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Replacing Conventional Finance with Islamic: A Wisdom from the Qur'an

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Abstract
This paper aims to discover the wisdom behind Qur'anic approaches in dealing with the issue of *riba* (interest) and how these approaches could provide insight for modern Islamic finance players. Based on library research, this study applies the inductive method in dealing with related works of literature. The findings reveal that the prohibition of *riba* in the Qur'an has occurred gradually, involving four stages. Understanding this wisdom, it is learned that to ensure the growth of the Islamic finance industry, four aspects should be considered: (i) education and information; (ii) regulation and governance; (iii) innovation and research; and (iv) spiritual and awareness. Even though this study relies on secondary sources, it may benefit Islamic finance players in this industry in terms of introducing new policies, developing products, and sustaining operations based on the philosophical perspective of the Qur'an in dealing with *riba*.
Keywords: Islamic Finance, Riba, Qur'an.

Introduction

It is undeniable that *Shariʿah* rules are unique, as they are not revealed without specific objectives. In fact, *Shari'ah* aims to promote well-being in human life. In this regard, implementing its rules need to consider current circumstances and humans' ability. Looking back in history, Islam was revealed into the medieval society whose lived in lawlessness and was well known for its lack of morality. Also, their daily practices were strongly based on their previous custom and tradition. Therefore, it is very challenging to influence their life, especially when most of *Shari'ah* principles are against their culture and norm. In this regard, *Shari'ah* has been revealed gradually and it took around 23 years to become a comprehensive system of life.

Among the basic *Shari'ah* rules is the status of *riba* (interest) in which has been prohibited because of its negative impacts that are not only limited to the involving parties but also towards societies and countries. Since the end of colonization, many efforts have been carried to replace interest-based economic. Eventually, these efforts have worthy proven with the emergence of the first Islamic financial institution in 1963. After decades, Islamic Finance has significantly expanded all over the world, to be a promising industry. Surprisingly, this industry does not merely serve the need of Muslims in their financial activities, but it has been attracting non-Muslims and western countries. For example, the USA, UK and Singapore have allowed Islamic finance to be alternative finance in their system.

Even though Islamic Finance industry has proven its dramatic growth, there are few hidden unsuccessful stories with different factors. For example, it is claimed that the political factor and financial distress has led to the closure of Ihlas Islamic Bank in Turkey (Ali, 2007). Meanwhile, Bank Islam Malaysia Berhad (BIMB) was reported to suffer a huge loss due to bad management (Azmi & Madden, 2014).

Therefore, to sustain Islamic finance industry and to improve its practice, it is vital for all Islamic finance players including scholars, practitioners and policy makers to reflect the original Quranic guidance in replacing conventional finance system with the Islamic one. In fact, verses pertaining *riba* need to be learned not only on its prohibition, but how uniquely this sacred book engages with this issue, so as the approach taken would be more pragmatic with a full of wisdom.

The Prohibition of *Riba* in the Qur'an

Literally, *riba* means 'addition', while technically meaning, it is an unlawful gain that derived from inequality of the counter-values in a specific transaction (ISRA, 2010). From this definition, *riba* does not occur in all financial transactions. Instead, this specific transaction firstly refers to inequality loan when the premium of payment is required by borrowers to lenders along with the principal amount, as a condition for the loan (Iqbal & Mirakhor, 2007). Meanwhile, as the second type of *riba,* the inequality exchange occurs between specific items determined in the Hadith such as gold, silver, wheat, barley, dates and salt (Muslim, 2000). In fact, the application of the concept of *riba* has been extended in modern times to all forms of interest whether it is simple or compound, low or high, nominal or real. Also, the application of *riba al-fadl* (interest on sale) has been extended to more than the previous six commodities based on the concept of *qiyas* (analogy) (Farooq, 2012).

Exploring *Shari'ah* primary sources, namely Qur'an and the Hadith, it can be concluded that *riba* is explicitly prohibited. In the Qur'an, Allah has declared a war on those who consume *riba* as He says:

> "O you who believe! Be afraid of Allah and give up what remains (due to you) from *riba* (from now onward), if you are (really) believers. And if you do not do it, then take a notice of war from Allah and His Messenger" (2: 278).

