

## **The *Riba*-Interest Equivalence: Is there an *Ijma* (consensus)?**

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"There is nothing prohibited except that which God prohibits ...  
To declare something permitted prohibited is like declaring something prohibited permitted."

Ibn Qayyim<sup>1</sup>

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### **I. Introduction**

Islamic economics developed as part of the revivalist movements seeking to bring about Islamic society, where an Islamic economy would be in lieu of other systems of economy, including capitalism and socialism. As a vibrant civilization that spanned near a millennium, Islam always had to deal with issues, laws, policies and institutions pertaining to economy and finance. The western colonial rules over the Islamic world ultimately gave rise to Islamic revivalism: movements that took inspiration from the Qur'an and the life of the Prophet and wanted to chart a new, forward-looking course for the Islamic world. Islamic banking and finance movement (IBF hereafter) emerged as part of a broader revivalist ethos that was to be in response to the western civilization, including its economic system with colonial and imperialist tendencies.



The contemporary Muslim is groping to perform the uphill task of establishing a new social order based on the ideals and values of Islam and capable of leading Muslims through the rough waters of the modern age. ... The emerging discipline of Islamic economics is one tiny but radiant element in this creative enterprise. [Naqvi, p. 10]

Throughout the anti-colonial struggle, the Muslim world went through a serious identity crisis and it was groping for new vision, ideas and direction, anything with "Islamic" label struck the chord of Muslims around the world. Naturally, economics with an Islamic identity - Islamic economics - came to limelight, an offshoot of which is the Islamic banking and finance movement. With one humble initiative in 1960s, which did not survive, within 3-4 decades, Islamic financial institutions (IFI hereafter) have now come mainstream. Almost all the Muslim-majority countries have some kind of IFI. Global financial powerhouses, such as HSBC, Citibank, BNP Paribas, Standard Chartered, now are vying for its share of the burgeoning Islamic financial market. Harvard University has an Islamic Finance Project.<sup>2</sup> Dow Jones has a Islamic market family of indexes.<sup>3</sup> By all accounts, there is a growing demand for services provided by the IFIs.



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<sup>1</sup> Quoted in Abdulkader Thomas (ed.) Interest in Islamic Economics: Understanding Riba [Routledge, 2006, p. 63]

<sup>2</sup> Harvard Islamic Finance Project, <http://ifpprogram.com/>.

The crux of Islamic banking is freedom from *Riba*, which is commonly equated with interest (the fee charged by a lender to a borrower for the use of borrowed money).



One body of scholarly opinion defines *riba* to include not only interest but also transactions involving speculation and capital gains, monopoly, hoarding, and absentee rents, in other words, any appropriation of value for which an acceptable counter-value is not forthcoming. ... The reader can easily read through and conceptualize the implications of using more and more restrictive definitions, in the limit (to borrow mathematical term) equating *riba* simply with interest" [Khan, 1987, pp. 1, 3]<sup>4</sup>

The relevance and Islamicity of Islamic banking movement, away from conventional banking based on interest, rests on the claimed prohibition of interest in Islam. *Riba*, of course, is categorically and indisputably prohibited in the Qur'an.

Those who devour *riba* 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 *riba*," but Allah has permitted trade and forbidden *riba*. 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 offence) are companions of the Fire: They will abide therein (for ever).

Allah will deprive *riba* of all blessing, but will give increase for deeds of charity: For He loves not creatures ungrateful and wicked. [2/al-Baqarah/275-276]

O ye who believe! Devour not *riba*, doubled and multiplied; but fear Allah. that ye may (really) prosper. [3/Ale Imran/130]

Therefore, there is absolutely no controversy regarding *riba* - or at least, some types of *riba* - being prohibited. Since the scope of this paper does not require to provide detailed explanation of each pertinent Islamic term, it would suffice to point out here that gradually *riba* was categorized as either *riba al-nasia* (related to deferment of payments) and *riba al-fadl* (related to exchange of commodities, especially barter), and the latter was added primarily on the basis of Hadiths (prophetic narrations). Later the scope of *riba* in Islamic jurisprudence was extended in modern times to include all forms of interest (high or low rate, nominal or real, simple or compound, etc.) and *riba al-fadl*, based on *qiyas* (analogical deductions), was extended to more than six commodities. [Farooq, 2009] However, according to Ibn Abbas, one of the leading companions of the Prophet and earliest of the Islamic jurists, and few other companions (Usama ibn Zayd, 'Abdullah ibn Mas'ud, Urwa ibn Zubayr, Zayd ibn Arqam) "considered that the only unlawful *riba* is *riba al-jahiliyyah*" [i.e., a form *riba an-nasia*] [Saleh, p. 27] Of course, the prevailing, orthodox position is contrary to this observation.

However, what is *riba* and its scope, and are interest and *riba* completely equivalent or convergent? Another word, is interest, especially bank interest, *Riba*? Equating *Riba* with interest in general, the traditional Islamic literature, representing the Equivalence School [Ahmed, p. 28], refers to these two things interchangeably. As such, in explaining the rationale for prohibition of *Riba*, Islamic literature deals with the rationale for prohibition of interest, assuming that the two are completely equivalent.

The advocates of Islamic banking and finance movement routinely claim unanimity or consensus [*ijma*] about the *riba*-interest equation. In this essay, we examine the veracity and validity of such claim of consensus (*ijma*). Another word, the subject matter of this essay is not whether interest is *haram* or not, but whether there is any *ijma* about *riba*-interest equation.

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<sup>3</sup> Dow Jones Islamic Market Indices, <https://us.spindices.com/indices/equity/dow-jones-islamic-market-world-index>.

<sup>4</sup> For similar articulations, see also, Saleh, pp. 47-48

## The Claim of *Ijma* about Riba-Interest Equivalence

The issue whether interest is *Riba* is important not merely as a scholarly discourse or polemics, but it is also vitally important for Muslims, who want to abide by the guidance of Islam as entailed in the Qur'an and Sunnah. Furthermore, they also want to be convinced that nothing prohibited (*haram*) is made permissible (*halal*) and nothing *halal* is made *haram*. Among the contemporary educated Muslims, there is significant confusion and ambivalence about this issue of interest. The Islamic literature that equates interest with *riba* is voluminous and overwhelming, and reading such literature one may come across the claim of consensus (*ijma'*) about this issue. Indeed, there is a tendency to even claim that the debate has already ended or there is no further room for debate or dispute. Below are some samplers.

... the general **consensus** among Muslim scholars clearly is that there is no difference between *riba* and interest. [Mohammed Ariff, "Islamic Banking," [http://www.islamicity.com/finance/IslamicBanking\\_Rationale.htm](http://www.islamicity.com/finance/IslamicBanking_Rationale.htm)]

The Shariah disallows *Riba* and there is now a general **consensus** among Muslim economists that *Riba* is not restricted to usury but encompasses interest as well. [Chiara Segrado, "Islamic microfinance and socially responsible investment," August 2005, [https://www.academia.edu/1844720/Case\\_study\\_Islamic\\_microfinance\\_and\\_socially\\_responsible\\_investments](https://www.academia.edu/1844720/Case_study_Islamic_microfinance_and_socially_responsible_investments)]

The renowned Islamic scholar Dr. Yusuf Al-Qaradawi holds that the question of prohibition of interest is a settled issue and that 'there is no provision left in it for any reformist to re-interpret and provide any excuse for stating anything otherwise'. He states that it is 'an issue which has withstood the test of **consensus** (*Ijma*) of ummah of the present day as well as of the past'. [Syed Thanvir Ahmed. "Attempt to Justify Interest an Exercise in futility," <http://www.islamicvoice.com/april.99/economy.htm>]

The consensus of Islamic jurists, *fuqaha'*, as well as specialists in Islamic Economics has been that interest is equivalent to what is termed in the *Shariah* as *riba*, which is strongly condemned. [Mabid Ali Al-Jarhi and Munawar Iqbal. "Islamic Banking: Answers to Some Frequently Asked Questions," Islamic Development Bank, Occasional Paper No. 4, 2001. [http://ieaoi.ir/files/site1/pages/ketab/english\\_book/92.pdf](http://ieaoi.ir/files/site1/pages/ketab/english_book/92.pdf)]

All the school of thought of Muslim jurisprudence hold the **unanimous** view that *riba*, usury and interest are strictly prohibited. [Siddiqui, p. 15]

The equivalence of *riba* to interest has always been **unanimously** recognized in Muslim history by all schools of thought. In conformity with this consensus the Islamic Fiqh Academy of the Organization of the Islamic Conference (OIC) has recently issued a verdict in its Resolution No. 10(10/2) upholding the historical consensus on the prohibition of interest. [Iqbal and Molyneux, p. 9; IFC/2000]

*Riba* (usury), call it bank-interest if you like, is prohibited by the texts of the Qur'an and the Sunnah. This was the conclusion drawn **unanimously** by the Muslim jurists (*fuqaha*). [Nyazee, p. 1]

... a scholarly consensus was established by the scholars of the Followers (*tabi'in*) on the impermissibility of both types of *riba*, any debate thereby being ended. [Zuhayli in Abdulkader Thomas, p. 29]

The prohibition of *riba al-nasia* essentially implies that fixing in advance a positive return on a loan as a reward for waiting is not permitted by the *Shariah*. In this sense, *riba* has the same meaning and import as the contemporary concept of interest in accordance with the consensus of all *fuqaha'* (jurists). It makes no difference whether the loan is for consumption or business purposes, and whether the loan is given (or taken) by a commercial bank,

government, corporation, or an individual. Similarly, it makes no difference whether the return is a fixed or a variable percentage of the principal, or an absolute amount to be paid in advance or on maturity, or received in the form of a gift or prize or a service if stipulated as a condition (or expected as a custom) in the loan contract or an extension in its maturity. [Jarhi and Iqbal, p. 11; emphasis is mine]

The Islamic discourse pertaining to economics and finance is replete with such pious and absolutist statements. However, the reality is anything but. It has been a common practice among Muslim scholars and jurists to be quite liberal in claiming consensus (*ijma*). A concept of consensus or unanimous agreement can be viewed only at a factual level, whether such a consensus exists or has existed or not. However, the Islamic concept of *ijma* has special significance. The very use of the word *ijma* inspires awe among the believing and Islam-abiding faithfuls, because based on the principles (*usul*) of Islamic jurisprudence, the concept of *ijma* carries the notion of religious infallibility and, thus, binding upon Muslims. To go against an *ijma* may provoke religious renunciation by the orthodoxy.

