

# Chapter 4

## Islamic Finance and the Anthropology of Money: Exploring Ethical Alternatives to Interest-Based Systems

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### **ABSTRACT**

*This paper explores the role of Islamic finance in challenging the dominant capitalist economic system by offering an alternative money ontology, which is based on the principles of social justice, wealth redistribution, and solidarity. This study examines how Islamic finance through mechanisms such as the prohibition of usury, qard hasan (interest-free loans), zakat (obligatory charity), and waqf redefines money not as a commodity for personal gain but as a tool for social responsibility and economic equity.*

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*In contrast to conventional finance which emphasizes the accumulation of individual wealth, Islamic finance emphasizes transactions related to real assets and productive activities, which aim to foster social welfare and community welfare. Through this analysis, we argue that Islamic finance presents a viable and ethical alternative to interest-based systems, offering a more equitable and sustainable approach to global economic development.*

## **INTRODUCTION**

Islamic finance has emerged as an important alternative to conventional interest-based financial systems, based on ethical principles and risk-sharing mechanisms (Ayub and Khan 2021; Chiad and Gherbi 2024; Wahyudi, Lestari, et al. 2025). Previous research has consistently shown that Islamic finance provides a more ethical, transparent, and stable financial model by prohibiting interest (riba) and promoting investments that are aligned with socially responsible and sharia-compliant practices. The anthropological study of money, such as those conducted by scholars such as Karl Polanyi and Bronislaw Malinowski, has explored the social, cultural, and economic role of money in society, providing valuable insights into how financial systems affect social structures (Hart and Ortiz 2014). However, the integration between Islamic finance and the anthropological study of money is still limited, so there is a gap in understanding how this ethical financial model can be positioned as a viable alternative to the dominant interest-based financial system.

Islamic finance has proven to be more resilient to financial crises compared to conventional financial systems, especially during the 2007-2008 global financial crisis (Elmawazini, Khiyar, and Aydilek 2020; Hassan, Rabbani, and Mohd. Ali 2020; Rabbani et al. 2021; Srairi, Bourkhis, and Houcine 2022). This is due to the basic principles of Islamic finance that emphasize risk sharing, the prohibition of excessive speculation, and the avoidance of interest (riba). The system focuses more on transactions backed by real assets and ethical investments, which reduces the impact of market fluctuations caused by speculation-based financial instruments. Provisions in Islamic finance that promote transparency and fairness help

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