INTEREST-FREE LOAN AS A MEANS OF FINANCIAL INCLUSION AND SOCIAL INTEGRATION: AN ISLAMIC PERSPECTIVE

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Abstract
Obviously, the sustainability and development of human beings are contingent upon material resources, thus individuals of any given society are in need of one another to achieve their financial and social goals respectively. Undoubtedly, human societies are largely constituted by the less privileged and venerable persons that needed to be catered for. Therefore, Islam places a great emphasis on distributive justice and social equity, and as such, relevant provisions are put in place to ensure that people are financially included and socially integrated. Significantly, interest-free loan within the ambit of Islamic ethics, is a vital instrument for achieving financial inclusion and social integration. Hence, none of the members of the society would be impartially left out. It is against this background that the study attempts to examine the role of interest-free loan in promoting financial inclusion and social integration in Islam. To achieve this, the paper adopts an analytical method of research to analyze the Islamic perspective of loan contracts and how it has maximized it in solving financial and social challenges. The work stresses the significance of loans in turning around people's economic fortunes and fulfilling their social engagements. The paper concludes that individuals should imbibe and explore the advantage of interest-free loan to immensely strengthen the financial and social activities. To this end, the paper recommends the employment of interest-free loan as entrenched in Islam to enhance financial inclusion and social integration.

Keywords: Interest-Free Loan; Financial Inclusion; Social Integration; and Ethics.

Introduction
The importance of financial inclusion and social integration cannot be over-emphasized as they constitute the integral part of the development and socio-economic fortunes of any given society. Lack of access to financial services represents a major impediment to income opportunities and the economic welfare of individuals, particularly for the poor, women and youth, as well as for firms, particularly small and medium-sized enterprises (Antunes, 2021, p. 8), and as such, social disintegration tends to surface which will affect the people as per social initiatives in the society. The major challenges facing easy access of financial services includes but not limited to unavailability of collateral, creditworthiness, and high cost of loan funding. These have drastically affected the less privileged in the society, especially SMEs and start-ups. Hence, the dire need to suggest a lasting solution that will practically tackle this socio-economic menace resulting into financial exclusion and social disintegration. Loan contract, therefore is a potential tool to avert financial exclusion and social disintegration to a very significant extent as entrenched in Islam as it is considered a humanitarian and charitable course to foster financial inclusion and reinforce social unity and cooperation. It will contribute largely to the over-all interest of the life of all individuals of the society directly or indirectly as a vital redistributive instrument.

Loan Contract, Financial Inclusion and Social Integration: A Conceptual Analysis
The term loan refers to a type of credit vehicle in which a sum of money is lent to another party in exchange for future repayment of the value principal amount. In many cases, the lender also adds interest or finance charges to the principal value, which the borrower must repay in addition to the principal balance (Jakan, 2024). In another words, a loan is usually an amount of money given to an individual or an institution on the condition that it will be repaid on a later date, with or without

interest. Other assets such as land, machinery, and buildings can also be given out as loans. In most loan arrangements, the following are involved:

- **Principal:** This is the original amount of money that is being borrowed.
- **Loan Term:** The amount of time that the borrower has to repay the loan.
- **Interest Rate:** The rate at which the amount of money owed increases, usually expressed in terms of an annual percentage rate (APR).
- **Loan Payments:** The amount of money that must be paid every month or week in order to satisfy the terms of the loan. Based on the principal, loan term, and interest rate, this can be determined from an amortization table (Nwosu, 2007, p. 4).

There are two major types of loan:

1. Secured Loan

A secured loan is a loan in which the borrower pledges assets e.g. property, movable assets, etc, as a collateral (guarantee) for the loan. The assets are always worth more than the amount of the loan, and can be claimed by the lender if the borrower does not pay back the money according to agreed terms and conditions.

Secured loans include:
- Term Loan: This is a loan granted by banks and other financial institutions for a specific amount and repayment terms, as well as a fixed or fluctuating interest rate.
- Mortgage Loan: This is a loan granted by banks and financial institutions for the purchase of real estate (property) usually with specified interest rate and repayment period. It is secured by property itself. Ownership of the property is transferred to the borrower after full payment and meeting other obligations. A default will lead to foreclosure of the property.

2. Unsecured Loan

An unsecured loan is a loan in which the borrower does not pledge any asset as collateral (guarantee) for the loan. This type of loan has more risks for the lenders; hence the interest rates are usually higher than secured loans.

