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Resilience to Avert Financial and Economic Crisis in Islamic Economics Framework
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Abstract

This study analyses the institutions as rules and organizations in Islamic economics and financial framework to deal with economics and financial crisis. It explains that Islamic economic and financial system has a role for markets, but the asset and goods markets are closely synchronized with real economy-based commodity and fund flows. Islamic economics framework avoids the situation of glut and deflation with careful evaluation of investment projects with wide risk sharing. Islamic rules and norms of trade emphasize on commitment in contracts which is strengthened through rules regarding necessity of assuming ownership, possession, and risk before entering in trade contracts. Avoidance of excessive non-asset-based leverage reduces the risk of both firms and investors. Prohibition of speculative trades and a check on artificial liquidity and leverage-based trading helps in checking asset price bubbles. Rewards are matched to risk, and the risk has to be borne by all capital providers with prohibition of Riba. Finally, 'beyond-market stabilizers' help in wealth and income redistribution irrespective of the phase of business cycle. Thus, Islamic economics framework is more resilient to avert crisis and deal with it through its set of commercial and social finance institutions and business ethics. © 2025 selection and editorial matter, Erhan Akkas; individual chapters, the contributors.

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