Thus, not surprisingly, *riba* is considered as among the greatest prohibitions according to *Shari'ah* because of this harsh warning from God. Since the impacts of *riba* are significantly worst, *Shari'ah* enlarges the circle of its prohibition. It can be understood that the Prophet has mentioned those who involve with *riba*, whether directly or indirectly, are equally sinners (Muslim, 2000). Furthermore, the prohibition of *riba* is the subject of *ijma'* (consensus) among scholars (Adwan, 2008). Since *ijma'* reflects the unanimous agreement of all the *mujtahids* (Muslim jurists), after the demise of the Prophet Muhammad (PBUH), it plays a significant role to ensure the appropriate interpretation of *Shari'ah* primary sources. In this regard, there must be no other interpretations regarding the prohibition of *riba* as any attempt to legalize *riba* should be absolutely rejected, because *ijma*' removes the possibility of error in this interpretation (Kamali, 2016).

Despite neither of *Shari'ah* primary sources: the Qur'an and the Hadith have clearly mentioned reasons why *riba* is forbidden, it is learned that this immoral practice reflects the element of injustice and exploitation towards humankind (Chapra, 2006). In other words, *riba* is an act of exploitation toward the poor by the rich. Also, this practice manifests an unfair distribution of profit return between borrowers and lenders (Iqbal, 2010).

While *riba* is considered as one of the serious sins, it has not been banned drastically as it gave significant impacts on individuals, society and nations. Instead, the principle of *tadarruj* (gradual) has been applied to prohibit *riba* as shown in the Qur'an. In fact, *tadarruj* is vital to ensure the implementation of *Shari'ah* rules are fruitful and effective (Ishak et al., 2021b). Through this principle, *Shari'ah* strongly considers the reality of people before introducing any rule like the prohibition of alcohol which contains three steps of implementation. The first step is by indicating the negative elements in alcohol against its benefits, then prohibiting prayer when drunk followed by the mandatory prohibition (Al-Qarḍawi, 1980).

Likewise, the prohibition of *riba* has occurred gradually, which involves four stages along the process (Al-Ṣabuni, 2000). It is claimed that the first verse about *riba* was revealed through Chapter Rom in Mecca (Al-Sabuni, 2000), as God says:

> And that which you give in gift (to others), 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 seeking Allah's Countenance then those, they shall have manifold increase (Rom: 39).

It was reported that Quraisy followed Bani Thaqif in practicing *riba* in their financial activities, thus this verse was revealed (Al-Qurtubi, 2006). Based on this verse, it can be learned that *riba* would never contribute to economic development and social well-being (Al-Zamakhshari, 2006). While profit may be generated through practicing *riba, this practice, in* fact never increases the wealth, since there is no blessing from God. Alternatively, zakat is the best tool for supporting the economy and society (Chapra, 2006). From the perspective of the *Shariʿah* legal aspect, this verse does not clearly mention the prohibition of *riba*, practicing it in financial and business activities would not lead to God's blessing (Al-Sabuni, 2000).

Furthermore, there are various interpretations towards the word *liyarbu* in the verse among the scholar, one of them: contributing money with the intention to gain more return (Al-Ṭobari, 1997); while the other meaning is a gift with a condition of return, and others have defined it as providing money with the intention of showing off. (Al-Qurṭubi, 2006). However, this verse can be interpreted as an early indication from God that *riba* will be outlawed in the future because it provides no benefits to humans. As a result, it may seek to awaken the Muslim-heart's natural desire to refrain from engaging in immoral behaviour (Darraz, 1951).

The second verse regarding *riba* has been revealed during the Medina period (Al-Sabuni, 2000). In chapter of *al-Nisa'*, God says: -

> And [for] their taking of riba while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have prepared for the disbelievers among them a painful punishment (Al-Nisa': 161)

In this verse, God sharply accuses Bani Israel because they legalised *riba* in a deceptive manner, allowing them to wrongfully own other property. (Al-Qurtubi, 2006). Despite the fact that the ban of *riba* is mentioned in the *Torah*, they have altered its status. Indeed, one of the bad behaviours among Bani Israel is always emphasised in the Qur'an: they always restrict lawful things while allowing prohibited ones, such as *riba* (Al-Zuhaili, 2007). As a result, Allah has punished them by forbidding many permissible things (Al-Tobari, 1997).

