

## **PART III**

### **THE VOICE OF RELIGION**

#### **Chapter 6**

### **ISLAM AND THE DEBT QUESTION IN NIGERIA**

**Dr. M.T. Talib**

**and**

**Dr. Jamiu A. Oluwatoko**

#### **Preface by Editor**

This Preface is not in the hard version of this book. In our mind, it only makes sense in a country like Nigeria with the population almost evenly divided between Christianity and Islam, that a chapter be devoted to the Muslim perspective on our subject. It's only one single chapter, though by two Muslim authors, but for some readers inviting Muslim scholars to participate in this Christian conference was an indication of my personal slide towards Islam and of syncretistic tendencies on my part. That is nonsense, of course, but it is understandable in a situation where Christians rightly feel threatened by an aggressive Islam and a continual series of bloody religious eruptions. However, if we are going forward with our search for a solution to the debt problem, then surely we need to be knowledgeable about the perspective of the other half of the population. It is even possible—and may God forgive me for such a reckless hope—that we might learn something from that Muslim perspective as they from us. It is my personal experience that interaction with our Muslim compatriots can serve to remind us of Christian basics that we have abandoned due to the influence of secularism on our thinking.

We do regret that we have not succeeded in obtaining a proper bibliography for this paper.

And so we welcome(d) the participation of Drs. Talib and Oluwatoko, of the University of Jos and the National Museum, Jos, respectively. Thank you, gentlemen, for your important contributions to this conference. Much appreciated. More spirit to your

hearts, minds and souls; more grease to your elbows and less carpal tunnel to your keyboarding fingers.

## **INTRODUCTION**

Islam is the religion of total submission to the will of Allah. It is a complete way of life whose precepts encompass every facet of human life. A Muslim's conduct in all its ramifications, whether private or public, individual or group, is normally expected to be subject entirely to the Islamic sanctions as contained in the Quran and Hadith. Islam, therefore, does not separate the church from the state. This is the reason in Islam the question of giving unto God what is due to God and to Caesar what is Caesar's is non-existent.

The Quran, which is the revealed book to the prophet Muhammad (S.A.W), represents the primary and supreme source of all Islamic laws and injunctions that should govern a Muslim's life. Next to the Quran is the Hadith, which comprises the sayings and actual practices of the prophet. Beyond these two are other secondary sources recommended by sharia.

Deriving from this is the implication that the Quran and Hadith have well laid down guidance for the different facets of Muslim life, be it in the field of economy, politics, trade, relationship with parents, leaders, friends, co-workers, non-Muslims and the rest of life. It is these sources that explain to Muslims what is right or permitted (*halal*) or what is wrong or forbidden (*haram*). Most of these Islamic injunctions are directed at the life of the individual Muslim or at a Muslim community or state.

This is not to suggest in any form that Islamic injunctions and laws are not relevant to the needs of the modern or secular state structures or even to contemporary international relations. After all, submission to the will of God, together with obedience to His beneficial law, is the best safeguard for peace and harmony among mankind. Therefore, the external debt question facing the Third World, including Nigeria, and, indeed, the general economic crisis the world is passing through are issues that can be effectively analyzed from the Islamic point of view through the use of inferences and other applicable laws.

## **THE ISLAMIC ECONOMIC SYSTEM**

The best way of initiating this discussion is by bringing into clear focus the Islamic

economic system. The economic life of Islam is based upon solid foundations and divine instructions. It is neither capitalist nor socialist in nature. Nor is the economic system of Islam based on arithmetical calculations and capacities of production as contained in the classical and neoclassical economic theories. Rather, it is based on a simple but comprehensive system of morals and principles.

Islam as a way of life enjoins all Muslims to work and be self-supporting, provided that such a work is decent and agreeable with Islamic law. Because Islam recognises man as the centerpiece of the economic system, it encourages him to engage in all lawful works for the purpose of earning his livelihood. It equally discourages the practice of dependence on others for self sustenance. Prophet Muhammed (S.A.W) is reported in the Hadith to have said that it is far better for an individual to take his rope, cut wood, pile it up and sell it in order to find means of subsistence and give to charity than to beg from others, whether they give to him or not. In this way Islam has provided a credible foundation for self-reliance both at individual and, by implication, at national levels.

