

RİBA (USURY); A TOOL THAT SHOULD BE CARVED OUT OF FINANCIAL TRANSACTIONS

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Abstract

Riba has been major driving force surrounding the conventional financial system of most economies especially the western economies and even economies that practice dual financial system are still not left out. This study seeks to examine riba and why it should be carved out of financial transactions. The study reveals that the no religion permits the consumption of riba in whatever form and concluded that the continuous consumption of riba will impoverish the economies of the world and even the welfare of citizens will not be left out because it is a tool that does not work in increasing utility.

Keywords: riba (usury), fiqh riba al-duyun (debt usury), riba-al-buyu" (trade usury), intrinsic utility, discount rate

RİBA (FAİZ); FİNANSAL İŞLEMLERDEN ÇIKARILMASI GEREKEN BİR ARAÇ

Özet

Özellikle Batı ekonomilerinde olmak üzere pek çok ekonominin geleneksel finansal sisteminde faiz ana sürükleyici kuvvettir ve bu durum çift finansal sistemi uygulayan ülkelerde bile geçerlidir. Bu makale, faizi ve onun neden finansal sistemden çıkarılması gerektiğini incelemektedir. Hiçbir dinin hangi biçimde olursa olsun faizin tüketilmesine izin vermediği, sürekli faiz tüketiminin dünya ekonomilerini fakirleştireceği ve artan fayda sağlamadığından dolayı vatandaşların refahını azaltacağı sonucuna varılmıştır.

Anahtar Kelimeler: riba (faiz), borç faizi, ticaret faizi, dâhili fayda, indirim oranı

1. Introduction

Riba is an Arabic word which literally means increase or excess². It is used in this sense in the Quranic verses: *And thou (Muhammad) see the earth barren, but when we send down water thereon. It doth thrill and swell (rabat) and put forth every lively kind of growth (16:92)*, whereas linguistically, the word riba has been used by the Arabs to denote

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² Muhammad Musleh, "Meaning of Riba", In *Islamic Banking: How far Have we Gone*. Edited by Pramanik H A, IIUM Press, Malaysia. 2009: p. 28

the increase in a loan in exchange for time³. Thus, *Riba* can be defined as any contractual increment in a loan or debt due to the time element⁴. In Islamic Fiqh, the term *riba* has a special meaning and it is an unjustified increment in borrowing or lending money, paid in kind or in money above the amount of loan, as a condition imposed by the lender or voluntarily by the borrower. *Riba* defined in this way is called in Fiqh *riba al-duyun* (debt usury). *Riba* also is an unjustified increment gained by the seller or the buyer if they exchanged goods of the same kind in different quantities. This is called "*riba al-fadl*" or "*riba-al-buyu*" (trade usury).⁵ The word *Riba* itself occurs eight times in the Quran and there are twelve verses in the Quran that directly deal with the prohibition. However, according to a hadith of the Prophet (pbuh) there are seventy-three types of *riba*⁶. But, due to lack of a better word, some tend to translate *riba* as usury (e.g. Metwally, 2006:17)⁷. Usury generally, implies only the excessive form of increase, whereas *riba* implies all forms of increase in a loan contract. Similarly, translating *riba* as interest does not provide a comprehensive meaning of *riba* as the word interest captures only a type of *riba*, not all forms of it (Engku Ali and P. Odierno, 2008)⁸. Traditionally, interest only refers to the *riba* in a loan contract and this form of *riba* is more relevant to the present day banking system.

Moreover, the argument against *Riba* or Usury is that money is not used as a commodity with which to make profit but that it should be earned on goods and services only, not on control of money itself. In essence, money has no intrinsic utility (Usmani, 2009:19)⁹; it is only a medium of exchange, thus, it can only be used for acquiring some goods. However, this paper will be structured into four (4) sections. Section one covers the introduction. Section two comprises of the literature review, Section three encapsulates the reasons why *riba* should be carved out of financial transactions while section four covers the conclusion.