Based on this case, *riba* is compared to wrongfully devouring another person's property. God has threatened both of them with dreadful punishment (Chapra, 2006). While this verse has clearly condemned *riba*, its context explicitly relates to Bani Israel who engaged in *riba* as a form of their financial activities. To put it another way, the ban of *riba* in this verse is understood based on *talwuh*, in which it is a hidden meaning. As a result, there are various interpretations of this verse, because Bani Israel's misdeeds may not always become sin for Muslims (Al-Sabuni, 2000).

Subsequently, around the second or third year following *Hijrah* (the prophet's migration), the next verse regarding *riba* has been revealed as it represents the third stage of this prohibition (Al-Sabuni, 2000). God says:

> O you who believe! Eat not *riba* (usury) doubled and multiplied, but fear Allah that you may be successful (Ali-Imran: 130)

This verse, in fact, is referring *to riba jahilliyah*, which has been frequently practised since the pre-Islamic period. *Riba jahiliyyah* can be described when by when a debt is due, creditors may offer debtors two options: pay now or pay later with interest (Ibn-Kathir, 2008). The term *adhafan mudha afan* (doubled and multiplied) refers to a form of exploitation in which debtors who are unable or desperate, then they are forced to pay more than their actual debt amount. Therefore, if a Muslim is fear to God, he must leave this forbidden practise (Al-Saʿdi, 2013).

This verse is clearer in terms of *Shari'ah* legal status on *riba* because God mentions the word 'la,' which definitely indicates 'don't'. It also explicitly refers to believers who follow God's commands (Al-Qurṭubi, 2006). However, this verse is not sufficient to proclaim the entire *riba* is forbidden in *Shari'ah*, because it can still be interpreted as the practise must only be forbidden if it leads to exploitation like *riba jahiliyyah*.

Nearly at the end of the Prophet's mission, the Qur'an has come up with the ultimate status of *riba* (Al-Sabuni, 2000). Allah says in chapter *al-Baqarah*: -

> "Those who eat riba 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 like *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." (275) "Allah destroys *riba* and gives increase for charities. And Allah does not like every sinning disbeliever". (276) "O you who have believed, fear Allah and give up what remains [due to you] of *riba*, if you should be believers". (278) "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 principal - [thus] you do no wrong, nor are you wronged". (279)

These verses indicate the prohibition of *riba* definitely clear. This is obvious since God says that a person who engages in *riba* is the same as someone who is persuaded by Satan because he is greedy and seeks riches through prohibited means. Also, there is a clear distinction between trade and *riba*, as the former is permissible while the latter is forbidden. The word *haram* shows that all types of *riba* are absolutely prohibited in Islam. Then, Allah warns those practicing *riba* to stop it immediately. Otherwise, Allah would declare war on them. This clearly shows the sign of forbidden action which is combined with a threat from God (Al-Qurṭubi, 2006). Finally, these verses offer specific advice on how to deal with a variety of linked issues. To begin with, people who have already participated in *riba* are still entitled to the principal amount of debt. Second, if debtors are unable to pay, it is recommended that the repayment time be extended. However, it is strongly advised that the debt be waived.

Furthermore, there is no distinction between small and large amounts of money, capable or incapable borrowers; as long as a loan results in a benefit, it is deemed *riba*. Since these verses are very clear in manifesting the status of *riba* in Islam, not surprisingly, all Muslim scholars are in consensus that *riba* is absolutely prohibited. In fact, there is no difference between small and huge amounts, capable or incapable borrowers, as far as it is a loan begets an advantage, it is considered as *riba* (Ibn-Qudāmah, 1997).

