

# The Wisdom and Rationale of the Prohibition of *Riba* (Usury, Interest)

Mohammed Ejjaoui

Islamic Finance Master's student at Sidi Mohamed Ben Abdellah University  
Faculty of Shariaa Fez

Usury in economic transactions has raised until it became a cornerstone in the global economy and the livelihood of people, socially and economically.

The spread of this phenomenon is an ominous sign for society as a whole as well as its members and institutions, and what ails humanitarian complexes today of a suffocating siege, economic crises affects all segments of society.



It is essential for a Shariah-sensitive individual to learn the forms of *Riba* and understand their impact. The next step then is to apply the rules regarding *Riba* in one's daily transactions. This is an essential part of the proper practice of Islam and of doing right by others in society. Omar ibn al-Khattab (may God be pleased with him) prohibited buyers and sellers from entering the marketplace without first knowing the rules of *Riba*. He did this out of a profound sense of responsibility toward those who were most vulnerable—people who could be exploited without knowing it. Moreover, he knew that avoiding *Riba* was fundamental to the implementation of God's command to stand up for economic justice. This makes us put a question of why Islam prohibited all forms of *Riba*?

To answer this question, I try to discuss this issue in two major points:

- *Riba* in Islamic doctrine.
- The impact of *Riba* on human life.

## I- *Riba* in Islamic doctrine:

### 1- *Riba*'s definition

A- Literal meaning:

The word « RIBA » extracted from the Arabic word « Raba », which means addition, or increase.

*Riba* is translated to mean interest, usury, to grow, to exceed, to rise, to bring up, etc.

The Arabic dictionaries give one or more of the translations mentioned above of Riba. According to Lisan- al Arab, the root of Riba is increasing, while Al muddied dictionary translated Riba to mean growth.

Therefore, Riba means to increase, addition, growth or augmentation, and all these meanings have a common feature of stressing the point that Riba deals with an increase.

### **B- Technical meaning**

Technically, Riba means an addition over and above the principal loan. Some Qur'anic commentators define Riba in different ways. Aboubakr Aliases, in his work AHkamul Quran, defines Riba as the loan given for a specified period on condition that on the expiry of the period, the borrower will repay it with excesses. Ahmad Qudamah Al Moddasi mentioned that Riba is an unjustified increment in borrowing on lending money, paid in kind or money above the amount of the loan, as a condition imposed by the lender or voluntarily by the borrower. Also, Riba refers to a loan with the condition that the borrower will return to the lender more than the quantity borrowed (Shah wali Allah Dihlawi)

### **2- The major types of Riba**

The term Riba is used in the Islamic shariah in two senses. The first is Riba al-naseeh and the second is Riba al- fadle.

(E) **Riba Al-nasee'ah:** This category is commonly referred to as compound interest. It means the increase of a commodity due to the mere passage of time. This type is considered the most harmful and unethical of all forms of Riba. It is in the sense that the term Riba has been used in the Quranic verse which states that « **God has allowed trade and forbidden Riba** » (2-275).

(F) **Riba al Fadl:** Here the increase is independent of postponement or maturity of the debt. It happens when two same things are exchanged unequally. For example, a kilo of wheat is exchanged for 1.5 kilos.

The Holy Qur'an had prohibited the Riba of Jahiliyya or Riba an Nasiah with all their forms already mentioned above. All these forms related to the transactions of a loan or a debt created by sale etc. However, after the revelations of these verses, the Holy Prophet (PBUH), prohibited some other transactions as well, which were not known previously as Riba. The Holy Prophet (PBUH) felt that, given the commercial atmosphere at that time, certain barter transactions might lead the people to indulge in Riba. The Arabs used certain commodities like wheat, barley, dates, etc., as a medium of exchange to purchase other things. The Holy Prophet (PBUH) treating these commodities as a medium of exchange like money issued the following injunction: "**Gold for gold, silver for silver, wheat for wheat, barley for barley, a date for date, salt for salt, must be equal on both**

**sides and hand to hand. Whoever pays more or demands more (on either side) indulges in Riba."**

### 3- Riba's Prohibition in Islam

#### A- In the Holy Qur'an

The word Riba has mentioned on several occasions, basically, the prohibition of Riba revealed in four stages, which are the following:

1. Surah Ar-Rum: "And whatever Riba you give so that it may increase in the wealth of the people, it does not increase with Allah." [Ar-Rum 30:39]

First, this verse is a part of Surah Ar-Rum, which was undisputedly revealed in Makkah. This verse is not prohibitive. It simply says that the Riba does not increase with Allah i.e. it carries no reward in the Hereafter.

