

# Islamic banks between religious and commercial logic (Analytical comparison between Islamic And traditional finance)

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**Abstract:** Each bank shall own banking system. The name of the bank or its categorization depends greatly on the nature of its operations. Thus, the Islamic bank is defined a priori as the bank whose operations are Islamic and / or has a direct relationship with Islam. Islam makes no distinction between religion and life, nothing is excluded from religion or is outside or next to it.

The aspiration to make a return to a society modeled on religion, to rediscover political, economic and legal models more in line with Islamic values leads, today many politicians to make gestures toward a return to Islamic law. This is reflected inter alia by the birth and evolution of Islamic finance modeled on the precepts of Islam.

However, the application of Islamic law in its entirety, is nowadays an issue, and this for many reasons, as this can be done without compromising the acceptance of modern ideas perceived as obvious and without going through a challenging total of certain customs and practices. Something that is very difficult when you know that contemporary societies are said and considered very advanced or perfect.

The following problems arise: what characterizes the Islamic bank, what are its principles and what products does it offer and what is its business logic?

In this paper we try to present a comparative analysis of Islamic products and conventional banking products, and detect any similarities that may exist.

**JEL Classifications:** N2,L2, L11, E44,D1

**Keywords:** conventional finance, Islamic finance, banking products, business logic, islamic rules.

## 1 - The religious foundations and principles of Islamic banks:

### 1.1. The basis of the concept of banking institution:

Before talking about Islamic banks, we have first to define the meaning of the bank, which can be generally seen from three angles; first of all the derivation of the term itself, secondly its historical process and finally on the light of legal approaches. The origin of the word bank comes from the word "Banca", which means in Italian bench<sup>1</sup>. It also means counters or an office, around which traders and Italian money changers who came to France for the exercise of banking activity were met. Accordingly the banker is the one who collects, manages the financial operations, distributes the benefits and lends money.

Concerning the Bank definition, the law has given a definition that is not comprehensive but integrated to some extent. It says "credit institutions are persons or moral entities whose significant

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<sup>1</sup> At first, customers come to the bank and queues waiting for their turn to advance to the windows moneychangers.

duties are usual banking Castkabbal public funds, and credit operations, as well as management of means of payment<sup>2</sup>." Article 1 of the Banking Act of 24.01.1984, as amended.

Thus, the Bank is defined as an institution devoted to the making of its money notes and securities, it facilitates payments between traders in their daily lives. In fact, there are several categories of banks; banks that operate and manage the work of investment banks and commercial banks Bank are called World Bank. They are also called commercial banks when their activities are focused in the area of banking, deposits, and finally, non-commercial banks are organizations working in the issuance of money, such as the Central Bank or other banks not included in the official list. In addition, banking institutions can provide services relevant to its activity, such as:

- Foreign exchange operations,
- Transactions in gold and precious metals and pieces,
- Placement, underwriting, purchasing, management, preservation and sale of any product values moving Mali
- Provide advice and assistance in the field of asset management,
- Provide advice and assistance in the field of financial management,
- Leasing simple items of movable or immovable property for the benefit of eligible institutions to carry out the loan - the rental."

## **1.2. Islamic banking and its religious bases foundations:**

Thus, according to the definition above and in accordance with French law, we can say that Islamic banking is an enterprise which fulfills all or part of banking activities as defined by the law, but the only fundamental difference is that the Islamic Bank acts in accordance with the rules and principles of Islam, so it takes a religious aspect. Then, Islamic banks are defined as banks whose operations have Islamic nature and / or have a direct relationship with Islam. Each bank then operates according to its own banking system. Generally the name of the bank or classification depends, on the nature of the services it provides.

Islamic banking appeals Islamic religion, Sharia and Islamic finance, because the term "bank or an Islamic bank" is the juxtaposition of two words having specific definitions, but, at the same time, coming from different areas.

