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MÜSLÜMAN BİR TOPLUMDA BORÇ FİNANSMANINA ELEŞTİREL BİR YAKLAŞIM: KATAR ÖRNEĞİ

A CRITICAL APPROACH TO DEBT FINANCING IN A MUSLIM SOCIETY: THE CASE OF QATAR

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Öz

Borç temeline dayalı bir toplum, yasal yollarla bile insanları sürekli olarak borçlanmaya teşvik eder ve bu durum bir dizi soruna yol açar. İslami finans kurumlarının danışma kurulunda yer alan bazı İslam alimleri, İslam'ın yardımlaşma geleneğine ve borç verme mirasına dikkat çekerken, toplumun aşırı derecede borç bağımlılığına ve bu bağımlılığın toplum üzerindeki sonuçlarına karşı çıkma gerekliliğini göz ardı etmişlerdir. Bu makale, İslami finans kurumları için yayınlanan dört fetvanın içerik analizi temelinde, Müslüman toplumlardaki borcun zararlarını ele almaktadır. İlk olarak, İslami bankacılık sistemindeki borç türleri açıklanmaktadır. İkinci olarak, ipotek ve kredi kartı borcu sorunlarına ilişkin dört fetva analiz edilmektedir. Makale, incelenen fetvaların dezavantajlı nüfuslar üzerindeki borç yükünü daha da ağırlaştıran küresel kapitalist sistemi de göz ardı ettiği savunmaktadır. Üçüncü olarak, borç kültürünün toplum ve çevre üzerindeki etkisi ele alınmaktadır. Ardından, Müslüman topluluklardaki aşırı borç bağımlılığına karşı önleme sorunları ve gerekliliği, Katar toplumu örneğiyle analiz edilmektedir. Araştırmada, incelenen fetvaların, ruh sağlığı üzerindeki olumsuz etkisi ve tüketim kültürüne katkısı da dahil olmak üzere borcun toplumsal etkisini yeterince dikkate almadığı sonucuna varılmaktadır.

Anahtar Kelime: Borç Finansmanı, Katar, Murabaha, İcara, Muradaba, Müşareke

Abstract

A debt-based society continuously encourages people to go into debt, even through legal means, and this leads to a series of problems.. Though Shariah scholars emphasize the Islamic legacy of lending a helping hand, they overlook society's excessive dependence on debt and its consequences. This paper discusses the harms of debt in Muslim societies based on content analysis of four fatwas issued for Islamic finance institutions. First, the types of debt in Islamic Banking are explained. Then, four fatwas are analyzed regarding mortgage and credit card debt. The paper argues these fatwas also overlook global capitalism, which worsens debt burdens on disadvantaged populations. It is followed by highlighting environmental issues and consumerism. Next, the necessity of preventing excessive debt dependence in Muslim communities is discussed with the example of Qatari society. The research concludes that the examined fatwas fail to consider debt's societal impact, including its negative effect on mental health and contribution to a consumerist culture.

Keywords: Debt Financing, Qatar, Murabaha, Ijara, Mudaraba, Musharaka.

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INTRODUCTION

Islamic finance has gained momentum since its reappearance in the early 1970s, with Islamic banking being the fastest-growing credit market sector in Muslim-majority countries where Islamic banks are available. Wilson (2004, p.196) asserts that the First International Conference on Islamic Economics, which took place in Mecca in 1976 and was organized by King Abdulaziz University of Jeddah, was a pivotal event in the genesis of Islamic economics. The oil booms that occurred during the 1970s and 1980s facilitated the acceleration of Islamic banking proliferation. The increasing Muslim population in the West has also resulted in a substantial demand for Islamic finance. The Islamic finance industry's optimistic outlook can be attributed primarily to the concentration of wealth in Muslim-majority countries. This success has not only led to the development of Shariah-compliant financial institutions but has also prompted Shariah scholars and Islamic economists to define and explain the underlying concepts and practices of Islamic economics. Furthermore, the emergence of socially responsible investments and Islamic indexes, such as Dow Jones Indexes, Standard & Poor's, FTSE, and MSCI, have facilitated the industry's growth and provided Western investors with benchmarks to monitor its performance.

To meet the diverse and evolving financial needs of individuals and corporations, Islam has allowed for various modes of financing, including murabaha, ijara, salam, istisna, and sukuk. Unlike mudaraba and musharaka, these modes of financing create debt rather than equity, and the rate of return is fixed in advance. Governments and corporations frequently use sukuk instruments to raise large amounts of finance, making it one of the most prominent modes of financing.

Despite Shariah scholars and Islamic economists' efforts to develop Islamic finance's philosophical foundations by highlighting the differences from the conventional economic system, few have explored its societal implications. One critical concern is the issue of debt, which appears to be largely ignored by proponents of Islamic finance. The development of a society based on debt encourages individuals to continue borrowing, albeit in a legal manner, and this can create numerous problems. While Shariah scholars emphasize the Islamic legacy of providing assistance to those in debt, they have failed to address the potential consequences of excessive dependence on debt and its impact on society.

There is enough evidence that debt harms a society from an economic point of view, particularly in the Islamic financial system. Many Islamic economists, who have contributed much to Islamic economics through their scholarly works, recognize that debt harms any given society

(Yunus & Muslimin, 2020; Rahim et al., 2021). However, Shariah scholars on the advisory board of Islamic banks perhaps do not seem to share this concern while issuing fatwas (a legal ruling given by a qualified Islamic jurist) or while approving a new service offered by respective banks.

This paper examines the adverse effects of debt in Muslim societies, focusing on a case study of Qatar. It begins by outlining the types of debt present in the Islamic banking system. Following this, four fatwas are analyzed to address debt issues related to the mortgage system and credit cards. The paper then discusses various environmental issues and the challenges of a consumer society. Subsequently, it highlights the problems and the need to prevent excessive debt dependence in Muslim communities, using Qatari society as an example. The paper concludes with a discussion of the findings and offers recommendations for addressing the prevalence of debt in Muslim societies.