Many commentators of the Holy Qur'an think that the word Riba in this verse does not refer to usury or interest. Ibn Jarir Al-Tabari (D310 AH) the most famous exegete of the Holy Qur'an reports from Ibn Abbas, Radi-Allahu anhu, and several Tabi'in like Saeed Ibn Jubair, Mujahid, Tawoos, Qatadah, Zahhak, and Ibrahim Al-Nakha'i- that the word Riba in this verse means a gift offered by someone to a person with the intention that the latter will give him in return a greater gift.

However, some commentators of the Holy Qur'an have taken this word to mean usury. This view has attributed to Hasan Al-Basri as reported by Ibn Al-Jawzi. If the word Riba used in this verse has taken to mean usury according to this view, which seems more probable, because the word of "Riba" used in other places carries the same meaning, there is no specific prohibition against it in the verse.

The most have emphasized Riba does not carry a reward from Allah in the Hereafter. Therefore, this verse does not contain a prohibition against Riba. However, it may be taken as a subtle indication of the fact that Allah does not favor the practice.

2. Surah An-Nisaa: "And because of their charging Riba while they were prohibited from it." [An-Nisaa 4:161]

The second verse is of Surah al-Nisaa where, while listing the evil deeds of Jews. It has mentioned that they used to take Riba, which has prohibited for them. The exact time of this verse is very difficult to ascertain. The commentators are mostly silent on this point, but the context in which the verse has revealed suggests that it would have revealed before the 4th year of Hijra. Verse 153 of the Surah Al-Nisaa is as follows: "**The People of the Book ask you to bring down upon them a Book from heaven.**" [An-Nisaa 4:153]

This verse implies that all the forthcoming verses were revealed in answer to the argumentation of the Jews who came to the Holy Prophet, Sall-Allahu Alayhi wa sallam, and asked him to bring down a Book from the heavens like the one given to the Prophet Musa (Moses), alayhi salam. It means that this series of verses were

revealed at a time when Jews were abundantly present in Madina and were in a position to argue with the Holy Prophet, Sall-Allahu alayhi wa sallam. Since most of the Jews had left Madinah after 4th year from Hijra. This verse seems to have been revealed before that.

Here the word Riba undoubtedly refers to usury because it has prohibited for the Jews. This prohibition is still contained in the Old Testament of the Bible. However, it cannot be taken as a direct and explicit prohibition of Riba for the Muslims. It simply mentions that Riba was prohibited for the Jews but they did not comply with the prohibition in their practical lives. The inference, though, would be that it was a sinful act for the Muslims also, otherwise, they had no occasion to blame the Jews for the practice.

3. Surah Al-i-'Imran: "O those who believe, do not eat up Riba doubled and redoubled." [Al-i-'Imran 3:130]

The third verse is of Surah Al-i-'Imran which is estimated to have been revealed sometime in the 2nd year after Hijra because the context of the preceding and succeeding verses refers to the battle of Uhud which took place in the 2nd year after Hijra.

This verse contains a clear prohibition for the Muslims and it can safely be said that it is the first verse of the Holy Qur'an through which the practice of Riba was forbidden for the Muslims in express terms. That is why Hafidh Ibn Hajar Al-Asqalani, the most famous commentator of Sahih Al-Bukhari, has opined that the prohibition of Riba has declared sometime around the battle of Uhud.

Some commentators have also pointed out the reason why this verse was revealed in the context of the battle of Uhud. They say that the invaders of Makkah had financed their army by taking usurious loans and had arranged many arms against Muslims. It was apprehended that it might induce the Muslims to arrange for arms on the same pattern by taking usurious loans from the people. To prevent them from this approach the verse was revealed containing a clear-cut prohibition of Riba.

