

Interview

Interview with Dr. M. Omer Chapra

Dr. Umer Chapra visited Bangladesh in April 2007 on the occasion of a seminar organised by Islamic Economic Research Bureau. At the end of the seminar he also visited the BIIT office. Then a request for an interview was placed to Dr. Umer Chapra. He agreed and later he completed the interview through internet. The interview was taken by M. Zohurul Islam, FCA, Executive Director of Bangladesh Institute of Islamic Thought.

Q.1. BJIT: You have come to participate in a seminar on ‘Islamic Perspectives on the Alleviation of Poverty: the Role of Zakah, Awkaf and Micro-finance’. Therefore let me seek some of your observations on this issue first.

The concept of benevolent contribution for Micro-finance is ingrained in our very faith. Because the Qur’an at its beginning in surah Baqarah says-‘Establish prayer and spend out of the bounty that Allah has given to you’. But then, why could we not rise to the occasion of addressing our socio-economic need of micro-finance in order to eradicate poverty from Muslim society?

A.1. Islam stands for human brotherhood. This goal would not carry any weight if justice is not ensured in society. One of the most important ways of making justice become reflected in our societies is to remove poverty, fulfill the needs of all people, irrespective of their colour, religion or sex, and bring about equitable distribution of income and wealth. Since Islam prohibits begging, need fulfillment should be through an individual’s own effort, except for those who are unable to do so as a result of some handicap. It is, therefore, one of the obligations of a Muslim society to ensure full employment. In countries with a large population, this may not be possible except by promoting small- and micro-enterprises (SMEs). Microfinance has, therefore, a crucial role to play in Muslim societies. Unfortunately, this teaching of Islam has remained unimplemented like many of its other teachings. What is needed, therefore, is a revival of true Islam.

Q.2. In the history of Ummah, we find that Muslims were most of the time well-off. Muslim education and healthcare were taken care of by these institutions. What are the causes of their decline? How in your opinion, the micro-finance system as observed in Islam can effectively address the colossal poverty situation in the Muslim world?

A.2. There are a number of factors that have contributed to Muslim decline after having reached the zenith of achievement in every field during the first six centuries of Islam ending in the middle of the 14th century. The trigger mechanism for this decline was most probably lack of political accountability. The political elite and their unproductive hangers-on led a luxurious life and paid hardly any taxes. This led to high rates of taxation on the productive sectors of the population. This adversely affected their incentive to work and innovate. Moreover, in spite of high rates of taxation, luxury and unproductive spending of the royal court did not leave enough resources for nation-building activities like education, health, research, and infrastructure construction. This, in addition to the adverse effect on incentives, accelerated our decline in technology and development. I have discussed this in more detail in my forthcoming book, “The Causes of Muslim Decline and the Need for Reform”. This book is being published by the Islamic Foundation, U.K.

Q.3. BJIT: It is estimated that more than 19% of the poor are categorized as hard-core poor in Bangladesh. Even, the current non-Islamic or secular microfinance institution could not reach them. Do you think that-Islamic microfinance can do the job?

A.3. The interest-based microfinance is not suitable for the hard-core poor. A study by Dr. Qazi Kholiqzaman Ahmad, President of the Bangladesh Economic Association, and his colleagues, has shown that the effective rates of interest on microfinance have ranged from 30 to 45 percent. Consequently, a number of poor families have become engulfed into a perpetual debt cycle and are driven into the clutches of moneylenders to repay their debts. This has the potential of leading ultimately to social and political turmoil instead of eliminating poverty. It is, therefore, important to resort to the Islamic strategy of advancing interest-free loans (*qurud hasanah*) to the hard-core poor until they are

able to stand on their own feet. Microfinance within the framework of Islamic teachings is, therefore, the right solution for uplifting the condition of the hard-core poor.

Q.4. BJIT: Today in the Ummah, the problem is not of more poverty or scarcity of wealth. It is rather the presence of poverty in the midst of plenty. Even in the non-oil developing countries like Bangladesh, this syndrome is visible. How do you suggest to address this syndrome?

