

ECONOMIC RECESSION AND USURY (*RIBĀ*) IN THE QUR'AN: LESSONS FOR FISCAL POLICY MAKERS IN NIGERIA

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Abstract

This paper deals with the problems of economic recession and how usury (*riba*) has been a contributing factor to the problems of recession world over. The objectives of the work among others are to re-affirm that recession is both natural and self-caused as well as discussing how recession is mitigated. With specific reference to applicable portion of *Sūrat* Yusuf, the paper combines both descriptive and historical methods using hermeneutic approach to extract relevant lessons for fiscal policy making in Nigeria. It recommends a shift of focus to agricultural sector to enhance food sufficiency as well as adoption of interest-free options in our economic lives among other recommendations.

Keywords: Recession, Riba, Economy, Fiscal policy, Agricultural sector, Qur'ān

Introduction

Recession and *ribā* are two concepts that are referenced in the Qur'ān (Q. 12: 46 – 49, Q. 30: 39). By this, the comprehensiveness of the last revelation is once more established. A recession is described as a material period over which the level of economic activity is falling.¹ It is explicitly broken down as a period of economic slowdown featuring low output, illiquidity and unemployment. It is characterized by abnormal increases in unemployment, falls in the availability of credit, shrinking output and investment, numerous bankruptcy, reduced amount of trade and commerce, as well as highly volatile relative currency value fluctuations, mostly devaluations, financial and bank failure.²

As an economic concept, recession has been experienced globally on different occasions such that the level of development is not a factor for

preclusion. Most advanced economies have suffered from protracted recession just as developing nations do experience same. Emphatically speaking, the world had witnessed economic recession in the past with vibrant economies involved more often. Trend of events reveals that recession only affects vulnerable economies as aftermath of what happened in the developed nations. For instance, the global recession of 1929 which lasted about a decade was associated with the crash of stock market in the United States that year. It has also been described as the worst recession the world witnessed with the resultant losses that affected investors world over.³ Also, the fall in oil prices in the international market has been blamed for downturn in the other times including the 2016 experience.

Beside the specific identified causes, it has also been acknowledged that reasons for economic recession as experienced in Nigeria often times include; low GDP and over reliance on foreign goods, lack of innovative enterprises, misrule cum mismanagement of the economy as well as scientific socialism.⁴ Unbridled capitalism and high interest rate were also identified by previous studies.⁵

On the other hand, *ribā* (interest) has constituted a controversial economic concept in all ages. The question whether *ribā* should continue to be part of economic principles or not has always been in the realm of argument among the western and Islamic economists. The western economists have advanced various theories to fortify their philosophy for the interest based order. It is argued that there should be compensation for the lender who has been denied the opportunity to use the wealth for self-consumption. This they call ‘abstinence theory’. This theory says that interest rate is the reward that accrues to the lender for parting away with his liquidity, compensation for waiting or delayed consumption.⁶ To corroborate that this practice is age-long, Mannan quoted Imam Ar-Razi that:

The people of *Jāhiliyyah* used to advance their money and recover *ribā* monthly without affecting the sum advanced, when the time for settlement came, the amount lent was demanded and if the debtor was unable to pay, the lender increased the amount in his own favour and granted extension of time.⁷

Time preference theory is another philosophy behind the charge of interest by the West. By this they argue that interest is the price paid to the people for present income rather than for future income. They posit that the interest accounts for the time value and covers the probable loss that would

be incurred by the lender.⁸ Value of productivity of capital and operational costs are some other reasons why the western economists justify interest-based economy.⁹

In contrast to what operates in the conventional economic system, Islam is opposed to *ribā* driven system which is loudly pronounced in its operational documentation. By its nature, Islam gives preference for well-being of man in all endeavours with no exemption of the socio-economic affairs. Against this backdrop, Islamic scholars contend that *ribā* is unholy with all its attendant consequences. Al-Munajjid asserts that with *ribā* imposed relations, countries are weakened, their resources fall under the control of others; they are robbed of their natural wealth and as such become worse off in economy.¹⁰

