Islamic Banking and the Sabbath Pond Test: A Re-Evaluation through Classical Islamic Economic Sources

Muhammad Kashif Irshad[1]
[1] dev@irshados.com – Lahore, Pakistan

Abstract

This paper re-examines the practices of modern Islamic banking through the lens of classical Islamic economic principles. By applying what we term the “Sabbath Pond Test” – a metaphor derived from the Qur’anic narrative of a community that deceptively circumvented the Sabbath law – we assess whether contemporary Islamic financial products truly avoid the substance of *riba* (usury) or merely its form. Drawing on Qur’anic injunctions, Prophetic Hadith, and Hanafi jurisprudence (including works like *Ahkam al-Qur’an*, *Kitab al-Amwal*, *Kitab al-Kharaj*, and *Usul al-Shashi*), the paper critically analyzes a case study of an Islamic mortgage structure that imitates an interest-bearing loan via sale, lease, and buy-back arrangements. We then present classical, interest-free financing alternatives such as *Musharakah* and *Mudarabah*, as well as public finance measures from early Islamic history that prioritized risk-sharing and social welfare. The study finds that while Islamic banks like Meezan Bank claim Sharīʿah compliance by contract technicalities, there is an urgent need for greater transparency and alignment with the *maqasid* (objectives) of Sharīʿah – emphasizing justice and economic substance over form.

Keywords

Islamic banking; *Riba*; Classical jurisprudence; Sabbath workaround; Hanafi *fiqh*; Form vs. substance; *Musharakah*; *Mudarabah*; Islamic finance history

Introduction

Modern Islamic banking arose to fulfill Muslim demands for financial services free from *riba* (usury or interest), which is explicitly prohibited in the Qur’an (Qur’an 2:275–279). Institutions like Pakistan’s Meezan Bank offer products structured to avoid a direct interest charge, using sale, lease, or partnership contracts instead of conventional loans. However, Islamic finance has been dogged by criticism that it sometimes merely *re-labels* interest-bearing loans in legalistic ways – achieving the same result as conventional finance while claiming Sharīʿah compliance. This issue has raised the question of form versus substance: do these Islamic products genuinely uphold the spirit of the Sharīʿah, or do they resemble the “Sabbath” ruse of bygone communities who observed the letter of the law but betrayed its intent?

The “Sabbath Pond Test” is a metaphor we adopt from the Quranic account in Surah Al-Aʿraf (7:163-166). In that narrative, a community of Banu Israel was forbidden to fish on the

Sabbath, yet they laid out nets the day before to catch fish by subterfuge. They were technically avoiding "fishing" on the holy day, but in reality they enjoyed its fruits – an act of divine disobedience that earned severe punishment (Qur'an 7:163–166; 2:65; 7:166). This parable warns against clever legal stratagems (ḥiyal) that violate the spirit of a law while keeping its letter. By analogy, if Islamic banks only superficially replace the word "interest" with "profit" or "rent" without altering the exploitative or risk-free nature of the transaction, they may be repeating the error of the Sabbath-breakers.

Methodology: To explore this, we conduct a qualitative analysis of Islamic banking structures in light of classical sources. Key primary references include the Qur'an and authentic Hadith, with a focus on verses and narrations about *riba*, economic justice, and legal trickery. We also review works of early Islamic scholarship in economics and jurisprudence: Abu Bakr al-Jassas's *Ahkam al-Qur'an* (a Hanafi exegesis), Abu Ubayd's *Kitab al-Amwal* ("Book of Wealth"), Imam Abu Yusuf's *Kitab al-Kharaj* ("Book of Taxation"), and *Usul al-Shashi* (a Hanafi legal theory text). These sources provide insight into how Islam's original jurists understood prohibitions like *riba* and the importance of intent and public welfare in financial dealings. We then scrutinize Meezan Bank's product literature (e.g. *Meezan Bank's Guide to Islamic Banking* by Dr. Imran A. Usmani) to understand how these products are structured and justified. Finally, a case study of an Islamic home financing arrangement is evaluated step-by-step to test whether its substance differs from a conventional mortgage.

This research is timely and needed because Islamic finance is at a crossroads: it faces growing expectations to deliver ethical, equitable financing rather than simply mimicking conventional banking with Arabic terminology. By revisiting classical juristic wisdom, we aim to distinguish genuinely permissible financial practices from those that are Sharīʿah-compliant in form but not in substance. The findings are intended to contribute to the discourse on how Islamic banks can better align with the ethical and socio-economic objectives (*maqasid*) of Sharīʿah, beyond mere contract mechanics.

Literature Review

Islamic economic jurisprudence has a rich classical heritage that addresses finance, trade, and public welfare. This section reviews foundational texts and principles from the Qur'an, Hadith, and early Muslim scholarship relevant to differentiating genuine Sharīʿah compliance from deceptive formalism.

Qur'an and Tafsir (Exegesis): The Qur'an is unequivocal in prohibiting riba (usury/interest). Surah Al-Baqarah (2:275-279) declares that Allah has permitted trade but forbidden riba, and those who persist in usury are at war with God and His Messenger (Qur'an 2:275–279). The Qur'anic term riba encompasses any guaranteed increase on a loan or exchange of unequal commodities (al-Bukhari, n.d., Hadith 2134). Classical exegesis clarifies that this prohibition is comprehensive. For example, al-Jassas (d. 981 CE) in Ahkam al-Qur'an explains that when verse 3:130 forbids "usury doubled and multiplied," it does not imply smaller interest is acceptable; rather all forms of riba, big or small, are unlawful (al-Jassas, 1992). Al-Jassas refutes early notions that only excessive interest was meant, citing the verse “Allah has forbidden riba” in totality (al-Jassas, 1992). He thus underscores a key hermeneutic principle: one cannot legalize a little of what Allah made categorically haram in excess – an important point when evaluating modern “toned-down” interest via contracts.

Another critical Qur’anic lesson is the story of the Sabbath-breakers (7:163-166). The Qur’an describes a town by the sea whose people were tested when fish appeared abundantly on Sabbath but not on other days. In response, they devised a workaround: setting nets on Friday and collecting fish on Sunday, thus technically not “fishing” on the prohibited day (Qur’an 7:163–166). Allah punished them by transforming them into apes – a humiliation for flouting His command in spirit while obeying it in letter (Qur’an 2:65; 7:166). Classical commentators note that some individuals actively forbade this wrongdoing, some committed it, and a third group silently observed. Those who preached against the deceit were saved, while the transgressors and those tacitly complicit were punished (al-Jassas, 1992). This illustrates that condoning or not objecting to a legal trick can make one as culpable as the perpetrator in Allah’s sight. The severe outcome of this narrative became a moral reference in fiqh: using crafty subterfuge (hiyal) to violate Sharīʿah mandates invites divine wrath, even if no human court finds the contract illegal.

