trust in Islamic financial transactions, such as smart Sukuk issuance, ensuring Shariah compliance and promoting an accountable financial ecosystem (Udeh et al., 2024). This enhanced transparency and ethical framework can further attract impact investments and foster a more robust financial infrastructure capable of navigating complex economic landscapes. The substantial growth and resilience of the Islamic finance industry, as evidenced by its sustained expansion even amidst global financial crises, underscore its potential as a robust alternative to conventional systems (Khan and Bhatti, 2008; Saleem et al., 2023). This resilience is attributed to its asset-backed nature and risk-sharing principles, which promote macroeconomic and financial stability by channeling financing into the real sector for investment (Sabiu and Abduh, 2020). This inherent stability, combined with the ethical considerations embedded within Islamic finance, positions it as a viable framework for fostering economic development in African nations facing geopolitical and economic volatility. Furthermore, the utilization of Islamic FinTech (i-FinTech) specifically addresses the needs of the "unbankable" by employing technology to overcome traditional

barriers to financial access and promote sustainable inclusive growth within the community (Azman et al., 2020). This expansion of financial inclusion is further bolstered by the burgeoning FinTech ecosystem in Africa, which provides innovative solutions to connect lenders and borrowers, thereby stimulating economic growth and investment (Tamasiga, Onyeaka and Ouassou, 2022). This integration of blockchain with Islamic finance principles can streamline profit-sharing agreements, verify transactions, and enhance mobile banking infrastructure, particularly in regions with limited conventional banking access (Aysan and Bergigui, 2021). Furthermore, the immutable and transparent nature of blockchain records ensures the integrity of financial dealings, aligning with the ethical imperatives of Islamic finance to avoid exploitation and promote social justice (Alsadi, 2025). This technological synergy also facilitates the development of Shariah-compliant smart contracts, which can automate and secure complex financial instruments, thereby reducing transactional costs and increasing efficiency in the Islamic financial sector (Chong, 2021). The inherent alignment of fintech's shared capital design with Shariah requirements further enables the establishment of robust risk-sharing mechanisms, which are fundamental to Islamic finance (Aysan and Unal, 2021a, 2021b). This convergence fosters financial stability and inclusion, particularly among younger populations in OIC countries, while also contributing to social welfare by decreasing unemployment and income inequality (Oktavendi, 2020; Fahamsyah et al., 2023). This is particularly relevant given that Islamic financial development, inclusive of Islamic banking, has been a rapidly expanding sector globally, operating in over 80 countries (Arshed, Yasmin and Gulzar, 2020). The successful integration of Islamic FinTech, particularly in Africa, not only provides cost-effective financial solutions but also necessitates rigorous regulatory oversight to safeguard investors and ensure market stability against fraudulent practices (Mansur et al., 2022). Moreover, the scalability of digital platforms inherent in FinTech innovations offers an unprecedented opportunity for Islamic banks to broaden their outreach, serving previously excluded populations such as women, low-income households, and small business owners (ALRashdan et al., 2025). This expansion of access, coupled with the inherent transparency and ethical considerations of Islamic finance, offers a compelling pathway for sustainable economic development across the continent. The adoption of advanced technological tools, such as blockchain, is vital for Islamic financial institutions to remain competitive and transparent in the global market, allowing for real-time tracking of transactions by all stakeholders (Hidajat, 2020). This technological integration is further critical for Islamic financial institutions to uphold Shariah compliance efficiently while also enhancing their operational capabilities and market share on a global scale (Aysan and Unal, 2022; Alghadi, 2023). The ongoing development of Islamic FinTech, particularly in dynamic sectors since 2010, underscores a significant trend towards digitizing Islamic financial services and products, emphasizing both regulatory adherence and robust Sharia governance (Ahmad and Mamun, 2020). This strategic pivot towards digitalization not only addresses the demand for more accessible and efficient Shariah-compliant financial products but also positions Islamic financial institutions to better compete with conventional counterparts in a rapidly evolving global financial landscape (Rahman et al., 2023). This digital transformation is particularly beneficial for Islamic banks, allowing them to scale operations and increase revenue by offering convenient services, thereby expanding their market share and enabling global competition (Alnsour, 2023). The integration of FinTech within Islamic finance has gained substantial traction, extending beyond traditional Islamic regions to encompass developed markets in Western Europe and America, with key hubs emerging in the UK, UAE, Indonesia, and Malaysia (Nagimova, 2022). These regions are actively exploring the potential of Islamic Fintech to offer transparent, accessible, and ethically compliant financial solutions, contributing to a diversified and

balanced financial sector (Panjwani and Shili, 2020; Maulida, 2024). Fintech's ability to lower transaction costs and minimize asymmetric information through technologies like blockchain also enhances the efficacy of Islamic social finance instruments in improving financial access for underserved segments (Ali, Sakti and Devi, 2019). This technological convergence is particularly transformative for Islamic social finance initiatives like Zakat, Waqf, and Sadaqa, enabling more transparent and efficient distribution of funds for socioeconomic empowerment and global sustainability (Muharam and Osman, 2024). The increasing interest in this area is evidenced by a growing body of academic literature systematically reviewing the integration of Fintech, Blockchain, and digitalization within Islamic finance, focusing on journal articles to discern prevailing trends in indexed publications (Unal and Aysan, 2022). Indeed, recent bibliometric analyses confirm an escalating academic interest in the nexus of Islamic finance and financial technology, highlighting themes such as financial inclusion, corporate governance in Islamic Fintech, and the transformative impact of technology on future Islamic financial services (Qudah et al., 2023). This scholarly discourse further explores the challenges inherent in integrating Fintech solutions with Islamic finance, particularly concerning the imperative of Sharia compliance and ensuring robust risk management practices within these innovative frameworks (Sheela et al., 2023; Rejeb, Rejeb and Zailani, 2024).

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