A.4. Even though the resources at our disposal are scarce, they are, nevertheless, adequate to take care of the needs of all people if the available resources are treated as a trust from God, in keeping with Islamic teachings, and are utilized efficiently and equitably. Islam has advocated simple life style and the use of a part of the saving for helping the poor and the balance for investment in ventures that would help expand employment opportunities and accelerate development. Unfortunately, as a result of lack of the adherence to Islamic teachings, the resources are misused by the government and the rich people. Expensive life styles lead not only to a decline in saving, investment and development but also to corruption. Corruption does not only raise transactions costs, it also promotes wasteful spending. What needs to be done is to inculcate in the people the Islamic values about earning and spending. This will help minimize corruption and conspicuous consumption and raise saving, investment and development. If, in addition, *zakah* and *awqaf* are also properly organized and used to train the poor in skills in demand and to provide them microfinance, there is no reason why we cannot gradually remove the phenomenon of poverty amidst plenty.

Q.5. BJIT: We feel that organizational mechanism is one of the most serious problems of the current micro finance management. Could you suggest an action-oriented strategy for the implementation in Ummah as a whole? Do you find any role for OIC in addressing this issue?

A.5. For developing an appropriate strategy, it would be better for us to turn to countries that have successfully implemented a programme for the proliferation of SMEs. China is one such country. It has been very successful in using SEMs for accelerating its development. They SMEs contribute 60 percent of China's GDP and about half of its total tax

revenue. They have been able to absorb 80 percent of the workers laid off from state-owned enterprises. They now constitute about 99 percent of the total number of enterprises in China. Let us look into China's experience and take from it what is in conformity with our values. OIC does not have the desired experience in microfinance nor the financial resources needed for this purpose. It may not, therefore, be able to help us. It is, therefore, better to depend on ourselves. If we try hard enough we should be able to develop an appropriate strategy in keeping with our conditions and also squeeze the needed resources.

Q6. BJIT: Let me now request you to turn to some pressing general economic issues. We feel that by this time a significant development has taken place in the field of Islamic economics. How do you evaluate this development in the presence of mainstream conventional economics?

A.6. Conventional economics has developed over the last 200 years while Islamic economics has been struggling to develop over the last three to four decades after its rebirth in the late seventies. It has extremely limited human as well as material resources. Within this perspective, the development that has taken place so far is commendable. It is, nevertheless, highly deficient in terms of meeting the needs of Muslim countries in the modern age. What needs to be done is to analyze the specific problems of Muslim countries and to suggest solutions for these problems in the light of Islamic teachings. This requires a lot of hard and innovative work. Islamic economics has, however, the advantage of being able to borrow not only from its rich heritage in the past but also from conventional economics. Conventional economics has not been as value neutral and secular as desired by some economists. It has made value judgments and a lot of the work done by it and its offshoots like developing economics, social economics, institutional economics and humanitarian economics is useful and compatible with Islamic teachings. We should be able to borrow from it to our great benefit.

Q.7. BJIT: We feel that in the Islamic Ummah, serious scholars are very few compared to the presence of quite a large number of western secular scholars in various fields of social sciences. Do you have any strategic suggestion to bring about a remarkable change in the comparative position?

A.7. It is true that the number of scholars working in the field of conventional economics and other social sciences is much greater and that the resources and facilities available to them are also immense compared with what we have. This problem is likely to continue. Nevertheless, we hope that the work in Islamic economics will continue to catch momentum and enable us to meet the challenges that we face. This is because we have a number of competent scholars who are willing to work hard without caring for material compensation. Moreover, a great deal of what conventional economics has done can be helpful to us if we make adjustments in it in accordance with our needs and values.

Q.8. BJIT: Islamic Civilization is at cross-roads. The main features of the Civilization crisis surround education and technology. Do you agree? If that be the case, would you kindly refer to the optimal policy framework in this regard for a take off?