3 Engku Ali, E. R. A , n. d *Riba and its Prohibition in islam*. In Mezbah Uddin Ahmed, *Riba, "Bank Interest, and Islamic Banking: A Summarized Response to Fundamental Questions"* Available at <https://islamicaccountingandfinance.wordpress.com/2015/07/29/riba-bank-interest-and-islamic-banking-a-summarised-response-to-fundamental-questions/>. Retrieved 02/01/2016,3:38pm

4 Kahf Monza (2006), " Masqid al Shariah in the prohibition of *Riba* and their implications for Modern Islamic Finance" Paper prepared for the IIUM International Conference on Masqid Al Shariah, August 8-10, 2006

5 Abdel-Rahman Yousri Ahmad. "Riba, its Economic Rational and Implications" Available at https://www.islamic-banking.com/iarticles_8.aspx. Retrieved 02/01/2016.8:52pm

6 Ibn Majah, v.2, p.764:2274

7 Metwally, M(2006). "Economic Consequences of Applying Islamic Principles in Muslim Societies" *Journal of Islamic Banking and Finance* 23 (1). P.17

8 Engku Ali, E.R.A and P. Odierno, H. S, 2008. *Essential Guide to Takaful (Islamic Insurance)*. Malaysia: CERT; In <https://islamicaccountingandfinance.wordpress.com/2015/07/29/riba-bank-interest-and-islamic-banking-a-summarised-response-to-fundamental-questions/>. Retrieved 02/01/2016,3:38pm

9 Usmani T. M (2010). *An Introduction to Islamic Finance*. New Delhi. India Adam Publisher & Distributors. P.19.

2. Literature Review

There are no contentious issues surrounding the prohibition of riba as it is clearly prohibited by both the Quran and the Sunnah. Sahih Bukhari (810-870M/194-256H), Sahih Muslim (1015-1016M), Tirmidhi (824-892) and ibn Majah (824-887/209-273H)¹⁰ etc have recorded various degrees of hadith about riba in their respective books. Similarly, jurists from every age and school of thoughts have contributed tremendous and magnificent works through discussion of this concept. Great names such as Fakhr al-Din Al-razi (d.606/1209), Abu Bakr al-Jassas (d.370/945), Ibn Qayyim al-Jawziyya (d.751/1350), Muhammad ibn Abdalla ibn al-Arabi (d.543/1148), Shah waliyullah al-Dihlawi(1703-1762), Ibn Qudamah al-Miqdasi (1147-1223), etc cannot be relegated to the background. Their great works on riba is highly considered as an eye opener towards the broad understanding of the concept of riba.

However, other few works will be considered in this paper, amongst which are; Rahman (1964) posits that riba is an exorbitant increment whereby the capital sum is doubled several fold, against a fixed extension of the term of repayment”.....as long as our society has not been reconstructed on the Islamic pattern, it would be suicidal for the economic welfare of the society and the financial system of the country.

Arif, Hussain and Azeem (2012:141) in their works “Riba Free Economy Model” asserts riba generates various evils like moral evils such as miserliness, selfishness and petty-mindedness, social evils which the spillover of the moral evils will results to chaos and disunity and lastly economic evils.

Moore (1997) argues that riba contradicts the principles of profit/loss sharing which aims to create a proper balance between the lender and the borrower. Siddiqi (2004) also stress other reason for the prohibition of riba such as it is a form of social corruption, implies the wrongful appropriation of other people’s property without justification, it decreases the resources of the states through a negative effect on the growth of economies, it demeans and diminishes the humanity of individuals and finally it’s that it is unfair in that it affects borrowers and lender.

2.1. Prohibition of Riba (Usury) Among Different Religions

Riba is prohibited amongst all the religion be it Hinduism, Buddhism, Judaism, Islam and Christianity, but in our world today because of greed and craze to amaze wealth most individuals have succeeded in bending these divine rules so as to satisfy their personal gains. To further achieve their aims, the concept of “riba” is construed with nick names such as “interest” with the argument that interest was not mentioned in the various books as prohibited, but this has been on the contrary. However, for the sake of convenience, we will concentrate on the two major popular religion of the world; Islam and Christianity.

