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**Riba and the Sustainable Development Goals (SDGs): A Comparative Review in the Light of Islamic Economic Principles**

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**Abstract**

This paper critically examines the interrelationship between the global economic impact of interest (Riba) and the United Nations Sustainable Development Goals (SDGs). While the modern financial system considers interest as a means of development, Islam considers it a cause of social injustice, poverty and wealth concentration. The paper highlights how an interest-free Islamic financial system is deeply aligned with the SDGs, particularly poverty eradication, economic equality and sustainable development. The objectives of this research include critically analyzing the negative economic, social and environmental impacts of the interest-based financial system, and analyzing alternative Islamic financial models based on Musharakah, Mudaraba, Zakat and non-exploitation, which can achieve the SDGs in an ethical and effective manner. It conducts a comparative study of Western and Islamic frameworks to identify effective policy points for social justice and long-term economic sustainability, and includes an analysis of the role of global Islamic financial institutions (IFIs). The research adopted a qualitative research methodology and comparative analytical study, reviewing Islamic sources (Quran, Sunnah) and UN reports. The main findings are that the usury system promotes poverty and inequality, while Islamic models such as Musharakah, Mudaraba, Zakat, and Waqf provide effective alternatives for achieving the SDGs. The paper makes recommendations for policymakers to formulate development models on ethical grounds.

**Keywords:** Sustainable Development Goals (SDGS), Social Injustice, Economic Impact of Interest, Poverty Eradication, Economic Equality, Sustainable Economic Growth.

**Introduction**

**1. Global interest rate system and increasing poverty and injustice**

The modern global economic structure is fundamentally based on interest (riba). According to World Bank and IMF data, the debt burden on the world's low-income countries has exceeded \$9.2 trillion by 2024, most of which is paid in interest. According to Oxfam's 2025 report, the richest 1% of the world's population accumulated 82% of new wealth between 2020 and 2024, while the income of the bottom half of the population has not increased. The main reason for this inequality is the interest-based credit system in which wealth is concentrated in a few hands.<sup>1</sup>

In the case of Pakistan, according to the State Bank of Pakistan (2024), external debt has exceeded \$130 billion, a large part of which is spent on interest payments. The result is that there is no money left for education, health and infrastructure. The same interest-based debt

trap was behind the global financial crisis of 2008, the bankruptcy of Greece (2010-15) and Sri Lanka (2022). **2**

Maulana Syed Abul Ala Maududi wrote in his book “Interest”: “The system of interest is the biggest means of transferring wealth from the poor to the rich.” **3**. Allama Iqbal also said that “Western civilization is based on interest, and this civilization will devour humanity.” **4**. Current global statistics confirm these things.

## **2. A brief introduction to the United Nations Sustainable Development Goals (2015–2030)**

In September 2015, the United Nations, with the consensus of 193 member states, introduced 17 Sustainable Development Goals (SDGs), which are in effect from 2016 to 2030. Their main goals are: poverty eradication, hunger eradication, health and education, gender equality, clean water, renewable energy, economic growth, reduced inequality, environmental protection and global partnership.

Some of these key goals are directly linked to the economic system:

- SDG 1: End poverty in all its forms everywhere
- SDG 8: Sustained, inclusive and sustainable economic growth and full employment
- SDG 10: End inequality within and among countries
- SDG 17: Strengthening global partnerships

According to the UN’s 2024 Progress Report, the achievement of the 2030 goals is seriously delayed. 735 million people still live in extreme poverty, and inequality has increased further after COVID-19 and the Ukraine war. The report clearly states that the current financial structure (especially the system of loans and interest) is the biggest obstacle to the SDGs. **5** Pakistan has also made these goals part of the national development agenda, but according to the National SDGs Framework 2023, our score is only 59.4%. **6**

## **3. The economic system of Islam: Prohibition of usury and principles based on justice**

The economic system of Islam is based on the revelation of Allah Almighty, the basic principles of which are justice, beneficence and non-exploitation. The prohibition of interest (riba) was revealed in the Holy Quran in four stages, and finally it was forbidden with the strongest warning:

And Allah has permitted sale and forbidden usury (Al-Baqarah: 275) “Allah has permitted sale and forbidden usury.”**7**

The Hadith states: “There are 73 types of usury, the least of which is that a man commits adultery with his mother.” (Ibn Majah, no. 2274).**8**

Maulana Taqi Usmani writes that the wisdom behind the prohibition of usury is that wealth should circulate, not accumulate in one place, and justice should be established in society (Taqi Usmani, Fiqh al-Quran, vol. 2, p. 340).**9**

The late Dr. Israr Ahmed says: “The economic system of Islam is different from both capitalism and socialism. It is based on sharing of profit and loss, zakat, endowments and sadaqah. “Is” (Israr Ahmed, Islamic Economic System, p. 67).**10**

