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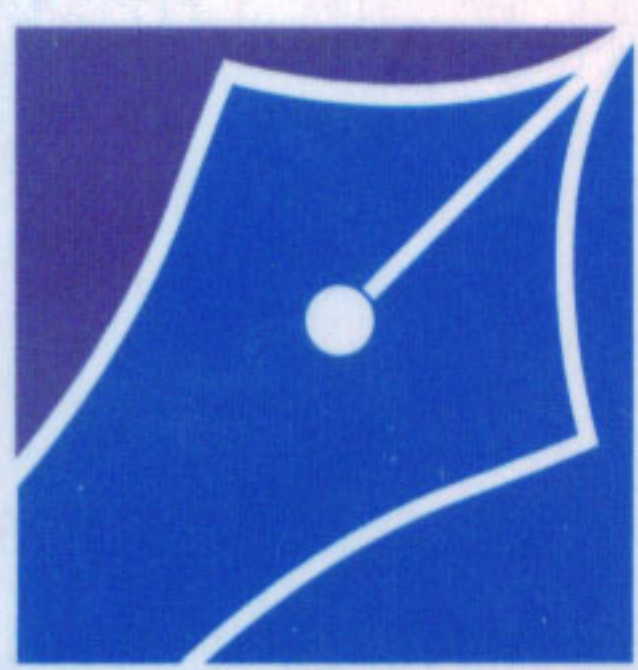
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Qur'anic Concept of Riba (Interest)

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ABSTRACT

It will not be wrong to say that, Riba (interest) is one of the most controversial terms in Islamic economic literature. The root cause of this confusion is that, Muslim thinkers & economists are doing a basic mistake by dividing the assets in two categories, i.e. currency/paper money and rest of the assets. According to them, reward of former is riba and it is prohibited, whereas the remuneration of the latter form is lawful in the form of rent. This division of assets is basically producing unsolvable problems for them, because justification of this artificial bifurcation is not possible.

Actually the Qur'anic point of view is that remuneration of all forms of assets in any shape, or in any quantity, regardless of purpose & time period of lending is riba, which is strictly prohibited.

Keywords : Riba, Interest, Rent, Depreciation, Assets, Mal.

1) INTRODUCTION

From economic point of view the prohibition of riba is the most distinct feature of economic teachings of Islam.

The Qur'anic term riba normally defined as; it is that excess amount which a creditor settles to receive or recover from his debtor in consideration of giving time to the said debtor for payment of his loan, or in the words of Abu Baker Al-Jasses "riba is the loan given for a specified period, on condition that, on the expiry of the period, the borrower will repay it with some excess", Al-Jassas, Abu Baker (1935) p 470. It means that riba transaction has to qualify the following three conditions.

- a) It should be a debt transaction.
- b) Creditor should receive some excess amount on his principal at the time of redemption of debt.
- b) The excess amount on principal, must be predetermined, and part of the agreement. It doesn't matter how smaller or larger the interest is, and what is the purpose of loan, Maududi S. Abul A'la, (1997) p20.

* The material presented by the author does not necessarily portray the viewpoint of the editors and the management of the Institute of Business & Technology (BIZTEK) or Department of Business Administration Federal Urdu University

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According to this accepted definition, reward of one form of asset i.e. currency/paper money is prohibited, whereas it is assumed that, remuneration of all other forms of assets e.g. machines, equipments, plants and buildings etc., is lawful in the form of rent. This quite unnatural bifurcation between different assets, creates a lot of confusion, and difference of opinion. Moreover the historical records in this regard are also quite confusing and ambiguous. The result is quite obvious. It may be proved that prevalent interest on financial assets and loans is not that riba which is prohibited by Qur'an. Qadeeruddin Ahmed, (1995) p40. On the other hand, it can also be proved that, interest of commercial banks is riba, M. Ayub, (1993) pp 33-42. Another view point is that, interest and riba are not identical. Whereas interest can contain an element of riba, but whole of it cannot be termed as riba. M. Ali, (1989) pp 23-32.

Naturally, this ambiguity should be removed and it can be removed, if we take the guidelines from Qur'an, which provides a quite clear cut & definite way in this regard.

