

The Adverse Impact of Ribā on Society

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Abstract

Ribā, commonly understood as usury or interest, has been a subject of significant debate and scrutiny within Islamic finance and broader societal contexts. This paper delves into the adverse impact of Ribā on society from multiple perspectives, encompassing economic, social, and ethical dimensions. Economically, Ribā fosters inequality by concentrating wealth in the hands of the lenders while burdening borrowers with perpetual debt. The interest-based financial system incentivizes profit over productivity, leading to speculative bubbles, financial crises, and widening wealth gaps. Moreover, Ribā discourages entrepreneurship and innovation, as individuals may opt for interest-based financing rather than seeking Sharia-compliant alternatives. Socially, Ribā exacerbates poverty and marginalization, particularly among vulnerable populations. High interest rates on loans and credit exacerbate the cycle of poverty, trapping individuals and communities in perpetual debt. This phenomenon disproportionately affects low-income households, perpetuating socio-economic disparities and hindering social mobility. Furthermore, the commodification of money through interest-based transactions undermines the values of solidarity and cooperation, eroding social cohesion and trust within communities. Ethically, Ribā contradicts the principles of fairness, justice, and compassion inherent in Islamic teachings. It exploits the financial vulnerability of individuals for personal gain, violating the principle of mutual benefit and harming the common good. The pursuit of excessive profits through interest contradicts the ethical imperative of responsible stewardship and sustainable development. The adverse impact of Ribā on society is multifaceted, encompassing economic inequality, social injustice, and ethical degradation. Addressing these challenges requires a holistic approach that promotes financial inclusion, equitable wealth distribution,

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and ethical finance practices. By adhering to the principles of justice, compassion, and mutual cooperation, societies can mitigate the adverse effects of Ribā and foster inclusive prosperity for all members.

Keywords: Impact of Ribā on society, Lawful, Unlawful (Haram), Injunctions, Ribā ingredients

Introduction

All of the Muslims agree that *Ribā*, interest or usury is *Haram* or unlawful under the *Shari'ah* i.e. Islamic principles. This has been established by the Qur'ān, the *Sunnah* i.e. tradition of Prophet Muhammad (ﷺ) and the Muslims consensus agreement since the early stage of Islam until today. Hence, the following points will clear the positions of *Ribā* that are same and have been condemned by Islamic Shari'ah/Jurisprudence.

(a) Access to *Ribā*'s conditions there are many directions, methods of entering in the circle of *Ribā*. Prophet Muhammad (ﷺ) had declared that they are more than seventy doors. One may say it includes in the present scenario, Bank's loans, deposits and credit cards on the intention of increasing profit by the Bank or any institution who is playing with other's money will be assumed as *Ribā*, Usury or the Interest of Banks etc.

(b) *Ribā* is considered to be one of the greatest *Sin* in Islam, which is not only because Almighty Allah has described in The Qur'ān that "those who have contended on dealing with *Ribā*, have been declared involving into a war against Almighty Allah and His Messenger" (Qur'an 2:279) but for the evils that is found in it (*Ribā*) that affects the whole community's social prospects through eradicating the positive effects of whole economic structure.

(c) Those who deal in *Ribā* are indeed committing a severe mischief when they invest their money to get benefits for themselves without any considerations for the economic basis and their nation's goals and without any deliberation in their countries demands for the investment of these moneys for the welfare of the whole nation.

(d) No doubt that the needy people were the maximum victims in this evil process by maltreating them, and preventing them with chains of *Ribā* level hoarding it over them on the extent that they could not get rid of this debt, and this would probably lead to social unrest.

Islam has not only forbidden dealing in *Ribā* but also has offered the remedy of causes and factors that are involved in making human society a painful to poorer and pleasant to richer. Thus Islam allows growth in capital through genuine trade and blocks the way for everyone who tries to increase his capital through lending on *Ribā* whether it is at a low or a high rate, in order to protect helpless people from the maltreatment of the money-lender to whom the Qur'ān has named to be 'a man who has been affected by a Devil's touched', as said:

"Those who deals with *Ribā*, will not stand (on the Day of Resurrection), like the person beaten by *Satan* leading him to insanity". (Qur'an, Al-Baqarah 2:275)

Hence, all interest-based transactions whether giving or receiving by Muslim is unauthorized

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in Islam. It is worth mentioning that the system of *Ribā* is not only forbidden in Islam, but also considered illegal by Christianity and Judaism:

Usury - all usury - is banned by Christian doctrine, as it is by Muslim doctrine. In the late Middle Ages the problem of financing the royal exchequer and setting up capitalist institutions in the face of the Christian ban on usury was resolved by allowing Jews to act as bankers. (Jonathan Morton 2011)

The question is: "When and why did the Christian Church stop viewing usury as a sin?" The foundation of the Church (the faithful who believe Yeshua is Lord) is found in His every Word: "And if you lend to those from whom you hope to receive back, what credit is that to you? For even sinners lend to sinners to receive as much back. But love your enemies, do good, and lend, hoping for nothing in return; and your reward will be great, and you will be sons of the Most High. For He is kind to the unthankful and evil. Therefore, be merciful, just as your Father also is merciful." (Bible Luke 6:34-36)

