



# Critical Muslim Intellectuals' discourse and the issue of 'Interest' (*ribā*): Implications for Islamic accounting and banking



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## ABSTRACT

This article introduces and employs Critical Muslim Intellectuals' (CMIs) methodological approaches and debates to discuss the issue of bank-interest/*ribā* in Islam. It builds specifically on Fazlur Rahman's (Pakistan) methodology and debates and counters them with the traditionalists' approaches to the issue of *ribā*. The paper highlights the displacement of CMIs' discourses from mainstream Islamic accounting and banking literature and practices and argues that such displacement is hindering the emergence of genuine, innovative and critical debate on the issue of *ribā* in particular and Islamic accounting and banking in general. The paper elaborates on the need to incorporate the critical debates and thought of CMIs into the fields of Islamic accounting and banking if these fields wish to contribute to enhancing socio-economic justice and finding an alternative to their conventional, neoliberal counterparts.

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## 1. Introduction

Discourses on the issue of interest in Islamic accounting and banking are dominated by the thoughts and perceptions of traditional and conservative *ulamā* that generally perceive bank-interest in all its forms to be gravely forbidden. Modern Islamic banks and financial institutions, therefore, employ great efforts in order to design products that *seem* to resemble classical Islamic products (based on profit–loss sharing contracts) and avoid, especially in legal form, the use of interest. Islamic accounting literature, similarly, is mainly based on the conservatives' notion of the necessity of the total prohibition of bank-interest. While a number of papers in the Islamic economics literature have criticized the conventional/traditional understanding of the issue of *ribā* in Islamic thought and the flawed and limited features of conventional *fiqh* and Islamic texts interpretations (cf. El-Gamal, 2003; Kuran, 2006, 2011; Balala, 2010; Zaman, 2011; Ebrahim, Makhdoomi, & Sheikh, 2012), a few of them have engaged with the radical methodological approaches of contemporary Critical Muslim Intellectuals. In the Islamic accounting literature, these radical and alternative debates on the issue of *ribā* are totally absent (cf. Kamla, 2009). This paper attempts to address this gap in the literature by introducing debates on the issue of *ribā*/interest building on methodology and thought of a number of contemporary Muslim intellectuals named Critical Muslim Intellectuals (CMIs). The paper will also explore the implications of the absence of these discourses from Islamic accounting and banking research and practices.

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Critical Islam or Critical Muslim Intellectuals (CMIs) are terms that are increasingly being used in Islamic studies to describe a movement led by a number of Muslim intellectuals aiming at a genuine renewal in Islamic thought (cf. Kersten, 2011). The renewal project proposed by this group of intellectuals is based on understanding the historical context of the Qurān and Islamic heritage when interpreting the Qurān and extending its implications to the current day. For them, certain historical values will no doubt have an impact on the present. The present, however, must be constructed in accordance with religious, historical and intellectual conditions that are currently influencing it (Cooper, Nettler, & Mahmoud, 1998; Filali-Ansari, 1998). For CMIs, previous interpretations of the Qurān and other authoritative Islamic texts, that is *Hadith* and *ijmāh*, reflect ‘exactly the kind of problem they were encountering at the time’. Thus, they are not eternal interpretations; on the contrary, ‘they are relative disciplines which try to give expression to revelation within the confines of the cultural conditions prevailing in the past’. CMIs criticize the dominant traditionalist approach to interpreting Islamic texts where it continued ‘to interpret this body of knowledge in the light of those historical circumstances instead of updating it in line with their contemporaneous circumstances’ (p. 159). For CMIs the understandings and interpretations of the religious texts and *Sharīah* rulings should be reformed in line with the changing social conditions taking into consideration the Islamic worldview and values (Abu-Zahra, 1998). This paper will introduce CMIs’ thought to the accounting literature. It will specifically focus on the work and methodology on one influential CMI: Fazlur Rahman. On the issue of *ribā*/interest, the paper will incorporate Rahman’s thought with other CMIs (like Shahrour and Ramadan) and contemporary economists, finance and law scholars’ debates on the issue (e.g. El-Gamal, 2003; Saleem, 2006; Kuran, 2006, 2011; Ebrahim, 2009; Balala, 2010; Ebrahim et al., 2012; Salleh, Jaafar, & Ebrahim, 2012 to mention some). This is a significant contribution to Islamic accounting research, as the critical views of these intellectuals have not been previously discussed in this literature. CMIs’ views also suggest radical shifts in the emphasis and role of Islamic accounting and banking in practice more generally and not only in relation to the issue of *ribā*. Their thoughts and approaches will also be relevant to critical accounting research more generally. For instance, CMIs’ concerns regarding the lack of historicity and contextualization in traditional Islamic thought mirror concerns by critical accounting researchers about mainstream accounting research. Critical accounting research, which is mainly interested in developing more emancipatory alternatives to mainstream accounting, has so far overlooked the potential of spiritual dimensions and values (integral to the enlightenment and emancipation), especially from the Islamic perspective, to help realize this emancipatory accounting project. Most of the critical accounting research emphasizes secular discourses like Marxism and Feminism or other critical-theoretical dimensions that ‘locate emancipation instead within the rational process of the mind’ (Molisa, 2011, p. 469). CMIs’ thought can enrich the critical accounting literature by enhancing the emancipatory potentials of accounting from religious and Islamic perspectives.

