

AN ANALYSIS OF THE PROHIBITION OF *RIBĀ* IN THE QUR'AN

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Abstrak

Artikel ini menjelaskan pengharaman ribā di dalam al-Qur'ān al-Karīm dan beberapa isu yang relevan dengan riba seperti isu kadar ribā yang berlipat kali ganda, ribā al-nasī'ah dan ribā al-faḍl, ribā pada pinjaman penggunaan bukan pada pinjaman pelaburan dan sebagainya.

INTRODUCTION

This article explains about the prohibition of *ribā* in the Qur'an and a number of issues related to the question of *riba* in Islam such as the question of double and redouble of the rate of *ribā*, *ribā al-nasī'ah* and *ribā al-faḍl*, and production and consumption loans

THE MEANING OF *RIBĀ*

Ribā literally means increase, addition, expansion or growth.¹ Technically or legally *ribā* has been defined as an increase (*faḍl*) of capital whether in loans or in an exchange of a commodity, accrues to the owner (lender) without giving in return any equivalent countervalue or recompense (*'iwāḍ*) to the other party.² *Twaḍ* is the basic

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¹ Ibn Manzūr (1968), *Lisān al-'Arab*, Beirut: Dār al-Šādir, Vol. 14, pp. 304-307; al-Zubaydi (1306), *Tāj al-'Arus*, Cairo: al-Matba'ah al-Khayriyyah, Vol. 10, pp. 142-143; Raghīb al-Isfahānī (1961), *al-Mufradāt fī Gharīb al-Qur'ān*, Cairo: Mustafā al-Bābī al-Ḥalabī, pp. 186-187.

² Al-Sarakḥṣī (n.d), *al-Mabsūṭ*, Cairo: Matba'ah al-Sa'ādah, Vol. 12, p. 109; Ibn al-'Arabī (1376/1957), *Ahkām al-Qur'ān*, Cairo: 'Īsā al-Bābī al-Ḥalabī, Vol. 1, p. 242.

trait or the condition of a *ḥalāl* or lawful sale because sale or exchange is necessary an exchange of value against an equivalent value, an equitable return and compensation for the goods or services exchanged. "Every increase" says Ibn al-'Arabī, which is without an *iwaḍ* or equal countervalue is *ribā*".³ Joseph Schacht erroneously holds that in the early period of Islam, by *ribā* in the Qur'an was meant, in general, interest on loans (mainly money and food-stuffs). Other interpretations of *ribā*, according to him, in the Hadiths and Fiqh literature, belong to later developments.⁴ However, as the following discussion will make it clear, "*ribā* in exchange" is implied in "*ribā* in loans". Both are facets of the same reality, inherent and co-existent with each other. *Ribā* occurs either in the thing, commodity or money, as the loan of a sum of money or commodity to be returned with an increase, or in a sale or exchange when exchange of one commodity against another bringing with it an increase in the commodity.⁵

THE PROHIBITION OF *RIBĀ*

The prohibition of *ribā* appears in the Qur'an in four different revelations. The first of these was revealed in Makkah. Allah SWT says:

"That which you give as interest to increase the peoples' wealth increase not with Allah; but that which you give in charity, seeking the goodwill of Allah, multiplies manifold".⁶

In the above verse, Allah SWT emphasized that while interest (*ribā*) deprived wealth of Allah's blessings, charity raised it manifold. The second revelation of *ribā* was in the early Madinah period, severely condemned it, in line with its prohibition in the previous scriptures. As will be mentioned below, Allah SWT placed those who took *ribā* in juxtaposition with those who wrongfully appropriated other people's property and threatened both with severe punishment from Allah SWT. Allah SWT says:

³ Ibn al-'Arabī, *op.cit.*, Vol. 1, p. 242.

⁴ Joseph Schacht (1936), "*Ribā*", in *The Encyclopaedia of Islam* (Old Edition), Leiden: E.J. Brill, Vol. 3, pp. 1148-1150.

⁵ Ibn Hajar al-'Asqalānī (1348), *Fath al-Bārī*, Cairo: al-Matba'ah al-Bahiyyah al-Miṣriyyah, Vol. 4, p. 250; al-Shawkānī (1371/1952), *Nayl al-Awṭār*, Cairo: Matba'ah Mustafā al-Bābī al-Ḥalabī, Vol. 5, p. 200; Ziaul Haque (1982), "The Nature of Ribā al-Nasī'a and Ribā al-Faḍl", *Islamic Studies*, Vol. 21 (4), pp. 19-20.

⁶ *Sūrah al-Rūm* (30): 39.