Unsecured loans include:
- Credit Card Loan: An electronic card, usually issued by banks and other financial institutions, which allows the holder to spend an amount above his account balance, but up to an agreed limit. Regular checks and reconciliations are carried out at intervals to balance the account and claim interests, charges and principal according to terms and conditions.
- Personal Loan: This is a loan granted to an individual for household or other personal use. Banks and other financial institutions give out these loans based on the borrower's credit history and ability to repay the loan from personal income. It is also referred to as consumer loan (Nwosu, 2007, p. 6).

Loans are generally similar to sale, since they involve the exchange of property. It is also a form of prepayment *(Salaf),* since one of the two payments is made prior to the other. Some jurists have argued that loans are a subcategory of a sale (Ahmed, 2015). However, Ibn Qayyim clearly differentiated between loans and sales by arguing that loan contract is entirely a permissible transaction on its own and has certain rulings governing it, and as such, it should not be likened with *bay'* (sales). He said;

> The loan is a kind of giving some wealth to someone else, so that the latter may benefit from it and then return it. Hence the Prophet called it a *Manīhah* (an item loaned as a favour), as he said: "Whoever gives a *Manīhah* of gold or a *Manīhah* of silver…" This comes under the heading of showing kindness and helping, not of exchanging wealth. Buying and selling is based on the idea of exchanging wealth that is not taken back, whereas loans come under the heading of lending and *Manīhah*… this has nothing to do with the idea of buying and selling; rather it comes under the heading of showing kindness, and giving gifts or charity. (Ibn Qayyim, 2006, p. 11)

Therefore, loan is considered to be a valuable material that is borrowed to others, and its equivalent will be paid back either interest-based or otherwise. It is burn out of charity and kindness and a subject of sale.

In the case of financial inclusion, it is defined as the provision of affordable financial services to all segments of the population, aims to address economic disparities. Financial inclusion is multifaceted, covering accessibility, availability, and usage of formal financial services. The concept revolves around ensuring that every individual has access to available financial services (AbdulHameed, 2003, p. 3796).

According to the World Bank, financial inclusion defines the possibility for individuals and businesses to access at lower cost a range of useful financial products and services adapted to their needs (transactions, payments, savings, credit and insurance), offered by reliable and responsible service providers. In other words, financial inclusion means that individuals and businesses have access to and use a range of appropriate and responsibly provided financial services in a properly regulated environment. For the African Development Bank (AfDB), financial inclusion encompasses all initiatives aimed at making formal financial services available, accessible and affordable for the entire population. This requires particular attention to segments of the population historically excluded or underserved by the formal financial sector. In addition, financial inclusion is defined as follows: "permanent access of populations to a diverse range of adapted financial products and services, at affordable costs and used in an effective, efficient and effective manner" (Kandji, 2024, p. 2).

The concept emphasizes not only the provision of services but also their accessibility and utilization by all members of society, particularly those who are economically disadvantaged (AbdulHameed, 2003, p. 3796). Without inclusive financial systems, poor individuals and small enterprises need to rely on their personal wealth or internal resources to invest in their education, become entrepreneurs, or take advantage of promising growth opportunities (Mohieldin, 2011, p. 59). Financial inclusion plays a vital role in fostering economic growth and reducing poverty by ensuring that individuals and businesses have access to quality financial services (SME Finance Working Group [SMEF], 2024, p. 2).

In addition, financial inclusion is the delivery of appropriate formal financial services to all segments of society to meet their savings, investment and credit requirements, financial literacy levels and convenience needs responsibly and sustainably. Financial inclusion is useful for equitable growth in all segments of society to reduce disparities. The provision of banking facilities to marginalized sections can enhance the mobilization of savings in the economy. It is, therefore, proposed that the growth in financial inclusion levels improves the depth of the financial sector (Njanike et al., 2023).

With regard to social inclusion, it constitutes everyone's access to education, health services, job opportunities, housing, security, etc. within a society; regardless of origin, religion, ethnicity, sexual orientation, intellectual capacity, gender, financial situation, among others (Palvencu2022, p. 27). In other words, social integration is defined here as the process of promoting the values, relations and institutions that enable all people to participate in social, economic and political life on the basis of equality of rights, equity and dignity (Ferguson, 2008, p. 6). Daniel asserts that social inclusion is the removal of institutional barriers and the improvement of access to development opportunities for diverse individuals and groups (Njanike et al., 2023).