Hadith and Sunnah: The Prophet Muhammad (ﷺ) strongly warned against *riba* and subtle means of its introduction. According to an authentic hadith, he cursed the one who consumes usury, the one who pays it, and those who record or witness it, saying “they are all alike” in sin (reported in Sahih Muslim; although not in Bukhari, this narration is widely accepted in canonical collections). Bukhari does record that *riba*-takers appeared to the Prophet in a vision being tortured: *“those you saw in the river of blood were those dealing in usury”* (al-Bukhari, n.d., Hadith 1386). The Prophet (ﷺ) also forbade transactions that could be used as legal tricks to camouflage usury. For example, *Bayʿ al-ʿInah* (a sale-and-buy-back deal intended to lend money on interest) and combining two contracts in one transaction were proscribed. A narration in Sunan Abu Dawud states: *“Whoever makes two sales in one, let him have the lesser of the two or (else) it is riba.”* This targets arrangements where a lender uses a pair of sale contracts to secure an interest-like profit. Similarly, the Prophet forbade selling gold for gold or similar commodities except in equal amounts and hand-to-hand, to block any usurious advantage in barter (al-Bukhari, n.d., Hadith 2134).

Perhaps most telling is the historical episode during the Prophet’s time involving the *Thaqif* tribe (in Ta’if) as recorded by early historians and in *Kitab al-Amwal*. When the Thaqif considered embracing Islam, they petitioned for special exemptions – they asked, among other things, to keep receiving *riba* on their loans and to maintain permission for fornication and wine for a transitional period. The Prophet (ﷺ) uncompromisingly **rejected** any such “legalization of adultery and usury and wine,” even at the cost of losing converts (Abu Ubayd, 2007). Only when they dropped these demands did he accept their treaty (Abu Ubayd, 2007). This decisive stance – no matter the societal prevalence of usury or its economic attractiveness – underlines that Islam's prohibition on *riba* is absolute and not subject to dilution or circumvention. As the Qur'an says, *"Devour not usury, doubled and multiplied"* – and classical jurists stress that *any* usury, doubled or not, is forbidden (al-Jassas, 1992). The Hadith literature also conveys a maxim later articulated by jurists: **"Every loan that draws a benefit is riba."** In other words, any guaranteed extra benefit to the creditor violates the spirit of a charitable loan (*qard al-hasan*) and is tantamount to usury.

Hanafi Juristic Writings: Hanafi scholars, known for their analytical approach to contracts and *hiyal* (legal stratagems), have left extensive discussions on avoiding subterfuges that undermine Sharīʿah principles. Imam Abu Yusuf (d. 798 CE), a student of Abu Hanifa, wrote *Kitab al-Kharaj* at the behest of the Abbasid Caliph, focusing on public finance and governance. In it and related juristic opinions, the Hanafis acknowledged that while form is important to meet contract validity, the *intent* behind contracts cannot be to make halal an outcome that is haram. If a sequence of contracts is executed with the **sole intent** of delivering what is effectively an interest-bearing loan, Hanafi *fiqh* would treat it with suspicion or outright forbid it, depending on the evidence of collusion. For instance, classical jurists prohibited a sale with a condition that the buyer resell it back to the original seller at a higher price – a clear ploy to lend on interest known as *bayʿ al-ʿinah*. While some schools differed on the technicalities, the Hanafi view as recorded by al-Jassas and others is that such tricks are sinful and invalid if proven. Al-Jassas, in his commentary on 2:275, after explaining the prohibition of usury, warns against transactions that are legally sales but practically loans with interest – he draws on the Prophet's traditions to argue that *shar'an* (legally) acceptable contracts must not be used as a cover for *haram* outcomes (al-Jassas, 1992). *Usul al-Shashi*, a classical primer on Hanafi legal theory, likewise emphasizes that the laws of contracts (*muʿamalat*) aim to fulfill certain objectives (*masalih*) and block evils (*mafasid*). One of its guiding principles is that consideration is given to the **objective** and **outcome** of acts, not merely their form or literal wording. Thus, a contract devised to evade an Islamic obligation or prohibition is impermissible due to the principle of *sadd al-dhara'i* (blocking the means to haram), even if its outward form mimics a permissible transaction.

Early Islamic Economic Practices: The works of Abu Ubayd al-Qasim (d. 838 CE) in Kitab al-Amwal and other historians shed light on how the early Caliphs implemented financial principles without resorting to interest. Abu Ubayd documents numerous instances of public welfare and financial integrity. One striking example is a policy of the second Caliph, ʿUmar ibn al-Khattab (r.a.), demonstrating Islam's commitment to interest-free finance and social justice. After distributing annual stipends from the treasury (bayt al-mal), Caliph ʿUmar sometimes found surplus funds. He instructed his governor: "Look for everyone who has a debt incurred without extravagance or sin, and pay it off on his behalf from the treasury." Further, he said: "If you find any unmarried youth who cannot afford marriage, fund his marriage." After these needs were met and funds still remained, he ordered: "Find anyone burdened by the land tax (kharaj) due to poor yield or weakness, and lend him what will strengthen him. Do not take it back for a year or two." (Abu Ubayd, 2007). These measures, recorded by Abu Ubayd, show an integrated approach to finance: interest-free loans or grants to relieve debtors and farmers, and proactive social spending, all without charging a penny of interest. It illustrates how the early Islamic state avoided riba yet maintained economic productivity and equity. Debtors (one of the eight categories of Zakat in Qur'an 9:60) were aided, not exploited. This ethos stands in stark contrast to the idea of simply restructuring an interest loan in halal guise – it shows a preference for fundamentally different financial solutions focusing on risk-sharing and community support.

In summary, the literature reveals a consistent message: *Riba* is not only a legal violation but a moral and social ill that Islamic law seeks to eliminate. Classical jurists condemned not just riba itself, but also the back doors through which it might re-enter the economy. Cunning stratagems (*makhārij*) that achieve a forbidden end while preserving formal legality were treated with moral opprobrium, if not outright nullification, by early scholars who based their stance on Qur'anic principles and Prophetic precedents (like the Sabbath story and the Prophet's rejection of Thaqif's conditions). This rich scholarly heritage forms the evaluative backdrop for analyzing modern Islamic banking: it urges us to ask not only "Is this contract valid in form?" but also "What economic reality does it create – and is that reality just and halal?"

Analysis: Meezan Bank's Products under the "Sabbath Pond" Lens

Having established the classical framework, we now turn to the practices of a leading Islamic bank – Meezan Bank – as a representative case. Meezan Bank offers a range of financing products (for homes, cars, business capital, etc.) that are ostensibly free of interest. These typically involve alternative contract forms such as *Murabaha* (cost-plus sale), *Ijarah* (lease), and *Diminishing Musharakah* (gradually diminishing partnership). We will critically evaluate how these work, using Meezan's own guidebook and contracts, and assess whether their substance differs from conventional interest-based financing or not. The "Sabbath pond test" will be applied: if a product merely imitates an interest-bearing loan through indirect means, then like the Sabbath nets that caught fish off-day, it fails the test. Conversely, if it alters the risk-sharing, responsibilities, and outcomes in a way that aligns with Islamic principles of trade and partnership, it may pass.