An enterprising individual under the Islamic economic system enjoys the right to private possession and state protection, while on his own part he is responsible for the state prosperity through the payment of specified taxes and fulfillment of other obligations to the society in line with the prescription of sharia. Prominent among these obligations is the payment of *zakat*. Unlike the practice in the time of the prophet and currently in some Islamic countries, *zakat* today is left to the individual Muslim's conscience. By all standards, *zakat* is an economic leveler unrivalled by any other socio-economic system, be it capitalism, socialism or welfarism.

In Islam honest business transactions in the form of trade is permitted and blessed by God. This business transaction can be carried out on an individual basis or through companies and other business agencies.

Islam frowns at cheating, fraud, exploitation, dishonesty, greed and all unlawful acts that can introduce indecency into the transaction. This explains why usury or the taking of interest in business is forbidden by Islam. The Quran is so categorical on this: "God will deprive usury of all blessing, but will give increase of deeds to charity; for he loves not creatures ungrateful and wicked" (Quran 2:274-276).

There are numerous traditions of the prophet Muhammad (S.A.W.) that exclude those that cheat, exploit and monopolize from the band of the true Muslims. Any business

deal that involves injustice or cheating or exploitation is strictly prohibited and cancelled by the law even after it is concluded. The main purpose of Islamic legislation on economics and commerce, as argued by Hamudah, is "to secure the rights of the individual and maintain the solidarity of society, to introduce high morality to the world of business and enforce the law of God in that sphere of enterprise" (Hamudah 1975:128).

The economic system of Islam defies both the capitalist and socialist patterns of commerce and business. While it recognizes fully the 'independent' entity of the individual and his natural aspiration to work and possessions, it does not conceive of him as absolutely independent of God or even the universe.

Bearing in mind the problems sometimes associated with business and commerce, Islam has made legislation that are meant to take care of some of these. For example, Islam allows gratuitous loans for use but prohibits a loan involving interest, be it from a bank, from other organizations or from individuals. Similarly, it recognizes the possibility of organisations getting indebted and allows for the transfer of debts. However, this process can only be accomplished in an atmosphere of co-operation between the debtor (transferor) and his creditor (transferee) (Ruxton 1816:187).

While Islamic jurisprudence deals adequately with the issue of debt (*dayn*) between individuals and groups, it does not expressly deal with how debt matters can be resolved between states. This is not to overlook the important provisions of tribute from foreign enemies, truce money, capitation tax from non-Muslim subjects (*jizyah*), land tax (*kharaj*) and titles levied upon imported merchandise. What is clear from this is the fact that the Islamic empire, even at its zenith, was rich enough to preclude its involvement in any form of external borrowing or debt which would have set precedents for dealing with the question of external debt among states. Thus, at the moment scholars are left with making legal deductions from all the sources of sharia regarding debts and transactions among individuals.

Quran 2:282-284 deals with various related issues. It explains the necessity to keep records of all debts for purposes of testimony and avoidance of doubt. It also prescribes the relationship between creditor and debtor. There is also an emphasis on the need to discharge any obligations that has been incurred, such as repayment of all certified debts.

Here, in brief, you have the main position of Islam regarding the issue of debt. We would have loved to conveniently apply these injunctions concerning debt among individuals to debt among nation states by assuming that the state is personified by the sovereign. Such a situation would assume that the sovereign be endowed by consensus to represent all the people and thus acts on the understanding that the people as a whole sanction all that he does in the interest of the state. Such an arrangement would remind us of the position of Thomas Hobbes and could easily lead to unacceptable contradictions.

We are not suggesting that the Islamic economic system is not applicable to the modern nation state, but we are cautioning that it is necessary to examine first the character of the state, the dynamics of its existence and the possibility or impossibility of the application of the Islamic precepts to the non-Islamic practices of the secular state.

### **NIGERIA'S DEBT QUESTION: AN ISLAMIC OVERVIEW**

There are some fundamental questions concerning Nigeria's debts. Are these debts Islamic? That is to say, were they incurred under situations that are covered by Islamic injunctions? To what extent and how can Islamic rules be applied to the non-Islamic state of Nigeria?