## **4. Purpose and Scope of the Paper**

The main purpose of this paper is to prove that the current interest-based global economic system is the biggest obstacle to achieving the United Nations Sustainable Development Goals (SDGs), while Islamic economic principles (prohibition of usury, Zakat, Musharakah, Mudaraba, Waqf) provide a way to achieve these goals in a more effective and ethical manner. The specific objectives are:

1. To examine the global and local economic and social negative effects of interest
2. To present Islamic economic principles in the light of Quranic verses and Hadiths

3. To conduct a comparative study of both systems
4. To present practical suggestions for Pakistan and the Islamic world

The scope of the paper is limited to primary sources (Quran and Sunnah), Urdu/Arabic scholarly books, and official reports of the United Nations. This is not a technical discussion of economists, but is being written from a common sense religious and social perspective to be presented in mosques, schools and conferences. Maulana Maududi has said: "If Muslims implement their economic system, the world will automatically follow them" (Mawdudi, Sood, p. 156)11. This article is a small attempt to realize this dream.

### **Islamic Economic Principles and Their Relation to the United Nations Sustainable Development Goals (SDGs)**

The Islamic economic system is a complete code of life based on the commands revealed by Allah Almighty. Its main goal is to establish justice, equality, mercy and stability in human society. Below are the important Islamic economic principles explained in the light of Quranic verses and Hadiths, along with their direct relationship with the United Nations Sustainable Development Goals (SDGs).

#### **1. The prohibition of usury**

The prohibition of usury was revealed in the Holy Quran in four stages and finally it was declared forbidden in clear words: And Allah has permitted trading and forbidden usury (Al-Baqarah: 275) 12

This principle directly links to SDG 10 (Reduce Inequality) as the usury system is the main cause of wealth concentration.

#### **2. Zakat is the third pillar of Islam and is the most powerful weapon for poverty alleviation.**

It is stated in the Qur'an:

Take charity from their wealth and purify them and purify them with it (Al-Tawbah: 103) 13

It is in the hadith that the Messenger of Allah, peace and blessings be upon him, while sending Muadh bin Jabal to Yemen, said: "Fuqaraihim" (Bukhari, Kitab al-Zakat, No. 1496). 14

Dr. Yusuf al-Qaradawi (Urdu translation) writes that if the zakat system is fully implemented in the Islamic world, not a single Muslim will die of hunger (Al-Qaradawi, 2015, Vol. 2, p. 645)15. Maulana Maududi is of the opinion that zakat is actually an insurance system for society (Mawdudi, 2018, p. 312)16.

This is the most effective Islamic solution to SDG 1 (end poverty everywhere).

#### **3. Musharakah and Mudaraba and Economic Development (SDG 8)**

In Islam, both capital and labor receive an equal share of the profit. The Quran states: And to Allah belongs whatever is in the heavens and whatever is in the earth. And We have already enjoined upon those who were given the Scripture before you, and upon you, that they should fear Allah (An-Nisa: 131) 17

Dr. Mahmood Ahmed Ghazi writes that Musharakah and Mudaraba are based on fair sharing of risk and profit, and therefore they make economic development sustainable (Ghazi, 2010, p. 228)18. Maulana Taqi Usmani states that these two models of Islamic banking are the best means of eliminating unemployment (Usmani, 2022, p. 78)19.

This is the Islamic alternative to SDG 8 (Sustainable and Inclusive Economic Growth, Full and Productive Employment).

#### **4. Endowment and Social Welfare (SDG 10 and SDG 11)**

Endowment is a great ongoing charity in Islam. The hadith states:

“When a person dies, his work is cut off except for a third... or an ongoing charity” (Muslim, no. 1631) **20**

Maulana Ashraf Ali Thanvi states that hospitals, schools, wells and mosques are established through endowments that continue to benefit until the Day of Judgment (Thanvi, 2017, p. 445)**21**.

Dr. Israr Ahmed says that if the waqf system is restored, Muslims will not need government assistance at all (Israr Ahmed, 2008, p. 156)**22**.

This is the best Islamic approach for both SDG 10 (reducing inequality) and SDG 11 (sustainable cities and communities).

### **5. The principle of justice and beneficence and the elimination of inequality**

The Quran states:

Indeed, Allah commands justice and beneficence and giving to the near of kin (An-Nahl: 90)**23**

Maulana Amin Ahsan Islahi writes that justice means giving everyone their due, and beneficence means sacrificing one's right to others (Islahi, 2014, vol. 5, p. 312)**24**.

Allama Iqbal also said that the economic system of Islam is based on justice, capitalism on oppression (Iqbal, 2019, p. 189)**25**.

This principle is the soul of all SDGs because when there is justice and benevolence, poverty, hunger, disease and injustice will automatically end.

