

# ISLAMIC PROHIBITION OF RIBA: A STRATEGY FOR ATTAINING SUSTAINABLE DEVELOPMENT IN NIGERIA

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**Abstract:** *This paper discusses the concept of riba and its emergence as a threat to sustainable development. It discusses the rationale behind Islamic prohibition of riba and present profit and loss sharing in its place for the purpose of attaining sustainable development in the world. The study employed descriptive research design to select 260 respondents from riba-based and riba-free Cooperative societies and Financial Institutions. Data analysis was guided by the research questions and simple percentages. Chi square ( $X^2$ ) test statistics was used to analyse the formulated hypothesis. The findings revealed that the negative effects of riba has significant effect on the attainment of sustainable development in Nigeria and thus holds that riba which brought about unsustainable development necessitated its prohibition in Islam as a strategy for attaining sustainable development in Nigeria.*

**Keywords:** Sustainable development, Riba, Islam, Prohibition, Economics and finance

## INTRODUCTION

One of the most significant challenges of the world today is sustainable economy which continues to face the perennial problems of poverty, persistent youth unemployment, excessive inequalities of income and wealth, high levels of inflation, large macroeconomic and budgetary imbalances, exorbitant debt-servicing burdens, inadequate and aging public utilities and infrastructure, skyrocketing energy prices, and growing food insecurity. The reoccurring regional and global financial crises further intensify and

magnify these problems, particularly for the underprivileged segments of the world population. The result of which many countries are at the risk of failing to achieve by 2015 the Millennium Development Goals (MDGs) set by the United Nations. Hence the achievement of an inclusive and sustainable economic and financial system has remained highly illusive ((El-Karanahawy et al. (Eds), 2015). Today, Riba is considered by many as a trigger for the crisis. The components of riba which are considered as the main causes of the crisis are; interest, fiat money and fractional reserve requirements in the banking system. These components complement each other in money creation as they increase money circulation without backing up gold or other real assets, which consequently cause inflation, damage the economy and the monetary system. The majority of poverty occurs as a result of the components of riba which cause excessive human exploitation of natural resources forcing developing countries to pay principal and interest loans with their natural resources. They have to go the extra mile to pay debts, which in essence will never be paid off at a macro level, since the majority of new money is created by channeling credit in the banking system. This is the reason people, most especially Muslims, begin to care about the dangers of riba and its impact on the economy.

This work thus, finds out the effects of riba and motive behind its prohibition in Islam for the purpose of finding solution to the problem of sustainable development in Nigeria. Data analysis was guided by two research questions: What are the effects of riba in the quest for sustainable development in Nigeria? Is there any significant effect of prohibition of riba on the attainment of sustainable development in Nigeria? For the purpose of analyzing the data, a hypothesis was tested for the study which stated that: The prohibition of riba has no significant effect on the attainment of sustainable development in Nigeria.

## LITERATURE REVIEW

Several studies have been carried out to investigate causes and the effects of economic recession as a threat to sustainable development in the country and other parts of the world with diverse opinions, but very little has been done on the effects of riba on sustainable development in Nigeria. This work, in an attempt to contribute to the discourse on sustainable development, by further explaining riba and its implication in the

quest for sustainable development, reviews the available literatures, focusing on sustainable development and the concept of *riba*.

### *The Concept of Sustainable Development*

The concept of sustainable development has been, and still remained the subject of criticism, including the question of what is to be sustained in sustainable development. For instance, it has been argued that there is no such thing as a sustainable use of a 'non-renewable resources', since any positive rate of exploitation will eventually lead to the exhaustion of earth's finite stock (Turner, 1988). This perspective renders the industrial revolution as a whole unsustainable (Georgecu, 1971, Rifkin, 1980). However, Basiago (1999) defines sustainability as a capacity to maintain some entity, outcome or process over time. Stoddart (2011) views it as the efficient and equitable distribution of resources intra-generationally and inter-generationally with the operation of socio-economic activities within the confines of a finite ecosystem. Thomas (2015) in his opinion maintains that sustainability brings into focus human activities and their ability to satisfy human needs and wants without depleting or exhausting the productive resources at their disposal. This, therefore, provokes thoughts on the manner in which people should lead their economic and social lives drawing on the available ecological resources for human development. It is thus, grounded on the ethical commitment to the well-being not only of contemporary populations but also the wellbeing and enhanced opportunities of future generations. According to (Sandra, 2019), sustainability is commonly understood to require the balanced pursuit of three goods: ecological health, social equity, and economic welfare. It is grounded on the ethical commitment to the well-being not only of contemporary populations but also the wellbeing and enhanced opportunities of future generations.