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“And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other peoples' property, We have prepared for those among them who reject faith a grievous punishment”.⁷

The third revelation of *ribā* around the second or third year after *Hijrah*, enjoined Muslims to keep away from *ribā* if they desired their own welfare in the comprehensive Islamic sense. In this regard, Allah SWT says:

“O believers, take not doubled and redoubled interest, and fear Allah so that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey Allah and the Prophet so that you may receive mercy”.⁸

The fourth revelation was the near completion of the Prophet's mission, severely censured those who take *ribā*, established a clear distinction between trade and *ribā* and required Muslims to annul all outstanding *ribā*, instructing them to take only the principal amount, and forego even this is case of the borrowers' hardship.⁹ Allah SWT says:

“Those who benefit from interest shall be raised like those who have been driven to madness by the touch of the Devil; this is because they say: “Trade is like interest” while Allah has permitted trade and forbidden interest. Hence those who have received the admonition from their Lord and desist, may have what has already passed, their case being entrusted to Allah; but those who revert shall be the inhabitants of the fire and abide therein for ever”.¹⁰

There are many hadiths of Prophet Muhammad SAW relating to this case condemned in the most unambiguous words not only those who take *ribā*, but also those who give *ribā* and those who record the transaction or act as witnesses to it. For example the Prophet Muhammad SAW says:

From Jābir (r.a.): The Prophet SAW cursed the receiver and the payer of *ribā* (interest), the one who records it and the two witnesses to the transaction and said: “They are all alike (in guilt)”.¹¹

⁷ *Surah al-Nisā'* (4): 161.

⁸ *Surah Ali 'Imrān* (3): 130-132.

⁹ Muḥammad Umer Chapra (1986), *Towards A Just Monetary System*, Leicester, U.K.: The Islamic Foundation, p. 56.

¹⁰ *Surah al-Baqarah* (2): 275, see also verses 276-281.

¹¹ Muslim, *Saḥiḥ Muslim*, “Kitāb al-Musaqāt, Bāb La'na akili al-Ribā wa Mu'kilihi”, Beirut: Dār Ibn Hazm, Vol. 3, p. 988 (no. 106).

The Prophet Muḥammad SAW also equated the taking of *ribā* to committing adultery thirty-six times or being guilty of incest with one's own mother. In this connection, The Prophet Muḥammad SAW says:

From 'Abd Allāh b. Hanzalah (r.a.): The Prophet SAW said: "A *Dirhām* of *ribā* which a man receives knowingly is worse than committing adultery thirty-six times ...",¹² and:

From Abū Hurayrah (r.a.): The Prophet SAW said: "There will certainly come a time for mankind when everyone will take *ribā* and if he does not do so, its dust will reach him".¹³

In the previous section, the meaning of *ribā* has been discussed by Muslim scholars in their writings. Based on their discussions, *ribā* can be divided into two kinds, i.e. *ribā al-nasī'ah* (also known as *ribā al-duyūn* or *ribā al-jāhiliyyah*) and *ribā al-faḍl*. In this regard, Fakhr al-Dīn al-Rāzī says that *ribā* is of two kinds: *ribā al-nasī'ah* and *ribā al-faḍl*. *Ribā al-Nasī'ah* is what was well known and conventional among the Arabs in Jahiliyyah. They used to give loans on the condition that every month they will receive a stipulated amount with the whole principal remaining outstanding. Then, when the loan matured and the borrower was unable to clear his obligation, the amount was raised and the period was extended. This is the *ribā* that was practiced in the Jahiliyyah. *Ribā al-Naqd (al-Faḍl)* is, however, the selling of one maund (a unit of weight) of wheat, or anything similar to it, against two maunds.¹⁴

In this sense, Ibn Qayyim al-Jawziyyah uses the terms *jali* for *ribā al-nasī'ah* and *khāfi* for *ribā al-faḍl*. According to him, the *jali* has been prohibited because of the great harm it carries and the *khāfi* has been prohibited because it is an instrument for the *jali*. Hence prohibition of the former is deliberate while that of the latter is precautionary.¹⁵

¹² Al-Bayhaqī, *Sunan al-Kubrā*, "Kitāb al-Buyū", Beirut: Dār al-Ma'rifah, Vol. 5.

¹³ Abū Dawud, *Sunan Abū Dawud*, "Kitāb al-Buyū", Bāb fī Ijtināb al-Shubuhāt", Dār al-Hadīth, Vol. 3, p. 241 (no. 3331); See also Ibn Mājah, *Sunan Ibn Mājah*, "Kitāb al-Tijārāt", Muḥammad Fu'ad 'Abd al-Bāqī (ed.), Cairo: Dār al-Kutub al-'Arabiyyah, Vol. 2, p. 765 (no. 2278).

¹⁴ Fakhr al-Dīn al-Rāzī, *al-Tafsīr al-Kabīr*, Tehran: Dār al-Kutub al-'Ilmiyyah, n.d., Vol. 7, p. 85.

¹⁵ Ibn Qayyim al-Jawziyyah, *A'lām al-Muwaqqi'īn*, Cairo: Maktabah al-Kulliyat al-Azhariyyah, 1968, Vol. 2, pp. 154-155.

