

interest succeeded on 14 June 2001 in getting the date for implementation of interest-free banking extended to 30 June 2002 and ultimately on 24 June 2002 in getting the judgment of 23 Dec 1999 annulled. From their not caring to save Supreme Court order from annulment on 24 June 2002 and then until now not caring to produce an interest-free banking plan in Federal Shariat Court to win in Riba case and continuance of interest-based banking under MMA rule in N.W.F.P it seems that the time has not yet come for mainstream Islamic economists and proponents of Islamic system to at least have cease-fire in the war with Allah!

**17. Our Prophet Muhammad *saws* said من لم يهتم بامر المسلمين ليس منا (Those who do not care about the matters concerning Muslims are not from amongst us). As nothing can be more serious a matter for Muslims than remaining at war with Allah, all the participants in this seminar are earnestly requested to make concerted efforts to finish interest-based banking in Muslim world so that Islamic Ummah may get out of the miserable state of war with Allah and regain lost strength and respectability.**

approached Islamic economists who had successfully argued in the Court for abolition of interest, and requested them to present in the Supreme Court either TMCL-based interest-free banking plan or the one produced by themselves to refute the claim that interest-free banking was not feasible. They were also requested to answer the above challenging questions and advised that satisfactory answers to all the challenging questions lie in TMCL-based interest-free banking system. They neither answered the challenging questions nor bothered to present any interest-free banking plan for replacing the existing system. They remained unmoved and did not respond to numerous requests and urgent appeals made in writing and also verbally. CTFS was also approached and requested to implement TMCL-based scheme if it could not produce a better scheme. Secretary CTFS advised that CTFS was not inclined to recommend TMCL scheme because Council of Islamic Ideology had observed in its 1980 report *"It would not be correct to use this method by way of permanent alternative system to the interest-based system"* CTFS members including Mufti Rafi Usmani unjustifiably rejected perfectly valid TMCL plan and failed in their duty to produce and implement interest-free banking system and get Islamic Republic of Pakistan rid of interest.

**16.** While mainstream Islamic economists condemning the government for maintaining interest-based system and demanding abolition of interest kept asleep advocates of

*time come for us to at least have cease-fire in the war with Allah?"* It is not understood why Prof. Khurshid Ahmad did not avail of this opportunity to present an interest-free banking plan to the Finance Minister and Governor State Bank for replacing the existing system. He neither refuted Dr. Kazmis' claim nor replied his challenging questions. It is astonishing that the Governor of State Bank of Pakistan asked for help to start interest-free system in the year 2000 whereas it was in 1948 that founder of Pakistan Quaid-e-Azam Muhammad Ali Jinnah while inaugurating the Central office of the State Bank of Pakistan had said:-*"I shall watch with keenness the work of your research organization in evolving banking practices compatible with Islamic ideals of social and economic life. The operation of western economic theory and practice will not help in achieving our goal of creating a happy and contented people."* Now State Bank while maintaining un-Islamic interest-based banking is issuing licenses to so-called Islamic banks that are supplement to and not substitute for interest-based banks and as such pose no threat to interest-based system. They only create false impression that the country is moving towards interest-free regime and damage the cause of elimination of interest.

**15.** UBL filed a review application in the Supreme Court and requested 5 year extension in the period fixed for eliminating interest on the plea that no interest-free banking plan was available and it would take 5 years to prepare one. The writer

banking? **(v)** *When and where have these instruments been applied and with what degree of success?* **(vi)** *Does the Islamic Development Bank as the model Islamic bank operate on interest-free basis? If that is the case why did it offer to extend a loan to the government of Pakistan after nuclear detonation at an interest rate 5% above LIBOR?* **(vii)** *By what mechanism can Islamic banks undertake financial intermediation which is the primary function of all commercial banks throughout the world?*

