

# The social impact of Halal investments in the French context – should we do more?



FRANCE

By Jamil Henni

**Islamic finance has an important social dimension. The objectives of the divine law, Maqasid al-Shariah, aim to preserve five essential elements: religion, life, reason, lineage and property. Inspired by these objectives, Islamic finance seeks not only to avoid economic injustice (such as Riba or Gharar), but also to promote social equity, solidarity and distributive justice.**

Instruments such as Zakat, Waqf and Islamic microfinance give concrete expression to this social purpose by directing resources towards the common good and the reduction of inequalities. But what about our investments?

At a time when Islamic finance is undergoing significant development in France, with a proliferation of players and products aimed at the general public, it is essential to question the destination of funds and the social impact of the investment opportunities offered in the country. The existing offer directs a large part of the capital towards projects whose social impact and redistributive effect is minimal, if not non-existent.

There are a few exceptions, such as Sylvestre Invest, which recently organized a fundraising campaign for Takaduo, a fintech company seeking to develop much-needed Takaful solutions based on blockchain technology. Equity fundraising campaigns for fintechs Laymoon, Mizen and Muscpay are allowing them to develop concrete solutions to meet financial inclusion needs in the French Muslim community.

However, the vast majority of investments today are directed towards capital markets, real estate and capitalist entrepreneurial initiatives that sometimes enable the development of Muslim-owned businesses, but have little social utility. But who is responsible? Investors could be criticized for not being interested in the impact, but only in the profitability of their investments.

We have seen numerous fundraising campaigns oversubscribed in record time, despite no social impact and sometimes

even poorly documented presentations. It seems that the lack of investment solutions on the market is pushing Muslims to invest in anything that carries a Halal label and offers a decent expected return, without necessarily considering the risk of loss or the social impact of the operation. But does the blind trust of investors mean that we should be content to offer profitability and promote the ethics of Riba-free finance without seeking to align ourselves with the spirit of Islam?

Our reference framework should differ from the conventional one, as should our expectations. The same way as ESG finance, Islamic finance is based on convictions and principles. We must aspire to a new vision of the economy, in which wealth circulates in such a way as to benefit the greatest number of people. While investors should be rewarded with a fair return, the capital invested must benefit useful causes, beyond mere profitability.

The capital raised in France is often disconnected from the social priorities of the Muslim population. At a time when Islamic schools in France are facing structural funding gaps, when their access to public subsidies remains inconsistent and when the few functioning institutions are constantly under pressure, the question deserves to be asked: Why are we not investing in them?

With public subsidies at risk and limited recourse to institutional donations, financial autonomy remains the real issue. And without dedicated funding mechanisms, even high-performing institutions remain vulnerable. The case of Averroes High School in Lille is illustrative. A leading school under contract with the French state, ranked among the best in France for several years, is now facing increased scrutiny and tightened controls.

The difference in treatment between Muslim and other private schools has been widely documented, with the Betharram commission of inquiry revealing that between 2017 and 2023, only three Catholic institutions were inspected in the Lille and Amiens academies, while Muslim institutions are subject to increased vigilance and overzealousness.

Regarding Averroes, the Administrative Court of Lille recently cancelled the decision of the region that deprived the Muslim high school in Lille of its association contract with the State. The administration accused Averroes of "serious breaches of the fundamental principles of the Republic", a condition that was "not met" according to the court's press release, which also ruled that the procedure followed was tainted with irregularities.

But Averroes is just the tip of the iceberg; several Muslim schools have lost their association contract in the past years or suffered from overzealousness from state representatives. Late examples include Al Kindi, another top-performing Muslim high-school; or IESH, a private institute offering studies in the field of religious sciences since 1990 and awarded best Qur'an Institute in the world in 2012.

Meanwhile, large amounts of Muslim capital are being directed toward capital markets, real estate investments and start-ups with no measurable social return or effect on our local economy. Resources are available, but the industry has been unable to channel those resources toward impactful social objectives.

While many players work with sincerity and a real sense of responsibility, the industry still struggles to offer investment opportunities that truly matter beyond attractive return rates. Islamic finance is a tool that can serve different purposes, and in its current form, it offers in France Shariah compliant alternatives to conventional investments, which remains a necessary step. But the next phase will require a shift in ambition.

The criteria used to design and evaluate investment products must evolve: productive SMEs, education, financial inclusion should be the top priority. Impact measurement must become central, and projects must be selected not only for their profitability or their structure, but also for their relevance and capacity to respond to real needs. ☺

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