Islam does not separate between religion and life, as it includes the daily life of moslems. The Islamic Religion does not cover only spiritual aspects of the life as the worship of man, but also believer's social life. It doesn't only lays down the principles of relationship with God, but also everything related to social relations, including commercial transactions. In this regard, the basic principle is therefore the principle of moral integrity and conduct transparency. God has legislated through his Messenger some based on sources from the Koran and the Sunnah, which constitute the Basic Law, as well as the Sharia.

## **1.3. Quran and Sunna<sup>3</sup>:**

Quran is the holy book of Islam. It governs the human life in his daily behavior including his dealings with others. It represents the basis of the Muslim community such as of religion, law and social family and international relationships. The Koran is the main source of the principles and rules of the Islamic Bank.

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<sup>2</sup> It has been found in ancient times, 3000 years BC. M., The effects in Mesopotamia show banking activities. For example It was in the Italian city of Ur, the temple plays the role of the bank and priests and priestesses welcomed by the banking and banking cash deposits and lending money to the gentlemen then followed by traders adults. And then moved the business to Rome and the development of banking activity and truly established and enacted the laws of financial transactions.

In the Middle Ages, he became a master of all or of a right big city in the instrument of its own currency. Thus, different currencies traded even in the same country. The role of the Currency Changer (ATM) is the currency exchange coming from outside the city against the currency used in the city for a fee. During the Renaissance period, the roots of the modern bank were the first public banks and the first stock exchange, while the private banks, faced an important expansion in Europe.

<sup>3</sup> (Islam) the way of life prescribed as normative for Muslims on the basis of the teachings and practices of Muhammad and interpretations of the Koran [syn: Sunnah, Sunna, hadith]

In addition to the Koran, there are Sunnah and diligence which are the two other sources of Islamic banks. It is an Islamic tradition, as it informs us about events and acts of the Prophet Muhammad (peace be upon him) as it is considered a complementary addition to the Koran. It is also the second written source about faith and Islamic law after the Qur'an. The Sunnah provides a complementary part to the Koran to the extent that there are isolated cases not provided for in the Quran and Sunnah and this is the duty of Ijtihad Muslim scholars. And the also means religion as a whole.

#### **1.4. Islamic law and its application at the present time:**

Sharia, or Islamic law, is a set of prescriptions and laws that Muslims must abide by, which is for his worshipping, as well as for his social relationships. It is worth mentioning the sharia is in harmony with Quran and Sunnah. And thus Islamic banking is a product of that diversity, in which both of them represent the same source we mention here, in short, the main principles of Islamic economic theory;

- Prohibition of usury,
- Encourage the sharing of the profits and losses in investment
- Avoiding compactness beyond acceptable limits,
- Valuation of work

However, the aspiration to return to a religion-based community and the discovery of political, economic and law models most in line with Islamic values led, in these days, many politicians to take the initiative and show positive attitudes towards a return to Islamic law. This is seen in set of actions, such as the birth and development of Islamic finance, which draws its origins from the principles of Islam.

Accordingly, the application of Islamic law in its entirety, may be applied a problematic today and this for many reasons, since it cannot be applied without working with modern ideas and their acceptance and which is seen to be necessary, and without going through a set of perceptions of challenging some of the habits and practices. It is very difficult, because modern societies and what they call it and consider it a very advanced or complete.

However, these ideas are not responsible for the failure of the Islamic financial institutions in the future, not less effective and efficient than its counterpart in the Western world, as evidenced by the tremendous growth in the arms of this same world.

#### **1.5. Usury and compactness and ambiguity:**

Islam prohibits usury and combats it with no mercy. From a linguistic point of view, the word "Riba" in from "Ribi" derived from the verb "raba" and "arbaa" which means an increase and creating something from itself. We must immediately think the idea of preventing (prohibition) an illegal or increase or growth of out something either completely or partially. usury is each conditional increase on the capital in advance only according to a maturity date. And, this is an increase in peer-term debt or an increase in it.

In Islamic thought there is no difference between the two terms; usury and compactness. There is usually a distinction between "interest" and "usury." Although there are always the thinkers and philosophers and economists who defend the feasibility/ the benefits of practical utility, it should be noted that this practice was criticized throughout history.