Nigeria's external debt more than doubled between 1980 and 1990. If we go by the Islamic injunction on debt settlement, one would say sweepingly that Nigeria should pay off its debts almost immediately, for all the Quran says: "God doth command you to render back your trusts to those to whom they are due: and when ye judge between man and man, that ye judge with justice: verily how excellent is the teaching, which He giveth you, for God is He who heareth and seeth all things" (Qr 4:58). According to prophet Muhammad, the best of the believers is he that settles his debt most properly (al-Bukhari: Vol. II, n.d., 57).

But Nigeria is not an Islamic state. It is a secular multi-religious society. Moreover, most of the debts in question were incurred under conditions of total disregard for any divine prescription. The fact that even the secular constitutional provisions and laws are often flouted in the governance of the state does not help the situation. Debts incurred as a result of the mismanagement of the state economy can therefore not feasibly be managed by the application of Islamic injunctions.

It also deserves to be mentioned that the rapid growth of Nigeria's debt derives largely from a combination of overtly ambitious development targets, especially after 1975, and a mushrooming of trade arrears and other short term debts. The International Monetary Fund (I.M.F.) has shown that Nigeria's debts are composed of substantial medium and long term borrowing, short term debts, payment arrears and rescheduled debt arrears. Between 1981 and 1985, the country's ratio of debt service to export earnings climbed from only 4.8% to 41%.

Several approaches have been adopted to tackling Nigeria's debt problem in recent years, culminating in the Structural Adjustment Programme (SAP) of President Ibrahim Babangida since 1986. One disturbing issue in most of these approaches is the seeming neglect of the welfare of the citizenry. Although the Nigerian Government views the crusade for economic redemption as a responsibility of every citizen, we believe that the state ought to know that it has primary responsibility for ensuring the welfare of its citizens.

Disappointingly, Nigeria's balance of payments deficit, all its borrowing and the genesis of the ED crisis are fall-outs of a non-Islamic economic system which allows for graft and other forms of corruption on which a few economic parasites who feed fat on the entire community thrive. In effect, it is the people who pay for the ineptness of the ruling elite. And since Nigeria is not an Islamic state where the institution of *zakah* makes the virtue of beneficence an obligation to the rich for the benefit of the poor, there is no mechanism whereby the illegally acquired surplus in the hands of the elites can be recycled back into the economy.

Thus, the poor suffer perpetually on several levels. First, they are deprived of a humanly acceptable standard of living that would meet the basic needs of health, nutrition, education. Secondly, the government imposes the responsibility on the masses of sharing the burden of economic recovery and general economic crisis. The net result of this development is our multiple crises of both economic and spiritual dimension that is enthroned into our entire national life. There seems to be no sense of equity and responsibility among leaders, while crime and other forms of social vice abound among them.

Islam enjoins equity among citizens and demands that each person is made to account for his deeds. The holy prophet was quoted as saying,

Each of you is a shepherd and he shall be questioned concerning his flock; the Imam is a shepherd and he shall be questioned concerning his flock.... The servant in whose care his master's property are is a shepherd and he shall be questioned concerning his flock.... For each of you is a shepherd and he shall be questioned concerning his flock" (A1 Bukhari:59).

The point we want to drive at is that the structure of the Nigeria's social, economic and political system does not provide adequate room for leaders to be accountable to the citizens, not even to God. The leadership has been inconsiderable and irresponsible in the conduct of public affairs, a development that has culminated in the wreckage of the economy through huge external and internal debts

We have sought to analyze briefly Nigeria's debt problems along spiritual and economic lines. These problems should not merely be regarded from a technical economic perspective or from the practical questions as to how to relate to the creditors, including the I.M.F., World Bank, the London and Paris Clubs or what to do about our indebtedness. The issue extends to the crucial terrain of how to sanitize the non-Islamic economic system that has imposed such hardship on the citizens and on the country at large. We must also keep in mind that there are other related and complex problems associated with both the composition of the state itself and its relationship with a globalized economic system that is capitalistic in nature.

