

# RIBA: A Recipe for Disaster

<sup>1</sup>Hamza Tariq Chauhan, <sup>2</sup>Syed Ehsanullah Agha

<sup>1</sup>Researcher, <sup>1,2</sup>Institute of Islamic Banking and Finance (IIBF, International Islamic University Malaysia, (IIUM))

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**Abstract:** This paper gives a comprehensive explanation of Riba, an Arabic word for Interest. The paper defines, classifies and explains Riba with examples. It goes back to the origin of Riba, how it emerged and evolved over time and compares it with the contemporary practise. The paper also gives some rebuttals to arguments like, the current Interest is not Riba, and how is it that renting assets is fine while renting money is not and how is that a company incorporating a small portion of Interest is still classified as a Shariah Compliant company? It explains in detail how Riba affects economy and social life and the paper concludes with illustrating the destructive nature of Interest and how it is counterproductive, stops real growth, and is illogical, unjust and detrimental to the economy and society as a whole.

**Keywords:** Interest; Riba; Origin; Contemporary practice; Destructive nature.

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## 1. INTRODUCTION

Interest is part and parcel of the contemporary financial and in specific the banking system. Whether we deposit money in our bank accounts or invest it through an investment bank or even use our credit card for shopping, it all involves Interest. The catastrophic effects of this are not clearly visible at a micro-level but are quite evident if we analyse at a macro-level. Interest makes the rich richer because it gives an automatic right to the investor of getting more money on the basis of his/her existing money.

This paper highlights the flaws of the system because of the presence of Interest. The system performing contradictory to what it was supposed to do i.e. not fulfilling the purpose of its existence and slowly and gradually moving towards destruction. This paper not only highlights the problems but also attempts to resolve them by giving an alternative but the first step is to have a consensus on the fact that, yes we are moving towards destruction and something needs to be done.

The paper comprehensively explains what interest is, in how many forms it occurs and how it is detrimental to the economy and society as a whole. Although for a Muslim one verse of the Holy Quran prohibiting Interest should be more than enough but because the paper tries engage both Muslims and non-Muslims, so a better part of the paper explains how interest is detrimental to the economy and society.

This paper also gives some rebuttals to scholars who are in favour of the current financial/banking system. It gives answers to arguments like the contemporary Interest is not Riba, If Interest is prohibited then how is that a company incorporating in small portion of Interest still is classified as Shariah Compliant and how come renting assets is allowed and cast which is also an asset, not allowed to be rented out? In the conclusion there is example by comparison of two scenarios that illustrate how it is in the very nature of Interest to cause destruction in the long-run.

### 1.1 DEFINITION AND CLASSIFICATION:

The literal meaning of the Arabic word Riba is an increase/growth/addition/expansion. It is very important to understand the concept of Riba to answer a lot of questions plus when Allah Almighty in the Quran 2:279 says “And if you do not (leave Interest), take notice of war from Allah and His Messenger...”, (Corpus Quran, 2009) this itself makes it very important especially for Muslims what is this thing Allah Almighty is forbidding us to do in such a harsh manner. He is announcing a war on anyone who indulges in taking or giving Interest so, it is in the best interest for everyone to fully understand what Riba is because only then we will be able to avoid it.

Broadly Riba is of two types, Riba-al-Fadl and Riba-an-Nasiyah. Let's first consider Riba-al-Fadl. The prohibition of this kind of Riba is not mentioned in the Holy Quran but is clearly mentioned in the hadith and that is why it is also called Riba of the hadith. The most famous hadith that helps in defining this kind of riba is the one that talks about the 6 Ribawi items. It's mentioned in Sahih Muslim, Book Number 10, and Hadith Number 3,852. Prophet Muhammad P.B.U.H "forbidding the sale of gold by gold, and silver by silver, and wheat by wheat, and barley by barley, and dates by dates, and salt by salt, except like for like and equal for equal, so he who made an addition or who accepted an addition (committed the sin of taking) interest". (Salah Times, 2015)

This means that the realm of Riba is not just limited to money. Two things which belong to the same genus cannot be traded unequally. These six things explicitly mentioned are the Ribawi items but the ambit of Ribawi items is not just limited to these six items. The detailed will be explained later in the paper.

So, Riba-al-Fadl can be defined as an exchange of similar items (items that belong to the same genus), where by the counter value of the exchanged item/s is unequal in amount/quantity and the transaction takes place hand in hand (spot).

The second type of Riba is Riba-an-Nasiyah. It is explicitly mentioned in the Holy Quran and hence, is also known as the Riba of Quran. Scholars consider this Riba as the bigger of the two and this is also known as Riba-al-Jahiliyyah. Although the Holy Quran mentions this type of Riba in number of places but does not give a precise definition but this absence of a precise definition does not mean that there is a lack of understanding. The very reason of no definition may be that at that time Arabs were very much aware of this term and did not require a definition. (Islamic Banker, 2009)

Considering today's need of people to understand Riba, scholars have given some definitions for a better understanding of the concept. Riba-an-Nasiyah can occur in two scenarios, one scenario is when there is a delay in time and the second scenario is when the exchange of the two items is unequal. So, there are two definitions for it and any transaction that falls in the sphere of these two definitions can be termed as Riba-an-Nasiyah.

First definition is termed as a conditional gain from debt contract. Meaning I put my money in the bank account on the condition that I will be given a percentage gain over my money. Second definition is termed as a conditional gain to the creditor for delaying the maturity date of payment for the debtor. Meaning if I was supposed to pay back my loan today and the bank restructures my payments, which results in increasing my time limit but also increases the amount outstanding. This sort of increase which takes place because of the delay in time is termed as Riba.

There are three main reasons because of which Allah Almighty has forbidden us to indulge ourselves in activities related to interest. Firstly there is exploitation of the person takes the loan and promises to pay back the principal plus interest because he does all the hard work and more importantly takes risk by investing or using the money on the other hand the creditor takes no risk, no hard work just the reward, so in a way he is exploiting. Second and third reasons are that the person is getting a conditional monetary gain without an equal counter value which makes this unjustified enrichment.

## **1.2 EXPLANATION:**

Riba-al-Fadl can only take place when a transaction is hand in hand i.e. on the spot. For Riba-al-Fadl to take place, three criteria need to be fulfilled. Firstly the transaction has to be completed on spot. Secondly the commodities being exchanged have to be of the same genus. Thirdly and most importantly there has to be an exchange of unequal counter value. For example I exchange 1kg of dates with 1.2kg of dates on spot. This transaction complies with all the three criteria of Riba-al-Fadl. The transaction is on spot, the commodities are the same and there is an unequal counter value. Hence, this is Riba-al-Fadl.