Murabaha (Cost-Plus Financing): Murabaha is one of the most common modes in Islamic banks, often used for asset purchases like vehicles or inventory. In a Murabaha transaction, the bank buys an item on behalf of the client and then sells it to the client at an agreed mark-up, payable on a deferred basis (Usmani, n.d.). For example, if a customer wants to purchase equipment costing $10,000, the bank will buy it for $10,000 and then sell it to the customer for, say, $11,000 payable over a year. The $1,000 mark-up is often benchmarked to what an equivalent interest payment would have been – but the bank argues this is profit from a sale, not interest on a loan. Meezan Bank's guide emphasizes that "Murabahah is not a loan given on interest; it is a sale of a commodity for a deferred price" (Usmani, n.d.). It also notes that in classical law, Murabaha simply means a sale where the seller discloses his cost and profit margin, and that Murabaha Mu'ajjal refers to such a sale on deferred payment terms (Usmani, n.d.).

From a legal standpoint, Murabaha indeed differs from a loan: the bank takes ownership of an asset (even if for a short time) and theoretically assumes some risk during that period. Sharī'ah boards insist on certain conditions to make it valid: the bank must genuinely acquire the asset before selling, the asset must entail some risk (like liability for loss or defect) on the bank during its possession, and the transactions should not be wrapped in a single convoluted contract (Usmani, n.d.). Moreover, if the client defaults, the bank cannot impose additional interest; any late penalty is usually donated to charity as a deterrent, not kept as profit (Usmani, n.d.). These conditions aim to ensure it's a real sale, not a loan in disguise.

A related concern arises with the treatment of late payment penalties in Islamic banking, often justified as "charitable donations." In classical Islamic law, charity (ṣadaqah) is, by definition, voluntary, whereas only prescribed dues such as zakāt (and its agricultural form, ʿushr) are obligatory. Abū al-Qāsim ibn Sallām explicitly characterizes zakāt in *Kitāb al-Amwāl* as an obligatory charitable levy, distinguishing it from all other forms of charity that cannot be compelled. Consequently, when an Islamic banking contract mandates an additional payment upon delay — even if designated for charity — it ceases to be a genuine donation and functions instead as a contractual penalty. Dr. Muhammad Imran Ashraf Usmani likewise affirms that any monetary increase charged due to deferment of a debt is, in essence, riba and therefore impermissible; the commonly cited allowance of directing such amounts to a charity fund is merely a tolerated deterrent mechanism, not a validation of the charge itself. Since the payment is imposed by contractual obligation rather than voluntary moral choice, it loses the defining characteristic of charity and closely resembles an interest-based surcharge. In substance, therefore, enforcing a "donation" through penalty mirrors the very practice riba seeks to prohibit — a concern underscored by the Qur'anic command to believers to relinquish all remaining claims of riba without recourse to legal stratagems (Qur'an 2:278–279).

However, critics point out that in practice many Murabaha transactions are executed such that the client never truly feels any difference from a loan. The client typically approaches the bank already wanting a specific asset from a vendor. The bank's ownership is often momentary and risk minimal (insurance and guarantees may already be in place). The profit rate is benchmarked to interest rates (e.g., LIBOR or KIBOR), meaning the economic impact is identical to a loan's interest schedule. Murabaha thus **"mimics"** a loan: the client ends up owing a fixed sum above the purchase price, to be paid in installments, and that sum is predetermined and not linked to actual performance of the asset. Islamic bankers respond that *form matters*: as long as the procedures are Sharī'ah-compliant, the contract is halal. They argue that the benefits include the fact that a real trade has taken place and that the bank, by owning the asset even for a moment, has taken on liability (e.g., if the asset were destroyed in that moment, the bank would suffer loss) (Usmani, n.d.). They also point to the Hadith where the Prophet allowed *Salam* (advance payment for future goods) and other sale structures not found in conventional finance, implying that using sales for financing is within Islamic allowances.

Applying the substance test, one must ask: *Is Murabaha financing merely "fishing on Sunday" with a different net?* The answer from classical scholars would hinge on intention and outcome. If the bank genuinely facilitates trade and assumes market risk, Murabaha is a sale – permissible by Qur'an (*"Allah has permitted trade…"*) and not riba (Qur'an 2:275). But if the process is managed so that the bank's risk is practically zero and the mark-up is a time-value charge, then it is a legal trick to capture interest under another name. *Ahkam al-Qur'an* recounts how some earlier communities might claim *"Trade is like usury"* (Qur'an 2:275) – an argument the Qur'an condemns – and our modern context shows the inverse: claiming usury is just trade (when structured as Murabaha). The difference is subtle but significant: **trade** involves asset performance, price uncertainty, and risk of profit or loss; **interest loans** guarantee a return regardless of outcome. A Murabaha that is done properly will have at least momentary asset risk and no guarantee of profit if the client defaults (since no compounding of debt is allowed (Usmani, n.d.)). In theory, it thus leans toward trade. Yet, economic reality suggests Murabaha often leaves the client bearing all asset risks after purchase, and the bank's profit is nearly assured barring outright default (which is rare and mitigated by collateral). It becomes, effectively, a fixed-income instrument. In the analogy of the Sabbath, one might say Murabaha *could* pass the test if conducted with full trade exposure, but many implementations risk failing the test by reducing to a paperwork formality – the "net" is cast on Friday and collected on Sunday, and the fish (extra money) inevitably end up with the bank.

Meezan Bank's literature itself acknowledges debates on this point: *"An argument arises that profit or interest are the same and Murabaha financing is the same as conventional banking."* They counter that there are "several respects" in which it differs, giving the above points (asset-based, no compounded interest on late payment, etc.) (Usmani, n.d.). From a Hanafi jurist's perspective, one would examine: did the bank really assume *milkiyah* (ownership)? Was there *daman* (liability) on the bank even briefly? If yes, the profit is legitimized as trade profit. But if every step is pre-planned to eliminate uncertainty – for instance, the customer is contractually obliged to buy the asset once the bank purchases it, and the bank makes the sale *before* it even acquires the asset (a mistake some banks have made, effectively selling what they don't own, which is invalid (Usmani, n.d.)) – then the Murabaha is improperly executed and can be a ruse.

