

# INTEREST



- A dreadful curse
- Ways to get rid of
- Multi Level Marketing



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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

(In the name of Allah, the most Gracious and the most Merciful)

الحمد لله وحده ، والصلاة والسلام على من لا نبي بعده وبعد :—

(All praises be to Allah and peace be upon His Prophet (pbuh).  
To proceed:

## Introduction

Interest ranks the highest amongst all evil ways and means that have been invented to exploit the society and to make the poor poorer and the rich richer. In consideration of the procedures, outcomes and deep seated damage to the economy there is no comparable anti-social weapon similar to interest. It can be traced back in the Torah, the revealed book, that interest dates back to very ancient time, even before the time of Hazrat Musa (A). Still it prevails in the society with its evil force. But history testifies to the fact that interest was always condemned in unequivocal terms. Dealers of interest were identified as the enemy of the society and appeals were made to avoid it in all ages. No revealed books permitted any kind of dealings on interest nor put the seal of acceptance on it.

## Definition of Interest

Allah SWT prohibited interest in unequivocal terms in the holy Quran. He proclaimed وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا 'Allah has permitted trading and forbidden *Riba* (Interest)' (*Al-Baqarah: 275*).

Why is this declaration? Why has interest (الرِّبَا) been declared prohibited? To get into this discussion, we have to know first what is *Riba* or interest and what it really stands for. In Arabic

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*Riba* literally means increase, addition, expansion or growth. This does not imply that every increase or growth has been prohibited in Islam. Umar Chapra, the renowned Islamic scholar, philosopher and the King Faisal Award winner, defines it as saying: "In the *Shari'ah*, *Riba* technically refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity."

Imam Fakhruddin Razi said that during the era of *Jahiliyah*, people of Arabia knew very well about *Riba* and it was widely in practice among them. Even in that period they used to disburse loan systematically according to the terms and conditions agreed upon and realized a fixed amount of money per month while the principal amount remained intact. When the period was over and the debtor failed to repay the debt, the time of repayment was extended on condition of paying an enhanced amount of interest (*Tafsirul Kabeer*).

Ibn Hajar Asqalani (R) said *Riba* is that excess material or money which is paid against the original quantity of material or money. In his book *Ahkamul Quran* Imam Abu Bakar Al-Jassas said, *Riba* is of two kinds. One relates to purchase and sell while the other is not. The second one is *Riba* of the *Jahiliyah* age. He further said that there was tradition of signing a contract during the *Jahiliyah* era between the debtor and the creditor at the time of providing loan where it was agreed upon that the borrower would pay an extra amount of money at a fixed rate within the stipulated period of time.

According to the renowned Mufassir Ibn Jarir (R), "the *Riba* mentioned in the holy Quran and practiced during the *Jahiliyah* era is the realization of a fixed amount of money in addition to the principal amount, stipulated upon a fixed time. The Arabs carried out the same practice. If the debtor failed to repay the

loan, the time of repayment was also extended on condition of paying an extra amount of interest (*Tafsir Ibn Jareer*).

A misconception prevailing in the society regarding *Riba* needs to be resolved. Many people argue that *Riba* in the holy Quran and the Hadeeth refers usury which is realized on the money lent for personal or family purpose. To them, interest i.e. the extra amount charged for a fixed period of time for investment in business purposes is quite different one. They are of the opinion that realization of interest or usury from a needy person may be condemnable as there might be scope for exploitation and oppression. But money given as loan for business purpose and interest charged on it is not exploitation because nothing is imposed upon anyone. On the contrary, the businessman will earn profit.

They argue that like conventional commercial dealings the rate of interest is agreed upon according to the convenience of both the parties. This rate of interest is simple and also low, usually ranging from 8% to 18%. Moreover, because of such loan investment in business enterprises become possible and production and employment are accelerated and the wheel of the economy sets in motion. As the income of the borrower increases, it is logical for him to repay the loan with 'the price for the duration of the capital'. According to them there is no element of pressure or any kind of exploitation prevails here. On the other hand, the purchasing power of the creditor that decreases due to inflation is offset by the interest he receives. As a result the value of the capital remains intact. The explanation is not tenable at all for the following reasons:

Firstly, in the entire Arab world the term *Riba* is used for interest. No other terminology is used for it. So there is no scope to create unnecessary doubt about the matter by using any other words of English, Bengali or other languages. For example, interest is prohibited in Islam as wine is prohibited. There is no material difference between a full glass of coloured wine and a bit of

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white wine kept at the bottom of a glass except in colour and quantity. By the same way the difference between interest and usury is not qualitative but quantitative.