### ***Ijma* (consensus) in Islamic juristic discourse**

While a detailed exposition of the concept of *ijma* is neither the focus of this paper, nor is it possible within its scope here, whether there is consensus about the Riba-Interest equation, which would necessarily imply that interest is prohibited in Islam, requires some basic understanding about *ijma*. Ordinary Muslims can easily misunderstand the pertinent issues and may be easily misled, on one hand, and other pious authors (and even experts) can misrepresent such issues, if the reality of the nature and the problems associated with the concept of *ijma* is not recognized and nailed right from the start. For a thorough exposition of the doctrine of *ijma*, the readers are encouraged to read the chapter "The Doctrine of *Ijma*: Is there any Consensus?" in my book *Toward Our Reformation: From Legalism to Value-oriented Islamic Law and Jurisprudence*, International Institute of Islamic Thought, 2011.

It is commonly claimed and asserted that Islamic Shariah (or Islamic Fiqh, law, jurisprudence) is based on four foundation sources: the Qur'an, the Sunnah, *ijma* (consensus) and Qiyas (analogical reasoning in keeping with the other three sources). There is no consensus about what is meant by Shariah and whether to use Shariah and Fiqh interchangeably. To appreciate the extent of the confusion about this, please see the chapter "Shariah, Law and Islam: Legalism vs. Value-orientation" [Farooq, 2010]. The first two sources, the Qur'an and Sunnah (Hadith), are regarded as the primary sources and the other two, *ijma* and *qiyas* as secondary or derivative sources.

As far as *ijma* is concerned, one encounters the problem with the doctrine right at the start. There is no *ijma* (consensus) about the definition of *ijma*. Some define it as the consensus of the Companions of the Prophet. Others define it as the consensus of the scholars. Still, others define it as the consensus of the entire Muslim Ummah. While some consider consensus by active participation, others consider silence of any dissenting voice acceptable. While some consider consensus to be binding upon the contemporary generation, while others hold that once an *ijma* has been achieved, it is inviolable and binding, because the doctrine of *ijma* carries the notion of infallibility.

By the 3rd-4th century AH, several orthodox schools (*madhahib*) emerged, with each school having broad agreement within itself. However, the existence of multiple schools of jurisprudence (*Fiqh*) is not an evidence of, but lack of, consensus. How about consensus within a particular school? Readers should verify this matter with their due diligence. Going through *Hedaya* (translated by Charles Hamilton, Darul Ishaat, Karachi, 1989), one of the leading texts of Hanafi *Fiqh*, one can almost randomly pick a topic and see if even the three elders of Hanafi Fiqh (Imam Abu Hanifah, and his two disciples, Imam Abu Yusuf and Imam Muhammad) could agree on most of the issues covered in the book. For a detailed, itemized presentation from *Hedaya*, see "[Hedaya: How much agreement or disagreement?](#)". The reality is that, regardless of the definition selected - consensus of the Companions, of the scholars, or of the entire Ummah - there aren't really a whole lot of topics or issues on which there is *ijma*.

That's not to suggest or assert that *ijma* has not played some vital role in the history of Islam or that it doesn't have any validity or relevance at all. Rather, it is to help drive the point home that Muslims neither need nor should claim divine sanctity of a concept that simply doesn't have such agreed upon sanctity. Furthermore, as explained in the chapter on *ijma* [Farooq, 2010], there is hardly anything, except a few broad and basic matters, on which there is *ijma* or consensus. Thus, Muslims need to be circumspect in accepting any claim about having *ijma* on something. Indeed, it is reported that Imam Ahmad ibn Hanbal, founder of one of the four orthodox schools (*madhab*) made a cautionary assertion: "Whoever claims consensus is a liar."<sup>5</sup>

That interest is *riba* is the prevailing, orthodox position. However, any claim about *ijma* (consensus) in general and about *riba*-Interest equivalence in particular should be treated with a great deal of circumspection. This is especially so because even the orthodox position has not been able to articulate any workable and agreed upon definition of *riba*.

This may come as surprise to many, but as one of the prominent, contemporary Pakistani jurists/scholars of orthodox persuasion writes:

Despite the frantic activity in Islamic banking and finance, and despite the general agreement about the prohibition of *riba*, there is no agreement among the Muslims about the exact meaning of *riba*. The Supreme Court of Pakistan, for example, issued a questionnaire in 1992 in which the question on the top was: What is the meaning of *riba*?

One would have expected the Islamic Fiqh Academy of the OIC, or some other religious body, to have formulated a definition for the guidance of the Muslims in general and the guidance of the Muslim investors in particular. Though the rulings of the Academy is not binding on anyone and are mere suggestions, the definition could have been refined through debate and discussion, for the benefit of all, to suit modern transactions. A clear statement on the meaning of *riba*, in the form of definition, would be very helpful even for the banks, especially western banks. **Unfortunately, no such definition has been framed.** (emphasis added). [Nyazee, 2000, p. 2]

Nyazee further explains:

This may sound like an exaggeration, but it is not. There are many scholars today who maintain today that *riba* is not what we call interest in modern terminology. The majority of modern scholars, however, maintain that interest is *riba* and is prohibited. Even these scholars are not completely certain as to what transactions are covered by *riba*. This uncertainty has arisen due to the vagueness about *riba* and its rules. [ibid.]

Just as the voice of advocacy for Islamic banking and finance is becoming overwhelming, there are also voices that have been in the past or are still unconvinced about or even challenging the relevance and general Islamicity of these institutions and their operations. Despite the availability of fatwas (religious edicts) from the truly few *Shariah* experts, the literature on Islamic economics and finance so far has been unconvincing and also unsuccessful in removing doubts about the alleged equation between interest and *Riba*.<sup>6</sup> On the other hand, those who have argued against this equation, the Non-Equivalence School [Ahmed, p. 28], have not been either heard enough or

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<sup>5</sup> Quoting Ibn al-Qayyim. *I'lam al-Muwaqqi'in*, pt. 2, p. 179. [http://www.iium.edu.my/deed/lawbase/maliki\\_fiqh/usul5.html](http://www.iium.edu.my/deed/lawbase/maliki_fiqh/usul5.html).

<sup>6</sup> Of course, this might be the only area of Islamic *Fiqh* or law that has hundreds of billions of dollar at stake. Also, many *Shariah* experts can amass serious worldly riches. See Owen Matthews, "[How the West Came To Run Islamic Banks](#)," Newsweek [October 31, 2005] While the evolved orthodox position about *riba* was not necessarily tainted by worldly considerations, the contemporary IBF discourse does note "the debate on 'fatwas for sale' ... 'fatwa wars'", etc. [Warde, p. 227] It is important to note that the classical orthodox position revolved around *riba* and the modern, contemporary discourse revolves around not merely *riba*, but *riba*-interest equation. The contemporary *Shariah* experts serving the IBF industry hardly have anything to say about the political tyranny, or concentration of wealth, involving the patrons of the IBF movement.

convincing enough in easily understandable terms so that the common Muslims can make up their own mind. Thus, this discourse needs to continue more vigorously.

In this essay, the focus is not on whether interest is *riba*, a topic which often gets bogged down in Islamic legalistic and scriptural sources. Rather, the focus is on whether there is an *ijma* (consensus) regarding the *riba*-interest equation. Throughout history there have been people who have taken positions at variance with the orthodoxy or the claimed orthodoxy.

### Variant positions regarding Riba-Interest Equivalence

● It is important to note that hardly anyone included in the following presentation categorically regarded/regards (or whose specific view could be used to deduce that) interest in general as permissible. Rather, these positions are identified as critical of or at variance with a blanket, literal or simplistic equation between *riba* and interest.

**Companion: Ibn Abbas** [d. 687 AH]

"Abdullah Ibn Abbas was a cousin of the Prophet and was born two years before the Hijra (622 A.D.). He is better known for his vast knowledge of Tradition than for the controversial political role he played after the Prophet's death.

Ibn Abbas, as he is habitually called, as well as some of the Prophet's companions (Usama Ibn Zayd, Abdullah Ibn Mas'ud, Urwa Ibn Zubayr, Zayd Ibn Arqam and leading Meccan scholars) considered that the only unlawful *riba* is *riba al-jahiliyyah* (pre-Islamic *riba*) manifested, ... by the lender asking the borrower at maturity date: "Will you settle the debt or increase it?" Increase normally occurred by charging interest accrued on the interest already accounted by the time the loan agreement was concluded. On the contrary, *riba al-nasiah* and *riba al-fadl*, both provided for in the famous hadith in relation to the six articles, gold, silver, wheat, barley, dates and salt, are lawful.

This liberal interpretation of *riba* relies on a hadith that Ibn Abbas has himself reported and which, in his opinion, has superseded the previous one. This last hadith on *riba*, the authenticity of which is not generally decided but which is interpreted in conflicting ways, say in substance: "No *riba* except in the *nasiah* (*nasiah* here is understood as being the pre-Islamic *riba*). The opponents of Ibn Abbas' interpretation of this hadith see it as putting more emphasis on *riba al-nasi'a* and not as superseding the previous hadith." [Saleh, pp. 26-27]

To better appreciate the position of Ibn Abbas, it is important to understand that if Ibn Abbas' position has been authentically reported, and we have no reason to believe that it is any less authentic than other hadiths or narrations about *riba*, then the blanket *Riba*-Interest equation becomes untenable. This hadith is available in Sahih al-Bukhari, Kitab al-Buyu, #2178. According to the position of Ibn Abbas, as reported in this hadith, there is no *Riba* except in transactions involving deferred payments. Thus, *riba al-Fadl*, another form of *riba* is denied by this position of Ibn Abbas. The Equivalence School, representing the orthodoxy, argues that interest or "unjustified excess" in ALL forms is prohibited. Such a sweeping position is contradicted by the position of Ibn Abbas. Essentially, what Ibn Abbas' narration amounts to is that only *riba al-jahiliyyah* is unlawful *riba* from Islamic viewpoint. [Saleh, p. 27]

If only *riba al-jahiliyyah* is regarded as prohibited, then in case of inability of the borrower in paying the debt in full, if the principal increases or multiplies in an exploitative environment, only such accretion would be prohibited. Another word, a blanket prohibition on interest can't be deduced from a prohibition of *riba al-jahiliyyah*, also known as the prohibited *riba* in the Qur'an.. That's why the position of Ibn Abbas and other companions of the Prophet who did not regard *riba al-fadl* as prohibited is so important, because a broadened prohibition of *riba*, which claims to include all interests or stipulated excess, has been established via *riba al-fadl*. As Nyazee reflects:



The definitions given by early jurists are not considered suitable for modern transactions by many scholars today. In fact, such definitions are restricted by most scholars to the realm of what they understand to be *riba al-fadl*. [Nyazee, 2000, p. 2, fn.#7]

Given the existing vagueness about the definition and understanding of *riba*, the position of Ibn Abbas about rejecting *riba al-fadl* as covered by the prohibition, one of the closest companions of the Prophet and one of the earliest jurists, is a thorn in the eyes of the orthodox position. Thus, there is a tendency to summarily dismiss it by claiming that later he changed his position, or by arguing that he was merely emphasizing the existence of *riba* in transactions involving deferred payments. Among others, Fazlur Rahman has discussed the position of Ibn Abbas in great detail in his article "Riba and Interest" [Rahman 1964], and exposed the fallacy of those who try to explain away the variant position of Ibn Abbas. Also see Farooq, 2007a.