Diminishing Musharakah (House Financing): Diminishing Musharakah is the flagship structure used for home financing by many Islamic banks, including Meezan. It was developed to provide an Islamically acceptable alternative to conventional mortgages. The essence of the contract is partnership: the bank and the client jointly purchase a property. Say the client has 20% of the price and the bank 80%. They form a partnership (*Shirkat-ul-milk*), so each owns an undivided share (e.g., 20% and 80%). The client then leases the bank's share of the house by paying rent (reflecting usage of that share) and at the same time gradually buys the bank's share over time in installments. Over, for example, 20 years, the client buys out the bank's 80% piece by piece, until the client owns 100% and the partnership ends. The lease payments adjust as the bank's share diminishes (so the rent portion decreases over time, while the share purchase portion increases proportionately). In theory, both parties share the risk of property ownership during the partnership period. If the property's value falls, the bank as part-owner also bears that loss at sale (though in practice, Islamic banks often avoid selling during the tenor; they structure it such that the client is committed to buy all shares). If a disaster happens to the house, both lose according to their shares (insurance/takaful is usually taken to mitigate this).

Sharīʿah boards have laid down guidelines to ensure the contracts remain separate and valid: the partnership agreement, the lease contract, and the sale/purchase of shares should all be independent and not conditional on one another in one document (Usmani, n.d.). In Meezan's Guide, it's noted: *"the joint purchase, leasing and sale of units should not be tied up together in one single contract"* (Usmani, n.d.) – otherwise it could resemble the forbidden two-in-one sale. But they are allowed to execute them in sequence with mutual understanding. This sequential unwinding of a partnership is what makes it "diminishing." When analyzed, the cash flows of diminishing musharakah are almost identical to a mortgage: part of each monthly payment goes to "equity" (buying shares) and part is "rent" (analogous to interest). The major difference is that the bank *in theory* is an owner and not a pure lender.

Does this pass the Sabbath pond test? In a positive light, one could say yes: *Musharakah* is a genuine Islamic mode of finance rooted in profit/loss sharing. Here the bank shares ownership, so it is not a creditor with a guaranteed return. If the client defaults or the property value collapses, the bank could suffer a loss on its equity share. This risk-sharing aspect aligns with the spirit of avoiding riba – the bank's profit (via rent and eventual sale of its shares) is tied to the asset's use and value, not simply time. The Qur'an's spirit of fairness (*"deal not unjustly, and you shall not be dealt with unjustly"* (Qur'an 2:279)) is arguably better upheld than in an interest mortgage, because if something goes wrong, the bank cannot claim the full house plus extra – it is only entitled to its remaining share and any due rent, not the entire outstanding loan (which in a conventional mortgage could lead to the client losing the house and still owing money if the sale doesn't cover the loan). Diminishing Musharakah thus has *in-built equity and fairness* if done right.

However, certain practices could undermine this ideal. Often, the agreements are set such that the client is obliged to buy the bank's shares according to a fixed schedule (failing which is a breach). The rent is benchmarked to market interest rates (to ensure the bank's return targets). In some jurisdictions, if the client defaults, the bank may treat it similarly to a mortgage foreclosure – evicting the client and selling the property. Ideally, they should then share proceeds by ownership ratio, but some contracts may have the client promising to buy the remainder of the bank's share immediately (which in default they cannot, so it's murky). If the bank effectively guarantees it will get back its principal and a profit come what may (through heavy contractual penalties or third-party guarantees), the arrangement slides back into a de facto loan. The key is whether the *Musharakah* is genuine or not. A genuine one would mean the bank's profit is not 100% pre-determined – it will depend on rent payments which depend on property use, and on the property's resale value if things go awry. A fake one would, by legal drafting, eliminate all uncertainty for the bank, ensuring it gets a fixed yield.

Meezan Bank's documentation acknowledges that for Diminishing Musharakah to be Sharīʿah-compliant, certain options that would make it too loan-like must be avoided. For example, the bank should not have an upfront binding promise that the client will purchase all remaining shares in one go upon default (that would resemble a debt obligation). Instead, they usually have unilateral undertakings or gradual mechanisms to keep it technically a partnership. The *Sabbath test* question remains: is the bank truly partnering, or is it simply lending under another name? If all goes normally, the client's experience is very much like paying a mortgage installment comprised of principal and interest. If trouble hits, in a well-structured Islamic contract the client and bank should negotiate like partners (perhaps reschedule payments, or the bank takes a hit on profit, etc.), whereas in a conventional loan the interest just keeps accruing. A classical Hanafi jurist would encourage the former approach – indeed, the Qur'an encourages leniency to debtors in hardship (Qur'an 2:280), and Caliph ʿUmar's practice was to give respite or aid rather than enforce harshly (Abu Ubayd, 2007). If Islamic banks adhere to that ethos (e.g., by not imposing punitive measures beyond actual losses), then their home finance is substantively fairer.

In summary, *Diminishing Musharakah*, conceptually, is one of the more *authentic* Islamic financing methods. It passes the substance test when done in good faith, because it is built on co-ownership and leasing – arrangements the Prophet (ﷺ) himself practiced (e.g., the Prophet and companions often jointly invested in ventures, and he leased land of Khaybar to Jews for a share of output, which is analogous to partnership and rent). But to truly distinguish it from a disguised mortgage, Islamic banks must maintain the risk-sharing element. If they end up with risk-free returns, then it becomes a cosmetic change – like calling the interest "rent" but never really sharing the downside. The real spirit of *musharakah* is *sharing* – of profit and loss – and that must manifest in the contract's operation, not just its form.

Ijarah (Lease Financing): Ijarah is another mode used for assets like cars or equipment. The bank buys the asset and leases it to the client for a fixed period against rental payments. Sometimes there is a separate promise or option that the client will buy the asset at lease-end for a token price (in *Ijarah wa iqtina* or in Diminishing Musharakah contexts). Pure Ijarah is just leasing, akin to conventional operating leases. The Sharīʿah issues in Ijarah are fewer since leasing is a well-recognized contract type – the main conditions are that the rental is for a permissible use, the owner (lessor) bears ownership responsibilities (major maintenance, asset risk to some extent), and rental is fixed and known (or variable by agreed formula). Ijarah differs from an interest loan because the payment is for usage, not for money, and if the asset is unusable or destroyed, the rent should cease. In practice, however, Islamic banks often shift many responsibilities to the lessee via service agreements, and insure the asset, so effectively the lessee (client) covers all risks. That again tends to align it with an interest loan from an economic view. Still, one could argue Ijarah is closer to a sale-type transaction in Sharīʿah classification and thus permissible, but if used just to replicate an interest schedule (e.g., many car Ijarah products set rents exactly to equate to an interest-financed installment), it faces the same critique of "form over substance."

Meezan Bank offers car Ijarah and equipment Ijarah, where they highlight that the bank as owner is responsible for takaful (Islamic insurance) and major maintenance, etc., which is a genuine difference from an interest-based car loan where the borrower owns the car and bears all burdens. This is a subtle shift of responsibilities that Sharīʿah values: liability accompanies gain (an owner is entitled to rent *because* they carry liability of ownership – this is a fiqh maxim). If in reality the bank's liability is negligible due to contracts passed to the client, then the ethical advantage is lost. But at least formally, Ijarah ensures the bank cannot wash its hands completely of the asset's fate, unlike a lender who only cares for his money.