One might argue that although both items belong to the same genus but the quality of one item is better than the other. Even if this is true, it will still be Riba-al-Fadl because the hadith very clearly says gold for gold, silver for silver, wheat for wheat, dates for dates, barley for barley and salt for salt. Like for like if traded, must be traded equally and on spot but if the two commodities being traded belong to a different genus then the counter values can be unequal. There two very important things that require more explanation. Firstly is Riba-al-Fadl limited to these six items and why is that even in the sale of items that belong to the same genus the transaction has to be on spot but in the case of same items if borrowed then the on spot condition is alleviated.

The explanation to the first question is that the hadith is not limited to the sale of explicitly mentioned six items. These things can be further divided into two categories. The first category includes gold and silver and the second consist of wheat, dates, barley and salt. Gold and silver was used as currency so these two items incorporate all the currencies. Wheat,

salt, barley and dates represent the staple food of that time and they represent all the things that are used as staple food now. So, all the items those are used as currency or are used as staple food come in the ambit of these six items.

In order to answer the second question which is that why it is not allowed to sale on credit while it is fine to borrow (For example a person is not allowed to sale 1kg dates for 1kg dates on credit basis i.e. He cannot sale 1 kg dates to someone and ask him to pay him the 1 kg dates back the next day but He can lend him 1kg dates and ask him to give him back the 1kg dates the next day) we need to know about two terms "Adal" and "Ehsan". Adal refers to doing what is just, what is required. Ehsan refers to doing something more than what is required. Sale is based on the concept of Adal and Islam acknowledges time value of money which makes the credit sale not Adal. 1kg dates today is not equal to 1kg dates tomorrow, due to time value of money. This is why sale of 1kg dates today for 1kg dates tomorrow is not allowed.

Borrowing is allowed because it is based on Ehsan which means giving more than what is required. So, the lender lends the dates and is also willing to give the borrower the benefit of time value of money making the transaction Ehsan, which is allowed. For example a person lends RM 1,000 to another person and asks him to pay him back after some time. This is called Qard and is perfectly permissible because Qard is based on Ehsan and the person is giving RM 1,000 plus the time value of money and taking back only the RM 1,000 in future. That is why it is also known as Qard-e-Hassanah, which means the best form of Qard.

Riba-al-Nasiyah can only occur if a transaction is not on spot. This can occur in two ways. Firstly because of delayed payment for example a person took a loan from the bank and because he had to pay back this loan in 5 years he had to pay back the principal amount plus a percentage of the amount. This percentage he had to pay because of the 5 year time period comes into this category of Riba. Another scenario in which this type of Riba can occur is in the sale of two Ribawi items whereby the exchange is done on deferred basis. For example a person sells 1kg rice to another and the other person promises to pay him back by 1kg rice the next day or on anytime in future.

So in a nutshell Riba-al-Fadl is the on-spot exchange of same genus items with unequal counter values while Riba-an-Nasiyah is conditional gain on debt or from unequal counter values. These two definitions can be used as a screening tool to distinguish a Riba bearing transaction from a permissible one.

In today's word our entire banking system is based on this type of Riba, which is bigger of the two evils. The presence of Riba-an-Nasiyah is observable in almost all transactions of the conventional bank, whether it's giving loans, taking deposits, credit cards, leasing cars and so on. Later in the paper I will explain how this is detrimental to the economy and the society as a whole.

## **2. HISTORICAL BACKGROUND**

People all over the world, even before the birth of Prophet Muhammad (P.B.U.H) were involved in Riba bearing activities. Especially the Jews were very much involved in Riba. In this heading I will focus on how Prophet Muhammad peace be upon him dealt with this problem and what are the lessons we can learn from the history to improve the current system.

### **2.1 ORIGIN:**

The history even goes back up to 3000-4000 BC. People used to give some amount of money to the small traders and demanded a small percentage increase at the time of returning the debt. This type of contract was called the Bottomry contract. Bottomry was an arrangement in which the master of the ship in need of money asked the creditor to give him the required money and he will return the money plus interest on the money at a specific point in time and if he is not able to pay his ship can be taken from him. So, it was like collateral in today's terms.

The goldsmiths used to allow people to deposit their gold, silver and other precious metals to them and gave their depositors a receipt. These goldsmiths used to charge for the safekeeping. People started to trade those certificates of deposits i.e. the trade of debt. This gave rise to Riba. To make the situation even worse these goldsmiths when observed that the depositors gold just lie there idle they started to give loans and asked for an interest on those loans. All these led to the entrenchment of Riba in the financial system.

Prophet Muhammad (P.B.U.H) was born in 570 CE and even before his birth people were involved in a lot of sinful activities including the indulgent in Ribawi activities. Although the Riba problem prevailed at the early time of Prophet Muhammad P.B.U.H but if we observe his early teachings they are not condemning Riba. Most of the Makki chapters (chapters of the Quran that were revealed before the Hizrat-e-Madina) are concerned with the concept of Tawhid and the

very fundamentals of Islam. It is very interesting study to know how slowly and gradually Prophet Muhammad P.B.U.H prohibited Riba. Before prohibiting something the basis of prohibition should be very clear and evident to all.

## 2.2 RATIONAL OF PROHIBITION:

There are a lot verses of the Holy Quran that prohibits Riba and that alone should be sufficient enough for its prohibition but because this paper is targeted to both Muslims and Non-Muslims so it better to briefly explain both rationales from Quran and in general for a better understanding.

Different scholars give a lot of different rationales for the prohibition of Riba. This paper briefly explains some of them. According to the Holy Quran 2:188 Allah almighty asks us not to consume one other's wealth unjustly. If we analyse the concept of Riba, one person gains without taking any risk what so ever from the other person. This gain is unjustified because it is not backed up by any risk or hard work. Secondly there is an unequal exchange of counter values. This means that creditor who is lending the money is getting back what he lent plus a percentage of the lent amount. So, he/she gets back more than what he/she gave in the first place making it unequal exchange of counter values.

Another important reason of its prohibition is exploitation. When the creditor lends the money and asks the debtor to pay back with interest, the debtor has to utilize that money in such a way that he earns more money than his investment but if that is not the case he still has to pay the principal plus the interest. The creditor is not concerned with the fact that he is able or not able to return the money so, the creditor exploits the debtor. This is not just dangerous to the debtor and his family but is also detrimental to the society as a whole. The major effects of Riba on economy and society will be explained later in this paper.

## 2.3 STAGES OF GRADUAL PROHIBITION:

There can be many approaches to do a task. Each approach has its advantages and disadvantages. When it comes to approaches to prohibit something, one way can be prohibit its usage immediately; the other way can be to opt for a more gradual approach. Allah Almighty has chosen the latter for the prohibition of Riba. In the Holy Quran Riba is prohibited in 4 different stages.