#### **Companion: Usama Ibn Zayd**

In regard to the same hadith of Ibn Abbas, as reported above, Usama, another companion of the Prophet, is also indicated to have the same view. Further discussion about this is available in an article by Dr. Raquib uz Zaman, "Monetary and Fiscal Policies of an Islamic State: The Claims Versus The Reality" [Zaman, 1988] The implication of this view is same as discussed above for Ibn Abbas' view. [See Abdullah Saeed, p. 30]

#### **Companion: Zayd bin Arqam**

"The *riba* which is prohibited by the Qur'an is called *Riba al Duyun*, *Riba al-Jahili*, or *Riba al-Nasiah*. Some of the followers of the Prophet consider it as the only type of *riba* which is prohibited in Islam. They depend on the saying related to Ibn Abbas after Usamah ibn Zaid which reads to the effect: 'There is no *riba* except al-Nasiah.' [Saleh, op. cit.]

This argument also reflects the view of Zaid bin Arqam, Bara bin Azib, and Ibn al-Zubayr, among the companions of the Prophet." [Dr. Engku Rabiah Adawiya Engku Ali, "[Riba and its prohibition in Islam](#)," International Islamic University Malaysia].

The implication of this view is the same as discussed above for Ibn Abbas' view. Also, see Saleh, pp. 26-27.

#### **Companion: Bara bin Azib**

He is reported to have the same view about *riba* as the companions mentioned above. [Saleh, pp. 26-27; Engku Ali]

#### **Companion: Urwa Ibn al-Zubayr**

He is also reported to have the same view about *riba* as the companions mentioned above. [Saleh, pp. 26-27; Engku Ali]

#### **Companion: Abdullah Ibn Masud**

He is also reported to have the same view about *riba* as the companions mentioned above. [Saleh, pp. 26-27]

#### **Dawud Ibn Ali [d. 270 AH]**

Dawud Ibn Ali is more known as the founder of Zahirism. In an article presented by Dr. Omar Farrukh, "[Zahirism](#)," the views of al-Zahiri about *Riba* are explained in detail.

"The Question of Usury (Riba): Usury is forbidden in Islam. [30]

But a difficulty arose from a tradition concerning it. It is related that the Prophet Muhammad said: "(You may barter) gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt, only in equivalent quantities and on the spot. In all other commodities you may deal as you like, provided (the barter is transacted) on the spot." [31] Early Muslim jurists concluded from this tradition that a quantity of any commodity should not be bartered for a larger quantity of the same commodity; otherwise, the surplus taken would be usury (*riba*). But if, for instance, a quantity of wrought gold was bartered for a larger quantity of unwrought gold, the surplus would be a gain or, better, a wage for craftsmanship. Furthermore, they considered the six commodities named by the Prophet to be examples only; thus bartering copper, coffee, leather, apples, or wool for a larger quantity of these commodities respectively is also regarded 'by analogy' as a form of usury. Dawud ibn `Ali, on the other hand, believed that the Prophet Muhammad had named these commodities on purpose. Had he intended to prolong the list, nothing would have prevented him from doing so. Accordingly, if a man bartered a quantity, say of iron, maize, apples, or pepper for a larger quantity of the same commodity, the surplus would not be usury but gain. [Farrukh, undated]

According to al-Zahiri, in *Riba al-Fadl* (in-kind exchanges), forbidden *riba* applies only to the six commodities specified by the Prophet in a hadith.<sup>7</sup> As Zahirism rejects *qiyas* (analogical reasoning), this school rejects any extension of *riba* to other commodities, which contradicts the IBF Movement's position of broadly prohibiting all forms of "excesses" (*riba*), including interest. Dawud al-Zahiri was very controversial and many orthodox scholars were highly critical of him. However, subsequently, Imam Ibn Hazm also embraced Zahirism and became even a more important icon of the school, surpassing al-Zahiri. Ibn Hazm also took the same position as that of al-Zahiri. Another word, the scope of prohibition according to Zahirism is much more limited or narrow than the traditionally broadened prohibition.

#### **Imam Ahmad Ibn Hanbal [d. 273 AH]**

Even among the classical scholars, the definition and interpretation of *Riba* leave significant room for difference of opinion. Imam Ahmad is regarded as the founder of one of the orthodox schools of Islamic jurisprudence. His position is that only *riba al-jahiliyyah* is unlawful *riba* in Islam.

"The Qur'an vehemently condemns *riba*, but provides little explanation of what that term means, beyond contrasting *riba* and charity and mentioning exorbitant 'doubling.' Commentators describe a pre-Islamic practice of extending delay to debtors in return for an increase in the principal (*riba al-jahiliyyah*). Since this practice is recorded as existing at the time of the revelation, it is one certain instance of what the Qur'an prohibits. Hence Ibn Hanbal, founder of the Hanbali school, declared that this practice - 'pay or increase' - is the only form of *riba* the prohibition of which is beyond any doubt." [Vogel and Hayes, pp. 72-73, quoting Ibn Qayyim al-Jawziyya, d. 1350, *I'lam al-muwaqqqa'in 'ala rabb al-'alamin*, ed. Taha 'Abd al-Ra'uf Sa'd, Beirut: Dar al-Jil, 1973, 2:153-4]

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<sup>7</sup> It is argued that, even with the validity of *qiyas* as a source of Islamic jurisprudence accepted, extending the prohibition beyond the six commodities may violate one of the conditions for valid *qiyas*. "The fifth condition for the validity of *qiyas* is that the wordings of law of the original case should not be changed after the causation. The reason is that a textual injunction is prior to *qiyas* in respect of letter and spirit. *Qiyas* is not valid in the presence of a textual law. Similarly, it is not valid if the words of the law of the original case are changed. ... [for example] ... The Prophet has allowed to kill only five reptiles specified by him within the premises of *haram* (sacred territory at Mecca). The analogy of these reptiles cannot be extended to other animals because the causation changes the words of the text. As such, the number of animals exempted by the Prophet will be more than five. Hence this cannot be allowed." [Hasan, 1986, p. 23]



Once again, the sweeping and blanket claim of prohibition of interest flies in the face of this position, if only *Riba al-Jahiliyyah* is unlawful in Islam.

#### **Ibn Qudama** [d. 1223 AD]

He was a noted Islamic scholar of the Hanbali madhhab. He opined that when a loan involves an article that is neither weighed nor measured, the creditor should get back the original value. Even though this view pertains only to articles not weighed or measured, it has ramification for the later, more general view of Imam Ibn Taymiya discussed below.

"When an article loaned is neither weighed nor measured, there is a choice between requiring the return of an equivalent at the date of repayment or requiring a return of the article's value as at the date of the loan. Ibn Qudama held that, with objects not measured or weighed, there could be no equivalents, so the debtor had to restore to the creditor the value of the article as it was when the obligation originally arose, that is, at the time of the loan contract.\* An argument could be constructed on this basis that a creditor should at least be able to recover a sum equivalent to the amount by which the original principal lent has depreciated in real terms during the period of the loan." [W. M. Ballantyne, *Commercial Law in the Arab Middle East: The Gulf States* (London: Lloyds of London Press, 1986), pp. 125-6; \*referring to *Al-Mughni*, Vol. 4, pp. 357-8]

#### **Imam Ibn Taymiya** [d. 1328 AD]

Imam Ibn Taymiya hardly needs any introduction. His view is built further on Ibn Qudama's. According to him, the lender should be able to recover the original (or inflation-adjusted) value, which is relevant for the nominal vs. real distinction. From his view it can be extrapolated that there can't be any blanket prohibition of interest. That is, nominal interest that includes only inflation premium would not be prohibited. In that case, it can't be said that interest is prohibited, but positive real interest is prohibited.

"Ibn Taymiya, an independent Hanbali whose views have often been approved by legal modernists [also] ... believed that the lender should recover the original value. ...

It would be possible to argue with some force that Ibn Taymiya's view is the one which ought to be adopted, because the lender is not engaging in *riba* - he is not making a real profit out of the transaction. If he could not recover for losses sustained as a result of inflation, he would be much less inclined to grant a gratuitous loan." [W. M. Ballantyne, *Commercial Law in the Arab Middle East: The Gulf States* (London: Lloyds of London Press, 1986), pp. 125-6]

#### **Ebusuud Efendi**, the Mufti of Istanbul between 1545 and 1574 C.E

"Perhaps the oldest such pronouncement was made by Ebusuud Efendi, the Mufti of Istanbul between 1545 and 1574 C.E., and holder of the title '*eyh' lislam*' towards the end of his tenure. Ebusuud defended the act of interest-taking, especially by *awqāf* (pious foundations), as a practical matter of necessity. As expected, this minority opinion, while sanctioned by the Ottoman Sultan Suleyman, was rejected by the majority of Muslim scholars around the Arab world, who continued to favor interest-free lending and traditional partnership forms of finance. Consequently, European modes of banking only became commonly practiced in the Islamic world in the eighteenth century." [el-Gamal, 2000; online, p. 2]

#### **Sir Sayyid Ahmad Khan** [1817-1898 CE]



Sir Syed Ahmad Khan was the reformist leader of Aligarh Movement in India and the founder of Aligarh Muslim University.