**14.** In early March 2000 a seminar was held in Islamabad by Institute of Policy Studies headed by Prof. Khurshid Ahmad. In his opening speech Dr Ishrat Hussain Governor State Bank of Pakistan assured the audience of Pakistani and foreign Islamic Scholars and Economists that the government was serious in transforming the present system into interest-free system. He invited practical proposals for overcoming the difficulties in implementing Supreme Court Order. Finance Minister Mr. Shaukat Aziz also assured that Supreme Court order would be implemented and he too requested Islamic Economists to help in implementing the order. Prof Khurshid Ahmad urged for implementation of the Supreme Court order and requested the Finance minister to use his influence in the matter. Prof Khurshid Ahmad had proclaimed in his speech in Senate on 10 Feb 1986: *"Today we have with us a clear outline plan showing how a new system can be structured. If it is in our power we will finish interest in 24 hours. Has not the*

must adopt providing inters-free loans as a regular banking service.

**13.** Supreme Court Shariat Appellate Bench heard Riba case from Feb to July 1999. Many Islamic scholars, economists and bankers participated in the hearing and submitted convincing arguments for abolishing interest. However, they neither presented any interest-free banking scheme nor supported TMCL scheme for replacing the interest-based system. Unanimous judgment of 23-Dec 1999 ordered the government to appoint a high powered commission for preparing and implementing interest-free banking by 30 June 2001. In Jan 2000 government appointed Commission for Transformation of the Financial System (CTFS) that also included an Islamic scholar Mufti Rafi Usmani. In daily 'Dawn' of 12 Feb 2000, Dr Akdus Ali Kazmi, Joint Chief Economist of Planning Commission wrote an article in which he claimed that interest-free banking was not feasible and raised the following challenging questions:

**(i)** *Is there any single bank in the Islamic or non-Islamic world which is truly on interest-free basis?* **(ii)** *Can a Central Bank conduct its monetary policy without a norm of interest?* **(iii)** *Are not the practices of Islamic banks a queer blend of interest-based modes of finance carrying a façade of Islamic names?* **(iv)** *What are exactly the Islamic-compliant instruments of finance? Can these instruments meet the myriad and diverse needs of modern trade, finance and*

Karam and Imam Abu Hanifah borrowed money for doing business, A typical example of this untoward attitude of Professional Islamic economists is the following unsubstantiated comment in Blueprint of Islamic Financial System mentioned above: *"It is also recognized that banks should not be expected to enter into pure lending operations"*.

Islamic Development Bank was founded in 1975 in Jeddah with the purpose to *"foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of Sharia"*. Since then about 300 Islamic banks have emerged and are prospering in 70 countries. But in response to Pakistan's urgent request for funds in 1998 IDB together with several other Islamic Banks offered interest-bearing loan at 5% above LIBOR! As they do not give interest-free loans Islamic banks could not and cannot get themselves and Muslim world rid of interest. In his book 'Introduction to Islamic Finance' M.Taqi Usmani writes *"The case of Islamic banking cannot be advanced unless a strong system of inter-bank transactions based on Islamic principles is developed. The lack of such a system forces the Islamic banks to turn to the conventional banks for their short-term needs of liquidity which the conventional banks do not provide without either an open or camouflaged interest"*. To justify their name and get themselves and Muslim world rid of interest Islamic banks

Strangely enough the authors of the blueprint reject a definite one step action plan of replacing interest instantly by TMCL and recommend a plan blueprint of which still remains to be chalked out and implementation of which would tentatively take one and a half years and nobody knows how many more years it may take to eliminate interest completely from the banking system.

