

CONCEPT OF RIBA (INTEREST) IN ISLAMIC LAW: ITS IMPACT ON SOCIETY

*Muhammad Zubair, Sadia Khattak

Law Department, Abdul Wali Khan University Mardan K.Pk Pakistan.

*Email: mzubair@awkum.edu.pk, (00923459003028, 03009301171)

ABSTRACT: *The concept of Riba occupies a significant position in economic system of Islam. Riba is an act of taking advantage of an individual who needs money to meet his/ her basic needs through renting money at a price known as interest. The Holy Qur'an and Hadith (Practices of the Prophet) manifestly forbid Riba in human relationship side by side associate it with human enslavement. This article is an attempt to elucidate position of Riba in the light of the Holy Qur'an and Hadith (Practices) of the Prophet (P.B.U.H). It also highlights kinds of Riba and identifies impact of Riba on society.*

KEY WORDS: Riba, Usury, Islam, Qur'an, Economics, Sharia, Religion.

INTRODUCTION:

The economic system under Islam has a main focus on the concept of Riba and therefore it may be stated that its denial lies at the heart of the concept of the moral economy which Islam profess. It (Riba) is clearly prohibited in the Holy Qur'an and Hadith, and equated in these as something that would be a bar to individual salvation [1]. Riba is basically the act of taking advantage of those people who need money to meet their basic needs/necessities through the act of renting them money at a price called "interest" [2].

Islam is not only the major religion of the World which maintains a prohibition/ban on riba/usury. Similar provisions are also found in other religions as well. In Ancient India, the old scriptures of Hindus, Veda have condemned riba (interest) as an evil and have made restrictions on their operations. In Judaism, the Torah has also negated riba (usury) amongst the Jews; while Christianity has similar views just like the other religions and prohibit riba (usury/interest) for more than 1400 years [3].

Grammatically the noun riba's meaning is 'yarbu rubuwwan riba'n', which's past simple verb, Raba's meaning, is to increase and grow. The meaning of the words "yurbe the charities" in Qur'an is to "grow the charities." This prohibited word riba was taken from here. Almighty Allah said, "The crime you commit in the form of riba in-order to increase the amount does not increase with Allah" [4]. The word usury's definition by various English language dictionaries are: "money loan practicing with the agreement to pay back with high interest rate" (Collins Dictionary) and 'additional amount charged with the principal amount usually described as interest' (Wilson 1987) [5]. Therefore when there is an additional amount/value over the principal (original) amount/value, then it is known as riba (Wilson 1985: 24). Thus technically the term riba means interest and usury, and generally it is unjust excess in money without any compensation given [5]. The definition of riba in the decision of the Federal Shariat Court of Pakistan is that the term riba is equal to both interest and usury; and it is not limited to double and redoubling interest; but it is applied to all kinds of usury, whether it is in fractions or high, simple or compound; and therefore Islam condemn riba in all forms and manifestation irrespective of their charging rate [3].

Over the centuries the consensus/Ijma of the jurists/Ulema has been that riba should be understood as any interest/usury charged on a loan, regardless of the willingness of the borrower to enter into an agreement by which he/she will

have to repay interest/usury as well as the principal amount. In 1983 the Islamic Ideology Council of Pakistan reported that there is consensus on the concept of riba among the Muslims and is equal to all kinds of usury and interest. Thus Riba is the Qur'anic word for interest, mark up or usury which means an addition, increase or excess to the amount lent [1].

Qur'anic Injunctions Concerning Riba:

The ban on riba (usury) has come at four different places in the Holy Qur'an. The Holy Qur'an in the first verse emphasise that riba deprives a person's wealth from Allah blessing.

Another verse of the Holy Qur'an places riba juxtaposes to the wrongful appropriation of others property and condemns it in strong words. The third verse instructs the believers to keep themselves away from the riba, if they want their welfare. The final verse of the Holy Qur'an draws a clear line in-between the trade and riba, by emphasises upon the believers to take the principal amount only and if the borrower has no means to repay even the principal amount then even leave that as well [3].

Qur'anic injunctions clearly state that anyone who is doing the practice of riba (interest) is waging a war against Allah and His Messenger (P.B.U.H). The Quran states in Chapter 2, Al Baqara: Verses: 278-279:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ
فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن تُبْتُمْ فَلَكُمْ رُؤُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظَلَّمُونَ

سوره البقرة: 2, آیت: 278-279

You who are Muslims! Fear Allah and stop what is remaining of your demand for riba, if you are in reality Muslims. If you don't obey, take notice of war from Allah and His Prophet: but if you turn back, you shall have your principal amount; deal not unjustly, and you shall not be dealt with unjustly.

