

## The Divine Will on *Ribā*

*Sayyid Tahir\**

**Abstract.** The ‘Divine Will on *Ribā*’ means what Allah SWT (*Subḥānahū Wa Ta’āla*) desires the believers to do through His dislike, condemnation and prohibition of *ribā* in the Qurān. This study investigates this matter. It represents a departure from the dominant tradition that focuses on what *ribā* is. Methodology of analysis is explained at the outset. Data from the Qurān are reproduced. A preliminary conclusion is first drawn as to what the Basic Edict on *ribā* in the Qurān is. That is then refined by closely examining the communication style in the Qurān and bringing into the picture the Sunnah of the Prophet SAAWS (*Ṣalāllaho ‘Alaihay Wa Sallam*) traceable to selected Aḥādīth on *ribā*. Final conclusion on the ‘Divine Will on *Ribā*’ is this: all loans, debts and similar other exchanges must be settled on an equal basis (in terms of units of the object of exchange), and there should not be even an indirect violation of this principle. The study also explains the *ḥikmah* (Divine Wisdom) and practical implications of the Divine Will.

**Key Words:** Qurān, Sunnah, Aḥādīth (s. ḥādīth), *Ribā*, Basic Edict, Divine Will, Ḥikmah

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(\*) Professor of Economics, Kulliyyah of Economics & Management Sciences, the International Islamic University Malaysia (IIUM).

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## 1. Introduction

Traditionally the study of *ribā* begins with observations on what *ribā* is. That is, the nature of *ribā*. Right from the beginning, therefore, the attention is focused on what Allah SWT has prohibited and Muslims must stay away from. Virtually the entire scholarly discourse revolves around the definition of *ribā* and its various manifestations. The negatives of *ribā* also form part of the formal discussions. This is the general character of the existing *fiqh* (the Islamic jurisprudence), *tafsīr* (exegesis of the Qurān) and other Islamic literature on *ribā*.

The *fiqhi* positions were originally taken by Imam Abu Hanifah (80-150H/699-767G), Imam Malik (93-179H/711-795G), Imam Shafie (150-204H/767-820G), Imam Ahmad Bin Hanbal (164-241H/780-855G) and others in the second century after the Hijrah (migration of the Prophet SAAWS from Makkah to Madinah). This happened before the emergence of *tafsīr* and ḥadīth as an independent disciplines. Ever since that time, the *fiqhi* debates revolve around *ribā* and its types, namely *ribā al-nasi'ah* (*ribā* in loans and debts) and *ribā al-faḍl* (*ribā* in trading exchanges). A good contemporary example of this is the *ribā* part of al-Zuhayli (2004)'s compendium *al-Fiqh al-Islamī wa Adillatohū*.

In the area of the *tafsīr*, some early examples of the abovementioned trend are *Tafsīr al-Ṭabrī* by al-Tabrī (2010), *Aḥkām al-Qurān* by al-Jassas (1985), *Aḥkām al-Qurān* by Ibn al-Arabi (1984), *al-Tafsīr al-Kabīr* by al-Razi (2000), *al-Jami' li-Aḥkām al-Qurān* by al-Qurtubi (2013), *Tafsīr al-Qurān al-'Azīm* by Ibn Kathir (2004) and *Fath al-Qadīr* by al-Showkani (1995). An idea of the development of the thought on *ribā* can be had by noting that al-Tabrī, al-Jassas, Ibn al-Arabi, al-Razi, al-Qurtubi, Ibn Kathir and al-Showkani lived during 224-310H/838-923G, 305-370H/917-980G, 468-543H/1076-1148G, 543-606H/1148-1209G, 610-671H/1214-1273G, 701-774H/1301-1373G and 1173-1250H/1759-1834G, respectively. Almost all exegetists of the Qurān followed one or the other school of *fiqh*. In fact, some of them were also reputed jurists of their respective *fiqhi* schools. Among the ones noted here, al-Jassas, al-Razi and al-Showkani belonged to this category. It is, therefore, not surprising that the influence of the *fiqhi* tradition extended to the *tafsīr* literature on *ribā* right from the beginning. Later works on *tafsīr*, including the more recent ones, drew upon the earlier works. This

may be confirmed with a reference to two representative works on *tafsīr* in this age by Maududi (1997) and Qutub (1992).

The general Islamic scholarship in the current age largely follows the above tradition in the fields of *fiqh* and *tafsīr*. The works of Chapra (1985) and Siddiqi (2004) are two notable examples. Chapra literally summarizes the original thinking among the Islamic jurists and the interpreters of the Qurān. Notwithstanding this, however, now the debate also covers both the implications of *ribā* and its modern manifestations. Some scholars, e.g., Zia-ul-Haq (1985; 1993), relate *ribā* to virtually everything with an element of exploitation in it. The status of bank interest has also been a contentious matter for a while (Ahmad, 1978; El-Gamal, 2003). This issue also came up for adjudication in Pakistan first before the Federal Shari'at Court (1991) and then the Shari'at Appellate Bench of the Supreme Court of Pakistan (1999). Both these judicial forums looked into this matter in detail, and, after taking note of all points of views, declared bank interest to be *ribā*. These judgments also bear a stamp of the classical thinking on *ribā*. The direction of discourse on *ribā* changed after these judgments. Nature of *ribā* is no more the dominant concern. Phenomenal growth of Islamic banking in recent times has shifted the focus of attention to *ribā*-free alternatives for meeting complex modern needs. But, again, perceptions about *ribā* continue to play a critical role. Thus, in one way or another, concerns about the nature of *ribā* still influence the modern Islamic scholarship.

This article argues that there is room for studying the Qurān and the Sunnah (the sayings, actions and deeds and tacit approvals of the Prophet SAAWS) from a different angle. More specifically, instead of focusing on what Allah SWT has prohibited, the inquiry may be into what He SWT desires the believers to do in lieu of *ribā*: the Divine Will on *Ribā*.

The Prophet SAAWS took all necessary steps during his lifetime for eliminating *ribā* from the then economy. His able successors (the four rightly-guided Caliphs) and illustrious companions inherited a *ribā*-free economy. Blocking the reemergence of *ribā* was, quite rightly, their natural concern. Accordingly, they focused on what needed to be avoided. This explains the reason for initial interest in the nature of *ribā*. The same was the case when the foundations of *fiqh* were being laid in the early 2<sup>nd</sup> century after the Hijrah. To the extent that knowledge

represents scholars' response to issues of the day, the early *fuqahā'* paid great attention to defining *ribā* and explicating the cases in which it could arise. This, of course, did not mean that doors were closed on addressing the issue from the angle noted above.

In this postcolonial age *ribā* has taken deep roots in the economic life. The main concern now is 'getting rid' of *ribā*, not just 'avoiding' it. This changed scenario requires that the Qurān and the Sunnah be approached afresh with the focus on what needs to be done in order to comply with the Will of Allah SWT on *ribā*. This is desirable for another reason too. The last few decades have witnessed development of Shari'ah-compliant solutions for meeting modern needs through the process of *ribā*-cleansing of existing interest-based financial instruments. However, increasing resemblance between practices of Islamic banks and their interest-based counterparts has necessitated search for *ab initio* Shari'ah-based solutions. This effort can obviously benefit from clarity of thought on what exactly Allah SWT desires the believers to do in lieu of *ribā*.

The argument in this study rests entirely on the Qurān and the Sunnah. Of course, the means for our access to the Sunnah are the *aḥādīth* – narrations of the Sunnah by the companions of the Prophet SAAWS and their successors. In view of nature and size of the source material, the goal is addressed in two stages. Basic conclusions are first drawn on the basis of the *āyāt* (*s. āyah* – verse) of the Qurān (Section 2). Those conclusions are then refined in the light of the evidence from *aḥādīth* (Section 3) in order to finalize the conclusion on the 'Divine Will on *Ribā*'. This is followed by inquiry into the *ḥikmah* behind it (Section 4), its economic implications (Section 5), its practical implementation (Section 6) and some closing remarks (Section 7).