"The puzzling problem that the Qur'an and the Sunna expressly prohibited Riba or any transaction involving it was solved by translating the word 'RIBA' as usury and differentiating it from the western concept of interest.

This was the line of thought adopted in India by Sir Syed Ahmad Khan and others of his school of thought like Nazir Ahmad, Syed Tufail Ahmad Manglori, etc. Some Egyptian Ulama like Tawfik Affendi and Sh. Islamil Khalil and the modernists of Turkey expressed identical views." [Fazlur Rahman Gunnauri, pp. 24-25]

"... his concerns for social cohesion, social progress and social equity influenced his rejection of the hitherto standard prohibition of *riba* (interest) among Islamic scholars. He asserted that this prohibition should only apply to the debts of the poor who borrowed money from necessity. It should not be apply to those whose expanding commercial ventures contributed to the public good." [Charles Tripp, *Islam and the Moral Economy: The Challenge of Capitalism* [Cambridge University Press, 2006, p. 26, quoting J. M. S. Baljon, *The Reforms and Religious Ideas of Sir Sayyid Ahmad Khan* (Lahore, 1970), pp. 34-49]

#### Muhammad Abduh [1849-1905] and Muhammad Rashid Rida [1865-1935]



Muhammad Abduh



Rashid Rida

"It has been claimed that according to Muhammad 'Abduh (d. 1905) who was the Grand Mufti of Egypt, and his disciple Muhammad Rashid Rida, what is prohibited is the form of *ribap* practised in the pre-Islamic period. In his summary of 'Abduh and Rida's views, Nabil Saleh suggests that according to them, the first increase on a termed loan is lawful but if, at maturity date, it is decided to postpone that maturity date against a further increase, this would be prohibited. This is view is apparently based on the reports available in Tabari's commentary in relation to how *riba* was practised in the pre-Islamic period. It must be noted that these scholars were not explicitly and openly suggesting that interest is acceptable without any qualification." [Saeed, p. 43; for similar observations, also see Saleh, p. 28; El-Gamal: "Rashid Rida on Riba"].

Abdullah Saeed discusses the following based on Muhammad Rashid Rida [d. 1935], an eminent scholar and the disciple of Shaikh Muhammad Abduh.

"... [N]one of the authentic hadith attributed to the Prophet in relation to *riba* appears to mention the terms, 'loan' (*qard*) or 'debt' (*dayn*). This absence of any reference to loans or debts in *riba*-related hadith led a minority of jurists to contend that what is actually prohibited as *riba* is certain form of sales, which are referred to in the hadith literature." [quoting Rida, *al-Riba wa al-Mu'amalat fil al-Islam*, Cairo: Maktabat al-Qahira, 1959, p. 11]

The views of Abduh is mostly known via the works of his disciple Rida. Their views were not of any blanket approval of interest. The reality is just the opposite. However, the significance of their views in

this context is that they did not subscribe to any simplistic equation between *riba* and interest. They also approved of some form of interest.

"Regardless of Abduh's precise intention, his ambivalence about equating all forms of interest with *riba* echoed some of the re-evaluation that was taking place in the Islamic world concerning the limits of legality in a changing environment." [Tripp, op. cit., p. 127]

### **69 Ulama (scholars) from India and Makkah [1920s AD]**

Some scholars consider only consumption loans, where a borrower might be at a disadvantage for a host of reasons and vulnerable to injustice and exploitation, are covered by the prohibition of *riba*. This position and the underlying argument may be questionable, but in this essay each divergent position is not being examined in detail. Instead, the fact contradicting the claim of a consensus about *riba*-interest equivalence is being presented.

"In India an association was formed by Syed Tufail Ahmad Manglori for promoting the custom of Usury amongst Muslims. The association also issued a paper 'Soodmand,' first from Aligarh (1925) and later from Budaun. It also brought out many pamphlets and booklets. A Fatwa contained in the book *Tafri Abhath* by Ghulam Dasgir Qusoori was also circulated with the seals of 69 Ulema of Lahore, Dera Ismail Khan, Rampur, Bahawalpur, Mecca, etc. Earlier Moulvi Insha Allah Khan in 1909 had started a discussion in favour of interest in the pages of 'watan'. The articles were collected and published under the title of 'Masla-e-Sood aur Tijarate-Qaumi.' Recently two articles have been published by Institute of Islamic Culture, Lahore, in its monthly organ 'Thaqafat' expressing the same views.

It is not without interest and significance to note that the mainstay of all the arguments of almost all these people has been that the Qur'an and Sunna prohibit *Riba*, which applies to Usury, i.e., the excess received by the creditor on loans lent out for consumptional purposes." [Fazlur Rahman Gunnauri, pp. 24-25]

### **Mohamed Talat Harb [d. 1941]**

Mohamed Talat Harb, author, the Egyptian financier and founder of Bank Misr.

"Like many of his generation and class was a great admirer of the productivity and energy of Europe, its industrial might and technological innovation. ... Harb's admiration for capitalist enterprise was tempered by his fears about its European origins and values. Through Bank Misr he hoped to capture the entrepreneurial dynamism of the capitalist system whilst at the same time 'taming' it by embedding it in the dominant values of his own society, interpreted primarily as those of a distinctively Islamic community. He was thus critical of the dominant role of foreign capital in Egypt and claimed that it could have no concern for the welfare and solidarity of the Muslim community of Egyptians. It was on these grounds that he was critical of the interest charged on loans, rather than on grounds of its contravention - in being identified with *riba* - of one of the rules of the *shariah*. ... In his view, the traditional and thus, for him, Islamic rulings on the role and comportment of women guaranteed cohesion of the family, and thus of society as a whole." [Tripp, op.cit., p. 30, referring to Muhammad Talat Harb, *'Ilaj misr al-Iqtisadi*, ed. Ra'uf Abbas Hamid (Cairo, 2002), pp. 31-3, 37-46]

### **Shaikh Muhammad Abu Zayd (1930)**

He was a shaykh from Damanhur, Egypt. He earned the wrath of the orthodox establishment for his book *Al-hidaya wal-'irfan fi tafsir al-Qur'an bil-Qur'an* (roughly: Guidance and Illumination in Proper Qur'an Interpretation). "Abu Zayd in 1930 tried to use *Ijtihad* in explaining current *riba* practices, maintaining that exorbitant interest alone is outlawed." [Jansen, J.J.G., *The Interpretation of the Koran in Modern Egypt*, Leiden, E.J.Brill, 1980, p. 89, mentioned by Jay Smith - January 1996, at <https://www.pfander.uk/debate-topics/historical/quranic-interpretation/>]

### **Dr. Marouf al-Daoualibi**

Among others, "In the 1930s, Syrian scholar Marouf al-Daoualibi suggested that the Qur'an bans interest only on consumption loans, not investment loans, and in the 1940s Egyptian jurist al-Sanhuri argued that the Qur'an sought chiefly to ban interest on interest." [Vogel and Hayes, p. 46]; also see Saleh, p. 29] Ban on interest on interest means compound interest.

### **Shaikh Mohammad Abd Allah Draz**

Shaikh Mohammad Abd Allah Draz is a Member of the Body of the Grand Ulama, and Professor of Interpretation of the Qur'an at Al Azhar University in Cairo. Shaikh Draz, who received his doctorate at the Sorbonne, is recognized as one of the leading authorities in the Muslim world on the Qur'an and the life of the Prophet (<http://www.religion-online.org/book-chapter/preface-35/>). Saleh [p. 29] mentions about his position contradicting the Riba-Interest Equation. His position was among those who were referred to in the Appeal to the Pakistan Supreme Court against the prohibition of all interest in the country as part of the Shariah law.

### **Zaydan Abu al-Karim Hassan**

Saleh [p. 29] mentions about the divergent position of this scholar in his book.

### **[Abdullah Yusuf Ali](#)** [d. 1953]



Abdullah Yusuf Ali is best known for probably the most popular translation of the Qur'an into English (with his brief commentary). He equated, not interest but, usury with *riba* and wrote in The Holy Qur'an: Text, Translation and Commentary [Tahrike Tarsile Qur'an, 2nd ed., 1988] footnote #324:

"usury is condemned and prohibited in the strongest possible terms. There can be no question about the prohibition. When we come to the definition of Usury, there is room for difference of opinion. Hadhrat Umar, according to Ibn Kathir, felt some difficulty in the matter, as the Apostle left this world before the details of the question were settled. This was one of the three questions on which he wished he had had more light from the Apostle, the other two being Khilafat and Kalalat. ... Our Ulama, ancient and modern, have worked out a great body of literature on Usury, based mainly on economic conditions as they existed at the rise of Islam. I agree with them on the main principles, but respectfully differ from them on the definition of Usury. As this subject is highly controversial, I shall discuss it, not in this Commentary but on a suitable occasion elsewhere. The definition I would accept would be: undue profit made, not in the way of legitimate trade, out of loans of gold and silver, and necessary articles of food, such as wheat, barley, dates, and salt (according to the list mentioned by the Holy Apostle himself). My definition would include profiteering of all kinds, but exclude economic credit, the creature of modern banking and finance."

### **[Abd al-Razzaq Sanhuri](#)** [d. 1971 AD]

Sanhuri is regarded as "the Arab world's most distinguished scholar of modern jurisprudence, with the regeneration of Islamic law figuring prominently in his work." [[El Gamal](#)] His views were similar to 'Abduh and Rida. [also, see Saleh, pp. 28-29; Netzer, 2004] "In the 1940s Egyptian jurist al-Sanhuri argued that the Qur'an sought chiefly to ban interest on interest", i.e., compound interest. [Vogel and Hayes, p. 46]

[Muhammad Asad](#) [1900-1992]



Muhammad Asad, the well known author of *The Message of the Qur'an*, equates, not interest, but usury with *Riba*. His commentary in this regard is given in the note for 30/Ar-Rum/39:

This is the earliest mention of the term and concept of *riba* in the chronology of Qur'anic revelation. In its general, linguistic sense, this term denotes an "addition" to or an "increase" of a thing over and above its original size or amount; in the terminology of the Qur'an, it signifies any unlawful addition, by way of interest, to a sum of money or goods lent by one person or body of persons to another. Considering the problem in terms of the economic conditions prevailing at or before their time, most of the early Muslim jurists identified this "unlawful addition" with profits obtained through any kind of interest-bearing loans irrespective of the rate of interest and the economic motivation involved. With all this - as is evidenced by the voluminous juridical literature on this subject - Islamic scholars have not yet been able to reach an absolute agreement on the definition of *riba*: a definition, that is, which would cover all conceivable legal situations and positively respond to all the exigencies of a variable economic environment.