Secondly, during the age of the *Jahiliyah*, capital was invested for conducting trade and commerce and interest was realized for it. At that time, many people used to invest their capital to earn interest by appointing agents like that of the present age. Among those Abbas Ibn Abdul Muttalib, uncle of Hazrat Muhammad (pbuh) and Bonu Mugheerah were the most infamous. The interest they realized was known as *Riba*. Hazrat Muhammad (pbuh) stopped the interest based business of his uncle and wrote off all outstanding interest of the debtors in his farewell pilgrimage address (*Abu Dawood H/1905*).

Thirdly, those who ask to realize the 'price for the time the capital was used' are similar in behaviour of the story of that one-eyed deer. If the 'price for time' is accepted on the lender's side why not is it applicable in the same way on the borrower's side? More importantly the debtor's time, labour and intellect are used to utilize that money. Moreover, those who argue for taking interest in order to keep the value of money intact, they forget that it is not possible to keep the value of money stable just by realizing interest. It requires additional fiscal and financial measures. So people who are interested in differentiating interest from that of usury most likely speak with a view to fulfill any particular motive. It can categorically be said that both in the *Jahiliyah* era and in Arabic language the word *Riba* was used to mean both interest and usury. The lexicographers and scholars are unanimous in this respect.<sup>1</sup>

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1. T.B. Hughes, *A Dictionary of Islam*, (Premier Book House, 1985), p. 544; Adam Kubar & Jessica Kubar, *The Social Sciences Encyclopaedia*, (Routledge & Kegan Paul, 1985), p. 405-406; *Encyclopaedia Judaica*, (Jerusalem, 1972), Vol. 16. p. 28; Raymond De Rover, *International Encyclopaedia of the Social Sciences*, London, vol. 4, p. 434; Henry, W. Spiegel, *A Dictionary of Economics*, (Macmillan, 1987), Vol. IV, p. 769.

In fact, interest that is prohibited in the Islamic *Shari'ah* is prohibited once for all whatever be the names and attributes applied to it and whatever be the means adopted to gain it. It may be remembered that when the verses of the holy Quran were revealed prohibiting *Riba*, interest was paid on money borrowed for personal cause as well as for business purpose. Both kinds of interest were called *Riba* in Arabic and this *Riba* was declared prohibited in the holy Quran.

### **Fundamental features of interest**

From the above discussion four distinctive features of interest can be identified. These are:

- a. Interest is charged against loan.
- b. Extra amount of money at a prefixed rate is to be paid at the time of repaying the debt.
- c. An agreement is to be reached determining the time of repayment and the extra amount of money to be paid.
- d. Any damage, profit or loss or risk of the borrower will not be taken into consideration by the creditor.

### **Classification of Riba**

According to the Islamic *Sharia 'h*, interest is of two kinds:

(1) *Riba an-Nasi'ah* (الربوا النسيئة) and (2) *Riba al-Fadhl* (الربوا الفضل).

(1) *Riba an-Nasi'ah* (Interest on credit): *Riba an-Nasi'ah* means one is to pay interest at a fixed rate for the sum borrowed which is to be returned after the specific time fixed by the lender. The debtor is bound to repay the loan alongwith the stipulated amount of money. For example, when B borrows Tk.100/= from A for a year, the Tk.100/= will be repaid by B with an addition of 10% as

extra during repayment. This extra amount of Tk.10/= is called *Riba an-Nasi'ah* i.e. interest for waiting.

(2) *Riba al-Fadhl* (Exchange by different quantity): The word *Fadhl* literally means extra. It refers to the amount which is extra in quantity, taken at the time of exchange of goods of the same type via hand to hand. This extra amount of goods is termed as *Riba al-Fadhl*.