In consequence of the effect observable of *ribā*-based economy, financial institutions world over have always been noted to scuffle for survival. Moreso, *ribā* has been observed to add to difficulty experienced during economic recession. To confirm this, non-performing loans are more pronounced during recession. The Central Bank of Nigeria noted that the challenging economic situation in the country made the banking industry's non-performing loans ratio to rise from N1.678bn in June to N2.084tn in December, 2016.¹¹ In addition, Agosto & Co, a foremost Pan African credit rating agency and lending provider of industry research has predicted a surge in the percentage of non-performing loan from 7.5% in 2016 to 12.5% in 2017 due to interest rate and incapacitation from loan beneficiaries.¹²

From the foregoing, it is apparent that there is a strong link between economic recession and interest rate imposed by financial institutions. It is pertinent to point out that the Qur'ān is thorough in discussing economic recession and *ribā* with their implications and required precautions. The position of the Qur'ān regarding these concepts and how optimal benefit is to be derived from the divine guidance is the crux of this paper.

Recession in the Qur'an

A prominent mention of recession in the Qur'ān is contained in chapter 12 (*Sūrat Yusuf*) verses 46 – 49.

يُوسُفُ أَيُّهَا الصِّدِّيقُ أَفْتِنَا فِي سَبْعِ بَقَرَاتٍ سِمَانٍ يَأْكُلُهُنَّ سَبْعٌ عِجَافٌ
وَسَبْعِ سُنبُلَاتٍ خُضْرٍ وَأُخَرَ يَابِيسَاتٍ لَّعَلِّي أَرْجِعَ إِلَى النَّاسِ لَعَلَّهُمْ
يَعْلَمُونَ
قَالَ تَزْرَعُونَ سَبْعَ سِنِينَ دَأْبًا فَمَا حَصَدْتُمْ فَذَرُّوهُ فِي سُنبُلِهِ إِلَّا قَلِيلًا مِّمَّا
تَأْكُلُونَ

ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ سَبْعٌ شِدَادٌ يَأْكُلْنَ مَا قَدَّمْتُمْ لَهُنَّ إِلَّا قَلِيلًا مِمَّا
تُخْصِنُونَ
ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ عَامٌ فِيهِ يُغَاثُ النَّاسُ وَفِيهِ يَعْصِرُونَ

Meaning:

[He said], “Joseph, O man of truth, explain to us about seven fat cows eaten by seven (that were) dry – that I may return to the people (i.e, the King and his court); perhaps they will know (about you)”

(Joseph) said, ‘you will plant for seven years consecutively and what you harvest leave in its spikes, except a little from which you will eat.

Then will come after that seven difficult (years) which will consume what you advanced (i.e, saved) for then, except a little from what you will store.

Then will come after that a year in which the people will be given rain and in which they will press (olives and grapes).

These verses overtly dwell on drought which by inference indicates a period of recession in its tone and implication. The message as conveyed in the dream interpreted by Prophet Yusuf predicts a recessive economy, forewarns and recommends the mitigation strategy as well as precautionary scheme.

We can extract from the explanation of Ibn Kathir¹³ that the dream of the king of Egypt shrouded an economic status to be experienced by Egypt in the subsequent years. In the dream, Yusuf unfolded in his interpretation a seven fertile year when there would be food sufficiency to be succeeded by seven years of food scarcity. By way of analysis, there is always a season of boom in productivity which should be carefully utilized for conservation of resources. Ibn Kathir noted from the interpretation that

During the seven years of drought, they will eat from the harvest they collected during the seven fertile years, as represented by the dry ears of corn in the dream. Yusuf told them that during these years, the remaining ears will not produce anything and whatever they try to plant, will not produce any harvest.¹⁴