1. A Brief Overview of Literature

Islamic teachings permit taking loans out of necessity and view debt as an obligation to fulfill. Bensaid et al. (2013, p.165) examine how Islamic principles not only alleviate debtors' emotional and social distress but also safeguard lenders' rights. Similarly, factors influencing Muslim consumers' indebtedness include both financial and non-financial aspects such as behavioral and demographic factors. In this context, Lusardi (2019, p.5-6) identifies poor financial behaviors as a key contributor to increasing personal financial problems, noting widespread inefficiencies in personal financial management. Complementing this perspective, Khan (2020, p.6) highlights that Islam mandates spending according to religious guidance and prohibits extravagance to avoid financial distress. In addition, Neves (2016, p.93-96) analyzes Gen-Y students and observes internal and external behavioral factors that affect the youth in consumerism and impulse buying practices.

Several studies also analyze current practices within Islamic financial sectors to tackle the issue of increased debt in Muslim societies. For instance, Mokhtar and Ismail (2013, p.66) emphasize the role of Islamic banks in providing interest-free funds to Muslims. However, they contend that Islamic financial institutions often issue debt for purposes such as personal enhancement or wealth accumulation that do not justify issuing loans. Expanding on this issue, Abozaid and Khateeb (2022, p.16) examine the issues related to debt creation in Islamic financial institutions, particularly focusing on the misuse of credit cards and their Shariah compliance. Their research analyzes the alignment of Islamic credit cards with Shariah regulations and warns of compliance risks associated with these products.

On an international scale, Ugurel (1999, p.81) assesses the foreign debt issues of indebted Islamic countries. In a similar vein, Chapra (1992, p.225) critiques the influence of Western consumer culture on Muslim countries, noting that expensive lifestyles, which even wealthy industrial nations struggle to maintain, become status symbols across the Muslim world.

Reviewing extensive literature, we find that despite the need to understand behavioral factors contributing to indebtedness, empirical studies on this issue remain scarce in majority-Muslim countries (Azma et al., 2019, p.189), with no research specifically addressing the MENA region. Moreover, reports indicate a dramatic rise in bankruptcy cases among Muslim households in some majority-Muslim societies (Rahman et al., 2020, p.8). In response, Lebdaoui and Chetoui (2021, p.101) explore credit purchasing behaviors in Morocco, suggesting that improved public policies, promotional campaigns, and financial education help manage consumer indebtedness in similar contexts.

In the South Asian context, Biplop et al. (2022, p.53) develop an Islamic debt and wealth management framework for Malaysia, recommending adherence to Shariah guidelines to improve financial behavior and avoid financial difficulties. Likewise, their study recommends that Malaysians and others enhance their financial behaviors by adhering to religious principles to prevent personal financial difficulties caused by poor debt and wealth management. Furthermore, Shariff et al. (2023, p.31) find a positive link between materialism and debt behavior among Malaysian Muslims, noting that materialism and religiosity create conflicting influences on borrowing behavior. However, their findings, based primarily on religious experts' views, may not fully reflect the actual debt behavior of the broader Muslim population.

Taken together, the increasing debate surrounding the growing indebtedness among Muslim consumers underscores a notable gap in the existing literature. Empirical studies addressing this issue in majority-Muslim countries remain scarce. While much research focuses on identifying primary factors of consumer indebtedness or examining indebtedness from a religious perspective, a deficiency exists in research examining trends within Muslim societies specifically. This study aims to fill this gap by investigating the debt culture in Muslim societies, using Qatari society as a case study. It analyzes some of the fatwas issued by Islamic banks and their impact on societal attitudes towards loan accessibility. Furthermore, the research evaluates the absence of financial advocacy in these fatwas and its implications for the consumer behavior of affluent Muslims. By addressing these issues, this study seeks to enhance the understanding of financial decision-making and contribute to the development of more effective public policies and financial education programs, while addressing an evaluation of selected fatwas issued from Islamic banks.

2. Types of Debts in Islamic Finance

In Islamic finance, debt is integrated into financial activities through four main types of financing contracts, which serve as the foundation for debt creation. The other contracts are variations of these four primary types. These are murabaha, istisna, ijarah, and salam contracts. In Islamic finance, murabaha is a contract used for financing transactions, which involves the sale of goods at a known cost plus a known profit margin. The buyer purchases the goods from the seller, who has previously acquired them, at a higher price than the purchase price (Ayub, 2007, p. 216). Another common contract in Islamic finance is ijarah, which refers to the leasing or renting of assets or commodities to gain benefit from their use. This encompasses labour and other forms of work arrangements whereby the individual or organization performing the work is remunerated with wages (Ayub, 2007, p. 279). Istisna is a financial agreement utilized to fund the production of commodities. Within this agreement, the purchaser stipulates the type of goods they desire to be produced, and the vendor assents to manufacture and transport the goods at an agreed-upon cost and timeframe. The seller's identity may be distinct from that of the producer of the goods, and the contract may be used to finance both producers and consumers, depending on the agreed payment date. Finally, a salam contract is a financial agreement involving the prepayment for the sale of a specific commodity, with delivery scheduled for a later date. This contract is commonly used to finance the production of goods (Abozaid & Khateeb, 2023, p. 43). There are two types of murabaha in contemporary banking practice: the ‘classic murabaha’ and the ‘banking (or commodity) murabaha’. The classic murabaha, as defined above, involves a simple credit-based cost-plus-profit sales transaction. The jurists generally permit such a contract as described in the prophetic traditions (hadith) and a verse that says: "God has permitted trade (implying credit sales) and forbidden riba (implying usury)” (Qur’an 2:275). Perhaps the permissibility of such a sale was due to the absence of financial markets during the era of Islam's formation. The scarcity of liquidity in that period would have made lending unfeasible, making a contract such as salam a viable alternative for financing the production of goods.

