FINANCE: ORIGIN AND THE WORLDVIEW OF THE REALITY

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ABSTRACT

The never ending cyclical systemic financial crisis that have permeated the global financial industry seduced analysts, researchers, politicians, policy makers, academicians, journalists and regulators to critically examined the causes and effects of the crisis. As for the researchers, politicians, regulators and academicians, the search for the solutions have been on going. In the face of numerous solutions proposed and implemented, the debate remains whether or not the crisis will not repeat. Prior to suggesting adequate solutions and remedies that able to rest the illness of the financial system, understanding finance is vital. The objective of this entry is to understand the original purpose of finance, its nature, the relationship it entails. As finance is a subset of a larger structure, understanding finance would be insufficient without understanding the reality of the world that finance is operating under. The research shows that the original purpose of finance have been diverted hence partly contributed to the malaise currently took place. The term 'finance' has lost its original meaning. Finance, originally supposed to refer to a situation in which a payment in money takes place in a suitable amount, at the due time, hence ending the relationship between creditor and debtor becomes simply money as in the sense of commodity.

Keywords: Finance, Worldview of Reality, Origins

1.0 INTRODUCTION

The world has witnessed numerous globally inflicted financial crises repeatedly over the period of several hundred years including the "mother of crisis", the financial crisis of 2007-2008. If the previous crises attacked only the developing countries, the financial crisis of 2007-2008, also known as the 2008 Global Financial Crisis, has far more reaching impact covering much of both the developed and developing worlds. It triggered the most severe global economic downturn since the Great Depression (Drezner & McNamara, 2013).

The present financing model has devastating effects on the lives of every man, woman, and child (Rothbard, 2008). We have witnessed respective national central banks were forced to bail out failed commercial and investment banks (Rothbard, 2008; Vladu, 2012). Some were under the pretext of "Too Big To Fail" (TBTF). Tax payers' money was siphoned out to pay for high paying Chief Executive Officers and their staff leading to fewer coffers for governments' allocation for poverty reduction, health services, educational needs, pensioners and other welfare needs of the people. In some part of the world, the economy was experiencing double-digit inflation rates. Hyperinflation has completely destroyed Zimbabwe's economy. It resulted in

downturns in stock markets around the world. In many areas, the housing market also suffered, resulting in evictions, foreclosures and prolonged unemployment. The crisis played a significant role in the failure of key businesses, declines in consumer wealth estimated in trillions of U.S. dollars, and a downturn in economic activity leading to the 2008–2012 global recession and contributing to the European sovereign-debt crisis (Vladu, 2012). The impact of the crisis can be seen even more than six years. The global economy as well as communities and families across the world continue to experience the aftershocks. Millions of people have lost their jobs and the economies are still struggling to recover. Many of us who lived through the crisis, will remember easily the shocking events that took place: stock prices went down dramatically; investors lost their confidence in the market and pulled their money out; large and famous financial institutions failed or teetered on the brink of bankruptcy; the global credit markets ceased to function and liquidity vanished from the system; governments were scrambling to prevent the collapse of the whole system with massive taxpayer-funded bailouts.

Plenty of antidotes have been subscribed but the diseases keep coming. Amato and Fantacci (2012) pinpointed the scenario to the insufficient clarity on the relationship that should be established between creditors and debtors. In other words, the failure to clearly understand the purported relationship between those who must lend money and those who must spend the money lent i.e. between finance and 'the real economy'. They added that the lack of understanding also deteriorates the crisis further. The policymakers' incapacity to grasp its nature has led to the measures taken to find a way out created another crisis.

The latter serves as the main motives behind this article i.e. to really understand finance as how it was intended to do in the economy when finance was originally started. Amato et. al. (2012) argued the need to understand the phenomenology of finance before any solutions are proposed. Among the questions that Amato et. al. (2012) suggested to answer are the nature of finance, what does finance mean, what is the proper function of the financial system, what forms of the relationship between debtors and creditors are consistent with this function, how are instruments developed by financial innovation, and the very principle of a self-styled 'democratization of finance', to be judged with respect to this function, what does it mean to say that finance must be 'at the service' of the real economy, what relationship must obtain between finance and trade and what is the role of international capital movements?