### STAGE 1 (30:39)

وَمَا آتَيْتُم مِّن رِّبَا لِّيَرْبُوَ فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُوا عِنْدَ اللَّهِ وَمَاءٌ آتَيْتُم مِّن زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ ﴿٣٩﴾

“And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in zakat, desiring the countenance of Allah - those are the multipliers” (Corpus Quran, 2009)

This means that in the eyes of Allah Almighty whatever gain the interest taker thinks he/she is gaining is no gain. This verse was just to discourage all the people who were involved in interest bearing activities. It is not possible to prohibit Riba just on the basis of this verse.

### STAGE 2 (4:161)

وَأَخَذِهِمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالِ النَّاسِ بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا ﴿١٦١﴾

They (Jews) took usury while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have prepared for the disbelievers among them a painful punishment. (Corpus Quran, 2009)

In this verse Allah Almighty is talking about the people of the past, Riba was prohibited to them but still they did not abstain from involving themselves in Riba bearing activities. So, from this verse also it cannot be deduces that Riba is prohibited. This is just a slightly stronger discouragement for the people.

STAGE 3 (3:130)

يَأْتِيهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ  
تَفْلِحُونَ ﴿١٣٠﴾

O you, who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful. (Corpus Quran, 2009)

In this for the first time Allah Almighty prohibits Riba. As we know interest is of two types, compound interest and simple interest. Because the words “doubled and multiplied” are used, the scholars say that this verse is limited to the compound interest. So in this verse there is a partial prohibition, a prohibition which is limited to the usage compound interest.

STAGE 4 (2:275-279)

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ  
ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ  
مِّن رَّبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ  
فِيهَا خَالِدُونَ ﴿٢٧٥﴾

Those who consume interest cannot stand (on the Day of Resurrection) except as the one stands, which is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein. (Corpus Quran, 2009)

This verse completely prohibits both simple and compound verse.

If we analyse this approach of Allah Almighty to prohibit Riba, there are a lot of lessons from us. Allah Almighty has taught us that whenever you want to eliminate a vice/sin, the best way is to opt for a gradual approach. This way the sin will eliminate without very much troubling or making the lives of the people around us very difficult. If Allah Almighty would have wanted to prohibit Riba immediately He could have revealed this verse in the very beginning but he did not do that and after completing the 4 stages in chapter 2 verse number 279 He says if still you do not abstain yourselves from Riba, Allah Almighty and His Messenger P.B.U.M announces a fierce war on you. Allah Almighty goes from slight discouragement to a fierce war against Him, this is the gradual approach used.

In a nutshell, Allah Almighty did not prohibit Riba immediately despite of it being a very destructive sin. There is lesson for us that when a sin is entrenched in a system, irrelevant of its magnitude the best way to eliminate is to follow a gradual approach.

### 3. REBUTTALS TO SOME ARGUMENTS

There has been a lot of debate on this issue of Riba and contemporary Interest. This paper will try to answer some of the most common and repeated questions regarding the topic at hand. The reason why people give different arguments to support the existing Interest based system is that there stakes are in them, without the system they are nobody.

This paper focuses on three main questions and tried to answer them. Firstly there are a lot of people and scholars also who say that when the Quran uses the word Riba it does not refer to the contemporary interest. At the time when these verses regarding Riba were revealed at that time the creditors used to exploit the debtors by giving them debt at 100% Interest rate. That means that a debtor who took RM 1,000 as loan had to pay back RM 2,000 as a specific date in future and this is the real exploitation. We don't have that anymore so it is not right to equate the contemporary Interest with Riba.



Second question that this paper tries to answer is that why is renting a car, which is an asset fine while renting cash, which is also an asset Riba. They also say trade is just like Riba, there is no difference. In both scenarios a person is earning profits on his assets. The only difference is that one asset is non-cash and the other is cash. For example if I want to earn RM 100 profit. I can buy an asset worth RM 1,000 and sell it for RM 1,100 or I can give a loan of RM 1,000 and ask the other person to pay back RM 1,100. How are these two different?

Thirdly a very important question that this paper answers is that if Riba is such a big Sin and it's an equivalent to a war against Allah Almighty then why is that Islamic Scholars allow a small percentage of Riba in the Company's revenues. Mostly Scholars called a company Shariah compliant even if 5% or less than 5% of its revenue is coming from Ribawi activities. A sin is a sin big or small. A drop of Alcohol in a full clean glass of water will make it Non-Halal then why is that 5% of Riba does not make a company non-Shariah Compliant?

### **3.1 CONTEMPORARY INTEREST VERSUS RIBA:**

Some people argue that the existing Interest that is part and parcel of the contemporary banking system does not come in the ambit of Riba. The Riba Quran prohibits is different from this Interest. When Quran prohibited Riba, people at that time used to charge double i.e. 100% Interest rate and that was what Quran meant by Riba. Hence, we should do not disturb the current Interest based banking system and play our part in growing and developing it.

To answer this question first we need to define Riba. Once we have defined Riba and drawn its boundaries, only then we can tell whether the current Interest comes in the confines of those boundaries or not. As mentioned before in this paper the literal meaning of the word Riba is addition/excess. It amount of addition/excess can only help in determining the magnitude of Riba, it cannot define Riba. For example I stole RM 10 from someone or I rob a bank of worth RM 1 million, in both scenarios I stole. It is not true to say stealing RM 10 is not stealing. The punishment for both can be debated but it cannot be said that it is not stealing. The point I want to highlight here is that the amount only reflects magnitude, it can never define. Even if in old times there used to be 100% interest rates and now there are 10-15%, still it is Riba. Riba refers to the inequality amongst the counter values during an exchange, the difference in inequality will only help in ascertaining the magnitude of Riba.

### **3.2. RENTING ASSETS VS RENTING MONEY:**

This is a very common argument and I myself have experienced this many times. The argument goes like this; how is it that renting assets is allowed in Islam while the rental from cash comes in the ambit of Riba and Islam prohibits that? There is no point in saying the cash is not an asset because it is an asset, rather the first element of the balance sheet under assets.

It is true that Islam allows rent out assets while renting out money and some other items is not allowed. To understand the answer of this question first we need to understand the concept and classification of assets with respect to Islam. According to Islam assets are classified in to two types, first the items that on usage maintain their physical existence and are not consumed. For example when we drive a car we are utilizing its use but once we are done driving the car maintains its physical existence and does not loses its physical size and shape even slightly. The second types of assets are the assets who after usage either cease to exist or lose their size or shape physically. Taking the same example of a car which belong to the first type of asset needs petrol or diesel to work. On the other hand this petrol or diesel after usage ceases to exist or become less as compared to before usage. These types of assets come in the second type of assets. I call them consumable assets.