The analogy clearly accentuates the intrinsic nature of scarcity and recession regardless of the human error that could trigger such inadequacy at any point in time. Apart from conservation of resources as noted above, the hermeneutic import of this passage also holds that there should be conscious act of prudence in the utilization of the available resources for self-sustenance in the present time and affordable conveniences in the future. This thought is clearly extracted from the portion of the passage that

states: ‘Then thereafter will come a year in which people will have abundant rain and in which they will press (wine and oil).’ Ibn Kathir explains this to mean a period of relief that requires prudent consumption which thereafter transit to the usual life of sufficiency.¹⁵ Therefore, the message being assessed here holds that recession is a usual occurrence in the economy which does not solely result from misuse of resources. Ogundiran, the Chairman of the western zone, Institute of Chartered Accountants of Nigeria, asserts that “recession is not strange. It is part of the cycle of an economy. Once in a while, it will appear and disappear.”¹⁶

From another perspective, the Qur’ān also affirms that famine, drought or even recession in its grievous consequence can result from defiance to divine guidance which may be evident in exhibition of corruption in diverse forms and manners. This is portrayed in the Qur’ān thus:

وَضَرَبَ اللَّهُ مَثَلًا قَرْيَةً كَانَتْ آمِنَةً مُطْمَئِنَّةً يَأْتِيهَا رِزْقُهَا رَغَدًا
مِّن كُلِّ مَكَانٍ فَكَفَرَتْ بِأَنْعُمِ اللَّهِ فَأَذَاقَهَا اللَّهُ لِبَاسَ الْجُوعِ
وَالْخَوْفِ بِمَا كَانُوا يَصْنَعُونَ

And Allah gives the example of a township (Makkah), it was secure and peaceful: its provision coming to it in abundance from every place, but it (its people) denied the favours of Allah, so Allah made it taste extreme hunger (famine) and fear, because of what they did. (Q 16: 112)

The above Qur’ānic verse confirms the extrinsic aspect of recession which is self-induced by the greedy and rebellious nature of human being. Ibn Kathir explains that defiance to Allah’s guidance caused the travail of Makkan people. He says:

Allah inflicted Makkans and made them taste of hunger after fruits of all kinds and provision in abundance from every place had been brought to it. This was when they defied the Messenger of Allah and insisted on opposing him, so he supplicated against them, asking Allah to send them seven years like the seven years of Yusuf (i.e, seven years of famine), and they were stricken with a year which everything they had was destroyed.¹⁷

In addition, Sabuni posits that, the parable of this people is a general message which transcends the people of Makkah. To him, every nation that

deserts Allah after His gracious blessings on them is bound to experience same treatment.¹⁸

From this revelation, one could deduce that recession could also result from spiritual neglect which reflects on avarice tendency of the people. As a typical instance, successive governments in Nigeria have displayed significant extravagance in the annals of governance till date. Hence, a recession period in Nigeria could have been a product of long years of spiritual non-conformity and uncommon profligacy. Nevertheless, Qur'ān message posits that solution to days of scarcity is imminent as long as heedfulness to divine guidance becomes the next resort.

Usury (*Ribā*) in the Qur'ān

A number of verses in the Qur'ān dwell on *ribā* and its consequences. Allah says in *Surat Al-Imran* thus:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ
لَعَلَّكُمْ تُفْلِحُونَ

O you who believe! Do not consume *Ribā* doubled and multiplied, but fear Allah that you may be successful.
(Qur'ān 3:130)

In this verse, Allah out-rightly prohibits *ribā* to indicate that it is not a fruitful venture. *Tafsīr Muyassar* explains the verse to mean a prohibition of increment over an exchange of wealth in loan even in the least possible increment.¹⁹

Ribā (interest) connotes all forms of increase that could be imposed on transactions be it simple or compound. The expression also suggests that all forms of contemporary applications of *ribā* are being covered here. Ibn Kathir unfolds this idea from his explanation when he states that:

Allah prohibits His believing servants from dealing in *ribā* and from requiring interest on their capital, just as they used to do during the time of *Jāhiliyyah*.²⁰

It is equally pertinent to state here that the form of compound interest common with the banking institutions both locally and internationally in this contemporary day is conveyed in this divine instruction. As interpreted by Ibn Kathir, similar practice in the *Jāhiliyyah* era was brought to fore when he states thus:

... during time of *Jāhiliyyah*, when the time to pay a loan comes, the creditor would say to the debtor “either pay now, or the loan

will incur interest”. If the debtor asks for deferment of the loan, the creditor would require interest and this would occur year after until the little capital becomes multiplied many times.²¹

In a similar vein, Sayyid Qutb emphasizes that during the *Jāhiliyyah* period: If a person was due a debt after a specified time, then he would go on increasing it until the entire property of the debtor was absorbed against a small (original) loan.²²

Without mincing word, any logical view will not agree less that the picture painted as *Jāhiliyyah* practice is similar to the conventional practice in the present era. As such, the Qur’ān warns the faithful to uphold *taqwa* so as to attain success in this life which entails the socio-economic endeavor of mankind in general terms.

In another verse of similar context, Allah expresses consequences of *ribā* when He affirms thus “Allah will destroy *ribā* and will give increase for *sadaqah*. And Allah likes not the disbelievers, sinners.” (Q.2: 276).

Here, it is obvious that the repercussion of daring divine instruction is clearly stated. One of the incontrovertible consequences of interest based economy is the intermittent downturn that is experienced globally without exception of any sort. Ibn Kathir posits that:

Allah destroys *ribā*, either by removing the money from those who eat it, or by depriving them of the blessing, and thus the benefit of their money. Because of their *ribā*, Allah will torment them in this life and punish them for it on the Day of Resurrection.²³

From the foregoing, it is necessary to make recourse to the classifications of *ribā* which has two kinds from the early days of Islam. There is *ribā al-nasiah* which is equally known as *ribā al-duyun* or *ribā al-jāhiliyyah*, the second category being *ribā al-fadl*.

Ribā al-nasiah refers to the “premium” that must be paid by the borrower to the lender along with the principal amounts as a condition for the loan or for an extension in its maturity.²⁴ *Ribā al-nasiah* has the same meaning as interest in accordance with the consensus of *fuqahā’* (Jurists) without any exception.

Ribā al-fadl is generally termed interest in trade or indirect *ribā*. It refers to exchange of *ribāwī* commodities without the same reciprocal transactions. The commodities so referred are gold, silver, wheat, barley, dates and salt according to the traditions of Prophet Muhammad.²⁵ Finally it

is evident that the abhorrence of *ribā* by the Qur'ān and the prophetic traditions provide that it has both spiritual and mundane effect on the affairs of human.

Issues for Fiscal Policy in Nigeria

Budgetary allocation has remained unattractive to the people of Nigeria state in the past years even up till the current days. This is simply because no significant impact has been felt positively with budget implementation over the years. It is particularly worthy of note that over-reliance on oil revenue has suppressed the ingenuity of our political leaders successively such that no sector of the economy seems to be productive consistently. Hence, the sudden crash of the country's economy at the fall of global oil price. Against this backdrop, the prevailing situation compels us to borrow initiatives from the divine models of livelihood in the Qur'ān.

Agricultural Exploration

Paramount in the Qur'ān passages examined above is the divine blessing in agricultural exploration. From the genesis of human existence, sustenance had been premised on agriculture and its output. It has always been the divine measure of feeding human race with minimal hindrance. The mention of seven years plantation in the story examined underscores the significance of agricultural means of livelihood among the people of ancient time. Same scenario is established in the second story of the Makkan people whose disposition was put to trial by Allah in *suratun nahl* as cited earlier. From the general presentation and wide spread mention of Allah's favour through food grants, Islam offers the agricultural sector a special consideration and uncommon edge in human endeavours. Some other verses that stress the strength of agricultural sector include:

And the earth He laid (out) for the creatures. Therein is fruit and palm trees having sheaths (of dates). And grain having husks and scented plants. So which of the favours of your Lord would you deny (Q.56: 10 – 15).

Then let mankind look at his food. How we poured down water in torrents, then we broke open the earth, splitting. And caused to grow within it grain. And grapes and herbage. And olive and palm trees. And gardens of dense shrubbery and fruit and grass. (As) enjoyment for you and your grazing livestock (Q.80: 24 – 32).