Development on the other hand, is a dynamic phenomenon which is continuous and unending. It is both an end and a goal or desirable level of human condition and at the same time, a means of attaining one's goal. In consideration of Torado and Smith (2006)'s definition, development is seen as a multi-dimensional process that involves major changes in social structures, attitudes, institutions, as well as economic growth, reduction of inequality, and eradication of absolute poverty. Since development has

connectivity with change, there is a general consensus that, development connotes among others, the progress, improvement, upliftment or desirable changes in the totality of certain aspects of human life (Adigun, 2016). This could be social, economic, political, or technological change.

In an attempt to give an answer to the question 'what is sustainable development?', the United Nations Development Programme (UNDP) (2013) defined Sustainable development as development that not only generates economic growth but distributes its benefits equitably in such a way that generates the environment rather than destroying it, and in such a way that employs people than marginalizing them. In this definition, it is deduced that, before Sustainable development can be actualized, priority must be given to the poor, enlarging their choices and opportunities and providing for their participation in decisions affecting their lives. The most quoted definition of Sustainable development is the one defined in the Brundtland report of the 1987 UN Commission on Environment and Development, chaired by Norwegian Prime Minister Gro Harlem Brundtland, coined the term sustainable development, referring it to "progress that meets the needs of the present without compromising the ability of future generations to meet their own needs." In this concept, sustainability means not only the survival of the human species but also maintaining the productivity of natural, produced, and human assets from generation to generation. The sustainable development debate is based on the assumption that societies need to manage three types of capital (economic, social, and natural), which may be non-substitutable and whose consumption might be irreversible (Dyllick and Hockerts, 2002). Ogunmola, Makinde and Ogunlade (2012) while quoting the Board on Sustainable Development of the U.S. National Academic of Science (1999) on what to develop and what to sustain' describe economy, people and society as the three distinct areas to be developed and sustained. This shows clearly that, a sustainable economy requires an effective mechanism for the distribution of wealth in a society because if unemployment, injustice, inequality, ignorance and poverty prevail, there cannot be a sustainable development.

Sandar, (2019) in his study "Sustainable development: Meaning, History, Principles, Pillars, and Implications for Human Action:

Literature Review” contribute to the discourse by further explaining the paradigm and its implications for human thinking and actions in the quest for Sustainable development. He carried out an extensive literature review, combining aspects of the ‘preferred reporting items for the systematic reviews and meta-analyses (PRISMA) guidelines and the recursive content abstraction (RCA) analytical approach. His work found and argued that, the entire issue of sustainable development centers around inter-and intra-generational equity anchored essentially on three dimensional distinct but interconnected pillars, namely: economy, society and environment and conclude that the decision-makers need to be constantly mindful of the relationships, complimentary, and trade-offs among these pillars and ensure responsible human behavior and actions at the international, national, community and individual levels in order to uphold and promote the tenets of this paradigm in the interest of human development. His finding in consonant with Taylor (2016) and other reviewed works showed that, potential issues of sustainable development are economic growth (economic sustainability), environmental protection (environmental sustainability) and social equality (social sustainability). These potential societal insolvencies have important implications on the overall sustainable development of a nation. It is on this note that all countries of UN agreed to help achieving sustainable development and economic growth by following Millennium Development Goals (MDGs) adopted in September 2000 to be achieved by 2015 for: (i) Eradication of poverty, hunger and malnutrition, (ii) Giving quality primary education to children, (iii) Promoting gender equality and working for empowerment of women, (iv) Reducing child malnutrition, (v) Improving maternal health, (vi) Curing AIDS, malaria and other diseases, (vii) Ensuring sustainable development, and (viii) Developing global partnership.

It was later discovered that complete sustainable development cannot be achieved within 15 years, it takes a lot of time to achieve hence in January 2016 SDGs have been prescribed followed by MDGs to be achieved by 2030. SDGs include: (i) Eradication of poverty, (ii) Ending hunger and malnutrition, (iii) Ensuring health facilities and promoting wellbeing of the people, (iv) Providing quality education to all and promoting lifelong learning opportunities for all, (v) Promoting

gender equality and working for empowerment of women, (vi) Ensuring pure drinking water and sanitation, (vii) Ensuring reliable, affordable modern electricity for all, (viii) Ensuring economic growth by creating job opportunities for unemployed people, (ix) Promoting industry, innovation and infrastructure, (x) Reducing income inequality, (xi) Creating safe, resilience and sustainable cities and communities, (xii) Ensuring sustainable consumption and production of goods, (xiii) Ensuring environmental sustainability, (xiv) Protecting life below water, (xv) Protecting life above land, (xvi) Promoting peace, justice and strong institutions, and (xvii) Developing global partnership for sustainable development (Mukhtar, Zainol and Jusor, 2018).