In contrast to ‘classic murabaha’, the ‘commodity murabaha’ (also known as reverse murabah*a* or tawarruq) is a financial instrument where the bank sells a commodity to a customer seeking financing at a deferred price and subsequently sells it in the market on their behalf at a lower face value, depositing the proceeds into the customer's account (Abozaid & Khateeb, 2023, p. 43). As a result, the customer agrees to pay the lender an excess of the borrowed amount, and a few variations of this instrument are used to circumvent the riba prohibition (El-Gamal, 2006, p.72). However, the Organisation of Islamic Cooperation (OIC) Fiqh Academy ruled that commodity murabaha was unlawful in Resolution No. 19/5 during the OIC Fiqh session held in Sharjah on the 30th of April 2009 (Yaacob et al., 2011, p.21).

The Islamic banking system is expected to be distinct from the conventional profit-making banking system. While promoting trade and healthy wealth management, Islam also aims to address poverty and inequality by advocating for economic justice for all human beings. The Islamic economic system endeavours to uplift the human community's social and economic status rather than creating gaps between the rich and the poor. One way to channel funding to the poor is through profit-and-loss sharing (PLS) contracts such as mudaraba and musharaka. These contracts ensure that the lessor is not deprived of any benefit. However, the current practice of Islamic banking largely favors debt-based contracts over PLS contracts. This paper aims to examine whether the prevalent debt-based contracts in Islamic banking fulfill the objectives of Islamic law, as well as promote socio-economic justice or are merely permissible profit-making tools that require checks and balances.

The prevailing use of collateral within the banking sector disproportionately benefits affluent corporate clients and businesses, thereby restricting the availability of financial resources to economically disadvantaged individuals. Islamic banks have supervisory boards that examine contracts before implementation and have the right to approve or reject them according to Islamic financial requirements. Muslim scholars in these supervisory boards monitor the banks' activities to ensure compliance with Islamic financial laws. However, under the pretext of being a profit-making organization, Islamic banks and their Shariah scholars appear to have overlooked the economic objectives of Islam. As we shall see, the excessive issuance of debt-based contracts is causing much of the damage.

3. Analysis of Selected Fatwas

The first fatwa[1] is from HSBC Amanah on goods murabaha. Members of the HSBC Amanah Central Shariah Committee have issued the fatwa for the bank's clients in the Kingdom of Bahrain. The fatwa highlights how the goods murabaha transaction is practiced in the bank. The procedure entails the bank designating its customer as an authorized agent to procure

[1] Please see appendix A for the full text of the *fatwa*.

merchandise on its behalf. Subsequently, once the bank verifies the possession of the merchandise by its appointed agent, the client procures the goods from the bank via a deferred payment arrangement.

The second fatwa[2] is from the Shariah board of Qatar Islamic Bank to answer a query about the murabaha financing contract. In the fatwa, the question is asked by a group of traders whom a Bahraini Islamic bank had invited to buy Iraqi oil and sell it to the Turkish Refinery Authority in the mode of a murabaha transaction. The Turkish Refinery Authority will open a documentary bank account on behalf of the Islamic bank to purchase and deliver the oil to the final buyer in Türkiye. The group wanted to know if they could participate in the transaction. The fatwa was issued by the Shariah board of the Qatar National Bank, legalizing the transaction within a murabaha context.

The Shariah board of Sudan Islamic Bank issues the third fatwa[3]. It is in the form of a reply to a client who wants to know the position of Shariah on a transaction he intends to enter with the bank. The client has applied to purchase a property worth 250,000 pounds on the condition that the bank sells it to him to the tune of 265,000 pounds to be paid within three months after the sale of the said property. However, can the client mortgage it to the bank until he settles down the value of the property? The case presented to the Shariah board involves a promise to purchase and sell in a murabaha mode. In the Maliki school of law, it is permissible to promise to purchase, and the promise is binding for the promising buyer. Furthermore, selling in murabaha is also permitted, and the amount specified in this case is acceptable. Based on the fatwa issued by the Shariah board of Sudan Islamic Bank, the board agreed that the bank should proceed to purchase the property based on the client's promise that he would buy it from them at the cost plus 17,000 pounds with an agreement to pay it within three months from the sale date.

The fourth fatwa[4] confirms the propriety of Islamic credit cards and their practice in Islamic banking. The Shariah advisor of the Standard Chartered Bank (Pakistan) Limited issued the fatwa, approving the bank's Islamic credit card as Shariah-compliant based on certain characteristics that he believes are Islamic. The card functions based on the 'Ujrah' model, which relies on a fee structure where a fixed fee is charged to the customer without any floating

[2] Please see appendix B for the full text of the *fatwa*.

[3] Please see appendix C for the full text of the *fatwa*.

[4] Please see appendix D for the full text of the *fatwa*.

percentage based on the customer's outstanding balance. This fee covers the services provided by the bank, which include facilitating the customer's ongoing use of the card, access to benefits and privileges such as exclusive airport lounge access, discounts at value-added merchants, and free roadside assistance in the event of a car breakdown, among others.

The fatwa seeks to legitimize the bank's credit card based on certain Shariah-compliant features that allegedly make it different from the credit cards of conventional banks. The customer is also obligated to pay an agreed amount of money to a charitable organization approved by the bank in case of default in paying the minimum amount on the due date. This feature ensures that the bank and the customer share the risk associated with the credit card, which aligns with Shariah principles. However, it is essential to educate customers about the terms and conditions of the credit card and advise them to exercise caution before applying for it.

As mentioned above, the Shariah advisor meticulously explains how the credit card system in Standard Chartered Bank is practiced and how it is appropriate in the eyes of Shariah. However, he does not insinuate the harms of credit cards in society. Joireman (2010, p.155) and others discuss that even though using a credit card is an easy way of paying for goods and services, consumers sometimes need to use them more wisely to avoid resulting in overspending. The availability of accessible credit facilities sometimes leads to compulsive buying, eventually leading to spending beyond one's needs and means. Studies on credit card usage also show that debts incurred from credit cards have caused problems in families.