"Give, and it will be given to you: good measure, pressed down, shaken together, and running over will be put into your bosom. For with the same measure that you use, it will be measured back to you. (Bible Luke 6:38)

It goes so far as not considering a loan to be repaid, but to be considered gift!! The Lord teaches His faithful to be generous, even to those who are not your brother or sister... it is a high bar of living this earthly life He has set. Usury / charging of interest heads into the opposite direction of His kingdom. (Santiago 2011)

It looks the best examples from the Holy Bible has been presented which entirely has mentioned the strong guiltiness of usury that if not been stopped will cause usurpation upon the economic properties of all humankind. In short, the chief cause of prohibiting *Ribā* is the recognition of overall socio-economic justice and wellbeing of the people in this world as well as the Hereafter.

This welfare of the people lies in complete justice and kindness, as such, anything that departs from justice to cruelty, from sympathy to harshness, from well-being to sadness and from wisdom to madness, inconsistent with people's concern has nothing to do with the *Shari 'ah* goals. It is for this reason that Muslim jurists unanimously held that catering for the people's interest and relieving them of destitutions is the basic principle of the *Shari 'ah*.

After declaration that *Ribā* is prohibited in Islam, it is worth mentioning here that Islam recognizes the human instincts of preserving one's future and making a legitimate, rational delivery for the upkeep of one's family members in order to live in peace and safety. Islam has also upheld and recognizes the rights of ownership for individuals within the limits of the spiritual and Islamic moral values. This is the reason that Islam encourages people to engage in legitimate trading and business and opposes any means which aim only to make profit and exploitation of the human need.

This article aims to achieve the following objectives:

1. To clarify why Islam has forbidden business and transactions involving *Ribā*,

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2. To explain how Muslims are advised by Islam to participate in business and trade which are ethical in nature and character.
3. To elucidate how Islam has urged Muslims to work hard and enjoy the bounties provided by Allah the Exalted within the framework of values for righteous living through which Islam seeks to promote human welfare.

Literature Review

What Ribā is?

The Arabic word (ربا) *Ribā* means increase and growth. It means increase in anything, or addition to anything.

In *Sahri 'ah*, *Ribā* refers to the extra amount of money that must be paid by the borrower to the creditor along with the principal amount as a condition for the loan or for an extension in its maturity. In other words, increase in capital at the cost of the wealth of others by false and dishonest and wrong means. As such, any addition though small, over and above the principal amount lent that is, *Ribā*.

It is significant to mention that not all increase in the capital would be considered *Ribā*, as it might be increased through a legal trade.

Islam has only disallowed an increase in capital through *Ribā*, they claimed that there is no difference between the two as it has been clarified by the The Qur'ān in the saying of Almighty Allah:

“That is because they say trade is like *Ribā*, whereas Allah has permitted trade and prohibited *Ribā* (interest)” (Qur'ān, *Al-Baqarah*, 2:275).

COMMANDS FROM THE THE QUR'ĀN CONCERNING RIBĀ

'Arabs in the pre-Islamic period had suffered a lot from *Ribā* whereby the money lenders enslaved the poor and needy. *Ribā* was the main cause of trouble and disorder among the 'Arabs in that period of unawareness that is why Islam prohibits it in a very strong and harsh style from the beginning of its occurrence as stated in the past.

The prohibition of *Ribā* has been established in the The Qur'ān, the sayings of the Prophet Muhammad (ﷺ) and the Muslim consensus. Allah Almighty for His mercy has barred *Ribā* progressively in four different verses in the The Qur'ān. The first revelation on the issue of *Ribā* was received in *Makkah al-Mukarramah* while Allah Almighty said:

“And that which you give to others, in order increase (your wealth expecting to get an in return) from other people's property, has no rise with Allah; but that which you give in charity seeking Allah's Countenance, then those they shall have manifold increase”. (Qur'ān, *Ar-Rum* 30:39)

This verse is considered to be the first verse to point out the real social life of the people of

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Makkah during the pre-Islamic era, as people of *Makkah* during that time were *Mushrikun* i.e. idolaters and hostile to the Messenger of Allah (ﷺ), hence, the verse did not forbid directly the *Ribā* system as the idea will not be accepted by them at all. But it indicates that the increment that they intended to take from other people's property Allah Almighty will not admit it, unlike the charity in which they seek Allah's countenance. The second verse revealed on the subject after the first one was the saying of Almighty Allah:

"And [for] their taking of 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" (Qur'ān, Annisa; 4:161).

The third verse was the saying of Almighty Allah:

"O you who believe! Eat not *Ribā* doubled and multiplied, but fear Allah that you may be successful" (Qur'ān, *Aal-'Imran*; 2:130).

Finally, it was prohibited in the following verses:

"Those who consume interest become (on the Day of Resurrection) like the one whom Satan has bewitched and maddened by his touch. They have been condemned to this condition because they say, "Trade is just like interest", whereas Allah has made trade legal and interest illegitimate. From now, if one refrains from taking interest after receiving this admonition from

His Lord, no legal action shall be taken against him concerning the interest he had devoured before; his case shall ultimately go to Allah, but if one repeats the same crime even after this, he shall go to Hell, where he shall abide forever. Allah deprives interest of all blessing and develops charity; and Allah does not like an ungrateful sinful person". (Qur'ān, *Al-Baqarah*; 2: 275-276).