### *Islamic Perspective of Sustainable Development*

Sustainable development concept which emphasizes on the ability to meet the needs of the present generation without compromising the ability of the next generation to meet their own needs is greatly emphasized in Islam. Islam as a universal religion and complete way of life delves into religious, social, educational, political, economic, and general wellbeing. It enjoins man to work for earning a living on his personal initiative. He is required to use the endowment (favours of God) giving to him through reasoning, hands and energy in what is suitable for him in production, farming, industry, commerce, grazing, hunting, mining and in acquiring other societal needs and aspirations for the common good of the state. The term *Sulh* which is the root of the word *Islah* denotes development in Islam (Al-Naim, 1990). Sustainable development in Islam is viewed from five angles: educational, economic, political, social, moral and spiritual angles. Thus, improvement in the totality of the above areas of human life without compromising the ability of the next generation to improve on these areas is sustainable development in Islam (Adigun, 2012). It is on this basis that greatest achievement in Islam denotes *falāhun* (prosperity) which is all embracing and technically means material advancement in this world (*duniyah*) and comfort in the hereafter (*yaum al-ākhirah*)-paradise (Qur’an 62:10). It is this *falāhun* that forms the bedrock of Islamic economics and finance. Islamic economics and finance holds great potential and appeal for achievement of economic growth with social justice

particularly, in the present time when countries across the world are growing but their financial and economic progress has been uneven and achieved at the cost of moral and social decline. Moreover, the repercussions of the moral, social, economic and financial rise and fall of regions is no longer isolated but can be felt globally. In this scenario, the need for developing inclusive and sustainable Islamic economic and financial systems becomes much more important (Omar, 2015). It is on this note that Islam uses three mechanisms for achieving sustainable development in the world. These mechanisms are: positive mechanisms (economic growth); preventive mechanisms (equitable distribution of wealth) and corrective mechanisms (check and balances) (Adigun, 2016).

In the above mechanisms, sustainable development is achievable when a leader is able to play positive role in handling the affairs of his people as khilafah (leader) is responsible for improving the condition of those under his guardianship. In this regards, it is the responsibility of the leader or ruler to use God given resources, potentials and plan, coordinate and guarantee housing, clothing and food for every single citizen of the state and also, in the best position to plan and coordinate the resources of the people in such a way that will guarantee the right of future generations to benefit from the same resources. In this connection, Prophet Muhammad (P.B.U.H) said: "Every one of you is a shepherd with regard to his flock. The King (Leader) is a shepherd over the people and shall be questioned about his subjects (as to how he conducted their affairs.) (Bukhari and Muslim). This is an indication that, a leader is not encouraged to waste or squander the common wealth of the people through selfishness and extravagant spending. He is expected to curtail or safeguard against injustice, corruption and exploitation of public goods.

In the same manner, Islam ensures that man is emancipated from the shackles of poverty as it enjoins man to be self-supporting and stay away from being a liability on anyone. He is required to use the endowment (favours of God) giving to him through reasoning, hands and energy in what is suitable for him in production, farming, industry, commerce, grazing, hunting, mining and in acquiring other

societal needs and aspirations for the common good of the state. Islam approves any type of work that brings about sustainable development in as much as it does not involve in exploitation, cheating, fraud, injustice or wrongdoing. Prophet Muhammad (P.B.U.H) is reported to have said, it is far better for one even to take his rope, cut wood, pile it up and sell it in order to eat and give charity than begging others whether they give him or not (Bukhari and Muslim). Islamic principles entail that all dealings should be done with frankness and honesty. idleness, inadequate planning and coordination, social injustice, fraud, corruption, exploitation, cheating, hiding defects of merchandise by the dealers, exploiting the needs of customers, monopolizing stocks to force one's own prices are all detestable and sinful acts that bring about unsustainable development in Islam. In order to ensure sustainable economic development that ensures intergenerational equity, Islam puts in place certain mechanisms in the Islamic economic system which include the prohibition of *ribā*.

#### *Concept of Ribā*

*Ribā* is an Arabic word derived from the word *rabā* which means to grow or to increase (Kareem, 2017; Muhammad, 2013). According to Joshua (2014), *riba* which he refers to as usury is derived from the Medieval Latin term "usuria" which means "interest" or excessive interest", and originally meant charging a fee for the use of money. According to the dictionary, *riba* means excess, increase, surplus or addition (Abadi, 1998). In the Shari'ah (Islamic law), *Ribā* means an increase in a particular item. *Riba* in the views of Mukhtar and Jusor (2018) implies any excess compensation without due consideration. Zamir and Abbas (2011) also defines it as an excess which they interpreted as any unjustifiable increase of capital, whether in loans or sales.