On their part, many non-believers intellectuals criticized practice of usury, arguing that it discourages investment and it is not profitable in a direct and definite way even if this investment has social importance and development of infrastructure, education, etc... We notice clearly that usury and interest on the loan, include one concept, namely, the currency, which serves itself. For this reason, we find that Islam does not distinguish between these two concepts and strongly condemns this practice.

Through all these taboos, Islam encourages man's labor being focuses a source for the completion of activities and accumulation wealth. He should work and use all his mind and full capacities, «man does not possess except what he has acquired with his work."

If the Islamic banking system sources differ from traditional banks, it provides the same services as any other financial institution. Islamic banking system is different from the traditional banking one, in terms of personal study and the system of the Islamic Bank.

## **2 - Rules and legal regulations in Islamic banking:**

### **2.1. General legal form of banks:**

Credit institutions legally take several forms. In France, for example, they run the French banks association. So it has the structure of a law full/ legal firm (Société Générale, Credit Lyonnais, BNP .). They may deliberately choose cooperative or joint banks (Credit Credit, Banque Populaire, Crédit Agricole, the reserve fund).

In another completely different record credit banks can exist under IFS seal. These are credit institutions entrusted the task of standing for public benefit by the state." These financial companies carry out activity with a high degree of specialization, such as grants to rent furniture (DIAC ) for example.

There are other institutions non defined by law, but they provide loan and play the role of a mediator in such a way determined by Article I of the Banking Act, such as deposit boxes, credit funds and the municipal loan.

There are several types of banks (merchant banks, university banks, investment banks), the most commonly used are the commercial banks and league banks. Merchant bank, which is the most restricted and generally exists in English-speaking countries. Such banks are based on a system of pure financial intermediation zone.

And the financial intermediary specializes in providing different services. It works as an intermediary in transactions of stocks and bonds through a sub-issuance participation of new bank notes and in the reorganization of companies. It also prefer to mergers, and gives long-term loans and / or capital, etc ... Instead of lending its own funds. Specifically, the term financial intermediary is linked to American banks, such as Merrill Lynch and Goldman Sachs and Lehman Brothers, which engages in securities transactions, but does not directly take deposits from the public. In Britain, investment banks are wide spread and known under the name of merchant banks.

The Bank mobilizes funds to lend them to companies and individuals. On the one hand the bank draws, derives its profits primarily from the difference between the interest rate of the creditors and the interest rate of the debtors, and on the other hand, the global overall Bank acts on a large scale, as it is authorized to do business, insurance, and is also allowed to contribute with its capital (portfolio) in companies it financed share hold system . This system allows it to be a member in these companies boards.

To conclude that Islamic banks are comprehensive banks, moreover, the nature of their products are suitable for such a configuration. A researcher called Mabid Munawar Iqbal gives us a definition of the Islamic Bank as follows, "the Islamic Bank is the institution which keeps deposits and performs all activities with the exception of in lending money in return for interest."

### **2.2. Rules and legal regulations:**

If the terms Islamic Bank and banking are new for some, they are not as so for a large portion of public opinion because of Dubai crisis, which topped the headlines of many newspapers and weekly magazines in the second half of November 2009. But the confusion here should be lifted, which is that Dubai does not represent all of Islamic finance and especially its banking system in place there. In the light of the above we may ask, could pose the following questions: What distinguishes the Islamic bank from the other banks? What are its principles? Which products or materials does it provide?

When you search in the aspects of an element or a substance, we do wonder about its specificities i.e its distinctive features in relation to a range of materials or items, and its form, and the laws governing them. However, (in order to answer these) such different questions, we should refer to

the specificities of the traditional bank from the perspective of Western banks so that we can compare it with the Islamic one.

Islamic financial institutions differ from traditional institutions in the structure, operations and objectives concerning the disclosure of information. These restrictions have led in the Islamic financial world to meet in order to unify its accounting and to the creation of an organization called AAOIFI.