"O Believers, fear Allah and give up that interest which is still due to you, if you are true Believers; but if you do not do so, then you are warned of the declaration of war against you by Allah and His Messenger, but if you apologize, you shall have your capital amount. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital). And if the debtor is in a hard time (has no money), you grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you only knew it" (Qur'ān, *Al-Baqarah*; 2:278-280).

Guidance from The Prophet Muhammad (ﷺ) Traditions

The prohibition of *Ribā* due to its sinful and wicked nature to the societies has been demonstrated in many authentic reported sayings of Prophet Muhammad (ﷺ) as follows: In his well-known sermon on the occasion of the farewell hajj, Prophet Muhammad (ﷺ) had resolved the delay *Ribā* system in the following *Hadith*:

Described by *Sulaiman b. 'Amra* (Allah be pleased with him) that I heard the Messenger of Allah as saying: "All the usury of pre Islamic period must be totally abandoned, you are entitled to recover your principal amount only, deal not unfairly and you shall not be dealt

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with unjustly”. (*Sunan Abu Dawud*, the Book of Sales).

This is the interest system which was then common among the ‘Arab community, whereby the money lender will lend money to a debtor on the condition that he will return the lent money at a fix period of time, and if he fails to return the the on due date, the money lender will double the amount and extend the due date.

Jabir (Allah be pleased with him) said that Allah’s Messenger (ﷺ) “Cursed the acceptor of interest and its payer and one who record it, and the two witnesses; and he said: They are all equal”. (*Sahih Imam Muslim*, the Book of Sales).

‘*Abdullah bin Mas ‘ud* (Allah be pleased with him) informed that Allah’s Messenger (ﷺ) said: “Whenever adultery and usury becomes common in a community that has brought to themselves Allah’s torment”. (*Musnad Imam Ahmad*).

Abu Hurayrah (Allah be pleased with him) described Allah’s Messenger (ﷺ) as saying: “*Ribā* is of seventy different kinds, the least severe being equivalent to a man committing adultery with his own mother”. (*Sunan Ibn Majah*).

Business Transactions and *Ribā*

The Jurists of the famous Islamic schools of thought have classified usurious transaction into two categories as follows:

Ribā al-Nasi’ah (It’s also known as *Ribā al-Jahiliyyah*) refers to interest on lent money. *Nasi’ah* means delay granted to the debtor to repay the loan in return for the addition on the premium.

Ribā al-Fadl refers to excess usury. This indicates the excess charged in the exchange or sale of things of the same kind. For example, exchange of a weight of wheat for a larger weight of wheat, etc.

It was reported that some of the Prophet (ﷺ)’s companions have said that restriction of *Ribā* is confirmed in the delay *Ribā* only i.e. *Ribā al-Nasi’ah*. This is because Prophet Muhammad (ﷺ) said:

“There Is No Usury Except In The Delay”. (Agreed Upon).

Amid those companions who have adopted this point of view are, *Ibn ‘Abbas*, *Usamah Ibn Zayd* and *Ibn al-Zubayr* (Allah be pleased with them). But the outlining of the companions traditional history has indicated that *Ibn ‘Abbas* has reversed from this opinion after he came to know about the *Hadith* of *Abu Sa’id al-Khudri* and *‘Ubadah b. al-Samit* (Allah be pleased with them).

The above cited arrangement of *Ribā*, mostly focus on the interest-based transactions due to the fact that acclaims generally come true in business transactions. Thus, restricting the area of *Ribā* in business transactions will result in stopping credits with *Ribā*. Yet, it appeared in

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the verses stated previous that the The Qur'ān has only stressed and highlighted generally on the ban of *Ribā* without stipulating the *Ribā* in business transactions or in other things. But, the scholars of *tafsir* or the The Qur'ān critics have translated these verses in a clear manner that *Ribā al-Jahiliyyah* is the prohibited one in these verses.

Ribā al-Jahiliyyah or *Ribā al-Nasi'ah* is well-known among 'Arabs in the pre-Islamic period i.e. *Jahiliyyah* period. They used to give loans which accrued interest and could either be paid back as a whole or installments. If the loan matured and the borrower was unable to clear his debt, the amount owing was raised and the period of payment extended. This is the *Ribā* that was practiced in pre-Islamic times, and is called *Ribā al-Jahiliyyah* as mentioned earlier. Islam has prohibited this *Ribā* due to its evil and cruel nature to the societies.

The *Sunnah* i.e. tradition, of Prophet (ﷺ) has added a wide meaning of *Ribā* and that is *Ribā al-Fadl* i.e. excess usury. Barter transactions were also common in the 'Arabian society during that time whereby people used to exchange goods for goods. Prophet Muhammad (ﷺ) therefore, did not confine the application of *Ribā* to credit transactions for cash only but to all forms of barter.