To sum up, the prohibition of *riba* has been implemented gradually, in a manner that appears to be comparable to the prohibition of *khamr*. In fact, both have negative impacts on individuals, families, communities, and countries. It is noted that some scholars think that the final verses of *riba* are the Qur'an's final verses (Al-Qaḥṭan, 2006). Therefore, it is very important to be pragmatic in dealing with *riba* issues, since it has been practiced as a tradition or embedded as a system for a long time. Even though *Shari'ah* rules have been finalized in terms of revelation, their implementation still needs a step-by-step approach. In other words, they require a gradual approach (Al-Zuḥaylī, 2000).

New Era of Islamic Finance: Establishment and Growth

At the end of the colonization era, several theoretical Islamic finance models have been proposed by some Muslim economists and scholars as a response to the western capitalist banking system that had widely spread in the Muslim world (Iqbal & Mirakhor, 2007). Because conventional finance is based on interest system, the emergence of Islamic finance is urgently needed. Eventually in 1963, the Mit Ghamr Saving Bank marked a successful history as a pioneer of Islamic finance institution (Iqbal & Mirakhor, 2007). The same year has also witnessed another establishment of Islamic financial institutions in Malaysia known as Tabung

Haj*i (Pilgrims Fund)*, with an idea that money for pilgrimage should be free from *riba* (Tabung Haji, n.d.).

A decade after its first appearance, Islamic finance industry has moved to a new stage, in which its institutions were able to provide comprehensive financial services. Beginning with Dubai Islamic Bank (DIB) in 1975, it was followed by other countries as many Islamic banks have been established. Among them were the Faisal Islamic Bank of Sudan (1977), the Faisal Islamic Bank of Egypt (1977), and the Bahrain Islamic Bank (1979) (Ariff, 1988). Interestingly, in 1978, Luxembourg was reported to set up its first Islamic financial institution, which simultaneously making it as a pioneer in non-Muslim countries (Nader, n.d.). At the end of 1980s, Takaful has emerged as Islamic alternative to conventional insurance.
The 1980s has marked the rapid growth of the Islamic finance industry, as many Islamic financial institutions, including Islamic banks, investment companies and takaful companies have been launched in Egypt, Sudan, Gulf countries, Pakistan, Iran and Malaysia (Ishak, 2018b). In addition, many cooperate bodies have been established to support and to promote corporation between countries and Islamic financial institutions. Such bodies are Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the General Council of Islamic Banks and Financial Institutions (CIBAFI) which were established in 2001, the Islamic Financial Services Board (IFSB) in 2002, the International Islamic Financial Market (IIFM) in 2010, and the International Islamic Rating Agency (IIRA) in 2005 (ISRA, 2010).

On one hand, Islamic finance has proven its growth and its resilience in modern financial system as a competitive sector. Nevertheless, on the other hand, there were difficulties and failures of its institutions. Even Mit Gham Saving Bank, the first Islamic bank ended up with a failure because of the government's hostility towards Islamic identity (Iqbal & Mirakhor, 2007). Nevertheless, political support is not necessarily favourable for Islamic finance development. This can be learnt from the failure of the Islamic finance movement in Pakistan. Even though this movement was geared by the government, it also ended up with a failure due to many factors, including no alternative model to replace the previous system, socio-imbalance of the economic system, lack of trust towards banking institutions, the effect of globalization, and privatization of the economy of the country (Bhatti, 2014).

Meanwhile, economic distress could negatively affect Islamic financial institutions, even its impact could be worse than conventional institutions. For example, Turkey 2001 economic crisis has devastated Islamic financial institutions, as one of them, Ihlas Bank went into bankruptcy because of a liquidity problem. Since deposits of Islamic banking institutions were not covered by a deposit insurance scheme, the bankruptcy of Ihlas caused a chain reaction towards other Islamic banks, where depositors were panicking and withdraw their money; even though there were also 20 conventional banks had experienced failure during that crisis (Yanīkkaya & Pabuçcu, 2017).

Therefore, adopting Islamic finance in the modern financial system is easier to be said than done. In fact, any effort to replace interest-based system with the Islamic one must be carried out strategically. It is learned that current financial activities nowadays are not only limited among individuals, rather they are connected with many parties including the country financial system. While Islamic finance aims to follow all *Shari'ah* rules, mainly to avoid *riba,* Qur'anic approaches in dealing with this issue should critically studied.