2.0 THE ORIGINS OF FINANCE

The phenomenology of finance requires the understanding of the term "finance" as it is intended to be so that its objective is met. The origin of the term "finance" can be traced in 14th century to mean "an end, settlement, retribution," from Old French finance "end, ending; pardon, remission of payment, expense; settlement of debt (13c.), noun of action from *finer* "to end, settlement a dispute or debt," (Etymonline, 2015). The word finance is based on the Latin word for end or ''finis'' refers to "a payment of in settlement, fine or tax" (Steen, Veen and Voskuil, 2006). The term "finance" as can be originally understood is intended to "end" or to "settle" a debt and a debt existed when there are two parties involved i.e creditor and debtor. To end here is to end a relationship between a creditor and debtor and free both parties from risk embedded. To put into perspective, a financing is created with the intention to settle a debt or to cease the creditor-

debtor relationship. This is indeed the very meaning of the word, especially at the beginning of its history. In the Latin of the late Roman Empire, *finantia* meant in fact the 'amicable settlement of a dispute' (Amato et. al., 2012).

Amato et. al. (2012) further asserted that finance has to do with the creation of the structural conditions of possibility for a meeting between debtor and creditor in which the payment of debts can take place. Only if payment can take place is it possible to make loans with a view to payment or settlement. Finance has to do with settlement, the end of transaction. The end of finance, understood as its purpose, is a meeting between debtor and creditor in which their relationship can come to an end.

Unfortunately, for an unknown reason, finance as practiced today has diverted from its original purpose. Amato et. al. (2012), quoted Marc Bloch (1935), concluded that the crisis has exposed the idea of finance grounded in the representation of money and credit as commodities. Payments and reimbursements are delayed.

This meeting is precisely what the financial system as we know it tends to make increasingly impossible and, above all, to prevent from taking place in accordance with due and agreed forms. The meeting does not take place in periods of crisis due to the manifest impossibility to pay debts – that is, due to the insolvency of debtors, whose bankruptcy makes their creditors insolvent too, with the risk of spreading the contagion. But it does not take place in periods of growth either, because the moment of payment can then be constantly delayed.

The present crisis marks the end of a conception and practice of finance grounded in the systematic suppression of the end, understood as maturity and closure: here comes to its end a financial system that wants nothing to do with any end (Amato et. al., 2012)

3.0 FINANCE, DEBT AND SLAVE

What is the relationship between finance, debt and slave? As evidenced in the above, the moment finance is created, debt is established and creditor and debtor relationship exist. The purpose of finance hence to end the relationship between creditor and debtor as well as debt is written off. According to Amato et. al. (2012), all debts are and must be *for a set period of time.* A debt with no set term for repayment is humanly unacceptable, either because it can never be paid off, thus making the debtor a slave, or because its payment cannot ultimately be enforced. This is the real danger of finance if its original purpose is not fulfilled, the debtor becomes slave to creditor. At governmental level, since government also borrows, getting financing from other countries or World Bank, would result in the government being slave to another or others if financing fails to achieve its original objective.

Debts are for a set term, and this term must not only be known in advance but also chosen in relation to the type of credit requested, which depends in turn on the end or purpose for which the loan is requested. It must be possible to establish a relationship between the incurring of short-term or long-term debt and type of activity for which financing is requested. The loan is made with a view to an end in the sense of a conclusion (Amato et. al., 2012).

When responsibly agreed upon and accepted, this end is something that liberates, in the sense that it makes the parties involved truly free to undertake mutual obligation, i.e. to assume all the responsibilities that derive from the obligation. The first of these is the obligation for both parties to work together so as to arrive to at the end or conclusion. That end is payment. Paying originally means 'making peace' or 'placating'. Debtors and creditors enter into a joint obligation to attain the end or purpose of finance, which is to bring their relationship to an end. And this holds not only at the anthropological and individual level but also at the economic level, both national and international. This was also Keynes's view when he made the following observation in connection with the reconstruction of the international monetary system at the end of the Second World War, and hence with the role of the US as net creditor at the time:

> "a country finding itself in a creditor position against the rest of the world as a whole should enter into an obligation to dispose of thus credit balance and not to allow it meanwhile to exercise a contractionist pressure against the world economy and, by repercussion, against the economy of the creditor country itself"

The phenomenology of finance is connected with a loan agreed upon *with a view to payment*, with a relationship between creditor and debtor constituted *with a view to a set term of maturity*, with the opening of an account with a view to its closure – in short, with a beginning *with a view to an end*. This is in accordance with the original meaning of finance. This is the structural characteristics of finance.