E-mail from Prof. Khurshid Ahmad *"It is a kind of substitute which may apparently eliminate Riba but would not lead the economy to the vision of an equity-based society as against a debt-based society. Islam does provide for special situations when loan transactions can take place and to that extent, in my view TMCL can also be one of the instruments"*. Prof. Khurshid did not reply writer's query *"What edicts in Quraan or Sunnah hold equity-based system preferable to interest-free debt-based system?"*

In pre-Islamic days profit-sharing Mudarabah and Musharikah and Interest-bearing loans were used as financing modes. Islam prohibited interest, permitted profit-sharing modes to continue and highly commended interest-free loans. It is not understood why mainstream Islamic economists hold profit-sharing to be ideal Islamic alternative of interest and recommend exclusion of loans from Islamic banking in complete disregard of *hadeeth qudsi* quoted above and the facts that our Prophet *saws* himself bought edibles on credit and borrowed money for state purpose and several Sahabah

in investment accounts. There must be no objection to banks' turning to Shariah compliant trading modes for earning profits. Every loan will be advanced against collateral and will have to be returned on due date. There is no reason why any sensible person will use the loan from bank to give counter-loans for further loans instead of utilizing it in meeting his financing needs. Credit expansion will be controlled by raising or lowering the time multiple ratio in TMCL just as it is controlled in the present system by raising or lowering interest rate. Attention of the Director IIIIE Dr. Syed Tahir and co-authors of the publication was drawn to their fallacious comments on TMCL. They did not respond. In the chapter on strategy for elimination of Riba the blueprint states *"The move towards Riba-free banking system may start in earnest with the establishment of one model Islamic branch each by all existing banks. This experience may be replicated by them and applied to their other branches such that all branches of a bank and, thereby, the entire banking system gets converted into the Islamic mode in approximately one and a half years. The Government should constitute a coordination committee. The terms of reference of the above Coordination Committee should be: (i) to chalk out the blueprint and documents for the model branches. (ii) to recommend necessary action to the concerned quarters, such as the State Bank and the Ministry of Finance"*.



The Blueprint of Islamic Financial system including strategy for elimination of Interest published by International Institute of Islamic Economics, International Islamic University Islamabad contains an unrealistic thoughtless comment: *"One may argue the TMCL instrument offers an ingenious solution to the problems of Riba, gharar and having two mutually exclusive conditions in one contract. But its viability is questionable for several reasons. Some of these are as follows. Counter-loans would be liability of the banks. Therefore, while the sum generated might be used to meet their operating expenses it would not be distributed as profits among their share holders or depositors who provide funds on partnership basis. This will compel the banks to turn to trading, leasing and other profitable options. It is also possible that clients may use loans from banks, whether directly or indirectly, to give, the counter-loans. This, in turn, casts further doubts on the usefulness of the TMCL option. Last but not the least, a recourse to TMCL is not advisable because the ensuing credit expansion is likely to fuel inflation"*.

Obviously the above cursory remarks on TMCL have been made without properly understanding TMCL-based interest-free banking system and without taking into account the following important points. The sum generated by counter-loans will be invested in long-term profitable businesses. The profits earned by the banks will be shared with the depositors

internal and external transactions C11 in its report included following recommendations which ensured continuance and not extinction of interest-based system:-

**(a)**The operation of foreign branches of Pakistani banks, foreign currency deposits held with commercial banks in Pakistan and certain other transactions of banks with banks abroad would have to continue on the basis of interest.

**(b)**PICIC's foreign currency borrowings may continue to be on interest-basis until a viable alternative conforming to Shariah is available.

**(c)**The interest-bearing foreign loans channeled by the Federal government to the Provincial Governments may, however, continue on the basis of interest till a viable alternative compatible with Shariah is found in respect of borrowing from abroad.

**(d)**Government's borrowings from external sources will have to be continued for the time being, on the basis of interest.

Dr M. Umer Chapra in his book 'Towards a just Monetary System' stated: *"The method of Time Multiple Counter Loans could be adapted for small-scale financing particularly within the framework of co-operative institutions. For commercial banks it would be of limited applicability"*. Dr Chapra in his book did not give any reason for his comment on TMCL. When he was asked as to why TMCL was not applicable for large scale financing by commercial banks he replied: *"I have given my view, take it or leave it!"*