## 2. The Qurān and the Divine Will on *Ribā*

The Qurān is the spoken word of Allah SWT communicated to mankind through the Arch-Angel Jibrael. The oral dimension of the Qurān requires that allowance be made for the following points:

- (1) Conclusions should be drawn on the basis of an integrated look at all of the Revelations related to *ribā* in their chronological order.

- (2) Allowance should be made for the circumstances at the time, the issue(s) at hand and the immediate addressees of every Revelation.
- (3) The entire Qurānic passages relevant for the subject of *ribā* should be considered rather than relying on just an individual *āyah* or a pair of *āyāt* containing an explicit mention of the word ‘*ribā*’ or its derivative.
- (4) Attention should be paid not only to the *words* but also the *communication style* of Allah SWT in the various Revelations on *ribā*.

The first principle is a logical extension of the well-known rule for interpretation of the Qurān with the help of the Qurān. That is, interpretation of one *āyah* of the Qurān with the help of the other *āyāt*. The second principle is also an established rule for the exegesis of the Qurān, namely making allowance for the context – historical back-ground – in which an *āyah* was revealed. The third and the fourth principles distinguish this study from the earlier discussions on the subject. These two principles need some elaboration.

While the Qurān is an oral text, it is available to us in the form of *sūrahs* (*s. sūrah* – a chapter of the Qurān), passages related to various themes and *āyāt*. A general rule for oral discourses is to let the speaker first complete his point before raising any concern. Any violation of this rule can stand in the way of understanding the true intent of the speaker. An analogue of this general rule for the Qurān is the third principle – reliance on the entire relevant passages rather than treating a single *āyah* or a pair of *āyāt* in isolation.

Importance of the actual words in the Qurān and their meanings (in the Arabic language) is well-recognized. The fourth principle highlights the need for also paying attention to the *communication style* of Allah SWT on the subject of *ribā*. Generally speaking, main elements of communication style are choice of words, repetition and tone of the speaker. They play a critical role in conveying the actual intent of the speaker in an oral communication. For example, repetition in speech is equivalent to underlining or highlighting of text in written communication for the purpose of emphasis. The same utterance may be an advice if enunciated politely or as a command if uttered sternly. With

this brief introduction to the methodology adopted here, our inquiry into the various Revelations on *ribā* proceeds as below.

The *āyāt* on *ribā* were revealed on five occasions. Tahir (1996) gives a detailed account of the Revelations on *ribā*. Main points are noted here. About 5 years before the Hijrah, Allah SWT indicated to the believers His dislike for *ribā* as follows:

﴿ وَمَا آتَيْتُم مِّن رَّبِّا لِّرَبِّوَا فِي أَمْوَالِ النَّاسِ فَلَا يَرِيوَا عِنْدَ اللَّهِ وَمَا آتَيْتُم مِّن زَكْوَا  
تُرِيوَا وَجَهَ اللَّهُ فَأُولَئِكَ هُمُ الْمُضْضِعُونَ ﴾ ﴿٣٩﴾ الروم .

*And, what you give on the basis of ribā, in order to increase your wealth through the assets of the other people (i.e. the borrowers), does not increase from the point of view of Allah [SWT]. But what you give by way of zakāh (religious due) for the sake of Allah [SWT], the givers' net worth increases manifold (with Allah SWT). (ar-Rūm 30: 39)*

The immediate addressees of this *āyah* were the Muslims then in Makkah. Their number was small. Theirs' was a life already full of sacrifices for the sake of Allah SWT. This communication style suited their disposition. Response of the faithful at the receiving end of *ribā*, if any, is easy to imagine.

In the early years after the Hijrah, in response to invitation to Islam the Jews demanded revelation of a Divine Book exclusively for them. Starting with the *āyah* 153 of *Surah an-Nisā'*, Allah SWT condemned this demand, and castigated their past behavior. In this perspective the *āyāt* 160-162 were revealed, which are reproduced here with translation:

﴿ فِظَلَمِ مِّنَ الَّذِينَ هَادُوا حَرَمْنَا عَلَيْهِمْ طَيْبَاتٍ أُحِلَّتْ لَهُمْ وَبِصَدِّهِمْ عَنِ سَبِيلِ  
اللَّهِ كَثِيرًا ﴾ ﴿١٦٠﴾ وَأَخَذَهُمُ الرِّبْوَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالِ النَّاسِ بِالْبَطِيلِ وَأَعْتَدْنَا  
لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا ﴿١٦١﴾ لَنَكِينِ الرَّاسِخُونَ فِي الْعَالَمِ مِنْهُمْ وَالْمُؤْمِنُونَ يُؤْمِنُونَ  
بِمَا أُنزِلَ إِلَيْكَ وَمَا أُنزِلَ مِن قَبْلِكَ وَالْمُقِيمِينَ الصَّلَاةَ وَالْمُؤْتُونَ الزَّكْوَاةَ  
وَالْمُؤْمِنُونَ بِاللَّهِ وَالْيَوْمِ الْآخِرِ أُولَئِكَ سَنُؤْتِيهِمْ أَجْرًا عَظِيمًا ﴿١٦٢﴾ سورة النساء .

We decreed many a previously permitted things haram (prohibited) for the Jews, because they (i) did *ẓulm* (injustice), (ii) stopped others from the way of Allah in most of the matters (160), (iii) charged *ribā* despite having been prohibited from doing so, and (iv) ate into the wealth of others without any *Shari'ah* justification. We have prepared a painful doom for these disobedient folks (161). However, We will soon give a great reward to the firm in knowledge and the believers (among the Jews) who believe in what is revealed to you (i.e. the *Qurān*) and what has been revealed before you, establish *ṣalah* (prayers), give *zakāh* and believe in Allah and in the Day of Judgment (162). (*an-Nisā'* 4: 160-162)

While the original addressees of these *āyāt* were the Jews, formal prohibition of *ribā* for Muslims was expected at any time. It was so because according to the *Qurān* Allah SWT prescribed the same code of conduct for Muslims as He SWT enjoined upon the Prophets Nuh, Ibrahim, Musa and Isa. (*ash-Shura* 42:13)

In Shawwal 3H after the battle of Ohud *ribā* was formally prohibited for the Muslims with the following *āyāt* directly addressed to them:

﴿ يَأْتِيهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ ﴿١٣٠﴾ وَاتَّقُوا النَّارَ الَّتِي أُعِدَّتْ لِلْكَافِرِينَ ﴿١٣١﴾ وَأَطِيعُوا اللَّهَ وَالرَّسُولَ لَعَلَّكُمْ تُرْحَمُونَ ﴿١٣٢﴾ وَسَارِعُوا إِلَى مَغْفِرَةٍ مِّن رَّبِّكُمْ وَجَنَّةٍ عَرْضُهَا السَّمَاوَاتُ وَالْأَرْضُ أُعِدَّتْ لِلْمُتَّقِينَ ﴿١٣٣﴾ الَّذِينَ يُنْفِقُونَ فِي السَّرَّاءِ وَالضَّرَّاءِ وَالْكَبِيرِ وَالنَّاسِ وَالْعَافِينَ عَنِ النَّاسِ وَاللَّهُ يُحِبُّ الْمُحْسِنِينَ ﴿١٣٤﴾ وَالَّذِينَ إِذَا فَعَلُوا فَجْسَةً أَوْ ظَلَمُوا أَنفُسَهُمْ ذَكَرُوا اللَّهَ فَاسْتَغْفَرُوا لِذُنُوبِهِمْ وَمَن يَغْفِرِ اللَّهُ فَرِحُوا إِلَّا اللَّهُ وَلَمْ يُبْصِرُوا عَلَىٰ مَا فَعَلُوا وَهُمْ يَعْلَمُونَ ﴿١٣٥﴾ أُولَٰئِكَ جَزَاءُ مَغْفِرَةٍ مِّن رَّبِّهِمْ وَجَنَّتْ بَجْرَىٰ مِن تَحْتِهَا الْأَنْهَارُ خَالِدِينَ فِيهَا وَيَعْمَ أَجْرُ الْعَمَلِينَ ﴿١٣٦﴾ ﴾