4.0 FINANCE AND REAL ECONOMY

Finance and economic activity is closely related, if finance to operationalise its original purpose. The conclusion of a financing should be reflected in the completing of an economic activity. It is serving the economic activity that finance is supposed to do. The purpose of finance as a set of economic operations regarding loan coincides with the end of such operations, which must be able to conclude with the agreed payment (Amato et. al., 2012). In this sense, finance is designed to foster economic relations, or what Jacques Rueff (as quoted by Amato et. al., 2012) aptly called 'the meeting of all debtors and all creditors'.

Stressing the significance role of finance to the real economy, Canton (2014) in an ECFIN Economic Brief reported that investments necessary to start and expand a business are often financed by external funding. This requires well-functioning financial markets in the sense that resources are channelled from less productive to more productive firms. Canton (2014) concluded that policy must be in place to make sure that banks resume their role as financers of new business activities, are of paramount importance to restore the process of economic growth.

Unfortunately, we have witnessed a generally acceptable divergence trend between finance and real economics activities as if finance and economics activities can efficiently work in silos. Citing Albouy (2010), Canton (2014) for instance stated that never before that the financial sphere seemed – rightly or not – to run for itself, totally disconnected from the 'real' world, i.e. the corporate world. Supporting Albouy's entry Berruyer (2011) found that financial flows are

45 times the real flows. This is also incongruent with Orhangazi (2011)'s finding that finance has been in a contradictory unity with the rest of the economy (Canton, 2014).

5.0 FINANCE AND CAPITALISM

Finance and Capitalism are interrelated and unseparated. In fact finance is a soul for capitalism to be operationalized and to fulfill all of its objectives. Hence the understanding of capitalism, in the context of finance, is of important to further understanding the relationship between the two.

Finance, debt and credit are important features of capitalism. Capitalism is a historical manifestation of the debt/credit relationship characterised by the fact of removing from this relationship, on principle, what makes it humanly bearable, namely the end (Amato et. al., 2012). This can be witnessed with the huge debt in the Anglo-Saxon world (Amato et. al., 2012 citing Funnel, 2009). According to Amato et. al. (2012), Funnel (2009) further surmised that debt is capitalism's dirty little secret. Excessive lending was the only way to maintain the living standards of the vast bulk of the population at a time when wealth was being concentrated in the hands of an elite. Funnel (2009) supported his argument with the following:

> "According to Société Générale economists, the inflation-adjusted income of the highest-paid fifth of US earners has risen by 60 per cent since 1970, while it has fallen by more than 10 per cent for the rest. As was recently pointed out in the New York Review of Books, the Walton family, of Wal-Mart fame, is wealthier than the bottom third of the US population put together – about 100m people. These are staggering statistics, confirmed by measures such as the US and UK's ever-rising Gini coefficients, which estimate income disparity. Another way of putting this is that the share of profits in gross domestic product is at a 100-year high, or was until very recently."

Amato et. al. (2012), surmised from Zucchi (2014), that one of the characteristics of capitalism is society characterized by the split between two classes of individuals--the capitalist class, which owns the means for producing and distributing goods (the owners) and the working class, who sell their labor to the capitalist class in exchange for wages. The economy is run by the individuals (or corporations) who own and operate companies and make decisions as to the use of resources. But there exists a "division of labor" which allows for specialization, typically occurring through education and training, further breaking down the two class system into sub-classes (e.g. the middle class). This means that the objective of the system is to amass the wealth to the capitalist class. Amato et. al. (2012), recorded that, citing March Bloch (1935), this is achieved, partly, by delaying payments and reimbursements and causing such delays to overlap perpetually with one another. The capitalists system thrives on debt, which is a product of finance. The moment people and businesses stop making loan, the system will automatically collapse.