Narrated Abu Sae'ed Khudri (RA): Once Bilal (RA) came with fine quality of dates to Prophet Muhammad (pbuh). The Prophet asked him: From where have you bought them? Bilal said: We had inferior quality of dates and I exchanged two *sa's* of inferior quality with one *sa* of *Barmi* (a fine quality) dates. Thereupon the Prophet (pbuh) said,

أَوْهَ عَيْنُ الرَّبَا عَيْنُ الرَّبَا لَا تَفْعَلْ وَلَكِنْ إِذَا أَرَدْتَ أَنْ تَشْتَرِيَ فَبِعِ التَّمْرَ بِيَعِ آخَرَ ثُمَّ اشْتَرِ بِهِ -

"Woe! It is in fact usury; therefore, don't do that. But when you intend to buy dates (of superior quality) sell (the inferior quality) in a separate bargain and then buy (the superior quality)".  
(*Bukhari, Muslim, Mishkat H/2814*)

In another Hadeeth, Abu Sai'd Khudri (RA) reported the Prophet (pbuh) as saying:

الذَّهَبُ بِالذَّهَبِ وَالْفِضَّةُ بِالْفِضَّةِ وَالْبُرُّ بِالْبُرِّ وَالشَّعِيرُ بِالشَّعِيرِ وَالتَّمْرُ بِالتَّمْرِ وَالْمِلْحُ بِالْمِلْحِ مِثْلًا بِمِثْلٍ يَدًا بِيَدٍ فَمَنْ زَادَ أَوْ اسْتَزَادَ فَقَدْ أَرَبَى الْآخِذُ وَالْمُعْطِي فِيهِ سَوَاءٌ -

"Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, salt by salt, like by like, payment being made hand to hand. He who made an addition to it or asked for an addition, in fact dealt in usury. The receiver and the giver are equally guilty". (*Muslim, Albani, Mishkat H/2809*)

Such kind of transaction i.e. interest is totally prohibited in Islam. The underlying reason here is to safeguard the terms of justice



and appropriate exchange might not be possible to maintain in immediate transactions. So the ruling of the Islamic *Sharia 'h* is to sell the goods first on a price and afterwards use the proceeds to buy the intended goods.

### **The differences between interest and profit**

Some people consider interest and profit as one and the same. They hesitate not to say that ‘Interest is as like as profit’. To clear the misconception differences between interest and profit are briefly discussed below.

(a) Money paid by the debtor in excess to the original amount of credit is called interest, while profit is the difference between the cost of production and price of the goods and services.

(b) Interest is prefixed while profit is post-earned.

(c) There is no risk and uncertainty in interest. On the other hand, in any business initiatives there remains always a possibility of profit or loss. In this circumstance, the entrepreneur has to face the risk and uncertainty.

(d) Interest can never be negative, may be very low or at best theoretically zero. But profit is positive, can be zero or even be negative (i.e. loss).

(e) In interest, the financier does not invest his effort and labour. But profit is the result of effort and labour of the entrepreneur.

### **Interest in other religions, philosophy and literature**

Interest was prohibited in other revealed books also. Today those books are not found undistorted. Only the holy Quran remains unadulterated or undistorted and will remain so till *Akhirah* (the Day of Resurrection). Because Allah SWT himself has taken the responsibility to safeguard it. The *Jabur*, revealed on Prophet Daud (David) (A) is untraceable. The original text of the *Taurat* (Torah), revealed on Prophet Musa (Moses) (A) is lost. Only the

curtailed and adulterated version is available. And it is well known that over the ages a lot of changes and adulteration has been made in the original text of the the *Injeel* (Bible), revealed on Prophet Isa (Jesus) (A). In spite of this, the European scholars claim that the Old Testament of the *Injeel* i.e. the Bible is a major part of the *Taurat* (Torah). Even after the changes and adulteration made in the Old Testament what is left about usury is noteworthy. Let us have a glimpse of them.

### **(a) Directives to the Jews about usury**

The followers of Moses are known as the Jews while the followers of Jesus are known as the Christians. The declarations and directives made in the Old Testament in respect of interest is equally applicable in modern times also because these are integral part of the Bible. For example:

(1) "If you lend money to any of my people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest". (*Exodus 22:25*)

(2) "If one of your brethren becomes poor, and falls into poverty among you, then you shall help him, like a stranger or a sojourner, that he may live with you. Take no usury or interest from him; but fear your God, that your brother may live with you. You shall not lend him your money for usury, nor lend him your food at a profit". (*Leviticus 25:35-37*)

(3) "You shall not charge interest to your brother -- interest on money or food or anything that is lent out at interest". (*Deuteronomy 23:20*)

(4) "One who increases his possessions by usury and extortion gathers it for him who will pity the poor. If anyone turns a deaf ear to the law, even his prayers are detestable". (*Ecclesiastes 28:8-9*)