

The transaction “Al Ina” and its relationship with economic growth

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Abstract— The sale "Al Ina" is a transaction prohibited by the Islamic religion, this article is a contribution to the mathematical-economic demonstration that this transaction aggravates the deterioration of the economy by the creation of negative added-values.

Keywords— Transaction “Al Ina”, Islamic, demonstration, mathematical-economic, added-values.

INTRODUCTION

The Transaction "Al In": is that a man buys a commodity from a dealer at a deferred price and, immediately then sells it to him for less than the price in cash. There are two individuals: The first individual I_1 sells the good to the second individual I_2 at a deferred price P_1 on a deadline, and redeems the same property immediately with a lower price P_2 without actually touching the good. Thus, the difference between the two prices constitutes a usury operation. (Al-Zuhayli Wahba, 2002).

We try to show that this transaction prohibited by the Islamic religion negatively affects economic growth. For that, we first study this transaction in its simple case, ie the presence of two participants, and then we widen the study for the presence of three individuals and more

I- Case of two participants

In time T_1 : That is to say, when the two individuals fix the price of the sale, the sale is not authentic. Posing:

Q : the quantity doing the role of the sale

P_0 : the purchase price of the good or its cost of production (the price with which the good is bought or produced)

P_1 : the non-authentic selling price of I_1 to I_2

Then, after this transaction, the Added-Value created is zero because:

$$\begin{aligned} VAE_1 &= (0 - 0) \\ &= 0 \end{aligned}$$

Therefore that in time T_1 , the transaction produces nothing for the economy. This implies the cleared recipe of the transaction in time T_1 is : $RT_1 = 0$.

In time T_2 , when the two individuals decide to repeat the reverse sale operation with a lower price P_2 .

P_2 The non-authentic resale price of the good by I_2 to I_1 . To be able to talk about “Al Ina”, P_2 must be less than P_1 .

Thus, This implies the cleared recipe of the transaction in time T_2 is : $RT_2 = 0$

For this case, we can evoke two scenarios:

Scenario1: We can consider that the individual I_1 applies the authentic selling price P_1 .

Scenario2: We can be considered that he keeps his good with the same cost P_0 .

a) First scenario : the individual I_1 applies the authentic selling price P_1

For the first scenario, we will have:

The individual I_1 receives the same good. Therefore, he commit a recipe is equal to

$$RT_1 = QP_1$$

The individual I_2 receives the same good, Which implies, he commit a recipe is equal to

$$RT_2 = QP_2$$

The added-value created by this transaction is:

$$VAE_2 = QP_2 - QP_1 = [Q(P_2 - P_1)] < 0$$

As long as, $P_2 < P_1$, the value $[Q(P_2 - P_1)]$ is negative. In other words, these transactions negatively affect value added. Thus, if we do not ban the sale "AL Ina", we risk deteriorating economic growth.

After these two transactions, the sum of the two added-values can be calculated as follows:

$$\begin{aligned} \sum_{i=1}^2 VAE_i &= VAE_1 + VAE_2 = 0 + Q(P_2 - P_1) \\ &= Q(P_2 - P_1) < 0 \end{aligned}$$

b) Second scenario: The individual I_1 keeps his good with the same cost P_0 .

If we opt for the second scenario, we will have:

The individual I_1 receives a recipe equal: $RT_1 = QP_0$

The individual I_2 receives a recipe equal: $RT_2 = QP_2$

The added-value created by this transaction:

$$VAE_2 = QP_2 - QP_0 = [Q(P_2 - P_0)] > 0$$

As long as $P_2 > P_0$, the value $[Q(P_2 - P_0)]$ is positive.

In other words, these transactions positively affect value added.

After these two transactions, the sum of the two added-values can be calculated as follows:

$$\begin{aligned} \sum_{i=1}^2 VAE_i &= VAE_1 + VAE_2 = 0 + Q(P_2 - P_0) \\ &= Q(P_2 - P_0) > 0 \end{aligned}$$

In conclusion and in any case, any "AL Ina" transaction that prohibited by the Islamic religion, strongly contributes to the degradation and deterioration of economic growth.