The present banking and finance framework, of which credit system is an integral feature, is closely linked with capitalism. Paula, Cerqueira, Albuquerque (2002) cited Hilferding (1981) explained the most characteristic features of modern capitalism are those processes of concentration which, on the one hand, 'eliminate free competition' through the formation of cartels and trusts, and on the other, bring bank and industrial capital into an ever more intimate

relationship" and finance is supported by the industry. On the role of credit in capitalism Guttmann (1994) remarks "Since the early capitalism the credit system has contributed for huge increases in the scale of production." Karl Marx, a German philosopher, points in *Capital* that one key role of credit in the capitalist society is to support the emergence of large-scale firms, and that the joint-stock company afforded a new and larger level of capital accumulation (Paula et. al., 2002). Additionally, according to Marx the formation of the credit system is necessary "to bring about the equalization of the profit rate or the movement of this equalization, on which the whole of capitalist production depends" (Paula et. al., 2002). The system of credit and debt, according to Creagh (2012) is not just something added on to capitalism that could be removed. It is an important part of the system that allows it to expand beyond its own limits, but ultimately contributes to its instability (Paula et. al., 2002).

> *Modern capitalism has been built upon security of investments. It is not labour or management, or machinery that produces wealth- it is the credit system, and the credit system is nothing but confidence in the future. Without the credit system, there might be production of wealth, but it would be the hand-to-mouth production of individuals who dare not trust their products out of their own hands, and society would sink back into feudalism or violence. (John R. Commons 1921)*

The global financial crises presented in the above paragraphs, together with the global economic turbulence, induced by the unprecedented US and UE economic crises have enticed Aligica and Tarko (2012) to question the long run viability of Western-style capitalism. Quoting Bremmer (2009, 2010), Aligica and Tarko (2012) recorded that a new form of economic system called "state capitalism" has emerged ''in which the state functions as the leading economic actor and use markets primarily for political gain''.

In addition to the crises described above, capitalism also resulted in creating disparities between the rich and the poor. In the words of Harry Magdoff, "The difference between the rich and the poor kept getting greater and greater a necessary part of capitalism's functioning. It is a product of capitalism. Creating disparities is the way it works (Gutman, 2003).

6.0 FINANCE, HOMO ECONOMICUS AND CAPITALISM

The existing finance framework is constructed based on the worldview of human as homo economicus (Schneider, 2010 and Wong, 2014). Investopedia describes homo economicus as the rational human being. Homo economicus, or economic human, is the figurative human being characterized by the infinite ability to make rational decisions. This includes models of individual human behaviour as rational, self-interested and utility-maximizing (Rittenberg and Trigarthen, 2008; Rowland, 2005). Homo economicus human being's driving force is to get the maximum utility at a household and a maximum profit at a firm which is typical of a market economy (Papava, 2012).

The above is also relevant with capitalism's characteristic of profit motive. Zucchi (2014) stated that under capitalism companies exist to make a profit. The motive for all companies is to make and sell goods and services only for profits. Companies do not exist solely to satisfy people's

needs. Even though some goods or services may satisfy needs, they will only be available if the people have the resources to pay for them.

Model human as homo economicus is often associated with the ideas of 18th century thinkers like Adam Smith and David Ricardo. In *The Wealth of Nations*, Smith wrote:

> "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

Smith's statement is translated into the suggestion that homo economicus model of man characterized by rationality, self-interest, labor-averse individual as proposed by John Stuart Mill. The notion of self-interest can also be traced in Aristotle's *Politics* who discussed the nature of self interest in Book II, Part V.

7.0 FINANCE AND MAINSTREAM WORLDVIEW ABOUT REALITY

> "Reality is merely an illusion, albeit a very persistent one" – Albert Einstein

In my attempt to gain an insight into finance, understanding mainstream worldview of reality is of important element. The failure to understand this would not give the insight hence I could not establish my conclusion critically. This is in line with Salleh and Ahmad (2009)'s insight of the need to understand the properties of the real world. These include the correct understanding of model of human and worldview of reality.

What I am trying to understand here is that when finance was first introduced what shape the society's thinking at that time. Because what finance meant to do when it was first introduced was moulded by the thinking of the society, in general, and the proponents of finance during that time. I am sure during that time there were a lot of discussions going around the subject matter and pertinent questions were asked so that the financers understand it better before it was implemented. Only when the stakeholders believe on the concept, this would translate into action. Philosopher Albert Wolters argues that the questions we ask and the answers we give are guided by our basic beliefs about things, or worldview (Steen et. al., 2006). A worldview, even if half unconscious or unarticulated, functions as ''a guide to our life'' (Wolters, 1985, p. 4). Worldviews are likely to emerge the minute we ask and answer important questions.