In the Qur'an, the word " *ar-ribā* " and its various forms of derivatives occur twenty times; eight of them form the word *ribā* itself and thereby the word is used in the Qur'an with an assortment of meanings, such as growth (Qur'an 22:5), increase (Qur'an 69:10), fertilizer-to rise (Qur'an 23:50). Allah, while interpreting the meaning says: "Whatever you pay as interest so that it may increase (*liyarbu*) the wealth of people does not increase (*fa la yarbu*) in the sight of Allah" (Qur'an 30: 39), that is, it does not increase or rise

in status before Allah. Thus, *ribā* is translated to mean usury or interest. Any positive, fixed or predetermined rate tied to the maturity and the amount of principal (that is, guaranteed regardless of the performance of the investment) is considered *ribā* and is prohibited in Islam. (Zamir and Abbas, 2011).

In economics and finance, the word is used frequently to describe the surplus revenue generated by the creditor of the debtor, higher and above the principal amount of debt, as a reward for waiting, or separating the liquid from the capital during a certain period (Afzalur, (2002)). Riba is thus, generally defined as a favoured profit (treasure) of one party against the other party in the transaction of sale or exchange of similar goods without reward against these advantages (Saeed,1996). In other terms, riba is understood as payment of a debt that must be repaid by the debtor which is greater than the amount of the loan in exchange for a grace period that has elapsed. In the classical Islamic jurisprudence, *ribā* means surplus value without counterpart or to ensure equivalency in real value (Ahmad, 2019) or unjustified additional payment on the amount borrowed, which is paid in kind and cash above that amount, and which the borrower will return to the lender at intervals until the principal is paid back (Kareem, 2017). Islam categorically and unequivocally prohibits the practice of charging and receiving interest in all forms not only on loans but on other transactions.

Riba (Usury) was well established in the Jahiliyah (period of darkness) as it was originated among the people of ignorance. Islam also forbids another kind of *ribā* name "*ribā al-fadl*, which means adding to the amount when exchanging one item for another of the same type. For instance, if gold is sold for gold, that is not permissible except like for like, hand to hand. Islam stipulates that the exchange should be done hand to hand and that the items or goods should be of the same quality. Whoever gives more or asks for more has engaged in riba even if he sells a saa' of wheat for two saa's (of the same commodity).

According to al- Qaradawi, (1960), immediately after the revelation of the Qur'an, several verses of the Qur'an lay emphasis on usury (riba) as an unlawful act and totally prohibited. Several verses of the Holy Qur'an pointed out the prohibition of usury and Hadith (saying and deeds or tradition) of the Holy Muhammad (SAW) were also against

any transaction involving interest. For instance, Allah commanded in the Qur'an thus; "O you who believe! Eat not Riba (Usury) doubled and multiplied, but fear Allah that you may be successful" (Qur'an 3:130). Another verse says: "And Allah will destroy riba (usury) and will give increase for sadaqah (deeds of charity, alms etc). And Allah likes not the disbelievers, sinners" (Qur'an 2: 276). In another verse, it reads thus:

*And that which you give in riba in order that it may 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 zakat (sadaqah, charity, etc) seeking Allah's countenance, then those, they shall have manifold increase (Qur'an 30: 39). Also, another verse says:*

*O you who have believed, fear Allah and give up what remains (due to you) of interest, if you are believers. And if you do not, then be informed of a war (against you) from Allah and His Messenger. But if you repent, you may have your capital – (thus) you do no wrong, nor are you wronged. (Qur'an 2: 278). And if someone is in hardship, then (let there be) postponement until (a time of) ease. But if you give (from your right as) charity, then it is better for you, if you only knew. (2: 279)*

Other researchers reveal that, the prohibition of riba is not only identified with Islam but also in other religions of the world. According to James (1981), riba (usury) has been condemned through the ages by prophets, priests, philosophers, and poets of all nations. It has often been regarded as one of the vilest of crimes. Joshua (2014), confirms that, the Hebrew Prophet Ezekiel included usury with rape, murder, robbery, and idolatry in a list of "abominable things" that would receive the punishment of God while quoting Ezekiel 18:10-13 in the Revised Standard Version of the Bible. In the Middle Ages, Christian scholars debated whether usury should be considered extortion, a form of robbery, or a sin against charity and the Holy Spirit (James, 1981).

In the same manner, Prophet Muhammad warned that consuming riba is one of the seven sins that doom a person to hell. He described the seven destructive sins as:

1. Making anyone or anything a partner with Allah
2. Practicing sorcery.
3. Killing a living being without justification whose life has been declared sacred by Allah
4. Practicing usury (riba)
5. Misappropriating the property of an orphan
6. Running away in a battle or Isolating oneself from the decision of the Ummah on just course.
7. Slandering chaste, innocent and believing women (Bukhari and Muslim).