In applying the "Sabbath pond test" to Ijarah-based products, we ask: is the Islamic bank behaving as a landlord (permissible) or as a lender taking no asset risk (problematic)? If the bank truly acts like a landlord – even if primarily on paper – the arrangement is not a sham; it's a lease, which the Qur'an and Sunnah allow. If the bank is a "landlord" who forces the tenant (client) to cover every imaginable loss on the asset (through warranties, indemnities, etc.), then the bank has basically turned it into a risk-free loan from their perspective. Again, the answer depends on actual practice and the specific terms.

Structured Products and Tawarruq: Beyond the common retail products, some Islamic banks have employed *tawarruq* or commodity Murabaha for liquidity management and personal financing. This involves a series of Murabaha transactions to ultimately give the client cash. For instance, the bank buys metal on London Metal Exchange for $100, sells it to the client for $110 deferred, then the client immediately sells the metal in the market for $100 cash. The client thus gets $100 now and owes $110 later – effectively a cash loan with $10 interest, but achieved via two sales. This is arguably the clearest example of a *hilah* (stratagem) to get riba. Hanafi jurists historically disapproved of such tricks. While *tawarruq* is permitted by some contemporary fatwa bodies under conditions (when done as separate independent trades), it is controversial and many Shariah scholars call it an unwanted *last resort*. In our metaphor, *tawarruq* is akin to explicitly setting the nets on Friday and collecting the fish on Sunday with full intent – it's hard to see any substance beyond getting a cash loan. If Islamic finance relies heavily on such instruments, it risks moral failure even if formal legality is argued.

Meezan Bank prides itself on avoiding tawarruq for customer financing (favoring asset-based modes), but it may still use commodity trades for interbank liquidity. The classical position, if we consult Kitab al-Amwal or others, is that finance should be linked to real economic activity, not just money-to-money flips. Abu Ubayd, for example, narrates incidents where Caliph ʻUmar forbade practices that could lead to riba through the back door, such as certain forms of trade where people exchanged unequal amounts of the same commodity by tweaking the form (he instructed them to sell for cash and then buy, rather than swap unequal dates directly, calling the direct swap a subtle riba) (al-Bukhari, n.d., Hadith 2312). This directly maps to modern tawarruq vs. genuine sale debate. In fact, a hadith from Bukhari describes people trying to trade bad dates for good dates in unequal quantities, and the Prophet (ﷺ) said, "this is precisely riba, don't do that; sell the bad dates for money then buy the good dates with money" (al-Bukhari, n.d., Hadith 2312). Ironically, tawarruq uses the opposite sequence (buy commodity on credit, sell for cash) to achieve a monetary loan – an irony not lost on critics who say the Prophet's instruction was to avoid indirect riba, whereas tawarruq arguably creates it. It shows how context matters: the Prophet's solution was meant to avoid unfair gain, while tawarruq is used to facilitate a cash loan.

In conclusion of this analysis section, when we filter Meezan Bank's and similar Islamic products through classical criteria, we find a mix: some elements are true to Islamic principles (risk-sharing in Musharakah, asset-backing in Ijarah/Murabaha), while others seem to resurrect what the Qur'an banned, albeit dressed in new terminology. The Sabbath-pond metaphor challenges Islamic finance practitioners: Are you truly avoiding forbidden fish, or just catching them differently? Classical scholarship would congratulate the effort to avoid explicit riba, but it would also demand honesty and ihsan (excellence) – meaning the transactions should not recreate the exploitation or imbalance that riba inherently causes (al-Bukhari, n.d., Hadith 50; Hadith 33). The next section's case study will illustrate these concerns in a concrete scenario.

Case Study: Mortgage Alternative or Hidden *Riba*?

Scenario: Imagine an individual, Ahmed, who already owns a house worth $200,000 but needs $50,000 in cash for an emergency. In a conventional setting, Ahmed might take a home equity loan or mortgage loan, using his house as collateral, and pay back $50,000 plus interest over time. An Islamic bank offers him a Sharīʿah-compliant alternative: *Sell a portion of your house to us and lease it back*. The arrangement goes as follows: Ahmed sells 25% of his house to the Islamic bank for $50,000 cash. Simultaneously, he signs a contract to lease that 25% share from the bank, so he can continue living in the whole house. He will pay rent on the bank's share, and also agrees that every month he will buy a part of that share back from the bank. Over, say, 5 years of such payments, he will have bought back the entire 25% share, and the rent stops when he fully owns the house again. The bank claims this is a *Diminishing Musharakah* home equity release – a halal way to get liquidity. We analyze if this truly differs from a home equity loan.

- **Form of contracts:** There is a sale (Ahmed to bank of 25% of property), a partnership (both now co-own), a lease (Ahmed pays rent for using the bank's part), and a promise that Ahmed will gradually purchase the bank's share. Each step is allowed in *fiqh*: sale of property, partnership, lease, and even one partner buying out another are all permissible. No single contract explicitly says "loan" or "interest."

- **Cash flows:** The bank paid $50,000 to Ahmed upfront. Over 5 years, Ahmed will pay, for example, a monthly amount that includes two components: rent on whatever share the bank currently owns, and a purchase payment to acquire, say, 0.5% of the house each month. The rent portion initially might be equivalent to what an interest charge on $50,000 would be – for instance, if an equivalent interest rate is 10% annually, the bank's 25% share of the house might be priced to yield similar rent. As Ahmed's ownership increases, the bank's share and thus rent declines. Part of Ahmed's payment is effectively equity acquisition (like principal repayment). In total, Ahmed might end up paying perhaps $60,000 over time (which includes the $50k principal and $10k as "rent"). That $10k is economically analogous to interest, but labeled as rent for use of the house.

- **Collateral and default:** The house is jointly owned, so technically the bank owns 25%. If Ahmed fails to pay rent or to buy further shares, the bank can terminate the lease and either sell its share or ask Ahmed to sell the house to recover its part. In contrast to a conventional loan, the bank already owns part of the asset, rather than just having a lien. This could either complicate matters for Ahmed (he can't unilaterally refuse the bank's co-ownership rights) or protect him (the bank can't claim more than its share).

On the surface, Ahmed did not pay "interest," he paid rent while benefiting from full use of the house. But in substance, did this differ from a loan? If we strip the multi-step process, the end result was: Ahmed received $50k and returned ~$60k over time, with his house as security. A skeptical observer would say this is *economically* a 5-year, $50k loan at ~10% interest, secured by the house. The fact that multiple contracts were used is a formality, because Ahmed's use of the house never changed (he lived in it throughout, before, during, after), and the bank's partial ownership was simply a means to earn "rent" which corresponds to a yield on money lent.