The Application of Qur'anic Approaches in Placing Islamic Finance System
From the four stages of the prohibition of *riba* in the Qur'an, four aspects should be emphasized in replacing Islamic finance into the modern system. Such aspects are the following*:* -

1. Education and Information Aspects.

Looking at the final verse of *riba,* it mentions a group who claims *riba* and trade is similar. They might argue that both *riba* and trade aim to gain profit. Nevertheless, God clearly stresses both as different: the way of *riba* is prohibited while the way of trade is permissible. Thus, it can be learned that one of the main challenges to deal with the issue of *riba:* to clear the confusion, particularly the current financial environment nowadays, when the modern system is too complicated, as it would confuse not only the public but scholars in tracing the element of *riba* in financial activities.

While the overwhelming majority of Muslims view interest-based financial practices as part of *riba,* a tiny group of them look at it from a different perspective. In more details, they disagreed with the equivalence between *riba* in Islamic sources and interest in modern financial practices. Farooq, for example, argued that there is no evidence from the Qur'an nor support from *ijmaʿ* that claim interest as equal to *riba* (Farooq, 2005). Meanwhile, Doualibi claimed that the discussion on *riba* in the Qur'an specifically refers to a contract in which it is characterized with injustice. In other words, interest is prohibited as consumption loans, in which people may have borrowed money just to meet their basic needs, but not on production loans, which are for the purpose of business (Ariff & Iqbal, 2011).

In fact, it should be understood that the scope of *riba* is wider than interest since the former involves *riba* on loan and *riba* on sales (Suharto, 2018). Nevertheless, interest is part of *riba* due to the following: (i) it is positive and fixed *ex-ante* (future events); (ii) it is tied to the time period and the amount of the loan; and its payment is guaranteed regardless of the outcome, or (iii) the purposes for which the principal was borrowed (Iqbal & Mirakhor, 2007).

Thus, it must be understood that the *ʿillah* (legal reasoning) of the prohibition of *riba* is an addition, upon capital or loan, as it implies the fixing in advance of a positive rate of return on a loan. In this regard, there is no difference whether the rate of return is small or big, or a fixed or variable per cent of the principal, or an absolute amount to be paid in advance or at maturity, or a gift or service. Insofar as the financial transaction contains the element of a predetermined positive return, it is considered as *riba* (Chapra, 2006). Confusing the current practice of *riba* might lead scholars are in the opinion that deposit accounts at conventional banks, which operate based on a fixed return, justifying it as an investment (Al-Qarḍāwī, 2010).

In this regard, *tahqiq al-Manat* (ascertaining applicability) is the crucial element before applying the rule. In more details, it is a process to implement any *Shari'ah* rule in an actual situation by considering the correlation between both of them (Al-Kailānī, 2008). Also, the element of *'urf* related to any area is crucially needed to be considered by scholars or policy makers before implementing any *Shari'ah* rule. This includes understanding matters that are usually being practiced or well-known by the people, so as implementing the rule is not too rigid on texts or books but considering current circumstances (Ishak et al., 2021a).

In regards to Islamic finance, it is vital to understand the financial nature and the business model of the product before any *Shari'ah* ruling can be applied (Agha, 2018). Thus, it is required for scholars to deeply understand the real case before issuing any decision as well as to closely follow financial issues. Nevertheless, as it is almost impossible for scholars to master everything, analyzing *Shari'ah* issues in particular fields or industries could not be achieved accurately without consultation with the respective professionals (Hasan, 2003). Therefore, *ijtihad* on the matter of finance should be carried out collectively.