(آل عمران ٣: ١٣٠-١٣٦)

*O Believers, Do not eat ribā on top of ribā. And be afraid of Allah so that you may be successful (130). Be afraid of the fire of Hell, which is prepared for the disobedient (131). Obey Allah and the Messenger [SAAWS] so that you may benefit from Allah's Mercy (132). Rush towards the forgiveness of your Lord and the paradise whose boundary spans the heavens and the earth, prepared for the Allah-conscious (133). [As to who are the Allah-conscious:] They are the people who do infāq (spend for the sake of Allah SWT) in both good and bad times, who control their temper and who forgive others. And, Allah [SWT] holds the moḥsinīn (doers of good) dear (134). Moreover, they are the ones who, in the event of having done something to be ashamed of or causing injustice to themselves by a wrongdoing, remember Allah [SWT], implore His forgiveness for their sin – Who forgives sins except Allah [SWT]? Do not knowingly repeat what (the wrong) they might have done (135). They are the ones whose reward from their Lord is forgiveness and gardens, with streams flowing underneath, to live therein. That would indeed be an excellent reward for those who work (and strive for good) (136). (Āle 'Imrān 3: 130-136)*

Literal meaning of the opening part of the āyah 130 would be: “Do not feast on ribā – doubled and quadrupled”. Nevertheless, in the linguistic style of the Qurān the directive required staying away from ribā in its entirety. This point is supported by *al-Baqarah* 2: 22 where the directive of adding ‘several’ partners to Allah SWT does not mean permissibility of ascribing one or a few partners to Him, SWT. Moreover, it is also reinforced by the later Revelations on ribā in *al-Baqarah* 2: 275-277 and 278-281 that unequivocally prohibit ribā.

Soon after the revelation of the above āyāt of *Surah Āle 'Imrān*, the adversaries of Islam in Madinah ridiculed the decree on ribā by equating profits (in commerce) and ribā. In order to add punch to their claim, however, they drew parallel between ribā and trading. Moreover, while there was no ambiguity in the application of the decree to new transactions, the affected companions of the Prophet SAAWS were unclear about its applicability to the then existing ribā-based debts and the status of ribā already given or charged. Allah SWT addressed these issues through the āyāt 275-277 of *Surah al-Baqarah* as follows:

﴿ 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 ﴿٢٧٥﴾ يَمْحَقُ اللَّهُ الرِّبَا وَيُرْبِي الصَّدَقَاتِ وَاللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ ﴿٢٧٦﴾ إِنَّ الَّذِينَ ءَامَنُوا وَعَمِلُوا الصَّالِحَاتِ وَأَقَامُوا الصَّلَاةَ وَءَاتَوْا الزَّكَاةَ لَهُمْ أَجْرُهُمْ عِنْدَ رَبِّهِمْ وَلَا خَوْفٌ عَلَيْهِمْ وَلَا هُمْ يَحْزَنُونَ ﴿٢٧٧﴾﴾

(البقرة ٢: ٢٧٥-٢٧٧)

*Ribā-eaters will get up on the Day of Judgment like someone driven to madness by the Devil with his evil touch. This will happen because of their claim that [profit on] bay‘ (trading) is the same as ribā, whereas Allah [SWT] has permitted bay‘ and prohibited ribā. [As to the issue of ribā already given or taken:] Whoever received the advice from his Lord (as per Āle Imrān) and stayed away from ribā, the ribā already charged is for him, and his matter is with Allah [SWT]. However, all those who continue to charge ribā (in lieu of the outstanding loans and debts or sign up fresh ribā-based contracts), they belong to the Hell where they shall live (275). Allah [SWT] mitigates ribā and multiplies ṣadaqāt (s. ṣadaqah – charity and other religious dues). And, Allah [SWT] does not like any thankless sinner (276). Verily, those who are believers and who do good deeds, establish ṣalah (daily prayers) and discharge their zakāh obligations, they have their reward with their Lord. They will have nothing to fear or to be sorry about (277). (al-Baqarah 2: 275-277)*

The first half of the āyah 275 reaffirmed the prohibition of ribā, and the second half decreed that the matter of ribā already given or taken be treated as closed for the purpose of settlement of the then existing ribā-based debts. The legislative process for the prohibition of ribā was complete with the revelation of the above āyāt as far as the Qurān is concerned. Respect for the Qurānic decree, however, required its extension to all other exchanges that fell under various headings but in essence resembled a ribā-based transaction. As pointed out by Tahir (1997), the Prophet SAAWS did the needful through prescribing adjunct guidelines as and when the need arose. Some of these injunctions are also discussed in the next section.

With the enforcement of the decrees in *Āle Imrān* 3:130, *al-Baqarah* 2:275 and the adjunct directives of the Prophet SAAWS, the then economy was *ribā*-free at the state level. Any violation at a personal level went unchecked unless it came into the knowledge of the authority at the time, namely the Prophet SAAWS himself or his officials deputed to areas other than Madinah. Given the generally high level of Allah consciousness of the believers at the time, it is conceivable that defaulters were given time to clear their debts without addition of a premium.

While the situation was as above, an incident happened sometime in late 9H or before the Farewell Pilgrimage of the Prophet SAAWS in late 10H. According to the details available in the books on *tafsīr*, e.g., al-Balkhi (2002), al-Wahidi (2005), al-Qurtubi (2013) and Ibn Kathir (2004), two newly Muslim families quarreled over a *ribā*-based debt contracted before they embraced Islam. One of these families belonged to Makkah, and the other to the tribe of Thaḳif. The Governor of Makkah, Attab bin Aseed, did not decide the matter himself in the light of the then existing decrees in *Āle Imrān* 3:130 and *al-Baqarah* 2: 275. He referred it to the Prophet SAAWS in Madinah. But, instead of the Prophet SAAWS, Allah SWT Himself decreed as follows:

﴿يٰٓاَيُّهَا الَّذِيْنَ ءَامَنُوْا اتَّقُوْا اللّٰهَ وَذَرُوْا مَا بَقِيَ مِنَ الرِّبَاۤ اِنْ كُنْتُمْ مُّؤْمِنِيْنَ ﴿٢٧٨﴾  
 فَاِنْ لَّمْ تَفْعَلُوْا فَاذْنُوْا بِحَرْبٍ مِّنَ اللّٰهِ وَرَسُوْلِهِؕ وَاِنْ تَبْتغُوْا فَلَکُمْ رُءُوْسُ اَمْوَالِکُمْ  
 لَا تَظْلِمُوْنَ وَلَا تُظْلَمُوْنَ ﴿٢٧٩﴾ وَاِنْ کَانَ ذُوْ عُسْرَةٍ فَنَظْرَةٌ اِلٰی مِيسْرَةٍ وَاَنْ  
 تَصَدَّقُوْا خَيْرٌ لَّکُمْ اِنْ کُنْتُمْ تَعْلَمُوْنَ ﴿٢٨٠﴾ وَاَتَّقُوْا یَوْمًا تُرْجَعُوْنَ فِیْهِ اِلٰی  
 اللّٰهِ ثُمَّ تُنْفَخُ کُلُّ نَفْسٍ مَّا کَسَبَتْ وَهُمْ لَا یُظْلَمُوْنَ ﴿٢٨١﴾﴾

(البقرة ٢: ٢٧٨-٢٨١)

*O you [who claim to be] believers! Fear Allah and give up whatever is left in lieu of ribā if you are indeed believers (278). [Watch out:] If you Do not do so (and give up all outstanding ribā), there is a declaration of war against you from Allah and His Prophet. However, if you do taobah (i.e., repent along with the resolve to make amends for the past mistakes), you are entitled only to your principal. Neither you should do *ẓulm* (wrong or injustice) to others, nor you should*