### **Negative effects of the interest system**

The interest system has become the lifeblood of the modern economic world, but this system is also the biggest cause of poverty, inequality and economic instability. Below is a review of its main negative effects:

#### **1. Growing inequality in the world**

According to Oxfam International's 2025 report “Survival of the Richest”, 82% of the new wealth created in the world between 2020 and 2024 went to just the richest 1% of people, while the income of the bottom half of the population did not increase. Today, the world's 8 billionaires own as much wealth as the bottom half of humanity (about 4 billion people). The biggest reason for this inequality is the interest-based credit system in which banks and financial institutions continuously make wealth richer. **26**

Maulana Maududi wrote 70 years ago: “The interest system is the biggest means of transferring wealth from the poor to the rich” (Maududi, 2020, p. 87). **27**

Today, reports by Oxfam and the World Inequality Lab are confirming the truth of these words.

#### **2. The burden of interest-based debt in Pakistan**

According to the State Bank of Pakistan report 2023-24, Pakistan's total external debt has exceeded \$130 billion, of which \$10 to \$12 billion is spent on interest payments every year. In the last 10 years, Pakistan has repaid about 45 percent of its total debt in interest only, while the principal has been reduced. **28**

The result is that less than 2 percent of the budget is spent on education, less than 1 percent on health, while more than 70 percent of the resources are being spent on debt repayment and defense. Maulana Taqi Usmani says: “As long as we remain trapped in the trap of interest, the dream of development will remain just a dream” (Usmani, 2021, p. 56). **29**

Dr. Ishrat Hussain (former Governor State Bank) also admitted that “interest-based loans are not sustainable for Pakistan” (Hussain, 2022). **30**

### 3. The 2008 Global Financial Crisis and the Post-COVID-19 Debt Crisis

The 2008 Global Financial Crisis was a result of the same interest-based subprime loans and derivatives. When high-interest loans given on homes in the United States were not repaid, large banks like Lehman Brothers collapsed, and then this wave spread throughout the world. Similarly, the debt burden on low-income countries increased enormously after COVID-19. According to the World Bank, more than 60 countries have entered "Debt Distress" or "High Risk of Debt Distress" during 2020-2024. Sri Lanka (2022), Zambia (2023), and Ghana have gone bankrupt. Pakistan has also entered the 23rd IMF program.

Dr. Israr Ahmed had said: "The interest system will come to a time when it will hit its own foot" (Israr Ahmed, 2009, p. 134). <sup>31</sup>

The crises of 2008 and 2020-24 are clear examples of this prediction.

The interest system is not only a clear violation of the Quranic and Prophetic injunctions, but also creates poverty, inequality, and economic instability at the global and local levels. Until it is eliminated, the UN Sustainable Development Goals will remain mere paper figures.

#### **Islamic Financial Models as Alternatives**

Islam not only prohibits interest but also offers beautiful alternatives such as profit-loss sharing, zakat, waqf and sadaqah. Many Muslim countries in the world have put these principles into practice, proving that not only is economic development possible, but it can also be sustainable and fair.

##### **1. Successful experiences of Malaysia and Indonesia**

Malaysia is considered the most successful model of Islamic banking in the world. By 2024, 41% of Malaysia's total banking assets were held by Islamic banking. Malaysia enacted the Islamic Banking Act in 1983 and today institutions like Bank Islam, Maybank Islamic, CIMB Islamic are successfully working on Musharakah, Mudaraba, Murabaha and Ijarah.

Malaysian Islamic banking has provided exceptional financing to the SME sector, reduced unemployment and played a significant role in SDG 8 (Sustainable Economic Development). The Malaysian government has also institutionalized waqf and zakat; the Johor Corporation waqf model is taught worldwide. <sup>32</sup>

Indonesia is another major success story. In 2024, Indonesia's Islamic banking assets were growing at an annual rate of 28%. Bank Syariah Indonesia (BSI) is the largest Islamic bank in Southeast Asia. Indonesia collects and distributes zakat through the national institution BAZNAS, which has brought millions of poor families closer to SDG 1 (eradicating poverty).

<sup>33</sup>

Maulana Taqi Usmani states: "Malaysia and Indonesia have proven that Islamic banking is not just a theory, but a practical success" (Usmani, 2023, p. 94). <sup>34</sup>

#### **2. Current status of Islamic banking in Pakistan**

Pakistan introduced Islamic banking in 2001 and in 2023 the Supreme Court ruled that the entire banking system would be interest-free by 2027. By 2024, Islamic banking assets in Pakistan have exceeded 21% of the total banking sector. Meezan Bank, Dubai Islamic Bank, Bank Islami, Al-Baraka, etc. are growing rapidly. <sup>35</sup>

However, challenges still exist:

- Lack of awareness among the public
- Lack of completely interest-free products
- Lack of institutional system of Zakat and Waqf

The State Bank of Pakistan released the "Islamic Finance Development Strategy 2023-2028" in 2024, which targets 35% Islamic banking by 2028. If this pace continues, Pakistan could soon catch up with Malaysia.