Ribā al-Fadl is prohibited by Prophet Muhammad (ﷺ) as a precautionary and a preventive measure lest it should lead to *Ribā al-Nasi'ah*. The following *Hadith* of *Abu Sa'id al-Khudri* and many similar *Ahadith* of the Prophet (ﷺ) have shown how far the *Sunnah* of Prophet Muhammad (ﷺ) is concern in keeping people away from *Ribā* even if it is for personal need.

Narrated by *Abu Sa'id al-Khudri* (Allah be pleased with him): Once *Bilal* (Allah be pleased with him) brought *Barni* (a kind of dates) to the Prophet (ﷺ) and the Prophet asked him "From where have you brought these? *Bilal* replied " I had some lower kind of dates and exchanged two *sa'a* (i.e. measure) of it for one *sa'a* of superior kind of dates, for giving it to the Prophet (ﷺ) to eat, then the Prophet (ﷺ) said: Beware! Beware! This is surely *Ribā*, Don't do so, but if you want to buy (a superior kind of dates) sell the inferior kind of dates for money and then, buy the superior kind of dates with that money. (*Sahih Imam al-Bukhari*, the Book of Sales).

Components of Usurious Transaction

Abu Sa'id al-Khudri (Allah be pleased with him) stated, Allah's Messenger (ﷺ) as saying: "Gold is to be paid for by gold, silver is to be paid by silver, wheat by wheat, barley by barley, dates by dates, salt by salt, like by like, payment being made hand to hand. He who made an addition to it, or asked for an addition, in fact dealt in usury. The receiver and the giver are equally guilty. (*Sahih Imam Muslim*, the Book of Sales).

'Ubadah b. al-Samit (Allah be pleased with him) stated, Allah's Messenger (ﷺ) as saying: Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt, like for like and equal for equal, payment being made hand to hand. If these differ, then sell as you wish if payment is made hand to hand. (*Sahih Imam Muslim*, the Book of Sales).

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All Jurists have agreed that *Ribā al-Nasi'ah* and *Ribā al-Fadl* are *Haram* i.e. unlawful and banned in Islam. 'Uthman b. 'Affan (Allah be pleased with him) reported Allah's Messenger (ﷺ) as saying: "Do not sell a *dinar* for two *dinir* and one *dirham* for two *dirhams*". (*Sahih Imam Muslim*, the Book of Sales).

It's worth to briefly mention in this context the wisdom behind the prohibition of *Ribā* in Islam. *Ribā* has been prohibited in any business transaction in order to achieve the following objectives:

- To protect the property of Muslims and not to be consumed unfairly.
- To encourage and direct Muslims to invest their money through approved lawful channels (i.e. *Halal* channels).
- To block anything that will generate hatred, evil and envy among Muslims. For the reason that if *Ribā* is allowed, the needy person will be required to pay back more on loans which will morally weaken his feelings of goodwill and friendliness toward the lender.
- To inspire people to do well to one another as required by Islam. Hence, if *Ribā* is prohibited in a society, people will lend to each other with goodwill, expecting back no more than what they have loaned, so that the spirit of kindness and charity among Muslims will be strong.

Difference between Commercial Gains and *Ribā*

Islam has made a very clear distinction between lawful (*Halal*) marketable gains and *Ribā*. If we look at the dealings for the profit disbursement to the buyer and seller in a *Halal* professional plan, we see that it is made on an equal footing and terms, where the consumer buys the merchandises he needs and the seller gets profit for the time, work, effort and know-how he uses for providing that goods to the buyer. But against this, in the case of *Ribā*, the debtor cannot settle the matter on an identical foothold with the creditor due to his weaker position. For the reason that as far as the money investor is concerned, he gets a fixed amount of money which is *Ribā*, but he considers the same as his profit. For instance, if the debtor employs the borrowed money in satisfying his personal desires, the time period definitely does not bring any profit. And if he invests that money in any trading activity, there are chances for profit or loss. As a result, lending money against *Ribā* might bring a definite profit to one party and loss to the other.

Any one engaged in a proper Lawful (*Halal*) business for earning profit in that business he will need to spend time, put efforts and other sacrifices. On the other hand, in the case of money-lender he does not spend time, neither work yet he will be eligible to a fixed certain interest in the earnings of the debtor, whether there is any profit at all or loss. Based on this, it can be said with all gratification that, there is no doubt that *Halal* business/trade helps to build and construct society whereas, *Ribā* leads to its destruction and suffering.

The Adverse Impact of *Ribā* on Society

We will discuss the adverse effect of *Ribā* on the society from the divine, ethical, economic

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and social approaches. It has been recognized in Islam beyond any doubt that *Ribā*, for its very immoral nature, is a problem to the spiritual, ethical, social and economic affluence of society, but *Shari'ah* acquiescent business and transaction as well as charity definitely help society to grow and flourish in a high class way. As indicated in the The Qur'ān by Allah Almighty, He said in the following verses:

“And that which you give in (to others), in order to increase (your wealth by expecting to get a better one in return) from other people's property, has no increase with Allah; but that which you give in charity seeking Allah's Countenance, then those they shall have manifold increase” (Qur'ān, *Ar-Rum*; 30:39).

