

Dear respected panelists.

I am writing this submission because I feel it fails to address what I believe is a seriously disincentivized group – the Australian muslim population. A quick ctrl+F of the word “muslim” shows zero search results.

Prohibition of ‘riba’ in Islam

Islam prohibits the taking of “riba” as part of its vision of economic justice. “Riba” is commonly translated as “interest”, however as show by Chapra (Chapra, 2008) the muslim understanding is far more encompassing and includes excesses of anything beyond the premium:

“The prohibition of riba al-nasi’ah essentially implies that the fixing in advance of a positive rate of return on a loan as a reward for waiting is not permitted by the Shari’ah. It makes no difference whether the rate of return is small or big, or a fixed or variable per cent of the principal or an absolute amount to be paid in advance...”

This prohibition is signified in the following verses of the Quran:

“O you who believe, fear Allah and give up what still remains of ribā, if you are believers. But if you do not (give it up), then listen to the declaration of war from Allah and His Messenger. However, if you repent, yours is your principal. Neither wrong, nor be wronged.” (Quran 2:278-279, Taqi Usmani translation)

In fact, this prohibition of *riba*, is quite unlike the prohibition of even something like adultery or murder (both of which carry the death penalty). Unlike any other sin, the taking and loaning of interest is as if one were to wage a war against God and his Prophet.

But aren’t HECs loans 0% interest?

This is why I use the term ‘riba’, the majority view of Muslim scholars is that indexation falls under the category of indexation. Of course, as in any matter of religion you can always find peripheral views that say otherwise, but Islamic law has always operated based on the idea of *Ijma’* (scholastic consensus). This is based on the belief that Muslim scholars could never mistakenly agree on an opinion so long as there is consensus.(Brown, 2014)

(Avdukic *et al.*, 2023) writes, “The majority of scholars believe that any increase in monetary value (whether small or large) stipulated in a loan contract, irrespective of whether it is a consumption loan or a productive loan, is *ribā* and so is prohibited by the Shari’ah (Siddiqi, 2004).”

This issue is written about by Australian muslim leader Zachariah Matthews (Matthews, 2017) where he states “Many scholars consider indexation of loans equivalent to riba... Other scholars however do not consider indexation of loans equivalent to riba... Dr. Monzer Kahf however claims that this ruling, that indexation is not equivalent to riba, is a minority position.”

Mufti Ebrahim Desai, a south African jurist, also provides a response to the question of HECs in the popular fatwa (legal ruling) website IslamQA (Desai & Siddiqui, n.d.) stating: “In HECS-HELP loan, the debt is indexed each year to reflect changes in the Consumer Price Index (CPI). Indexing the debt to reflect changes in the CPI is not permissible according to Shari’ah, as it falls in the definition of interest.”

‘Riba’ as a deterrent to University

As a result, many muslims, simply opt out of taking financial loans of any kind due to the *riba* that is associated with them. This trend can be seen in a number of different studies.

(Larsson & Willander, 2022) find in their research that the majority of mosque attendees in Sweden (76 percent from the sample) refrain from taking loans with interest.

(De Gayardon, Callender and Green, 2019) find “The effect of religion is as expected and quite substantial, with Muslim students being more reluctant to take out student loans. Column 2 shows that a Muslim student, on average, is 10.9 percentage points less likely to borrow than is a similar student with no religion. However, this is no longer true when debt avoidance mechanisms are added”.

(Avdukic *et al.*, 2023) writes “Overall, interest-based student loans have had a significant impact on thousands of Muslim students in the UK. Stevenson (2014) shows that the introduction of the interest-based student loan policy has stopped thousands of potential Muslim students from going to university. In a consultation run by BIS (2014), from a sample of 20,000, ‘94% of respondents stated that there would be a demand for an alternative finance product which was Sharia-compliant”

Furthermore, if we look on ‘google trends’ for the search query “halal loans” and compare it to another substantially human search query “halal dating”, we see that there is a 59% interest for halal loans and a 41% interest in halal dating in the UK. Similar trends are also observed in the US with a 44% interest in halal loans and a 56% interest in halal dating.

<https://trends.google.com/trends/explore?date=today%205-y&q=halal%20loans,halal%20dating&hl=en>

Mediocrity and Marginalization

However, despite the problem of *riba* muslim students are still obtaining a tertiary education. A study led by UNISA (Hassan et al., 2018) found “Australian Muslims’ level of education attainment compares favourably with the total population” with 19.1% of Australian Muslims achieving a bachelor’s degree in comparison to 15.6% of the general population. Similar trends are also reflected internationally, (Malik & Wykes, 2018) a study led by the Bridge Institute found “participation in HE continues to rise rapidly (Modood & Calhoun, 2015) and ethnic minorities now represent almost one in six of home undergraduates in England.”

But in spite of these achievements, muslim communities, both at home and abroad, are still significantly marginalized and marked by mediocrity. (Malik & Wykes, 2018) find “British Asian Muslims are among the most disadvantaged of the ethnic minorities. For example, over 60% of British Pakistani and Bangladeshi households are in poverty, compared to 20% of whites – and have the highest proportions of school leavers without any qualifications”. These problems are further exacerbated by crime as ‘(UK) muslims now make up 17 per cent of the prison population, despite being just 5 per cent of the general population, figures that have doubled since 2002’ (Qasim, 2021)

(Hassan et al., 2018) find “A quarter of all Muslim children in Australia are living in poverty, compared with 13% of all Australian children... muslims are less likely to be employed than Australians in general, and this labour market disadvantage is worse for younger muslims. Muslims are also underrepresented in high-status professional occupations and overrepresented in other occupational categories, which tend to have a lower status”.

Why isn’t the muslim community faring better despite these educational achievements? Part of the problem can be found in a study performed by Muslim Census, a UK muslim think tank, which found

that 1 in 6 muslim students every year are forced to self fund in order to pursue a tertiary education(*Levelling Up Unequal Access to University Education, 2021*). Furthermore, it was found “4 in 5 Muslim students feel conflicted owing to taking conventional finance, with resulting mental health consequences which sometimes required clinical intervention”.

The need for an alternative

The current Interim report emphasises the need to increase the number of underrepresented Australians completing tertiary level qualifications in order to “successfully tackle our big national priorities...”. The strategies proposed by the report may work fine for other marginalized communities however, it is not a sustainable strategy when applied to the Australian muslim community. This is because, Islam and the moral vision of Islam still forms an integral part of the muslim conscience.

A solution to increase equity in education amongst the Australian muslim community must go hand in hand with the moral vision of Islam. By doing so, we can expect to see not only a greater number of muslim students achieving tertiary level qualifications but also greater socio-economic equity within the Australian muslim community.

This is the current approach of the UK government in its development of a shariah compliant alternative student finance – the takaful system, which is expected to be available to the public in 2025.

In order to implement these changes, it is strongly recommended that members of the panel as well as the department of education cooperate with leaders from the Australian muslim community to find a halal alternative to student financing. Given the disorganised nature of the Australian muslim community this may prove to be quite a challenge. However, I trust there exist sufficient resources and networks within the federal level to find these persons.

As a muslim who has lived in Sydney all his life, a very good starting point would be to engage with the Shyukh (teachers) of ‘dar ibn abbas’. They are a group of religion teachers who operate at [REDACTED] They are led by a highly respected leader and teacher, Shaykh Abdul Moez.

Best of luck.

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