In Islam renting out assets is allowed while renting out consumable assets is not allowed and money is a consumable asset. This answer is good enough for another similar question that people pose, which is, trade is just like interest. We can ear profit of buying an asset at a low price and selling it at a higher price why can't we sell money instead of physical asset because money is also an asset and if Islam allows us to sell asset it should also allow us the sell money. So, the answer is the same money belongs to that category of asset (consumable asset) which cannot be rented or sold at a higher price. Allah Almighty very clearly in chapter 2 verse number 275 says that trade is permissible while Riba is Haram.

### **3.3 SHARIAH COMPLIANT LEVEL OF INTEREST:**

This is a very interesting argument. It states that if Riba is prohibited then how is it that a company entailing a small portion of it still is termed as a Shariah Compliant Company? For example one drop urine will make an entire bucket full of pure water impure then how is it that small portion of Riba does not make the whole company Haram? To answer this question a lot of explaining has to be done.

According to the current SC Shariah Screening Methodology for Shariah Compliance a company is a Shariah compliant company if its revenues from non-Halal activities stay below 5% of the total revenues. Now the question is a glass containing 95% pure water and 5% alcohol Halal or Haram? The answer is definitely Haram. They how is that 5% Riba is allowed. The answer to this question is that it is not allowed. It is tolerated. There is a difference between something prohibited and something tolerated. I will explain the answer to this question by giving 4 examples from Islamic history and answer the question based on empirical data.

Firstly Prophet Muhammad P.B.U.H was born in 570 CE. At that time a lot of sins including Riba prevailed in the system but a good early time of Prophet Life he did not preach people to not get involved in Riba. Does this mean that he allowed Riba? The answer is No, he tolerated it knew that was not the correct time and a Gradual Approach was required. Secondly the Holy Quran was revealed in approximately 23 years. One might ask why Allah Almighty took 23 years to reveal His word. Was it that He was taking time in writing it? Of course not, He took 23 years because He knows His creation more than anyone else and He knows a Gradual Approach is best for them.

Thirdly in the span of 23 years while Quran was being revealed continuously, certain things were being prohibited. Some prohibited after 5 years, some 10 years. What about the thing which was prohibited in the 10<sup>th</sup> year and was not prohibited before that. Was it that Allah Almighty realized on the 10<sup>th</sup> year that this thing should be prohibited? Again Of course no, Allah Almighty opted for a Gradual Approach of prohibiting. Let's take an example of Alcohol, which was not prohibited at the time of the start of the revelation of Quran but was prohibited after sometime. If we analyse the way Alcohol was prohibited we will able to understand a lot of contemporary issues regarding Riba. The time when Alcohol of not prohibited the first verse of the Quran that was revealed regarding Alcohol was in chapter 2 verse number 219. It says in Alcohol and Gambling there are advantages and disadvantages but the disadvantages outweigh the advantages. It was just a warning and it was not possible to deduce that Alcohol has been prohibited. It was just a slight discouragement.

The second verse that was revealed regarding Alcohol was chapter 4 verse number 43 that says do not go near prayer when you are intoxicated. Again on the basis of this verse it is not possible to say Alcohol is prohibited. The only deduction from this verse can be that Alcohol is prohibited before prayer, which implicitly means it is allowed after prayer. Just like do not drink and drive which implicitly means its ok to drink after driving. So, there was just a partial prohibition. The final verse that prohibited Alcohol for good was revealed in chapter 5 verse number 90 and it said Alcohol, gambling and divining arrows(astrology) are works of Satan so, shun each one of them that you prosper. After this verse there was a complete prohibition of Alcohol. Here a question comes to mind that in Quran chapter 4 verse number 43 when Allah Almighty implicitly allowed us to have Alcohol after offering prayer, did he not know Alcohol is work of Satan (5:90)? The answer is of course He did know but tolerated it at that point in time because He was following a Gradual Approach.

Fourth and the last example are regarding the prohibition of Riba. Quran prohibits Riba in 4 stages. First in chapter 30 verses number 39 where Allah Almighty says that the Riba you take and think increases your wealth, does not increase your wealth in the eyes of Allah Almighty. This verse can be termed as a slight discouragement. The second verse revealed was chapter 4 verse number 161. This verse talks about the books revealed in the past and says in those books Riba was prohibited. Third verse regarding Riba was chapter 3 verse number 130, which says do not consume usury doubled and multiplied. According to scholars doubled and multiplied refers to compound interest so it can be deduced from this verse that Allah Almighty has prohibited compound interest. As we know there are two types of interest simple and compound. So in a way this was a partial prohibition. The fourth verse that completely prohibited Riba was chapter 2 verse numbers 275 that says trade is permissible while Riba in all forms is Haram.

So if we analyse Quran carefully we will know that in order to eliminate a sin completely Allah Almighty Himself uses a Gradual Approach so why can't we use. Contemporary scholars are not allowing the 5% interest; they are just tolerating it for the time being and hopefully will keep on making this requirement more and stricter. Making us move towards a 100% Riba free system which cannot happen at once.

#### **4. EFFECTS OF RIBA**

The effects of Riba are not just limited to the economy, it effects are detrimental to the society as a whole also. The conventional banks are part and parcel of our daily lives and when we deal with them we are automatically knowingly or unknowingly affected by Riba.

#### 4.1 EFFECTS ON ECONOMY:

If we study history of the Muslim empire, from 10<sup>th</sup> century to 17<sup>th</sup> century there was no financial crisis. The reason was that there was no element of interest in the economy. Let's take the example of the recent 2008 financial crisis. Why did this crisis take place? The question can be answered in one word "**LEVERAGE**". Leverage means when someone borrows a lot of money so that he can increase his production and earn greater profits because of economies of scale and the learning curve. This all started after the dotcom bust. The chairman of the federal reserve Alan Greenspan decided to reduce the interest rate from 3-4% to 1%. According to him this step of taken to strengthen the economy, because of this reduction in the interest rates all the interest based conventional banking system started to borrow money because 1% interest rate was considered a very low rate. This borrowing made conventional banks go crazy with leverage. With all this money they bought a lot of houses and gave Prime mortgages i.e. deserving families and when these families were all given houses they started giving houses to Sub-Prime families i.e. not deserving families. When these families started to default the supply of the houses in the market increased, because of which the prices of the houses fell. Everybody stopped their payment, everyone was bankrupt and the whole financial system was frozen. (Fullspate Corporation, 2014)

In this contemporary conventional system the person who has money is considered to have an automatic right to earn more money on the basis of the money he has right now. Only the people who contribute in the factors of the production i.e. land, labor and capital have the right to get wealth. We all know that in the current world, people with more money have more opportunities to earn money, because of this the rich is getting rich and the poor is getting poorer. There are social classes, the rich people think they are better than the poor and see them as someone inferior and because of this many other problems like stealing, lack of ethics manifest.