And it is He who causes gardens to grow, (both) trellised and untrellised, and palm trees and crops of different (kinds of) food and olives and pomegranates, similar and dissimilar. Eat of its fruit when it yields and give its due (Zakah) on the day of its harvest. And be not excessive. Indeed, He does not like those who commit excess. (Q.6:141)

These and many verses of the Qur’ān unfold the gracious disposition of Allah on human society by sustaining them with minimal resources expended by them. In other words, it behoves a forward looking human administration to allocate both human and material resources to the sector for landmark growth and development.

Usually, budgetary allocation to any sector determines how vibrant the sector performs and the level of impact it has on the citizenry. In agreement with this, the present Buhari-led, administration is implementing diversification through an increased focus on the agricultural sector. For instance, in the 2017 budget, there was an increase of ₦12billion in the allocation to the sector. The Chairman of Committee on Agricultural Colleges and Institutions in the House of Representatives, Hon. Linus Okorie confirms that agricultural sector is poised to impact on the lives of the people. He states that:

The increase in the sectoral allocation to agriculture of about N12b is in response to the continuing clamour for more funding to support food security and economic diversification. It is also in realization of the cardinal position agriculture and agro-business occupies in the quest to defeat unemployment and its related vices”²⁶

The pronouncement in this excerpt confirms the perennial advocacy for increased budgetary allocation to agricultural sector. It also underscores the potency of agriculture in addressing the problems of food scarcity and unemployment both of which are peculiar to vulnerable citizens of many nations.

In a more pragmatic manner, the collaboration initiative of Lagos and Kebbi State governments which gave birth to the ‘Lake Rice’ production is apt in this regard. It lessens the suffering of many consumers and confirms that food security is key to human survival and economic independence. The gesture is also observed to have imposed a reduction on the price of rice in the competitive market. This obvious relief implies that a

resolute move by the government to enhance food production through purposive budgetary allocation and decisive implementation will massively address the problems of insufficient food production and poverty aggravation among the populace.

Conservation of Resources

Another lesson from the review of some verses in *Surat Yusuf* is the conservation of resources for the days of inevitable scarcity. Resources are excessively sufficient in certain periods and will become inadequate in some other times, hence, there must be strategic plan to sustain available resources at all time. For instance, the interpretation of Prophet Yusuf in verse 47 reads thus:

“... for seven consecutive years, you shall sow as usual and that (the harvest) which you reap you shall leave it in the ears, (all) except a little of it which you may eat.”

The message clearly indicates that spirit of preservation, and prudence should be cultivated by way of policy. Many other divine instructions stipulated that wastage should be avoided, among these are:

... eat and drink but waste not by extravagance, certainly He (Allah likes not *Al-Musrifūn* (those who waste by extravagance) (Q. 7: 31).

... Eat of their fruit when they ripen, but pray the due there of (its zakat, according to Allah's orders 1/10th of 1/20th) on the day of its harvest, and waste not by extravagance. Verily, He likes not *Al-Musrifūn* (those who waste by extravagance) (Q. 6: 141)

Consequent upon the import of these verses, it becomes paramount that government must allocate and co-ordinate necessary resources through relevant agencies to preserve agricultural products for relatively longer span of time. It is also noted that facilities for adequate preservation require huge fund beyond the capacities of individual farmers. Consequently, food security is faced with threat that can only be salvaged through adequate supervision and coordination by the government. Afe contends that:

In the absence of improved food processing methods and storage facilities, the fear of losing these (agricultural) products due to the effects of nature is one factor that may prevent farmers from engaging in their cultivation on a much larger scale than that which exists at the moment.²⁷

Prudent Spending

Prudent spending is another key area to be given attention by those in authority. Wastage through numerous leakages has gulped Nigeria's common wealth over the years. This trend in the economy requires engagement of experts in the management of resources allocation and control devoid of sentiments of any sort. From the Qur'ānic passages reviewed in the foregoing, Prophet Yusuf's engagement for proper management of resources was due to his interpretation of the prevailing situation. Hence, critical sectors that directly affect resources allocation and food production should not be compromised at any point in time. Appointment of Yusuf to oversee the sustainability of resources in Egypt is an apt example of how to engage technocrats for real development. Moreso, the need to conscientiously implement the recommendation of the dream informed the decision to employ the expert who interpreted the situation to secure a better future.