As for the long term, sustaining Islamic finance should be carried out through education. Even though Islamic finance has witnessed a dramatic growth, there are several gaps that must be filled in, particularly in integrating between education and industry. In fact, building talents is required in order to lead this industry forward: to improve regulations and to build products (MIFC, 2015). Malaysia could be a good example in strengthening the talent of the development ecosystem. This includes to offer a comprehensive range of higher education, research, training and consultancy services, which are globally recognized and anchored, mainly by the International Centre for Education in Islamic Finance (INCEIF), International Shariah Research Academy (ISRA), Islamic Banking & Finance Institute Malaysia (IBFIM), Chartered Institute of Islamic Finance Professionals (CIIF) and Association of *Shari'ah* Advisors in Islamic Finance Malaysia (ASAS). Over the years, these institutions have contributed towards enlarging the pool of Islamic finance professionals and deepening expertise through various programs and initiatives (Bank Negara Malaysia, 2017).

2. Regulation and Governance Aspects.

While the Qur'an clearly explains the *Shari'ah* status of *riba,* it also clarifies a few issues relating to this practice. These include dealing with those who have been involved in *riba,* as they still deserve their principle, as well as the situation of incapable borrowers in which their period should be extended, or it is better to waive the debt. Thus, it should be learned that banning *riba* does not solve all problems, rather it needs further special guidelines to deal with related issues. Likewise, to replace the conventional interest system in which it is extremely complicated, a comprehensive alternative system of finance is crucially needed.

In this regard, special regulations are crucial for establishing and sustaining Islamic finance industry. Since Islamic finance practices are considerably different from conventional, the former needs a special regulation. In more details, since Islamic products are based on sales, lease, partnership, and must be free from *riba, gharar,* and *maisir,* as they could not efficiently operate under conventional banking laws. In fact, the conflict between Islamic finance and the civil law system would potentially occur without a proper regulatory framework for the former. UK Faisal Islamic Bank would be an example to illustrate this point, when it was closed due to the regulatory factor (Ali, 2007). In this regard, the regulatory approach by Malaysia could be a good example to be followed. In 2013, a special act of Islamic finance known as the Islamic Financial Service Act (IFSA) was introduced as a comprehensive legal framework that is fully consistent with *Shari'ah* in all aspects of regulation and supervision, from licensing to the winding-up of an institution (Yusof, 2017). Also, this framework explains in detail about stakeholders' scope of duties and their responsibilities, which to ensure Islamic financial institutions able to achieve the objective of *Shariʿah* compliance (Laldin & Furqani, 2018).

Meanwhile, as a business entity, Islamic financial institutions inherit various risks in their operations. In conventional finance, late payment charge based on interest could be signified as a possibility to deal with special risks, particularly credit risk. While this charge could not be imposed by Islamic financial institutions because of the element of *riba jahiliyyah,* thus a special mechanism is necessarily needed in Islamic finance to deal with the decrease of NPL (non-performing loan) as well as the actual loss of incurring additional expenditure, such as cost for issuing notices and letters, and legal fees (Ishak, 2019). In this regard, an alternative late payment charge of *taʿwid* (compensation) is established as the charge is based on actual loss that resulting from the deliberate delay in repayment from customers (Bank Negara Malaysia, 2010). This *ta'wid* nevertheless, should be standardized by the Central Bank in order to ensure transparency as well as to avoid a disruption of the banking operation, including depositors' withdrawals, banks' earnings, and financing activities, which resulting the unappropriated rate (Ishak, 2018b).

Subsequently, a special monitoring body is needed in order to ensure Islamic finance activities are compliant with *Shariah* regulations. In fact, the public confidence towards Islamic financial institutions relies on the aspect of *Shariʿah* compliance, as any confusion could affect public confidence towards Islamic financial institutions, particularly when *Shari'ah* issues are raised by prominent scholars. The case where the sales of *sukuk* dropped 50%, and prices fell at an average of 1.51% in 2008 could be an example to illustrate this point. Even though there were many factors that contributed to this problem, the statement by Muhammad Taqi Usmani (one of the prominent scholars in Islamic finance) is argued, where the 85% of sukuk in the Gulf are non-*Shari'ah* compliant and significantly affected public confidence towards Islamic financial institutions (ISRA, 2010).