4. Surah Al-Baqarah: "Those who take interest will not stand but as stands whom the demon has driven crazy by his touch. That is because they have said: 'Trading is but like Riba'. And Allah has permitted trading and prohibited Riba. So, whoever receives advice from his Lord and stops, he is allowed what has passed, and his matter is up to Allah. And the ones who revert, those are the people of Fire. There they remain forever. »

The fourth set of verses is contained in Surah Al-Baqarah where the severity of the prohibition of Riba has been elaborated in detail.

The background of the revelation of these verses is that after the conquest of Makkah, the Holy Prophet, Sall-Allahu alayhi wa sallam, had declared as void all the amounts of Riba that were due at that time. The declaration embodied that nobody could claim any interest on any loan advanced by him.

Then the Holy Prophet, Sall-Allahu Alayhi wa sallam, proceeded to Taif which could not be conquered, but later on, the inhabitants of Taif who belonged mostly to the tribe of Thaqif came to him and after embracing Islam surrendered to the Holy Prophet, Sall-Allahu alayhi wa sallam, and entered into a treaty with him.

One of the proposed clauses of the treaty was that Banu Thaqif will not forego the amounts of interest due to their debtors but their creditors will forego the amount of interest. The Holy Prophet, Sall-Allahu alayhi wa sallam, instead of signing that treaty simply wrote a sentence on the proposed draft that Banu Thaqif will have the same rights as the Muslims have.

Banu Thaqif having the impression that their proposed treaty was accepted by the Holy Prophet, Sall-Allahu alayhi wa sallam, claimed the amount of interest from Banu Amr Ibn-al-Mughirah, but they declined to pay interest on the ground that Riba was prohibited after Islam.

The matter was placed before Attaab ibn Aseed, Radi-Allahu anhu, the governor of Makkah. Banu Thaqif argued that according to the treaty they are not bound to forego the amounts of interest. Attaab ibn Aseed, Radi-Allahu anhu, placed the matter before the Holy Prophet, Sall-Allahu alayhi wa sallam, on which the following verses of Surah Al-Baqarah were revealed: **“O those who believe fear Allah and give up what remains of the riba if you are believers. But if you do not, then listen to the declaration of war from Allah and His Messenger. And if you repent, yours is your principal. Neither you wrong nor be wronged.” [Al-Baqarah 2:278-279]**

At that point of time, Banu Thaqif surrendered and said we have no power to wage war against Allah and His Messenger

#### A- In the Sunnah:

1. From Jabir: The Prophet, may curse the receiver and the payer of interest, the one who records it and the two witnesses to the transaction and said: "They are all alike [in guilt]." (Muslim, Kitab al-Musaqat, Bab la'ni akili al-Riba wa mu'kilihi, also in Tirmidhi and Musnad Ahmad)
2. Jabir ibn 'Abdallah, reporting on the Prophet's Farewell Pilgrimage, said: The Prophet addressed the people and said, "All of the riba of Jahiliyyah is annulled. The first Riba that I annul is our Riba, that accruing to 'Abbas ibn 'Abd al-Muttalib [the Prophet's uncle], it is being canceled completely." (Muslim, Kitab al-Hajj, Bab Hajjati al-Nabi, may also in Musnad Ahmad)
3. From 'Abdallah ibn Hanzalah: The Prophet, said: "A dirham of Riba which a man receives knowingly is worse than committing adultery thirty-six times" (Mishkat al-Masabih, Kitab al-Buyu', Bab alRiba, on the authority of Ahmad and Daraqutni).
4. From Abu Hurayrah: The Prophet said: "On the night of Ascension I came upon people whose stomachs were like houses with snakes visible from the outside. I asked Gabriel who they were. He replied that they were people who had received

- interest." (Ibn Majah, Kitab al-Tijarat, Bab al-taghlizi fi al-Riba, also in Musnad Ahmad)
5. From Abu Hurayrah: The Prophet, said: "Riba has seventy segments, the least serious being equivalent to a man committing adultery with his mother." (Ibn Majah)
  6. From Abu Hurayrah: The Prophet, said: "There will certainly come a time for mankind when everyone will take Riba and if he does not do so, its dust will reach him." (Abu Dawud, Kitab al-Buyu', Bab fi ijtinabi al-shubuhah, also in Ibn Majah)
  7. From Abu Hurayrah: The Prophet, said: "God would be justified in not allowing four persons to enter paradise or to taste its blessings: he who drinks habitually, he who takes Riba, he who usurps an orphan's property without right, and he who is undutiful to his parents." (Mustadrak al-Hakim, Kitab al-Buyu')

## II-The impact of Riba on human life

There is no doubt that Riba has several effects on the behavior of individuals, society, and the economy.

