

8.12 Prohibitions of Riba (Interest) I

Host: Are there specific measures that can be used to help maintain productivity?

Jamal Badawi:

Islam's respect for the right of private ownership is part of inducing production and productivity as it responds to people's instinctive need to possess something and try to invest in things and to make them grow. The inducement that Islam provides for one to work teaches against laziness, its respect for all types of honorable labor manual or otherwise which is one aspect of inducing productivity. The ideological or orientation of a Muslim of being productive is in fulfillment of his responsibility before God above all in addition to the responsibility to humanity and their welfare in general. In addition we find that Islam has taken more specific measures in the area of production, productivity to make sure that resources are properly utilized which includes teachings that pertain to land use, prohibition of interest and the system of Zakah (charity) are all factors that seem to work in harmony with the previous measures that we discussed before.

Host: How does Islam deal with land use?

Jamal Badawi:

It gives the government the right to dispose of "Crown Land" which is owned by the government and to give it to individuals who are going to make better use of it. This again encourages proper use of the land. Second is on the authority of the teachings of Prophet Muhammad (PBUH) as narrated in Abu Dawood is to induce people to reform land which is barren in order to reform it and work on it. The Prophet (PBUH) says that if a person comes upon a piece of land, which is not useable and makes it usable then the land is his. Of course the conditions are that this land should not already be owned by someone else, in doing so the principle of equal opportunity for all should be open so that one person doesn't take the entire country and reforms it but others must be given that chance as well. Of course a third condition is that if a person in Islamic Law reformed this land but doesn't use for three years he may lose the right to it. So the person in this case has up to three years to use the land and to make it productive if they don't then it can be given to someone else which can prevent resources from being idled. Third, in land which is not reformed, Prophet Muhammad (PBUH) said that if one of you has any piece of land he should either cultivate it or if he is not able to he should give it to someone who is able to cultivate it. Again this is not a matter of charity but is an overall benefit to society. Fourth, even a person doesn't do it for purely charitable basis one can do Muzara'a which is a type of partnership where if one is not able to use the land or lacks the skill one can agree with someone else to work on the land while you contribute to the cost of cultivation while agreeing to some kind of crop sharing after the harvest. These are all measures to keep the land in proper use which be thought of as a very advanced or modern measures but in fact 1400 years ago these were inscribed in Islamic teachings.

Host: □ **The prohibition of interest in Islam is not contrary to productivity, the common notion in the West is that it is impossible to conduct any type of meaningful economic life without the use of interest?**

Jamal Badawi:

This statement is very common but to my humble understanding it is a common myth. We have seen in previous programs unequivocal evidence as to how Islamic civilization and progress has flourished in different parts of the world under different cultures and different circumstances for hundreds of years. We have seen great advancement not only in science but in agriculture, industry, trade and commerce which were all based on non-interest situations. It is interesting to note that during the Caliphate of Omar bin Abdul Aziz about 90 years after Prophet Muhammad (PBUH) that when they collected the charity from North Africa they did not find enough poor people who were in need of that charity. In a previous program we said that the command of the Caliph was to use this money to buy slaves and set them free. Where do we find this in the 20th century? Is there any advanced country in the world with such a prosperous and affluent economy that it can not find enough people in need of charity or are in need? In fact the contrary is true as we find problems with the available funds for social security and the inability to meet the needs of those in need. This is irrefutable evidence that one can have a flourishing economy without resorting to interest. Is there any reason why we should not have a partnership, participation in profit and loss on equal grounds without interest? That is the question, why is interest an absolute necessity. From the Islamic standpoint interest is not an acceptable alternative to establishing a flourishing economy.

Host: □ It is not only Islam that is against Interest or are there other religions that are against Interest?