10 See the various text of hadith about riba through al Bukhari, Vol 3, Hadith no 297,299,379,382,383, 384. Al Muslim, Vol 5, Hadith no. 3880,3845,3854,3856,3857,3872,3881. At Timirdhi, Book 14, Hadith no.1200. ibn Majah, book 12,Hadith no.2360,2361,2362,2363,2364,2365,2340,2341,2344,2359.

2.1.1. Prohibition of Riba (Usury) in Islam

Islam has left no reservation as regards the prohibition of *riba*, There are 12 verses in the Quran dealing with *riba*. The prohibition of *riba* derives its source from both the Holy Quran and the Sunnah of the Prophet. The Holy Quran states that; “*Those who eat Riba (Usury) will not stand (on the day of resurrection) except like the standing of a person beaten by shaitan (Satan) leading him to insanity. That is because they said; Trading is only like riba*” whereas Allah has permitted trading and forbidden *riba*; so who so ever receives admonition from his lord and stops eating *riba* (usury) shall not be punished for the past, his case is for Allah (to Judge) but who ever returns to *riba*, such are the dwellers of the fire- they will abide therein.” (Q 2:275).

“O believers fear Allah and give up what is still due to you from interest (Usury), if you are true believers”. (Q2:278)

Riba is of two (2) types (Ibn Qayyum)¹¹ namely *Riba al-Nasiah* or deferred usury is also called *Riba Jahiliyyah* which was pre-Islam form of usury and the worst of its kind and *riba al-nasiah*

i. Riba Al-Nasiah: - The Arabic word “*Nasiah*” means delay granted to the debtor. Consequently, *riba al-nasiah* can be refers to as any excess compensation over and above the principal which is without due consideration. In other words it is the excess charged over loan transactions. The Prophet (SAW) said; “*Every Loan that draws interest is Riba*” (Ali ibn Talib)¹².

Riba al-Nasiah or deferred usury is also called *Riba Jahiliyyah* which was pre-Islam form of usury and the worst of its kind.

ii. Riba Al-Fadl: - it means the excess which is taken in exchange of specific homogeneous commodities, such as selling gold with another gold, whereby one has more weight than the other. In other words, *riba al-fadl* relates to excess charge over sales transactions. “*Oh believers, take not doubled and redoubled interest, and fear God so that you may prosper*”. (Q3:130)

The Prophet banned all interest based transactions as well as cancelling all interest due to and from the people of Taif as a condition of the Taif treaty. Apart from the verses of the Quran prohibiting *riba*, the hadith of the Prophet (pbuh) is not left out. Ibn Masud reported that “*The messenger of Allah cursed the eater of usury and the one who pays usury it, those who witness it and the one who writes it down*”(Ibn Majah and Sahih Muslim)¹³

11 Ibn Qayyim al jawziyyah (d.751/1350), (1968) A’alam al Muwaqqi’ in (Cairo: Muktabah al-Kulliyat al-Azhariyyah). Vol 2, p. 265

12 Al-Syuti, Al-Jame al-Sagir V.2, P.94

13 Ibn Majah, Book 12-Business Transactions, Hadith no. 2363 & Sahih Muslim-Book of Transactions Vol.5, Hadith no. 3380

“On the night of Ascension, I came upon people whose stomachs were like houses with snakes visible from the outside. I asked Gibril who they were. He replied that they were people who had received interest.” (Related Ibn Majah, Musnad Ahmed)¹⁴. Jabir bin Abdullahi also reported that “The messenger of Allah (PBUH) cursed the recipient of usury and its giver, and the one who records it, and the two witnesses; and he said: “They are all equal (in sin & penalty)” (Related by Sahih Muslim and at-Tirmidhi)¹⁵

In addition, Hazrat Abu Hurayrah (RA) narrated that: *The Prophet, peace be on him, said: "Riba has seventy segments, the least serious is being equivalent to a man committing adultery with his own mother."* (Ibn Majah)¹⁶. Furthermore, Allah (SWT) has decreed a penalty for those consuming riba that “if you do not do so, then take notice of war from Allah and his messengers. But, if you repent, you can have your principal. Neither should you commit injustice nor should you be subjected to it”. (Q2:279)¹⁷.