Banking sector is characterized by an intense structure which forms the general framework at the level of net capital, and the relationships between large blocs of the financial outcome, the quality of management, and solidarity among institutions. The aim of all this is to ensure the banking sector stability and part of the value of its currency.

If the Islamic banks are parts of international banks, we should therefore ask ourselves; what kind of restrictions are governing the banking activities of such as banking system at both an internal and external level? We shall confine ourselves here by addressing the external level.

The organization and management of Islamic banking industry represents a source of great political concern, which led to the establishment of three international organizations in order to the coordination of Islamic banking practices, namely:

1 - Accounting & Auditing Organization of Islamic Financial Institution (AAOIFI), established in 1991 and headquartered in Bahrain, and aims to coordinate the accounting rules of Islamic banks,

2 - Islamic Financial Services Board (IFSB), which was established in 2002 by several Islamic states, whose role is to find ways to make Islamic finance complement international finance,

3 - International Islamic Financial Market (IIFM), based in Bahrain in 2002, and aims to develop new mechanisms and market tools to compatible with Islamic law and with the rapid development that is taking place in the Islamic Bank as well. The International Monetary Funds (IMF) advised Islamic banks repeatedly and frequently to review its policy in relation to the appropriateness of accounting standards and prudential norms in accordance with reference PAL (1 and 2), and the Commission on International Accounting Standards / International Standards IAS / IFRS standardization of Islamic accounting.

### **3 - Comparative analysis of the products of Islamic banks and conventional banks:**

Some of the most important Islamic banking products are participation, speculation, and Murabaha and leasing (Ijara). Comparing the Islamic products to traditional banking products is a difficult task, due to the specificity and the volatility of the products in each area. However, it is a general view, after reviewing the four products in Islamic finance, which is mentioned above, we note the similarity between the components of the products.

The fundamental difference lies in the implementation of the principles of Islamic finance which are; no usury, nor deceit, avoid what is sin, and a commitment to profit-sharing and working with the principle of the tangible assets and its support.

#### **3.1- Contract participation and Limited Liability Company:**

Thus, the participation contract seems, at first glance, it is compatible with a limited liability company (sarl), which is composed mainly of capital, and in which the partners are subject only to the degree of their contributions. We find that the definition of the contract participation itself leads to such an outcome: the discount "participation is a contract under which two people (or more) agreed to put their capitals together and create a business company (enterprise) or do any other financial project, where the distribution of profits according to the ratios predetermined in an agreement made by the parties since the beginning of the work of the signed document. Losses are also shared by the participant in the project.

We note here also, as is the case in a limited liability company, partnership designed to participate in the capital, as well as in the profits and losses that may result because of it according to predetermined

ratios by a joint agreement takes effect since the contract becomes effective. On the other hand, each party shall bear the losses that may be incurred by the project within the limits of its contribution to the investment.

As is the case in a limited liability company, we notice here also that there is a partnership, which aims contributing to the capital as well as in the profits and losses that may result from it. In the light of the foregoing, this type of contract may lead us to make a link between participation and declining participation, where one disintegrates the other. The MMP is known as a "post of a special kind, through which the investor contributes in the financing of a business process with the intention of the gradual withdrawal from it by selling his share to his partner. And so, the provider's shares divided to a number of units and where it is agreed that the partner (customer) bought them periodically, so doubling his share to become the sole owner of the business process. "

The descending nature of the contract until the potential tenure of ownership or origin of only one Contracting Party among other contractors. This reminds us of the Murabaha contract. After all no matter which operation is concerned the basic idea always remains profit-sharing.

### **3.2-The holding of speculation in the Islamic finance it is like.**

In the contractual relationship there should be two agents (dealers: the promoter and the investor) (goals of the officer and the contractor or two bats in Islamic law and order (the sponsor), any investor or owner of the money. In this relationship by no means to the investor is going to contribute with financial industry but he should contribute with a sum of capital. He is responsible only for the amount of his contribution, while the owner of the money can do three types of contributions within the framework of the constitution and establish a company under the general law of companies.