Jamal Badawi:

Yes, in fact for most people who are familiar with the Bible in the book of Deuteronomy 23:20-21 we find that the Israelite is not supposed to collect interest on loans to another Jew. The principle is there even though it seems to imply that one can take interest from a Gentile but in the case of Islam the prohibition applies to both Muslim and non-Muslim. In the book of Matthew 21:12-13 we are told about when Prophet Jesus (PBUH) went to Jerusalem, entered the temple he turned over the tables of the money changers and he accused them of turning the temple of God into a “den of thieves.” During the Reformation Movement we find that Luther called upon Christians to go back to the original teaching of the Bible and to prohibit interest. He wrote a booklet on the subject and he considered it unlawful and contrary to the Will of God

and contrary to reason to deal in interest. In some philosophies people like Aristotle for example remarked that “unlike animals, animals can beget animals, but money can not beget money.” In other words money should only be regarded as a measure of value but money is not a commodity itself. Notice that some of these views preceded Islam and some came after it. The idea of the prohibition of interest is not unique. It is a basic moral or ethical law that is found throughout history.

Host: □ What is the authority for the prohibition of interest in Islam?

Jamal Badawi:

It is based on the Quran, Prophetic Traditions and the consensus of learned jurists throughout Islamic history. First, the prohibition here is not just between Muslims but applies to everybody because whatever is regarded as inequitable and unjust is applicable to Muslims and non-Muslims from an Islamic standpoint. The Quran in (4:161) indicates that one of the inequities of the Israelites is that they took usury and where they were forbidden from taking it. This is a kind of warning to Muslims not to follow the same kind of violation. In the Quran (30:39) which is a Makki chapter which was revealed before an Islamic State was established in Madinah which prohibits of usury which would not be accepted by God or rewarded by Him. In (3:130-131) it makes an analogy between avoiding usury and avoiding hell fire. Perhaps one of the most traumatic verses in the Quran about usury is (2:279) “O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers. If ye do it not, Take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.” This makes it clear that usury is great evil and that one should keep away from it. Unfortunately, in our day and age the wide spread of usury makes it easy for us to look at it lightly and to take it as something acceptable. The same kind of principles were echoed in Prophetic Traditions and are narrated in Muslim, Ahmad, Abu Dawood and Al Tirmithi in which the Prophet says that the curse of God would be on usury the people who take it, people who give it, the people who write usury contract or witness this kind of contract. This shows that any participation in promoting interest is forbidden for the Muslim. The same picture were mentioned by Prophet as the scenes that he saw on the Night of Ascension and how those people received terrible punishment. Perhaps one of the

things that relates to us being so accustomed to usury is a Prophetic tradition narrated in Ahmad where he says that there will come a time when people will deal in usury. So the companions asked the Prophet if everybody would deal with it and he said even those who are not directly dealing with usury will still be touched by it. This is where we are at today, and usury is so widespread even though it is nether necessary or right from the point of view Islamic Law.

Host: Some people justify interest why do they do this? What is the difference between usury and interest? Some people say that usury is different from interest.

Jamal Badawi:

Some one who goes to the translation of the meaning of the Quran in English, goes to the dictionary and finds the meaning of the word and treats the meaning as if it were the original revelation. As we know the Quran is revealed in Arabic. It is true that if we check the English dictionary we find that the term usury means excessive interest and this means modest interest is different. This is however the translation in English and the Quran was not revealed in English. The Arabic term is Riba which does not mean excessive usury. Riba in Arabic simply means anything in excess. This means anything in excess of the principle or capital whether it is a small, unfair it is still Riba and interest. From the Arabic standpoint and the language from which the Quran was revealed this distinction is not valid. From the practical point of view it does not make much of a difference because based on the Arabic definition whether the increment is small or big it is still regarded as Riba. In Islam interest is forbidden regardless of magnitude. In fact Prophet Muhammad (PBUH) did warn Muslims that towards later days people would do the things which are unlawful but give it different names. This is found in interest as we find indecency and lack of proper cover and nudity is called art, intoxicants that destroy the person's mind and health is sometimes called Spirits as if it is spiritual to drink or take drugs, and thus usury which is regarded to be wrong from an ethical point of view is given

a different name “interest” which really has no difference.