“Allah removes interest of all consecration and advances charity; and Allah does not like an thankless wicked person” (Qur'ān, *Al-Baqarah*, 2:276).

Ribā From The Spiritual and Moral Angles

In view of the details discussed in the foregoing paragraphs regarding *Ribā*, it becomes obvious that this malicious institution is based on gluttony, egoism, miserliness, callousness and narrow-mindedness. Similarly, it is produced by its evil nature, cruelty, money-worship, and kills the essence of fellow-feeling and co-operation among the society. For all these reasons, one can say surely that *Ribā* is a cause of demolition for society morally, ethically and economically.

As for those who receive a warning and cautionary from Almighty Allah to stop dealing in *Ribā* and did not obey the command of Allah Almighty are the inhabitants of the fire. But as for those who engaged in lawful (Halal) transactions, give charity for the sake of Almighty Allah and do activities of virtue definitely they will have their reward with their Lord and on them shall be no fear, nor shall they suffer in this world and the Hereafter.

Ribā From The Social Angle

No society or community can ever become stable and strong if its individual members base their mutual dealings on selfishness and self-interest. If the rich people in any society believe that poor people exist merely to afford them an opportunity for exploitation, sure there will be a clash of interests which will result in the collapse of that society, this will surely produce class struggle. On the contrary, if the different members of a society base their transactions on joint kindness and sympathy and treat each other with open-handedness, they will certainly reinforce it.

If everyone in a society or community tries to help the other in need, and if the rich treat the poor with sympathy and kindness, mutual love in the society or community and it will become constant and strong. Surely, its progress will be accelerated by mutual co-operation.

Ribā From The Economic Angle

From economic point of views there are two types of loans that are normally named as:

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The consumptive loan: This kind of loan is normally borrowed by poor and needy people for their personal needs, however, the *Ribā* charges render the payment of this loan high and almost impossible for such people and to the extent that they will have to borrow one loan after the other in order to get themselves out of this problem. Even after paying *Ribā* equal to many times the original principal amount, the principal amount remains as it was before without decreasing, in this way, the money-lenders make poor people in miserable condition to the extent that they find themselves unable to take care of their family by providing a proper food for them. This kills the genuineness of the majority of the poor people in their work.

Considering the above circumstances, Islam urged the creditors to give more time to the poor debtors for the payment of debts, if they cannot pay back their debts (without interest) due to hard time and circumstances. In other words, those creditors must grant sufficient time for a poor debtor till his/her financial state becomes better. This has been clearly manifested in the saying of Allah the Most Merciful in *Surah Al-Baqarah* : “And if the debtor is in a hard time, then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know” (*Qur’ān, Al-Baqarah*; 2:280).

Economic loan: There are three evils out of many regarding the fixed interest on economic loan, and they are known to be for:

Those people who cannot pay an interest higher than or equal to the market rate cannot draw in capital howsoever useful they may be for their national development. All the available money flows into those people who can pay higher interest rate or channels of business and dealings which can bring *Ribā* equal to or greater than the market rate of interest or *Ribā*, affecting adversely to the national development, prosperity and wellbeing point of view.

It will be challenging for any trade or work etc. to assure a fixed and unchanging rate of profit under all conditions. There cannot be any guarantee for loss in any business also. Thus, the business, which borrows money at a fixed rate of interest, can never be free from serious risk or loss.

As the money-lender himself is not straight as a partner in the profit or the loss of the business but keeps in mind only his definite fixed interest, he is not concerned in the private wellbeing. His only concern is his own interest; hence inconsiderately tries to draw and withhold his money when he has even the smallest amount of fear of a decline in the market. In this way he generates panic by his self-interest and paves the way for an additional crisis and when there is already a crisis, he quickens it into a adversity. There are many examples in this regard in the existing global financial system, which depends on entirely on dealing in *Ribā* where some individuals or organizations have managed to create misunderstanding and doubt in the global financial market for self interest and selfishness.

These three evils have shown clearly that *Ribā* in common decreases the national economic

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wealth and hampers the progress and development of a country, consequently, no one can deny the honesty of the Allah's law pertaining *Ribā*.

The fundamental difference between profit and *Ribā*

Those who had extra money and wanted to earn profit did so either by lending it through *Ribā* or by investing it in a valid trade and *al- Mushrikun* i.e. the polytheists and *al-Munfiqun* i.e. hypocrites, money-lenders were not prepared to forgo the first option because the practice of *Ribā* was so deep-rooted in 'Arab pre Islamic society. Hence, they contended that since both were means of earning profit, they were identical and the bar on *Ribā* did not stand to cause. They objected the Allah's decree regarding *Ribā* and based their argument on a wrong theory without taking into consideration or seeing the fundamental difference between profit and *Ribā*. They say: When profit on capital is lawful in trade, why should then *Ribā* on money invested in loans be unlawful? The contemporary money-lenders and those in conventional financial institutions also put forward similar argument for charging *Ribā*, the practice of this evil instrument i.e. *Ribā* is so deep-rooted in the present society as well. The following table outlines some of the fundamental difference between profit and *Ribā*:

Profit	<i>Ribā</i>/Interest
The settlement of profit between the buyer and the seller is made on equal footing and terms.	The debtor cannot settle the transaction on equal footing and terms with the creditor because of his weaker position.
The trader charges his profit, however high it may be, once for all.	The money-lender goes on charging interest over and over again and it goes on increasing with the passage of time.
Whoever engaged in trade, business etc. earns profit by spending time, earnings of the debtor without any risk or hard work on hard work and <u>expertise.</u>	Money-lender becomes the stronger partner in the transaction, his part.
It is quite clear that even from the economic point of view, trade and business help construct community and society but <i>Ribā</i> leads to its ruin spiritually, morally and economically. Question which may arise in this regard is that, the money for which one has no use what should one do with it? The answer is that, such person may invest that money in variety of <i>Halal</i> i.e. lawful trade and business, which exist in abundance, on the basis of partnership and share profits and losses alike.	

It is of importance, to remind those who prefer the life of this world and insist in dealing with *Ribā* that the Hereafter is better and more enduring, therefore, they must bear in mind always the day when they shall be brought back to the Almighty Allah where every person shall be paid in full for the good or evil one has earned. Allah Almighty said in this regard:

“And be afraid of the Day when you shall be brought back to Allah. Then every person shall be paid in full for the good or evil one has earned, and they shall not be dealt with unjustly” (Qur’ān, *Al- Baqarah*; 2:281).

“But whosoever turns away from My Message, Verily for him is a life of hardship, and We shall raise him up blind on the Day of Judgment. He will say: “O my Lord! Why have you raised me

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up blind, while I had sight (before).”(Allah) will say: “Like this: Our revelations came unto you, but disregard them, and so this Day, you will be neglected (in the Hell-fire, away from Allah’s mercy).” And thus do We requite him who transgresses beyond bounds and believes not in the revelations of his Lord; and the torment of the Hereafter is far more severe and more lasting” (Qur’ān, *Ta-Ha*; 20:124-127).

Methodology

Comprehensive review of existing literature on ribā and its impact on society. This includes scholarly articles, books, reports, and religious texts discussing the economic, social, and ethical implications of ribā. Identify key themes, arguments, and evidence presented in the literature regarding how ribā affects different aspects of society. Economic theories and models to analyze the impact of ribā on factors such as wealth distribution, income inequality, access to credit, and economic growth. Examine how ribā influences investment decisions, resource allocation, and overall economic stability in different societies. Social consequences of ribā, including its effects on family dynamics, community cohesion, and social justice. Investigate how ribā exacerbates poverty, increases social stratification, and undermines the well-being of vulnerable groups such as the poor, marginalized, and indebted individuals.

Economic Impact:

Wealth Inequality: Ribā often exacerbates wealth inequality within societies. Those who can afford to take loans with interest end up accumulating more wealth, while those who cannot afford it fall into a cycle of debt.

Economic Instability: The reliance on ribā can lead to economic instability as it encourages risky financial behavior. In situations of economic downturns, the burden of debt becomes heavier, leading to defaults and financial crises.

Distortion of Resource Allocation: Interest-based systems may distort resource allocation by favoring short-term profit over long-term sustainable investments. This can hinder economic development and innovation.

Social Impact:

Poverty: Ribā often perpetuates poverty, particularly among marginalized communities who may not have access to interest-free financial services. It can trap individuals and communities in cycles of debt and poverty.

Family and Social Cohesion: Excessive debt due to ribā can strain familial and social relationships. It may lead to stress, anxiety, and even breakdowns in relationships due to financial pressures.

Exploitation: Ribā can exploit vulnerable individuals and communities, such as low-income earners, by trapping them in high-interest debt cycles with limited means of escaping.

Ethical Impact:

Violation of Religious Principles: Ribā is considered prohibited in many religious traditions, including Islam. Its prevalence in society can lead to moral and ethical dilemmas for adherents of these faiths.

Erosion of Trust and Social Values: Interest-based systems may erode trust and social values

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by promoting individualistic profit motives over communal well-being. This can weaken social cohesion and solidarity.

Environmental Impact: The pursuit of profit through interest-based systems may disregard environmental sustainability, leading to adverse environmental impacts such as overexploitation of natural resources and pollution.

