

Press Release

Whilst Sharp Increases in Interest (Riba) Rates Ruin Economy, the Banks Profit Immensely

The semi-annual review report of the State Bank of Pakistan, published on 18 September 2023, revealed that the profit of the banks was 126 billion rupees in the first half of previous year. It has increased to more than double, to 284 billion rupees in the first half of this year. The main reason for this is declared as the rise in interest (riba) rates.

For the past few years, the government of Pakistan has been printing currency in a huge manner. It issues this money to the banks and then withdraws it at high interest rates from these banks. It is managing its fiscal budgetary deficit in this destructive manner. During the period between 1 July 2022 and 2 June 2023, the federal government has taken loans of 3,216 billion rupees from the banks. The rulers are not stopping the rampant printing of currency. Instead, they are continuously increasing the profits of the investors in riba, by increasing interest rates. This process has turned the banks into money machines for the investors. This is because of the enormous debt on one hand, and the high interest rates on the other. The banks are generating double and quadruple profit overnight, from this interest (riba) based income.

This year, the government is paying 2,000 billion rupees to private power plants as capacity payments for electricity power generation. The lion's share of this amount will be paid to banks as interest payments. The main purpose of imposing a huge tax burden on electricity bills is the interest-based payments of the government. In this way, the Ummah is being crushed from all sides. At a time when extremely high interest rates have crippled all sectors of the economy, including industry, commerce and agriculture, the profits of the banks are huge. Thus, the wealth of the entire society is becoming concentrated in a few hands. As a result, Ummah and the economy are being ruined.

It is established in Islam that Riba is a severe sin and a curse. It is narrated from Abdullah bin Masud (ra) that Prophet (saw) said, لَعَنَ اللَّهُ أَكْلَ الرِّبَا وَمُوكَلَّهُ وَشَاهِدِيهِ وَكَاتِبِيهِ قَالَ وَقَالَ مَا ظَهَرَ فِي قَوْمِ الرِّبَا وَالرِّبَا إِلَّا «Allah cursed the one who takes riba, who gives riba, its witnesses and its recorder. When usury and fornication prevail amongst the people, those people make the punishment of Allah lawful upon themselves.» (Musnad Ahmad).

The ones who devour riba are denied success in the Aakhirah. As Allah (swt) said, يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُّضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ ﴿١٣٠﴾ [TMQ Surah Aali-Imran 3:130].

The democratic capitalist system is itself a curse. It allows riba transactions that drown us in any debt. Success in this world and the hereafter is not possible for Muslims under this democratic system. In the presence of this un-Islamic system, any kind of welfare efforts are not reducing our sufferings. Instead, we are suffering more and more pain. We are being dragged further away from our actual destination, of prosperity and success. The time has come to bury this un-Islamic system in Pakistan and establish Khilafah (Caliphate) on the Method of Prophethood. It will end the stagnation of the country's economy by abolishing riba, thereby ending the concentration of wealth in the hands of those who trade in debt.

Allah (swt) said, «وَمَا آتَيْتُم مِّن رِّبَا لِّيَرْبُوَا فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُوَا عِنْدَ اللَّهِ.» «Whatever loans you give, seeking interest at the expense of people's wealth will not increase with Allah.» [TMQ Surah Al-Rum 30: 39].

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