The next section highlights the contemporary traditional and conservatives’ debates on the issue of *ribā*/interest. Then Sections 3 and 4 elaborate on the way that these traditional perceptions are informing much of the research and practices of Islamic banking and accounting. Section 5 introduces the philosophy of CMIs’ thought in general before introducing the particular methodological approaches of Fazlur Rahman. Section 6 discusses the implications of CMI’s methodology on discussing the issue of *ribā* in accounting and banking literature and practices. Section 7 presents the conclusion.

## 2. The issue of *ribā* in contemporary traditional thought

The issue of *ribā* and bank-interest still provokes controversial debates amongst the ‘*ulamā* (Muslim jurists) (Caeiro, 2004; Salleh et al., 2012)<sup>1</sup>. The main controversy surrounding the issue is related to the different interpretations of the Qurānic injunctions in relation to *ribā*, where different schools of thought (Mālikī, Shāfiī, Hanbalī, Hanafī and Shiī) have had varied interpretations of the meaning of *ribā* (Noorzoy, 1982). Debates are still taking place amongst Muslim *ulamā* on whether what is meant by *ribā* in the Qurān and *Sunnah* (the oral tradition attributed to the Prophet Muhammad) is usury or interest (Noorzoy, 1982; Caeiro, 2004). Caeiro (2004) explains that the *ulamā*’s position regarding the issue of *ribā* and bank-interest ranges between three approaches: the idealist, the pragmatic and the liberal. The idealist approach ‘restricts Islamic banking to the contracts allowed in classical Islamic Law (*fiqh*) and considers bank interest a grave sin’. The pragmatic approach ‘while it sees bank interest as forbidden, it seeks to circumvent it in innovative and sometimes unorthodox ways’ (Caeiro, 2004, p. 352). The liberal approach ‘emphasises that today’s bank interest does not correspond to the pre-Islamic *ribā* and is not inherently evil’ (Caeiro, 2004, p. 351; Saeed, 2011).

The majority of contemporary Muslim scholars (*ulamā*) adhere to the idealist approach where bank interest is equated with *ribā*. They argue for a zero interest rate on transactions (Noorzoy, 1982; Caeiro, 2004; Saeed, 2011)<sup>2</sup>. One of the most influential scholars, who has had a significant impact on the contemporary Islamic banking system and thought, is *mufti* Muhammad Taqi Usmani<sup>3</sup>. Usmani has fiercely criticized and dismissed various *fatwa* (juristic opinions) issued in different parts of the Islamic and non-Islamic world, which premise the dealing with bank-interest on the basis of ‘individual’ or ‘national’ necessity. Usmani argued that these *fatwa* ‘contradict the position taken by the *ummah* throughout the centuries’,

<sup>1</sup> Mews and Walsh (2011) explain that the confusion on the issue of usury (*ribā*) and interest is widespread and goes beyond the Islamic world. In the Christian world similar confusion existed, especially after Jeremy Bentham wrote his piece on the *Defence of Usury* in 1787AD.

<sup>2</sup> Fewer numbers of these *ulamā*s adhere to the pragmatic approach.

<sup>3</sup> Taqi Usmani is a former judge of the Supreme Court of Pakistan and the vice-president of Dar al-Ulum School in Karachi (Caeiro, 2004). Usmani has also written books on Islamic finance and held positions in a number of Islamic banks’ Sharia Supervisory Board.

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