II- Case of three individuals

If ever I_1 decides to repeat the same transaction with another individual I_3 , there would be two scenarios: Repetition with the same prices or Repetition with different prices:

2-1- Repetition with the same prices :

Posing:

Q : the quantity sold

P_0 : the purchase price of the good or its cost of production

P_1 : the selling price of I_1 to I_3

P_2 the redemption from I_3 to I_1

In time T_1 , The added value results from this transaction is zero: $VAE_1=0$

In time T_2 , we will have two situations, either we compare P_2 at the first price P_0 or at the second price P_1

a) Comparing P_2 to, P_0 , this gives:

$$\begin{aligned} VAE_2 &= QP_2 - QP_0 \\ &= Q(P_2 - P_0) \end{aligned}$$

The price P_2 is less than the price P_1 but it can exceed or be less than cost P_0

- If $P_2 < P_0$, we will have: $VAE_2 = QP_2 - QP_0 = Q(P_2 - P_0) < 0$

in this case, we conclude that the added value always remains negative

- If $P_2 > P_0$ we will have: $VAE_2 = QP_2 - QP_0 = Q(P_2 - P_0) > 0$

Thus, at this level, the added value becomes positive.

Therefore, the sum of the added values created by this second transaction "Al Ina" is:

$$\sum_{i=1}^2 VAE = VAE_1 + VAE_2$$

$$\begin{aligned} \sum_{i=1}^2 VAE_i &= VAE_1 + VAE_2 = 0 + Q(P_2 - P_0) \\ &= Q(P_2 - P_0) < 0 \end{aligned}$$

The sum of the added values after the three transactions I_1, I_2 , and I_3 becomes:

✓ For the case of $P_2 < P_0$ we will have :

$$\begin{aligned} \sum_{i=1}^3 VAE_i &= Q(P_2 - P_0) + Q(P_2 - P_0) \\ &= 2Q(P_2 - P_0) < 0 \end{aligned}$$

In this case, after these three transactions, we conclude that the degradation of value added is worsening.

✓ For the case of $P_2 > P_0$ we will have :

$$\begin{aligned} \sum_{i=1}^3 VAE_i &= Q(P_2 - P_0) + Q(P_2 - P_0) \\ &= 2Q(P_2 - P_0) > 0 \end{aligned}$$

On the other hand, in the case where $P_2 > P_0$, the sum of the three added values is positive;

b) Comparing P_2 to P_1 , this gives:

In all cases, we have P_2 superior than P_1 , this implies:

$$VAE_2 = Q(P_2 - P_1) < 0$$

Therefore, the value added at this stage remains negative.

Thus, the sum of the added values created by this second transaction "AL Ina" is:

$$\sum_{i=1}^2 VAE = VAE_1 + VAE_2$$

$$\begin{aligned} \sum_{i=1}^2 VAE &= 0 + Q(P_2 - P_0) \\ &= Q(P_2 - P_0) < 0 \end{aligned}$$

Also, the sum of the added values always remains negative

And, The sum of the added values after the three transactions I_1, I_2, I_3 becomes :

$$\begin{aligned} \sum_{i=1}^3 VAE_i &= Q(P_2 - P_0) + Q(P_2 - P_0) \\ &= 2Q(P_2 - P_0) < 0 \end{aligned}$$

After the three transactions, the degradation of the added value gets worse.

We conclude that these transactions negatively affect value added, in other words, if we do not prohibit the sale "Al Ina", we risk deteriorating economic growth.

Therefore, it is a transaction in the form of double "Al Ina", based on this double transaction, we can calculate the sum of the added values created by the four transactions made by the three individuals as follows:

We know so far that: $P_2 < P_1$
and $P_0 < P_1$

However, we nothing known about the position of P_0 with respect to P_2 .