My earlier narrative started with finance being originated back in the 14th century (the period from 1301 – 1400). Historians generally accepted that this is the period marked by the powerful nation-state lead by Philip IV (1285–1314), the declining authority of the Church, taxing, regulating, controlling and wreaking devastation through virtually continuous war for over a century. To finance his perpetual dynastic wars, Philip IV levied a stiff sales tax, uniform poll tax, ad valorem on all transactions, taxes on wholesale and retail beverages, and levies on salt and wool (Rothbard, 2009).

In the philosophical sphere 14th century also listed a well-known philosopher William Ockham whose reductionism approach Occam's razor being applied by other philosophers in the proceeding centuries (Rae, 2013).

One example of reductionism in finance can be seen in the financial modelling whereby the process of reductionism is the essence of good modeling. A good model should not focus on complexity but look for ways to find commonality and reduce the moving parts to as few as possible (Rzepczynski, 2014).

Farooq (2012) detected reductionism in Islamic Finance when he analysed the equation of interest with riba. To paraphrase his entry, he stressed that it is important to note that the riba-interest equation actually suffers from a myopic reductionism. His conclusion however did not tantamount to him not agreeing that interest is a form of riba but to solely equate interest with riba without looking at the bigger picture of banking and finance is a reductionist approach. According to him, the reductionism of riba-interest equation, which buttresses the Islamic finance/banking movement and provides its basic rationale while it completely ignores the larger picture of exploitation, should be a matter of serious concern.

Having introduced the concept of reductionism, I will deliberate on the latter in the following paragraphs.

8.0 THE WORLDVIEW OF REALITY: REDUCTIONISM

As presented in the above paragraphs, the current worldview about reality is based on Democritus's world of reductionism (Gray, 2010). Salleh and Ahmad (2008) explained reductionism originates from atomistic mindset. Briefly, reductionism posits that a phenomenon can be reduced to individual parts so that the behavior of the whole can be learned by reconstituting the parts. The idea with reductionism, i.e. non-interconnectedness universe, was based on Newton's view of the material reality of the universe where its operation could be understood by taking matter apart and studying its bit and pieces (Salleh and Ahmad, 2008 and 2012). This reductionist reality of the world
is a legacy of the long-held positivist paradigm in social science (Salleh and Ahmad, 2012). This is in congruent with Verschuren (2001) who cited Easterby-Smith et al. (1991)'s remarks that reductionism makes part of the positivist paradigm in the social and technical sciences.

Positivism, founded by Auguste Comte (1798–1857), is based on the Newtonian and Cartesian science (Salleh and Ahmad, 2009). To Comte, Salleh and Ahmad (2009) cited Rosenblum and Kuttner (2006), wrote knowledge is limited to only the observable and human or people were "social atoms" motivated by forces analogous to Newtonian physics. Hence, following on Comte's argument, it means that any non-observable and non-measurable attribute do not have a place in social science. More importantly, Comte rejected revelations and human spirituality with his positivist ideology. While Comte argued that man should be central, his man was founded on the positive power of reasoning only and limited to the sense perception occupying a mechanical universe. Under the Newtonian-Cartesian regime, the human was degraded to a machine.

Comte also instituted "positivism" as a doctrine towards enshrining the substance of the Enlightenment about the positive role of human in understanding the world phenomenon. Positivism was intended as a human-based religion where the role of spirituality and consciousness was removed. Humans subsequently became social atoms or social animals within the fabric of society (Salleh and Ahmad, 2010).

In the context of finance, the existing worldview of finance is that it is totally non interconnected with the universe. This is true whereby finance is viewed as the relationship between debt and creditor and has nothing to do with the universe.

Diverting from the above model of reality, 20th century physicists have discovered quantum physics, a branch of physics that concerns itself with the study of the subatomic realm which is founded upon the interconnectedness model of the universe (Salleh and Ahmad, 2008). Stapp (1997), as quoted by Salleh and Ahmad (2008), for example stated that classical mechanics which is based upon a mechanical picture of nature is fundamentally incorrect. Bohm and Hiley (1975) assert that, as quoted by Salleh and Ahmad (2009), "the inseparable quantum interconnectedness of the whole universe is the fundamental reality. To Capra, "the universe is thus experienced as a dynamic, inseparable whole" where "the traditional concepts of space and time, of isolated objects, and of cause and effect, lose their meaning' (Capra, 1975). Hollick (2006) explained that spiritual knowing and intuition arise from the inner world of the subconscious minds, our relationships with what is known and our connection with spiritual reality including cosmic consciousness (Salleh and Ahmad; 2009).