Results

- **Wealth Inequality:** Ribā can contribute to widening the gap between the rich and the poor. Those who have access to capital can accumulate wealth through interest-bearing investments, while those without access fall behind.
- **Financial Instability:** Interest-based systems can lead to economic instability, as seen in the global financial crisis of 2008. Speculative bubbles and crashes are often exacerbated by the pursuit of profit through interest.
- **Social Division:** The reliance on ribā can create a divide between those who benefit from interest-based transactions and those who are marginalized or excluded from financial systems, leading to social tension.
- **Erosion of Values:** Some argue that interest-based systems prioritize profit over ethical considerations, leading to a decline in values such as compassion, solidarity, and integrity within society.
- **Debt Burden:** Interest on loans can trap individuals and communities in cycles of debt, especially when compounded with high-interest rates, leading to long-term financial struggles and decreased quality of life.
- **Undermining Productive Investment:** Instead of investing in productive sectors that generate real economic growth, the focus on interest-based returns may lead to speculative investments that do not contribute to sustainable development.
- **Impact on Mental Health:** The stress of financial insecurity caused by ribā can have detrimental effects on mental health, leading to anxiety, depression, and other related issues within society.
- **Interference with Economic Justice:** Interest-based systems may hinder the realization of economic justice by perpetuating structures that prioritize the accumulation of wealth by a few at the expense of the well-being of the broader society.
- **Environmental Consequences:** Pursuit of profit through interest can lead to environmental exploitation and disregard for sustainability, as short-term gains often outweigh long-term environmental concerns in interest-driven economies.
- **Global Economic Imbalances:** Interest-based financial systems can contribute to imbalances in the global economy, as powerful financial institutions exploit disparities in interest rates between different regions, exacerbating economic inequality on a global scale.

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Impact	Description
Economic Instability	- Encourages debt accumulation among individuals and nations, leading to financial crises.
	- Increases economic inequality by favoring the wealthy who can afford interest payments, marginalizing the poor.
Social Division	- Creates a divide between the wealthy (creditors) and the poor (debtors), exacerbating social tensions.
	- May lead to exploitation of vulnerable groups, trapping them in cycles of debt.
Ethical Erosion	- Undermines ethical values and principles by prioritizing profit over social welfare.
	- Diminishes trust and cooperation within communities, fostering a culture of individualism and greed.
Inhibited Entrepreneurship	- Discourages entrepreneurship and innovation, as businesses may struggle to access interest-based financing.
	- Limits economic growth and development by stifling the potential of small and medium-sized enterprises.
Financial Stress	- Contributes to mental health issues such as anxiety and depression due to the burden of debt and interest payments.
	- Impedes personal and familial well-being, as households may struggle to meet basic needs under the weight of interest obligations.
Religious and Cultural Degradation	- Contravenes religious teachings and cultural values that prohibit ribā, causing spiritual and moral decay.
	- Weakens the fabric of societal norms and traditions, eroding the sense of collective identity and purpose.

Discussion

Wealth Inequality: Ribā exacerbates wealth inequality by favoring those with access to capital, enabling them to accumulate more wealth through interest-bearing investments. This concentration of wealth widens the gap between the rich and the poor, leading to social stratification and disenfranchisement of marginalized communities. The exclusion of certain groups from financial systems further perpetuates this inequality, creating barriers to

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economic mobility and social advancement.

Financial Instability: Interest-based systems contribute to financial instability by fueling speculative bubbles and crashes. The pursuit of profit through interest encourages risky behavior in financial markets, leading to volatility and unpredictability. Events like the global financial crisis of 2008 highlight how reliance on ribā can amplify systemic risks, causing widespread economic turmoil and hardship.

Social Division: Ribā creates a social divide between those who benefit from interest-based transactions and those who do not. This division can manifest along socioeconomic, racial, or geographic lines, exacerbating existing tensions within society. The perceived injustice of a system that rewards the wealthy while marginalizing the poor can lead to social unrest and conflict, undermining social cohesion and stability.

Erosion of Values: Interest-based systems prioritize profit over ethical considerations, leading to a decline in values such as compassion, solidarity, and integrity. When financial gain becomes the primary motivation, individuals and institutions may neglect moral principles in pursuit of self-interest. This erosion of values can have far-reaching consequences, affecting not only economic behavior but also social interactions and cultural norms.

Debt Burden: Ribā traps individuals and communities in cycles of debt, perpetuating financial insecurity and reducing quality of life. High-interest rates on loans can make it difficult for borrowers to repay their debts, leading to a cycle of borrowing and repayment that becomes increasingly burdensome over time. The stress and anxiety caused by this debt burden can have profound effects on mental health, exacerbating existing socioeconomic disparities.

Undermining Productive Investment: Interest-based systems may prioritize short-term gains over long-term economic growth and development. Instead of investing in productive sectors that create jobs and stimulate innovation, capital may flow towards speculative investments that generate quick returns. This focus on short-term profits can hinder the sustainable development of economies, perpetuating cycles of poverty and underdevelopment.

Impact on Mental Health: The financial insecurity caused by ribā can take a toll on mental health, leading to stress, anxiety, depression, and other related issues. Constant worry about debt repayment and financial stability can negatively impact individuals' well-being, affecting their ability to function effectively in society. The mental health consequences of ribā extend beyond individual suffering, contributing to broader social challenges such as healthcare costs and lost productivity.

Interference with Economic Justice: Ribā hinders the realization of economic justice by perpetuating structures that prioritize the accumulation of wealth by a few at the expense of the broader society. This unjust distribution of resources undermines efforts to create a more equitable and inclusive economy, perpetuating cycles of poverty and social inequality.

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Economic justice requires addressing the root causes of inequality, including the role of ribā in perpetuating systemic injustices.