The Prophet also said: “Allah has cursed the one who consumes riba, the one who gives it, the one who witnesses over it, and the one who writes down the transaction” (Muslim). In Joshua (2014) and Becker (1909)’s submissions, usury was actively banned and shunned well before the emergence of the Abrahamic religions of Judaism, Christianity, and Islam, all of which prohibited usury as well. Scholars debate the correct translation of riba as either usury or interest, many submit that, the Islamic prohibition of riba do not condemn business and commerce (or trading), which is distinguished from taking riba (Sfhiam, 2015; Ahmad, 2019; Olanipekun, 2015; Yanto, 2019; Mukhtar, and Jusor, 2018; Zamir and Abbas, 2011; Kareem, 2017; Joshua, 2014; Becker, 1909; al- Qaradawi, 1960, Daniel, 1995; Abubakr et al, 2017; Lawal ,2017; Bello, 2019).

*Riba and Economic Conditions of the Arabs before Revelation Came to Prophet Muhammad*

According to Rahim (1983), originally, Makkah was a great commercial and world trade centre in Arabia as a result of the economic activities of the Arabs which were mainly trade and cattle rearing. In view of the barrenness of their land, which could hardly be useful for agricultural purposes largely they engaged in business and transaction (Hitti, 1970). As a great commercial centre, people used to come to Makkah for pilgrimage. During the annual pilgrimage when people from different neighboring towns flocked Makkah to join in the annual idol-worshipping, they used to come along with goods to sell. So, buying and selling characterized the annual pilgrimage. However, trading during the period was characterized by cheating and defrauding. Since there was no divine guidance on buying and selling, trading activities were left to the whims and caprices of traders. Traders were free to sell

whatever goods in their custody to their customers regardless of the condition of the goods. As there were also no price control measures in place, customers were left at the mercy of traders who were free to sell at whatever price they desired (Rahim, 1983).

In addition, one of the common features in the economic situation of the *Jāhiliyyah* period of Arabia was lending on interest or usury called *Ribā* and reduction of weight and measures in trade most especially those dealing in grains. This set of traders, when they purchased goods, they would demand for full measures but when they sold to buyers, they caused them loss. The money- lenders are usually the rich aristocrats while borrowers in most cases are the hard-pressed. There were among the Arab Aristocrats those whose major pre-occupation was money-lending. They charged interest on whatever amount they lent out to people. To them, lending on interest was considered a form of trading. They therefore saw nothing wrong with it even if the borrower was highly pressed. For instance, at that time, if a debt became due, they would say to him (the borrower): Give us one hundred (that is due, now), or increase it to one hundred and fifty (and pay later). Then when the one hundred and fifty became due, they would say: Give us one hundred and fifty (now), or increase it to two hundred (and pay later) and so on. (Muhammad, 2013).

Slavery was also an economic institution of the Arabs then. Male and female slaves were sold and bought like animals, and they formed the most depressed class of the Arabian society. The most powerful class of the Arabs was made up by the capitalists and money-lenders. The rates of interest which they charged on loans were exorbitant, and were especially designed to make them richer and richer, and the borrowers poorer and poorer. The most important urban centers of Arabia were Makkah and Yathrib (Medina), both in Hijaz. The citizens of Makkah were mostly merchants, traders and money-lenders. Their caravans traveled in summer to Syria and in winter to Yemen. They also traveled to Bahrain in the east and to Iraq in the northeast. The caravan trade was basic to the economy of Makkah, and its organisation called for considerable skill, experience and ability.

Immediately after receiving the revelation of the Qur’an, Prophet Muhammad (P.B.U.H) started his preaching against all forms of cheating, exploitation and defrauding behaviours that were

prevalent in the *Jāhiliyyah* days of Arabia and which were condemned by the Qur'an. He emphasized the need to be just in business dealings. Verses of the *Qur'an* were used to describe how Allah dealt with the people of Prophet Shu'ayb (A.S.) for being unjust in business dealings. Economic injunctions that were revealed were rehearsed to the *Jāhiliyyah* Arabs. Some of the verses revealed for admonition proclaim:

*O you who believe! Fear Allah and give up what remains of your demand for usury if you are indeed believers. If you do not, take notice of war from Allah and His Messenger; But if you repent, you shall have your capital sums: Deal not unjustly, and you shall not be dealt with unjustly (Q. 2:278).*

The repentance meant in the above verse is keeping original capital and refraining from taking any increase made without effort. In another admonition concerning fraud in business, the Qur'an curse those that engage in fraud during transaction thus:

*Woe to those that deal in fraud. Those who, when they have to receive by measure from men, exact full measure, but when they have to give by measure or weight to them, give less than due. Do they not think that they will be called to account? On a Mighty Day, A Day when (all) mankind will stand before the Lord of the Worlds? (Q. 82:1-5).*