We return to the three cases mentioned above:

$P_0 = P_2$, $P_0 < P_2$ and $P_0 > P_2$

If $P_0 = P_2$, the added value is null

If $P_0 > P_2$, the added value is negative

If $P_0 < P_2$, the added value is positive

The only case where the added value is positive is the last but it is low as long as $P_2 < P_1$

If the operation repeated for the third time with a fourth individual, we will have:

If the operation repeated for the third time with a fourth individual, we will have:

$$\begin{aligned} \sum_{i=1}^4 VAE_i &= \sum_{i=1}^2 VAE_i + \sum_{i=1}^2 VAE_i + \sum_{i=1}^2 VAE_i \\ &= Q(P_2 - P_0) + Q(P_2 - P_0) + Q(P_2 - P_0) \\ &= 3QP_2 - 3QP_0 \\ &= 3Q(P_2 - P_0) \end{aligned}$$

That is to say that for N times the added value deteriorates up to:

$$\begin{aligned} \sum_{i=1}^4 VAE_i &= \sum_{i=1}^2 VAE_i + \sum_{i=1}^2 VAE_i + \dots \sum_{i=1}^2 VAE_i \\ &= NQ(P_2 - P_0) \end{aligned}$$

2-2- The case of different prices:

After the first transaction, the individual I_1 gained in terms of price $P_1 - P_2$.

We can note this unit gain G .

The management of the transaction "AL Ina" with I_3 can take two forms: The consideration of G gain, or The non-consideration of G gain

If I_1 takes into account the "gain" G , it means that the individual I_1 fixes for the individual I_3 a price

$P_3 = P_1 - G$ and recovers the good after at a price

$P_4 = P_2$ and this to safeguard the same level "Gain".

- In time T_1 : the added value created is $VAE_1 = 0$

- In time T_2 :

The individual I_1 receives the same good $RT_1 = QP_4$

The individual I_3 receives $RT_3 = QP_3$

The added value created by this transaction is:

$$\begin{aligned} VAE_2 &= QP_3 - QP_4 \\ &= Q(P_3 - P_4) \\ &= Q(P_1 - G) - QP_4 \\ &= Q(P_1 - G) - QP_2 \\ &= Q(P_1 - G - P_2) \end{aligned}$$

For $G = P_1 - P_2$, We have :

$$\begin{aligned} VAE_2 &= Q(P_1 - G - P_2) \\ &= Q(P_1 - P_2 - G) \\ &= Q(G - G) \\ &= 0 \end{aligned}$$

At this phase, the added value is null

The sum of the two added values would be:

$$\sum_{i=1}^2 VAE_i = VAE_1 + VAE_2 = -QP_3 + 0 = -QP_3 < 0$$

Thus, the whole operation leads to a negative added value

If I_1 repeat the operation without taking into account the first "gain", and if the price of the good is clear on the market, I_1 is obliged to remain at the level of P_1 and thus, he will proceed to the sale of the good with a price P_1 and the recovered at a price P_4 lower than P_1 .

- In time T_1 , Added value created is $VAE_1 = 0$

Therefore, in time T_1 , the transaction not produce value added to the economy.

- In time T_2 The individual I_1 receives the same good, i.e: $RT_1 = QP_4$

The individual I_3 receives $RT_3 = QP_1$

The added value created by this transaction is:

$$VAE_2 = QP_1 - QP_4 < 0$$

Therefore, the transaction creates a negative added value

The sum of the two added values would be:

$$\begin{aligned}\sum_{P=1}^2 VAE_i &= VAE_i + VAE_i \\ &= -QP_4 + Q(P_1 - P_4) \\ &= -QP_4 + QP_1 - QP_4 \\ &= Q(P_1 - 2P_4) < 0\end{aligned}$$

CONCLUSION

Through this article we have borrowed the mathematical tool to demonstrate the negative effect of the transaction Al Ina on the evolution of a given economy. Thus, this logical demonstration has shown that allowing this kind of transaction may seriously deteriorate the evolution of the economy, because any transaction "Al Ina" creates a negative added value in this economy.

REFERENCES

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