Host: One verse in the Quran speaks only of excessive interest, does this imply that reasonable interest is satisfactory?

Jamal Badawi:

First we have to refer to this verse. The verse that is usually cited to support this view is in (3:130) “O ye who believe! Devour not usury, doubled and multiplied; but fear Allah, that ye may (really) prosper.” So people say that this means doubled and multiplied is unlawful and that if it is reasonable that it is not unlawful. What they forget here is that if they refer to the terminology used in the Quran it says do not devour usury it doesn't say do not devour the principle. And usury can easily be multiplied twice, thrice and multiple times. If one is paying 7% interest and one has a loan for five years and one is not making any payments till the end of the five years the interest is multiplied five times because one is paying 7% a year. So if one looks only at the additional amount it is multiplied many times. Furthermore if it is monthly it may sound modest if one looks at it as a percent per month but then next month it will double and by the end of the year it will be 12 times as much. This meets the criteria that it is multiplied so many times. In terms of long term investment when people buy homes at 8% or 10% interest rate one can figure out how much they would be paying for it by the end of the loan which would be at least two to three times the original value of the house. In this case the principle value is multiplied. Basically, when the Quran uses the terms doubled and multiplied it is not a condition for what is forbidden but a description of a bad state of affairs. If someone says brutal murder is wrong it doesn't mean that if the murder was not brutal that it is not wrong. It is simply that one is making murder look terrible but other types of murder which are not too brutal are allowed. In addition why would one pick out this specific verse and interpret it to mean something that it doesn't mean while leaving all the other conclusive texts in the Quran and the Prophetic Tradition which do not make a distinction between the amount of interest?

Host: What about those who claim that interest dealings are a form of business just like any other kind of commercial dealing and as such should not be subject to any prohibition?

Jamal Badawi:

In fact the Quran deals with this in (2:275) "Those who devour usury will not stand except as stand one whom the Evil one by his touch hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (The offense) are companions of the Fire: They will abide therein (for ever)." This kind of analogy was made in the past. In addition to the response in terms of the text of the Quran, economically speaking there seems to be a mix between money and capital and some people use the term money and capital interchangeably which is not true. Money can be used to buy so many things (services, goods or equipment); so to say that money and capital are synonymous is wrong. As we indicated earlier money is not a commodity but a measure of value. If that money is converted to the form machinery, assets or other equipment then one deserves to receive income. This income varies and is not fixed depending on the type of contribution that one's assets add to the profitability of any particular enterprise. The two are not necessarily synonymous.

Host: Some claim that Islam only prohibits the charging of interest on consumption loans, is there any basis to this claim?

Jamal Badawi:

There is no basis for this either. There are a number of reasons for this statement. First, the meaning of the word Riba means increment whether this applies to consumption loans or production loans. Those who say that claim that the Arabs before Islam (even though it was not only revealed for them) was that people should not charge interest to people who borrow because they are needy and because they want to eat. What they seem to forget is that the life of the Arabs before Islam was a very simple life. An Arab at that time did not borrow to buy the latest car model or a colored T.V. or a video recorder or anything of that sort but they lived simply, ate dates and bread (which was luxury item) and they drank milk from their goats. It is very difficult to say that the Arabs before Islam borrowed allot to buy dates or goat milk. This is not logical at all. What is more logical perhaps is that Mecca, Madinah and Al Taif (a nearby city) were commercial cities and Prophet Muhammad (PBUH) in his farewell speech made it very clear that all kinds of usury is forbidden and one of them is the usury that was charged by his uncle Al Abbass. Historically, the uncle of the Prophet was not someone who borrowed to buy dates or goat milk but was a reasonably rich person who used to provide free food for the Pilgrims and he was a merchant. The loans that the Prophet was talking about were production loans that were used in commerce and trade. The fact that some of the verses in the Quran speak about the prevention of interest doesn't mean that interest is only forbidden in the case of a loan because charity in Islam is to avoid things that are forbidden. The Prophet says to smile in the face of one's brother is charity.