A.8. When education and research received great support from both the public and private sectors during the heyday of Islamic civilization, we were able to make a great headway in science and technology. According to George Sarton (*Introduction to the History of Science*), Muslims enjoyed supremacy in all scientific fields from the middle of the 8th to the middle of the 14th centuries. However, when government support declined and even the private sector was not able to contribute much because of the decline in our economies, we started suffering a setback. It is, therefore, important to give as much importance to education and research as possible with a view to expand our knowledge and technology base. This is now gradually taking place. However, it will be quite a while before we are able to overcome the gap.

Q.9. BJIT: Would you kindly say something about the current state of research in Islamic economics? What is your projection for the future? In what way we can climb up?

A.9. A lot of work is being done on Islamic Finance and there has, therefore, been a great deal of development. However, not enough work is being done in the field of Islamic economics. It is necessary to develop Islamic economics by giving greater attention to the existing problems of Muslim countries like poverty, inequality of incomes and wealth,

unemployment, child and bounded labour, exploitation of women and the poor, budgetary and balance of payments deficits, lack of adequate social and economic infrastructure, low rates of growth, etc., and to show how these problems can be solved within the framework of Islamic teachings. For this purpose it is important to carry out empirical research. Since a great deal of research in conventional economics is not contrary to Islam, it should be possible for us to benefit from it.

Q.10. BJIT: How do you evaluate the performance of Islamic research institutions, particularly in social science research?

A.10. Not enough research is being done, particularly in areas which are of concern to policy makers. Moreover, it is also important to improve the quality of our education so that our scholars are better qualified than foreign consultants in conducting research on our own problems. The reason is not just lack of financial resources, but also the non-availability of trained manpower. It is difficult to find scholars well-versed in conventional economics as well as Islam. It is necessary for this purpose to integrate religious and science education in modern educational institutions as well as *madrassahs*

Q.11. You are aware of the Millennium Development Goals. (MDG) of the UN. The UN is trying to impose these goals on Muslim countries through its agencies and organizations. Do you think that the UN sponsored MDG will be of any good to the poor Muslim countries? How do you evaluate the implications of the MDG for the ummah as a whole in the long run?

A11. The Millennium Development goals are eight, namely:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

There is no need to be apprehensive of these goals. All these are in

principle also a part of the Islamic value system and it is imperative for us to realize them. There can, of course, be a difference in details. To the extent to which there is difference in details, we can try to realize these goals in the way we feel best for our countries. It is unrealistic to think that the UN would force us to do anything that is in conflict with our values.

Q.12. At present it seems that the ummah has no vision. We feel that this is a drawback in setting the Ummah's action plan. Therefore, the Ummah must have a vision. What are the priorities you intend to be included in the vision - 2020, or 2030 for a breakthrough of the Ummah's all-round development and who will spearhead this vision?

A.12. The Islamic vision has been discussed by me in sufficient detail in my paper, "The Islamic Vision of Development". Therefore, I do not wish to go into it here. Maximum priority needs to be given to character building, justice and the alleviation of poverty. Moral uplift, justice and economic development are interdependent. It is no possible, according to the Qur'an, to have development without moral uplift and justice. The Qur'an says: "He succeed who purifies himself" (84:114) and that "He is destroyed who commits injustice (20:111). It may also not be possible to realize moral uplift and justice without economic uplift. Since education (moral as well as material) along with vocational training and appropriate technology are imperative for this purpose, we need to give maximum attention to the spread of education and the adoption or development of technology that is suitable for us. Privatization of education has made it very expensive and beyond the reach of the poor. We should make every effort to make education available to the poor free or at affordable prices. However, even this would not take the poor very far unless we provide interest-free microfinance to the hard-core poor. Justice also requires the giving of priority to rural development, the clearance of urban slums and the provision of basic infrastructure like roads, schools, colleges and vocational training centers of respectable standards, primary health care, electricity, clean water, transport and affordable housing for the poor. If we adopt simple life styles, we can squeeze a great deal of resources for this purpose. Moreover, foreign aid is also available. If this aid is utilized effectively without corruption, it can help us accelerate development with justice.