2.1.2. Prohibition of Riba (Usury) in Christianity

The Christian faith also prohibits the consumption of riba (Usury) in the following verses;

“And if you lend to those from which whom you hope to receive back, what credit is that to you. For even sinners lend to sinners to receive as much back, but love your enemies, do good and lend, hoping for nothing in return and your reward will be great and you will be sons of the most high, for he is kind to the unthankful and evil” (Luke 6:34-35).

“You shall not lend upon interest to your brother, interest on money, interest on victual, interest on anything that is lent for interest” (Deuteronomy 23:19)

Similar prohibitions was also mentioned in Leviticus 25:36, Psalm 15:5, Exodus 22:25 and also the bible further state categorically the penalty for those consuming Riba as follows: “if he exacted Usury or taken an increase (interest)- shall he then live? He shall not live! If he has done any of these abominations, he shall surely be put to death. His blood shall be up him “(Ezekiel 18:13). To ensure further compliance of these Rules/Laws, the bible says “Curse be he that confirmed not all the words of this law to do them, and all the people say Amen” (Deuteronomy 27:26)

3. Why Riba (Usury) Should be Carved Out of Financial Transactions?

3.1. To Comply with Allah’s Instruction

The overall reason behind the need for riba to be carved out of financial transactions is that Almighty Allah (SWT) has prohibited the consumption of riba in whatever form. The prohibition is stated in the Quran as follows Q2:276,278, 279, Q3:130, Q5:90 while in the Bible, reference can be made to the following verses Luke 6;34-35, Psalm 15:5, Deut 23:19, Isaiah 5:22, Habakkuk 2:15, Proverbs 20:1, Deuteronomy 21:18-21, Luke 12:45-47, Leviticus 11:7, Isaiah 65:3-4,66:17 and Deuteronomy 14:8 etc.

14 Ibn Majah, Book 12-Business Transactions, Hadith no. 2359

15 Sahih Muslim, Book 21-Book of Batering, Hadith no.955 and at-Tirmidhi, Vol 1, Book 12, Hadith no.1206

16 Ibn Majah, Book 12-Business Transaction, Hadith 2360

17 See also Q2:275

The fact that we are not the creator of ourselves because Allah (SWT) has created us, gave us food, air, water etc free of charge without payment except to worship him alone without associating any other gods with him. Simple instructions that are laid down for us to comply with in the strive for our daily survival pending our appointed time, but we cannot comply because of our greed to accumulate wealth in this world and not minding the hereafter. This draws our attention of a chapter from the holy Quran as regards the implication of compiling wealth

The Mutual rivalry for piling up of worldly things diverts you, until. You visit the graves (i.e till you die), Nay! You shall come to know!, Again, Nay! You shall come to know!, Nay! If you knew with a sure knowledge (the end result of piling up, you would not have occupied yourselves in worldly things, Verily, You shall see the blazing fire (Hell)! And again, you shall see it with certainty of sight!, then, on that day, you shall be asked about the delight (you indulged in, in this world)! (Q102: 1-8). Therefore, in order not to be amongst the losers and to earn Allah's anger in this world and the hereafter, there is the need for the entire mankind and economies of the world to ensure at least ensure 100% compliance to these rules.