*"And establish weight with justice and fall not short in the balance" (Q55:9).*

Another economic reform introduced by Islam is the prohibition and ban placed on usury collection and the stern warnings issues to the obstinate among the collectors thus:

*Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness ... Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offence) are companions of the fire: they will abide therein (forever). Allah will deprive usury of all blessing*

Judging from the Qur'an and Hadith which are the first primary sources of Islamic law, submissions of scholars and other researchers, the basis for the prohibition of *riba* in Islam may be traced to the common medieval Arabia practice of doubling the debt if the loan has not been repaid when due. This practice in its extreme form had led to slavery in medieval Arabia because of the absence of bankruptcy legislation that protects the borrower from failed ventures. In view of this, Kareem (2017) asserts that, many people consider money as the root of all evils and a source of peril instead of a source of blessings for it gives rise to inequality in the distribution of wealth, overcapitalization and overproduction, instability in its value, greed, theft, exploitation, the decline in spirituality, murder and a host of other evils. Whereas, it should be born in mind that it is the way money is used that leads to either blessing or destruction, and thereby submits that money may not be the root of all evils but the interest in its place.

Money is regarded as commodity that can be bought and sold by the western economists. Money (*al-mal*), unlike in capitalism and socialism is not seen as an end to itself but a means to a higher values and therefore, earned, invested and spent in such a manner that it may be of benefit to an individual and not as curse. According to (Bello, 2019), there is nothing wrong with the principle of circulation of *al-mal* (money/capital) if the capital is invested in trade or business, and the profit is shared between the owner of the capital and the worker. This is called *mudārabah* (profit sharing), and there is nothing wrong with it if the capital is kept distinct from the profit. If this money is deposited in a *riba*-based bank, then taking the interest is *harām* (prohibited) and it is not permissible to deal with these banks, and loans based on interest are not permissible. It is also not permissible to accept payment in that currency for any job if that job helps to support a system that is based on *riba*. According to (Siyanbola, 2013), Interest free banking is a just financial system that promotes equity and income re-distribution, and it is also a veritable alternative framework that can protect Nigeria and entire world from the economic recession and debt burden as it is right step towards a desirable financial sector in the country. There are many verses of the Qur'an and Hadiths of the Prophet that condemn the taking and paying

of riba. What the Qur'an emphasizes is profit through trade as Allah says: "Trade is lawful while interest is forbidden" According to Kareem, profit is regarded as a payment for a person's effort and risk. It is not only risk but effort must be taken into consideration before one is entitled to profit. Although, Islam recognizes the importance of profit making but adds spirituality to it (that all resources belong to Allah, the Creator, the Supreme Owner of all wealth and hence, human beings are just trustees (guardianship or managers) of Allah's resources. This creates check and balances and checkmates selfish and unfair tendencies that may mistakenly support the notions palpable of the capitalism and socialism (Abubakar et al, 2017). It is against Islamic dictates to view profit as the only one reason for engaging in economic activities. Equity, justice and fair play must be taken into consideration. It is wrong to pursue profit at the expense of the welfare of the people. Pursuing profit by exploiting and going beyond the limits laid down by the Qur'an and Hadith which are the first primary sources of Islamic law is prohibited in Islam. Therefore, the prohibition of *riba* can be viewed as part of Islam's general vision of a moral economy for sustainable development.

#### *Islamic Theory of Economic Growth and Investment as an Alternative to Interest (Riba)*

Islamic theory of economic growth and investment as an alternative to riba states that "Non-Interest (Islamic) Finance is built on the principles that uphold a positive ethical laws derived from the Qur'an and the Sunnah of Prophet Muhammad, moral considerations, fair and just trading practices which includes: avoidance of riba (interest and gharar), contractual and legal uncertainty, as well as leniency to debtors where the borrower can prove mitigating circumstances. Also avoided are investments in forbidden commodities such as alcohol, tobacco and companies whose debt exceeds one-third of its assets.

Islamic theory of economics and finance therefore, broadly refers to financial market transactions, operations and services that comply with Islamic rules, principles, philosophy and code of practice which was propounded over 1400 years ago when Prophet Muhammad received revelation of the Qur'an

as a mercy to mankind. This theory emanated from the Qur'an which states:

*Those who eat Riba (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaitan (satan) leading him to insanity. That is because they say: "Trading is only Riba (usury)," whereas Allah has permitted trading and forbidden Riba (usury). So whosoever receives an admonition from his Lord and stops eating Riba (usury) shall not be punished for the past; his case is for Allah (to judge); but whoever returns (to Riba (usury)), such are the dwellers of the Fire-they will abide therein.*

*Allah will destroy Riba (usury) and will give increase for sadaqah (deeds of charity, alms, etc.) And Allah likes not the disbelievers, sinners.....*

*O you who believe! Fear Allah and give up what remains (due to you) from Riba (usury) (from now onward), if you are indeed (really) believers. If you do not, take notice of war from Allah and His Messenger; But if you repent, you shall have your capital sums: Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums) (Q. 2:275-279).*

The repentance meant in the verse is keeping original capital and refraining from taking any increase made without effort.