A classical jurist might liken this to the following prohibited scenario: *"I will 'buy' your asset for cash and 'sell' it back to you at higher price on installments."* That would be essentially a *bay' al-'inah* if both sales are agreed from the start – a known trick to make a loan. In our scenario, the difference is the bank didn't sell the asset back outright; instead, it entered into a partnership/lease and incremental sales. But if from the outset all parties intend that Ahmed will redeem the bank's share (which they do intend), then the sequence is predetermined: the bank's purchase is temporary and conditional on Ahmed buying it back.

From a Sharīʿah perspective, the defenders of this transaction will argue: each step is separate and conditional only on mutual consent. Ahmed could have chosen not to buy back (in theory), and the bank could have kept its share or sold it to someone else. The rent he paid was for a real service – the enjoyment of a quarter of the house he no longer owned. So they would claim it's not a loan and interest, but a combination of sale and Ijarah. They would cite that the Council of Islamic Ideology or bank Sharīʿah board has vetted it as compliant.

However, applying the form vs. substance test, one should ask: was any meaningful risk or ownership change effected, or was it all constructed to mirror a loan? If Ahmed's payments were adjusted such that the bank's return is fixed in advance (very likely it is fixed via the rent schedule and buy-back price), then the bank is not truly sharing any market risk beyond perhaps Ahmed's default. If house prices wildly rise or crash, it doesn't affect the plan – the bank's profit is still $10k on $50k, fixed. In a genuine partnership, if the house doubled in value, the bank's 25% share would double too, and maybe they'd benefit more (unless Ahmed still has to buy at predetermined price). But typically the purchase price of shares is fixed upfront in these deals, insulating both from market fluctuations. That reveals that the "partnership" is not meant to be open-ended as partnerships normally are; it is a means to amortize a loan.

Classically, *bay' al-'inah* (sell-and-immediate-buy-back) was strongly condemned. The Hanafi and Hanbali scholars considered it invalid or at least sinful if done as a trick. The Prophet (ﷺ) is reported in a hadith (though with some weakness) to have said: *"There will come a time when people will legalize riba by calling it another name."* He also warned that if the Muslim community becomes complacent, indulging in *'inah* transactions and chasing worldly yields, Allah would impose humiliation on them until they return to their deen (reported by Ahmad and Abu Dawud). This case study rings that alarm bell: the mortgage alternative given to Ahmed is essentially a re-packaged *'inah*. The bank *bought* an asset share and *sold* it back gradually at a markup.

If we consult *Kitab al-Kharaj* or other early texts about state loans, we find no precedent of the early Islamic state or companions using *inah*-type deals to lend money. Instead, as noted, they simply gave loans without interest, or outright grants to those in need (Abu Ubayd, 2007). The idea of ensuring a profit on a loan was anathema – something pre-Islamic Arabs did, and Islam eradicated. The Prophet's own cousin, Zubayr ibn al-Awwam, once reportedly said: "If I lend someone money, I make it a *qarḍ* (loan) rather than a deposit, for I fear it might otherwise be regarded as *riba*." He wanted to be clear that he expected exactly what he lent, nothing more (deposits had an expectation of benefit in some cases). This scrupulousness is the standard Islam set.

In Ahmed's scenario, while no explicit interest was charged, the bank undeniably structured it so that they gain more than they gave. One can argue they deserved that gain as rent because Ahmed enjoyed use of the bank's share. But Ahmed might retort: "I enjoyed nothing new; I already had the house. Essentially I paid to use my own house." This is a fair point – prior to the deal, Ahmed was 100% owner and needed no permission to use the house. After the deal, he had to "rent" part of his own home. The benefit he got was $50k cash – which is exactly what a loan gives. So paying rent on one's own asset is economically like paying interest on cash, if the cash was the real objective.

Thus, the case study reveals how the *form* (partial sale and lease) can be employed to achieve the *substance* of a cash loan with interest. Hanafi jurist al-Sarakhsi in *Al-Mabsut* writes that one should look at contracts in light of their objectives: if parties disguise a transaction to circumvent a prohibition, judges and muftis should invalidate the stratagem and treat it according to its reality. In Ahmed's case, if brought to a hypothetical Islamic court that was aware of the arrangement's intent, the judge might declare it an *inah sale* and void the excess paid above $50k, especially if Ahmed came in repentance of having engaged in a shadow interest transaction. Of course, contemporary Islamic banks operate under modern secular legal systems, so such a scenario is theoretical. But it underscores that, from a purely Sharīʿah ethics view, Ahmed's deal can be seen as an ugly workaround rather than a true Islamic finance solution.

It is important to note not all Islamic banking products are so problematic. Some, like true *Musharakah* or *Mudarabah* ventures (equity investments), do genuinely share risk and reward and thus depart from the riba paradigm. The next section will highlight such classical alternatives that embody the substance of fairness and partnership that Islamic economics advocates.

Classical Alternatives and Solutions

The early Muslim community, guided by the Quranic worldview and Prophetic example, developed financial practices that avoided riba while facilitating trade, home ownership, agriculture, and public needs. In light of the issues identified with some modern Islamic banking products, these classical alternatives are worth reviving and adapting. They emphasize *transparency*, *risk-sharing*, and *social welfare* – focusing on substance over form.

1. *Musharakah* – Partnership Financing: *Musharakah* is a joint venture or partnership where all partners contribute capital and share in profit and loss according to agreed ratios. Unlike a loan, there is no guaranteed return for any partner; returns depend on the success of the venture. This was a common financing method in the Prophet's time and afterwards – for example, merchants would pool funds to finance a caravan and then share the profits when the goods were sold. In a home context, partnerships can be used (as in diminishing musharakah, ideally in its pure form) so that if someone needs funding to buy a property or expand a business, an investor provides capital in exchange for an equity share, rather than a fixed debt. Profit is shared (through rental yields or business income) and losses are likewise shared. This aligns with the Qur'anic injunction that *"trade"* is permitted (Qur'an 2:275) – trade here including ventures where capital and labor cooperate for profit. It eliminates the injustice of one party gaining a sure profit while the other bears all risk.

In practice, equity financing has drawbacks – partners need trust, and investors often prefer the certainty of debt. But classical scholars like Imam Malik and Abu Hanifa actually favored partnerships and profit-sharing arrangements; they only permitted credit sales (like Murabaha) within certain limits because not everyone can do partnership for every transaction. The Islamic ideal economy is one where capital is frequently invested on a profit-and-loss basis (*Mudarabah* or *Musharakah*), generating real economic activity, rather than loaned at interest. For instance, instead of Ahmed in the case study dealing with a bank, he could have made a *Musharakah* deal with an investor: the investor gives $50k and becomes 25% co-owner permanently, entitled to 25% of any rent or sale price. Ahmed gets to use $50k without a debt. Later, if he wants, he can buy that share back at market value or share the house's appreciation. Both share risk: if the house value falls, the investor's share value falls too. This is fair and riba-free, though from Ahmed's perspective, he's giving up some home equity upside. But that's the cost of risk-sharing – it's not risk-free for either side, unlike a riba loan which puts risk disproportionately on the borrower.