In the conventional bank when a person deposits money, he/she is told he will get for e.g. 10% return on the principal amount irrespective of what the bank does with that money. Then the bank loans out this money to an investor, who needs money to invest in a project for e.g. a school and he is asked to give a 15% return on this loan irrespective of the outcome of his project. This 5% is the profit of the bank. Now there are two most likely possibilities which are either this project i.e. the school will be profitable or this school will result in a loss of this investment. If the project is successful, which means the return is more than 15%, let's say its 18%, which is a good return on investment. This means he after working hard, putting all his effort, will earn 3% as compared to the 5% return of the bank which did nothing except lending the money. This is injustice. Now if there is a loss then the person will still have to pay back the loan plus a 15% interest on it, even if he has to sell his only house so whether the project is successful or a failure there is always injustice.

In order to survive in this world having money is compulsory and that is why people choose a variety of ways to earn money. Some start a business, some work in firms to get salaries, some rent out their assets, and some work as labourers to get wages and so on. Most of the time the money people earn by different ways is not exactly equal to the amount of money they spend or want to spend. That means most of the people are either in need of money or are in excess of money and want to invest. The sole purpose of a banking system is to solve this problem i.e. take the money from the people who have it in excess and give it to the people who are in need of money both efficiently and effectively. This results in a productive economy.

Inflation is defined as the continuous rise in the general price levels of an economy. Some level of inflation in an economy is good but once it gets higher than that, it is very bad and detrimental especially to the people of the economy. The conventional banks when give out loans, this creates money and when the money supply increase, according to the quantity theory of money, inflation increases. The quantity theory of money says that if the money supply in an economy is double i.e. a person who had \$100, now has \$200, this will make the value of money one half. This means whatever he could purchase in \$100, now is of \$200.

The reason why the contemporary financial system was introduced was to help make a more conducive environment for the people who need funds and the people who has excess amount of funds, hence increasing real economic growth. Now this classical view can only be found in the books, and the new aim of a financial manager, banking sector or any financial organization is profit maximization. That is why nowadays the banking sector does not care about the real productivity; they only want to find more ways to attain maximum profits. They give out loans and take collaterals to safe themselves from losses, if the project succeeds they will get their interest, if it fails they will sell the asset they have custody off and prevent themselves from any loss. They don't care whether this process generates real economic growth or not.



As I explained the purpose of banks in the circular flow of income, in an economy there are two main groups of economic agents. These two main groups are households and firms. Households provides Factors of Production (FOP) to the firms i.e. they provide firms with Land, Labor and Capital. Firms in return for using the factors of production compensate the households by giving rent, wages and profits respectively. The outcome of the Factors of production used by the firm is goods and services. These goods and services are again bought by the households completing the circular flow income and generating real variables and increasing the real economic growth. This only works if the project is successful. What if the project fails? The banks will still want the borrower to pay them back their principal plus interest. How will that person who has already wasted some of his money, time and expertise in a project, pay back the principal plus interest. The only way he can pay is that he sells one of his own assets in order to pay and even after that payment there has been no real productivity.

So this will result not only in no productivity in the real sector but also a decrease in the real sector in order to compensate the financial sector i.e. the bank. This person when sells his house in order to pay the bank for the productivity not created. That is why interest is prohibited in Islam because it exploits and as a result of it no counter equivalent product is generated. Hence I say interest is both detrimental and counterproductive (not only increases production but also decreases production) to a society.

#### **4.2 EFFECTS OF SOCIETY:**

This banking sector is linked with each and every household. It is impossible for a household to live and fulfill all his/her obligations as a citizen of a country without dealing with banks. So this sector has a great impact on each and every person living in a country. These affects are numerous. But the two major ways the banking sector affects our lives are destroying our family values and greatly increasing the crime rate.

In order to survive in this world having money is compulsory and that is why people choose a variety of ways to earn money. Some start a business, some work in firms to get salaries, some rent out their assets, and some work as labourers to get wages and so on. Most of the time the money people earn by different ways is not exactly equal to the amount of money they spend or want to spend. That means most of the people are either in need of money or are in excess of money and want to invest. The sole purpose of a banking system is to fill this gap both efficiently and effectively. In order to fulfil this objective bank gives loans and earns profits in the form of interest but when the family is unable to pay its debt, family problems start to manifest. There are fights between husband and wife, the children are most affected victims and if this family might also have to give up the possession of the house they are living in to the bank in order to pay the debt. For them the concept of right and wrong starts to perish, this has a very bad effect on the family as a whole and especially the children. The both parents have to work in order to support their children, because of which they cannot give appropriate time to their children. They do not teach their children proper ethics and as a result when they grow up they do not respect them and when they grow up they do whatever they want because they were not taught ethics. All they were taught in their college was the most important purpose of any manager, any bank, any organization is profit maximization. This is what guides their life, what helps them in making their decisions. Hence this destroys the very concept of a family.

Nobody normal person commits crimes just because they like it, there is always a reason and the most common reason is to get money. Thanks to this current financial system of ours, a country is divided into number of social classes with respect to the amount of wealth a family has. Families who have less money, they are in an inferiority complex. They think and they are also treated in a way that reflects that they are inferior. In order to get out of this inferiority complex they try to find ways to improve their financial standard and when they do not find any just way of achieving their goal they start to considering unjust ways. They see other people doing it and give different justifications to themselves and start to indulge themselves in crimes. For any parents there is nothing more precious than their children and when because of this inflation they are unable to fulfill the basic requirements of their children they explore all opportunities irrespective of their ethicality. This has a very bad effect on the family and the society as a whole. When others see that a family has changed their social class by involving themselves in crimes, others follow their precedence.

Children when see their parents being involved in crimes, they in their preliminary stage of life, the stage where they are supposed to be taught ethics, they do what their parents do and hence the parents not only destroy their life but also the life of their children. When a family takes a loan to invest in a project or do business and improve their standard of living and the project is not successful, the bank is not going to let them go just because they can't pay back. The bank will opt for all the options they can exercise and make the life of the family a living hell unless they pay back. In order for a family to pay

back, they will have to find a way to get money fast; they might start gambling, stealing or even kidnapping children of the rich people and asking for ransom just to pay back that loan.

### 5. THE DESTRUCTIVE NATURE OF RIBA

When we study finance one of the fundamental concepts is of time value of money. In a nutshell according to this concept a dollar today is worth more than a dollar one day from now. The reason is that this dollar at be invested for one day and after one day we will have one dollar plus the profit of one dollar for a day which together will be greater than one dollar resulting in a dollar being more valuable today than one day from now. Everyone is familiar with this concept that it why this paper illustrates the destructive nature of Riba by using a familiar fundamental concept of time value of money.