Unlike classical science, Salleh and Ahmad (2008) further argued, the underlying foundation in quantum physics is unbroken wholeness or non-separability that transcends space-time that views parts of a whole as separate individual entities. This discovery could lead to a world view or paradigm that will help us better understand how we perceive "reality" Gough & Shacklett (1993). The discovery also proved that the above worldview of objective reality and other assumptions of classical science were inadequate (Salleh and Ahmad, 2008). To surmise, the existing mainstream worldview about reality based on positivist-reductionism-non-interconnectedness universe has been debunked.

Comte's model of soulless and mechanistic man has also been criticized by certain and emerging scientists. Salleh and Ahmad (2012) recorded Tiller (2008)'s description of man as a sentient being with a spiritual existence, embedded in the physical form only for locomotive purposes.

W. Tiller, a material scientist from Stanford University, has redefined human as soul and spirit in the physical bio-body suit. He stated that human being consists of three layers: the outer personality; the middle soul; and the core spirit or God-self (Ahmad, 2012). The model of human with inner soul has also been documented in the work of Matsuda in Japan in 1985 (Ahmad, 2012). Human being is seen to consist of both the external layer observable through conduct and the internal non-visible heart layer. Ahmad (2012) also cited Ioi's work in 1994 who expanded the model where the internal layer is further defined into i) the internal and invisible layer with logic; ii) internal and invisible layer with emotion; and iii) the deep psychological layer belonging to one's view of human nature expanded.

Rejecting Comte's view of man as machine and objectivity, Salleh and Ahmad (2012) quoted

Stapp (2008) as stating human beings as value-laden and some of characteristics of being human are subjectivity, having conscience and consciousness. Human as defined by Salleh and Ahmad (2008) is at the core, soul but embodied in a physical form for locomotion. With the non-material spirit being central, human has emergent qualities. It is this characteristic that distinguishes human from machines. While the behaviour of machine can be predicted with consequences that may be independent of each other, the same does not apply to human (Ahmad and Salleh, 2009). Ahmad et. al. (2009) also accounted human as blessed with the three devices: the physical sense perception (eye of the flesh), intellection (eye of the mind), and contemplation (eye of the heart).

9.0 HOW FINANCE IS PRACTISED TODAY

The existing view of finance is focused on shareholder value maximization (Steve and Voskuil, 2006). In theory, share price is predominantly influenced by the present value of a firm's future cash flows. Thus, any asset is valuable ''only to the extent that it generates cash flows'' (Brigham et al., 1999) quoted by Steve et. al. (2006). Furthermore, ''the timing of cash-flows matters – cash received sooner is better, because it can be reinvested in the company to produce additional income or else be returned to investors''. Finally, ''investors generally are averse to risk, so all else being equal, they will pay more for a stock whose cash flows are relatively certain than for one whose cash flows are more risky'' (Brigham et al., 1999) as documented by Steve et. al. (2006). Cash flows tend to be more certain for firms whose management is stable and whose business is non-cyclical.

Because investors are generally averse to risk, they desire more, as opposed to less, transparency. The desire for transparency relates to the debate over the Efficient Market Hypothesis: do prices reflect all relevant information both private and public? Are there opportunities to outperform the market? According to Steve et. al. (2006), citing Brigham et al., (1999) Questions of transparency also relate to agency theory and the fact that managers (agents) may have different goals than shareholders (principles), and that these goals may need to be more transparent to investors.

The reality of today's finance way of thinking defines reality too narrowly; for instance, in focusing primarily on shareholder value maximization, finance makes an implicit distinction between 'inner'' and ''outer''.

In other words, finance has redefined what is real as what is quantifiable. Financially speaking, our collective quality of life is measured by securities markets, which means that the value of securities must go up if our quality of life is to improve. In addition, what is real is constrained by time, which is also quantifiable. Because there is limited time, and simultaneously an expectation that society's quality of life will improve through the effective management of money and assets, time is financially quantifiable. Time is money because the money ''tied up'' for a period of time has an opportunity cost. This money could be invested elsewhere where it could increase the present value of future cash flows and thereby improve the firm's share price and, consequently, society's collective quality of life.