3.2. It's a Repression of the Disadvantaged (Needy)

Interest is an idea developed by man to accumulate wealth and the medium to achieve these objective resulted to the setting up of the conventional financial system because the way and manner the conventional financial system is structured, it's of no benefit to the needy because they (Bank) provide funds to the needy in times of need and demand repayment of the increase (interest accrued) and the principal at the end of the duration whether the borrowers makes profit or not. This act is inhumane because Economists has considered the loss in usefulness or utility of the loan suffered by the poor when paying their debt is much greater even than the profit made by the rich. Each unit of interest paid increases the loss in marginal utility, which leads to a reduction in utility in the economy.¹⁸

In addition, a manifestation of the effect of interest is clearly seen in cases of African countries where acute poverty, high mortality rate, poor infrastructure etc has become the other of the day because they are debt trap and the remote causes of their state of condition is as a result of the repayment of interest based loans to the capitalist countries. In other words, funds that are supposed to be used in addressing their economic problems are been used for servicing of debt. This is further buttressed in the words of Pope John Paul II (1989) in his *Sollicitudo Rei Socialis* can be used to buttress this fact which states "*Capital needed by the debtor nations to improve their standard of living now has to be used for interest payments on their debts*" and also in the words of President Obasanjo of Nigeria which he said: "*All that we had borrowed up to 1985 or 1986 was around \$5B and we have paid about \$16B yet we are still being told that we owe about \$28B. that \$28B came about because of the injustice in the foreign creditors interest. If*

18 <http://www.henciclopedia.org.uy/autores/Laguiadelmundo/Ecology.htm>. Retrieved 03/01/2016; 08:46am

you ask me what the worst thing in the world is, I will say it is compound interest". (Obj, G8 Summit, Okinawa, 2000:4)¹⁹

3.3. It widens Distribution of Wealth

Under the capitalist economy, interest elements have taken over all the fabrics of its economic structure. The outcome has not been satisfactorily because it has acted as a mechanism by which the rich get richer and the poor get poorer. In other words, there exist exploitation of one class over the other and the welfare of the other class is never taken into consideration. Imam Ar-Razi said in his *tafsir* of the Quran that riba requires the taking of interest appropriating another person's property without giving him anything in exchange, because the one who lends one dirham for two dirham's gets the extra dirham's in exchange for nothing.²⁰ A fact to buttress this point can be sited in the words of Choudhury and Malik, (1992) that "Interest in any amount acts in transferring wealth from the asset less section of the population"²¹. But Islam rejects the so called financial interest on the basis that it contradicts the Principle of Distributive Equity which is anchored on the basis of fairness in the distribution of resources within interpersonal relationship.

Islamic financial system seeks bridge the gap in wealth distribution even though it's not 100% but at least to a considerable limit as one of its focal point is to ensure economic and social justice for all. In realizing these objectives, the benevolent loan (Qard al Hassan) was initiated because it's a kind of interest free loan where funds are given out to meet unexpected events against no profit or collateral. The Profit and Loss Sharing scheme was also structured as a replacement of interest elements on loan transactions, an arrangement where profit and Loss are shared according to an agreed ratio between the provider (Bank) and the user (Borrower) of such fund.

In addition, the zakat account was also setup so that 2.5% of their capital and profit can be contributed annually. They may also ask their clients that may wish to contribute to the account for charitable purpose. The funds in the account will then be distributed to the poor as prescribe by the shariah for their welfare with the hope of not getting it back. These actions of the Islamic banks will go a long way to saves the poor from humiliation and to a great extent its redistribute wealth amongst the classes.

3.4. It Creates Inflationary Tendencies

Inflation can be defined as a generalized increase in the level of price sustained over a long period in any economy (Lipsey and Chrystal, 1995). Interest on loan tends to lead to high rate of inflation in economy because for a manufacturer of any commodity to

19 President Obasanjo of Nigeria, G8 Summit, Okinawa, 2000. In Ethica Institute of Islamic Finance (2013). *Hand book of Islamic Finance*. Dubai. Published by Ethica Institute of Islamic Finance. P.4

20 Imam Ar-Razi,(d.606) *Tafsir*, 7/4; In Abdul-Fattah, M.M and Shakier, R.Y (2006). *500 Questions and Answers on Islamic Jurisprudence*. Egypt. Dar Al-manarah Publishers.P.349

21 Choudhury, M.A and Malik, U.A (1992). *The Foundations of Islamic Political Economy*, London: Macmillan; New York: St Martin's Press. P.51

successfully pay back the principal plus interest of a loan advance to him by the conventional bank, he has to increase the prices of its output produced or most a times they creates artificial crises such as hoardings, speculation etc which will automatically breed inflation.