12. Many a time in history beneficial and logical solutions of vital problems were summarily rejected without any justification. It is now happening with TMCL. Report of the 17-member panel of Economists and Bankers on the elimination of interest from the economy submitted to the Council of Islamic Ideology on 28<sup>th</sup> Jan 1980 approved of TMCL in the following words: ***Another possible method of financing is the system of time- multiple counter-loans. It may be pointed out that the panel is not certain whether this method would be in conformity with Sharia. It has been suggested here in view of its potential usefulness for consideration of the Council subject to its permissibility under the Sharia.*** The Council of Islamic Ideology did not find any Sharia objection in TMCL and as such it should have recommended implementation of TMCL-based interest-free banking. But unfortunately for Pakistan and Islamic Ummah the Council Of Islamic Ideology in its report of 15 June 1980 to the government, without giving any reason whatsoever, stated "*it would, however, not be correct to use this method by way of a permanent alternative system to the interest based system*". This single sentence totally unsubstantiated arbitrary verdict damaged the cause of elimination of interest more than the doings of advocates of interest. Pakistan and subsequently Muslim world would have got rid of interest long ago but for this wrong verdict. While rejecting a perfectly valid plan for eliminating interest from all

by 3.2%. Applying this law, increase in revenue receipts in TMCL system in the Financial year 1998-99 would have been Rs.  $367.1 \times 22.61 \times 0.032 =$  Rs. 265.6 billion. With this increase in revenue receipt and saving of Rs. 164.6 billion interest paid in that year would have converted budget deficit of Rs. 197.6 billion into surplus of Rs. 232.6 billion. With such surplus in successive annual budgets government could clear the entire domestic debt within a few years of the initiation of TMCL system.

**x) Foreign Exchange earning will rise and foreign debt retirement capability will be generated:** Pakistan's export earnings during 1997-98 were around Rs. 8.5 billion and import bill around Rs. 10 billion. With reduction in cost of production in TMCL system all exportable goods manufactured in the country could be sold at competitive prices in foreign markets. With reduction in unemployment production of exportable goods will also rise in the same proportion as GNP. Applying Okuns's law increase in export earnings in 1997-98 would have been Rs.  $8.5 \times .032 \times 22.61 =$  Rs. 6.15 billion. This could convert negative balance of Rs. 1.5 billion into surplus of Rs. 4.65 billion. With such successive surplus in balance of payments the government could retire the entire foreign debt in a few years without begging for rescheduling or further loans at the cost of our economic independence.

employment to presently millions of unemployed. Hopefully everyone willing to work will be employed. Only those not willing to work, which may not exceed 0.5% of the able bodied, will remain unemployed. So elimination of interest will lead to virtual extinction of unemployment and boost in industrial and agricultural production.

**ix) Budget deficit will vanish and domestic debt retirement capability will be generated.** With boost in production and extinction of unemployment revenue receipts will increase. With saving in interest payments expenditure will decrease. With increase in budgetary receipts and reduction in expenditure government will be able to commence retiring domestic debt. Pakistan's budget deficit in the financial year 1998-99 was Rs. 197.6 billion, net revenue receipts Rs. 367.1 billion and interest payment Rs. 164.6 billion. In economic survey for the year 1997-98 unemployment percentage was given as 5.37 and the employed included even part-time employed for one hour per day. Assuming 50% of the employed to be full time, 25% three quarter time employed and 25% half time employed, full time unemployed works out to be 23.11% Allowing incurable unemployment of 0.5% with TMCL system in 1997-98 reduction in the unemployment in Pakistan would have been 22.61%.

According to Okun's law, enunciated by Prof, Arthur M. Okun, each percentage point reduction in unemployment lifts GNP

interest and also an element of profit on the amount of interest. Distributors and even some retailers also borrow money on interest for investment in business. At each stage of transfer of goods interest charge is added to the cost of goods. Ultimately the consumers bear the entire burden of interest. In TMCL system there will be no interest charge at any stage and as such there will be considerable reduction in consumer prices of goods and necessities of life. Eminent German economist Dr. Margrit Kennedy in 'Interest and inflation free money' writes "*Possibility to invest and produce without having to pay interest would not only lower the prices of goods but also create enormous advantage for industries and products competing in world markets. This would result in the fast economic boom in the regions introducing interest-free money*".