In the words of Ibn Kathir (in his commentary on 2: 275), "the subject of *riba* is one of the most difficult subjects for many of the scholars (ahl al-ilm)". It should be borne in mind that the passage condemning and prohibiting *riba* in legal terms (2: 275 - 281) was the last revelation received by the Prophet, who died a few days later (cf. note on 2: 281); hence, the Companions had no opportunity to ask him about the shari implications of the relevant injunction - so much so that even Umar ibn al-Khattab is reliably reported to have said: "The last [of the Qur'an] that was revealed was the passage [lit. 'the verse'] on *riba*; and, behold, the Apostle of God passed away without [lit., 'before'] having explained its meaning to us" (Ibn Hanbal, on the authority of Said ibn al-Musayyab). Nevertheless, the severity with which the Qur'an condemns *riba* and those who practice it furnishes - especially when viewed against the background of mankind's economic experiences during the intervening centuries - a sufficiently clear indication of its nature and its social as well as moral implications. Roughly speaking, the opprobrium of *riba* (in the sense in which this term is used in the Qur'an and in many sayings of the Prophet) attaches to profits obtained through interest-bearing loans involving an exploitation of the economically weak by the strong and resourceful: an exploitation characterized by the fact that the lender, while retaining full ownership of the capital loaned and having no legal concern with the purpose for which it is to be used or with the manner of its use, remains contractually assured of gain irrespective of any losses which the borrower may suffer in consequence of this transaction. With this definition in mind, we realize that the question as to what kinds of financial transactions fall within the category of *riba* is, in the last resort, a moral one, closely connected with the socio-economic motivation underlying the mutual relationship of borrower and lender; and, stated in purely economic terms, it is a question as to how profits and risks may be equitably shared by both partners to a loan transaction. It is, of course, impossible to answer this double question in a rigid, once-for-all manner: our answers must necessarily vary in accordance with the changes to which man's social and technological development - and, thus, his economic environment - is subject. Hence, while the Qur'anic condemnation of the concept and practice of *riba* is unequivocal and final, every successive Muslim generation is faced with the challenge of giving new dimensions and a fresh economic meaning to this term which, for want of a better word, may be rendered as 'usury'.

### **Prof. Fazlur Rahman [d. 1988]**

"Fazlur Rahman (1911-88) was probably the most learned of the major Muslim thinkers in the second-half of the twentieth century, in terms of both classical Islam and Western philosophical and theological discourse. He came from a Punjabi family steeped in traditional Islamic learning; and then went on to familiarise himself with modern critical thinking at Oxford under H.A.R. Gibb and Van Der Bergh. In general, he was a committed teacher and research scholar (he was particularly innovative in Avicennian studies) with spells at Durham, McGill (Montreal) and California. From 1969 until his death, he held the post of Professor of Islamic Thought at the University of Chicago." [M. Yahia Birt, [The Message of Fazlur Rahman](#), 1996]

As a most eminent Muslim scholar of the last century, his work on *riba* and interest constitutes an important reading. He challenges the traditional position of Riba-Interest equation. [Rahman, 1964]

### **Allamah Iqbal Ahmad Khan Suhail**

Allamah Suhail studied under well-known Islamic scholars of India, such as Allamah Shibli Nomani. His book *What is Riba?*, written in 1930s, wasn't available in English until recently. It is a must reading for anyone who wants to learn in detail about the challenge to the Riba-Interest Equation. Drawing on the Qur'an, hadith and the classical sources, he demonstrates how the traditionalist, orthodox position regarding the *riba*-interest equation is simplistic and erroneous, and how the verses from the Qur'an and the pertinent hadiths about *riba* have been misinterpreted and misapplied.

### **Maulana Sayyid Ahmad Ali Sa'id Grand Mufti of Darul Uloom, Deoband**

Maulana Sa'id was the Grand Mufti of Darul Ulum (Waqf), Deoband. In keeping with the Hanafi Fiqh in general and Deobandi legacy in particular, he held the view that in non-Muslim lands (countries), there is conditional permissibility of interest-based transactions, especially charging interest to non-Muslims. In a Fatwa on Bank Interest and Insurance, Maulana Said opined:

"... India is a *dar harb* and it is correct without doubt to give a non-Muslim one *rupee* and take back two *rupees* from him without his consent because this [excess amount] is not *riba*."  
[Suhail, p. 192]

Indeed, this has been the consistent position of Deoband and its leaders/scholars. The significance of this position is that it is inconsistent with any blanket prohibition of *riba*, let alone interest.

### **Maulana Abul Kalam Azad**



Maulana Abul Kalam Azad [1888-1958] was a well-known personality in the history of Modern India. He was also a notable Islamic scholar. I am yet to ascertain his view directly from his writings. However, there is some reference to his views in the testimony presented at the hearing of Supreme Court of Pakistan on the issue of the prohibition of interest.

To support his argument that charging of interest on the loan extended by the banks was not un-Islamic, the counsel referred to Tarjuman-i-Quran by Maulana Abul Kalam Azad. At this



junction, Chief Justice Sheikh Riaz observed that tafseer by Maulana Azad was not complete and only covered 17 Paras of Holy Qur'an.

The counsel replied that it made no difference for him as the commentary of Sura Al Baqara was complete to which he wanted to refer. He said that Holy Qur'an enjoined upon the Muslim not to charge Riba and also encouraged write-off of the loan extended to the deprived person. He said that application of the Qur'anic verses was only confined to the deprived classes and not to all transactions. [\[Link\]](#)

### Shaykh Mahmud Shaltut



Shaykh Mahmud Shaltut (1893-1963) was an eminent Egyptian Islamic scholar. He was also the shaykh or grand imam of Al-Azhar University in Egypt from 1958 to 1963. Dr. Fathi Osman, in his book, *Concepts of the Qur'an: A Topical Reading* (2nd edition, Los Angeles, MVI Publications, 1999), p. 919, mentions the following.

"Muhammad Abduh, the distinguished Egyptian mufti and commentator on the Qur'an [d. 1905], considered the interest paid by the post offices for the savings there as lawful, an opinion later supported by Mahmud Shaltut, the former Sheikh of al-Azhar [d. 1962] Moreover, he allowed for the interest on state bonds, if the economic development and the individual and public interests require issuing them [al-Fatawa, 8th., Cairo: 1975, pp. 351-355]. Additionally, Shaltut agreed to any transaction with any fixed interest in advance, if it was offered by the Muslim state or any establishments subsidiary to the state or affiliated with it, as it assumed that there is no exploitation of either party in such cases."

### Dr. Said al-Ashmawi

Egyptian religious reformer and former Chief Justice

"The arguments of Al-'Ashmawi are interesting. He points out the riba in pre-Islamic and early Islamic times led to the enslavement of debtors, as in the case of a debtor who was "according to a hadith" sold by the Prophet as a slave. For the interpretation and dating of this interesting hadith which is opposed to later Islamic law, see Irene Schneider, *Kinderverkauf und Schuld knechtschaft* (Stuttgart, 1999), p. 74ff. which is an answer to H. Mozki, "De Prophet und die Schuldner," *Der Islam* 77 (2000), p. 1ff."

[\[Book Review\]](#) of Schari'a und Moderne: Diskussionen 'ber Schwangerschaftsabbruch, Versicherung und Zinsen, by R'diger Lohlker. (Abhandlungen f'r die Kunde des Morgenlandes) 156 pages, bibliography. Stuttgart, Germany: Deutsche Morgenlandische Gesellschaft, 1996. (Paper) ISBN 3-515065-822; Reviewer, Adam Sabra, University of Michigan, note #1]

## Sheikh Muhammad Sayyid Tantawi



He is the highest ranking scholar/cleric at Al-Azhar and also the Grand Mufti of Egypt.

"A more extreme and recent example is the opinion of the mufti of Egypt, Shaykh Muhammad Sayiid Tantawi, who in 1989 declared that interest on certain interest-based government investments was not forbidden *riba* (because the gain is little different from the sharing of the government's profits from use of the funds or because the bank deposit contract is novel), thus joining the thin ranks of prominent religious figures who have issued fatwas declaring clear interest practices permissible. This fatwa aroused a storm of controversy, with opposition from nearly all traditional religious scholars and warm praise from secular modernizers. Later he went even further, saying that interest-bearing bank deposits are perfectly Islamic, and more so than 'Islamic' accounts that impose disadvantageous terms on the customer. Laws should change the legal terminology used for bank interest and bank accounts to clarify their freedom from the stigma of *riba*." [Vogel and Hayes, p. 46]

Despite being a traditional, orthodox scholar by all means, his position was harshly and summarily rejected by other scholars. However, this is an illustrative case for those who think, argue or claim that only heretic or deviant scholars or intellectuals may have a variant position challenging the Riba-Interest Equation. However, as Mahmoud El Gamal points out that the basis for this fatwa goes back at least a century earlier. "The basis for this fatwa is at least a century old." [\[Link\]](#)

## Abdel Wahab Khallaf [1888-1956]

Dr. Abdel Wahab Khallaf was a renowned Islamic scholar and jurist from al-Azhar. Usul al-Fiqh was one of his primary fields to which he made valuable scholarly contributions. Shaikh al-Tantawi drew on a number of important observations of Dr. Abdel Wahab Khallaf in formulating his fatwa mentioned above.

Tantawi (2001, p. 131), citing verbatim similar statements by Khallaf (pp.94-104), Al-Khafif (pp. 165-204), and others (pp. 204-211), said: "Non-fixity of profits [as a percentage of capital] in this time of corruption, dishonesty and greed would put the principal under the mercy of the agent investing the funds, be it a bank or otherwise". [quoted in a [presentation](#) of Mahmoud El Gamal, available at Lariba Bank site]

## Shaikh Nasr Farid Wasil

Tantawi's successor as Mufti of Egypt.

