



ISLAMIC INTEREST-FREE SYSTEM ALSO ATTRACTS NON-MUSLIMS

The behaviour of interest-based economic system also causes hindrance in the way of productivity

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Islam has prohibited interest in a very strong way. It has declared interest "Haram" in the Holy Quran. Now a days there is a visible development of Islamic Financial System, not only in Muslim countries but in the Western world also. It is considerable that the non-Muslims are also looking towards the Islamic interest-free system for solving economic problems that are confronting the economists. So, the Islamic financing is also flourishing in the Western world.

Being Muslim, we should obey the orders of the Quran that have been revealed by Almighty Allah. Being Muslim, we have faith that every injunction in the Quran has been revealed for the welfare and prosperity of mankind, not only for this world but for the eternal world also. So, we should obey the order of Allah about interest also and strive to implement Islamic financial system without determining whether the interest-free system would be successful or not or what are the shortfalls of interest-based system because it is the order of Allah but when we introduce Islamic economic system before non-Muslims, we must clarify the disadvantages of interest-based system and advantages of Islamic economic system. Unfortunately, we must also clarify the scenario in front of those so-called Muslims who consider the Islamic financial system unworkable in the modern world. We should pray for these Muslims.

I have mentioned clearly the shortfalls of interest in this article in comparison with Islamic financial system to clarify why Allah Almighty has forbidden interest.

In interest-based system, the rich becomes richer and poor becomes poorer because there is a concentration of wealth in this system. How? In interest-based banking system, an individual may take loans for consumer needs and agrees to repay the principal amount with the agreed amount of interest. From economic point of view, it is illogical that one person who is fulfilling his needs by taking credit and there is not even work of productivity in this regard, how can he repay the principal amount with interest. He is so compelled that he must agree to give interest against the immediate need because there is no other source to fulfill. So, the interest-based banking system takes undue advantage against the needs of these people and it leads to exploitation of poor people. On the other hand, in the Islamic economic system, the interest-free loan can be given to these people in the form of QARZ-E-HASANA. The Islamic banks may reserve some portion of their capital in this regard and may charge only documentation fee and other charges from these customers. So, in this system, there is no exploitation of poor people but in case of delay of payment by the debtor and if there is a genuine reason in this regard, Islam encourages the creditor to give more time to debtor for eternal success. But it does not mean that the debtor would take undue advantage of it.

When we look at the business in the modern society, even large companies have to take debts and other liabilities to meet the deficiency of capital. The banks give loans to these companies and charge the interest over it. Here, the creditor has no concern with the profit and loss of the company. Here the question arises: When a company does the business, there is not always a possibility of profit but the business may face a loss also so in this way, when a company takes debts from the conventional financial institutions and unfortunately, the company would go into the loss, it has to repay the principal amount with interest and it may lead to bankruptcies. If the

company is a listed one, its share prices would go down and it may be delisted so this condition would not go in the favor of the overall economy. We may see many examples in this regard.

On the other hand, in the Islamic economic system, MUDARABAH and MUSHRAKAH are the best ways in this regard. These are the ideal instruments for financing in Islamic Shariah mode. By these Islamic instruments of financing, the bank and the company go into partnership. Here, the rate of profit distribution is decided by the mutual consent. In case of loss, the loss is borne by both the parties according to the rate of contribution. So, in this case, no one can take undue advantage of financing and each party is in risky condition. Islam prohibits that one party would take advantage either in case of profit or loss.

Now, we come to the international level where the rich nations and international donor agencies have been exploiting the poor nations in the same way as conventional banks. Here, the creditors give huge loans with huge rate of interest. The World Bank and International Monetary Fund (IMF) give loans to help meet the budget deficit and for developmental purposes like reforms in education, health, nutrition etc. Here, you must recall the condition of poor individual as poor nation. In this way, poor nations have been caught in the powerful hands of these institutions and there is more poverty and budget deficits in these countries rather than prosperity as evident from the world's condition. Here, these institutions have only concern with their money with pre-determined interest. They have no concern with the prosperity and poverty reduction of these countries so after giving credit, these institutions get a permit to interfere in the country's internal affairs and economy and guides the government according to own choices. The people of every country understands their own country's political, legal, economic and social environment very well that cannot be understood by the outsider. So, it results in the destruction of the economy of poor nations. In this scenario, the country would think about the repayment of loan rather than thinking of development and the government has to take those steps which would not be in the favour of society and people like imposition of high taxes and inflation etc.