**vii) Savings and bank deposits and subsequently supply of finance for development will increase.** Lower prices of goods and necessities of life will result in less expenditure and more savings that will of course come to banks as deposits. Thus banks will be able to supply more loans for production and economic development.

**viii) Employment opportunities will rise and production will be boosted.** With availability of interest-free finance in plenty together with skill, labour and materials already available in plenty in the country will bring expansion in industrial and agricultural enterprises that will provide

قال أبو الدر داء (( لأن اقترض دينارين ثم يردان ، ثم قرضهما أحب إلى من أن أتصدق يهما )) ( ولما فيه الأجر العظيم ) ومنه : ما في حديث أنس : أن النبي صلى الله عليه وسلم قال (( رأيت ذات ليلة أسرى بي على باب الجنة مكتوبا الصدقة بعشرة أمثالها . والقرض بثمانية عشر . فقلت يا جبريل ، ما بال القرض أفضل من الصدقة ؟ قال : لأن السائل يسأل وعنده . والمقترض لا يستقرض إلا من حاجة )) رواه ابن ماجة .

(iii) Islamic banks will be able to meet the financing needs of cost conscious entrepreneurs who want to remain independent and in full control of their enterprises and do not accept any sharing of profit or outside interference. Without providing loans to this big class of loan seekers, Islamic banks will not be able to compete with western banks that have started capturing business in Islamic investment field.

(iv) It will facilitate inter-bank interest-free loan transactions and Islamic banks will not have to turn to western banks for meeting their short term needs of liquidity.

(v) It will facilitate setting up of a central depository for mobilizing surplus funds of Islamic banks and governments on TMCL-basis and advancing to them in times of need TMCL-based interest-free loans. This in turn will facilitate utilization of the financial resources of the Muslim world in developing Muslim countries.

vi) **Prices of goods and necessities of life will fall considerably.** At present industrialists borrow large sums of money on interest and ex-factory prices of goods include

**(c)**TMCL-based interest-free banking plan was presented and argued by the writer during the *Riba* case hearing by 5-member Supreme Court *Shariat* Appellate Bench including 2 religious experts M.Taqi Usmani and Dr. Mahmud Ahmad Ghazi. None of the judges raised any objection on TMCL. The plan is described in the unanimous judgment of 23<sup>rd</sup> Dec 1999 without any adverse comment.

**(d)**Kuwaiti Finance House Fatwa no 162:- Question No. 4: "*Is it permissible that I take loan of 1000 Dinars for 1 year from you on the condition that I give a loan of 3000 Dollars to you for 1 year? Reply: It is permissible*".

**11.** Salient benefits emanating from replacement of interest by TMCL in banking are as follows:-

**(i)**Interest and consequent war with Allah will be finished imminently. No other defined plan for finishing interest has so far been presented by any professional economist or banker. What is available in the vast literature produced on the subject are only recommendations for gradual elimination of interest in some distant future.

**(ii)**Intent and purpose of a *hadeeth qudsi* (quoted below) declaring reward for *qard* to be 18 times, will be achieved. This *hadeeth* implies that Islam wants extensive use of loans in society which at present is possible only by use of TMCL in banking:-



functions not involving interest will be performed as usual. The Central Bank will set up a framework of Central Depository-cum-Lender of the last resort for mobilizing surplus funds of banks and federal and provincial governments and autonomous bodies and advancing interest-free loans to them in times of need. The Central Depository will receive deposits and advance interest-free loans on TMCL basis. For example, if a bank has a surplus of Rs. 5.0m for 1 month, it may deposit this sum for 1 month with the Central Depository and obtain an interest-free loan of Rs. 0.5m for 10 months. If a bank is short of liquidity and requires Rs. 10.0m for 1 week, it will obtain from the Central Depository an interest-free loan of Rs. 10.0m for 1 week by depositing Rs. 1.0m with the Central Depository for 10 weeks. Central Depository will also earn profits by investing surplus funds in Shariah-compliant businesses.