Echoing his predecessor Shaikh Tantawi, Shaikh Nasr Farid Wasil "stated in 1997 simply that the controversy over bank interest should end since 'there is no such thing as an Islamic and a non-Islamic bank.' " [Tripp, op. cit., p. 130]

"I will give you a final and decisive ruling (fatwa)... So long as banks invest the money in permissible venues (halal), then the transaction is permissible (halal)... The issue is an investment from money. Otherwise, it is forbidden (haram)... there is no such thing as an Islamic or non Islamic bank. So let us stop this controversy about bank interest". [Al-Ittihad (UAE), August 22, 1997, cited at this [link](#)]

## Dr. Fathi Osman



Dr. Fathi Osman is a renowned scholar of Islam, Muslim intellectual development and the contemporary Muslim world. He has taught at prominent universities in the Middle East, Asia and the west. In his highly acclaimed book, *Concepts of the Qur'an: A Topical Reading* (2nd edition, Los Angeles, MVI Publications, 1999), Dr. Osman echoes Muhammad Asad on the issue and adds the following comments regarding verses al-Baqarah/275-281:

The above verses deal with the unlawful usury followed by others that deal with lending/borrowing contracts between people. Usury, '*riba*' in Arabic, was mentioned in the earlier verse 30:39. *'And whatever you may give in usury so that it may increase through (other) people's possessions will bring [you] no increase in the sight of God, whereas all that you give in charity seeking God's acceptance, it is they who shall have their recompense manifold'*. Usury or '*riba*' in the Qur'an may encompass any unlawful addition to the principal when such an addition is unfair and thus harmful to the individuals and the society. As Ibn Kathir noticed in his commentary on the verse 2:275, as did other commentators and jurists, *riba* is one of the most difficult subjects in Islamic law, since the verse prohibiting *riba*, as well as what the Prophet said about *riba* in his sermon during the 'Farewell Pilgrimage,' came in the last days of the Prophet's life. As a result of this, the Companions had no opportunity to ask him about the matter, so that even 'Caliph' Umar stated a wish that the Prophet could have given some explanations, according to a report by Ibn Hanbal. In general, *riba* has been related to loans involving an exploitation of the economically weak the borrower may be merely using the money to fulfill a need of life. Even if he/she uses the loan in investment he/she may receive less than the interest, which the lender gains in any case, or he/she (the borrower) may lose altogether. In this commentary on the above verse Muhammad Asad rightfully states, '... We realize that the question as to what kinds of financial transactions fall within the category of *riba* is closely connected with the socio-economic motivation.' The motivation referred to here is that of lending and borrowing and is connected with the circumstances underlying the mutual gain and loss and fair benefit from the transaction, in addition to the genuine consent of the borrower and lender. Thus '... it is a question as to how profits and risks may be equitably shared by both partners to a loan transaction ... Our answers must necessarily vary in accordance with the changes ...' These changes may occur in the situation of the involved parties, the society and/or the economy. 'Hence, while the Qur'anic condemnation of the concept and practice of *riba* is unequivocal and final, every successive Muslim generation is faced with the challenge of giving new dimensions and a fresh economic meaning to this term which may be rendered as 'usury'.

What Muhammad Asad has clarified is essential, since 'usury' is not a name of certain concrete material object, but of a dealing between two or more people which only be understood within historical and social circumstances. Linguistic explanation of *riba* as an 'addition' or an 'increase' cannot shed any light on the matter, since any legitimate incurrence of profit is also an increase. Relating the words 'addition' or 'increase' to a loan in particular may also not be sufficiently convincing, because the circumstances of the society and the dealer have to be considered, since a loan may have secured mutually free agreement, mutual gain and payment, mutual equitable benefit, social usefulness, etc. Thus, a socio-economic context is necessary to define a socio-economic practice and figure out what 'harm' and injustice in the dealing provide legal justification for the prohibition, as Qur'anic verses on *riba* are few, and the Prophet died before elaborating on the matter of responding to questions about it. His mere reference to *riba* in the loans among Arabs before Islam (*riba al-jahiliyyah*) in the sermon of the Farewell Pilgrimage' underlines the historical and social circumstances of the transaction.

A prohibition has its reason ('*illa*') in civil and commercial transactions, which may be indicated explicitly or implicitly. In the case of *riba*, we cannot find explicit indications. As historical and social circumstances play a role in what may be harmful and unfair in a loan or in any exchange, the legal outcome may vary according to different times and places. Transactions will never cease to emerge and vary. No rigid and/or superficial legal frames which ignore individual and social circumstances can be formulated. The general principle of Shariah regarding transactions '*mu'amalat*' is allowance, unless there is a contradiction of a legal rule of Shariah. One of the fundamentals and significant goals of Shariah is to prevent 'harm' and 'hardship' or even substantial pressure, '*hara'*' in Arabic, [see 5:6; 22:78; also 2:185, 233, 286; 6:152; 7:42; 23:62; 65:7]. Ignoring historical developments as well as socio-economic differences and changes, some jurists in modern times have been inclined to deal with the term 'interest,' used in modern transactions [e.g. banking, insurance, mortgage ... etc.], as if it were an exact synonym of 'usury/*riba*', thus ignoring the modern development in which banking and insurance operations and independent institutions have emerged and developed, which have led to a separation of financing and financial investment on one side and production (be it agricultural or industrial or otherwise and commercial enterprises) on the other. Besides, the time factor has become essential in modern transactions, since the revolutionary changes in transportation and communications has its enormous effect on money circulation, the flow and availability of cash, and consequently the need for credit.

Accordingly, the 'risk' factor is aggravated by the speed of transactions that can be done by telephone, fax or through computer. The contemporary global village in which we live has developed mass-production and mass-marketing which require enormous capital. An Australian company may have an enterprise in Malaysia or Pakistan and may rely on financing from American or European banks. This has increased the need for specialist establishments to deal with financing and to provide financial services which are different from the long or medium term operations and risks of agricultural or industrial production and commercial enterprises. Such financial establishment benefits a wide range of shareholders, depositors, and borrowers, and furthermore they are often not owned by individuals. Thus, legal safeguards can protect against monopoly and various forms of fraud and exploitation. The central (national) bank has its supervisory and controlling role in relation to financial activities and establishments. Moreover, money no longer takes the form of gold or silver, and thus cannot maintain stability in its value. Fluctuation in the value of currency and inflation in the prices of commodities affect the purchasing power of money over time. All these qualitative changes in contemporary world economics have to be considered deeply in order to precisely ascertain the nature and the role of 'interest' and how it can be understood in relation to and in comparison with the texts of the Qur'an and Sunna, and the historical, social circumstances related to '*riba*'. Besides, the particular situation of the involved parties and the transactions should be studied. 'Every successive Muslim generation' - Muhammad Asad rightly states, and I may add every Muslim society with its own particular circumstances - 'is faced with the challenge of giving new dimensions and a fresh economic meaning to the term (*riba*) which may be rendered as usury.' Several juristic attempts have been made to ascertain whether certain emerging and widely-needed transactions may or may not be included in the prohibited *riba*.

In his distinguished work '*Ilm Usul al-Fiqh*' [first edition, 1942] Abdel-Wahab Khallaf [d. January 1956], the prominent Egyptian jurist and professor of Shariah at the College of Law in Cairo University, quoted late Hanafi sources that allowed the taking of loans which could be paid back with certain addition if the borrower was in need [p. 210, 12th ed., Kuwait 1978]. (It should be pointed out here that generally, even when there is an obvious and clear-cut prohibition against a thing, God allows it for the individual in cases of necessity [e.g., 2:173; 5:3; 6:119, 145; 16:115], and He allows the society to do the same in the case of a common need [e.g. see Khallaf, '*Ilm Usul al-Fiqh*', p. 208-210; al-Juwayni, Imam ul-Haramayn Abdul-Malik, *Ghiyath al-Umam*, edited by Fu'ad Abdel Mun'im, Mustafa Hilmi, Cairo: no date, p. 345]). ...

Islamic justice secures the legitimate rights of anyone who had been involved in profiting from usury before the Qur'anic prohibition came into effect. Such a person could keep his/her past gains from usury, since Shariah requires that law after it is publicly announced, and can by no means be retroactive; '*Whosoever received admonition from his[her] Lord and thereupon*

*desists [from usury] may keep the past gains, and it will be for God to judge him [her]; but whomsoever reverts - they are destined for the fire ...' [2:275], 'God has pardoned what is past, but whoever offends again, God will inflict his retribution on him [her] ...' [5:95; see also 4:22, 23; 8:38]. As for a recent lending of money to gain usury, the lender is entitled to the principal 'unwronging and unwronged' [2:279] Shariah always aims to remove only the injustice, and no to eliminate the person who commits it. Its purpose is to 'Fight against the aggressors until they revert to God's commandment; and if they revert, make peace between them [two fighting parties] with justice, and deal equitably [with both of them] ...' [49:9]. Human circumstances will never improve if yesterday's wronged (party) becomes today's wrong-doer(s). The lender, who used to gain from any delay of the debtor in paying back the debt, as this would increase the lender's gain from usury, is urged now by the Qur'an to consider the circumstances of the borrower whenever there is any delay in paying back the debt: 'And if a debtor should be in a difficulty, grant him a delay until a time of ease'. Moreover, the lender is urged to go beyond the justice of retrieving his money to the kindness and generosity of entirely remitting the debt if the debtor is going through a hardship, as such an act 'would be for your own good if you only know,' [2:280] In addition to God's award in the life to come, helping overwhelmed debtors would revive their purchasing power which would benefit the producers, the sellers and the whole society. Some state revenues of social welfare dues used to relieve the overwhelmed debtors [9:60].*

In the end, the Qur'an calls those who might have repeatedly squeezed money from persons who suffer difficulties to keep in mind that this life will come to an end, and it is wise for the human being to be conscious of his/her accountability before God in the eternal life to come, when 'every human being shall be paid in full for what he/[she] has earned, and none shall be wronged' [2:281]. [pp. 916-918]

#### **Dr. Ibrahim Shihata [1937-2001]**



Dr. Shihata was a legal scholar and the General Counsel for the World Bank and Secretary-General of the International Center for Settlement of Investment Disputes.