Environmental Consequences: Pursuit of profit through ribā can lead to environmental exploitation and disregard for sustainability. Short-term financial gains often take precedence over long-term environmental considerations, leading to practices that degrade natural ecosystems and harm local communities. From deforestation to pollution, the environmental consequences of ribā extend beyond financial markets, impacting the health and well-being of people around the world.

Global Economic Imbalances: Ribā contributes to global economic imbalances by exploiting disparities in interest rates between different regions. Powerful financial institutions may take advantage of these disparities to generate profits at the expense of less developed economies, exacerbating global inequality. The uneven distribution of wealth and resources perpetuated by ribā undermines efforts to achieve sustainable and inclusive economic growth on a global scale.

The adverse impacts of ribā on society are multifaceted and interconnected, affecting economic, social, and environmental well-being. Addressing these impacts requires a comprehensive approach that addresses the root causes of ribā and promotes alternative economic systems based on principles of justice, equity, and sustainability.

CONCLUSION

The adverse impacts of ribā on society are profound and far-reaching, touching upon various aspects of economic, social, and environmental well-being. Ribā exacerbates wealth inequality by favoring those with access to capital, perpetuating a cycle of privilege and exclusion that undermines social cohesion and economic mobility. The pursuit of profit through interest-based transactions contributes to financial instability, fueling speculative bubbles and crashes that destabilize economies and undermine confidence in financial markets. Moreover, ribā creates a social divide between those who benefit from interest-based transactions and those who do not, exacerbating existing disparities and tensions within society. This division not only undermines social solidarity but also undermines trust in institutions and erodes the moral fabric of communities. The erosion of values such as compassion, solidarity, and integrity further exacerbates these social divisions, leading to a breakdown in social norms and mutual respect.

Additionally, ribā traps individuals and communities in cycles of debt, perpetuating financial insecurity and reducing quality of life. The burden of debt weighs heavily on mental health, leading to stress, anxiety, and other related issues that further compound social challenges. Furthermore, ribā hinders the realization of economic justice by perpetuating structures that prioritize the accumulation of wealth by a few at the expense of the broader society, undermining efforts to create a more equitable and inclusive economy. From an environmental perspective, ribā contributes to environmental degradation and disregard for sustainability by prioritizing short-term financial gains over long-term environmental considerations. The pursuit of profit through ribā often leads to practices that degrade

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natural ecosystems and harm local communities, exacerbating environmental injustices and threatening the well-being of future generations. Overall, addressing the adverse impacts of ribā on society requires a comprehensive approach that addresses the root causes of inequality, promotes alternative economic systems based on principles of justice, equity, and sustainability, and fosters a culture of ethical responsibility and mutual respect. By challenging the status quo and embracing alternative models of economic organization, we can create a more just, equitable, and sustainable society for all.

Recommendations

1. **Promote Financial Inclusion:** Implement policies and programs that promote financial inclusion, ensuring that marginalized communities have access to affordable financial services and resources. This can help reduce the reliance on ribā and empower individuals to participate more fully in the economy.
2. **Regulate Financial Markets:** Strengthen regulations and oversight of financial markets to prevent excessive speculation and reduce the risk of financial instability. Implement measures to curb predatory lending practices and protect consumers from abusive financial practices.
3. **Encourage Ethical Banking Practices:** Encourage banks and financial institutions to adopt ethical banking practices that prioritize the well-being of customers and communities over short-term profits. This may include offering interest-free financing options and investing in socially responsible projects.
4. **Promote Financial Literacy:** Invest in financial education programs to improve financial literacy and empower individuals to make informed financial decisions. By equipping people with the knowledge and skills to manage their finances effectively, we can reduce reliance on ribā and promote financial resilience.
5. **Support Alternative Economic Models:** Explore and support alternative economic models that prioritize principles of justice, equity, and sustainability. This may include Islamic finance, which prohibits ribā and emphasizes risk-sharing and ethical investment practices.
6. **Address Structural Inequality:** Address underlying structural inequalities that contribute to wealth disparity and social division. Implement policies that promote equitable distribution of resources and opportunities, including progressive taxation, social welfare programs, and affirmative action initiatives.
7. **Invest in Sustainable Development:** Prioritize investments in sustainable development initiatives that promote economic growth while preserving environmental integrity. This includes supporting renewable energy projects, sustainable agriculture practices, and green infrastructure development.
8. **Foster Interfaith Dialogue:** Foster interfaith dialogue and collaboration to promote

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understanding and cooperation among different religious communities. By recognizing shared values and common goals, we can work together to address the root causes of ribā and promote economic justice for all.

9. Advocate for Policy Reform: Advocate for policy reform at the local, national, and international levels to address the adverse impacts of ribā on society. This may include advocating for stricter regulations on financial institutions, debt relief for vulnerable populations, and measures to promote fair and inclusive economic growth.

10. Promote Social Responsibility: Encourage businesses and individuals to adopt socially responsible practices that prioritize the well-being of people and the planet. This includes investing in community development projects, supporting fair trade initiatives, and promoting corporate social responsibility standards.

By implementing these recommendations, we can work towards creating a more just, equitable, and sustainable society where the adverse impacts of ribā are mitigated, and all individuals have the opportunity to thrive.

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