Chapter 4, An-Nisa, Verses: 160-161:

فَيُظَلِّمُ مَنَ الَّذِينَ هَادُوا حَرَمْنَا عَلَيْهِمْ طَيِّبَاتٍ أُحِلَّتْ لَهُمْ وَبِصَدِّهِمْ عَن سَبِيلِ اللَّهِ كَثِيرًا
وَأَخَذَهُمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالِ النَّاسِ بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا

سوره النساء: 4, آیت: 160-161

For the iniquitous behaviour of Jews, We made certain food goods unlawful for them and beneficial things which had been lawful for them, in that they hindered many from Allah's way. That they took riba; although they were prohibited; and that they devour Man's property wrongfully.

We have prepared a grievous punishment for those among them who reject.

Chapter 3: Aal-Imran: Verse: 130:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ
سوره آل عمران: 3, آیت: 130

‘Oh you believers! Devour not riba, double and redoubled; but fear from Allah; that you may really successful’.

Chapter-2: Al-Baqara: Verse: 275

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

سوره البقرة: 2, آیت: 275

Those who practice riba wouldn't stand except as one stand whom the evil-one by touch has driven to madness. The reason behind this is they said that trade is like riba; but Allah has allowed trade, and prohibited riba. After such orders from Allah, those who stop riba will be forgiven for their past, their case is for Allah to judge; but others who are repeating such practices are the companion of fire; they will live there-in forever.

Chapter 30: Ar Rum: Verse: 39:

وَمَا آتَيْتُمْ مِنْ رِبَا لِيَرْبُوَ فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُو عِنْدَ اللَّهِ وَمَا آتَيْتُمْ مِنْ زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَئِكَ هُمُ الْمُضْعِفُونَ

سوره الروم: 30, آیت: 39

That which you are doing to increase through other people's property, will never increase before Allah: but that which you spend for charity, seeking the countenance face of Allah will increase. It is these who will get a recompense multiplied [6].

The Sayings of the Holy Prophet (P.B.U.H) on Riba:

The ban on riba/usury has also been reported in the Hadith in clear words. But the condemnation of riba/usury in the Holy Qur'an is that of 'debt usury', while Hadith of the Holy Prophet mainly deals with 'sale usury'. As the debt usury/riba is also cited in the Hadith of the Prophet (P.B.U.H) but its main contributions is confined to the enforcement of the Qur'anic injunctions against usury and providing a detailed explanation of what is prohibited.

However there is a general acceptance among the Muslims relating to riba which refer to interest on loans as prohibited in the Holy Qur'an and what goes further is regarded later developments. All schools of thought have a consensus on the banning of riba because it is included in those seven things which are banned by the Prophet of Allah.

The various Hadith of the Holy Prophet (P.B.U.H) dealing with riba are mentioned below in-order to understand the concept in clear terms:

The first Hadith which is related to debt-usury; wherever a tribe Thaqeef demanded the repayment of loan from the tribe Bani-Muqeera which was related to the time of Jahilia (before Islam). Upon that the Prophet of Allah told them that Allah has prohibited riba in the Holy Qur'an.

The other occasion facing the same old issue was the last sermon of Pilgrimage when the Prophet of Allah again condemns usury among his family members: Everyone's usury/riba is disparaged, and the first riba I disparage is ours [Abbas b. Abd Al-Muttalib]. It is all disparaged [5].

1. Abu Hurayrah (R.A) has reported that Prophet Muhammad said: "Avoid seven deadly things: The companion of the Prophet (P.B.U.H) asked Him: What are these? The

Messenger of Allah said: Associating someone with Allah (S.W.T), Sorcery; killing a person other than those reasons allowed by Allah (S.W.T); to devour interest; to devour the orphan's properties; fleeing the battlefield; and falsely implicating chaste, innocent, believer women of vulgarity." [Sahih-Bukhari]

- Jabir.b.Abdullah (R.A) reports that the Messenger of Allah (P.B.U.H) has cursed those persons who receive and who pays usury along with the recorder and witnesses of that transactions. All these persons are equally responsible in this guilt. [Sahih-Muslim, Tirmidhi, Ahmad]
- Abdullah b. Ishaq (R.A) has reported that the Prophet (P.B.U.H) says: 'Riba has 73 doors or 70 grades; the lesser one is equal to commit adultery with his own mother'. [Ibn Majah]
- Abu Sa'eed al-Khudari (R.A), reports that the Messenger of Allah (P.B.U.H) said: "[Exchange] gold with gold, silver with silver, wheat with wheat, barley with barley, dates with dates, salt with salt in equal quantities and spot. Anybody who asks for increase in quantity or actually increases indulging in usury/riba. Both who receives and who pays have equal position in this guilt." [Sahih-Muslim]
- It is reported that Umar (R.A) has said: Three issues are such where I wish the Messenger of Allah (P.B.U.H) had elaborated these in more detail for us. [Two are related to inheritance, viz.] The grandfather and kalaalah[deceased who has no ascendants or descendants], and certain chapters of Riba. [Ibn Majah] [7].

