

# Islamic Finance: A Solution to the Global Financial Challenges

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## ABSTRACT

Global financial challenges have shaken the theoretical and physical foundations of the international economic system. The Islamic Finance system has also been hit by the global financial challenges but the performance of Islamic Finance has been better than the other financial systems. Throughout these challenges, Islamic financial institutions have displayed a relative resilience that has given more credibility to Islamic finance and drawn more attention to its wealth principles. This paper focused on the financial crisis within the global conventional financial market and pointed out the varied factors that have contributed to the crisis. In addition, it tested the validity of the view that Islamic Finance is the most stable in addressing the global financial challenges as compared to the standard finance. The way forward for both Islamic and non-Islamic finance is greater reliance on risk-sharing to inspire more discipline within the system. Moreover, it inspires a robust and comprehensive regulatory body to safeguard the resilience of the system and integrates the voluntary institutions into the financial set-up to cater for the financial needs of the poor.

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