

Global financial crisis and Islamic finance

Abstract: The recent global financial crisis is the hardest financial crisis since the great depression. The crisis originated from subprime mortgages with variable interest and expanded with securitization and the drop of stock prices. The financial crisis led to economic crisis by the depression and in a number of countries led to a social crisis. In fact the insufficient regulation of financial system in the industrial countries created the crisis. But the Islamic banks were immune mostly from the negative effects of the crisis. Immunity of Islamic banks from the crisis related to the features of the transactions compatible with the rules of Islamic finance. The Islamic finance is able to avoid the negative elements of the world financial crisis as the elements of financial disciplines are more robust in Islamic finance and expansion of financing projects related to the growth of real economy.