**10.** Following are sufficient proofs of economic feasibility and Shariah compliance of TMCL:

**(a)** 17 member panel of senior bankers and economists expressed "potential usefulness" of TMCL in their report of 28 Jan 1980 to Council of Islamic Ideology.

**(b)** Council of Islamic Ideology dealt with TMCL in their report of 15 June 1980 to government without raising any *shariah* objection on TMCL.

can instantly and effectively replace interest without any disruption in the banking system. After switching over to TMCL-based loaning system the banks will continue to function as usual with the basic change that no interest will be paid or charged. All loans will be advanced against counter-loans and all transactions involving credit will be executed on TMCL-basis. Banks will continue to receive deposits and issue cheque books as usual. Account holders will have the option to keep their money in investment or demand deposit accounts. Investment account holders will share profit/loss with the bank on daily product basis. Banks will earn profits by investing counter-loan amounts and surplus deposits in Shariah-compliant modes like stock exchange, real property, musharakah and mudarabah. Outstanding interest-based loans will be converted into TMCL-based transactions. Each borrower will repay only the principal amount of loan on due date or earlier and instead of paying interest the borrower will advance to the bank a counter-loan of the same amount as he took in loan and for the same period for which he availed the loan. Alternatively the bank and the borrower may mutually agree to a different amount of the counter-loan for proportionately longer or shorter period on TMCL- basis. Interest-bearing bills and bonds will be encashed at their face value and the holder will receive appropriate counter-loan on TMCL- basis from the issuer. In the interest-free regime all interest-based documents will cease to be issued. Other

loans of large sums against counter-loans of smaller sums advanced for proportionately longer periods. For example an entrepreneur requiring a loan of Rs. 10.0 million for one year can get interest-free loan of Rs. 10.0 million (against collateral as usual) for one year by advancing an interest-free counter-loan of Rs. 1.0 million to the bank for 10 years. Thus TMCL fulfills the client's need of funds for the required period and also enables the bank to earn profit from long-term investment of counter-loan money. Whatever gain or loss the bank earns comes from investment of counter-loan amounts which are actually borrowed sums and in Islam there is no bar on earning profit by investing borrowed money. In interest-based loaning the lender always gains because he earns interest whereas the borrower may gain or lose from investment of the borrowed sum. Therefore interest-based loaning is inequitable and unjust. In TMCL transaction none of the two parties is a definite gainer and each one of them may gain or lose by investing the loan taken from the other party. Hence TMCL transaction is equitable and just. In TMCL transaction each party does good to the other party and as such TMCL-based loaning conforms with the Quraanic precept *Hal jaza ul ihsaan illa al-ihsaan* and the noble teaching of our Prophet *saws* that a favor done to any one should be reciprocated.

9. As TMCL can perform islamically all legitimate financial intermediation functions which are performed by interest, it

*system of interest-free banking not as supplement to but as substitute for the prevalent system of banking".* The need of an interest-free lending device is also highlighted in the following IDB-IRTI Publications:-

**i.** Research Paper No. 29 " *In order to effectively replace interest, the Islamic economy needs a comprehensive financing mechanism defined as a mechanism which provides monetary financial accommodation to enterprises but remains neutral with respect to their longer-term ownership structure*". The financing mechanism defined here can be only an interest-free lending device. **ii.** Sept 2002 issue of IRTI Journal 'Islamic Economic Studies':- Article written by a senior IRTI Research Scholar: "*Dayn financing plays an important role in Islamic financial system.*" Dayn includes both debt and loan.