### A- The impact of usury on social life

Riba has many social damages, including:

8. Usury has moral and spiritual damages. The one who deals with Riba always self-indulgent, short chested, heartless, and bondage of money, and clinging to the material and so on
9. The society that deals with usury are a disintegrated society. Their members do not help each other. The rich classes are hostile to the destitute classes. It cannot last for this society happiness, nor security, but must remain parts of the disintegration, and the dispersion at all times, where Riba sowing the signs of hatred and hostility, and this is what we see today between the parties Riba, both at the personal level or at the social one.
10. Riba affects the aspects of the social life of what is happening between people, in different forms, these loans are harmful to the society in terms of loss and misery for the duration of their lives, whether they loan for trade, industry or poor governments from rich countries. This is only due to the failure to follow the Islamic approach, which calls for all good and orders compassion for the poor and needy.
11. Riba kills the feelings of compassion in humanity because the mooring does not hesitate to strip the debtor of all his money when he can.

### B- Usury's impacts on economic growth

#### 1- Riba deflects money from its basic functions:

It is obvious that the main role of money is a medium of exchange and measure of value. Money has created for buying and selling of other goods not buying and selling of money itself.

The biggest downfall of the interest-based system is that it treats money as a commodity, which can be profited from its right. Islam fundamentally disagrees with this presumption and treats money purely as a medium of exchange, which in its own right cannot generate a profit.

### 2- The Riba based-system may result in exploitation

If we look at the relationship between borrowers, we can see clearly, exploitation causes the amount payable on interest based on loans doubles and redoubles after specific periods and this geometric multiplication continues, thus, leads to rich richer and poor poorer.

The core of Islam is justice dividing money and wealth with all people, not making money at fewer hands.

### 3- Inflation is co-related with Riba

An increase in the rate of inflation reduces the real interest, which decreases in demand for money. Money supplier, to ensure that the real interest does not fall, raises the nominal interest rate. This act will increase the inflation rate. Thus, the rate of inflation rises as the rate of interest rises. This process ultimately results in a decrease in money demand due to an increase in interest rates.

### **Conclusion:**

We can conclude, the Riba is forbidden because it can bring harmful effects to the economic and social. The first effect of Riba in economic is injustice towards debtors because they have to pay an extra amount of interest to the capital owner. The misallocation of resources in the economy is also one of the effects. Besides that, Riba can give a bad impact on economic for example inappropriate in economic growth. This is because the capital owner will get the interest from the borrower continuously until the end of the debt settlement period. Besides that, Riba also will bring chaos and crisis to the economy for example inflation and unemployment will increase because of Riba. Another effect is investment activities become passive because money works as growth and development eliminator. The social effect of Riba is dividing people into classes like an upper, middle and lower class.

This generates envy and hatred among the poor toward the rich, resulting in social disorders, conflicts and at times breeds revolutions & movements.

Riba also will create a wide gap between the rich and the poor. This happened because the rich will gain profit through the extra amount of interest in the debt. It also will affect the psychology, for example, It will create lazy capital owner because they gain profit without any effort and Riba also will create another bad attitude like materialism, selfishness, arrogance and inhumane. The society also will become greedy because people only think to earn more money and forget about religious and family obligations.

**References:**

- Ahmad, S.A. (1958) Economics of Islam (A Comparative Study), Lahore, India: Sh. Muhammad Ashraf.
- Imran. Hosein, The prohibition of Riba in the Qur'an and sunnah, first published, 1997, Massjed deki al Qur'an.
- Mehboob ul Hassan, an explanation of the rationale behind the prohibition of Riba in the doctrines of three major religious with special reference to Islam
- Muritala.k. Kareem, on the meaning of Riba (interest) and its effect on the Nigerian economy, HTS theologies studies/ theological studies.published.2017.
- Umer chap, The nature of Riba in Islam, The journal of Islamic economics and finance( Bangladesh) vol 2, no, 1, January-June 2006.
- ZahidZamir.Prohibition of Interest (Riba) in Islam: The Social, Moral And Economic Rationale (Part I). Retrieved On 15th November 2013.