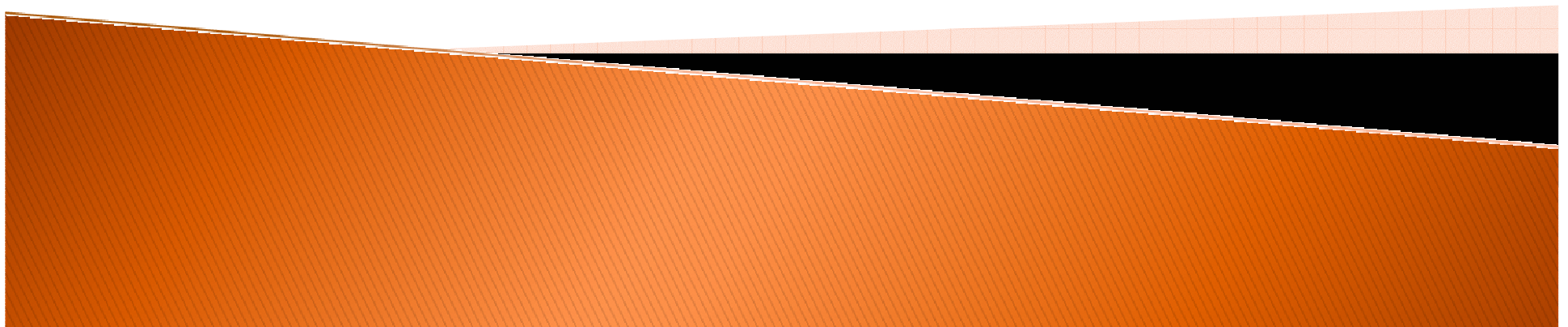


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**1st Mediterranean Critical Studies
in Accounting and Finance Conference**


7 & 8 July 2009, Hammamet

Session 15

**Finance without interest: traditional
paradigms and new perspectives**

*‘Finance without interest: the Islamic
approach’*

Alberto G. Brugnoli



Summary

- **WHAT IS WEALTH IN ISLAM (3)**
- **WHAT IS MONEY IN ISLAM (3)**
- **ISLAM AND THE FRACTIONAL RESERVE BANKING (1)**

What is wealth in Islam

- *ownership* as its sole and unique basis
- a thing or its utility that can be used only in *halal* ways
- a clear definition of its objects

Ownership is based on three principles

- God is the supreme owner of everything: the human effort is the *unique* basis for creation of ownership
- man as servant and viceregent of God is endowed with *relative and conditional* ownership
- limits for its creation, utilization and transfer

Ownership is sourced in three ways

- ownership of things that had no previous owner
- ownership of things that are already in existence and been previously owned by others.
- ownership by proxy

Summary

- WEALTH IN ISLAM (3)
- **WHAT IS MONEY IN ISLAM (3)**
- ISLAM AND THE FRACTIONAL RESERVE BANKING (1)

Money in Islam

- who owns the money ?
- the dual nature of money: the grace and the blessing ... and the test and the trying
- the prohibition of squandering or wasting it
- the recommendation of using it safely
- the obligation of earning money

The nature of money in Islam

- a traditional approach: money must possess an *intrinsic* value
- a modern phenomenon; the introduction of paper money and legal tender
- a prophetic hadith

The trading of money in Islam

- the tangible money can be traded at par
- credit money falls under the sway of *ribà*
- a definition of *ribà*

Summary

- WEALTH IN ISLAM (3)
- WHAT IS MONEY IN ISLAM (3)
- **ISLAM AND THE FRACTIONAL RESERVE BANKING (1)**

The Fractional Reserve Banking

- FRB: the creation of money out of thin air
- a money creation that is purely an accounting process
- who's paying for the assets ?
- The violation of Islamic principle of ownership

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