The fatwas do not address the inquiry of debt application, specifically whether the client seeks a loan for luxury or necessity. In conclusion of the first fatwa, the committee declares that the practice is in compliance with Shariah law. Despite the OIC Fiqh Academy’s Resolution No. 19/5 that the commodity murabaha is unlawful, the fatwa states that the product's composition and written material adhere to Shariah principles, and as a result, individuals seeking Shariah-compliant services can use this product for their financial needs. It's important to note that the fatwa also offers interested clients the opportunity to utilize this financing. Similarly, the second fatwa also does not see any objection to a legitimate transaction within a murabaha context based on the permission bestowed by some old and contemporary scholars. There is no evidence in the fatwa that Shariah scholars mention about the possible consequences of this debt transaction in society.

As we can see in the third fatwa, the Shariah scholars of the Sudan Islamic Bank have not explicitly addressed the potential risks associated with debt incurred through Islamic financing contracts. Moreover, they have not advised customers to exercise caution when applying for such financing unless there is an immediate necessity for the purchase. Mian and Sufi (2014, p.19) contend that the borrower is exposed to a greater risk of loss due to the inherent characteristic of debt, which necessitates that the borrower bear the initial losses resulting from a decline in asset prices. To illustrate, Mian and Sufi provide an example of a homeowner who uses an $80,000 mortgage to purchase a $100,000 house (pp. 109-115). In the event that the house price falls by 20%, the homeowner loses the entire $20,000 investment, whereas the lender (bank) remains unaffected. As Mian and Sufi (2014, p. 114) argue, this exacerbates the wealth gap, leading to further impoverishment of the poor and enrichment of the wealthy through the utilization of debt. It can be argued that this scenario is not very different in Islamic financing contracts, where the client (borrower) is at risk while the Islamic bank keeps its profit intact. Therefore, it is essential to educate customers about the risks associated with debt created by Islamic financing contracts and advise them to exercise caution before applying for such financing.

The prevailing practices of Islamic banks globally demonstrate a preference for debt-based contracts over other equity-based finance modes, as supported by empirical evidence (Aggarwal and Yousef, 2000, p. 94; Dusuki and Abdullah, 2006). This choice is attributed to the profitability of Islamic financing, such as murabaha, compared to equity finance modes like musharaka. Asutay (2007, p.189) notes that Islamic banks prioritize adhering to Shariah compliance requirements through the form of the financing structure rather than its substance. Therefore, although debt-based financing contracts are utilized when disbursing financing facilities to customers, this approach enables Islamic banks to remain compliant with Shariah regulations.

Kahf (2006, p.10) suggests a fairer approach to debt-based financing by disallowing the granting of finance solely based on the borrower's creditworthiness without considering the purpose of the funds. He argues that implementing this strategy would foster greater social justice. The fatwas lack religious scruples as they do not impose any condition of necessity for seeking debt from the bank. Such an absence of restrictions on easy access to loans can encourage society to approach for loans to acquire excessive material goods. This perspective significantly deviates from Islamic ethics, which strongly advocates for Muslims to avoid incurring debt as much as possible. Islamic teachings emphasize the adverse consequences of debt, stressing the importance of fiscal responsibility. For instance, in an hadith Prophet says

> O Allah! I seek refuge in You from all worry and grief. I seek refuge in You from incapacity and slackness. I seek refuge in You from cowardice and miserliness, and I

> seek refuge in You from being overcome by debt and being overpowered by [other] men. (Bukhari, Hadith: 6369).

This hadith underscores the mental and emotional burden debt can impose, reinforcing the idea that avoiding debt is crucial for maintaining one's well-being. In another hadith, the Prophet stated, "O Allah! I seek refuge with You from sin and debt." (Muslim, Hadith: 589). This further illustrates the Islamic view that debt is not just a financial burden but also a moral and spiritual one, potentially leading to sin and misguidance.

Despite these clear teachings, contemporary Islamic finance contracts predominantly focus on debt-based financing rather than equity financing. This divergence between conventional Islamic teachings, which encourage Muslims to steer clear of excessive debt, and the Islamic banking system, which is overseen by religious scholars, highlights a significant issue: the predominance of debt promotion in society or, at the very least, the absence of its discouragement. The lack of emphasis on the moral and ethical implications of debt within fatwas could lead to a societal inclination towards unnecessary borrowing, contradicting the essence of Islamic financial ethics.

4. Debt Culture and its Repercussions on Society and Environment

The debt culture creates a consumer society that is more materialistic than realistic and sensible. The consumerism mentality of 'buy now, pay later' has removed the wisdom of 'never spend your money before you have it' from the minds of a debt-dependent society. One may understand the occasional need for debt, and hence perhaps such debt-based contracts are validated. Nevertheless, the ease of access to debt and consumer credit, in addition to policy regimes and incentives, being indebted seems not to be a matter of concern. It has become an entrenched part of social culture that almost every member of society is burdened with monthly loan payments to serve their consumer lifestyle. The feasibility of debts and credit cards has encouraged consumers to spend beyond their means, which goes against the Islamic notion of moderation and rationality in consumption. (Qur'an 2:143 and 55:8)

Bauman (2007, p. 64) argues that consumerism, particularly when fueled by debt, presents a significant issue as it cultivates a culture of individualism that undermines the common good. This culture is centered on the pursuit of personal happiness through the consumption, accumulation, and disposal of symbols of happiness (Baudrillard, 1998, p. 49). However, this happiness is temporary and ultimately unfulfilling. According to Bauman (2007, p. 57), the most notable characteristic of a consumer society is the transformation of individuals into commodities, with consumerism seeking to mold people according to its own logic and requirements. Unlike industrialism, which emphasizes production and defines individuals by their work or ownership of the means of production, consumerism places emphasis on consumption and disposal (Dufour, 2008, p. 42). In a consumer society, the system promotes irrational desires and impulses within the community to create new consumers. The main factor driving consumption is what Bell (1976, p. 64) calls functional irrationality, whereby consumerism is fueled by imaginary and irrational forces such as desires, emotions, affects, and impulses. Consumerism is a social structure that arises when ordinary, enduring, and "regime-neutral" human wants, desires, and aspirations are repurposed as the primary driving and operational force of society (Bauman, 2007, p. 24). Thus, consumerism ultimately depends on the irrationality of consumers and the evocation of consumerist emotions, rather than on their rational calculations or reasoning (Bauman, 2007, p. 48).