For instance if a manufacturer who receives N10,000 under a loan agreement in order to produce biscuits with the condition that he will refund N11,800 where the N1,800 is the interest. The manufacturer is expected to pay both the principal and interest whether he makes profit or not. The question here is, does he start looking for profit after N10,000 or after N11,800? It is explicit that he will certainly look for his profit after N11,800. If it is so then what will prevent the price of biscuit not to rise? But the Islamic mode of banking has provided a solution this economic ill because of its structure of Profit and loss or the Shirkah scheme to a great extent. Using same example above, the manufacturer will be looking for profits after N10,000 and any profit released will be shared according to the ratio agreed upon while same applies if losses are made. And if it is under the shirkah scheme, profit and loss will be shared according to the capital contributed. In lieu of this arrangement manufacturers will not be forced to commit all sorts of artificial crises so as to make abnormal profit that can cover the principal& interest. This will go a long way to minimize inflationary rate over goods

3.5. It is an Unjust Earnings/Income

Usury (interest) is considered as an unjust earning as it is against the doctrine of just price as propounded by a renowned Greek Christian scholar-Thomas Aquinas. This theory of ethics attempt to set standard of fairness in transaction. The argument against usury was that the lender was receiving income for nothing, since nothing was lent rather the money was exchange. ²²A dollar can be fairly exchange for dollar, so asking for more is unfair, illegal. In the Middle ages people compare usury to selling a loaf of bread and then making a surcharge for its use or in the words of St. Thomas, Selling the same thing twice. Also, charging riba, is against the Golden rule- which state that one should treat others as one would like other to treat oneself. If riba is prohibited, individuals will lend to each other with good will without expecting nothing more than the loan amount but if on the contrary, it will weaken his feelings of good will and friendliness toward the lender.

In addition, Aristotle and Plato see usury as unjust because they regarded money as nothing but a medium of exchange and as such they denied the productivity of loan of it.” A piece of money cannot beget another piece”²³. Thus, all gains made in trade must relate to the labour exerted by the merchant not to the need of the buyer which is in line with the view of Siddiqi (2004) that based on the shariah, people should be productive and useful, but only by investing their money in useful trade and economic enterprise

3.6. It Markdowns the Future

Usury is an avenue of discounting the future..i.e. future cost and benefits are converted into present value in order to make them comparable with each other. In so

²² http://en.m.wikipedia.org/wiki/just_price. Retrieved 23/07/2015. 7:37am

²³ Zera. “ Aristotle and Plato Theory on Money” Available in;

<http://www.economictheories.org/2008/10/aristotle-and-plato-theory-on-money.html>. Retrieved on 03/01/2016, 09:43am

doing, the concept of discount rate and discounting mechanism cannot be overemphasized. Pearce and Turner (1990) noted that discounting affects the rate at which we use up natural resources - the higher the discount rate (derived partly from the interest rate), the faster the resources are likely to be depleted. In other words, higher discount rates imply giving low values to future damages, thus betting against the environment and future generations. Similarly, discounting gives rise to an “optimistic paradox”. The assumption of growth (measured by GDP) justifies our using more resources and polluting more than we would otherwise do. Therefore, our descendants, who by assumption we anticipate will be better off than ourselves, might paradoxically be worse off²⁴. Thus, it permits a disjunction between financial and ecological economy. The result is either the progressive destruction of nature, or in the absence of redistributive social justice, an inbuilt necessity for periodic financial crashes throughout history (Visser and McIntosh, 1998)