Ribā al-Nasi'ah

The term *nasi'ah* means to postpone, defer or wait, and refers to the time that is allowed for the borrower to repay the loan in return for the addition or the premium. Technically, *ribā al-nasi'ah* refers to the "premium" that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity.¹⁶

It is generally held that the word *al-ribā* (prefixed with *al*) in the Qur'an connotes that kind of *ribā* dealings which had been in vogue during the pre-Islamic times. This is also indicated in the famous sayings of the prophet SAW on the day of the conquest of Makkah: "Beware! *Ribā* of *Jahiliyyah* is abolished".¹⁷

Although the Qur'an does not give any specific identification of *ribā al-jahiliyyah*, its characteristic features, as it would appear, have manifested themselves in the pretty large number of *ribā* verses which revealed on different occasions. For example, the *ribā* verses of *surah Ali 'Imrān* explain about the practice of *ribā* in pre-Islamic times which was doubling and redoubling. In this sense, al-Ṭabarī records:

"A debtor being unable to repay the debt at the time of its maturity applied to his creditor for the extension of a further term with a promise of increase in the amount. And in similar terms which followed subsequently, the amount of debt used to increase manifold. This increase was in terms of cash of borrowed money, and in terms of age in case of borrowed cattle".¹⁸

In this connection, one might assume that the Qur'an prohibits only such kind of pre-Islamic *ribā* which used to swell twice as much. Other *ribā* transactions such as those in the six-commodities that supposedly did not make the principal several-

¹⁶ 'Abd al-Rahman al-Jaziri, *Al-Fiqh 'Ala al-Madhāhib al-Arba'ah*, Cairo: Al-Maktabah al-Tijāriyyah al-Kubrā, n.d., Vol. 2, p. 245; Muḥammad b. 'Abd Allah b. al-'Arabī, *Ahkām al-Qur'ān*, Cairo: 'Isā al-Bābī al-Ḥalabī, 1957, p. 242; Abū Bakr al-Jaṣṣaṣ, *Ahkām al-Qur'ān*, Cairo: Al-Matba'ah al-Bahiyah al-Miṣriyyah, 1347, Vol. 1, pp. 551-552; 'Abd Allah b. Aḥmad, Ibn Qudāmah, *Al-Mughnī*, Qatar: Qatar al-Waṭaniyyah, 1973, Vol. 2, pp. 64-77; Shah Wali Allah al-Dihlawi, *Hujjāt Allah al-Bālighah*, (tr.) Mawlana 'Abdur Rahīm, Lahore: Qawmi Kutub Khanna, 1953, Vol. 2, pp. 474-475.

¹⁷ Al-Ṭabarī (1374), *Tafsīr al-Ṭabarī*, (ed.) Shakir, Cairo: Dār al-Ma'ārif, Vol. 7, p. 27; Ibrāhīm Zakī al-Dīn al-Badawī (1964), *Nazariyyah al-Ribā al-Muḥarram fī al-Sharī'ah al-Islāmiyyah*, Cairo: Al-Majlis al-A'la li Ri'ayat al-Furū' wa al-Adab wa al-'Ulum al-Ijtima'iyyah, pp. 31, 46.

¹⁸ Al-Ṭabarī, *Tafsīr al-Ṭabarī*, Vol. 7, pp. 204-205 under the verses of *surah Ali 'Imrān*.

fold were not regarded as *ribā al-jāhiliyyah*, and, therefore, had not the same category of illegality. However, the prohibition imposed upon them by the evidence of the hadiths which are obviously less emphatic than the Qur'ān.¹⁹

Analysing the sources of the practice of *ribā* in the pre-Islamic days which used to swell doubly and redoubly and other *ribā* transactions including bank interest in the current conventional banking operations, it can possibly be held that the distinction between them was found in the word of al-Imām Mālik b. Anas as follows:

“In pre-Islamic days, *ribā* became due when a man owed another a debt; at the time of its maturity the creditor would ask the debtor: “Will you repay, or will you increase? If the debtor paid up, the amount was received. On the other hand, the debtor increased the amount and the creditor extended a further term”.²⁰

The above statement implies that the credit was offered free of *ribā* for the first term. *Ribā* was charged only when the debtor failed to discharge the debt at the end of the first term. Therefore, *ribā al-jāhiliyyah* is certainly different from the usual interest-bearing transactions which stipulate the increase from the very beginning.²¹

The phrase “*ad'afan mudā'afah*” in the *surah Ali 'Imrān* has been interpreted by some contemporary scholars to the effect that the *ribā* of pre-Islamic times was an atrocious kind of dealing which caused multiple indebtedness of the poor, hence declared unlawful by the Qur'ān. The present bank interest does not have the same degree of atrocity.²² However, this notion of the *ribā* verses in *Ali 'Imrān* miss support of *al-Baqarah* verses on *ribā*, the last to reveal in the case of *ribā*. The term *ribā* in *surah al-Baqarah* has found its place in opposition to both *bay'* and *sadaqah*. This clearly shows that *ribā* in pre-Islamic times did not belong to the genre of *bay'* and *sadaqah*. *Sadaqah* being a term opposite to *ribā* which involves no profit motive, acts of benevolence and alms giving. *Bay'* and *ribā* amount to trading in capital and both involve profit motive and increase in capital investment. But *ribā* is opposed to *bay'* in the sense that the former amounts to making increase in price or debt for the time involved in paying or repaying the price or debt. *Bay'* also involves increase, but

¹⁹ Badawī, *op.cit.*, pp. 31-32, 46-47; Ziauddin Ahmad, “The Qur'anic Theory of Ribā”, *Islamic Quarterly*, Vol. 20-22 (nos. 1-2), Jan.- June 1978, pp. 4-5.