"Riba is prohibited beyond doubt by the two primary sources of Islamic law, the Qur'an and Sunnah. The scope of this prohibition is not defined, however, in either source. A rational reading of these sources suggests that, as an exception to the general rule of freedom of contract, the prohibition should be strictly construed, in light of its underlying rationale and the general Qur'anic proposition to facilitate, not complicate transactions. Prohibited riba may thus cover obvious cases of enrichment without a legitimate cause, both in trade and lending operations, in order to ensure fairness in the conduct of these transactions and to defend weaker parties from undue exploitation and excessive uncertainty. It also covers operations which are meant to be charitable or semi-charitable in nature, such as the typical qards known at the time the prohibition was introduced. This cannot automatically suggest, however, that every possible barter trading in fungible commodities and every financial instrument that has a fixed return is tainted by riba. Yet, it is this broad prohibition that is commonly required at present by most Islamic specialists and is taken for granted as the basis of 'Islamic banking'." [\[Some Observations on the Question of RIBA and the Challenges Facing "Islamic Banking"\]](#)

#### **Dr. Syed Nawab Haider Naqvi**

Dr. Naqvi is a leading Pakistani economist with a PhD from Princeton. He has been the Director, Pakistan Institute of Development Economics, Islamabad (1979-1995). He is also the author of *Ethics and Economics: An Islamic Synthesis* [UK: The Islamic Foundation, 1981]. He has a very cautious position regarding the *Riba*-interest equation, especially in regard to attempts to abolish interest, while keeping the capitalist system generally intact. He is also unwilling to take a categorical position regarding the prohibition of interest. Thus, he hedges his observations with "if [interest] is recognized as *riba*." In an article "Islamic Banking: An Evaluation," he writes:

The theory of Islamic banking is wedged in between two connected logical statements: (i) that *riba* is equivalent to all interest-based financial transactions, including bank interest, in modern times; and (ii) that profit-based banking - to be more accurate, a banking system raised on the principle of universal PLS and unsupported by any guarantee about the return on bank deposits or bank advances - is superior to the capitalistic interest-based banking. Both these assertions, although (incorrectly) regarded by most Muslim thinkers as absolute truths unconstrained by space and time, do raise difficult theoretical and empirical questions and there are no easy answers to them. As for the first assertion - that bank interest is *riba*, and is, therefore, prohibited, while profit is allowed - the source of the difficulty is that interest and profit are not separable in a capitalistic system; indeed, the two are as interlinked as Siamese twins. The dominant view among 'secular' economists is that the average rate of interest is determined, independently of the monetary variables, by the same set of forces which determine the rate of profit on the capital invested in production (Panica, 1991); and that changes in the profit rates have been caused by changes in the interest rates, speculative trading, and productivity (Pindyck, 1988). Thus, separating the twins would require nothing less than a complicated surgical operation on the economic structure. Also, the possibility of a zero interest rate in a world not saturated by a surfeit of capital is flatly denied,<sup>7</sup> because it is hard to visualize a situation in which people will have saved enough to bring the net productivity of capital down to zero. This, however, does not mean that we should not do away with bank interest, if it is recognized as *riba*, but we should be clear in our minds that once interest rate is permanently abolished as a source of income in a capitalist economy, we simply do not know what the outcome of such a step would be.

In the same essay, Naqvi also asserts: "As opposed to the popular conception, risk and uncertainty do not necessarily constitute Islamically legitimate characteristics of interest in the meaning of *riba*." Also, echoing those Muslim scholars and experts who believe that exploitation and injustice is the *illah* or reason for the prohibition of *riba*, Naqvi writes: "It has been widely noted by Muslim economists that the rationale (*'illat al-hukm*) of the prohibition of *riba* is not just the mathematical formula per se used to compute it; it is rather the alleged adverse consequences of it on the distribution of income and wealth."

### Professor Salim Rashid

Emeritus, University of Illinois, Urbana-Champaign

Prof. Rashid has a PhD in economics from Yale University. Currently, he is a professor of economics at the University of Illinois, Urbana-Champaign. In an unpublished, privately circulated essay "[The Value of Time and Risk in Islamic Economics](#)" (1983)," he explained his problem with the *riba*-interest equation and why the denial of "time value of money" from an Islamic viewpoint leads to anomalous situations and would render Islamic economics inefficient from the economic viewpoint. He wrote: "If it were indeed true that Islam does not permit any time-discrimination of economic values, it would also follow that the Islamic system must be economically inefficient. This is not the case."

### Dr. Imad-ad-Deen Ahmad

He is an American Muslim scholar and the president of the Minaret of Freedom Institute. His views are articulated in an article: "[Riba and Interest: Definitions and Implications](#)."

### Dr. Abdul Aziz Sachedina



Dr. Sachedina is a Professor of Religious Studies at the University of Virginia. His views are articulated in an article: "[The Issue of Riba in Islamic Faith and Law](#)".

#### **Dr. Omar Afzal**

Dr. Afzal obtained his PhD in Linguistics from Cornell University, an alumni of Aligarh Muslim University, and Alim (Islamic and Arabic Studies) from IHIS Rampur. He is an outstanding linguist with expertise in many languages from Middle East, South Asia, and Europe. He has expertise in Islamic law, Islamic History, Contemporary Islamic movements, Islamic calendar, and Modern Islamic Thought. For twenty-six years he worked at Cornell University. He supervised several research projects leading to PhD and Master degrees. He is a prolific writer, editor of the Message and a member of the Islamic Fiqh Academy. He has also been the Chairman of the Center for Research and Communication, and the Committee for Crescent Observation International.]

In an article, [Riba: Interest, Usury or Both](#), he writes:

"[it] :is an attempt to open for debate the 'Interest' - a term as known in modern monetary transactions and the Islamic legalistic viewpoint about it. Modern Islamic banking is largely based on the traditional interpretation of 'Riba' which does not distinguish between 'usury' and 'interest'.

There is also no denying the fact that modern financial institutions like banking and insurance must be corrected to reduce fraud and for better service. However, any 'Islamic' solution must also be judged by similar standards of 'justice' and social responsibility. There are certain assumptions about an Islamic banking system yet to be rigorously tested in real life situations over a longer period of time on a much larger scale before the Muslims may present them as a better alternative.

Banks and banking is a new phenomenon and so is interest, as distinct from usury. In the last few decades it has become an essential part of normal human life. Even those who call interest Riba have bank accounts, write checks, use credit cards, and buy their homes on loans. All Muslim countries including those that are officially Islamic are actively involved with interest-based banking. Ulema should sit down with economists, experts in finance and development and try to find ways of how the intention of the Law-giver (Allah) may be reconciled with the needs of modern economies, and development."

#### **[Dr. M. Raquib uz Zaman](#)**

Dr. Zaman has been the Charles A. Dana Professor of Finance and International Business, and Chairman, Department of Business Administration, Ithaca College, New York. He has numerous academic publications in the field of Islamic economics, finance and banking. For the complete list, visit his [webpage](#). Several of his articles are available at the [Study Resources Page](#).

"... there is no *prima facie* evidence in the Islamic shariah that lends credence to the assertion that all interest is usurious and that monetary policies in an Islamic state be substantially different from the ones in vogue in the rest of the world. It asserts that the so-called Islamic banks are neither Islamic nor banks in the proper commercial banking sense, and that the Islamic fiscal policies are more lofty slogans than actual policy tools to be undertaken by today's governments." [[Monetary and Fiscal Policies of an Islamic State: The Claims versus the Reality](#)]

#### **[Dr. Hormoz Movassaghi](#)**

Dr. Movassaghi is Professor and Associate Dean, School of Business, Ithaca College (New York). He has co-authored with Dr. M. Raquib uz Zaman (mentioned above) a number of research works on Islamic finance and banking.

### [Dr. Abdullah Saeed](#)

Dr. Saeed is the Sultan of Oman Professor of Arab and Islamic Studies, and Director, Centre for the Study of Contemporary Islam at The University of Melbourne. His book [Islamic Banking and Interest: A Study of the Prohibition of Riba and its Contemporary Interpretation](#) is a must reading from a critical perspective.

### [Dr. Mahmud el-Gamal](#)

Dr. El Gamal is the Chair of Islamic Economics, Finance and Management, and the Professor of Economics and Statistics at Rice University. He has produced many scholarly works in this field. He also maintains an active [Blog](#). He is noted for his emphasis on mutuality in organizing the Islamic financial institutions, which is currently not the case.

"We have thus dispensed with the overly-simplistic and false assertions regarding Islamic finance being 'interest-free,' denying the 'time value of money,' etc." [El Gamal, "Economic wisdom in the prohibition of riba," in Thomas, p. 123]

While Dr. El Gamal does assert - "... nobody can correctly deny that interest on loans is the forbidden *Riba an-Nasiah*" - he also challenges the simplistic and blanket equating of *riba* and interest. "Not all interest is the prohibited Riba, ... [and] Not all *Riba* is interest." [2000]

### **Dr. Sulayman Nyang**



Dr. Nyang teaches at Howard University in Washington, D.C. where he serves as Professor of African Studies. From 1975 to 1978 he served as Deputy Ambassador and Head of Chancery of the Gambia Embassy in Jeddah, Saudi Arabia. He also serves as co-director of Muslims in the American Public Square, a research project funded by The Pew Charitable Trusts. He has served on the boards of the American Council for the Study of Islamic Societies and the Association of Muslim Social Scientists. Professor Nyang has written extensively on Islamic, African and Middle Eastern affairs. [\[Link\]](#)

In a lecture "[Continuities and Discontinuities in Islamic Perspectives on Cultural Diversity](#)" delivered at Colorado College, he referred to *riba* as "usurious interest".

### **Dr. Muhammad Shawqi al-Fanjari**

Dr. al-Fanjari has taught Islamic economics at al-Azhar University in Egypt. He has authored a book The Essence of Economic Policy in Importance of Islamic Economics, which is available online. [\[Link\]](#) As any Muslim would, he treats *riba* as unlawful. However, referring to public or common interest, he writes, "Interests varies with the situation" and he acknowledges, without any criticism, opinions of some of the Ulama who have avoided blanket equation between *riba* and interest.