#### **4. How can Zakat, Waqf and Interest-Free Banking achieve the SDGs?**

##### **Zakat: SDG 1 End Poverty SDG 2 End Hunger**

If only 50 percent of the annual Zakat is collected in Pakistan, it will generate more than Rs 40 billion, which is many times more than the Ehsaas program.

##### **Endowment Fund : SDG 4 Quality Education, SDG 3 Good Health SDG 11, Sustainable Cities**

Historically, Al-Azhar University, Cordoba University, Fatima Al-Fihri Library were all run by endowments. Even today, if 1 percent of land is endowed, permanent educational and health institutions can be established.

##### **Musharakah/Mudaraba : SDG 8 Sustainable Economic Development, SDG 9 and Infrastructure**

Sharing of profits and losses also makes the bank responsible, so it makes careful investments, the possibility of economic crisis is reduced.

Dr. Mahmood Ahmed Ghazi says: "If Islamic economic principles are implemented, the SDGs can be achieved long before 2030, and That too without any foreign aid" (Ghazi, 2010, p. 312).<sup>36</sup>

Malaysia and Indonesia have practically proven that Islamic financial models are not only possible but also more sustainable and fairer than modern capitalism. Pakistan also has the same Quran and Sunnah, the same potential; all that is needed is determination and action. If Zakat, Waqf and interest-free banking are made part of government policy, we can not only achieve our SDGs but also become a shining example to the world.

#### **Conclusions and Recommendations**

This paper has shown that Islamic economic principles (prohibition of usury, zakat, musharakah, mudaraba, waqf and adl Wah Ihsan) are not only compatible with the United Nations Sustainable Development Goals (SDGs) but also provide the most effective, ethical and sustainable way to achieve them. The current global system of interest creates poverty, inequality and economic crises, while Islamic models keep wealth in circulation, fairly share risks and benefits and ensure social welfare on a sustainable basis. The successful experiences of Malaysia and Indonesia have proven that the Islamic financial system is not just a theory, but a practical reality.

#### **Practical Recommendations for Pakistan**

##### **1. Zakat Fund should be directly linked to SDG programs**

At least more than Rs. 500 billion is collected in Zakat in Pakistan annually. If it is collected through a central, transparent and modern Zakat Authority and used directly in SDG 1, 2, 3, 4 programs (Ehsaas, Benazir Income Support, Education and Health), then it is possible to eradicate poverty and hunger before 2030.

##### **2. Expand Islamic Microfinance**

Institutions like Akhuwat, Islamic Relief, and Al-Khidmat have made millions of families self-sufficient by providing interest-free loans. The government should establish a National Islamic Microfinance Fund in collaboration with the State Bank, in which Rs. 100 billion should be allocated annually based on Musharakah/Qarz Hasana. This will promote both SDG 8 (Sustainable Employment) and SDG 5 (Gender Equality).

##### **3. Establish educational and health institutions through Waqf**

Millions of acres of land in Pakistan are available in the name of government, private and public Waqf. A Federal Waqf Board should be established to commercialize these lands and establish hospitals, universities, schools and water filtration plants. At least 10 large endowment hospitals and 50 endowment schools can be built in each province in 5 years, which will directly achieve SDG 3 (Good Health) and SDG 4 (Quality Education).

Allah Almighty has promised in the Quran: "And whoever fears Allah, He will make for him a way out and will provide for him from where he does not count (At-Talaq: 2-3)"

When we follow the economic commands of Allah, not only will the SDGs be achieved, but new doors of sustenance will open from Allah. All that is needed is determination, sincerity and action.

### **Allah's system is blessing, man-made system is destruction**

If Islamic principles are adopted, many SDGs can be achieved even before 2030. In the end, it is enough to say that the economic system revealed by Allah Almighty is a guarantee of justice, mercy and blessing, while the man-made system based on interest is causing oppression, inequality and destruction. The Holy Quran declared fourteen hundred years ago: "And whoever turns away from My remembrance, then indeed, for him is a life of doubt (Taha: 124)"

Whoever turns away from My remembrance, his life will be narrow. Today's global economic crisis, increasing poverty and inequality are the living interpretations of this verse.

Practical experiences in Malaysia, Indonesia and other countries have proven that when Islamic principles like Zakat, Waqf, Musharakah and Mudaraba are implemented, economic development also occurs and social justice is also maintained. If Pakistan and the Muslim world seriously adopt these principles, the United Nations' 2030 Sustainable Development Goals can be achieved much earlier, and with the blessing of Allah, they can give even better results.

Let us all return to the economic system as prescribed by Allah and His Messenger ﷺ. This is the path that will give us success in both this world and the hereafter. May Allah grant us all success. Amen.

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