²⁰ Mālik b. Anas, *Al-Muwatta'*, “Kitāb al-Buyū', Bāb al-Ribā”, p.

²¹ Ziauddin Ahmad, *op.cit.*, p. 5; Badawī, *op. cit.*, p. 32.

²² For example, Fazlur Rahman, “Ribā and Interest”, *Islamic Studies*, March, 1964, p. 7.

it is due to transaction itself, not due to the time factor.²³ In another word, In trade an entrepreneur has the prospect of making a profit, he also faces the risk of incurring a loss. Whereas, interest is predetermined to be positive irrespective of the ultimate outcome of the business which may be positive or negative depending to a great extent on factors beyond control of the entrepreneur.²⁴

Al-Imām al-Razī while commenting on the verse of 275 of *Surah al-Baqarah* says that while the earning of profit is uncertain, the payment of interest is predetermined and certain. This profit may or may not be realized. Hence, there can be no doubt that the payment of something definite in return for something uncertain inflicts a harm.²⁵ Hence, *ribā* is essentially in conflict with the clear and unequivocal Islamic emphasis on socio-economic justice. The owners of the capital who do not wish to take the risk are entitled to only the principal and no more. Those who insist on charging *ribā* in spite of its prohibition are declared by the Qur'an to be at war with Allah SWT and His Prophet Muhammad SAW.

There were arguments by some Muslim scholars that interest was prohibited because during the Prophet's days there were only consumption loans and interest charged on such loans caused hardship especially to the poor people. As such, it was claimed that the production loans prevalent in the conventional financial system cannot be treated as involving *ribā*. Two arguments supporting this claim were presented: (i) there is no evidence in history that during the time of the introduction of this injunction loans for production purposes were in existence, and (ii) present production loans are in fact a collaboration between the lender and the borrower to increase the wealth of both parties. Furthermore, unlike consumption loans, the lender in the case of a production loan is economically weak and the borrower is economically the stronger party. As such, there is no possibility of exploitation. They claimed that debt financing for business capital in the outgrowth of industrialization and as such it was non-existent at that time. Accordingly, production loans should be excluded from the application of this injunction.²⁶

²³ Ziauddin Ahmad, *op.cit.*, pp. 5-6.

²⁴ M. Umer Chapra, *Towards*, p. 63.

²⁵ Al-Imām al-Razī, *op.cit.*, Vol. 7, p. 87.

²⁶ For example Jaffer Shah and Yaqoob Shah argued this argument in the early sixties as quoted by Waqar Masood Khan (1985), *Towards An Interest-Free Islamic Economic System*, Leicester: The Islamic Foundation, pp. 26-27.

In reply to the arguments raised by this group, majority of Muslim scholars say that in the first place it is invalid and factually wrong. Accordingly, the eminent Muslim scholar, the late Shaykh Abu Zahrah, rightly pointed out that there is absolutely no evidence to support the contention that the *ribā al-jāhiliyyah* was on consumption and not on development loans. In fact, the loans for which research scholars find support in history are production loans. The circumstances of the Arabs, the position of Makkah and the trade of Quraysh, all lend support to the assertion that the loans were for production and not consumption purposes.²⁷

Hence, the Qur'anic verses about remitting the principal in the event of the borrower's hardship does not refer to consumption loans. It refers essentially to interest-based business loans where the borrower had encountered losses and was unable to repay even the principal, let alone the interest.²⁸ On the occasion of His Farewell Pilgrimage, the prophet Muhammad SAW while declaring the abolition of interest, announced the remission of interest accumulated in favour of His uncle, 'Abbās bin 'Abd al-Muṭṭalib. This was interest on business loans extended to Banu Thaḳif tribe. This tribe had not taken the loans from 'Abbas and others for fulfilling consumption needs but for expanding their business.²⁹ This was not an isolated case but a prevalent form of business financing in pre and early Islamic says.

In this regard, The Pakistan Council of Islamic Ideology has clearly expressed the view that the term *ribā* encompassed interest in all its manifestations irrespective of whether it relates to loans for consumption purposes or for productive purposes, whether the loans are of personal nature or of commercial type, whether the borrower is a government, a private individual or a concern, and whether the rate of interest is low or high.³⁰

Based on the above discussion, it can be said that, *ribā al-nasī'ah* has the same meaning as interest in accordance with the consensus of all *fuqahā'* (jurists) without

²⁷ Muḥammad Abū Zahrah (1970), *Buḥūth fī al-Ribā*, Kuwait: Dār al-Buḥūth al-Islāmiyyah, pp. 53-54.

