

CHAPTER 5

RIBA





What is Riba?

The word 'riba' means to increase, to grow, to multiply and to climb. However, in economic context, it is generally considered as a contractual increase on loaned money or commodity. This word as such or its variants have been used in numerous verses of Quran. There is, however, a complete consensus among Muslim jurists that only in the following eight verses of Quran, this word has been used in its economic sense: –

And from the riba-based giving (investment), you think as if your wealth is increasing at the cost of others (borrowers), but in the sight of Allah (from overall perspective), it is not increasing. On the other hand, when you give something in charity to please Allah, then your wealth is increasing (in the sight of Allah). (al-Room 30:39)

And for their (Jews') devouring of riba even though it was forbidden for them, and for their (Jews') wrongful appropriation of other peoples' property, We (God) have prepared for those among them who reject faith a grievous punishment. (al-Nisaa 4:160-1)

O Believers! Do not charge riba on top of riba and fear God so that you may prosper. (Aale-Imran 3:130)

People who indulge in riba shall be raised like those who have been driven to madness by the touch of Devil. That is because they say that a riba-based transaction is just like trading, while God has permitted trade and prohibited riba. Hence those who have received the admonition from their Lord and have desisted accordingly, may have what has already passed, their case being entrusted to God; but those who revert to riba-based dealings, shall be the inhabitants of the hell-fire and abide therein for ever. (You must know that) God deprives riba from all blessings and blesses charity; He loves not any ungrateful sinners. (al-Baqarah 2:275-6)

O you (who claim to be) believers! Fear God and give up *riba* that remains outstanding if you are true believers. Watch out! If you do not obey this commandment, then God declares war against you from Himself and from His Prophet. But, if you give up your outstanding *riba*, then you can claim your principals. Neither should you inflict harm (due to *riba*) to others, nor others should do harm to you. (al-Baqarah 2:278-79)

The rationale of prohibition of riba

- **1. Riba is Unearned Income.** In the case of profit, a person has worked hard to earn the profits
- • Islam only permits trade but forbids riba or usury.
- Profits are the result of initiative, enterprise and efficiency.
- Interest is fixed, but profit fluctuates.
- • In the case of interest, a person knows his or her return and can be sure of it. Profit is not

The rationale of prohibition of riba

- **2. Riba is Exploitation of the Needy** • The usury is charging for loans to the poor. A parallel modern argument relates to the devastating social impact of the so-called "Third World debt crisis".
- **• 3. Riba as a Mechanism of Inequitable Redistribution of Wealth** • The riba or usury is a mechanism by which 'the rich get richer and the poor get poorer'. Islam rejects financial interest on the basis that it contradicts the Principle of Distributive Equity

The rationale of prohibition of riba

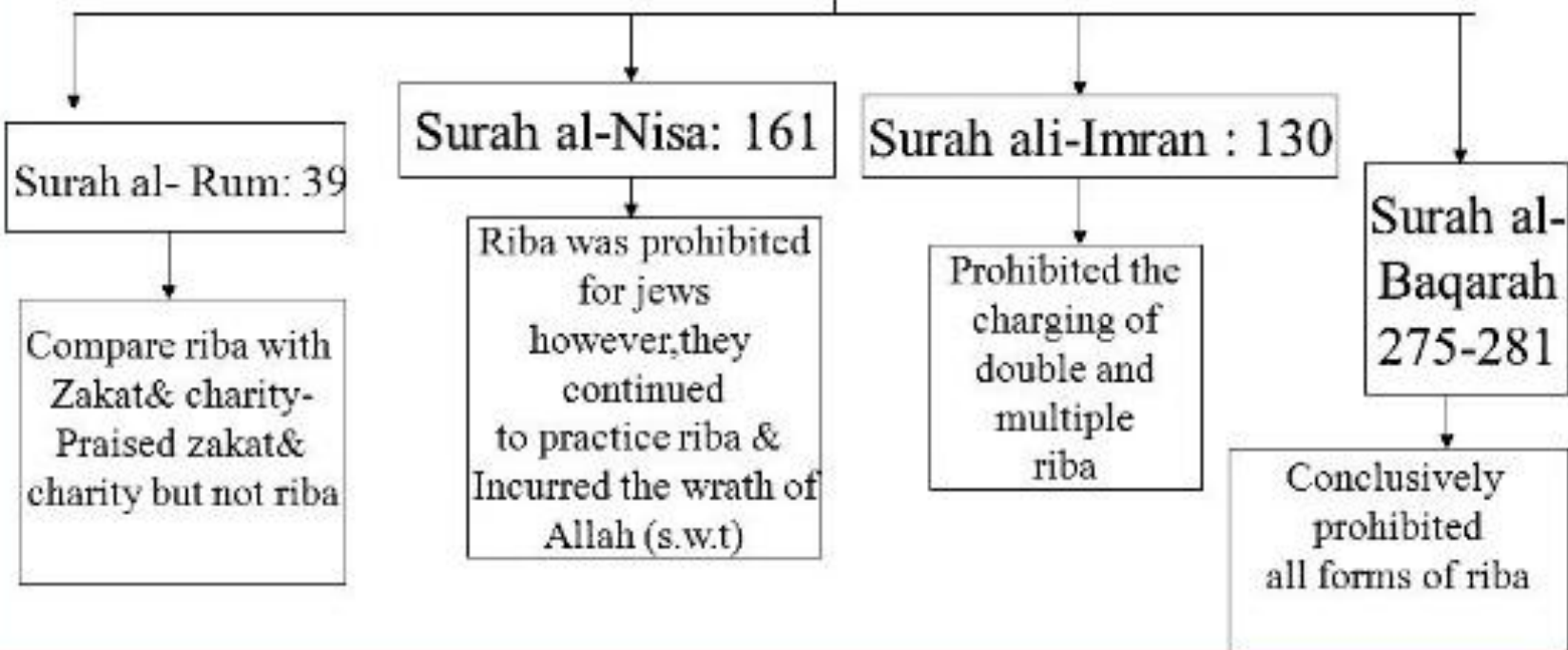
- **4. Riba is an Agent of Economic Instability**
- • An endemic factor in the instability of interest-based economies, i.e. the cycles of boom and bust, recession and recovery.
- Ahmad (1958) wrote "the greatest problem in the capitalist economy is that of the crises and interest plays a peculiar part in bringing about the crises".