Debt financing plays a significant role in promoting consumerist behavior by encouraging individuals to live beyond their financial means, which has detrimental effects on society. According to Bauman (2007, p. 11), consumerism fosters a superficial relationship between individuals and their material possessions, where people are defined by their ability to consume rather than by their values or social contributions. This dynamic leads to the erosion of ethical and moral values critical for fostering a healthy and sustainable society. Research has shown that debt-based consumerism exacerbates this issue by reinforcing a cycle of material acquisition and debt accumulation, which often leads to financial insecurity and mental stress among consumers (Bauman, 2007, p. 24). Furthermore, debt financing extends beyond individual hardship; it perpetuates societal inequality and contributes to systemic instability.

Studies highlight how consumer debt increases financial vulnerability and exacerbates economic disparities, particularly among lower-income groups (Niemi, 2012, p. 76). The promotion of debt in consumer societies amplifies this problem by encouraging the acquisition of goods that individuals may not be able to afford, creating a self-perpetuating cycle of debt dependency (Graeber, 2011, p. 35). Thus, re-evaluating the role of debt financing in consumer societies is crucial. The focus should shift towards promoting alternative financing models that prioritize economic equity and financial stability. This includes advocating for policies that mitigate the over-reliance on debt and encourage responsible consumption, leading to more sustainable economic behaviors and reduced financial insecurity (Bauman, 2007, p. 48).

A society of consumers is very different since it creates a particular political context, and it seems that the Shariah scholars are either unaware of this situation or turning a blind eye. Perhaps unintentionally, they are encouraging consumption through financing contracts regardless of verifying the need or want of the client, in addition to reviewing his financial strength to repay the debt. Despite its many advantages, credit cards have become a menace due to excessive dependency on these cards that act as payment tools. Although it might be legalized for availing necessary goods, the responsibility rests on the customers too to self-examine their behavior in its usage. In contemporary society, credit cards have become a widely accepted mode of payment for various purchases. However, this easy availability of credit has the potential to drive an individual towards overspending, encouraging extravagance and indulgence in luxury items that contradict the principles of moderate spending and prudent financial management. Moreover, the promotion of credit card usage by financial institutions and the wider cultural acceptance of consumerism have contributed to the normalization of debt-taking, leading to a surge in personal indebtedness and financial instability across society (Abozaid & Khateeb, 2022, p. 16). This suggests that while credit cards may offer convenience in financial transactions, their unchecked use can have significant negative consequences for individuals and society at large.

Monzer Kahf and Amiirah Nabee Mohomed (2016) also discuss the implications of credit card use from an Islamic economic perspective. They argue that unchecked use of credit cards can lead to overconsumption and financial instability, particularly when credit is used to purchase non-Shariah-compliant goods. They call for tighter control by Islamic financial institutions to limit such activities (Kahf & Mohomed, 2016, pp. 57-80). Furthermore, Rusdiana Priatna Wijaya and Nurizal Ismail (2020) emphasize that although Shariah credit cards are permissible under Islamic law, there must be proper mechanisms in place to prevent misuse and ensure benefits for users (Wijaya & Ismail, 2020, p. 17).

Additionally, Johan et al. (2020) argue that many consumers, both Muslim and non-Muslim, may adopt Shariah-compliant credit cards, but behavioral and social influences often align more with conventional credit card usage patterns (Johan et al., 2020). Lim, Ng, Chin, and Boo (2014) further highlight that young consumers, in particular, often overspend using credit cards due to poor financial control and the desire for social status. This behavior not only leads to personal debt but also perpetuates consumerism and financial instability in society (Lim et al., 2014, pp. 287-302).

As Wilson (2004, pp. 201-207) notes, Chapra's critique of development economics, which operates within a materialistic framework and prioritizes self-interest over social interest, is indeed correct. The disadvantages of relying on debt financing are increasingly evident at both the individual company level and in the broader economic context (Wilson, 2004, p. 204). This is due to the rise of non-performing debt in the business sector and the national debt issue affecting many developing countries. While borrowing can be beneficial, it can also lead to difficulties when used to fund high-risk or long-term projects. In contrast, equity financing places the risk on the capital provider. The flexibility in pay-off arrangements associated with equity financing reduces risk and increases the probability of successful outcomes.

The fatwas of Shariah scholars in Islamic Banks suggest that they do not adhere to the capitalist perception of development economics. But on the other hand, although they have approved credit cards under the guise of being 'Shariah-compliant' for consumer financing, the problem arises when these credit cards are misused for impulsive buying. This has contributed to the creation of large amounts of debt, which is a serious problem facing modern economies. The trading of these debts only exacerbates the problem, and the combination of these practices has been one of the most important causes of financial crises. The global financial crisis of 2008 serves as a stark exemplification of the widespread reliance on debt-based financing and its attendant risks. The inability of mortgage holders to fulfill their debt obligations precipitated the failure of lending institutions and those that had acquired these debts, culminating in a global economic crisis. This crisis was fundamentally driven by an entrenched culture of debt and a lifestyle characterized by excessive greed. Islamic finance, with its ethical underpinnings, possesses the potential to alleviate such adverse effects. However, contemporary practices within Islamic finance, as evidenced by the aforementioned fatwas, either endorse or remain apathetic towards the debt culture that precipitated the downfall of conventional financial systems.

The conventional measure of development, often linked to a higher standard of living, is highly dependent on debt financing. Paradoxically, as countries become more developed, they become increasingly debt-ridden, and the debt culture becomes more pervasive. Therefore, it is critical to reconsider what constitutes a 'standard of living' and evaluate the relevance and significance of traditional economic indicators in assessing the quality of life from both intergenerational and intragenerational perspectives.