²⁸ M. Umer Chapra, *Towards*, p. 62.

²⁹ Muḥammad Abū Zahrah, *op.cit.*, p. 54; It may also be of interest to point that Abraham Udovitch has also stated that; "Any assertion that medieval credit was for consumption only, and not for production is just untenable with reference to the medieval Near East". Abraham Udovitch (1970), *Partnership and Profit in Medieval Islam*, Princeton, NJ: Princeton University Press, p. 86.

³⁰ See *Report of the Council of Islamic Ideology on the Elimination of Interest From The Economy*, Islamabad: Government of Pakistan, p. 1.

any exception. The nature of the prohibition is strict, absolute and unambiguous.³¹ There is no room for arguing that *ribā* refers to usury and not interest, because the prophet SAW prohibited the taking of even a small gift, service or favour as a condition for the loan, in addition to the principal. The Prophet Muḥammad SAW said: "When one of you grants a loan and the borrower offers him a dish, he should not accept it; and if the borrower offers a ride on an animal, he should not ride, unless the two of them have been previously accustomed to exchanging such favours mutually".³² Another hadith is narrated by Fadalāh b. 'Ubayd said that: "The benefit derived from any loan is one of the different aspects of *ribā*".³³

The prohibition of *ribā al-nasī'ah* essentially implies that the fixing in advance of a positive return on a loan as reward for waiting is not permitted by the *Shari'ah*. It makes no difference whether the return is a fixed or a variable per cent of the principal, or an absolute amount to be paid in advance or on maturity, or a gift or service to be received as a condition for the loan. The point in question is the predetermined positiveness of the return. More importantly, in *Shari'ah*, the waiting involved in the repayment of a loan does not itself justify a positive reward.³⁴ On the other hand, if the return on principal can be either positive or negative depending on the outcome of the business, which is not known in advance, it is allowed on condition that it is shared in accordance with the principle of justice (*al-'adl*) laid down in Islamic economics through the contracts of profit sharing such as *al-mudārabah*, *al-mushārah*, or contracts of exchanges such as *bay' al-istisnā'*, *bay' al-dayn*, *bay' al-salam* or contract of *al-ijārah*, etc.

Ribā al-Faḍl

The discussion of *ribā al-faḍl* has arisen from the *aḥādith* requiring that if gold, silver, wheat, barley, dates and salt are exchanged against themselves they should be exchanged spot and be equal, and alike. The hadith on *ribā*, among others, is the following:

³¹ Al-Jaziri, *op.cit.*, Vol. 2, p. 245.

³² Al-Bayhaqi, *Sunan al-Bayhaqi*, "Kitāb al-Buyū'", Bāb Kulli Qardin Jarra Manfa'atān fahua Ribā", Vol. 5, p. 350.

³³ *Ibid.* This Hadith is *mawqūf* implying that it is not necessarily from the Prophet; It could be an explanation provided by Fadalāh himself, a companion of the prophet SAW.

³⁴ Muḥammad Umer Chapra, *Towards A Just Monetary System*, pp. 57-58.

“From Abu Sa’īd al-Khudrī (r.a.): The prophet SAW said: “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt - like for like, and from hand to hand (*yadan bi-yadin*). Whoever pays more or takes more has indulged in *ribā*. The taker and giver are alike (in guilt)”.³⁵

There are questions arose from this hadith as to whether the injunction applies only to the six commodities mentioned above or whether there are some general principles which emerges covering the whole class of commodities, and the reasoning (*‘illah*) used for the prohibition of the transaction of *ribawi* commodities unless the conditions stipulated by *Shari’ah* are fulfilled.

In this sense, of the six commodities specified in the *aḥādith* about *ribā al-faḍl*, two represent money commodity, whereas the other four represent staple food items. On the basis of the characteristic of gold and silver as money commodity, it is generally concluded that all commodities used as money are grouped under the category of *ribā al-faḍl*. With respect to the other four items, there are differences of opinion among *fuqaha*. One opinion argued by Hanafi, Hanbali, Imami and Zaydi said that since all of the four commodities are sold by weight or measure, therefore all items which are so saleable would be subject to *ribā al-faḍl*. Whereas Shāfi‘ī and Hanbali opine that since all four items are edible, *ribā al-faḍl* would be involved in all commodities which have the characteristic of edibility. Furthermore, Malikis say that these four items are storable and necessary for subsistence, thus, all items that sustain life are subject to *ribā al-faḍl*. The last opinion is held by the Zahiri school who says that *ribā al-faḍl* only confine to the six commodities mentioned by the hadith.³⁶

Another question arises from the above hadith is why is exactly the same reciprocal transactions required, for example, if gold is exchanged for gold, it must be exchanged in spot, like for like and *yadan bi-yadin*. The answer is what is essentially being required is justice and fair play in spot transactions; the price and the countervalue should be just in all transactions where cash payment (irrespective of what constitutes money) is made by one party and the commodity or service is

³⁵ Muslim, *Ṣaḥīḥ Muslim*, Vol. 3, p. 981 (Hadith no. 82).