The rationale of prohibition of riba

- **5. Riba as Discounting the Future**
- - The practice of discounting future values are using compound interest - results in an appreciation in invested monetary capital,
 - It is presumed rational for people to prefer having a specified amount of currency now than the same amount some time in the future. The higher the discount rate, the faster the resources are likely to be depleted.

PROHIBITION OF RIBA IN AL-QURAN

4 stages



Surah Room, 30:39

وَمَا آتَيْتُمْ مِّن رَّبًّا لِّيرْبُؤًا فِيٓ أَمْوَالِ النَّاسِ فَلَا يَرْبُؤُا۟ عِندَ ٱللَّهِ
وَمَا آتَيْتُمْ مِّن زَكٰوةٍ تُرِيدُونَ وَجْهَ ٱللَّهِ فَأُو۟لَٰٓئِكَ هُمُ ٱلْمُضْعِفُونَ



Prohibition of riba in Al Quran

- • “That which you give as interest to increase the people’s wealth increases not with God, but that you give in charity, seeking the goodwill of God, multiplies manifold “. (Surah Ar Rum:39).
- This ayah shows interest deprives wealth of God’s blessings.

SURAH AL-NISA, 4:161

وَأَخْذِهِمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالَ النَّاسِ
بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا ﴿١٦١﴾

Prohibition of riba in Al Quran

- “And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other people’s property. We have prepared for those among them who reject faith, a grievous punishment “. (Surah An Nisa:161).
- This verse indicates the seriousness a felony of taking interest in the eye of The Almighty.

SURAH ALE-IMRAN , 3:130

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ

تُفْلِحُونَ ﴿١٣٠﴾

Prohibition of riba in Al Quran

- • “O believers, take not doubled and redoubled interest, and fear God so that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey God and the Prophet so that you may receive mercy”.
- (Surah Al-Imran:130-2)
- Muslims must stay clear from interest for the sake of their own welfare.

SURAH AL-BAQARAH, 2:275

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ
مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ
وَحَرَّمَ الرِّبَا فَمَن جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ
إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ﴿٢٧٥﴾

Prohibition of riba in Al Quran

- "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 God 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 God; but those who revert shall be the inhabitants of the fire and abide therein for ever."(Al-Baqarah,2:275)

EVILS OF RIBA

- 1. Disobedience to Allah and prophets.
- • 2. Deprived of blessings of life and earnings.
- • 3. Hard-heartedness and been turned away from goodness.
- • 4. Deprivation from goodness.
- • 5. Oppression of the people.

