

## **Al-Saudia Virtual Academy**

### **Pakistan Online Tuition – Online Tutor Pakistan**

#### **R I B A**

Riba is prohibited in Islam. The strict prohibition and condemnation of Riba appears at four different places in the Holy Quran, there are also numerous Ahadith.

#### **Nature and Meaning:**

RIBA is an Arabic word, which means, “Increase, Addition, Growth or expansion and refers to the additional amount which a lender recovers from the borrower according to a fixed rate over and above the principal amount.

#### **Controversy:**

A controversy has arisen that interest paid by banks on deposits or charged on advances does not tantamount to Riba & is hence permissible. It is also argued that the Arabic word Riba means usury and not bank interest.

#### **Historical back ground:**

Prior the dawn of Islam, over 1400 years ago the majority of ancient philosophers and almost all the religions of the world has prohibited money as a business, Riba, interest or....

After the switching over from the barter system to the money system Money lending with the earning motive became a common phenomenon in most of the societies of the world.

The doctrine of famous Greek philosopher Aristotle was that a piece of money cannot beget another piece’ He rejected interest on the basis that Money is sterile.

Plato: Also condemned interest.

In Biblical times, all payments for the use of money were forbidden. The teachings of JESUS on the subject are very clear.

#### **Love your enemies and do good, Lend, expel nothing in return.**

In AD 605 just before the dawn of Islam, a spark of fire caught the curtains of Kaba, for the repair and reconstruction of the building, contributions were asked, only pure, clean and honestly earned money should be donated.

In the Mercantile Era, (1500-1700) money began to be used on a large scale for commercial transactions and assumed the role of a factor of production like land etc. In 1740 a bond was issued at 4% interest.

After the establishment of political supremacy of Islam over a greater part of the world, the prohibition of usury or interest, which was also considered as undesirable among non-Muslims was enforced more strictly. Islam allows profits through trade, Muslim gradually began to lose political supremacy in places, which were being ruled by them.

The Holy prophet of Islam (Peace be upon him) had predicted this over 1400 years ago and had said.

The Holy prophet of Islam (peace be upon him) had predicted this over 1400 year ago and had said. There will certainly come a time or mankind when everyone will take Riba and if he does not do so, his dust will reach him.

Encyclopedia Americana explains usury as previously interest meant payment to compensate for a loss suffered by the lender whereas usury signified a charge for the use of money.

New Encyclopedia Britannica defines interest as "The price paid for the use of credit or money. It may be expressed either in money terms or a rate of payment".

According to Stienstra, the world interest by and large has now been accepted and understood as Riba.

## **PROHIBITION OF RIBA**

It is to be noted that the Holy Quran has used the Arabic word Riba in the verses.

If you do it not, take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums. Deal not unjustly and ye shall not be dealt with unjustly. (2:279)

Allah will deprive Riba of all blessing, but will give increase for deeds of charity; for He loved not creatures ungrateful and wicked' (2:276)

If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity. That is best for you, if ye only knew. (2:280)

In surah Al-Imran verses 130-2 Allah prohibits Muslims to take usury (compound interest) and promises prosperity to people who obey the orders.

In surah Al-Baqarah, (2:275) it has been clearly mentioned that the 'trade is like Riba' is incorrect and Allah has permitted trade and forbidden Riba.

It is important to appreciate the difference between trade & Riba (interest). The return on capital invested by an entrepreneur in the business is either positive or negative depending upon the operational results. In case, however, of interest on loans including bank interest, a positive return is assured and a negative return or risk of a negative return is not shared by the lender.

There is a reminder from Allah in the Holy Qur'an (2:281) to be fearful of Him and that when they will go back to Him on the day of resurrection, each one of them will be dealt with in a just and equitable manner.

### **Prohibition of Riba: (In Ahadith)**

From Jabir. The prophet, peace be upon him, cursed the receiver and the payer of Riba, the one who records it and the two witnesses to the transaction and said: They are all alike (in guilt) (Tirmizi).

In his last sermon during the pilgrimage, the Holy prophet, peace be upon him, in the presence of about one hundred thousand reverend companions declared: "Every form of Riba is cancelled" (Musnad Ahmed).

### **Prohibition of Riba (In Fiqh)**

All the scholars of thought of Muslim jurisprudence hold the unanimous view that Riba, usury and interest are strictly prohibited.

Syed Qutub Shaheed, a famous reformer and Islamic scholar says that interest and Islam cannot remain together in a Muslim society.

An Islamic Fiqh Academy (Islamic Law Academy) was constituted by the Organization of Islamic Conference in 1983. The Academy representing 43 Muslim countries passed a resolution in December 1985, equating Riba with back interest and declared it unlawful.

It would appear that Riba has the same meaning as usury or interest according to the consensus of almost all the prominent Muslim scholars throughout the world.