*be subjected to zulm (by the others) (279). In the process of settling any outstanding debts if the debtor is in a tight position, give him grace period until he can manage to clear the dues against him [to the extent of the principal]. However, if you consider converting the outstanding debt into sadaqah, that would be better for you, if you really know (280). And, be afraid of the Day on which you will be brought back to Allah [SWT]; then everyone will be fully rewarded for his actions, without being subjected to any zulm (281).*

*(al-Baqarah 2: 278-281)*

This fifth and last Revelation on *ribā* served an important purpose for the future. New people were to enter into the fold of Islam with the passage of time. While *ribā* is not to be charged or given on old *ribā*-based debts between two new Muslims, how might settlement take effect if the debtor happens to be hard pressed to discharge his obligations? The answer is provided in this Revelation. More specifically, the *āyah* 279 restricts the creditors' claims to their principal, and the *āyah* 280 directs them to give grace period to the debtors in a tight position until the latter are able to discharge their obligations, of course, to the extent of the outstanding principal. This directive formalizes a practice already in vogue among veteran companions of the Prophet SAAWS, as also noted above.

With the above lines, the picture on the issue of *ribā* is complete as far as the Qurān is concerned. In this perspective, inquiry into the Divine Will on *ribā* may now formally begin. It is noteworthy that while the *āyāt* on *ribā* have a historical perspective, the following narrative is in present tense since the Qurān is for all times till the Day of Judgment.

The question is: when Allah SWT expresses His displeasure with *ribā* or prohibits it, what does He SWT want the believers to do? On this subject out of the five Revelations on *ribā*, the fifth one (*al-Baqarah* 2:278-281) is relatively more explicit. This inquiry, therefore, begins with the points in this Revelation. The *āyah* 278 contains the directive for the believers to give up *ribā*:

﴿يَأْتِيهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ مُؤْمِنِينَ ﴿٢٧٨﴾﴾

*O you [who claim to be] believers! Fear Allah and give up whatever is left in lieu of ribā.*

But what is to be done in order to give up *ribā*? The answer is available in the following part of the very next *āyah*, No. 279:

﴿وَإِنْ تَابْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ﴾

*However, if you do taobah (i.e., repent along with the resolve to make amends for past mistakes), you are entitled only to your principal. (emphasis added)*

As also noted earlier, this explicit order from Allah SWT restricts claims of the creditors to the principal. This point is stated in another way in *āyah* 280 by requiring the creditors to give grace period to the debtors in tight position for discharging the obligations. After all, the ‘extension’ ought to be with reference to the principal due at the time of the extension.

Here one may ask how obligations of debtors can arise in the first place. Borrowing – lending by someone else – is one obvious channel. Alternatively, debt may also stem from a purchase on credit by a buyer or a sale on deferred delivery basis by a seller (against advance payment by the buyer). It is also worth mentioning that loans may be in commodity terms. Likewise, purchases/sales on credit may also involve barter. If all these possibilities are taken into account, the directive under reference may be translated into the following decree:

*All loans and debts must be settled on an equal basis (in terms of the units of the object of loan or debt).*

This may be referred to as the ‘Basic Edict on *Ribā* in the Qurān’ (*IIIE’s Blueprint*, 1999, p.37). But, is the matter just this much? Or, does the Qurān want its audience to note something else as well? Answer to this question requires reference to the choice of words and the communication style in all of the Revelations related to *ribā*.

Table 1 gives content analysis of all the Revelations on *ribā* for the above purpose. Two points stand out very clearly:

1. On all five occasions in the Qurān dislike, castigation or prohibition of *ribā* comes alongside favorable mention of *zakāh*, *infāq* or *sadaqah*.

2. Permissibility of *bay'* or trading and, thereby, profits is also explicitly mentioned alongside the prohibition of *ribā* (*al-Baqarah* 2: 275).

**Table (1): The Qurān and Ribā**

Revelation	Critical Points about <i>Ribā</i>	Points about Other Exchanges
<i>ar-Rūm</i> 30: 39	Statement of undesirability of <i>ribā</i> (30: 39).	Declaration of desirability of giving <i>zakāh</i> (30: 39).
<i>an-Nisā'</i> 4: 160-162	Statement of the prohibition of <i>ribā</i> for Jews (4: 160).	Mention of the payment of <i>zakāh</i> as a desirable thing for the believers among the Jews (4: 162).
<i>Āle'Imrān</i> 3: 130-136	Statement of the prohibition of <i>ribā</i> for Muslims (3: 130).	Listing of <i>infāq</i> as an important attribute of believers (3: 134).
<i>al-Baqarah</i> 2: 275-277	1.Reaffirmation of the prohibition of <i>ribā</i> (2: 275). 2.Mention of mitigation of <i>ribā</i> and multiplication of <i>ṣadaqāt</i> ( <i>s. ṣadaqah</i> – charity) by Allah SWT (2: 276).	1. Mention of positive aspects of <i>ṣadaqāt</i> (2: 276). 2. Mention of the payment of <i>zakāh</i> as an attribute of the believers (2: 277). 3. Declaration of the permissibility of <i>bay'</i> or trading (2: 275).
<i>al-Baqarah</i> 2: 278-281	1.Further reaffirmation of the prohibition of <i>ribā</i> (2: 278). 2.Restriction of the creditors' claims to their principal (2: 279). 3.Directive for giving grace period to debtors who are in a tight position (2: 280).	Encouragement of the creditors for doing <i>ṣadaqah</i> through forgiving their outstanding debt claims (2: 280).

This communication style on *ribā* is unique. Is the said pattern in the various Revelations on *ribā* coincidental, i.e., by chance? The answer is 'no'. Possibilities of chance or randomness exist where matters are beyond someone's control. Allah SWT is above any shortcoming or defect whatsoever. Everything from Him SWT is intentional. A little reflection reveals that the various communications carry a unique message between the lines.

*Zakāh*, *infāq* and *ṣadaqah* are charitable acts. They involve giving one's possessions to someone else without getting anything (in material terms) in return. The giver, therefore, concedes his property rights without any *quid pro quo*. As against this, trading involves both give and

take. It is instrument for transfer of property rights whereby one party gives up ownership of what it has in favor of another in return for some consideration. Trading yields profit (or, loss) for the seller equal to the difference between his sale and cost prices. Here it is also pertinent to recall that the Prophet SAAWS turned down the requests for applying price controls (Al-Tirmidhi, 2007, *Kitāb al-Buyū‘, Bāb Mā Jā’a fī al-Tas‘eer*; Abu Dawud, 2008, *Kitāb al-Ijārah, Bāb al-Tas‘eer*). This, in turn, implies that the Shari‘ah does not place any restriction on the rate of profit. Thus, ‘trading’ can serve as an instrument for increasing and even multiplying one’s assets.

The Basic Edict on *Ribā* in the Qurān, as noted above, comes to us against the backdrop of the abovementioned extreme options open to a person with some means. With this communication style, the Qurān seems to be giving the following general message:

*Whereas the believers can give up what they own by way of zakāh, infāq or ṣadaqah without getting anything in return, and whereas they can multiply their net worth through trading, yet they ought to settle all loans and outstanding debts on an equal basis (in terms of the units of the loan or debt).*

The above point can be better appreciated with the help of a numerical example. Suppose an individual has 100,000 dirhams (silver coins). As per the Qurān, he may give the 100,000 dirhams as *zakāh, infāq* or *ṣadaqah* and become empty-handed. He may also use the 100,000 dirhams for trading, and become a millionaire, of course, while observing the general *ahkām* of the Shari‘ah for commerce. However, if he chooses to give the 100,000 dirhams as loan to someone, the matter all of a sudden becomes different. The only available option for him would be to settle the loan with the debtor but the latter giving and he himself getting 100,000 dirhams; nothing more, nothing less. In other words, Allah SWT strongly desires that in the settlement of loans and debts rights of creditors and obligations of debtors must remain the same as originally contracted.