The Murabaha agreement Findrj exists within the framework of sales in general, and which derives its legitimacy as stated in verse 275 Surah al-Baqarah.

As is the case in the sales contract, we can infer from that the Murabaha contract, which requires the following conditions:

- consent of both sides, in other words, the parties should accept the conditions, the first one accept to sell and the second accept to buy
- The presence of two contractors, the seller and the buyer
- legal issue for sale.

Accordingly, and in addition to that, the specificities of this contract in Islamic banking is based on three principles or rules:

- The full Knowledge of primary purchase price for the and additional charges by the buyer. He will the right to reject the contract in the variant case
- full knowledge of the profit that is part of the sale
- validity of the first the contract of purchase.

Note: Despite all that, this contract is still subject of much controversy between Muslim scholars for several reasons: some say that the contract includes two sides: the Islamic Bank, which buys and then sells again, through the Prophet Mohammad (PBUH) forbade the completion between two in a single operation. On the other hand, and somehow, the bank is selling something that is not in its possession, it offers to sell something not owned, because the contract between the bank and the customer is before the contract for purchase of goods by the bank. But by the force of things, we must acknowledge that this Agreement is still in effect that is a typical practice, to Islamic bank whose services, vary from those provided by the western traditional system.

### **3.3- Lease contract and the loan-Leasing:**

With regard to the lease contract it appears at first glance to be similar and comparable to - Leasing in the conventional system, but it has contains many differences. It is a sale of credit (loan), which usually concerns services provided in exchange for equipments. This type of Financial Transactions is known in Islamic as benefit selling.

<b>Elements of comparison</b>	<b>loan with interest rate</b>	<b>Murabaha</b>
<b>Banking Relationships with customer</b>	debtor-creditor relationship	debtor-creditor Relationships
<b>Objective of the process</b>	financing issue is not important	important specific element when you take the financing decision
<b>The issue of customer and banking relationship</b>	cash financial loan in most cases except for some funding for the development of a particular destination	The presence of possession or specific commodity with the seller (the bank) not expected.
<b>the bank return in this operation</b>	predetermined benefits by the amount and duration, and not by the output of customer activity in most cases	Profit margin fixed by mutual consent after full knowledge of the cost rate and its components. Market conditions and the situation is taken into account when adjusting or determining the margin.
<b>Defaults on payment or non-payment</b>	Interest on defaults are added to the debt. The bank takes necessary measures to get its money back. All means are available to maintain the bank interest and collection without taking the causes of underdevelopment or non-payment into account.	Distinguish here between two cases: 1 - non-payment resulting unintentionally or in emergency. In this case, the customer will be given additional time 2 - non-payment caused intentionally and in bad faith. Here, baptizing Bank to take all means to preserve the rights and respect.
<b>Guarantees</b>	an important element for conventional banks. Loans are classified and assessed according the guarantees	All guarantees are imposed in accordance with the customer's capacities and the nature of operation and its objective.

**Table 1: Murabaha loan rate compared to the classical interest**

*Source: Introduction to the techniques of Islamic finance, Islamic Development Bank, Murabaha as a model for intervention in Islamic banks, Mamedn Ould Sidi Mohamed, Forum will be No.*

### **3.4- A conclusion, the Bank contracts for Islamic finance and conventional finance contracts:**

Through previous study we conclude that there are many similarities between the Bank contracts for Islamic finance and conventional finance. In fact there is no difference in terms of configuration elements, but in terms of differentiation between the two systems which is essential and is the base of the system alone and in the subject.

Indeed, Islamic finance aspect has a religious premise, so we find that the funding has such a religious, that non-Muslims can turn to it, except in one single case which is to meet the conditions. Also, both systems have properties radically different to the extent that traditional banks exist only within the limits of search for profits and interest, a practice forbidden in Islam, while the goal of Islam is a social synergistic in addition to being a for-profit foundation which is based on the principle of sharing profits and losses.