Therefore, much of our financial reporting is premised on our understanding of time and reality. Future improvement, then, is quantified as ‘‘present value plus interest’’; on the other hand, present value is quantified as ‘‘improved future less interest’’ (Hassert, 1995) as cited by Steve et. al. (2006). In short, finance seems to be oriented toward the present value of quantifiable productivity. Because money is a quantifiable medium of exchange generated by profits, finance seems governed by the present value of long-term profit maximization.

10.0 NEW FORMS OF FINANCE

In view of the negativity resulted from the existing concept of finance, finance experts have called for alternative forms of finance. This development clearly justifies the nature of the existing concept of finance which promotes malaise to the all sectors of the economy as well as to the life of the society.

The only objective of ‘finance’ is to make profit (Roux, 2015). The existing ‘finance’ is predatory (Roux, 2015) i.e. seeking to exploit others. Roux (2015) wants finance that allows altruism. In another word, the existing finance has eventually resulted in individualistic. The revolution in finance witness new dimensions have been added to the existing finance which include participative finance, ethical finance, social responsible finance, responsible finance (Roux, 2015). This is due to the fact that the existing finance framework has led to the opposite of the new dimensions added to the former. The new dimensions would not have been added if the former finance is working well.

Because of finance’s underlying assumptions and bias toward the present value of long-term profit maximization, those who practice the science of financial management develop theories that, within the constraint of time, seek to maximize wealth. In our quest to generate the maximum return possible on our investments and to minimize risk, we examine diversification and asset mix. For instance, the capital asset pricing model seeks to correlate the relation between risk and expected return when investing in securities. In the area of capital budgeting, the firm Stern Stewart & Co. developed the economic value added formula to measure a company’s financial performance on residual wealth.

The nature and character of finance as it is practiced today give rise to a number of important questions. Milton Friedman, according to Roux (2015), in his seminal 1970 article, asks about the social responsibility of business. In his conception, the social responsibility of business is to increase its profits. Quoting Friedman (1970), Roux (2015) asserted that the goal of financial management is therefore to increase shareholder wealth because ‘‘in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation . . . and his primary responsibility is to them’’. Shareholders are assumed to be only interested in the maximum amount of financial returns. Finance, therefore, would be directed towards this aim. Any action that managers take in addition to this purpose, such as considering the interest of ‘‘stakeholders’’ (for example, customers, employees, suppliers, and/or the local community; see Goodpaster, 1991) is seen as an unjust taxation of stockholders. It follows, then, that such a tax would reduce shareholder value and therefore reduce the benefits of shareholder value maximization on society. But what are the costs associated with these benefits?

In addition to concerns about shareholder interests and business time horizons, there are also questions relating to the type of relationships promoted by finance. Max DePree (1989) distinguishes between contractual and covenantal relationships. Contractual relationships are those relationships we are accustomed to in business, the type of relationships controlled by policy manuals and lawsuits over details. Covenantal relationships have to do with helping people reach their potential (DePree, 1989). Covenantal relationships are based on integrity, or ‘‘a fine sense of one’s obligations’’ (DePree, 1989). Covenantal leaders are obligated to leave behind assets and a legacy, a legacy that ‘‘takes into account the more difficult, qualitative side of life, one which provides greater meaning, more challenge, and more joy in the lives of those whom leaders enable’’ (DePree, 1989). Covenantal relationships focus on both the ‘‘inner’’ and ‘‘outer’’ (Hassert, 1995).

11.0 CONCLUSION

Finance cannot be understood by examining the subject of finance in silos. One needs to understand finance in its totality that is its relation to capitalism, political and its worldview. Analysing and understanding its phenomenology is vital before any efforts are taken to address its contagious malaise. What we are witnessing today is finance has diverted from its original purpose and not surprisingly despite numerous measures implemented, the crisis repeatedly lashing the industry and affecting other sectors of the economy.

In view of the systemic crisis engulfed the industry, any solutions offered cannot come from the same mindset that introduced the concept of finance. Some soul searching is required, new way of thinking is needed, taking cue from the greatest scientist and philosopher Albert Einstein who said:

> “We cannot solve our problems with the same thinking we used when we created them”

As for the Muslim world, the reductionists’ element that spread in the Islamic Finance must be examined further. This evil of reductionism would undermine the novelty of Islamic Finance. More importantly, it can have serious implication to the Muslim believers’ faith. How can finance be Islamised and called it Islamic Finance if the concept of finance itself is suspect and has taken out God from its equation. This is an oxymoron.

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