The Prophet SAAWS underscored the above principle of equality in the settlement of loans and debts as follows:

قَالَ (أَنَسَ بْنَ مَالِكٍ): قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: "إِذَا أَقْرَضَ أَحَدُكُمْ قَرْضًا فَأَهْدَى لَهُ أَوْ حَمَلَهُ عَلَى الدَّابَّةِ، فَلَا يَرْكَبُهَا وَلَا يَقْبَلُهُ إِلَّا أَنْ يَكُونَ جَرَى بَيْنَهُ وَبَيْنَهُ قَبْلَ ذَلِكَ". (ابن ماجه، ٢٠٠٧، كتاب الصدقات، باب القرض)

*Anas b. Malik said: Allah SWT's Messenger SAAWS said as follows: "If one of you lends something to another person, he should not accept from the latter any gift or ride unless such relations exist between the two before that (advancement of the loan)".*

*(Ibn Majah, 2007, Kitāb al-Ṣadaqāt, Bāb al-Qarḍ – edited)*

This ḥadīth requires compliance with the principle of equality in executing loan transactions and settlement of debts not only in letter but also in spirit. Thus, even an indirect violation of the Basic Edict on *Ribā* in Qurān is to be avoided. With this, the discussion so far can be summed up as follows:

*All loans and debts must be settled on an equal basis (in terms of the units of the object of loan or debt). And, there should not be even an indirect violation of this principle.*

This is as far as the text of the Qurān leads us with respect to the Divine Will on *Ribā*. The picture becomes complete after the relevant points from the Sunnah of the Prophet SAAWS are also brought in. This is what we propose to do next.

### 3. The Sunnah and the Divine Will on *Ribā*

According to Umm al-Mo'minīn Ayesah, the Prophet SAAWS was living Qurān (Muslim, 2007, *Kitāb Ṣalat al-Musafirīn wa Qaṣrihā, Bāb Jami' Ṣalāt al-Layl wa Man Nāma aw mariḍa*; Abu Dawud, 2008, *Kitāb al-Ṭatawwu', Bāb fī Ṣalah al-Layl*). The position of the Sunnah vis-à-vis the Qurān is similar to that of law, rules, regulations and procedures in relation to a country's constitution—the basic law. The Qurān is concise. It gives fundamentals of the Shari'ah in broad terms. The Prophet SAAWS prescribed detailed rules, regulations and procedures in the light of the Qurān for practical life.

As noted at the outset, the means for our access to the Sunnah are aḥādīth – narrations of the Sunnah of the Prophet SAAWS by his illustrious companions. Unlike the Qurān, the authenticity of which is axiomatic, aḥādīth need to meet reliability standards set by the ḥādīth authorities. This has been ensured for the aḥādīth reported in this article. The ḥādīth texts are primarily narrations or reports. Main focus in such communications is on the message/intent of the person to whom a narration or report is originally attributed to. The actual words are those of the narrator or the reporter except when he quotes the original person verbatim. This point implies that the rules for interpretation of aḥādīth may be somewhat different from those for the interpretation of the Qurān discussed earlier.

The primary rule for interpretation of aḥādīth is that the Sunnah explicates practical details that are otherwise implicit in the Qurān. This, in turn, leads to three important principles for interpretation of Aḥādīth on any subject:

1. Aḥādīth should be interpreted in the light of the leads, if any, stemming from the Qurān.
2. Among various possible interpretations of a ḥādīth, preference should be given to the one closest to the lead(s) from the Qurān.
3. Real life cases covered by the respective Aḥādīth should also be kept in view while drawing any conclusions.

These principles are observed while drawing the conclusions in what follows.

One way in which the Aḥādīth on *ribā* initially came into the picture, was as follows. The geographic location of the Arabs enabled them to develop trading links with the territories (around the Arabian Peninsula) ruled by the Persians, the Romans and others. Accordingly, different kinds of dinars (gold coins) and dirhams (silver coins) existed in Madinah. The Qurānic decree on *ribā* required that a loan of one dinar or dirham be settled with the debtor giving and the lender taking back one dinar or dirham, respectively. – Of course, the caveat “Roman dinar”, “Persian dinar”, “Roman dirham” or “Persian dirham” applied in this regard. For a variety of economic reasons dinars and dirhams also changed hands in the marketplace under the heading of “trading”. Such

exchanges served a variety of purposes. First, owners of dinars (dirhams) needed to convert their dinars (dirhams) into those relevant for trading in other foreign lands. Second, they wanted to convert their dinars (dirhams) belonging to one dominion into those of another dominion relevant for retiring their debts. Third, owners of dinars (dirhams) sought to change their deformed or defective dinars (dirhams) with those in better shape. Doing the needful in the said cases involved giving and taking back items of, generally speaking, the same genre – as happens in the case of loans. Notwithstanding labels of the said exchanges, they were technically similar to ‘lending’ in dinars or dirhams already covered under the Basic Edict on *Ribā* in Qurān. This is implied by the following instruction of the Prophet SAAWS:

عَنْ عُثْمَانَ بْنِ عَفَّانَ، أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ: "لَا تَبْيَعُوا الدِّينَارَ  
بِالدِّينَارَيْنِ وَلَا الدِّرْهَمَ بِالدِّرْهَمَيْنِ". (مسلم، ٢٠٠٧م، كتاب المساقاة، باب الرباء)

*It is on the authority of Othman bin Affan that the Prophet SAAWS said: "Do not trade one dinar for two dinars or one dirham for two dirhams".*

*(Muslim, 2007, Kitāb al-Musāqāt, Bāb al-Ribā – edited)*

But what was to be done in such cases? The guideline is available in the following ḥadīth:

عَنْ فَصَّالَةَ بِنِ عُبَيْدٍ، قَالَ: كُنَّا مَعَ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يَوْمَ خَيْبَرَ، نُبَايِعُ  
الْيَهُودَ الْوُقُيَّةَ الذَّهَبَ بِالدِّينَارَيْنِ وَالثَّلَاثَةَ، فَقَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: "لَا  
تَبْيَعُوا الذَّهَبَ بِالذَّهَبِ إِلَّا وَزْنَا بِوَزْنٍ". (مسلم، ٢٠٠٧م، كتاب المساقاة، باب بيع  
القلادة فيها خرز وذهب)

*It is on the authority of Fadalāh b. Obayd who said the following. We were with Allah SWT's Messenger SAAWS on the day of (the conquest of) Khyber. We were trading one awqiyah (= 7 mithqāl or 7×4.25=29.75 grams) of gold for two or three dinars (embodying 2×4.25=8.5 to 3×4.25=12.75 grams of gold) with the Jews. Then, i.e., when this came to the attention of the Prophet SAAWS, he SAAWS said: "Do not trade gold for gold except on the basis of wazan-bi-wazan (equality in terms of weight)". (Muslim, 2007, Kitāb al-Musāqāt, Bāb Bay' al-Qalādah fihā Kharz wa Dhahab – edited).*

As per this ḥadīth, there was gold on both ends of the exchanges: gold dinars on one end and gold artifacts or pieces on the other. This ḥadīth prescribed equality in terms of *weight* as the standard for gold-for-gold trading exchanges, as against the principle of equality by *counting* for loans denominated in dinars. This is understandable because there was no one-to-one correspondence between denominations and gold contents of the dinars of different dominions. The same principle also applied to silver versus dirhams exchanges. The next ḥadīth reaffirms and generalizes the said principle in the following manner:

عَنْ أَبِي سَعِيدٍ الْخُدْرِيِّ، أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ: "لَا تَبِيعُوا الذَّهَبَ بِالذَّهَبِ وَلَا الْوَرِقَ بِالْوَرِقِ إِلَّا وَزْنًا بِوَزْنٍ مِثْلًا بِمِثْلٍ سَوَاءً بِسَوَاءٍ".