³⁶ Al-Jaziri, *op.cit.*, Vol. 2, pp. 249-252; See also Rafiq al-Misri (1981), *Masraf al-Tanmiyyah al-Islami*, Beirut: Mu’assasah al-Risalah, pp. 170-173; Sami H. Hamud (1976), *Taṭwīr al-a’ḥādīth al-Masrafiyyah bimā Yattafiqu wa al-Shari’ah al-Islamiyyah*, Amman: Maktabah al-Aqsā, pp. 194-195; Chapra, *op.cit.*, pp. 58-59.

delivered reciprocally by the other.³⁷ Anything that is received as “extra” by one of the two parties to the transactions is *ribā al-faḍl*, which could be defined in the world of Ibn al-‘Arabi as “all excess over what is justified by the countervalue”.³⁸ Justice can be rendered only if the two scales of the balance carry the same value of goods. This point was explained in a most befitting manner by the Prophet Muhammad SAW when He referred to the six important commodities and emphasised that if one scale has one of these commodities, the other scale also must have the same commodity,³⁹ “like for like and equal for equal”. To ensure justice, the Prophet SAW even discouraged barter transactions and asked that a commodity for sale be exchanged against cash and the cash proceeds be used to buy the needed commodity.⁴⁰ Hence, the use of money in a transaction, could establish the equivalent and justice to the other party, and therefore reduce the possibility of an unfair exchange.

The prohibition of *ribā al-faḍl* is thus intended to ensure justice and remove all forms of exploitation in economic transactions through unfair exchanges and to close all black-doors to *ribā*. The reason is in Islam, anything that serves as a mean to the unlawful is also unlawful.⁴¹ The Prophet Muhammad SAW also warned those who

³⁷ See, for example, ‘Abd al-Karīm al-Khāṭib (1975), *Al-Siyāsah al-Māliyah fī al-Islām*, Beirut: Dār al-Ma‘rifah, pp. 141-146.

³⁸ Ibn al-‘Arabi, *Aḥkām al-Qur‘ān*, p. 242.

³⁹ Chupra, *op.cit.*, p. 59.

⁴⁰ A hadith narrated by Abu Sa‘īd al-Khudrī (r.a.) and Abu Hurayrah (r.a.): A man employed by the Prophet SAW in Khaybar brought for Him *janids* (dates of very fine quality). Upon the Prophet’s asking him whether all the dates of Khaybar were such, the man replied that this was not the case and added that “they exchanged a *sa’* (a measure) of this kind for two or three (of the other kind)”. The Prophet SAW replied, “Do not do so. Sell (the lower quality dates) for dirhams and then use the dirhams to buy *janids*. (When dates are exchanged against dates) they should be equal in weight”. (Muslim, *op.cit.*, “Kitāb al-Musaqāt”, Vol. 3, p. 985 (no. 94); Another hadith narrated by Abu Sa‘īd al-Khudrī (r.a.): Bilal brought to the Prophet SAW some *barṇi* (good quality) dates whereupon the Prophet SAW asked him where these were from. Bilal replied, “I had some inferior dates which I exchanged for these - two *sa’* for a *sa’*. The Prophet SAW said, “Oh no, this is exactly *ribā*. Do not do so, but when you wish to buy, sell the inferior dates against something (cash) and then buy the better dates with the price you receive.” (Muslim, *op.cit.*, “Kitāb al-Musaqāt, Bāb al-Ta‘am Mithlan bi-Mithlin”, Vol. 3, p. 985 (no. 96).

⁴¹ See the commentary on verse 2: 275 by Ibn Kathīr (n.d) in *Tafsīr al-Qur‘ān al-Karīm*, Cairo: ‘Īsā al-Bābī al-Halabī, Vol. 1, p. 326.

earned money through such exploitation and deception and equated it with *riba al-faḍl*. Since people may be exploited and cheated in several ways, the Muslims have been warned that they could indulged in *ribā* in a number of ways. The Prophet SAW said: "This is also the reason why the Prophet SAW said: "Leave what creates doubt in your mind in favour of what does not create doubt".⁴² Khalifah 'Umar b. al-Khattab was inspired to say: "Abstain not only from *ribā*, but also from *ribah*"⁴³ (doubt or suspicion)".⁴⁴

Ribā al-Nasi'ah and *ribā al-Faḍl*, therefore, are both essential counterparts of the *surah al-Baqarah* (2): 275: "Allah has allowed trade and prohibited *ribā*". As discussed above, *ribā al-nasi'ah* refers to loans and is prohibited in the second part of the verse, meanwhile, *ribā al-faḍl* relates to trade and is implied in the first part.⁴⁵ Although trade is principally allowed, it does not mean that everything is allowed in trade. Since the injustice inflicted through *ribā* may also be perpetuated through business transactions, *ribā al-faḍl* refers to all such injustices or exploitations such as rigging, uncertainty, speculation, monopoly or monopsony, cheating in prices or quality, and in measurements or weight. All business practices which lead to the exploitation of the buyer or seller must be effectively prohibited.⁴⁶

THE OLD TESTAMENT ON USURY

The prohibition of *ribā* (interest or usury) not only found in the Qur'anic verses and the Prophetic Hadiths, but also in the previous civilization. In this sense, The Old

⁴² *Ibid.*

⁴³ It refers to income which has the semblance of *ribā* or which raises doubts or suspicions in the mind about its rightfulness. It covers all income derived from injustice to, or exploitation of others.

