

ISLAMIC BANKING & FINANCE

PRINCIPLES, INSTRUMENTS & OPERATIONS

*Adnan Trakic &
Hanifah Haydar Ali Tajuddin*



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CHAPTER PROHIBITED ELEMENTS IN *FIQH*

3 *AL-MUAMALAT: CAUSES THAT INVALIDATE TRANSACTIONS*

by Muhammad Yusuf Saleem* & Adnan Trakic**

3.1 *Riba and Its Definition*

The word *riba* is derived from the root Arabic verb *rabwun* which literally means: to grow, expand, increase, inflate, excess.¹ The technical meaning of the word *riba* is 'a 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.² Furthermore, a very comprehensive definition of *riba* and classification of *riba* has been given by Abd al-Rahman al-Jaziri, whereby he stated the following:

Riba is one of those unsound (*fasid*) transactions which have been severely prohibited (*nahyan mughallaḡan*). It literally means increase ... However in *Fiqh* terminology, *riba* means an increase in one of two homogenous equivalents being exchanged without this increase being accompanied by a return. It is classified into two categories. First *riba al-nasi'ah* where the specified increase is in return for postponement of, or waiting for, the payment; for example buying an *irdab* (a specific measure) of wheat in winter against an *irdab* and a half of wheat to be paid in summer. As the half *irdab* which has been added to the price was not accompanied by an equivalent value in the commodity sold and was merely in return for the waiting, it is called *riba al-nasi'ah*. The second category is *riba al-fadhl*, which means that the increase mentioned is irrespective of postponement and is

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1 See Faruq Ahmad, A.U., and Hassan, M.K., '*Riba and Islamic Banking*', *Journal of Islamic Economics, Banking and Finance (JIEBF)*, Volume 3, Number 1, January-June 2007. See also Al Raghīb Al-Isfahānī, Al-Husain, '*Al-Mufradat Fi Gharaib Al-Qur'an*', Cairo, 1961.

2 See Chapra, M.U., '*The Nature of Riba in Islam*', *Journal of Islamic Economics, Banking and Finance (JIEBF)*, Volume 2, Number 1, January-June 2006.