**8.** Late Prof. Shaikh Mahmud Ahmed was applauded in Supreme Court Shariat Appellate Bench Judgment of 23 Dec. 1999 in *Riba* case as "*our country's most outstanding economist and researcher and a leading thinker who devoted considerable part of his life to the study of the theory of interest*". He devised an interest-free lending instrument which he named as Time Multiple Counter Loan-TMCL consisting of two simultaneously exchanged interest-free loans between two parties such that the multiple of the amount and period of one loan equals the multiple of the amount and period of the other loan. It facilitates supply of interest-free

Ummah is weak, despondent, oppressed and humiliated. For getting Islamic Ummah out of this miserable condition interest must be finished in Muslim world. Allahs' laws are all good for mankind and are for implementation at all times and in all circumstances. It is a gross misconception that with interest-based system prevailing in the whole world it is not possible for any Muslim country in isolation to finish interest. It is illogical and inconceivable that Allah would give warning of war for not doing something impossible. Any sincere effort to finish interest in any Muslim country is bound to succeed as Allah says ان تنصروا الله ينصركم "If you will aid (cause of) Allah He will aid you" (7:47). It is also a gross misconception that interest should be finished only gradually which is as absurd an idea as gradual cease-fire to stop an on-going war or gradual finishing of *shirk* by giving up worship of idols one by one. Hence a way has to be found for finishing interest-based system instantly.

7. Interest-based banking prevails only because it meets the indispensable need of all sectors of society for loans. Hence an interest-free lending device is needed for finishing interest. Without providing interest-free loan facility to loan seekers interest cannot be finished just as *zina* cannot be finished without providing *Nikah* facility to all men and women. The selected paper on interest-free banking presented in the First International Conference on Islamic Economics held in Makkah Mukarramah in Feb. 1976 urged to "introduce a

for bringing improvement in intellectual, cultural and religious fields.

5. That prohibition of interest in all its forms old and new is strict, absolute and unambiguous is the unanimous view held throughout by eminent Muslim scholars of the past and present. Not a single Muslim scholar of high caliber has ever disagreed with this view. There is complete agreement among all Islamic sects that interest is *Riba* and that it must be abolished. Only those who do not study Islamic literature on the subject and have not attained any knowledge about the customs and trade practices prevalent in the Arab society in the pre-Islamic days and the changes brought about by Islamic teachings, and who are subdued with western culture and capitalist system tend to contest the above unanimous view held throughout by Islamic Ummah. Baseless contentions of the advocates of interest belied by logic and historical evidence have all been repelled time and again by eminent Muslim scholars and economists. Now the only relevant question in this context which requires an answer is how to eliminate interest from the banking system. A satisfactory answer to this question with illustration of practical methodology is given below.

6. Prevalence of interest-based banking in Muslim world has deprived Islamic Ummah of the blessings of *Imaan* and put it at war with Allah. Consequently despite owning vast areas of land with immense wealth of natural resources Islamic

*facts within the whole field of quantitative economics*". Wicksell in his 'Selected Papers on Economic Theory' held "a high rate of interest is associated with high commodity prices and a low rate of interest is associated with low commodity prices". (v) As interest is based on injustice its prevalence brings discord, conflicts and strife in society. (vi) The man who earns interest becomes completely deprived of the pleasure of *Qard hasan*. It is worth noting that *Qard hasan* is Quraanic term for man's making sacrifice and spending in Allah's way for which Allah will give very big reward (700 times or even more) in the life hereafter. The word *qard* indicates certainty of the reward as repayment of *qard* is a must. The man who earns interest never spends in Allah's way and is completely deprived of its pleasure. It is a gross misconception that *qard hasan* is interest-free loan which borrower may or may not pay back. The term '*qard*' used in *hadeeth* refers to loan to be returned without any increment i.e. interest-free loan reward for which according to a *hadeeth qudsi* is 18 times. (vii) Interest inculcates beastly instinct of selfishness that makes man prone to commit even brutal crimes which bring complete darkness in his own life and also that of his victims. (viii) These (interest-based) banks which were invented by cunning Jews extinguish the natural light of righteousness and justice in men's hearts. (ix) Interest-based system blocks the way to progress and it must be demolished

