

The Viability of Islamic Finance and Its Impact on Global Financial Stability: Evidence from Practical Implications

Authors : Malik Shahzad Shabbir, Muhammad Saarim Ghazi, Amir Khalil ur Rehman

Abstract : This study examines the factors which influence and contribute towards the financial viability of Islamic finance and its impact on global financial stability. However, the purpose of this paper is to differentiate the practical implications of both Islamic and conventional finance on global financial stability. The Islamic finance is asset backed financing which creates wealth through trade, commerce and believes in risk and return sharing. Islamic banking is asset driven as against to conventional banking which is liability driven. In order to introduce new financial products for market, financial innovation in Islamic finance must be within the Shari'ah parameters that are tested against the 'Maqasid al-Shari'ah'. Interest-based system leads to income and wealth inequalities and mis-allocation of resources. Moreover, this system has absence of just and equitable aspect of distribution that may exploit either the debt holder or the financier. Such implications are reached to a tipping point that leaves only one choice: change or face continued decline and misery.

Keywords : viability, global financial stability, practical implications, asset driven, tipping point

Conference Title : ICBREFM 2016 : International Conference on Business Research, Economics, Finance and Management

Conference Location : Amsterdam, Netherlands

Conference Dates : May 12-13, 2016