⁴⁴ Ibn Mājah, *Sunan Ibn Mājah*, "Kitab al-Tijārat", Vol. 2, p. 764 (no. 2276).

⁴⁵ See the commentary on verse 2: 275 by Fakhr al-Dīn al-Rāzī in his *Tafsīr al-Kabīr*, Vol. 7, p. 86.

⁴⁶ There are several types of sales have been prohibited in the *Shari'ah* with the objective of safeguarding the right of both buyers and sellers. For example: *al-najsh* (rigging and collusion), *ghabn al-mustarsal* (cheating of an unsophisticated entrant into the market), *bay' al-ḥadir li al-badi* and *talaqqi al-rukban* (both implying monopsonistic or monopolistic collusion or exploitation to lower prices beyond what is justified by market conditions), *gharar*, *muhāqalah*, *munābadhah*, *mulāmasah* and *muzābanah* (sales involving uncertainty and speculation or gambling). For further elaboration, see for example, al-Jaziri, *op.cit.*, Vol. 2, pp. 273-278, 283-291.

An Analysis of the Prohibition of Ribā in the Qur'an

Testament is appeared to be the first sacred text which expresses stern disapproval of usury. Generally, the prohibition is confined to loans extended to "brothers", i.e. the Jews, but there are texts which unequivocally forbid the taking of interest (usury) from all loans. For examples:

Nehemiah 5: 11 calls upon the faithful lenders to restore lands, vineyards and houses to the borrowers "and also the hundredth part of the money, and of the corn, the wine and the oil, that ye exact of them." This follows exposition of the situation on the verses 5: 1-5 which concern the cry of people, complaining against their brother Jews, that they had to mortgage their lands, vineyards and houses to buy corn or to pay Kings tribute, and their sons and daughters had been brought to bondage. Exodus 22: 25 prohibits usury, "if you lend money to any of my people that is poor by yee". Deuteronomy 23: 19 prohibits lending 'upon usury to thy brother', and the next verse (23: 20) permits charging of interest from the Genitile. "Unto a stranger thou mayest lend upon usury". Leviticus 25: 36 prohibits that charging of usury or increase out of the fear of God so that "thy brother may live with thee".

As against these verses which appear to confine prohibition of usury from the Jews only, there are several more, where the text supports or explicitly affirms a more general prohibiton. Psalms 15: 5 read along with 15: 1 supports a general prohibition indicating that anyone who abstains from putting out his money to usury, will live in His tabernacle and dwell in His holy hill. Jeremiah 15: 10 emphasizes the relationship between usury and contention and strife among men. Ezekiel 18: 8 is explicit in general application of prohibition of usury. According to this verse, any one who avoids practisings inequity and abstains from both usury and "any increase", has "executed the judgement between man and man".

Ezekiel 18: 13 equates charging of usury with shedding of blood and the consequential loss of life. At the opposite end verse 18: 17 promises life to be one who abstains from usury and increase, for he has executed his judgements and walked in his statutes. Again Ezekiel 22: 12 regards both usury and increase as acts of "extortion" which can only be indulged in by those who have forgotten the Lord.

The words "usury" and "increase" which occur repeatedly in the texts mentioned above may be examined, in relation to whether or not they permit any refuge to be sought in the modern distinction between usury and interest. The Hebrew word for usury is *neshek* meaning literally "a bite", on account of the pain that this causes to the debtor. The distinction between interest and usury which primarily relates itself to the rate of the charge does not fit in with the use of the word, as a low rate of

interest will be smaller "bite" and the high rate of interest a larger "bite". What the Old Testament prohibits is the "bite" without making any distinction in relation to the measure of that bite. Biblical Law has, for this reason, been regarded to prohibit any "increase" of debt on account of laps of time, no matter how low the rate of interest. Similarly, if we regard usury permissible between Jew and Genitile, we are not inhibited by any particular limit in the rate of interest. In discussing the Jewish Law on usury, the article concerned mentions that the words interest and usury may be used indiscriminately.⁴⁷

The Hebrew word for increase is *terbith* which literally means the same thing, viz. increase. It is noteworthy that in the laws of Exodus and Deuteronomy only the word usury is used and the word increase is not used, whereas in the later texts, it is always used along with and immediately after usury. It is difficult to distinguish between the meaning of these two words except that usury primarily connotes deprivation and pain inflicted on the debtor, and the word increase refers to the gain which accrues to the creditor.⁴⁸

