banking now tend to take it for granted that *riba* means interest irrespective of its rate.

This is quite untrue, and a number of Islamic scholars have interpreted *riba* as usury, which is oppressively high rates of interest, and not interest per se. Yusuf Ali, Maulana Muhammad Ali, and A.J. Arberry, for example, all of them of unquestionable scholarship and piety, use the term "usury" in their translations of the Koran.

Let me make something clear: there is no ambiguity in the Koran in its denunciation of usury. This finds its strongest expression in verse II:275: "Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness ..." (Translation, here and in the next two verses, is by Yusuf Ali).

Hardly less clear are, for example: "God will deprive usury of all blessing, but will give increase for deeds of charity..." (II:276);

"O ye who believe! Devour not Usury, doubled and multiplied; but fear God..." (III:130)

"And what you give in usury, that it may increase upon the people's wealth, increase not with God; but what you give in alms, desiring God's face, those -- they receive recompense manifold" (XXX:39) (Translation by Arberry).



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The edict in Verse III:130 strengthens the argument that it is very high rates of interest, rather interest, that has been prohibited.

Like many other edicts in the Koran, the issue of *riba* needs to be seen in the historical context in which it was proclaimed. A crucial context here is that in seventh century Arabia, and perhaps in most of the world then, loans were sought and given mainly for current consumption purposes.

In post- hijrat Medina, the vast majority of the population lived on the margins of subsistence. Poverty was pervasive. To those who sought a loan to sustain themselves, the rate of interest charged on it was indeed important. Their economic survival depended on it. That was why usury was discouraged in the Koran in the strongest terms.

Poverty must have also necessitated emphasis on charity. Indeed some of the verses relating to usury directly link it to charity: better to give the needy person goods or money as gift than lend them to him.

None of the above will of course sway the protagonists of Islamic banking, nor is it meant to. To them, interest is evil and will remain so. Detractors of interest would rather engage in trade than in interest-based banking.

This, indeed is their starting point, without reference to the context: God has permitted trade and forbidden interest (proclaimed in II:275), usurious or not. Conventional banks, on the other hand, do not trade in goods, do not involve themselves in risks associated with trade, but trade in money, lending at pre-determined rates of interest. The emphasis is on an alleged absence of any risk taking by the banks and the impression given is one of powerful banks, capable of setting a rate of interest at will, exploiting the hapless borrower.

This picture is, of course, a caricature. Banks take considerable risk in their business transactions, as evidenced by bank failures, the recent financial upheaval in the West, and the more recent near default by Dubai World on their Islamic bond, or *sukuk*, that almost shook a number of creditor banks. The interest rate that most banks charge is set in a macro-economic framework beyond the control of individual banks.

Furthermore, banks are subject to regulation, and borrowers are not always the weaker party -- some corporate borrowers are more than a match. Note also, in passing, that the modern capitalist system, for all its failings, has created