"What is considered beneficial in one situation may not be considered so in another. Imam Shatibi says in this respect: It is the case that most of what we consider good or bad is relative and not absolute. Things are good or harmful in one situation but not in another, to one person but not to someone else. They are so at one given time, but not at another.

Perhaps this is why some Ulema believe that interest given on deposit accounts, government bonds and investment certificates is not *riba* (Cf. Sheltout 1969 303, and Khallaf and Abou Zahra 1951)." [<http://noor.kalemasawaa.com/english/Council/islamic-economy/AII25-35/AII25-35.htm>]

### **Dr. Rasul Shams**

Hamburg Institute of International Economics

"A religion can promote the development of sciences but it is not for the purpose of founding different branches of sciences. We could not find any foundation for an Islamic economics as a science based on the ban of interest." ["[A Critical Assessment of Islamic Economics](#)," Hamburg Institute of International Economics, 2004]

### **Dr. M. Siddieq Noorzoy**

Professor Emeritus, Department of Economics, University of Alberta, Canada

Prof. Noorzoy makes a distinction between the nominal and real terms. Even though he seems to consider excesses in real terms *ribawi*, distinguishing between real and nominal interest is not in accord with the traditional position as upheld by Islamic Fiqh Academy, which considers any indexation based on inflation as unislamic.

"The conventional interpretation of the laws on *riba* indicate that no 'increase' is permitted on the principal of a loan when *riba* is translated to mean interest. But should this 'increase' be measured in real or nominal terms, and, therefore, should a real or nominal rate of interest be applied on loans? The interpretation of the 'increase' is contained in both nominal and real terms under the laws covering *riba*. Under *riba nasi'a* the 'increase' refers to a nominal measure over the principal of a loan. But under *riba fadl* the increase is measured in real terms, since the law refers to barter transactions which are nonmonetized and any change in value is measured in real terms." ["[Islamic Laws on Riba \(interest\) and Their Economic Implications](#)"]

### **Dr. Mohammed Fadel**

Dr. Fadel is an assistant professor of law at University of Toronto. He has a PhD in Near Eastern Languages and Civilizations from the University of Chicago. Dr. Fadel explains his position on *riba*-interest equation in a conference discussion reproduced in the [International Journal of Islamic Financial Services](#), Vol. 1, No. 2, p. 7]

The *riba* that applies to credit sales is called *riba nasi'a*. *Nasi'a* means delay. Again the same structure applies. Credit sales are not subject to the rules of *riba nasi'a* unless there is evidence that the commodity that is traded has been marked out for special regulation. The cause of prohibition in this type of *riba*, however, is merely delay in exchange (*nasi'a*), and not the difference in cash price and credit price. Again, to give an example, the sale of a car whose cash price is \$10,000 for \$12,000 on credit, payable over 5 years, for example, is not prohibited under the rules of *riba nasi'a*: according to the *fuqaha'* the commodity simply has two different prices, a cash price and a credit price. Nor does this transaction implicate *riba duyun* because the purchaser is incurring a debt, not increasing the value of a pre-existing indebtedness in exchange for more time to pay off the debt. Therefore, it also does not involve *riba al-jahiliyya*. However, according to economists, the difference in price is a function of the time value of money, i.e., interest. Therefore, the terms *riba* and interest are not synonymous, and Muslims should cease confusing one for the other. Some *riba* is interest, but not all, e.g., trading one pound of high quality dates for two pounds of lesser quality dates does not implicate the time value of money at all, yet Islam describes it as *riba*. Likewise, some interest is *riba*, but not all: if I owe the bank \$100 and agree to defer payment

of the debt in exchange for increasing my indebtedness, that is both interest and *riba*. However, if I buy a car on credit, I will be paying interest, but not *riba*.

#### Dr. Mohammad Omar Farooq



Dr. Farooq, also the author of this article, is an associate professor of economics and finance at Upper Iowa University, where he also held the position of Director, Institute of Entrepreneurial Studies during 1999-2004. He has a PhD in economics from the University of Tennessee, Knoxville and was a Ciriacy-Wantrup post-doctoral fellow at the Energy & Resources Group at the University of California, Berkeley.

He does not agree with the *riba*-interest equation. Some interests can be *ribawi*, while some interests are not. Also, traditional view holds that *qard* (loan) is a *ribawi* contract, and thus it can only be interest-free to be valid. Dr. Farooq disagrees with this position and his research is presented in a paper, link to which is given in the abovementioned essay. Also according to him (as articulated in a separate essay), the traditional argument that *riba* (and thus interest) is prohibited because of *zulm* (exploitation/injustice) is merely polemical, because the Islamic financial institutions are merely trying to be shariah-compliant, without any specific focus on exploitation issue and furthermore there are other things, beyond interest, that can be (and often is) even more exploitative, but are regarded as *halal* (permissible).

#### Dr. Feisal Abdul Rauf



Founder and CEO of the American Society for Muslim Advancement (ASMA Society) and Imam of Masjid Al-Farah in New York City. Among his books are: *Islam: A Search for Meaning*, and *Islam: A Sacred Law* (what every Muslim should know about the Shariah) and *What's Right With Islam: A New Vision for Muslims and the West*.

In his book *What's Right With Islam: A New Vision for Muslims and the West*, Dr. Rauf analyzed the issue of *riba*, usury and interest and argued how the rejection of interest and the slow adoption of the corporation, based on the feature of limited liability, has negatively impacted economic development in Muslim countries.

## Dr. Khaleel Mohammed



Dr. Mohammed, also known as Abu Yusuf Khaleel Al-Corentini, has studied Islam (specializing in law) in Saudi Arabia, Syria, and Yemen according to the *Sunni*, *Shia*, and *Zaydi madhaahib* respectively. His Ph.D is in Islamic Law (*Shariah*) from McGill University. His scholarly works include writings on eschatology, Islamic belief and practice, and translations of religious literature by other scholars. He is currently professor of religion studies at San Diego State University.

In reply to a question posed to him, he writes:

"The Qur'an orders that we should not consume *riba* "several times over" (3:130). This expression is because, according to the *mufasssirs*, when one borrowed money in the pre-Islamic period and promised to pay it within a year, he would be asked at the end of that period for the amount due by him. If he could not pay it, he would be given an extension of another year, but the amount owed by him would be doubled -- "*da'f*" means "to double", hence the verse 3:130. And if at the end of this second year, he could not pay, the amount owed would again be doubled, meaning that the amortization amount would have been, in many cases, exponentially several times greater than the principal loan amount. It is this practice which was known as "*riba*", and which may, in today's terms, be translated as usury or loan sharking." [For the complete question and answer, visit this [link](#).]

## **Maher Hathout, Uzma Jamil, Gasser Hathout, and Nayyer Ali**

In a book *In Pursuit of Justice: The Jurisprudence of Human Rights in Islam*, the above authors argue:

"We argue that the Qur'an does not mandate equity over debt financing, and allows transactions that are mutually beneficial. The usury verse is not the only verse in the Qur'an on business. Much more prominent in the Qur'an is the command to engage in honest business, in particular to give 'full measure'. Specifically, the Qur'an says, "Woe to those that deal in fraud; those who, when they have to receive by measure from men, exact full measure- but when they have to give by measure or weight to men, give less than due" (Qur'an 83:1-3). This command requires that both parties to any business transaction pay the full and fair values of what they are purchasing. Failure to do so is a profound violation of Qur'anic commercial principles. Debt financing, when done in accord with this principle is permissible. When the lender gets more than he is entitled to, he commits the sin of usury. When he gets less, he is engaging in charity. But charity is a voluntary act, and not one required in business transactions."

[\[http://www.islamicvoice.com/March2006/Islam&Economy/index.php\]](http://www.islamicvoice.com/March2006/Islam&Economy/index.php)

## **Conclusion**

There are many academics, experts and professionals in the field of Islamic economics and finance, in my humble estimation, do not believe in the *riba*-interest equation. For example, read the book *Islamic Finance in the Global Economy* [Edinburgh University Press, 2000] by Ibrahim Warde, and see if his personal position on the issue of *riba*-interest equation can be determined. There are also many non-Muslim scholars and experts who work in this field. For examples, one can read the works of Clement Henry and Rodney Wilson, Philip Molyneux, et al. (their works are cited in the bibliography), and, once again, see if their personal position on the *riba*-interest equation can be determined. One of my close friends is a professor of finance, authors of several books and almost a

dozen refereed publications in Islamic finance, and frequent participants to pertinent conferences around the world. Almost a year ago, I asked him that I have read most of his works, but nowhere I could determine what is his position on *riba*-interest equation. What he explained was interesting. He mentioned that he does mostly empirical work, where he does not need to take or state his own position on such fundamental issue. He also pointed out what has happened to other scholars who have been public in taking any position at variance with the orthodox position. I also closely know another senior professor of finance, who at one time was the chair of the economics group of the Association of Muslim Social Scientists (AMSS) in USA. He is one of the most prolific contributors to the field. However, due to his Non-equivalence position, he doesn't get any more invitation to any of those funded conferences.

Regardless, as illustrated above, far from having an unanimous agreement or *ijma*, there is considerable disagreement in this regard. Broader agreement would be found in earlier works before modern banking system emerged. During those times, the discourse revolved around Riba and its various types. However, as the discourse shifted toward equating interest in general with Riba in recent centuries, consistently there is less agreement, let alone unanimity, about interest in all forms being prohibited. It should be noted that those who do not agree with a simple Riba-Interest equation might not have a uniform view or explanation as to why they disagree with the equation. However, a common thread for the critics is that unless the financial transactions are exploitative, i.e., usurious, the mutually agreed transactions or contracts are valid and lawful from the Islamic viewpoint.



The limited purpose of this essay was not to deal with the issue whether interest is or is not prohibited from the Islamic viewpoint. Rather, the purpose here is to factually establish that there is no unanimous agreement or *ijma* about the *riba*-Interest equation.

\* This paper would be an evolving work. If anyone has additional information, this author can be contacted at farooqm59@yahoo.com.

\* Quoted in Abdulkader Thomas (ed.) *Interest in Islamic Economics: Understanding Riba* [Routledge, 2006, p. 63]

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