Social inclusion involves ensuring that members of society have equal access to the same opportunities. Some of the key indicators of social inclusion in developing countries are gender and equality, economic resources, employment, health, education, housing, human resource development opportunities, culture and civic engagement. However, some barriers to social inclusion include a lack of access to finance to fund their participation in social initiatives, lack of internet access and economic development (Njanike et al., 2023).

It is worthy of note that financial inclusion and social integration are inter-related, the duo are development agendas to improve the socio-economic well-being of all individuals in society. Given the strong relationship between financial inclusion and social inclusion, they both contribute to the economic and social advancement of the beneficiaries. And as such, they are tools for eradicating poverty and averting social exclusion as they present opportunities for people to access necessary financial services and social initiatives.

An Islamic Perspective of Loan Contract

The Arabic term for loans, *"qard.",* literally means "cutting-off a portion", signifying that the person extending the loan is giving the borrower part of his property. It is also called *"salaf",* meaning "advance", to signify that the amount of the loan is extended at some point, with the expectation of repayment at a later time. The *Hanafis* define the contract legally as one in which a fungible property is paid from one party to another, in exchange for a later payment of an equivalent amount. Other schools of jurisprudence defined it as an exchange of property for a liability on the recipient equivalent to the amount he receives from the lender, where only the recipient of the loan is intended to benefit from the contract. They include different types of properties in this definition: fungibles, animals, and tradable goods (Al-Zuhayli, 2001, p. 370). The *Hanafis* ruled that fungibles (i.e. goods measurable by weight, volume, size, and numbers of homogenous items) are eligible for lending. On the other hand, the *Hanafis* ruled that non-fungibles (e.g. animals, wood, real estate, and non-homogenous countable) may not be lent, since it is difficult to find an equivalent good to repay the loan. The *Malikıs, Shafi'ıs,* and *Hanbalıs* ruled that loans are permissible for all goods eligible for all properties that can be established as a liability on the borrower. This includes goods measured by volume and weight (e.g. gold, silver, and foodstuffs), or non-fungibles (e.g. animals, tradable goods, etc.). Moreover, they render impermissible loans of any items that cannot be established as a liability (e.g. part of a house, part of a garden, etc.). In this case, a loan requires repayment of an equivalent good, and those items do not have an equivalent counterpart. In this regard, the *Malikıs* define equivalence in terms of similarity of characteristics and amount, while the *Shafi'ıs* and *Hanbalıs* define it in terms of its form (Zainol, 2016, p. 305).

The practice of loan contract has been in vogue since the existence of mankind since it falls under *Mu'amalat* (inter-personal interactions) which is part of man-to-man relations which governs social interactions among them. It has been the nature of humans to continuously seek support from others due to their inability to undertake things on their own. It has been a norm since the beginning of human history. However, with the advent of Islam loaning became more organized and regulated as evident in the Qur'an and Prophetic narrations (Zainol, 2016, p. 306).

> Who is it that will give Allah a beautiful loan? A loan that Allah will repay after increasing it many times and grant him a generous reward (Q57:11).
>
> If you lend to Allah a good loan, He will multiply it for you and forgive you. For Allah is Most Appreciative, Most Forbearing (Q64:17).
>
> …and establish prayer and give Zakah and loan Allah a goodly loan. And whatever good you put forward for yourselves, you will find it with Allah (Q73:20).

Ibn Mas'ud narrated that the Prophet (peace be upon him) said: "Every two loans offered by a Muslim to another count as one charitable payment." (Ibn Majah, 2009).

Maudūdi stated that "good loan" in the aforementioned verses refer to the loan which is lent without any personal gain or interest but is given with the sole intention to please Allah. Thus, Islam encourages Muslims to give debt to those who are in need. This good deed will be duly rewarded by Allah (Zainol, 2016, p. 305). Interest-free loan has been described in the Qur'ān as "beautiful" *(hasan)* probably because, in all the verses in which this loan is mentioned, it is stipulated that it is made directly to Allah and not to the recipient. This probably explains why Allah promises multiple returns to the givers of the "beautiful loan." (Bello et al., 2024, p. 266). It is loan contract is classified under contracts of generosity *('uqūd al-tabarru')* as opposed to contracts of exchange *('uqūd al-mu'āwaḍah)*. This classification implies that the lender is not to derive any monetary or material gain from the transaction (Doi, 1984, p. 234). Similarly, al-Buhūti stated that a loan is a contract generosity and a means of seeking closeness to Allah; therefore, stipulating interest as a condition undermines its intended purpose (al-Buhūtī, 2023, p. 838).