2. ORGANIZATION OF PAPER

In the light of the above discussion this paper is divided into three parts.

- Description of arguments given in favor of prevailing concept of riba.
- Critical analysis of those arguments, given in favor of this widespread thought.
- Qur'anic concept of Riba.

3. ARGUMENTS GIVEN IN FAVOUR OF PREVAILING CONCEPT OF RIBA

To justify, that, why money/currency receives special treatment, following four arguments are normally given:-

3.1 It is considered that, rent is the reward of depreciation, as M.N. Siddiqui (1968) has argued, that, rent is basically reward of depreciation. Only those items which are depreciated with passage of time, can be given on rent e.g. buildings, machines, equipments, vehicles etc. Muhammad Nijatullah Siddiqui, (1968) pp 178-181.

3.2 The second basic argument of rent is the element of risk. Since, owner of the asset takes the risk of damage or destruction by giving his asset on rent, hence he gets the reward of it. Because under Islamic law, profit is subjected to risk. Hence rent is the remuneration of risk. Muhammad Taqi Usmani, (1999) p 47.

3.3 Another propriety given by Killani (1991) in this context, is that, in case of tenancy, ownership of things is not changed. Things which are given on rent remains in the ownership of owner, whereas in case of debt, the lender becomes the owner of money, and creditor will have no right on his money, Abdul Rehman Killani, (1991) p 96.

3.4 Muhammad Taqi Usmani (1999) has given another proof, according to him, only those items can be given on rent which keeps their nature intact before and after giving on rent. But if the nature of a commodity is being changed after rent like currency, which cannot be used in its original form, such type of commodities cannot be given on rent, hence their rent is unlawful, Usmani, (1999) p 47.

4. REBUTTAL OF ARGUMENTS IN FAVOUR OF RENT.

Unfortunately, all arguments which are given in this regard do not have any logical base, and do not quality any standard of reasoning. Their rebuttal is as follows:

4.1 Depreciation: The First Reason of Rent.

On this concept following basic objections can be raised.

4.1.1. The first objection is that, it cannot be justified from Qur'an and Hadith. Any direct or indirect proof from these two sources cannot be provided in this regard, that due to depreciation rent of any asset becomes lawful.

4.1.2. Qur'an has allowed trade and restricted from riba. Any trade transaction must have three conditions i.e.

(a). A buyer **(b).** A seller, and **(c).** A commodity to be sold or purchased.

In case of rent non of the above conditions is being fulfilled. On the other hand it has a complete resemblance with riba transaction.

4.1.3. Another interesting fact is that, any exact method of calculation of depreciation is not yet discovered. All the prevailing methods of calculation of depreciation are just provisions, and the real depreciation of assets is normally more or less than its computed value. The basic question is that, when the computation of exact amount of depreciation is not possible, then how can be rent determined on it?

4.1.4. If rent is lawful on the basis of depreciation then rent of currency (riba) should also be considered as lawful, because currency is also depreciated in the form of devaluation. But is it possible?

4.1.5. If it is assumed that due to depreciation rent becomes lawful, then logically rent should be charged in proportion to depreciation. But it is a common observation that, rent should always be charged according to the market price, not on depreciation of asset. It is a simple proof that, there is not any difference between riba & rent.

4.1.6. Another contradiction between theory and practice is that, different assets e.g., shops, houses and offices which are made by same material and being depreciated at same rate, but when they are given on rent, different rent is charged to different shops, houses and offices which depends upon their location & not on depreciation. This simple fact also proves that, rent is not charged on depreciation.

4.1.7. If it is assumed that, depreciation is the reason of rent, then logically with the passage of time, rent should have to decline, because assets are depreciated with the passage of time, and the amount of depreciation declines gradually. But in the real life our experience is not So. Rent gradually increases with the passage of time, which is just opposite of this claim. These facts, simply proof that, rent is not charged on the basis of depreciation, but simply received on market value, just like interest. Hence there is not any difference between rent and interest, Farooq Aziz, (2004) pp 126-30.

