

GLOBAL CRISES AND ITS IMPACT ON CONVENTIONAL AND ISLAMIC BANKS

First signs of financial crises came from the most developed country in the world, U.S.A, where the situation is still alarming. It had a lot of reason which can be concluded more or less like this: money output was larger than money input, therefore decreasing the power consuming which is heading towards a recession around the world. The impacts of this crises weren't the same at all states and all financial systems. There is a financial system that has had almost no fluctuation in all this crated mess and that is Islamic banking system. Therefore, it has to be taken into a consideration the possibilities of applying the methods of this system.

In order to have a clear view of impacts of this financial crisis we'll initially approach the differences between those two systems. Islamic banking system is a system of profit and loss sharing, in another words isn't based on interest rates like the capitalist system. The profit is based on productivity and project performance. This system needs activating of all economic factors in a productive away bypassing the possibility of parasites living on interest rates, becoming a burden of society and a hurdle of social progress in general which leads to loss of potential productivity.

In a conventional system, the investor is faced with an uncertainty that the project outcome nor his business can't predict itself at a huge certainty, while it's forced to pay prefixed interest rates. Often as it happens, because of the uncertain ultimate results, the investor withdraws its project even though the interest rates must be paid in full.

So, if the banks loaning, intent to gather financial means and offering them to those in need of financial support, they do it for their own profit. On the other hand, Islamic banks intent to improving the Islamic economy through means of spreading the wealth. Obviously, bearing in mind priorities and cut of their profit.

How it's possible that Islamic banking system wasn't affected by the financial crises almost an all?!

Islamic banking system is not obliging to all the countries in the world, yet the 27% baking growth of this system is obvious. Because of this huge popularity, the well-known expert of Islamic banking system Michael Saleh Gassner was asked: Can we believe that financial crises will be avoided if Islamic banking system applied?

“It’s not unbelievable if we look at the rules. One of those main rules is abolition of the interest rates. If we take as an example German, American debt, or any other country effected by crises, this debt increases constantly during the year. Second rule of Islamic banking system is the access to loans for profitable issues. Nevertheless, this must be a business created based on the real laws of free trade. In another words, Islamic banking system advices on detailed analyses of the business seeking a loan”- has answered Gassner. Particularly, this “detailed analyses” is important. According to the rules of Islamic banking system, hypothetical creditors would have never come into crises in U.S.A. Had the conditions of loaning be analyzed, it wouldn’t be a crisis. Loans in U.S.A are mainly given to persons who they knew they’ll never pay back those loans.

After understanding the reality of Islamic financial system, its application begins on western countries. Once they show their positive results of Islamic Banks against their conventional rivals, during those risky economic years of global financial crises, the interest of economists toward Islamic banks is increasing.

It has resulted on studying and applying many segments of Islamic banking system. They even have started opening Islamic banks in countries that few years ago didn’t even know such banking systems existed. How successful Islamic banks will be, only time can tell. Based on too many predictions of the economists, it looks like that they’ll be very successful.