Therefore, it should be noted that loan contract as far as Islam is concerned should be based on the concept of Ta'āwun (mutual cooperation), which is mutual help to assist a person in need, (Zainol 305) and as such, it should be extended on a goodwill basis; that is, the borrower is expected to return the equivalent of the amount in question without interest or pre-agreed benefit of any kind resulting from the loan. Thus, Islam advocates for *al-Qard al-Hasan* (interest-free loan) which is an interest free loan in which only the return of the capital is required during the term of the loan (Izadyar and Ragnath, 2024, p. 65).

Thereupon, the loan is supposed to be provided as a means to help each other in all aspects of life, to ease the burden of hardship, and should not justify as means for making a living nor as commercial facilitation. Therefore, a loan must be paid off at face value following Islamic law: "All lending which attracts benefits are *Ribâ."* In this context, the gained benefit is part of a pre-agreed condition, which over time turns into a customary practice. Conversely, should the gained benefit be levied without pre-agreed conditions nor it is treated as a customary practice, the lender is permitted to receive payment along with additions from the willing borrower (Rasyid, 2020, p. 1066).

Islam aims to promote charity and helping others through kindness. To remove sentiments of selfishness and self-centeredness, which can create social antipathy, distrust, and resentment, it makes usury illegal, Islamic law creates opportunities and contexts in which people are encouraged to act charitably, loaning money without interest (Hayes, 2002, p. 1). Thus, loans are highly recommended *(mandūb)* and rewarding for the lender, and permissible for the borrower, according to the Islamic jurists (Al-Zuhayli, 2001, p. 371).

Principles of loan Contract in Islamic Jurisprudence are as follows:

a. The contract of loan is concluded through offer and acceptance.
b. Both the creditor and the debtor must possess legal capacity to enter into a contract.
c. Loan can be for a specific period of time or it can be given without a specific time period stipulated for repayment.

d. It is not permitted for a lender to stipulate or a borrower to extend, any excess in finance, irrespective of whether the excess is in terms of quality or quantity, or tangible or intangible, and whether the stipulation is at the time of contract or at a later stage during the contract.
e. An excess over the loan is permitted at the time of its repayment when it is not stipulated or is part of custom, irrespective of the subject matter of the loan being cash or kind.
f. The lending items should of something that can be established as a liability on the borrower.
g. The lent amount should be known (in terms of volume, weight, number or size), so that repayment of its equal is possible (Al-Zuhayli, 2001, p. 375).

It is pertinent to make reference to Salam transaction at this juncture since it has a unifying objective with common loan from Islamic perspective. It is a transaction in which advance payment is made for goods to be delivered at a future date (Al-Zuhayli, 2001, p. 238). Though, it does not meet the conditions of legit sales as far as Islam is concerned, yet it is exempted to fulfil financial and social benefits. It was originally sanctioned during the time of the Prophet to facilitate the trading activities of farmers who were awaiting the harvest of crops. In modern times, it has also been applied to the production of raw materials and fungible goods in general provided that the conditions are fulfilled. Islam permits loan as it brings benefits to individuals as well as facilitates the fulfillment of their needs. Debt should be incurred based on the needs of the individual and not for the sake of gaining luxuries without taking into consideration the potential adverse effects (Zainol, 2016, p. 309).

Notably, in the Islamic worldview, loan is classified into two kinds, viz. the benevolent loan also known as interest-free loan and the interest-based loan. Daher defines benevolent loan it as "an Islamic finance term that essentially refers to a loan that is interest free" (Daher, 2021). It is a type of loan meant to provide help to community members who are under financial distress. It is a voluntary loan that is extended to those in need without any expectation by the creditor of any return on the principal (Bello et al., 2024, p. 266).

Iqbal and Shafiq identified some key characteristics of a*l-Qard al-Hasan* (interest-free loan) to include the following:

