9

Antifragility of Islamic Finance: A Qualitative Comparison

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Abstract Abstract

This research attempts to show that risk sharing, as defined under Islamic finance, makes financial systems antifragile. Antifragility specifies conditions under which systems become resilient to shocks caused by Black Swans. According to this concept, the long-term survivability of any system centers exclusively on its antifragile nature, that is, its ability to absorb and actually benefit from Black Swan-type shocks. This research aims to qualitatively investigate risk sharing Islamic finance against the criteria of antifragility. The methodology used is a *literature*-based *secondary* study. It relies primarily on extending the existing literature in the area of antifragility into the domain of risk sharing Islamic finance. The qualitative comparisons are accomplished via a juxtaposition of the ideas of Taleb [1] and Mirakhor et al [2]. The results of this research show a seamless overlap of the ideas of risk sharing and antifragility, thereby showing risk sharing Islamic finance to be more resilient than debt-based conventional finance to Black Swans. This creates a potential avenue for risk sharing Islamic finance to move into the mainstream of finance.
Keywords: Risk Sharing, Antifragility, Black Swan, Islamic Finance, al-ghunm-bil-ghurm