4.2. The Element of Risk: Second Argument of Rent

Whereas this claim is concerned, definitely it cannot be accepted as the base of rent. If this reason is being admitted then on this ground gambling will become a lawful activity, because the element of risk is at its peak in gambling. And definitely it cannot be accepted, because it is strictly prohibited by Qur'an. Hence this claim is not acceptable.

4.3. Change in Ownership: Third Cause of Rent

The basic point in this regard is that, in case of rent ownership is not changed and in case of debt it is changed. It is just a delusion, because both cases are quite same, and there is not any minor difference between these two. In both cases (debt & rent) both creditor and owner of asset temporarily lose the right to use their money and assets respectively. When these items returned back to them, their rights as owner are restored as they were before lending. Hence it cannot be said that, in case of debt creditor's right of ownership has vanished, it remains same. Hence this argument is also baseless.

4.4. Change in Nature: Fourth Propriety of Rent

Whereas the fourth reason is concerned, actually it is not an argument, because in its basis of rent is explained i.e. which items can be rented and which are not. The original question i.e. why rent is paid is not being answered in it.

An interesting point arises here. If this reason is being accepted, then on this ground bank interest will automatically become lawful. According to this argument if the nature of the rented item will remain the same or it will not change, and then its rent will be lawful. On this basis, consider the case of bank interest. Depositors deposit their savings in the bank in the form of money. The bank returns them also in the form of money with interest. During this transaction the nature of the item (money) is not changed. Will on this ground, bank interest be considered as lawful, Farooq Aziz, (2004) pp 131-132.

On the basis of this analysis, it is quite obvious that the prevailing definition of *riba* in which *riba* is just restricted to debt and allowed the rent of rest of the assets is just fictitious, because this bifurcation is quite unnatural and impossible. We have to give the same treatment to all assets including cash. In this regard there is only one choice i.e. whether rent of all assets should be allowed, or it should be entirely prohibited without any exception.

5. QUR'ANIC CONCEPT OF RIBA

Before starting the discussion on the Qur'anic concept of *riba*, it is necessary to see what is the meaning of the term "assets" in economics & commerce? In both subjects, it means everything which a business / company owns and which has a money value, Graham Bannock, R.E. Baxter, Evan Davis, (1998) pp 10-11. Cash definitely is a part of it and did not get any special treatment, in theory & practice also.

Qur'an is also following this common practice described above, and does not readily draw any boundary line between cash and other forms of assets. Its simple proof is that, Qur'an has used the term 'Mal' as the alternate of all assets including cash. This term is used in Qur'an at almost 86 different places synonymously for cash and other assets. Jurists also used this term in the same sense, e.g. in *Taj-ul-Uros* it is defined as "anything which is in the ownership of man", Muhib-u-din, al Hanafi, (1306H) p 429. In *Kashaf Istalahat AlQur'an* this term is defined as "any thing which men tends to get, which can be spent and saved.", Imam Raghīb Asfahani, (1324H) p 230. In the same book its another definition is that "Mal is anything which can be stored". Ibid p 231. In *Kitab Dastor-ul-Ulma* its definition is "it has the characteristics that, it can be stored to get the advantages at a particular time, Pitras Yastani, (1870) p 132.

From these definitions it can be said that, anything which is said to be Mal should have the following characteristics:-

1. It must have utility.
2. It can be stored, and
3. It should be in ownership of a man.

It means that the 'Mal' is just synonymous of modern term assets and Qur'an has used it in the same sense. e.g.,

- a. And giveth his wealth for love of Him. (2/77)
- b. And Moses said: our lord! Lo! Thou hast given Pharaoh and his chiefs splendour and riches in the life of the world (10/88)
- c. Then we gave you once again your turn against them, and we aided you with wealth and children and made you more in solidarity (17/6)
- d. The Day when wealth and sons avail not (any man) (26/88)
- e. Who hath gathered wealth (for this world) and arranged it (104/2)

- f. And the saith: I have destroyed vast wealth (90/6)
Expect from these verses, in following verses also Qur'an has used the term 'Mal' in the meaning of assets.

(2/274), (2/152), (18/46), (23/55), (26/88), (27/36), (68/14/), (89/20), (18/34), (18/39), (19/77), (74/12), (104/3), (111/2), (2/155), (4/10) and (4/161) etc.