(مسلم، ٢٠٠٧م، كتاب المساقاة، باب الرباء)

*It is on the authority of Abu Saeed al-Khudri that verily the Prophet SAAWS said: "Do not trade gold for gold or silver for silver except on the basis of waznan-bi-wazn (weight for weight), mithlan-bi-mithl (like for like) and sawa'an-bi-sawa (equal for equal)".*

(Muslim, 2007, Kitāb al-Musāqāt, Bāb al-Ribā – edited)

The writ of this ḥadīth covers exchanges involving not only gold dinars and silver dirhams but also gold and silver in other forms. This ḥadīth upholds the aforementioned principle of equality in terms of weight for both gold-for-gold and silver-for-silver exchanges regardless of the form that gold or silver may take at the two ends of the said exchanges. The *mithlan-bi-mithl* condition stands for using the same unit for weight, e.g., whether grams or ounces, for both give and take back. And, last but not least, the *sawa'an-bi-sawa* condition stipulates the maintenance of strict equality in the give-and-take process in the final analysis. The extraordinary emphasis on preserving the principle of equality in the said exchanges can be explained with the following point implicit in the Qurān.

The Basic Edict on *Ribā* in the Qurān effectively barred the lenders from claiming costs associated with lending, such as cost in terms of income foregone and recovery costs. Given this, how could other economic agents be allowed to claim costs of a similar nature under another heading? For example, a jeweler seeking 'manufacturing' costs while trading of

gold jewelry for gold dinars or a silver bowl for silver dirhams. Other aḥādīth, e.g., the narration of Abu Bakrah in al-Bukhari (1997, *Kitāb al-Buyū*, *Bāb Bayʿ al-Dhahab bi al-Dhahab*), permit the affected parties to trade their gold items for dirhams or vice versa in order to address their economic concerns. However, as far as direct exchanges involving trading of gold-for-gold or silver-for-silver are concerned, the principles stated in the above aḥādīth apply. To conclude, the directive in aḥādīth is perfectly in line with the Basic Edict on *Ribā* in the Qurān. This directive is not limited only to trading exchanges involving gold or silver:

عَنْ أَبِي سَعِيدٍ الْخُدْرِيِّ، قَالَ: قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: "الدَّهَبُ بِالذَّهَبِ وَالْفِضَّةُ بِالْفِضَّةِ وَالْبُرُّ بِالْبُرِّ وَالشَّعِيرُ بِالشَّعِيرِ وَالنَّمْرُ بِالنَّمْرِ وَالْمَلْحُ بِالْمَلْحِ مِثْلًا بِمِثْلِ يَدًا بِيَدٍ فَمَنْ زَادَ أَوْ اسْتَزَادَ فَقَدْ أَرَى الْأَخْذَ وَالْمُعْطَى فِيهِ سَوَاءٌ".

(مسلم، ٢٠٠٧م، كتاب المساقاة، باب الرباء)

*It is on the authority of Abu Saʿeed al-Khudri. He stated that the Prophet SAAWS said as follows. While exchanging gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates and salt for salt, do so on mithlan-bi-mithl (like for like) and yadan-bi-yadd (hand to hand or on spot) basis. Thus whosoever gave more or demanded more, verily he dealt in ribā. Both the taker and the giver are equal—i.e. equally guilty—in this regard.*

(Muslim, 2007, *Kitāb al-Musāqāt, Bāb al-Ribā* – edited)

This ḥādīth reaffirms the principle of equality for all like-for-like trading exchanges. In addition, it also explicates that the Shariʿah regards *ribā*-givers (the borrowers or buyers on credit) as much guilty as *ribā*-takers (the lenders or sellers on credit basis) in matters involving *ribā*.

To sum up, the aḥādīth imply that violation of the *aḥkā*m on *ribā*, in whatever way, is a grave matter. And, the nomenclature of a transaction is immaterial for the applicability of the directive of Allah SWT in the Qurān if the form of exchange resembles that of a loan transaction. Keeping this in view, an insertion ‘similar other exchanges’ may be made, besides the mention of loans and debts, in the conclusion noted at the end of the previous section. Necessary action, together with replacement of ‘object of loan or debt’ by the more general phrase ‘units of object of exchange’, leads to the following statement:

*All loans, debts and similar other exchanges must be settled on an equal basis (in terms of the units of the object of exchange). And, there should not be even an indirect violation of this principle.*

This is the Divine Will on *Ribā*, i.e., what Allah SWT wants the believers to do through castigation or prohibition of *ribā* in the Qurān and the various injunctions in the Sunnah.

Before the matter is closed, a caution is warranted here. The Prophet SAAWS is on record to have given back more than the amount of a loan taken in his name:

عَنْ أَبِي هُرَيْرَةَ، قَالَ: اسْتَفْرَضَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ سِنًا، فَأَعْطَى سِنًا فَوْقَهُ، وَقَالَ: "خِيَارُكُمْ مَحَاسِنُكُمْ قَضَاءً". (مسلم، ٢٠٠٧م، كتاب المساقاة، باب جواز اقتراض الحيوان واستحباب توفيته خيرًا مما عليه)

*It is on the authority of Abu Horairah. He said that the Messenger (SAAWS) of Allah SWT borrowed a camel and gave back one camel on top of that, i.e. the camel borrowed. And, He SAAWS said: "The best among you is the person who pays back better."*

*(Muslim, 2007, Kitāb al-Musāqāt, Bāb Jawāz Iqtirāḍ al-Ḥaiwān wa Istehbāb Taofīṭihī Khairan Mimmā 'Alaihay – edited)*

This is not to be taken to mean that either the creditor got more or the debtor gave more in order to settle the debt. The correct reading of the action of the Prophet SAAWS would be as follows: at the time of clearing the debt, with the giving of the first camel by the Prophet SAAWS the debt stood discharged, and the extra camel given by him represented an act of benevolence, not a part of his contractual obligation for discharging the debt.

In passing, it may also be noted that from the practical point of view the Divine Will on *Ribā* is comparable to a conditional statement. If someone enters into a transaction leading to the creation of debt, be it lending or trading on deferred payment or delivery basis, the transaction ought to be settled with the rights of the creditors and the obligations of the debtor remaining the same as those originally created. If, however,

someone stays away from the said transaction, he is under no obligations associated with the Divine Will on *Ribā* (see also Section 6).

#### 4. The *Ḥikmah* (Divine Wisdom) behind the Divine Will on *Ribā*

In the modern age there is quest for logical explanation, usually economic rationale, for the prohibition of *ribā*. Chapra (1985), Maududi (1997), Saeed (1995) and Saleh (1992), among others, trace the said rationale to the elimination of injustice and exploitation. Injustice is seen in owners of capital enjoying fixed returns through *ribā*-based loans while other economic agents putting in effort as well as taking risk in order to earn a return. Vulnerability of the weaker sections of society is another reason. This thinking is inspired by both the directive of neither creditors nor debtors doing *ẓulm* on one another (*al-Baqarah* 2: 279) and the permissibility of trade as opposed to the prohibition of *ribā* (*al-Baqarah* 2:275). These points sound plausible. However, they are discussed in this paper under economic implications of the prohibition of *ribā* in the next section. An earnest effort is respectfully made here to understand the likely *ḥikmah* or Divine Wisdom behind the prohibition of *ribā*. The point is linked to the Islamic view of life in this world as a test for man. Indeed, Allah SWT knows the best.

According to the Qurān, this life is a test for man (*al-Mulk* 68: 1-2; *Hūd* 11:7). For the purpose of test, Allah SWT has set several parameters in order to assess an individual's performance in this theatre of life. They fall into two categories. One relates to man-to-God relationship, and the other to man-to-man relations. The first category includes *shahādah* (witnessing faith in Allah SWT and His Prophet SAAWS), *ṣalāh*, *ṣaum* (fasting), *zakāh* and *ḥajj* (pilgrimage). The edicts on *ribā* define acceptable behavior in the domain of man-to-man relations. How does test of man occur with the *aḥkām* on *ribā*? An example can help this regard.