I have drawn a picture of a needy individual to government level and you see how interest-based system has been exploiting the economy of this world. Does this system lead to prosperity of this world? Tell to yourself and get answer.

The interest-based system leads to enhancement in selfishness, hatred and greed as evident from the present world's condition. The love and affection is lacking in the present so-called modern world. The respect of humanity is decreasing day by day. In the western society, family system has been destroyed and it is also affecting our culture. Everybody is greedy for more and more wealth because the modern capitalist system has started the race of earning money by any means. Wars and hatred in the world are the results of, of course, this system. That's why Islam has prohibited this curse. According to Allama Yusuf Ali (eminent translator of the Holy Quran into English), "Whereas legitimate trade or industry increases the prosperity and stability of men and nations, dependence over usury (excessive interest) would merely encourage a race of idlers, cruel bloodsuckers and worthless fellows who do not know their own good and therefore akin to madman."

Here, one may argue that if interest-based economic system is not favorable for the mankind, why the western world has attained marvelous development, specially USA?

The answer is that the interest-based economic system is not the cause of successes and prosperity of the western world and USA. It is a great misunderstanding among our people due to lack of knowledge of international economy. These countries have very much developed in science and technology so these countries are earning very much through their inventions and innovations. Another pity factor is that the corrupt politicians of the poor and developing

countries have deposited the looted money in the banks of the western world. These are the general factors that everybody can understand but the considerable fact is that a major part of funds which finance business needs in the US, are raised as equity (common stocks) and not through loans. Kester (1986) lists debt-to-equity ratio for major categories of business in the US and Japan, and shows that equity financing is much more prevalent than debt financing. This situation shows the resistance of people specially business community against this system. It is evident that the developed world likes equity participating financing that Islam wants in a true manner according to Islamic laws in which there would be no exploitation.

It is also considerable that every American citizen has a debt of 24000 US dollars and the total debt upon the American economy is 7.7 trillion US dollars. This is the condition of that country that is called as super power. This situation may cause a great disaster in the American economy in the future.

The interest-based economic system also creates unemployment because the conventional financial institutions give loans to those sectors that have already strong in society so the concentration of wealth is in few rich hands. They do not give loans to those persons who may be capable to run business successfully or if may give loans, they charge high interest. This condition leads to exploitation. One person who is going to settle the business, how he can repay the huge amount of interest? But there is no consideration of this important point in this system. But on the other hand, in the Islamic economic system, the instrument of diminishing Musharakah may be used for this purpose in which both the parties invest. One party e.g. Islamic bank invests 80% and other party invests 20%. With the passage of time, the other party may purchase the share of bank so the bank's share would be diminishing and at last, the other party would be an owner of the business. The instruments of Mudarabah and Musharakah may also be used.

The behaviour of interest-based economic system also hinders in the way of productivity because creditor and investor invests only in powerful sectors and the other sectors are not explored too much in this system. According to conventional point of view of economics, human wants are unlimited but resources are limited. On the other hand, Islamic point of view is that resources are unlimited so that the man must explore the resources.

In the end, I would like to tell you about the concept of capitalism in the present world. Capitalism says that every person is free to do any work without any religious and cultural hindrances - the main objective is profit maximization and capital is regarded as factor of production.

Of course, this concept is the opposite of Islamic economic concept in which the Muslims have to live according to the teachings of Islam and every Haram work should be avoided like interest. Islam permits us to earn profit but not at the cost of welfare of mankind but there should be a consideration of welfare of mankind. Capital or money is not considered as factor of production which means that money cannot earn money directly as in the interest-based economic philosophy that money can earn money (interest). Money is only a medium of exchange in this world according to Islamic economic philosophy.

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