2. *Mudarabah* – Investment Trust (Passive-Active Partnership): *Mudarabah* is a special type of partnership where one party provides capital (rab-ul-maal) and the other provides labor/management (mudarib). Profits are shared per agreement (e.g., 50-50), and losses (if any) are borne by the capital provider alone (the manager loses the effort/time, the investor loses money). This was the basis of many trading journeys in early Islam – for example, some reports indicate that Khadijah (r.a.) employed the young Muhammad (ﷺ) on a mudarabah: she gave capital and he traded with it, sharing the profit. Such equity-like arrangements remove the injustice of a debtor owing money no matter what – instead, if business yields profit, both gain; if it yields none, the financier doesn't get a return. This encourages financing of productive ventures and aligns with ethical norms. In modern banking, true mudarabah could be used for venture capital, SME financing, etc., and indeed Islamic banks do use mudarabah on the *deposit* side (many savings accounts are nominally mudarabah where the depositor is investor and bank is manager sharing profits). However, mudarabah financing to entrepreneurs is still relatively rare, partly because banks and regulators prefer safer, collateralized modes.

Classical jurists extensively discussed mudarabah rules, ensuring trust and transparency. Notably, the Prophet (ﷺ) and companions upheld that the mudarib cannot guarantee a fixed profit – any such guarantee would make it a disguised loan, hence riba. This informs us that any promise of principal protection or fixed return invalidates the mudarabah. Islamic banks sometimes struggle with this, as depositors want guarantees, but strictly speaking a mudarabah account can lose money. In practice, banks quietly forego fees or dip into reserves to smooth returns and avoid negative profits to depositors – this again is a modern accommodation, but ideally, the principle of profit-loss sharing should be maintained to keep the arrangement halal and in spirit.

3. Interest-Free Loans (*Qard Hasan*) and Public Funds: In an Islamic system, *loans* were not a tool for profit – they were an act of benevolence or a means of need-fulfillment. The very term *qard hasan* means "benevolent loan." The Qur'an uses it in praising those who lend to others "seeking Allah's pleasure" (Qur'an 2:245; 57:11). The Prophet (ﷺ) highly encouraged lending without interest, and warned that taking even a small gift or advantage in return for a loan could count as riba. Given this ethos, Muslim societies developed mechanisms for interest-free finance, particularly for the poor. One major mechanism was Zakat – one of its eight categories is *al-gharimin* (people in debt). This means a portion of the mandatory charity is explicitly meant to **pay off debts** of those overwhelmed, effectively an interest-free bailout. This prevents a permanent debtor class and shows how Islamic law tackles debt not by refinancing it with interest, but by forgiving or relieving it.

Another mechanism: The *bayt al-mal* (public treasury) in early Islam would sometimes provide *qard hasan*. As noted, Caliph Umar created an early form of "loan program" for farmers who couldn't pay tax due to hard times – he loaned them funds to invest in their land with the expectation of repayment when able (Abu Ubayd, 2007). Importantly, these loans had **no interest**. They were essentially government-backed credit lines solely aiming to prop up citizens, not to generate revenue. Contrast this with modern states that often themselves borrow on interest or facilitate interest-based microloans; the Islamic model was interest-free aid. In modern application, one could envision an Islamic bank or an Islamic state running qard hasan funds for essential needs (education, medical, small business startup). Indeed, some Islamic banks allocate a charity fund from non-halal income or late payment fees, and use it to give qard hasan to needy students or patients. While not profitable, these uphold the prophetic model and build goodwill.

Moreover, charitable endowments (*awqaf*) historically played a huge role in providing social services without interest. For example, Waqf money was used to set up free hostels, hospitals, and even no-interest loan funds (a waqf might lend money from its corpus to people and revolve the fund). Today's Islamic finance could incorporate fintech-driven qard hasan pools or community crowdfunding for loans, truly eliminating riba where possible rather than finding a substitute for it.

4. Public Infrastructure via Taxation, Not Borrowing: Another classical alternative seen was financing public projects (roads, canals, fortifications) through tax or revenue share, not by borrowing on interest. The concept of a government bond paying interest was unknown in the Islamic Golden Age – if money was needed, they either raised taxes (with Shariah limits and social justice in mind), or solicited voluntary contributions from the wealthy. Sometimes *sukuk*-like arrangements were used (e.g., granting someone the right to a revenue stream in exchange for upfront investment), but these were asset/revenue based, not simple interest debts. The modern Islamic finance industry has created *sukuk* (Islamic bonds) to finance government needs, structured variously on lease or partnership formats. When done correctly, these sukuk represent investment in an underlying asset (for instance, the government sells a share of an asset's usufruct to investors and rents it back). This is much closer to equity or asset financing than pure debt. The key difference: in classical times, if a state asset did not produce the expected revenue, the sukuk holder would have to take that loss (risk), whereas a conventional bond holder would still claim interest. By reintroducing risk-sharing at state level, Islamic finance can avoid burdening citizens with compounding interest liabilities and instead tie returns to actual development outcomes.

One might ask: can banks survive without ever charging something like interest? The classical answer is that banks per se didn't exist; there were money-changers and merchant financiers who operated on profit share or service fees. In a modern sense, Islamic banks can survive by charging *fees for services* and *profits from investments*, rather than pure interest on loans. Many are already profitable by trading (Murabaha) and leasing (Ijarah) as we've discussed, which are permissible modes if done right. They also earn fees on services like remittances, guarantees, etc. The challenge is to maximize the truly risk-sharing financing and minimize the "replicated interest" financing.

5. Transparency and Community Oversight: A softer but vital alternative is the approach to transparency that classical scholars insisted upon. Transactions were to be clearly documented (as in Quran 2:282, the longest verse, commanding writing of debts) (Qur'an 2:282), and any oppressive clause should be avoided. A classical Islamic contract is relatively straightforward: it wasn't engineered by teams of lawyers to exploit loopholes – the Prophet (ﷺ) said: *"Muslims are bound by their conditions, except a condition that makes the lawful unlawful or the unlawful lawful."* By this standard, a condition inserted to basically make riba halal (e.g., "the lessee will compensate the lessor exactly for any loss so that the lessor's profit is assured") would be void. Islamic banks should embrace simplicity and clarity: if something looks like a duck, walks like a duck (interest), perhaps it's better to call it and avoid it, rather than hide it under layers of complexity. This is more of a moral alternative: the alternative to questionable *hiyal* is forthright compliance and seeking genuine halal avenues.