The theory prohibits depositing one's wealth and taken specified increase without the risk of either loss or profit making. Finance is provided through equity participation or profit and loss sharing (PLS) in return for equity or rights to share in pre-agreed proportion of profits. It is also provided through the sale and lease of assets in return for commitment to repay their value or for their usufruct at a later date. It is further provided against a commitment of commodities (Mabid, 2017). Thus, risk sharing is a basic feature of the Islamic economic system.

The theory allows the type of investment where a person deposits money in an account and shares both the risk of making profit or loss



(Al-Qaradawi, 1960). By this theory, it is not that Islam is against the acquisition of wealth or material pursuit as hinted in the Qur'an thus: "But seek, with that (wealth) which Allah has bestowed on you, the home of the hereafter, and forget not your portion of lawful enjoyment in this world (Qur'an 28:77). It is only that, the teachings of Islam prohibit *riba* and encouraged the people to invest because there is a fundamental difference between the investment and *riba*. According to Antonio, the differences can be analyzed from the definition to each of meaning, namely: (a) investing is risky business activities for dealing with the element of uncertainty. Thus, the acquisition of his return is uncertain and not fixed; (b) to lend the money is less risky business because of its acquisition of the return of interest is relatively definite and fixed.

The investment can be done through economic cooperation that is carried out in all lines of economic activity, either production or consumption and distribution. One form of cooperation in the business of Islamic economics is *Musharaka* or *Mudaraba*. Through this transaction, both parties to the partnership will not get interest, but profit and loss sharing of economic cooperation as mutually agreed. Profit-loss sharing can be regarded as a system of cooperation that emphasizes fairness in the Islamic business, so it can be used as an alternative solution instead of the system of interest.

## METHODOLOGY

The study employed descriptive research design. The method was adopted because it helps to describe, analyse and interpret the condition, prevailing practices, belief, attitudes and ongoing process that exists in the survey

(Ndagi, 1984 Quoted in Siyanbola, 2013). In the population and sampling technique, 260 selected staff, members and customers (140 Male and 120 Females) of interest cooperative societies and banks (Ilera Ioro Cooperative Society, Ekiti; Hospital Management Cooperative Society (HMC), Ekiti; EKSU Progressive Multipurpose Cooperative Society, Ekiti; Former Bank PHE, Ekiti; Stanbic-IBTC bank, Ogun) including the non-interest cooperative societies and banks (Al-Birr Cooperative Society, Ekiti; Jaiz Bank, Abuja; Taj Bank, Abuja and Lotus Bank, Lagos) were selected randomly from four states of the country. The instrument used to gather information in this study is a self-designed questionnaire. To ensure the validity of the research, the instrument was subjected to criticism by specialist in the areas of educational management aside from peer review conducted by the researcher.

The reliability of the instrument was obtained through a test-retest technique, data analysis was guided by the research questions and simple percentages, and chi square ( $X^2$ ) test statistics was used to analyse the formulated hypothesis.

## FINDINGS AND DISCUSSION

The findings and discussion with respect to research questions are presented in tables. The postulated hypothesis was tested in table 2 by using-chi-square test. The number of responses and percentages are found in Table 1.

**Table 1: Research Question 1: What are the effects of riba on sustainable development in Nigeria?  
Is the prohibition of riba has significant effect on the attainment of sustainable development in Nigeria.**

S/N	Items	Agree	%	Disagree	%	Total	Type of effect
1	More Lending	156	60	104	40	260 (100%)	<b>Positive effect</b>
2	It increases costs for banks and consumers	217	83.5	43	16.5	260 (100%)	
3	Additional funds for lenders	237	91.2	23	8.8	√	
4	Temporal relief from suffering	172	66.2	68	33.8	√	
5	Stronger dollar that helps US travelers	160	61.5	100	38.5	√	
6	Higher returns for lenders	259	99.6	01	0.4	√	
	<b>Total of Positive effects</b>	<b>1201</b>		<b>339</b>			
7	Exploitation/Cheating	190	73.1	70	26.9	√	<b>Negative effect</b>
8	Increase in debt/burden	258	99.2	02	0.8	√	
9	Greed/Selfishness	186	71.5	74	28.5	√	
10	Reduction in real investment	244	93.8	16	6.2	√	
11	Unemployment rise	185	71.2	75	28.8	√	
12	hatred and adversity	172	66.2	88	33.8	√	
13	Injustice distribution of wealth and income	198	76.2	62	23.8	√	
14	Money-worship and cruelty	173	66.5	87	33.5	√	
16	Impatience	231	88.8	29	11.2	√	
17	Obstacle to economic prosperity	195	75	65	25	√	
18	Materialism	244	93.8	16	6.2	√	
19	Looting/money laundering	256	98.5	04	1.5	√	
20	Fraudulent business transaction	209	80.4	51	19.6	√	
21	Increasing the price of the commodity	223	85.8	37	14.2	√	
22	Reduce consumption, lower inflation and increase its risk	210	80.8	50	19.2	√	
	<b>Total of Negative effects</b>	<b>3174</b>		<b>726</b>			