3.7. It Causes Economic Volatility

Riba on financial transaction leads to economic volatility as evidenced during the credit crunch in 2007/08 on economies around the world but such effect was less felt on the Arab countries compared to the western countries. This was as a result of the fact that riba based transaction are debt based, no element of risk sharing, lack of market discipline and are speculative based etc, which variably makes such system less resilient to shocks. To further buttress this fact, Islamic economists such as Saddiqui (2009), Chapra (2009) and Bagsiraj (2009) have argued that the root cause is interest rate (Riba). Symptoms such as huge budgetary imbalances, excessive monetary expansion, large balance of payments deficit, insufficient foreign aid and inadequate international cooperation can be related to the flaws in the theory of interest (Hassan, 2009). Similarly, Ahmad (1958:36), arguing from an Islamic perspective, claims “the greatest problem in the capitalist economy is that of the crises (and) interest plays a peculiar part in bringing about the crises”. Even Keynes (1936:350), the campaigner for interest-based monetary policy, admits the fact that “the rate of interest is not self-adjusting at the level best suited to the social advantage but constantly tends to rise too high” Kennedy (1995) is bolder, suggesting that the compounded growth of interest may in fact cause inflation. The fact that riba based transactions cannot with stand the taste of time necessitate the need for it to be carved out and adopt a non interest based transaction that is risk sharing based, more transparent, ensure high level of market discipline and are asset based etc for such system is more resilience to shock.

3.8. Reduces the Spirit of Entrepreneurship and Productivity of Labour

The role of entrepreneurship in the growth and development of the real sector of any economy cannot be overemphasized. However, Transactions that are *riba* based tend to have a negative impact in driving the spirit of entrepreneurship because it prevents people from working to earn money since the individuals with money can earn an extra amount of money via interest without working for it and as such, the individual will not be bothered to take the risk or stress in running or setting up a business. This scenario

24 Ejolt (2013). Discounting the future. Environmental Justice Organisation Liabilities and trade.” Mapping Environmental justices” Available: www.ejolt.org/2013/01/discountingthefuture. [23rd August, 2015; 8:32am

invariably affects the total productivity of labour (This measures the amount of goods and services produced by one hour of labour) because certain individuals will be deprived from meaningful employment which would have being a plus to the overall growth of the economy. Conclusively, based on the shariah, people should be productive and useful, but only by investing their money in useful trade and economic enterprise (Siddiqi,2004)

3.9. It Creates Chaos in a Society

A society that permits usury, there exist a wide gap between the rich and the poor because the rich are benefiting from the sufferings of the poor, thus tends to create a class conflict in the future. Al Qaradawi says naturally this scenario generates envy and hatred among the poor towards the rich, and contempt and callous among the rich towards the poor. Conflicts arise, the socio-economic fabric is rent, revolutions are born and social order is threatened. He concluded that recent history amply illustrates the dangers to the peace and stability of nations inherent in interest based economies.²⁵

4. Conclusion

Riba (Interest) has become the fad on every conventional financial transaction. This is an idea postulated by the capitalist not minding its implication to the economy in as far as they are accumulating wealth out of it. Though, several texts have proven that the consumption of riba (Interest) in whatever form is highly prohibited and even amongst jurists there exist no differences of opinion regarding its prohibition but it still occupies our present day society despite the harm it has caused. Consequently, with its effect on the economy as demonstrated during 2007/08 global credit crunch, it needs to be carved out and be replaced with a non interest based system especially the Islamic financial system. The Vatican (2009) in his words, noted that banks should look at the rules of Islamic finance to restore confidence amongst their clients at a time of the global economic crisis. This further depicts the reliability of such a system due its ability to withstand and grow amidst any economic phases.

²⁵ See *Al-Halalu wal-Haramu fil islam (Lawful and the Prohibited in islam)*, Chapter four, the section dealing with " Transactions" In Abdul-Fattah, M.M and Shakier, R.Y (2006). *500 Questions and Answers on Islamic Jurisprudence*. Egypt. Dar Al-manarah Publishers.p.350

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