Therefore, *Shariʿah* governance is a vital component in Islamic financial institutions. This body plays a most important role in terms of effective independent oversight of *Shariʿah* compliant practices (Islamic Financial Services Board (IFSB), 2010). Under *Shari'ah* governance framework, a special internal *Shariʿah* committee or board needs to be established in every institution of Islamic finance in order to monitor its product development. These include structuring, reviewing, approving, auditing and issuing an annual certification of *Shariʿah* compliance (Wardhany & Arshad, 2012). To ensure the sustainability and independence of *Shariʿah* governance, it is important to form *Shariʿah* committees at the national level (Lahsasna, 2014). While internal *Shariʿah* committees innovate Islamic products as well as monitoring their implementation, national *Shariʿah* committees play a vital role in harmonizing different standards and solving disagreements among internal *Shari'ah* committees (Shaharuddin, 2015). Moreover, the existence of the national *Shariʿah* committees is able to determine the direction of Islamic financial industry in the future.

3. Innovation and Research Aspects

It is clearly understood that the Qur'an severely condemns *riba,* even though banning this practice took several stages. Meanwhile, by looking at another perspective related to the verse of *riba* in the Qur'an, it would navigate financial players towards the alternative tools to gain profit and to develop the economy effectively. For example, when God compares between *bay'* and *riba,* it is implicitly understood that both share the same aim to achieve profit but only the former is allowed. Also, when God says *riba* never lead to economic growth, alternatively, He mentions *sadaqah* is the best tool for the same purpose. Thus, banning *riba* comes up with productivity through trade and charity in which their instruments can generate and mobilize resources for production, circulation of money and useful spending in life. In other words, these instruments facilitate the regenerated resource flows between money, finance and the real economy that significantly bring the well-being for all levels of society (Choudhury et al., 2018).

Therefore, the prohibition of *riba* does not reflect a rigidity within Islam, rather than it is banned due to the negative impacts on human life including exploitation, injustice and disputes. In fact, Islam allows broadly commercial activities to be initiated by humans based on their creativity to fulfil their needs, as long as they do not contradict with *Shari'ah* rule (Muda & Jalil, 2007). Furthermore, the main principle in Islam pertaining to financial practices is *'the origin of muʿamalat is permitted, unless there is evidence of the prohibition'* (Al-Shāṭibī, 2004). Based on this principle, any financial activity is permissible without the need for specific recognition from Islamic sources (Shibīr, 2007).

Over the period, it is argued that most Islamic financial instruments are replicated from conventional products with some modifications that lead them to be compliant with *Shari'ah*. On one hand, this approach contributes to the sustainability of Islamic finance industry since conventional products are well-established in the markets as well as to overcome the liquidity shortage of Islamic financial institutions (Syed & Omar, 2017). On the other hand, the replication might worsen the public perception of Islamic products, as it could be portrayed negatively when Islamic financial institutions have exploited the name of Islam to attract Muslim customers (Razak, 2014). As a result, some products are developed from controversial contracts that might lead to *Shari'ah* risk. This could reach a serious level as per happened in the case of *Bayʿ Bithaman Ajil* (Deferred payment sale known as BBA) when it was declared as void by the court of Malaysia (C.L.J, 2009). In the judgement, it is learned that the judge could not see any core difference between BBA and interest loan.

Therefore, innovation and research are considered as the backbone of Islamic finance in order to sustain this industry as well as to improve its practices. In fact, financial innovation has greatly changed financial intermediaries as nowadays, conventional financial institutions are struggling to innovate new products in order to avoid over-reliance on old-fashioned ways. For example, many conventional banks are shifting from interest-based revenues towards fee-based activities, including lines of credit and many types of credit guarantees (Kwan, 2011). Therefore, it is crucial for Islamic financial players to redouble their efforts to innovate better Islamic products for the long term, particularly in promoting profit-loss sharing contracts such as *muḍarabah* and *muṣharakah*, in which both are considered the original concept of Islamic finance. At the same time, Islamic financial institutions should play roles in mobilizing *waqf* and *sodaqah* resources for the sake of social-economic development. In fact, building trust in this industry requires the stable and resilient development of an Islamic financial system (DIAW, 2015).

