

Abstract

The conventional financial system has been designed to channel the investable funds to where the highest return is offered rather than where it is mostly needed. Under such system the financial sector is gradually deviated from its normal purpose i.e. bridging the surplus funds to the deficit to foster better productive activities.

Such deviation has nurtured a great number of short term oriented speculators rather than long term minded investors. Such overly speculative activities have caused instability to the economies and contributed to the financial crisis.

After the Asian financial crisis people are calling for reforming the current global financial architecture. As an option to the current problematic financial system, Islamic financial system is being looked at more seriously. Some researches have been done to show that Islamic financial products are equally applicable in all types of economies.

There has been attempt by some Chinese Muslims to implement Islamic banking and finance in China. Whether the Islamic financial instruments are applicable in China's environment or not is the main task of this project.

The research is comprised of three parts nine chapters. The first part demonstrates the problems of the conventional financial system; the second part exhibits the Islamic financial system as the alternative for the current problematic financial system, the third part studies the feasibility of implementing Islamic financial instruments in China. Based on a survey made by the researcher some recommendations are given at the end of the research.