Explanation of the Nature of Western Banking, Usury-Free Banking, Islamic Banking

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Abstract:

Despite the fact that some religious leaders and people consider the Iranian banking system as usury and the negative effects of the creation of bank money, some still insist that the current banking in Iran is not only interest-free but also Islamic. And creating bank credit money is the inalienable right of the bank. To refute this idea, we first explain the main nature of Western banking and show the two main features of Western banking. The first feature is the types of debt contracts with fixed interest rates and guaranteed principal (usury loan) and the second feature is the creation of credit money. The Monetary and Banking Law of 1362 and the recent proposed amendments have only paid attention to the nature of usury in banks and have done so in the form of denigrating banking by introducing legitimate contracts and diversifying them to provide depositor and applicant facilities in the field of equipping and allocating resources. In these reforms, the creation of banks' credit money has been neglected or this creation of money has been assumed as their inalienable right. While the feature that makes a bank a bank is the creation of credit money, not that usurious loan. In addition to the issue of credit money creation, the question arises as to how true the current banking and recent reforms, which are claimed to be not only amorphous but also Islamic, are. The present study is fundamental and with the method of content analysis and descriptive and library study showed that due to the presence of usury and usury in various ways in the current banking of Iran, the law of interest-free banking in 1362 and the recent proposed amendments in the first step towards Islamic banking. People are obviously committing usury. Despite all the efforts made, we have not yet been able to complete the second necessary step, which is to demoralize the banking system, and we have a long way to go before entering the third step, namely Islamic banking. Islamic banking has characteristics that any legislative and institutional arrangement must achieve and provide those characteristics.

Keywords: Western Banking, Usury Banking, Usury-Free Banking, Islamic Banking.

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