In the following verses of Qur'an this term is used in the sense of cash or currency.

- a. And giveth his wealth, for love of Him, to kinsfolk and to orphans and the needy and the wayfarer and to those who ask, and to set slaves free (2/177)
- b. O ye who believe! Render not vain your almsgiving by reproach and injury like him who spendeth his wealth only to be seen of men and believeth not in Allah and the Last Day (2/264)
- c. Who giveth his wealth that he may grow (in goodness) (92/18)
- d. And eat not up your 'Mal' among your selves in vanity, nor seek by it to gain the hearing of the judges that ye may knowingly devour a portion of the 'Mal' of other wrongfully (2/188)
- e. Say if your fathers, and your sons, and your brethren, and your wives, and your tribe and the wealth ye have acquired (9/24)

Same as in (30/39) and (2/188) this term is also used in the meaning of cash. The matters described in the above mentioned verses i.e. (2/177), (2/264), (92/18), (2/188), & (9/24), that is help to relatives, orphans, travelers, poor people and other needy persons etc., are no doubt can be accomplished with other than cash, but the normal way of all these transactions is cash. Particularly people earn their income in cash. Hence in these verses Qur'an has used this term particularly for money or cash.

Hence it can be concluded that Qur'an is not ready to distinguish between cash and any other asset and gives the same treatment to them. This is the reason that, when Qur'an has prohibited the remuneration of assets, then it restricts the reward of all assets, not just excess amount on debt.

Qur'an has restricted it in absolute terms, and leaves no stone un-turned in this regard. In this context attention should be given to the verses 278 & 279 of Sura Al-Bakra in which God said:

O ye who believe! Observe your duty to Allah and give up what remaineth (due to you) from riba, if ye are (in truth) believers.

And if ye do not, then be warned of war (against you) from Allah and His messenger. And if ye have your principal wrong not and ye shall not be wronged.

In these verses there are four main points which are as follows:

1. Consider the initial words of the verse 278 in which order is given to Muslims to leave the entire balance of riba. Any Muslim cannot keep a single paisa in this regard. Hence there is not any question of so called interest & usury. From Qur'anic point of view any excess amount over principal will be treated as riba. It doesn't make any difference how smaller or large the amount is.
2. An important point is that, in this verse i.e. 278, there is not any discrimination about the purpose of loan. Nothing is stated about it, each & every type of excess amount on

principal is prohibited. Hence there is not any question of purpose of loan, whether it is consumer or commercial, in any case it is strictly prohibited.

3. It is an absolute order of God and Muslims have to obey it, if they want to be a Muslim.

4. In the succeeding verse i.e. 279, The Qur'an has clearly said that you can just take back only your assets (not currency only) from the debtor. Consider *رءوس أموالكم*, the words of verse (your real assets), Qur'an has used the plural of mal. We have already seen that this term is, used in Qur'an for assets, and when it is used in plural form then each and every type of assets are included in it.

It simply means that, any excess amount in any form, on any asset, is prohibited. Any Muslim creditor can take back just his/ her original assets from the debtor. It doesn't matter for what time and purpose it has been let out & to whom and where it is given. Because this verse (2/279) is not giving any room for such type of affairs. It is an absolute order, regardless of time, place and the persons involved in it.

In this way Qur'an has closed all the doors of remuneration of any asset, not just of cash only. Hence from Qur'anic point of view riba is not just restricted to debt only, but it covers the remuneration of each and every asset. In this background riba is now can be defined as:- "riba is that excess amount, (regardless of nature & quantity) which the owner of any asset receives by letting his assets (including cash) anywhere, for any particular time period, and purpose, whether this increment is part of agreement or not", Farooq Aziz (2004) p 139.

6. CONCLUSION

Prevailing concept of riba which treated riba as just reward of money/currency don't have any logical base, because neither in practice nor in theory any bifurcation is possible between cash and other assets, and all arguments given in this context don't qualify any standard of reasoning. The real and only truth is that, according to Qur'an remuneration of all assets in any form, in any quantity, regardless of the purpose & time period for which asset is lent will be treated as riba, which is strictly prohibited by Qur'an.

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