

## **Background article: Expressions, *Halal* and *haram***

### ***Riba***

The Arabic term *riba* literally means “doubling and re-doubling.” In pre-Islamic Arab society, the practice was that a loan would be taken for a year and if the lender could not repay it when it fell due, it would be re-negotiated so that the term would be extended for a further year, but then the lender would have to repay double the original loan. If the double-loan could not be repaid at the end of the two year term, the amount would be doubled again and the term extended for a further year. This was *riba* and amounts to economic exploitation. It is easy to see that people could get into un-repayable debt, which would be a form of slavery. In some societies around the world today, children are born into debt-slavery in which they are working to repay loans taken out by their parents or even grandparents.

*Riba* is *haram* but it is a hard term to translate into a direct English equivalent. Some Muslim scholars have seen it as usury or exploitative levels of interest. The majority see the prohibition of *riba* as forbidding all forms of interest, no matter what the rate. This is especially problematic in modern times when developing countries need huge loans in order to develop infrastructure, education and health provision to provide for the needs of their populations, to lift them out of poverty. Such massive loans are only available from financial institutions that operate on an interest-based system. The consequences can be seen around the world where poor countries are in overwhelming debt, in which a major proportion of their national product goes in servicing the debt and thus making rich countries, which provide the initial loans, even richer, often at the expense of the poor. It is this interest-based world economy that is challenged by the principles of Islamic economics.

The same situation can be seen on an individual basis too when developed societies operate on the basis of personal debt. Merely to survive and meet their family running costs, many people come to rely on bank loans, credit cards and pay-day loans, often at exorbitant rates of interest. In this way, the poorest within society work to make rich institutions, and the rich investors who own them, even richer. It is this debt-based personal economy that is likewise challenged by Islamic economic principles.

When Muslims live in societies not governed by Islamic economic principles this makes for some difficult decisions. How can one deal with banks that are based on interest? Can one survive without a bank account? Can one live without a plastic payment card issued by such a bank? This leads to a struggle to live in such an economic system, which is likely to involve compromises. The mere struggle alone is a constant reminder to the Muslim to strive to live as much by God’s guidance as is possible in the circumstances. In this way, the economic struggle promotes an awareness of standing before God and being accountable to God. The struggle itself promotes a sense of *taqwa*.