Let's assume two people took a loan from two separate conventional banks. Both banks agree to give loan which was payable after 100 years. One bank gave the loan at 10% interest while the other gave at 50% interest. The person who took loan from the bank giving loan at 10% interest, took a loan of 1 trillion dollars i.e. 1,000,000,000,000. The person, who took loan from the bank giving loan at 50% interest, took a loan of only 1 dollar. After 100 years if we calculate how much money the both people owe to their two respective banks we will come to know the person who took only \$1 loan as compared to the person who took \$1,000,000,000,000 loan ends up having to pay more than 25 times the other person. This means if the person who took a loan of \$1,000,000,000,000 has to pay \$1 to the bank, the person who took only \$1 loan has to pay more than \$ 25 to his bank. Even if the duration of this loan is reduces from 100 years to 67 years still the person who took a loan of 1\$ will have to pay more than the person who took a loan of \$1,000,000,000,000.

Although this example is based on not a very unrealistic assumption that a bank charges 50% interest but it very well depicts the true destructive nature of interest. The amount of percentage of interest is directly proportional to the amount of injustice. Even if the percentage is small, injustice exists but the magnitude of injustice is less. With the increase of percentage of interest the magnitude of injustice increases. The following is the calculation of the illustrated example:

#### BANK A

No	P.V	Interest	F.V
0	1	0.5	(RM1.50)
1	RM1.50	0.5	(RM2.25)
2	RM2.25	0.5	(RM3.38)
3	RM3.38	0.5	(RM5.06)
4	RM5.06	0.5	(RM7.59)
5	RM7.59	0.5	(RM11.39)
6	RM11.39	0.5	(RM17.09)
7	RM17.09	0.5	(RM25.63)
8	RM25.63	0.5	(RM38.44)
9	RM38.44	0.5	(RM57.67)
10	RM57.67	0.5	(RM86.50)
11	RM86.50	0.5	(RM129.75)
12	RM129.75	0.5	(RM194.62)
13	RM194.62	0.5	(RM291.93)
14	RM291.93	0.5	(RM437.89)
15	RM437.89	0.5	(RM656.84)
16	RM656.84	0.5	(RM985.26)
17	RM985.26	0.5	(RM1,477.89)
18	RM1,477.89	0.5	(RM2,216.84)

19	RM2,216.84	0.5	(RM3,325.26)
20	RM3,325.26	0.5	(RM4,987.89)
21	RM4,987.89	0.5	(RM7,481.83)
22	RM7,481.83	0.5	(RM11,222.74)
23	RM11,222.74	0.5	(RM16,834.11)
24	RM16,834.11	0.5	(RM25,251.17)
25	RM25,251.17	0.5	(RM37,876.75)
26	RM37,876.75	0.5	(RM56,815.13)
27	RM56,815.13	0.5	(RM85,222.69)
28	RM85,222.69	0.5	(RM127,834.04)
29	RM127,834.04	0.5	(RM191,751.06)
30	RM191,751.06	0.5	(RM287,626.59)
31	RM287,626.59	0.5	(RM431,439.88)
32	RM431,439.88	0.5	(RM647,159.82)
33	RM647,159.82	0.5	(RM970,739.74)
34	RM970,739.74	0.5	(RM1,456,109.61)
35	RM1,456,109.61	0.5	(RM2,184,164.41)
36	RM2,184,164.41	0.5	(RM3,276,246.61)
37	RM3,276,246.61	0.5	(RM4,914,369.92)
38	RM4,914,369.92	0.5	(RM7,371,554.88)
39	RM7,371,554.88	0.5	(RM11,057,332.32)
40	RM11,057,332.32	0.5	(RM16,585,998.48)
41	RM16,585,998.48	0.5	(RM24,878,997.72)
42	RM24,878,997.72	0.5	(RM37,318,496.58)
43	RM37,318,496.58	0.5	(RM55,977,744.87)
44	RM55,977,744.87	0.5	(RM83,966,617.31)
45	RM83,966,617.31	0.5	(RM134,346,587.70)
46	RM125,949,925.97	0.5	(RM201,519,881.55)
47	RM188,924,888.95	0.5	(RM302,279,822.32)
48	RM283,387,333.43	0.5	(RM453,419,733.49)
49	RM425,081,000.14	0.5	(RM680,129,600.23)
50	RM637,621,500.21	0.5	(RM1,020,194,400.34)
51	RM956,432,250.32	0.5	(RM1,530,291,600.51)
52	RM1,434,648,375.48	0.5	(RM2,295,437,400.77)
53	RM2,151,972,563.22	0.5	(RM3,443,156,101.16)
54	RM3,227,958,844.83	0.5	(RM5,164,734,151.73)
55	RM4,841,938,267.25	0.5	(RM7,747,101,227.60)
56	RM7,262,907,400.88	0.5	(RM11,620,651,841.40)
57	RM10,894,361,101.31	0.5	(RM17,430,977,762.10)