i) It is a non-worldly rewarding loan, but the borrower is under moral obligation to repay the principal depending on his financial capacity to do so. The creditor would forego the demand for payment of principal if, despite best efforts and good intentions by the borrower; he or she cannot repay the principal due to economic hardships.
ii) The incentives for lenders to extend credit based on *al-Qard al-Hasan* (interest-free loan) are clearly benevolent and spiritual as they are abiding by Allah's command to supply such loans for benevolent purposes. The element of benevolence and expectation of reward from the Creator in this world or hereafter is the expected return instead of any monetary reward.
iii) The primary objective of *al-Qard al-Hasan* (interest-free loan) is to help the poor, who often do not have any material collateral, get on their feet to become part of economic activities in a dignified and cost-effective manner.
iv) The practice of *al-Qard-al-Hasan* (interest-free loan) has also been associated with enhancing harmony among poor and rich segments of the society which leads to a more cooperative, collaborative, and caring society.
v) The institution of *al-Qard al-Hasan* (interest-free loan) can be effectively used to eradicate extreme poverty through opportunities to the poor to create new jobs and business ventures by using their merits, skills and expertise.
vi) *al-Qard al-Hasan* (interest-free loan) also serves as a tool to enhance financial and social inclusion in the society by bringing the poor out of poverty, facilitating their integration into the formal financial sector and making them better included in the society. In this regard, *al-Qard al-Hasan* (interest-free loan) serves as an important tool of achieving economic and social justice as envisioned by Islam (Iqbal and Shafiq, 2015, p. 26).

It is important to note that, according to AAOIFI *Sharī'ah* Standard 19/4/1, in benevolent loan arrangement:

> any stipulation of an excess for the lender in loan is prohibited, and it amounts to *Ribā,* whether the excess is in terms of quality or quantity or whether the excess is a tangible thing or a benefit, and whether the excess is stipulated at the time of the contract or while determining the period of delay for satisfaction or during the period of delay and, further, whether the stipulation is in writing or is part of customary practice." (Accounting and Auditing Organization for Islamic Financial Institutions. (2024). *Sharī'ah* Standard [AAOIFI], p. 519).

However, "an excess over *Qard* is permissible in terms of quantity or quality, or offering of tangible property or extending of a benefit, at the time of satisfaction when it is not stipulated or is part of custom, irrespective of the subject-matter of Qard being cash or kind." Where *Qard* is granted by an IFIs, it is permissible for it, according to AAOIFI *Sharī'ah* Standard 19/9/1, to charge for services rendered in processing the request equivalent to the actual amount directly spent on such services. Thus, it is allowed for a borrower to pay to the lender an optional gift or increase during loan repayment provided it is not pre-agreed or stipulated by the lender but something coming out of the good will of the borrower to show gratitude. This is in line with what the Prophet's companion, Jabir bin Abdullah said: "I went to the Prophet while he was in the Mosque. After the Prophet told me to pray two *Raka'āt,* he paid me the debt he owed me and gave me an extra amount" (Bello et al.,2024, p. 268).

The issue of interest-bearing loanin Islamic jurisprudence denotes the increment in the loan based on agreed conditions in favour of the lender (Rasyid, 2020, p. 1064). Loan-based interest is further classified into two. The first category, which is referred to as *Ribā al-Qardis* described as a predetermined or pre-agreed increment in money lent whether in kind or cash over and above the principal amount. The most common example is taking a loan from a conventional bank. The bank gives a loan, and the borrower conditionally repays the money at a later date with a pre-determined or pre-agreed percentage increase over the original amount. Other examples of *Ribā al-Qard* in modern financial transactions are interest on savings accounts or fixed deposits, interest on government bonds and treasury bills, interest on other debt instruments such as debenture and credit cards. The second category is called Ribā an-Nasī'ah, which represents an increase in the amount to be paid due to delay in time of repayment of a debt obligation (Bello et al.,2024 p. 10).

Impacts of Loan Contract on Financial Inclusion and Social Integration in the Society

According to Daher, *Qard al-Hasan* (interest-free loan) is a key concept that acts as a crucial redistributive instrument. The distribution of funds from the rich to the poor, which *Qard al-Hasan* (interest-free loan) facilitates, aims at reinforcing social unity and cooperation as well enhancing financial inclusion (Daher, 2021). In recent times, it has been identified as an important tool in the fight against poverty and the drive to ensure there is more financial freedom and equity for poorer communities. Financial services play a pivotal role in the functioning of markets and the economy and contribute to economic and social development (Antunes, 2021, p. 3).