### **PROBLEMS IN AND PROSPECTS OF RESOLVING NIGERIA'S EXTERNAL DEBT**

That an Islamic economic approach can, if comprehensively applied, ameliorate the debt question is incontestable. The problems that are likely to arise have to do with the misconceptions and sentiments that would be invoked by the introduction of such an approach. Such an approach is also likely to attract tremendous suspicion and hostilities from some countries. However, in spite of the possible repercussions that may follow, we are convinced that there is no other credible solution in the horizon, irrespective of theoretical or ideological postulations of contemporary scholars.

But given the multi-religious composition of the Nigerian state and the tendency for senseless hypocritical rivalry between and within different religious groups, the state cannot subscribe to the idea of operating its economy and indeed life as a whole within the framework of Islamic injunctions at the "risk" of its survival. In spite of the accusations and counter accusations by some religious leaders in the country against

the alleged partisan nature of the Nigerian state, successive governments have expressed, in the constitution and practice, their unflinching commitment to secularism.

The implications of this secularization of the society are numerous. All of public life is distanced from God and any form of guidance from religious injunctions. Secondly, while we agitate for moral instruction to guide our youths, the elders, leaders and indeed the entire society ironically isolate themselves from such moral guidance for the sake of preserving national unity and stability. Is it not paradoxical that a nation that distances itself from God should still grope for peace? *The opposition to Islamic solutions to our problems stems from the fact that the solutions are Islamic, not because they are not credible.*

Then there is the problem of tackling the structural arrangements in a capitalistic world economy. It must be borne in mind that the involvement of Nigeria with this system dates back to the 15th century, when the Portuguese came to the West African shores to trade. Since then, the country has increasingly been drawn into the system. Along with the rest of the Third World, under this economic arrangement, Nigeria serves as a market where capitalist industrial products are consumed. It is the lack of economic equality in this relationship and the attendant under-development and dependence it has created in the economies of Third World countries that have given birth to the economic crisis of excessive external debts. The theoretical papers earlier presented in this conference have adequately captured this situation.

Even some so-called Islamic countries of the Middle East, in spite of their tremendous economic wealth, find themselves entrapped within the laws and operations of this globalized economic system. It is on record that on a number of occasions the economically powerful countries have opposed moves that would have allowed for a more equitable distribution of global resources or even for entirely restructuring the system itself. These efforts have been resisted by the principal beneficiaries of the present global economic imbalance.

If Nigeria must remain within the orbit of this globalized and exploitative economic arrangement because of the increasing interdependence of the nation states and because of continued need for external borrowing to stem the tide of bankruptcy and collapse, then we will need to carefully examine the following issues:

- a. the motives for external borrowing
- b. the nature and necessity of loans
- c. the complex processes in obtaining loans
- d. the conditions for the repayment of loans
- e. the utilization of loans
- f. the effect of loans on the moral and spiritual growth of the society.

The problems of Nigeria's external debt are of course made more difficult by the fact that parochial material interest rather than the moral conscience of the elites have always determined the handling of the issues that have just been enumerated. Islam does not and will not condone a situation whereby the motive for external or internal borrowing by any community or state is to satisfy the personal material urge of those acting on behalf of that community or state. Such a situation would amount to a breach of trust, a practice which Islam castigates unreservedly. The conditions associated with the giving and repayment of external loans frequently mortgage the freedom of the individuals and their right to basic liberties in ways that are incongruent with Islam.

The most problematic aspect of this problem centers on how these loans are utilized. Because of the fact that often they are used in ways unacceptable to sharia, such as the boosting of the hotel industry, construction of breweries and financing of fake business ventures, there is a real danger of our sacrificing spirituality for materialism.

## **CONCLUSION**

We are of the view that the current economic crisis and debt problems confronting Nigeria are not only indications of the failure of capitalism and related economic theories but they are also clear manifestations of the emerging dominance of materialism over spirituality. Because of the fact that in Islam it is difficult to separate the individual from his actions, we can conclude that the idea, process and practice of external borrowing among nations can not be condemned per se. However, where those on whom authority is rested to lead, negotiate and decide on our behalf choose to deviate from the course of God, policies associated with debts are bound to lead to disaster. There is no better solution than a return to God by allowing all moral and

spiritual precepts and other injunctions in the Quran and Hadith to guide our conduct in private and public life. Cartelization of all Islamic economies to force on all nations and their international agencies an agreeable pattern of economic and commercial interaction would remove the dangers that at the moment threaten the survival of our nation and people.