Consumerism has aggravated environmental problems that threaten the sustainability of human life. Consumers, unaware of the consequences of their actions, are resorting to easily accessible debts and credit cards to purchase, use, and discard products once they have served their purpose. As a result, the economy has become a linear system of extraction, utilization, and disposal, favoring the demands of ever-hungry consumers and ever-greedy companies (Khateeb et al., 2021, p.15). The exponential increase in pollution and environmental degradation during the twentieth century and continuing into the present era correlates with the escalating levels of indebtedness across personal, corporate, and governmental sectors. This concurrence itself translates to an inherent incapacity within the market system to fulfill future consumer demands. (Lacy & Rutqvist, 2015, p.xvi).

Shariah scholars are required to take into account the environmental crisis when issuing *fatwa*s to legitimize debt issuance. While their verdicts may seem acceptable from a transactional standpoint, as the steps to seek and issue credit are Shariah-compliant, there is a need to incorporate checks and balances on the necessity, urgency, and implications of such debts from an environmental and societal perspective. Debt serves as a gateway to accumulating excessive consumption, which incurs a significant cost to the environment and its resources. From an Islamic standpoint, if excessive usage of natural resources leads to waste, then it should be deemed prohibited. Several Islamic traditions prohibit extravagance under Islamic jurisprudence, including overspending and overconsumption (El-Gammal & Abozaid, 2021, p.32), which have resulted in environmental issues that affect not only humans but also other creatures that coexist with us on Earth. Thus, Shariah scholars should take these considerations into account in their fatwas to promote awareness in a society whose economic system is predominantly influenced by a capitalist framework that prioritizes profit over the environment.

5. The Case Study: Qatar as a Consumer Society

The phenomenon of indebtedness has become increasingly prevalent within the context of debt culture (Lea, 2021, p. 150). This paper uses Qatar as a case study to explore the societal implications of debt dependence. Despite receiving substantial government salaries and enjoying complimentary healthcare, Qatari citizens face significant social pressure to maintain lifestyles beyond their financial means. This pressure is largely driven by societal expectations tied to their considerable wealth. As a result, many are compelled to indulge in extravagant spending on items such as advanced smartphones, luxury cars, designer clothing, and high-end accessories for family wedding ceremonies (Mobasher, 2016, p. 2).

Some Qataris trace the origins of this issue to the country's economic boom during the era of high energy prices, which lasted until mid-2014 (Finn, 2016). This period saw a rapid rise in living standards and increased expectations of wealth and success. In interviews conducted by Finn (2016), several citizens revealed that some Qataris purchase the latest iPhone simply because their peers have it, while others travel to Dubai to buy counterfeit designer handbags to maintain appearances in front of friends. There is a clear need for increased community awareness regarding consumer behavior, especially as social media has significantly fueled consumerism within Qatari families (Al-Hamad, 2019, p. 23).

Two primary factors drive the rise in private indebtedness in Qatar: a flourishing financial sector, characterized by deregulation, and the redefinition of many human needs into expensive luxuries. According to the Qatar National Development Strategy 2011-2016, approximately 75% of Qataris are in debt, with most individuals owing more than 250,000 QR. The strategy highlights that this widespread debt contributes to both economic and social vulnerability. It also notes that many Qatari families lack a thorough understanding of financial matters, often taking out loans without fully comprehending the long-term repayment costs.

Debt in Qatari society places enormous strain on family life and has led to increasing demands on the government. This has fostered a "welfare syndrome," where citizens spend recklessly, assuming that the government or their relatives will help them manage large debts. The Qatar Second National Strategy 2018-2022 identifies the excessive culture of consumerism and poor financial management as key contributors to the debt burden on Qatari families, especially those in lower income brackets. This situation threatens the stability and unity of families, particularly those with limited financial resources. During a discussion with a representative from Qatar Charity, a local organization assisting citizens in debt, it was revealed that many individuals receive only a fraction of their salary after debt-related deductions. This leaves them struggling to provide a basic standard of living for their families. Additionally, some Qataris have been imprisoned due to their outstanding debts to banks.

Every year in the Muslim holy month of Ramadan, Qatar Charity runs a campaign, 'Musa’adat al-gharimeen' (meaning: assistance to the debtors), where it tries to collect as much charity as possible to cover the debts among Qataris. To alleviate the debts of thousands of citizens, the Emir personally contributed QR 200 million on two separate occasions to support this initiative. The first donation was made in 2021 (Abdallah, 2021), followed by a subsequent contribution of another QR 200 million in 2022. This financial support was provided in response to the Qatar Charity's announcement, which highlighted the Emir's substantial donations aimed at assisting indebted citizens facing challenging humanitarian and familial circumstances (The Peninsula Qatar, 2022).

Unfortunately, a country that boasts of being one of the richest has its people in debts and loans, forcing them to run a charity campaign to clear the debts. This is all due to the free access to debts where there are few checks on the need of the customer. Fenton (2012) articulates that in

2011 Qatari authorities launched a campaign to raise awareness about the prevailing debt problem, titled 'Debt is Disgraceful'. Throughout this campaign, donations were collected to pay the debts of Qatari citizens in prison and those facing imprisonment (Bayoumy, 2012, p. 3).

The Qatari authorities are currently taking measures to address the issue of debt and its detrimental effects on their society. One of the key strategies they are pursuing is to educate Qatari families on financial management skills, in order to reduce their tendency to engage in excessive consumerism. Additionally, they plan to introduce legislative restrictions on the amounts and conditions under which debt can be obtained. The National Development Strategy Plan for 2011-2016 aimed to reduce the number of Qatari families struggling with large bank debts (i.e. 250,000 Qatari Riyals and above) by fifty percent. Another feasible remedy is establishing a maximum expenditure limit on marriage ceremonies and other social events, coupled with enforcing sanctions against individuals who exceed this threshold. Furthermore, the government must implement more stringent regulations on banking institutions that perceive personal loans as lucrative opportunities.