4. Spiritual and Awareness Aspects.

In fact, Islamic finance is not exclusively for Muslims as all people regardless their background can utilize this unique system as far as they follow its rules. Nevertheless, it should be noted that Islamic finance carries the spirit of religion. As a religion that promotes a comprehensive way of life, Islam requires Muslims' daily practice to be in line with its sources: the Qur'an and the Hadith. Both sources, in fact, play a significant role in distinguishing what is lawful and unlawful including finance and business practices. In regards to the verses of *riba,* the element of spirituality can be traced when God mentioned *riba* as having no blessing and should be avoided without hesitation. Then He calls '*O believers*' when forbidding *riba jahiliyyah* and finally God threatens war with those who involve in this practice. In fact, Islam does not limit to the relationship between man and God, as it also provides a guideline for human relationships and the relationships between man and nature (Bayindir & Ustaoglu, 2018).

In this regard, efforts to establish Islamic finance should not ignore the aspect of spirituality. At the level of authority, implementing Islamic finance must aim to fulfil the religious necessity of Muslims, in which without this element, it would not be successful. The case of Islamic finance movement in Pakistan in 1970s could be a great lesson for all Islamic finance players. On one hand, it should be praised when the government vowed to eliminate interest from the country economic system. However, when they put a ten-year ban (1980-1990) on the Federal Shariat Court (FSC) to issue any verdict against the interest-based government transactions, it is understood that this effort intentionally aims to clinch political support from the religion-political parties of the countries, particularly when the government was a military regime that aimed to achieve the new regime of democracy (Bhatti, 2014).

In modern time, the conventional financial system has already well-established all over the world, including in Muslim countries. As a result, it does not only shape the financial practices among institutions but has significantly influenced customers' behaviour. As a new industry, Islamic financial institutions are struggling to adapt their operations in the modern financial system, in which sometimes conventional banks seem to have advantages particularly in terms of products, rates and prices. While many researches have been conducted to find the role of religiosity in banking selection among Muslims, it seems even religion could be a leading factor, but it is necessarily the most significant (Usman et al., 2017). Therefore, without a strong spiritual element, Muslims would carry out their financial and business activities based on merely material aspects.

In this regard, the movement to abolish *riba* should not be solely borne by Islamic financial institutions. It is undeniable that the replacement of the conventional economic and financial system is too idealistic since Muslim countries are dependent upon the western developed countries and the World Bank (Razi, 2014). Nevertheless, the effort to avoid *riba* can be focused on the individual level for Muslims, by encouraging them to use Islamic financial products (Ishak, 2018b). Meanwhile, for the sake of awareness, religious bodies such as a fatwa council should come up with strict and detailed fatwas on this issue. Likewise, Friday sermons in which are obligated for Muslim men should occasionally stress on the issue of *riba*.

Conclusion

In fact, *Shari'ah* represents two important elements of human life: earning a living as well as developing the emotional and intellectual characteristics that are required for a successful life (Al-Shāṭibī, 2004). In more details, what is allowed in *Shari'ah* would benefit humans, and what is forbidden would harm them. *Shari'ah* rules are revealed with certain purpose which either clearly stated in the text of *Shari'ah* sources or they can be implicitly deduced from those sources (Adis, 2014). In this regard, this paper aims to discover the wisdom behind

Qur'anic approaches in dealing with *riba* issue and how they could provide an insight to replace conventional finance.

Based on secondary data through various literature, this study found that it is important to deal with the issue of *riba* realistically. It is learned from the Qur'anic verses that banning *riba* took several stages with various approaches. In this regard, there are four aspects that should be considered in order to replace conventional finance with Islamic finance as the following:

i. Providing education and a clear information regarding the concept of *riba* and its *Shari'ah* status.
ii. Establishing a special regulation and governance for *Shari'ah* matters in financial institutions.
iii. Nurturing innovation and carrying out research to develop Islamic products
iv. Emphasizing the importance of spiritual aspect and awareness in creating Islamic finance environment.

Since this paper is based on library research, its finding is limited based on related literature. Therefore, future study are suggested to expand into empirical research by interviewing the policy maker, scholars and Islamic finance players to know how the concept of gradual has been implemented in the real situation.

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