In sum, classical Islamic economics offers *authentic* modes of financing founded on justice: **Musharakah and Mudarabah** turn financiers into partners who sink or swim with the entrepreneur, aligning incentives and sharing burdens. **Interest-free lending (Qard Hasan)** fosters compassion and community, saving the poor from spirals of debt. **Use of Zakat and endowments** ensures the indigent and indebted get relief, not exploitation. And a **tax-and-spend model for public finance** avoids enslaving the populace to creditors. These alternatives may not always be as immediately lucrative or convenient as an interest-based loan, but they carry the barakah (blessing) of conformity to Divine principles and the ethical higher ground of not preying on vulnerability or time value alone. Modern Islamic finance is entirely capable of implementing these – indeed a few institutions and fintech startups are exploring profit-sharing fintech, cooperative housing purchase models, and charitable microfinance. With innovation and sincerity, the industry can move closer to these classical ideals, thereby truly setting itself apart from conventional banking in practice, not just in branding.

Conclusion

Islamic banking stands at a pivotal juncture where it must choose between two paradigms: merely reproducing conventional financial products with Islamic legal terminology, or embracing the transformative economic vision that the Quran and Sunnah outline. This study, through the "Sabbath Pond Test" metaphor, has illustrated that adhering only to contractual form while neglecting economic substance risks breaching the very prohibition Islamic finance was created to avoid. If an Islamic bank's product yields the same outcome as a riba-based loan – a fixed, risk-free return to the financier and a transfer of all risk to the client – then, as our classical sources warn, such a practice may be riba in everything but name. *“Allah knows what you conceal and what you reveal,”* says the Qur’an, and *“Allah is not in need of your deceptive oaths”* (an allusion to those who would swear to false contracts) – the message is that one cannot fool God with legalistic trickery.

Our evaluation of Meezan Bank’s products revealed both commendable efforts and areas of concern. On one hand, modes like Diminishing Musharakah and Ijarah have the potential to embody true partnership and fairness, reflecting the Quranic principles of mutual benefit and leniency to debtors (Qur’an 2:278; 2:280). On the other hand, when those modes are executed with an aim to guarantee the bank a profit come what may, they start to mirror the jahiliyah interest-based transactions that Islam abolished (al-Jassas, 1992). The case study of an Islamic mortgage alternative showed how easily a sequence of halal contracts can be orchestrated to produce a haram result, unless diligent oversight and intention guard against it.

Crucially, *intent* and *transparency* differentiate a truly Islamic transaction from a legal ruse. In Islamic law, actions are judged by intentions – a sale intended as a sale is halal; a “sale” intended as a loan with interest is not, even if the contract technically is a sale. Modern Islamic financial institutions must therefore inculcate a culture of genuine compliance: this means Sharīʿah boards and management should ask not just “Is this contract valid on paper?” but also “What are we really trying to do here, and is it in the spirit of Sharīʿah?” They should recall the example of the Sabbath breakers, who likely rationalized their actions (“We are still observing Sabbath, we only set out nets, not fishing!”) – an Islamic bank should avoid analogous rationalizations for riba-like outcomes (“We are not charging interest, only profit on a sale!”) if those ring hollow in economic reality.

Another conclusion from our classical survey is the emphasis on *justice and compassion*. The prohibition of riba is intertwined with establishing justice – so that lenders do not oppress borrowers, wealth does not concentrate unfairly, and transactions do not devour others’ wealth wrongfully (Qur’an 2:188; 4:29). Thus, Islamic finance’s success should not be measured solely by how many conventional products it can imitate competitively, but by how much positive difference it makes in people’s lives by embodying Islamic values – promoting entrepreneurship, sharing risk, easing the burden on the indebted, and circulating wealth into productive use. The historical practices of giving interest-free loans and using Zakat for debtors remind us that sometimes the best “Islamic financial product” is charity or kindness, not a complex contract. Commercial Islamic banks, of course, are businesses, but they can still prioritize charity via Qard Hasan funds and by taking a sympathetic approach to clients in hardship (e.g., forgoing rental profit during moratoria – something some Islamic banks did during the COVID-19 crisis as a goodwill gesture aligned with Qur’anic directives (Qur’an 2:280)).

In conclusion, the way forward for Islamic banking and finance is to return to first principles. By re-evaluating modern structures through classical knowledge, as we have done here, the industry can identify where it has strayed into mere formality and pull back. It can innovate true alternatives – like equity-based financing for home ownership (cooperative housing schemes), profit-and-loss sharing investment accounts for deposits, and social finance for the needy – which fulfill the *maqasid* (objectives) of the Shariah: justice, welfare, and preventing harm. The goal should be to make Islamic finance not just "Islamically acceptable" but **Islamically beneficial**: a means to enhance socio-economic justice and remove the poison of riba from our communities in both letter and spirit.

The Sabbath pond of riba will catch unwary fish if Muslims only focus on moving the net. Instead, we must heed the Qur'an's call: *"O you who believe, fear Allah and give up what remains of riba, if you are truly believers"* (Qur'an 2:278). Giving it up means not reintroducing it via back doors. It means striving for financial practices that are equitable and transparent. Islamic banking can lead this charge, but it must embrace bold changes and possibly short-term sacrifices in profit models to realize the long-term blessings of a riba-free economy.

In the end, success in this endeavor requires collective effort – scholars, practitioners, regulators, and customers all have roles to ensure that the promise of Islamic finance is fulfilled in substance. Only then will Islamic banking fully distinguish itself from conventional banking and silence its skeptics. And only then can it claim to have passed the "Sabbath Pond Test" – by not only avoiding the letter of riba, but also its essence, thereby earning the pleasure of Allah (swt) and contributing to a more just financial system for humanity.

Disclaimer

Nota Bene: This paper is a scholarly examination and is **not** a fatwa or final religious verdict. The analyses and interpretations offered herein represent an academic attempt to correlate classical Islamic jurisprudence with contemporary practices. Banking products and contracts can be complex, and their Sharīʻah compliance may involve nuanced details not fully captured above. Readers are cautioned to not self-judge the validity of any financial contract without consulting qualified Sharīʻah scholars who can assess specific cases. The opinions expressed are subject to further scholarly debate and critique – in the tradition of Islamic scholarship which welcomes dialogue (*shura*) and differing juristic viewpoints (*ikhtilaf*).

The author's aim is to encourage transparency and sincerity in Islamic finance, in hopes that any gaps between form and substance can be bridged through collective effort. Constructive feedback from experts in Islamic law, economics, and finance is welcomed so that this important discourse continues to evolve. Ultimately, any goodness or accuracy in this work is from Allah, and any mistakes are the author's own. This research is intended purely to advance understanding and is not to be taken as personal financial advice. May Allah reward the sincere efforts of all those striving to eliminate riba and bless our economic transactions with justice and barakah.

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