Therefore, the implementation of the conditions in practice and in accordance with Islamic principles when entering into any contract has preferentiality to the traditional system. This makes it a contract; conform to Islamic finance without changes in the forms and money. This is not feasible, in practice unless we make changes in format and content.

## **4 - Political will and Islamic banking as an alternative model:**

What raises more problems than any other sector is the political context, the thing that sets it apart from all other sectors combined. Accordingly, in today's world, everything needs a political support to be achieved. The strong political will the only way for a project to succeed whatever the obstacles, whatever the nature of the project.

So, with respect to Islamic banking alternative model as an it, should be simply asked whether there is a specific political will or not? In other words, were not there any political obstacles?

This problem poses itself at an international level, if not global. Since the nature of the issue of economic crisis is global. As a result, the problem of system failure, particularly the banking system also of a global nature.

Accordingly, up to now, it must be said that there is neither in any place nor in any writing at all, or in any statement of any kind, any will to confirm a willingness to radically change the current system. If there is a desire to make a change, it is no more than a statement about making improvements and reviewing the system which is still trust-worthy, due to the errors and the level of the crisis.

Some have even distributed the very principles of capitalism owing to the system failure. In this momentum, we have estimated that the current crisis was the result of financial turmoil accompanied the whole innovation cycle, leading to an essential unbalance in the economic development, which countries can not bear the shock.

However, these values are inherent to capitalism quickly took control of the situation with respect to private property, and the unbridled pursuit of profit and in particular freedom in such a system. In addition, the legitimacy historic of the system gives it immunity against any objective criticism.

## **5 - Islamic banking model in the world:**

### **5.1- Islamic banking in Africa:**

The awareness of the burgeoning of the banking system in Africa is relatively recent. In fact, despite the presence of some Islamic banks in countries such as Algeria and Egypt for thirty years now, the politicians in these countries did not care much until recently. As in North Africa in general and Morocco are the Islamic banks are still at an early stage of development, while in Mauritania, are less developed and performance is very weak.

In January / January 2010 CEDEAO group embarked on the study of this issue, including countries such as Senegal, to create this kind of institutions.

With regard to Sudan in sub-Saharan Africa is considered a pioneer in Islamic banking market with 22 Islamic banks and 10 billion of assets that almost works in accordance with the provisions of Islamic Sharia. Politician have encouraged at lot such institutions and passed laws to regulate them. The equatorial Africa where the situation is less realistic. While South Africa and Kenya show less interest in this phenomenon, with the existence of some banks, named assemblies.

Despite all this, Africa represents only 8% of the market share of Islamic finance world with enumeration of only 412 million Muslims and 37 Islamic banks manages nearly \$ 18 billion.

### **5.2- Islamic banking Asia:**

In Muslim Asia exactly political administration reached a high level of performance which helps flourish the Islamic financial system and develop. Malaysia is leading country in the region. Its growth process has reached its peak, because the authorities have opened a specific regulatory framework for banks with specific objectives. It has 15 Islamic banks. Singapore is the second important country in South East Asia with Asia Bank, which accounted for its capital when Launched \$ 418 million. Indonesia also presented itself as a promising market, but with less dynamism. The Asian giant country China is also interested in the subject.

### **5.3- Islamic banking in Europe:**

The situation in Europe is extremely contradictory though comprehensible because Europe is one of the most politically committed to introduce the concept of Islamic banking on the conventional financial banking system and also notice the expansion of market instruments despite the low number of Muslims living there compared with other regions. The main explanation for this is the great interest of governments in this new financial system and which has proved its existence and draw the attention of politicians and bankers from within Europe and outside. This new orientation and interest of course in the framework established by the Islamic financial system and respect of its specific principles.

Thus, Europe represents 20 billion of Islamic assets, where Britain takes the lead in terms of asset size and in terms of adoption of the Law of the Islamic finance and this since 2003. Germany is also the second-largest European country in terms of financial interest in this promising market, along with France, but to a lesser extent. We have launched in recent years, voices and numerous calls from many experts and politicians, the French calls for opening the market to the Islamic banking system who claim to open, but for social and economic reasons and cited above, the actual activity of these banks is slow, despite the special status (the Muslims of France is the largest Muslim community in Europe).

