

Chapter 9

SUMMARY AND SUGGESTION FOR FUTURE RESEARCH

The conventional financial system is predominated by credit/debt instruments. It is increasingly depart from the very basic function of finance i.e. bridging the surplus and deficit funds to foster better productive activities. The prefixing of "cost of capital" not only scared away some potential investors thereby underutilized the excess capital; but also has caused difficulty for the government to use it as a monetary tool to adjust economy. The use of paper money and financial derivatives has leveraged the financial risks and created speculative mentality to the conventional investors, this is gradually making disconnection between finance and real economy.

The painful experience of Asia financial crisis has made people more alert and careful when adapting a financial system. Both Muslims and non-Muslims are now calling for changing the existing financial systems, in the cause of searching for a more transparent and productive financial system Islamic financial instruments are valued much now than ever.

The Islamic financial instruments have being implemented in various kinds of economies and proven as efficient as conventional ones. This paper has analyzed the possibility of implementing Islamic Banking and Financial instruments in China. To give a clearer picture, the paper has studied the concept and practices of various types of financial instruments that are Shariah compliance. The practice of Islamic banking and finance in Pakistan, Malaysia and the Philippines are also studied.

China has become an important player in the world market. After joining WTO, the macroeconomic environment and the micro-financial market of China are slowly become conducive for introducing Islamic financial

instruments. Although it is too early to establish any Islamic banks in China, it is however, right time to institutionalize the informal practice of Islamic finance by Muslims in China. A survey also being conducted in two Muslims concentrated states Gan Su and Qing Hai, to get more practical inputs. From my readings and survey data, I found that due to immature financial markets condition and the legal political constrains, it is for the time being not feasible to set up any Islamic bank in China; however Islamic financial instruments have quite ready markets in China's Muslims concentrated areas.

Since this is the first research to explore the China Muslims' financial behavior, the main difficulties and problems lies in data collection and find benchmark for comparison. Since Islamic banking and finance are not exclusively for Muslims, it will be more significant, if the survey can cover wider areas of China to get feedback from non-Muslims as well. Future studies can be done on the consumption and investment behavior of Muslims in China.