Elimination of Usury (*ribā*)

There is no doubt about the setback effect of *ribā* in various economics. It is rampant to note that significant funds are lost to debt servicing by both individuals and institutions in monetary transactions world over. The effects of such debt in most cases, have impact on the economy and also not dissociated with recession and economic downturn in often times. For instance, the global recession of 2008 led to bankruptcy of some banks in Nigeria. Subsequently, directors of the affected banks were disengaged by the country's apex bank.²⁸ Research confirms that non-performing loan²⁹ partly accounted for the failure and eventual sack of the directors affected.³⁰ It was the gross impact of interest on loan that led to the subsequent merger and/or acquisition of the said banks as applicable. Aliyu and Usman in a related study confirm that, debt servicing has grievous effect on national savings and subsequently hinders investment that are capable of creating needed development. They affirm thus:

Policy maker must be conscious of excessive borrowing externally, servicing of principal debt and interest consumes enormously sizeable share of national savings. Debt overhang may scare investor due to high tax which by implication reduces the national savings.³¹

Consequent upon the bottleneck of debt servicing which goes along with interest imposes on loans, Islam advocates a just and balanced gesture.

Hence, while trying to create wealth through borrowing, both the lender and the borrower must be conscious of the material and spiritual balance as it affects the entire society. There must always be mutual relief.

There is a need to gradually shift to interest – free options of financing projects to reduce the burden of debt-servicing and also accommodate vast opportunities in idle funds. Islamic tools such as *mudārabah*, *murābaha*, *mushārah*, *sukūk* and many other Islamic tools are also capable of reducing the waves of corruption which is endemic in our national life.

Recommendations

Fiscal policy is concerned with how to achieve or maintain economic growth through various strategies that stem from the economic policy of the government. Considering the ripple effect of the recent recession, government needs to review the budgetary system, spending trend, taxation and welfare packages conscientiously. In view of the above, the following are recommended:

1. Agricultural sector should be given priority not only as a means of diversification of the economy but also as an all-inclusive sector for unifying the vast divergent regions of the country. Hence, there should be significant increment in the budgetary allocation to the sector and diligent implementation of such allocation.
2. Experienced technocrats should be engaged to oversee strategic sectors that have direct touch on the economy. These must include the agriculture, budget and finance ministries and related parastatals for impactful policy implementation.
3. Government should establish technologically advanced outlets for preservation of agricultural produce in all the regions of the country to enable long-duration for storage. This will enhance our production capacity and give enablement for food security.
4. Government should exploit more interest-free options of financing projects just like the recently engaged *Sukūk*. Such stride will reduce the burden of interest-based engagements.
5. Prudent spending should be the watch word of our fiscal policy makers. All leakages must be blocked with high sense of patriotism.
6. All suspected corruption cases must be diligently prosecuted without fear or favour.

Conclusion

The paper has established that recession and *ribā* are not alien to the Qur'ān. By virtue of being a divine document, guidance on survival in recession is copiously chronicled in the event that involved Prophet Yusuf in the Qur'ān. Resultantly, the Qur'ān as a primary source of *Shari'ah*, provides experiential account of recessive economy. While recession could be experienced naturally, it could also result from the defiant nature of human society especially the various corruption tendencies. More importantly, *ribā* is a significant phenomenon in aggravating a downturn or recessive economy. Islam opposes *ribā*-driven transactions in harsh tone due to its inherent hazard to material and spiritual well-being of the society. In fact, the reality of the divine admonition on *ribā* is haunting various economies including that of Nigeria. Subsequently, fiscal policy makers in Nigeria are admonished to be heedful of certain realities as demonstrated by the Qur'ānic nations. Hence, there should be concentration on agriculture to enhance food security. Blocking all leakages that gulp wealth of the nation unnecessarily should be conscientiously focused. More importantly, is to explore various interest-free options to boost the economy.

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