### **5.4- Islamic banking in America:**

America and especially in the United States they show less interest in the Islamic system of financing. It is still intent on healing the wounds by the financial crisis that hit the banks and caused financial institutions went bankruptcy. It considers that opening their markets to such a financial system fraught with danger. Furthermore also the delicate nature of the relationship of the continent (North) with any Islamic activity after the 11/ 9 attacks.

We also find in the United States neighboring country, Canada, some of the few mechanisms for the operations of an Islamic nature. For South America do not show any obvious interest in the system.

## **6 - Summary and conclusions:**

Throughout this work we tried to study the issue of the Islamic financial system, along with issues relating to the global financial crisis. In the second part, first we dealt with the Islamic bank referring to its origins by identifying the foundations and principles that underlie. We read in the properties of the first Islamic bank and tried to scrutiny its products and offers that it can provide which does not differ from those in the traditional banking system but in terms of ends and in terms of application of the principles of Islamic law in its achievement.

We have seen that among the principles of Islamic banking are a profit-sharing and participation in losses. This is certainly what is meant for, or at least one of targets that aim which is, or at least that is the most important principle in our belief and the solidarity nature of Islamic banking. And then we tried to make a comparison between the articles of Islamic financial system and the corresponding ones in the conventional financial system. In conclusion we have tried to tackle the causes of the world financial crisis being as banking crisis which bet on the mortgage and the excessive risk and high banker speculation. We tried to provide evidence of the possibility of adopting the Islamic financial system as an alternative that can work internationally after the traditional system has proved bankrupt.

There have been experiments a most all over the world to apply with this system, which achieved success, not expected before by many who believe that any radical change, or even relative to the conventional financial system is unlikely, despite all the measures that have been planned by system to avoid such crises.

The contract with the Islamic Bank customers mean the partnership with the client, because in all forms of financing proposed by the Islamic Bank, the customer is treated as a partner. A partner is no longer that who consumes the products of the Islamic Bank and by, but it has become a participant consumer.

The World Bank and by virtue of interest (within the meaning of Islamic finance) and the rate of participation in all transactions with its partners, has no longer the negative attitude of receiving the funds borrowed from its customers, but has become involved directly or indirectly to the achievement of these partners projects. This in itself is a guarantee for the client for more than one reason in most markets. And all potential risks are taken by responsibility of the bank in this system. They are borne entirely by the bank and in all cases. Even in cases where the client is urged to pay, this client can prove that the failure of the process is not due to negligence or bad intentions. This shows clearly the clients exemption from financial responsibility.

But, despite all these safeguards provided by the IDB, it was met with criticism from all sides by specialists, both in Islamic and traditional funding.

For them, the Islamic bank does not invest in sectors related to development, industry and agriculture. It is limited to short or medium term lending activities, or to sell equipments. So these specialists ask IDB How we can compete or even be a substitute to the existing banks.

But what critics ignore is that the Islamic Bank, in spite of its social objectives (a specificity resulting from the nature and purpose of its products) is not a charity. This element has effective ends, such as providing jobs and foreign currency.

As a simple reminder not less than investment, that the Bank is funding, and funding, in any case, is to profit, this in order to survive in a world that is constantly changing. But when the desire for profit is an end in itself should be achieved at the expense of the means used, then there is a problem, there is a real danger. The consequences of such a situation would be the crisis and which are still hovering in the reality whose enormity and complexity of its consequences does not surprise us.

The dynamism of the Islamic Bank as a model shows that it is possible to work in light of ethical practice, social ethics, moral ethics and money ethics, but taking care of course to strengthen the system and give sufficient time for Islamic finance to build itself, but not on the basis of the current system, but according to the principles and objectives of the Islamic system. On this system we can build the adoption of a systematic global finance and economy, and therefore also a reduction in outstanding loans to banks and size.

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