Source: Field Survey, 2021

### Discussion 1

The analysis of table 1 above showed that, items 1-6 were the positive effects of riba on the attainment of sustainable development in Nigeria. While items 7-22 were the negative effects of riba on the attainment of sustainable development in Nigeria. Majority of the respondents (190%), (258%); (186%); (244%); (185%) ;(172%); (198%); (173%); (231%); (195%); (256%); (209%); (223%); (210%) submitted that Exploitation/Cheating; Increase

in debt/burden; Greed/Selfishness; Reduction in real investment; Unemployment rise; hatred and adversity; Injustice distribution of wealth and income; Materialism; Money-worship and cruelty; Impatience; Obstacle to economic prosperity; Looting/money laundering; Fraudulent business transaction; Increasing the price of the commodity; Reduction in consumption are the enemies of sustainable development of a nation. These were the

reasons Islam prohibits riba in order to achieve

sustainable development in the society.

**Table 2: HO: Prohibition of Riba has no significant effect on the attainment of sustainable development in Nigeria?**

Variables	Agree	Disagree	Df	$\chi^2_{Cr}$ i	$\chi^2_{Cal}$	Level of Significance	Decision
Legalisation of Riba, based on its positive effects in facilitating the attainment of Sustainable Development in Nigeria	1201	339	1	3.84	8.095	0.05	Rejected
Prohibition of Riba based on its negative effects in the Attainment of Sustainable Development in Nigeria	3174	726					

Source: Field Survey, 2021

Since the calculated value is greater than the table value (i.e.  $8.095 > 3.84$ ), then the null hypothesis is rejected, while the alternative hypothesis is accepted. It concludes that, the negative effects of riba has significant effect on the attainment of sustainable development in Nigeria and thus holds that riba which brought about unsustainable development necessitated its prohibition in Islam as a strategy for attaining sustainable development in Nigeria.

#### Discussion of Findings

The Islamic prohibition of riba based on its negative effects showed that, interest-free, business ethics, wealth distribution, social and economic justice are prospects of sustainable development. These in consonant with Taylor (2016) and other reviewed works proved that, potential issues of sustainable development are economic growth (economic sustainability), environmental protection (environmental sustainability) and social equality (social sustainability). These potential societal insolvencies have important implications on the overall sustainable development of a nation.

#### CONCLUSION

In conclusion, since the hypothesis tested revealed that riba has to do with increase in debt/burden; greed/selfishness; reduction in real investment; unemployment rise; hatred and adversity; injustice distribution of wealth and

income; materialism; money-worship and cruelty; impatience; obstacle to economic prosperity; looting/money laundering; fraudulent business transaction; increasing the price of the commodity and reduction in consumption which are the challenges of sustainable development. It showed that Islamic prohibition of riba is a good strategy for attaining sustainable development in Nigeria. It has been found also that, Islam encourages the practice of profit and loss sharing and forbidden riba. Although both can provide benefits to the owners of capital, but both have a very fundamental difference. Riba impedes the development and excellence of great qualities like mutual sympathy and cooperation. The riba-based financial system of the society is at the root of economic inequality and corruption which have been found to be the enemies of progress. A group of people is benefited without any participation from the others. The recipient of the riba is the parasite of the society. For the sake of riba, the poorest of society becomes poorer and richer in wealth. The evil of riba on the national economy was also captured by the former governor of Central Bank of Nigeria, His Royal Highness Sanusi Lamido, when he stated that “we are borrowing more money today at a higher interest rate, while leaving the heavy debt burden for our children and grandchildren” (The Punch, 2012). As a result, hatred, unemployment, social level discrimination and poverty increase day by day. It is on this basis that the paper recommends

that: The stakeholders, governments, human right activists, educators, Muslim Clerics should create an enabling environment for more interest-free banks and cooperative societies to flourish in Nigerian society for the country to attain sustainable development. According to (Siyanbola, 2013), Interest free banking is a just financial system that promotes equity and income re-distribution, and it is also a veritable alternative framework that can protect Nigeria and entire world from the economic recession and debt burden as it is right step towards a desirable financial sector in the country.

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