رعنائی تعمیر میں رونق میں صفا میں  
 مگر جوں سے کہیں بڑھ کے ہیں بنگلوں کی عمارات  
 ظاہر میں تجارت ہے حقیقت میں جوا ہے  
 سود ایک کا لاکھوں کے لیے مرگ مفاجات  
 از ربا آخر چہ ی زاید؟ فتن!  
 کس نہ داند لذت قرض حسن  
 از ربا جاں تیرہ دل چوں خشت و سنگ  
 آدی درندہ بے دندان و چنگ  
 این بھوک این فکر چالاک یہود  
 تیر حق از سینہ آدم ربود  
 تاتہ و بالا نہ گرد د این نظام  
 دانش و تہذیب و دیں سودائے خام

In these verses Iqbal precisely and emphatically condemned interest. Wordings in these verses make it clear that:-

- (i) The object of his condemnation is bank interest.  
 (ii) Interest takes men away from religion. Syed Qutub Shaheed in 'Fi zilal-il Quraan' contented that interest and Islam cannot co-exist and that obedience of Allah and Rasool *saws* is inconceivable where interest-based system prevails.  
 (iii) Interest cannot be equated with trading profit as interest is earned without making any real effort just like winning in gamble. J.M.Keynes, the most eminent economist of the last century in his book 'The General Theory of Employment, Interest and Money' said "*Interest to-day rewards no genuine sacrifice*" and held interest to be "*bonus*" for "*functionless investor*". (iv) Interest-earning business of one man brings miseries to millions by way of increase in prices. Keynes in 'Treatise on Money' asserted that "*direct relationship between interest and Prices is one of the most completely established*



money as it was invented to be used as medium of exchange and not as means of earning. In *Ahya-al-Uloom* Imam Ghazali described *zulm* aspect of interest as wrong use of money. Aristotle also held *"for getting wealth the most hated sort and with the greatest reason is interest which makes a gain out of money itself, and not from the natural object of it, for money was intended to be used in exchange but not to increase at interest. Of all modes of getting wealth this is the most unnatural"*. In some English translations of Quraan *Riba* is translated into 'usury' which has led advocates of interest to contend that interest is *Riba* only when its rate is excessively high. It is baseless contention as confirmed by Bertrand Russell in 'History of Western Philosophy' stating: *"usury meant all lending money at interest not only as now lending at exorbitant rate. Throughout the middle ages the law of nature was held to condemn usury i.e. lending money at interest"*.

4. Allah has prohibited nothing else so severely as interest perhaps because it is more harmful to mankind than anything else. Allama Iqbal having deep insight of Quraanic precepts and also intimate knowledge of modern trends and socio-economic compulsions condemned interest-based banking more severely than anything else in his following verses.

**(i)** Giving up of *Riba* is the sign of fearing Allah and condition of *Imaan*.

**(ii)** Those who maintain interest-based system are at war with Allah and His Rasool *saws*. **(iii)** Limiting claim of lenders to their principal amounts means that any excess over principal amount of loan charged by lender from borrower is *Riba* and that is exactly what interest is. Thus interest is same as *Riba* prohibited in Quraan. **(iv)** There is no exemption and no limitation in Quraan regarding interest and as such every increment big or small on principal amount of loan charged by lender from borrower is *Riba* irrespective of whether the loan is for production or consumption, whether the borrower is rich or poor and whether there is oppression or not. The condition “*if he is in difficulty*” indicates that it is not necessarily the poor from whom charging of interest is prohibited because as a rule they are always in financial difficulty. Only rich people are sometimes in financial difficulty when they require extension in time for repaying loan.

**3.** It is a gross error to hold it permissible to charge interest from those who earn profit by investing borrowed money and are willing to pay interest. No doubt in such cases there is no ‘*zulm*’ in the sense of oppression. But ‘*zulm*’ in Arabic means putting something in other than its proper place or use. In *shirk* there is no oppression and Quraan holds it to be *zulm azeem* because it involves falling down in adoration at wrong place. Earning of interest by lending money is wrong use of