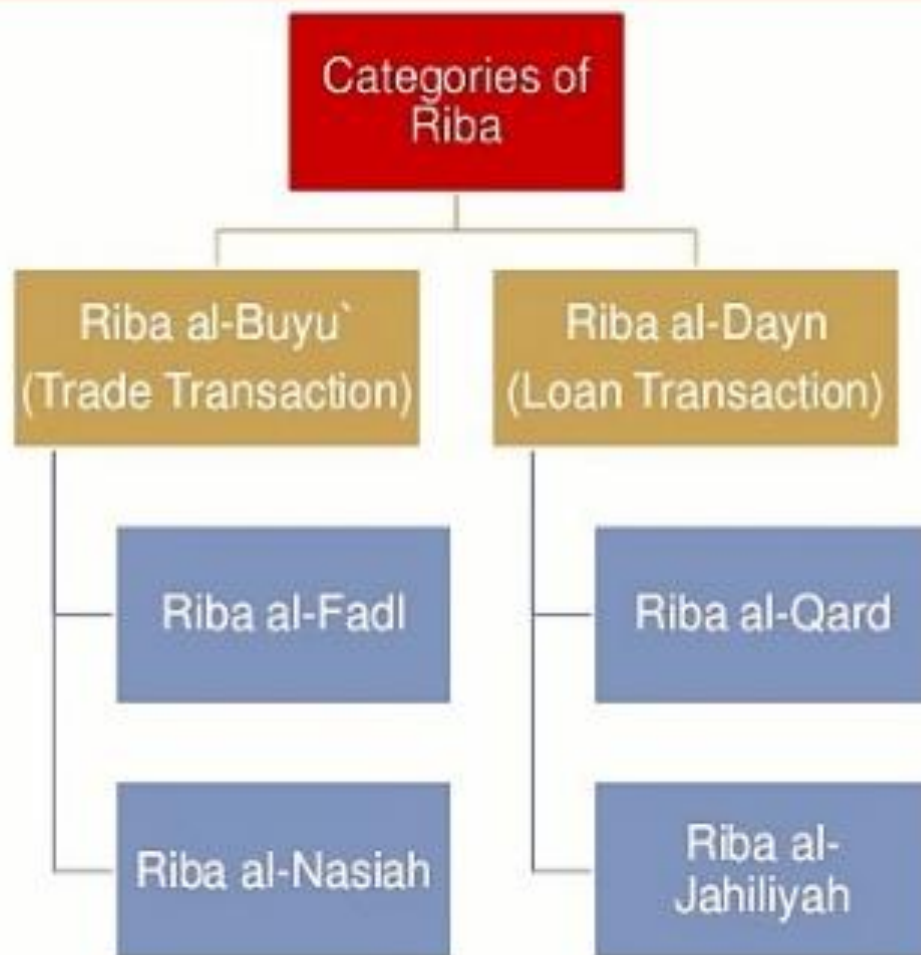
Evils of Riba

- • 6. Turns away from legitimate business.
- • 7. Cause of colonialism.
- • 8. Dungeon through which society suffocates itself.
- • 9. Cause ruin and bankruptcy.
- • 10. Cause of great evil and sins.



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CATEGORIES OF RIBA



A-Riba Al-Buyu (Trade Transaction)

- **Riba al-Fadl** • Also known as Riba al-buyu' that is riba by excess. • It applies to six items : gold, silver, date, raisin, wheat and barley and the like of them.
- **Riba al-Nasiah** • It occurs whenever the creditor advanced loan on some monthly interest in addition to the principal sums.
 - Increase due time
 - On other words, this stipulated interest which the lender takes from the borrower to pay back the capital

B- RIBA AL-DAYN Riba al-

Qard

- **Riba al-Qard** • It is riba in debt or out of lending and borrowing. • It was originated from the transaction of a loan, and it is interest or payment charged due to the loan given. • On the other words, it is the extra amount over the above principal of the loan.
- **Riba al-Jahiliyah** • It is Riba in loan. • It is when a loan contract is made or at rescheduling a previous debt. • It takes place only in debts created via lending or extended to a new maturity via rescheduling.

**THE PROHIBITION OF RIBA
FROM THE PERSPECTIVES OF
JUDAISM, CHRISTIANITY
AND ISLAM**

- *The Prohibition of Interest in Judaism*

- *In the Torah and the Talmud, Judaism prohibits all charging of interest on loans, without any distinction between a charitable personal loan and a commercial loan.*
- *Two Hebrew words are used to identify interest. Neshekh, which literally means “a bite” is derived from its painfulness to the debtor, and is generally seen as illegal, exorbitant charges on a loan or usury. Ribbit which literally translates to increase is derived from the Hebrew marbit or tarbit and denotes the gain on the creditor’s side.*

- *The Prohibition of Interest in Christianity*
 - *St Ambrose and St Jerome, who advocated that usury was considered to be anything given in return for a loan in excess of what was lent.*
 - *Usury was not just restricted to loans of money, but was generally applied to loans of any asset. In addition, statements regarding the prohibition of usury were incorporated in the Capitulary of Nijmegen*

- *The Prohibition of Interest in Islam*

- *The main body of Islamic Law constituting of the Quran and the Sunnah did, however, not always provide clear answers to how the different principles would apply in day-to-day life.*
- *Similar to Judaism and Christianity religious philosophers applied different techniques such as Ijma'a (consensus of independent jurists from the Ummah of the Prophet), Qiyas (analogy or case law), and ijtihad (interpretation) to provide further clarity on a variety of matters. Similar to Christianity and Judaism, there are a number of references in Shari'a to the prohibitions of usury*

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