Kinds of Riba:

As there is no specification of any particular kind of riba in the Holy Qur'an, however, there is a general agreement among the religious scholars that it is that form of practice of riba which was common before the advent of Islam. Religious scholars/Ulema have divided it into the following two types:

- Riba al-Fadl: It may be defined as selling commodity for commodity (For example: food for food), real money for real money, with an addition above the principal amount/values except under special rules. It is that extra value over the Principal amount paid in kind. It happens with the transfer of same type of goods with a disparity between them. Such practices are also banned by Islam, because it can lead to riba al-Nasi'ah [2].
- Riba al-Nasi'ah: The meaning of the words al-nasi'ah is to delay/postpone, which refer to duration of time which is given to the borrowers for the repayment of loans in return for extra over the principal amount. Therefore it refers to riba/usury over the loan. The basic logic behind the banning of riba al-nasi'ah is that fixation of positive return in-advance as a reward on loans for waiting is not permitted by the Islam [8].

Reason for Prohibition:

The main reason behind the prohibition of usury in dealing with these commodities is that they were the basic necessities at that time without which the citizens could not live a comfortable life. Gold and Silver were the basic currencies at the time of the Messenger of Allah, which were used for buying and selling purposes. They were known as Tathmeen: these two commodities used for establishing market prices.

Shariah prohibited the practice of riba on the pretext that if it was used in dealing with these commodities, it would have hurt the interest of the people consequently resulting in the breakdown of the whole society [2].

Islam has made great emphasis on justice and has made it one of their main objectives, and therefore for its implementation Allah (S.W.T) sent His Prophets (*Al-Quran*, 57:25). Therefore justice in Islam is placed next to righteousness/*taqwa* (*Al-Quran*, 5:8) in terms of its importance in Muslim's faith. [4] On that basis it may be stated that the intention behind the banning of riba was the desire to prohibit extortionate interest as an instrument of injustice. The implication was that there was an imbalance in power and wealth between the lender and the borrower. This allowed the lender to exploit the needs of the borrower and to dictate the rate of return, maximising profits by further impoverishing the borrower. The historical conditions of seventh-century Arabia were again cited as relevant, since it was claimed that people were generally forced to borrow because of natural disaster or family tragedy. It was the injustice – and morally reprehensible nature – of charging interest in such circumstances which was seen as the reason behind the prohibition of riba, again limiting the nature of the transactions which fell under this prohibition [9].

God's reason for forbidding riba was because 'it damages the spirit of cooperation among people, and gives birth to enmity and hatred . . . it also leads to class formation, creating a class of people whose money increases without them making any effort' [10].

Similarly, a number of Muslim intellectuals also used social welfare arguments against the charging of interest, portraying it as one of the causes for the malfunctioning of the global economy. As 'Abd al-Hamid al-Ghazzali claimed, interest (riba) 'makes the economy susceptible to various diseases. It leads to exploitation, to loss of production, to the wasteful use of resources and ends by increasing economic problems [11]'.

CONCLUSION:

The representation in the Holy Qur'an of the practices of riba/usury as an act of "war with God and His Prophet (P.B.U.H)" provide an insight into the philosophy behind the banning of usury in Islam. It is evident from the above discussion that the practice of riba/usury is in direct conflict with teachings of Islam which Allah (S.W.T) want to establish on Earth.

As in Verse 276 of *Surah Al-Baqara* of the Holy Qur'an, Allah (S.W.T) has banned riba and allowed *Sadaqat*, which directs toward the fact that the institution of riba runs counter against the objectives set by Islam for a welfare society and *Sadaqat* helps in these [12].

Therefore it may be concluded that the main logic behind the prohibition of riba, one which is worth deserving attention, is that of the Holy Qur'an's and Shari'a's prohibition of riba (usury, interest) and other types of economic transactions which are deemed to be unproductive or to give unfair advantage to one party at the expense of the other [5].

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