The impacts of loan contract on financial inclusion in the society are highlighted as follows:

1. Circulation of Wealth

Al-Qard-al-Hasan (interest-free loan) as a tool for microfinance and financial inclusion is relatively recent. There are several countries including Bosnia Herzegovina, Islamic Republic of Iran, Indonesia, Pakistan, and UK where *al-Qard-al-Hasan* (interest-free loan) is being used for extending microfinance. In case of Islamic republic of Iran, large number of formal and informal funds have been established in mosques, organizations, and rural communities. In addition, practice of establishing such funds among families and peer groups is widespread. To summarize, *al-Qard-al-Hasan* (interest-free loan) is a viable option to reduce financial exclusion by extending financing to poor especially those who do not have access to any commercial microfinance lending either due to lack of collateral or lack of affordability owing to high cost of funding or no credit history. Considering the abject poverty in the society, *al-Qard-al-Hasan* (interest-free loan) provides a complementary tool to fight financial exclusion. In addition, it commends payback and therefore benefits from the potential recirculation of funds in poor and extremely low tiers of the economy (Iqbal and Shafiq, 2015, p. 26).

2. Strengthening the Economy

The role of interest-free loan in strengthening the local and national economy cannot be over-emphasized. *Al-Qard-al-Hasan* (interest-free loan) provides individuals with greater access to resources to meet their financial needs. Inability to use these financial services can contribute to persistent slow economic growth (SME Finance Working Group [SMEF], 2024, p. 18).

3. Empowerment and Job Creation

Interest-free loan can be invariably used facilitate the poor to create new jobs, market and business ventures by using their skills and expertise. Interest-free loan can also be considered an excellent venue for supporting SMEs and penetrating to lower income levels that are deprived of financial inclusion to eradicate unemployment problem from the society. It provides a reliable source of funding to economic development because the more people get access to funds, the more they are economically productive and gain financial freedom. The financial benefits of availing funding to SMEs at zero cost acts a good catalyst for growth and provide an extremely high social benefits through creating jobs and generating incomes to the poor, deprived and underprivileged (Mohieldin, 2011, p. 80).

4. Prevention of Economic Discrimination

Obviously, interest-free loan prevents economic discrimination among the affluents and the less privileged in the society as the latter would be relieved from financial burdens to very large extent, and as such, they would not be excluded in the economic activities in the society (Mohieldin, 2011, p. 79).

5. Gaining Financial Freedom

Gaining financial freedom can be significantly achieved through interest-free loan if it well-maximized.

The impacts of loan contract on social integration in the society are as follows:

1. Promotion of Mutual Assistance

It is very important to be aware of the fact that the essence of interest-free loan is to promote mutual assistance in the society, whereby the advantaged would imbibe the spirit of extending necessary support to the disadvantaged to create an egalitarian society where no individual would be socially marginalized.

2. Creation of Cordial Relationship among the Elites and the Vulnerable

The act of extending loans to the vulnerable would create a cordial relation between the members of the society as it would equally bear moral effects from the beneficiaries to the benefactors.

3. Prevention of Proliferation of Begging

Interest-free loan would prevent proliferation of begging in the society since there is a viable alternative to overcoming financial challenges rather than giving recourse to begging from the people to meet social needs.

4. Prevention of Social Discrimination

One of the impacts of interest-free loan is preventing the poor class from social discrimination and excluding them from social activities that affect every member of the society.

5. Enhancement of Dignity of Labour

Interest-free loan encourages dignity of labour as it will go a long way to help the SMEs to establish their businesses with little capital. Therefore, people with skills and expertise would find an enabling atmosphere to showcase their talents and develop the society.

Conclusion

In the light of the foregoing, the paper concludes that fostering development in any given society requires diverse mechanisms that will practically facilitate financial inclusion and social integration alike. However, the tools in vogue to manage financial exclusion and social disintegration are not easily accessible, particularly for the SMEs and start-ups. Therefore, the need to suggest a viable way that will integrate the poor class in the society, hence *al-Qard al-Hasan* (interest-free loan) is a relevant instrument to contribute immensely to the course.

Recommendations

Having discussed the essence of loan contract as a means of financial inclusion and social integration from an Islamic viewpoint, the following recommendations are considered relevant;

1. Orientating individuals in the society on the importance of interest-free loan in promoting financial inclusion and society integration.
2. Corporate bodies should endeavor to key into *al-Qard al-Hasan* (interest-free loan) to contribute to economic and social development.
3. Formidable and risk management mechanisms should be put in place to ensure smooth operation of *al-Qard al-Hasan* (interest-free loan) amongst the seekers.
4. SMEs and start-ups with little capital should be particularly considered in this microfinance scheme to avert unemployment.
5. Recipients of *al-Qard al-Hasan* (interest-free loan) should stringently abide by terms and conditions of the contract to avoid incredibility of loan as a viable microfinance instrument.

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