58	RM16,341,541,651.97	0.5	(RM26,146,466,643.15)
59	RM24,512,312,477.96	0.5	(RM39,219,699,964.73)
60	RM36,768,468,716.93	0.5	(RM58,829,549,947.09)
61	RM55,152,703,075.40	0.5	(RM88,244,324,920.64)
62	RM82,729,054,613.10	0.5	(RM132,366,487,380.96)
63	RM124,093,581,919.65	0.5	(RM198,549,731,071.44)
64	RM186,140,372,879.47	0.5	(RM297,824,596,607.16)
65	RM279,210,559,319.21	0.5	(RM446,736,894,910.74)
66	RM418,815,838,978.82	0.5	(RM670,105,342,366.10)
67	RM628,223,758,468.22	0.5	(RM1,005,158,013,549.16)
68	RM942,335,637,702.33	0.5	(RM1,413,503,456,553.50)
69	RM1,413,503,456,553.50	0.5	(RM2,120,255,184,830.25)
70	RM2,120,255,184,830.25	0.5	(RM3,180,382,777,245.38)
71	RM3,180,382,777,245.38	0.5	(RM4,770,574,165,868.07)
72	RM4,770,574,165,868.07	0.5	(RM7,155,861,248,802.10)
73	RM7,155,861,248,802.10	0.5	(RM10,733,791,873,203.20)
74	RM10,733,791,873,203.20	0.5	(RM16,100,687,809,804.70)
75	RM16,100,687,809,804.70	0.5	(RM24,151,031,714,707.10)
76	RM24,151,031,714,707.10	0.5	(RM36,226,547,572,060.60)
77	RM36,226,547,572,060.60	0.5	(RM54,339,821,358,091.00)
78	RM54,339,821,358,090.90	0.5	(RM81,509,732,037,136.40)
79	RM81,509,732,037,136.40	0.5	(RM122,264,598,055,705.00)
80	RM122,264,598,055,705.00	0.5	(RM183,396,897,083,557.00)
81	RM183,396,897,083,557.00	0.5	(RM275,095,345,625,335.00)
82	RM275,095,345,625,335.00	0.5	(RM412,643,018,438,003.00)
83	RM412,643,018,438,003.00	0.5	(RM618,964,527,657,005.00)
84	RM618,964,527,657,005.00	0.5	(RM928,446,791,485,507.00)
85	RM928,446,791,485,507.00	0.5	(RM1,392,670,187,228,260.00)
86	RM1,392,670,187,228,260.00	0.5	(RM2,089,005,280,842,390.00)
87	RM2,089,005,280,842,390.00	0.5	(RM3,133,507,921,263,590.00)
88	RM3,133,507,921,263,590.00	0.5	(RM4,700,261,881,895,380.00)
89	RM4,700,261,881,895,380.00	0.5	(RM7,050,392,822,843,070.00)
90	RM7,050,392,822,843,070.00	0.5	(RM10,575,589,234,264,600.00)
91	RM10,575,589,234,264,600.00	0.5	(RM15,863,383,851,396,900.00)
92	RM15,863,383,851,396,900.00	0.5	(RM23,795,075,777,095,400.00)
93	RM23,795,075,777,095,400.00	0.5	(RM35,692,613,665,643,000.00)
94	RM35,692,613,665,643,000.00	0.5	(RM53,538,920,498,464,600.00)
95	RM53,538,920,498,464,600.00	0.5	(RM80,308,380,747,696,800.00)
96	RM80,308,380,747,696,800.00	0.5	(RM120,462,571,121,545,000.00)

97	RM120,462,571,121,545,000.00	0.5	(RM180,693,856,682,318,000.00)
98	RM180,693,856,682,318,000.00	0.5	(RM271,040,785,023,477,000.00)
99	RM271,040,785,023,477,000.00	0.5	(RM406,561,177,535,215,000.00)
100	RM406,561,177,535,215,000.00	0.5	(RM609,841,766,302,823,000.00)

**BANK B**

No	P.V	Interest	F.V
0	1,000,000,000,000	0.1	(RM1,100,000,000,000.00)
1	RM1,100,000,000,000.00	0.1	(RM1,210,000,000,000.00)
2	RM1,210,000,000,000.00	0.1	(RM1,815,000,000,000.00)
3	RM1,331,000,000,000.00	0.1	(RM1,996,500,000,000.00)
4	RM1,464,100,000,000.00	0.1	(RM2,196,150,000,000.00)
5	RM1,610,510,000,000.00	0.1	(RM2,415,765,000,000.00)
6	RM1,771,561,000,000.00	0.1	(RM2,657,341,500,000.00)
7	RM1,948,717,100,000.00	0.1	(RM2,923,075,650,000.00)
8	RM2,143,588,810,000.00	0.1	(RM3,215,383,215,000.00)
9	RM2,357,947,691,000.00	0.1	(RM3,536,921,536,500.00)
10	RM2,593,742,460,100.00	0.1	(RM3,890,613,690,150.00)
11	RM2,853,116,706,110.00	0.1	(RM4,279,675,059,165.00)
12	RM3,138,428,376,721.00	0.1	(RM4,707,642,565,081.50)
13	RM3,452,271,214,393.10	0.1	(RM5,178,406,821,589.66)
14	RM3,797,498,335,832.41	0.1	(RM5,696,247,503,748.62)
15	RM4,177,248,169,415.66	0.1	(RM6,265,872,254,123.48)
16	RM4,594,972,986,357.22	0.1	(RM6,892,459,479,535.83)
17	RM5,054,470,284,992.94	0.1	(RM7,581,705,427,489.42)
18	RM5,559,917,313,492.24	0.1	(RM8,339,875,970,238.36)
19	RM6,115,909,044,841.46	0.1	(RM9,167,499,949,325.61)
20	RM6,727,499,949,325.61	0.1	(RM10,074,499,949,325.61)
21	RM7,400,249,944,258.17	0.1	(RM11,064,249,944,258.17)
22	RM8,140,274,938,683.99	0.1	(RM12,140,274,938,683.99)
23	RM8,954,302,432,552.39	0.1	(RM13,314,302,432,552.39)
24	RM9,849,732,675,807.63	0.1	(RM14,594,732,675,807.63)
25	RM10,834,705,943,388.40	0.1	(RM15,990,705,943,388.40)
26	RM11,918,176,537,727.20	0.1	(RM17,518,176,537,727.20)
27	RM13,109,994,191,500.00	0.1	(RM19,189,994,191,500.00)
28	RM14,420,993,610,650.00	0.1	(RM21,000,993,610,650.00)
29	RM15,863,092,971,714.90	0.1	(RM22,963,092,971,714.90)
30	RM17,449,402,268,886.40	0.1	(RM25,099,402,268,886.40)
31	RM19,194,342,495,775.10	0.1	(RM27,919,342,495,775.10)