CONCLUSION

The issue of debt is a significant concern recognized by social scientists and constitutes a central debate in Islamic economics. The fatwas analyzed in this paper demonstrate that Shariah scholars have given insufficient consideration to the societal problems associated with debt. Moreover, these fatwas fail to distinguish between different types of debt in terms of necessity or lack thereof. Debt can lead individuals into depression, adversely affecting their personal lives and, by extension, harming society. In some cases, it results in default on repayments, potentially leading to the confiscation of the defaulter's property. Ultimately, credit card debt emerges within a consumerist society shaped by capitalism—a phenomenon extensively discussed by sociologists and other scholars.

Given Islam's firm stance on debt and the detrimental impacts of a debt-based lifestyle and culture—observable at individual, business, national, and global levels—it is imperative that relevant Islamic principles and values be integrated into financial practices (Farooq, 2015, p. 1180). However, as highlighted in the analysis of the third fatwa in this paper, Shariah scholars often neglect to address the consequences of debt within the global capitalist system, which tends to exacerbate wealth disparities by making the poor poorer and the rich richer.

The sociological discussion of consumer society in this paper indicates that debt fosters a culture of consumers rather than cultivating financially wealthy and literate citizens. The implications are that such a society produces isolated individuals who are primarily concerned with their own interests and exhibit little inclination to work for the common good. The inevitable consequence is that a consumer society generates consumers rather than engaged political subjects.

While Shariah scholars issuing fatwas on economic and financial issues seem to presuppose that capitalism is the inevitable path forward, they often disregard the continuous exploitation of resources and the debt problems linked to resource depletion and environmental degradation. There is a need for greater coherence in their critiques; condemning environmental ruin in abstract terms while supporting the capitalist system and debt-driven society that contribute to these problems is contradictory. They appear to accept the normalization of capitalism as a way of life, despite its allowance for the persistent exploitation of natural resources for profit. This perspective does not align with Islam's advocacy for its adherents to exhibit sensitivity, thoughtfulness, and care towards fellow human beings, encompassing the concept of intragenerational care (Farooq, 2015, p. 1179). Given this outlook on a believer's conduct and attitude, it becomes evident why Islam would disapprove of leading or enjoying a life of indulgence founded on debt due to its far-reaching intergenerational repercussions.

Furthermore, Wilson's (2004, p. 203) assertion that "Islamic writers see a lack of balance and moderation in capitalism" is a valid point that needs to be addressed by Shariah scholars when they issue fatwas on financial contracts that produce debt. Therefore, it is suggested that Shariah scholars should take a clear and critical stand on the question of capitalism. To prevent intergenerational inequities resulting from overconsumption and unsustainable living standards, policies, institutions, and culture must work in tandem. This is particularly important for societies guided by Islamic principles, which emphasize social welfare and the equitable distribution of resources. Islamic banks and financial institutions should lead by promoting responsible financial practices and serving as examples for others to follow.

As Islamic finance continues to grow, there is hope that equity-based financing and profit-and-loss sharing models will become more prevalent in Muslim countries, while debt-based financing methods will decline. The transition from a debt-based lifestyle to a needs-based lifestyle can only be achieved through the collaboration of various actors, including academics, educational institutions, responsible financial organizations, and community leaders. Such a concerted effort is essential to foster a more equitable and sustainable economic system that aligns with Islamic values.

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Appendix A:

بسم الله الرحمن الرحيم

الحمد لله رب العالمين و الصلاة والسلام على رسوله الكريم وعلى آله و أصحابه أجمعين

46CSC/12
August 16, 2010

Amanah Goods Murabaha

HSBC Amanah Central Shariah Committee (the 'Committee') has reviewed the structure and documentation of Amanah Goods Murabaha (the 'Product') to be offered for corporate clients in the Kingdom of Bahrain. The Product has been structured as follows:

Product Steps	**Documents**
The Client approaches HSBC Bank Middle East Limited or its affiliates (the 'Bank') and expresses its desire to purchase goods (the 'Goods').	Transaction Request
The Bank appoints and authorizes the Client as its agent (the' Agent') to procure the Goods on Bank's behalf.	Transaction Approval
The Client purchases the Goods as an Agent of the Bank.	
Upon obtaining possession of the Goods, the Agent sends a confirmation to the Bank, confirming possession of the Goods by the Agent.	Form of Confirmation
Once the Bank is in possession of the Goods through the Agent, the Client offers to purchase the Goods from the Bank on deferred payment basis.	Offer
Upon receipt of offer from the Client, the Bank accepts the offer.	Acceptance

The Committee has also reviewed the following documents in relation to the Product:

1. Amanah Goods Murabaha Facility Agreement (Ref: 45CIR/BH/AGM01)
2. Amanah Goods Murabaha Facility Offer Letter (Ref: 45CIR/BH/AGM01(a))
3. Form of Transaction Notice (Ref: 45CIR/BH/AGM01(b))
4. Form of Confirmation (Ref: 45CIR/BH/AGM01(c))
5. Form of Offer and Acceptance (Ref: 45CIR/BH/AGM01(d))

The Committee hereby rules that the structure and documentaion of theProduct is in accordance with the principles of Shariah and clients who are looking for Shariah compliant services may avail this Product to meet their financing needs.

And Allah knows the best.

Sheikh Nizam Yaquby **Dr. Mohamed Ali Elgari** **Dr. Muhammad Imran Usmani**
Members of HSBC Amanah Central Shariah Committee

Amanah

HSBC
The world's local bank

Appendix B:

Fatwa 2

A Bahraini Islamic bank invited us to participate in a transaction of buying Iraqi oil and sell it to Turkish Refineries Authority in mode of Murabaha transaction. The Turkish Refineries Authority will open a documentary credit in favor of the Islamic banks represented by this Islamic bank which will purchase the oil from the Iraqi exporter who will deliver
it to the final buyer in Turkey. Please specify whether we may participate in this transaction?

Answer:

I do not see any objection against this transaction within the context of legitimate Murabaha sale procedures that are applied in the Islamic banks based on the permission bestowed by some old and contemporary scholars.