Imagine a lovable kid who is pride of his parents and envy of everyone. One morning his mother sends him to school with usual maternal care. Suppose the child meets an accident, and passes away. What would one expect to happen to the parents? Pain and grief, beyond words. But with the passage of time, things are likely to settle down. Reality would sink in. And, apart from occasional revival of agonizing memories and heartache, life would become normal. As against this, if the child is lost, say through kidnapping, would the response of the parents, especially the

mother, be the same? No. There will be never-ending pain in tandem with the hope that one day the parents may see their child again. And, the cycle of hope and despair may continue till the last breath. Loans and debts have the potential of putting a person into a similar situation.

If someone has a valuable thing and gives it to another person by way of charity or simply loses it, he knows that it has parted him for good. He then goes on with the business of life as usual. But if he lends the same thing to another person, situation might develop similar to that of parents with a 'lost' child. Jealousy may emerge against the borrower if he made a fortune with the loan while the lender himself is denied any return on his sum by the *ahkām* on *ribā*. Many a time a situation may arise when the lender desperately needs the money, but the borrower stands in the way. Broken promises by the borrower to return the money may add insult to injury. In all these circumstances, despite all the torment, one is still obliged to respect the Will of Allah SWT: settle the debt on equal basis. No compensation is allowed for any pains or anguish at the lender's end in the framework of loan transaction. Facing such a situation, withstanding all the pressures and coming out clean with full respect for the Will of Allah SWT. This is a real test of being a true believer.

The prohibition of *ribā* has some other hidden aspects too. The *aḥādīth* on *ribā*, as noted earlier, imply that the matter might be quite complex. There can be many instances where one may not suspect *ribā*, but the problem may still be there. Thus warding against *ribā* is an unending job for a person going through the walk of life and seeking to comply with the Will of Allah SWT. A high degree of alertness automatically implies a greater degree of *taqwá* (Allah-consciousness) – the ultimate virtue. If traditional logic is followed, it may be said that the purpose of the *ahkām* on *ribā* is to develop Allah-consciousness. But that would be an understatement. A more pertinent interpretation is that the purpose of the *ahkām* is to appraise, not to develop, Allah-consciousness: who is Allah-conscious, and how much?

### 5. Economic Implications of the Divine Will on *Ribā*

Allah SWT is ar-Raḥmān – infinitely Kind. His uninterrupted provision of sustenance for the disbelievers is just one sign of this. The Shari'ah is also a manifestation of His Kindness. Economic implications of the

Divine Will on *Ribā* are explored here in this spirit. The following observations are not meant to provide or seek economic ‘rationale’ for the prohibition of *ribā*. The intention is to draw attention to some positive economic implications of respecting the Divine Will on *ribā* and a few negative effects of ignoring it.

The Divine Will on *ribā* is about what needs to be done in a particular instance. That is, transactions involving lending, deferred payment/delivery or something substantially the same as giving-and-taking-back loan (Section 3). It does not close all avenues for the pursuit of legitimate concerns by the people. Borrowing takes place when somebody lacks his own means for fulfilling his needs. With lending by someone, he gets the ownership of funds, and uses them at his discretion. Prohibition of *ribā* makes lending unattractive for return-conscious owners of funds. Instead of lending they can provide financial accommodation in the following way. If financing is sought for some personal need or mute investment, they may do the needful by directly buying the desired thing with cash and selling it to the needy party on deferred payment basis. If the needy party requires funds for value-added activity, the owners of funds may grant it access to their funds on partnership – profit-sharing – basis. Other possibilities also exist but space constraints do not allow going into the details. The interested reader may find them in *IIIE’s Blueprint* (1999, Chapter 4). The end result of all this will be linking or tying of the flow of funds to their actual use. This will create greater financial discipline. The pursuit of funds will be limited to genuine needs, and the financing will directly promote economic activity. While needs of fund-seekers will be fulfilled, owners of funds will enjoy a return only upon assuming genuine economic responsibility like other productive members in the society.

The institution of *ribā* or interest does facilitate allocation of resources in an economy, and accelerate the economic wheel. But the Qurān states that Allah SWT mitigates *ribā* (*al-Baqarah* 2: 276). How does this happen? One may see it at both micro and macro levels. At the micro level, in most cases the capital of an enterprise is barely enough for covering establishment costs and overhead expenses. Businesses usually work with funds borrowed at fixed interest rates. When the economy is performing well, cash flows of firms are good for discharging their payment obligations. Good times, however, are not everlasting. At some stage shifts in demand patterns in the economy take place. This adversely affects the respective

firms' cash flows while their interest-based debt obligations remain unchanged. Rescheduling of debt at higher interest rate is usually the first option in such cases. Sooner or later a stage is reached when the respective firms have to eat into their fixed capital in order to discharge their obligations. Several firms facing such a situation at the same time means recession – contraction in economic activity. The said or sad ending can be staved off if the financing is on profit-sharing basis and the beneficiaries of debt-based financing are allowed grace period to discharge their obligations (*al-Baqarah* 2: 280).

Also at the micro level, interest-based banks borrow short from the depositors and lend long to the fund-seekers. The spread between the interest paid to depositors and that charged from borrowers is their income. The banks withhold a fraction of the deposits, and lend the rest. Thus at any given time, payment claims against them exceed the cash they have. The banks honor the claims against them mainly with the help of new deposits and sale of financial assets held by them. The said financial assets are usually interest-based debt claims against the government, reputed economic enterprises and other financial institutions. The quest for more and more return leads banks to overstretch themselves. With one party's debt claims tied to another party's debt claim against someone else, banks become vulnerable. Sophisticated capital adequacy requirements and risk management arrangements are used to keep the banking system afloat. But that is not enough. In this age of financial globalization banking crises – aided by fiscal deficits run by most governments – confirm the truth in *al-Baqarah* 2:276.

At the macro level, modern interest-based economies are credit economies. Financial institutions create credit, of course, after securing guarantees for safe return of their financing along with interest. The credit is mostly not tied to actual purchases or economic activity; this leaves existing production and supply of goods and services largely unaffected. With financing and use-of-funds decisions in different hands, a dichotomy is created between financial and real sectors in the economy. Individually, every bank likes to issue more and more advances in order to maximize its interest income. But when all banks try to do so, financial bubbles are created. Aggregate demand is inflated without a concurrent increase in aggregate supply in the economy. The result is inflation and unemployment. Restricting financial accommodation to *ribā*-free basis, as

noted above, shall minimize the chances of mismatch between aggregate demand and aggregate supply. Parallel increase in demand and supply will, in turn, mean less inflation, more employment and, last but not least, less poverty. Thus, compliance with the Divine Will on *ribā* may in fact provide lasting solutions for modern economic ills by addressing the problem at its source.

The institution of *ribā* creates a rentier class that enjoys fixed claims on the society merely on the basis of its ownership of means of production – result of past efforts. This leads to concentration of wealth and a class-based society divided between haves and have-nots. The institution of *ribā* also weakens bargaining position of the indebted parties. *Ribā*-based borrowings for personal needs are principal cause for the emergence of bonded labor and peasantry in the developing world. Last but not the least, many socially beneficial projects do not see light of the day because the expected rate of return is less than the market rate of interest. These are just a few points that confirm the truth in *al-Baqarah* 2:276.

In passing, it is worthwhile to mention that the Shari‘ah provides an elaborate social security mechanism for fulfilling personal needs of the poor and the destitute. Its main pillars are *zakāh*, obligatory economic support for the near-relatives and incentives for charity. These are supplemented by special incentives for advancing goodly loans free of any charge (*al-Baqarah* 2: 245; *al-Ḥadīd* 57: 11). Compliance with the Divine Will on *ribā* also plays important role for poverty alleviation through promotion of output and employment in the economy.