32	RM21,113,776,745,352.60	0.1	(RM31,670,665,118,028.90)
33	RM23,225,154,419,887.90	0.1	(RM34,837,731,629,831.80)
34	RM25,547,669,861,876.70	0.1	(RM38,321,504,792,815.00)
35	RM28,102,436,848,064.30	0.1	(RM42,153,655,272,096.50)
36	RM30,912,680,532,870.80	0.1	(RM46,369,020,799,306.10)
37	RM34,003,948,586,157.80	0.1	(RM51,005,922,879,236.70)
38	RM37,404,343,444,773.60	0.1	(RM56,106,515,167,160.40)
39	RM41,144,777,789,251.00	0.1	(RM61,717,166,683,876.50)
40	RM45,259,255,568,176.10	0.1	(RM67,888,883,352,264.10)
41	RM49,785,181,124,993.70	0.1	(RM74,677,771,687,490.50)
42	RM54,763,699,237,493.10	0.1	(RM82,145,548,856,239.60)
43	RM60,240,069,161,242.40	0.1	(RM90,360,103,741,863.60)
44	RM66,264,076,077,366.60	0.1	(RM99,396,114,116,049.90)
45	RM72,890,483,685,103.30	0.1	(RM80,179,532,053,613.60)
46	RM80,179,532,053,613.60	0.1	(RM88,197,485,258,975.00)
47	RM88,197,485,258,975.00	0.1	(RM97,017,233,784,872.50)
48	RM97,017,233,784,872.50	0.1	(RM106,718,957,163,360.00)
49	RM106,718,957,163,360.00	0.1	(RM117,390,852,879,696.00)
50	RM117,390,852,879,696.00	0.1	(RM129,129,938,167,665.00)
51	RM129,129,938,167,665.00	0.1	(RM142,042,931,984,432.00)
52	RM142,042,931,984,432.00	0.1	(RM156,247,225,182,875.00)
53	RM156,247,225,182,875.00	0.1	(RM171,871,947,701,163.00)
54	RM171,871,947,701,163.00	0.1	(RM189,059,142,471,279.00)
55	RM189,059,142,471,279.00	0.1	(RM207,965,056,718,407.00)
56	RM207,965,056,718,407.00	0.1	(RM228,761,562,390,248.00)
57	RM228,761,562,390,248.00	0.1	(RM251,637,718,629,272.00)
58	RM251,637,718,629,272.00	0.1	(RM276,801,490,492,200.00)
59	RM276,801,490,492,200.00	0.1	(RM304,481,639,541,420.00)
60	RM304,481,639,541,420.00	0.1	(RM334,929,803,495,562.00)
61	RM334,929,803,495,562.00	0.1	(RM368,422,783,845,118.00)
62	RM368,422,783,845,118.00	0.1	(RM405,265,062,229,630.00)
63	RM405,265,062,229,630.00	0.1	(RM445,791,568,452,593.00)
64	RM445,791,568,452,593.00	0.1	(RM490,370,725,297,852.00)
65	RM490,370,725,297,852.00	0.1	(RM539,407,797,827,637.00)
66	RM539,407,797,827,637.00	0.1	(RM593,348,577,610,401.00)
67	RM593,348,577,610,401.00	0.1	(RM652,683,435,371,441.00)
68	RM652,683,435,371,441.00	0.1	(RM717,951,778,908,585.00)
69	RM717,951,778,908,585.00	0.1	(RM789,746,956,799,444.00)
70	RM789,746,956,799,444.00	0.1	(RM868,721,652,479,388.00)

71	RM868,721,652,479,388.00	0.1	(RM955,593,817,727,327.00)
72	RM955,593,817,727,327.00	0.1	(RM1,051,153,199,500,060.00)
73	RM1,051,153,199,500,060.00	0.1	(RM1,576,729,799,250,090.00)
74	RM1,156,268,519,450,070.00	0.1	(RM1,271,895,371,395,070.00)
75	RM1,271,895,371,395,070.00	0.1	(RM1,399,084,908,534,580.00)
76	RM1,399,084,908,534,580.00	0.1	(RM1,538,993,399,388,040.00)
77	RM1,538,993,399,388,040.00	0.1	(RM1,692,892,739,326,840.00)
78	RM1,692,892,739,326,840.00	0.1	(RM1,862,182,013,259,530.00)
79	RM1,862,182,013,259,530.00	0.1	(RM2,048,400,214,585,480.00)
80	RM2,048,400,214,585,480.00	0.1	(RM2,253,240,236,044,030.00)
81	RM2,253,240,236,044,030.00	0.1	(RM2,478,564,259,648,430.00)
82	RM2,478,564,259,648,430.00	0.1	(RM2,726,420,685,613,270.00)
83	RM2,726,420,685,613,270.00	0.1	(RM2,999,062,754,174,600.00)
84	RM2,999,062,754,174,600.00	0.1	(RM3,298,969,029,592,060.00)
85	RM3,298,969,029,592,060.00	0.1	(RM3,628,865,932,551,270.00)
86	RM3,628,865,932,551,270.00	0.1	(RM3,991,752,525,806,400.00)
87	RM3,991,752,525,806,400.00	0.1	(RM4,390,927,778,387,040.00)
88	RM4,390,927,778,387,040.00	0.1	(RM4,830,020,556,225,740.00)
89	RM4,830,020,556,225,740.00	0.1	(RM5,313,022,611,848,310.00)
90	RM5,313,022,611,848,310.00	0.1	(RM5,844,324,873,033,150.00)
91	RM5,844,324,873,033,150.00	0.1	(RM6,428,757,360,336,460.00)
92	RM6,428,757,360,336,460.00	0.1	(RM7,071,633,096,370,110.00)
93	RM7,071,633,096,370,110.00	0.1	(RM7,778,796,406,007,120.00)
94	RM7,778,796,406,007,120.00	0.1	(RM8,556,676,046,607,830.00)
95	RM8,556,676,046,607,830.00	0.1	(RM9,412,343,651,268,620.00)
96	RM9,412,343,651,268,620.00	0.1	(RM10,353,578,016,395,500.00)
97	RM10,353,578,016,395,500.00	0.1	(RM11,388,935,818,035,000.00)
98	RM11,388,935,818,035,000.00	0.1	(RM12,527,829,399,838,500.00)
99	RM12,527,829,399,838,500.00	0.1	(RM13,780,612,339,822,400.00)
100	RM13,780,612,339,822,400.00	0.1	(RM15,158,673,573,804,600.00)

## 6. CONCLUSION

The whole conventional financial system is built on interest which is not only strictly prohibited in Islam but also results in unjust enrichment of the few, no real equivalent counter value production and above all, helps in the exploitation of the people in need. Irrespective of whether the project is successful or a failure, there is always injustice. The party (bank) who bears the least amount of risk is subject to the greater part of the profit generated (if generated) in the scenario of successful project and if there is a loss, the bank does not borne any share in the loss. Leverage which is the result of the greed in people mind is what caused the 2008 crisis and its time we should learn from our mistakes. This system is the main reason why there are social classes, the standard deviation of wealth among the general public keeps on increasing and increasing and which leads to a number of problems. Inflation is also one of the problems that directly affect the general public and major reason of high inflation is the money creation, which is done by the conventional banks.

The conventional banking system is detrimental to real production in an economy. The reason is that it is not linked with the successfulness of a project. They are only concern for the predetermined interest rate and all their measures are in the direction of getting that amount back, irrespective of the condition of the economy. The conventional system also has a very detrimental effect on the social lives of all the individuals who are linked with banks, which are almost 100% of the population. This unjust system leads to the collapse in family values and also increases crime rates of a country.

The concept of interest is not just injustice and destruction to the economy, it is also illogical. For example imagine a world where there is only one currency, once central bank and one government. The central bank prints the money, loans it out the government. This means that now the government has to return the money plus a small portion of interest to the central bank. The central bank is the sole printer/maker of money. How in the world can the government return more than what it takes having no power of increasing what it took? It is illogical. Hence the concept of interest is detrimental to the society and economy, is illogical and unjust.

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