The explanation of the absence of the word "increase" in the earlier books and its occurrence in the later books is provided by the possibility of development both in the meaning of words and evolution in the system of lending.⁴⁹ In the former category *neshek* at first appears to refer to any kind of loan but was later restricted to loans of money, whereas, *tarbith* applying to loans in kind.⁵⁰

PROFIT SHARING

It has been agreed upon by *Fuqahā'* and Muslim economists that in an interest-free Islamic economic system, the operations of Islamic banking and financial institutions should be on the basis of profit and loss-sharing in accordance to the Islamic legal concept of *al-sharikah* and *al-mudārabah*, and *qard al-hasan*.⁵¹ *Qard al-Hasan* is a

⁴⁷ *The Jewish Encyclopedia*, New York: Funk and Wagnalis Co., 1905, Vol. XII, p. 388.

⁴⁸ Shaikh Mahmud Ahmad, "Judaism and Interest", *Islamic Studies*, (Islamabad, Vol. 20 (1), Summer 1981), p. 49.

⁴⁹ Roland de Vaux (1976), *Ancient Israel*, tr. By Daston Mchugh, London: Longman and Todd, p. 170.

⁵⁰ Shaikh Mahmud Ahmad, *op.cit.*, p. 49.

⁵¹ For a discussion see the CII report which contains a detailed blueprint for reorganisation of the operations of Islamic banking and finance entitled "Elimination of Interest from the Economy" in Ziauddin Ahmed, et al (eds.) (1983), *Money and*

loan extended without any additional charge over and above the principal amount.⁵² Under this system, the amount of return on the funds invested is neither fixed nor predetermined. The ratio of profit depends on the operational results of the economic undertaking. When capital is provided entirely by one party and the the enterprise or labour entirely by another party as in the case of *al-mudārabah*, the proportion of profit are to be agreed proportionately at the tome of the contract, while loss is to be borne by the supplier (provider) of the capital unless it is due to the negligence of the entrepreneur (worker). If there is more than one supplier of capital as in the case of *al-mushārah*, profit is to be distributed among them in agreed proportions or according to their contribution, while loss is to be shared by them strictly in proportion to their capital contributions.⁵³

Besides *al-mudārabah* and *al-mushārah*, there are a number of other alternative financing arrangements within the general framework of Islamic values have been suggested in the literature of Islamic banking. The major alternatives recommended are: *al-ijārah* (leasing), hire-purchase, *al-bay' bithaman ajil* (a sale against deferred payment), *al-murābahah* (a resale of goods or merchandise at a specified rate of profit on the stated original cost) and *bay' al-salam*.

Banking in Islam, Islamabad, pp. 103-257; Chapra, *Towards*, pp. 166-173; Ingo Karsten, "Islam and Financial Intermediation", in *IMF Staff Papers*, Vol. XXIX (1), March, 1982, pp. 108-142.

⁵² *Al-Mawsū'ah al-'Ilmiyyah wa al-'Amaliyyah Li al-Bunuk al-Islāmiyyah*, Vol. V, Cairo, n.d., pp. 206-211; Cf. Nabil A. Salleh (1986), *Unlawful Gain and Legitimate Profit in Islamic Law*, Cambridge University Press, pp. 99-100.

⁵³ See M. Mohsin, "A Profile of Riba-Free Banking" in Mohamed Ariff (ed.) (1982), *Monetary and Fiscal Economics of Islam*, Jeddah, pp. 188ff; Mohamed Ariff, "Introduction" in *Ibid.*, pp. 6-9; Muhammad Abdul Mannan, "Allocative Efficiency, Decision and Welfare Criterion in an Interest-Free Economy" in *Ibid.*, pp. 52-63; Abul-Hasan Muḥammad Sadeq, "Economic Growth in an Islamic Economic" in AbulHasan Muḥammad Sadeq et al (eds.) (1991), *Development and Finance in Islam*, Petaling Jaya, pp. 60-61; M.U. Chapra, "Towards an Islamic Financial System" in Sadeq, et al (eds.), *Ibid.*, pp. 130-137; *Idem*, "Money and Banking in an Islamic Economy" in Mohamed Ariff (ed.) (1988), *Islamic Banking in Southeast Asia*, Singapore, pp. 51-57; Munawar Iqbal and M. Fahim Khan (1981), *A Survey of Issues and a Programme for Research in Monetary and Fiscal Economics of Islam*, Jeddah and Islamabad, pp. 75-76; Zubair Hasan, "Distributional Equity in Islam" in Munawar Iqbal (ed.) (1986), *Distributive Justice and Need Fulfilment in an Islamic Economy*, Leicester and Islamabad, pp. 45-59.

CONCLUSION

From the above discussion, it could be concluded that *ribā* is prohibited from all forms of transactions whether *ribā al-nasi'ah* or *ribā al-faql*. The principal reason why Islam prohibits *ribā* is that Islam wishes to establish an economic and social systems where all forms of exploitation are eliminated. Any attempt to treat the prohibition of *ribā* as an isolated religious injunctions and not as an integral part of the Islam is bound to create confusion.