

# Three views on islamic finance

[Business](#)



### Three Views on Islamic Finance

The three views on Islamic finance each present a strong arguments critically describing aspects of Islamic finance. The first view points out that Islamic finance has had to adopt an architect where it now embeds the element of trade which allows for the settlement of cash to now be made on a mainly deferred basis. It goes on to argue that it is only by the replication of more conventional structures that Islamic fiancé can possibly be able to create the necessary depth and breadth of its financial products. The second view is of the opinion that the adoption of conventional trade elements is merely a means through which Islamic finance can be to access riba. They point out that it is necessary for Islamic fiancé to avoid riba by ensuring that differed debt payments are similar to the amount of loan. Islamic finance is also perceived by some to essentially be in a transitional state as it is somewhat in disunity with Shari'ah laws and as such, there are still a number of amendments that need to be made before it can finally be considered as being a primary financial mainstream. In my opinion, I support the first postulation that points out that it has been necessary for Islamic finance to replicate some of the conventional structures (El-Gamal, 2006). This is because failure to adopt such structures will essentially result in their returning minimal profit margins.

On the current trajectory pointing out that Islamic finance is currently flying high albeit on what can considered to be borrowed wings, I am of the opinion that this statement is essentially true. The popularity of Islamic finance has seen it quickly become quite popular in Islamic countries. However, the minimal profit margins that Islamic banks stand to make due to Shari'ah policies that cause them not to maximize on interest charges means that <https://assignbuster.com/three-views-on-islamic-finance/>

these banks are largely expensive, and not able to effectively compete with the more conventional banks which are well established not only in Islamic countries, but also in the non-Islamic countries (Henry & Wilson, 2004).

Speed should never be perceived to be a virtue in the event that it is determined that Islamic banking is going in the wrong direction. This is because it will be prone to make more errors whose eventual consequences might either cripple or completely destroy its structure. By taking time to carefully analyze its course, it will be possible for Islamic finance to possibly be able to avoid fatal pitfalls (Greuning & Iqbal, 2008).

#### References

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