Source:

Fatwa of the Shari'ah board of Qatar Islamic Bank, Fatwa (No. 7)

Appendix C:

Fatwa 3

Question

Please provide the Shari'ah opinion on the following: A bank client submitted its application to purchase a property in the amount of 250.000 pounds provided that the bank sells same property to the client in form of Murabaha in the amount of 265.000 pounds to be paid by the client after one month as of the date of the sale of the bank's property to the client. However, the client will mortgage same to the bank until he settles down the value of the property?

The answer

The application contains two facts: a promise to purchase and selling in Murabaha mode. This is the proper adaptability of the application text, as the applicant promised to buy the property, in mode of Murabaha, from the bank and asked the bank to purchase the house from its current owner at value of 250.000 pounds provided that the Promising Buyer will pay an amount of 256.000 pounds, as the price of the property, after three months from the date of sale of the house to him. Promise to purchase is no doubt permissible and subsequently binding the Promising Buyer towards the mentioned details, however, selling in Murabaha mode is permissible and the above mentioned profit offered by the promising buyer though it is little relative to the property value is also permissible, and no objection from Shari'ah point of view as well as the Shariah board based the permissibility of the promise to purchase on opinions of jurists, which are summarized as follows:

First: Promise is not binding.

Second: Promise, in view of Maliki Jurists, would be binding, if the promising reason has been specified.

Third: Promising, based on the view of Maliki Jurists and Bin Shbrimah, is absolutely binding.

Fourth: Representatives of the Islamic banks discussed the subject of promise to purchase and authorized Shariah boards of banks to choose between binding or non-binding Promise.

The board accepts in its current Fatwa, and future Fatwa's binding the promising buyer to purchase after the arrival of the commodity and awarded him the right of option provided that he has to pay all expenses incurred due to his promise or all costs that the bank would not have incurred if not being promised. Accordingly it is permissible for the bank to buy the house at an amount of 25.000 pounds based on a promise from Mr. Ali Mohamed Al-Hassan AbdulSalam to buy same from the bank at a profit of 17.000 pounds and settle the amount after a maximum period of three months from the date of sale. This transaction is permissible with the following notes:

(1) We have approved the form of promise to purchase, which contains clauses that stipulate the approval of the Promising buyer to pay a certain percentage of the value as collateral to prove his seriousness in execution of the commitment. However, albeit Istisna contract is permissible in Islamic law, yet we draw the attention to paragraph 6 of the form, in which the bank is not allowed to agree with the owner of the land to offer it profit of 25% of the costs because this is a sort of ambiguity in the conditions of the purchase of the house by the bank and commitment of the Promising Buyer to buy. Nevertheless the sixth paragraph imposes a penalty clause on the buyer to pay an amount of five thousand pounds for each month after the end of the above mentioned due date. This requirement is not allowed in such an agreement because it is an increase to the amount which binds buyer and this increase is of the same kind of the debt and increases in accordance with the length of delay period in which the client has not settled the required amount, hence such increment fall within the prohibited usury. So we do not agree about the existence of paragraph (6) that contains this clause in the agreement. We prefer to replace the paragraph with a text in which the bank is entitled to sell the house to anyone who wishes to buy it provided that the promising buyer has to bear any differences, expenses or decrease in value caused by his promise to purchase, according to which the bank entered into the given transaction.

Source:

Fatwas of the Shari'ah board of Sudan Islamic Bank, Fatwa no. (28).

Appendix D.1

Standard Chartered saadiq

In the name of Allah, the Most Gracious, the Most Merciful

ISLAMIC CREDIT CARD BY STANDARD CHARTERED BANK
PRONOUNCEMENT OF THE SCB SHARIAH ADVISOR

All praise is due to Allah, the Cherisher of the World, and peace and blessing be upon the Prophet of Allah on his family and all his companions

I have reviewed the following document(s) relating to the SCB's Islamic Credit Cards:

1. Terms and Conditions

The purpose of offering Credit Cards is to facilitate Muslims to have access to Credit Card facility designed in accordance with the principles of Shariah. Following are the details on the product structure:

The Islamic Card will operate on 'Ujrah' concept which is based on fee structure meaning that only fixed fee will be charged to the customer. The card would not be levied with any floating percentage fee dependent on the outstanding balance.

The customer would have the option to pay any amount less than the total outstanding balance (keeping minimum payment as 5% of the balance or a fixed amount whichever is higher). Fee will be levied monthly however the bank will have the right to waive the monthly fee for a given month at its sole discretion. Fee will only be charged, and appear in the credit card statement, in the month the bank decides not to waive the fee.

The fee will be charged for the following services valid on the Card:

- Continued usage of the Card
- Benefits and privileges such as (but not limited to)
  - Access to exclusive airport lounge
  - Discounts at value-added merchants
  - Free roadside assistance

The following features make this Card different from the conventional card.

Fixed Fee

The Card would not be levied with any floating percentage fee dependent on the outstanding balance. The entire fee structure is based on fixed fee unlike conventional cards where fee is a percentage of the outstanding amount or transaction amount.

Charges would vary for different card types (Classic, Gold, Gold Plus, etc), however, would remain the same across the entire card type.

Balance Transfer Facility

Balance Transfer Facility would be allowed only once. Customer will have to sign off a Declaration mentioning the intention of transferring the balance on Islamic Credit Cards is for pure Shariah compliant reasons. It will not be allowed to transfer any balance from Islamic Card to conventional cards. Balance Transfer would not be allowed for customers who have defaulted on card.

Appendix D.2

Standard Chartered saadiq

Late Payment fee

If the Customer fails to pay the Minimum Amount Due by the Payment Due Date, the customer, on demand from the bank, undertakes to pay a fixed late payment charge to charity which shall be donated to a charitable cause approved by the Bank and the Shariah Advisor in line with the bank's approved charity policy.

I hereby confirm that the Islamic Credit Cards offered by SCB is in accordance with the principles of Shariah and that Muslims can take advantage of the facility which relieves them from interest-based financing.

And Allah knows best.

Muhammad Abdul Mubeen
Shariah Advisor
Standard Chartered Bank (Pakistan) Limited

Muhammad Abdul Mubeen
Shariah Advisor
Standard Chartered Bank(Pakistan) Ltd.