### **6. Implementation of the Divine Will on *Ribā***

This requires a correct understanding of the nature of the Divine Will on *ribā*. Reference can be made to *zakāh* for this purpose. Payment of *zakāh* is not compulsory for everyone. That becomes obligatory only for the individuals who fulfill the Shari‘ah criteria for *zakāh*-payers. Others are not. And, for those who are required to pay, there is special reward for payment of *zakāh* but grave accountability for nonpayment. The case of the Divine Will on *ribā* is similar. Compliance with it becomes essential once a believer enters into a transaction affected by it. The others have no cause for concern. This point also holds the key for developing strategy for implementation of the Divine Will on *Ribā*.

According to the Shari'ah, all exchanges are primarily voluntary. This principle is enshrined in the following *āyah*:

﴿ يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالِكُمْ بَيْنَكُمْ يَبْطِلُ إِلَّا أَنْ تَكُونَتْ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا ﴾ (النساء ٤ : ٢٩)

*O ye who believe! Do not eat each other's wealth amongst you unlawfully, i.e., in ways not recognized in the Shari'ah. But let there be exchanges amongst you by mutual willing consent (free will). And, do not kill yourselves. Verily Allah is unto you ever Merciful.*

(an-Nisā' 4: 29, emphasis added)

This rule also covers lending, transactions involving deferred payment/delivery and all other exchanges that substantially resemble a loan transaction. If any of these transactions does not suit someone, he may simply stay out of it. The Shari'ah also provides some leeway when the goals at hand are Shari'ah-recognized and an encounter with *ribā* is suspected. This is explicated by the following *ḥadīth*:

عُقْبَةُ بْنُ عَبْدِالْعَافِرِ أَنَّهُ سَمِعَ أَبَا سَعِيدِ الْخُدْرِيِّ رَضِيَ اللَّهُ عَنْهُ قَالَ جَاءَ بِلَالٌ إِلَى النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ بِتَمْرٍ بَرْنِيٍّ فَقَالَ لَهُ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ مِنْ أَيْنَ هَذَا قَالَ بِلَالٌ كَانَ عِنْدَنَا تَمْرٌ رَدِيٌّ فَبِعْتُ مِنْهُ صَاعَيْنِ بِصَاعٍ لِنُطْعِمَ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَقَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عِنْدَ ذَلِكَ أَوْهَ أَوْهَ عَيْنُ الرَّبَا عَيْنُ الرَّبَا لَا تَفْعَلْ وَلَكِنْ إِذَا أَرَدْتَ أَنْ تَشْتَرِيَ فَبِعِ التَّمْرَ بِبَيْعِ آخَرَ ثُمَّ اشْتَرِهِ.  
(البخارى، ١٩٩٧، كتاب الوكالة، باب إذا باع الوكيل شيئاً فاسداً فبيعه مردود)

*Oqbah bin Abdil-Ghafir surely heard (the following) from Abu Saeed al-Khudri. He, i.e. Abu Saeed al-Khudri, said this. Once Bilal came to the Prophet SAAWS with some burney (good quality) dates. The Prophet SAAWS said to him, "Where did they come from?" Bilal said: "We had some raddi (inferior) dates. I sold two sā' of them for one sā' of burney dates so that the Prophet SAAWS might eat them." Upon hearing this, the Prophet SAAWS exclaimed: "Oh no! Oh no! That is ribā. That is exactly ribā! Do not do that again. Next time if you want to buy (good) dates with (poor*

*dates, first sell your dates, and then (with the sale proceeds) buy the new ones.”*

*(Al-Bukhari (1997), Kitāb al-Wakālah, Bāb Idhā Bā‘a al-Wakīl Shai‘an Fabai‘hi Mardūd – edited)*

According to this ḥadīth, the Prophet SAAWS acknowledged legitimacy of the goal at Bilal’s end, namely enjoying good dates that Bilal did not have. The said purpose could not be achieved with a direct dates-for-dates exchange because it did not suit the seller to give good quality dates for the same amount of poor quality dates required by the *aḥkām* on *ribā*. The Prophet SAAWS instructed Bilal to replace the direct dates-for-dates exchange in violation of the Shari‘ah by a combination of two Shari‘ah-permitted trading transactions, one for selling poor quality dates and the other for buying good quality dates. This line of reasoning can be translated into the following principle:

*If there is a legitimate concern and a given course of action toward that end clashes with the Shari‘ah, the concerned person can adopt an alternative course of action consisting of two or more exchanges each one of which is 100% Shari‘ah-compliant.*

The above principle may be translated into some general guidelines for defining practical response to the Divine Will on *ribā*. For example, if a transaction does not belong to the class for which the Divine Will on *ribā* is relevant, the transaction may be undertaken without any qualms about *ribā*. If, however, a transaction gives rise to debt, whether a loan, sale on deferred payment or cash payment for future delivery, it must be ensured the ensuing debt is settled on an equal basis in terms of the units of the debt. And, last but not the least, if a loan-type transaction does not suit someone, he should check and adopt alternative Shari‘ah-based transaction modes in order to address his legitimate concern. Of course, in all the cases one also has to ward against even an indirect violation of the Divine Will on *ribā*. Where a loan, a loan-type transaction or a transaction resulting in debt does not suit someone, he should check alternative Shari‘ah-compliant transaction modes to address his goals.

## 7. Closing Remarks

This inquiry focused on the following question: when in the Qurān Allah SWT declares His dislike of *ribā* or prohibits it, what is it that He SWT wants the believers to do? The evidence from the Qurān and ḥadīth consistently points in the following direction:

*All loans, debts and similar other exchanges must be settled on an equal basis (in terms of the relevant units of the exchange). And, there should not be even an indirect violation of this principle.*

The above finding is in harmony with the notion of life as a test for the believers. This is essentially a conditional statement. It is binding only if someone advances a loan or enters into another exchange that leads to creation of debt, not otherwise. This implies that for practical organization of life, the matter is rather simple. If someone is interested in making a gain, he should avoid transactions modes that yield no gain. Such a person may adopt an alternative Shari‘ah-based course of action comprising partnership, leasing or sale on credit, in order to provide financial accommodation to needy parties. Of course, those, for whom pleasing

Allah SWT is the overriding consideration, may opt for giving *ribā*-free loans to help others (*al-Baqarah* 2: 245, *al-Ḥadīd* 57: 11).

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## الإرادة الإلهية بشأن تحريم الربا

سيد ظاهر

أستاذ الاقتصاد

كلية الاقتصاد والعلوم الإدارية

الجامعة الإسلامية العالمية بماليزيا

**المستخلص.** "الإرادة الإلهية" بشأن الربا: يقصد من هذه العبارة أن الله سبحانه وتعالى يريد من عباده المؤمنين أن يكون عملهم فيما يخص الربا من خلال النظر إلى المقت، والاستنكار، والتحريم له في القرآن الكريم. تتصدى هذه الدراسة لفحص قضية الربا وتعرضها، بعيدة عن النمط المعتاد الذي يركز على مفهوم الربا. منهجية التحليل - في هذه الورقة - قد جرى توضيحها من البداية، وأعيد استخلاص البيانات - في هذا الخصوص - من القرآن الكريم، وتم التوصل منها إلى دستور مبدئي حول الربا، قد تبدى بجلاء عبر تدبر أسلوب القرآن الكريم في إيصال المعرفة - ذات العلاقة بالموضوع -، مع إعمال نصوص مختارة من سنة النبي صلى الله عليه وسلم. وتعرضت الدراسة - أيضاً - لشرح الحكمة والانعكاسات التطبيقية لهذه الإرادة. وتوصل البحث فيما يتعلق "بالإرادة الإلهية بشأن تحريم الربا" إلى أن تسوية جميع القروض، والديون، والمعاوزات الشبيهة بها يجب أن يكون بالقيمة المثلية مع التأكيد على وجوب عدم مخالفة هذا الأمر بشكل مباشر أو غير مباشر.