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The Prohibition of Interest and its Alternate: A Study Based on Islamic Teachings

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Abstract: The prosperity and peace of a society much or less depends on its financial system. While for the smooth running of society and its matters, there are several instructions in Islamic Shariah and allows what's proper and forbids what is inaccurate. When we communicate the economic problems, Islamic Shariah strictly condemns interest. The question may additionally stand up why Islam prohibits interest; while it was already in practice earlier than the advent of Islam. This paper is an attempt to clear that the prohibition of interest in Islam is just for the sake of humanity and society. Therefore, Islam provides alternate ways for the welfare and stability of a society. Interest is not only forbidden in Islam but monetary specialists also are searching for its alternative. In this paper we're discussing how interest causes imbalance in the society and as an alternative what Islam suggests to its followers.

Keywords: Economy, Riba, Debt, Interest, Loan, Welfare, Usury, Imbalance

Introduction: The English word 'interest' is often considered as the word Riba 'ربا' in Islam, which is an Arabic word. Its meaning is to increase, grow, augment, and educate (child), swell, and mount up¹. This word is also used in Quran-e-Pak in various meanings but when it appears in the verses based on financial matters then it means 'interest' or 'usury' ² . Similarly, Shah Waliullah defines it as, 'a loan that lender provides to the borrower on the condition that he will return more or better than the loan³. Interest plays an important role in different economic systems but is prohibited in the Islamic law (Sharia). In Islam Sharia is based on the divine book, the Quran-e-Pak and Sunnah (the teachings and practices of the Prophet Muhammad peace and blessings of Allah be upon him). One can be curious on this strive of Islam that why Islam prohibits Interest? While it became already in exercise earlier than the appearance of Islam and is also a part of one-of-a-kind monetary systems in the course of the arena. Simply, because Islam is the 'standard religion'⁴, it honors⁵ the people and condemns all of the endeavors that are not beneficial for humanity. Interest is certainly one of them, as it is the root cause of several issues in the society in the form of monetary problems, economic crises, and proper allocation of resources, injustices, poverty, indebtedness, unemployment, inequity and imbalance⁶.

Interest as a root cause of imbalance society: People may involve in interest as borrower or lender and both of the situations create different issues in the society. The question may arise here that if borrower gets profit then how it's problematic for society? Surely it seems to be profitable for the borrower; but it is not in the long term benefit of the society and its economy. The way of financing by borrowing at interest leads to several crises, such as: less efficient allocation of resources, economic instability and indebtedness of government, individuals, or organizations⁷. For instance: only on household debt that is of \$3 trillion the US pays \$300 billion interest yearly⁸.

As to promote interest means to legalize the lenders that they may gulp interest without making any struggle and certainly it will cause idleness and laziness among them. With this practice, the lenders will get a short cut for their future survival; instead of investing their capital in any business based on profit and loss sharing. Further, if there will be no industrialization then means increment in unemployment rate. Actually if there is no proper mechanism of money circulation in the society then people will face money scarcity that may lead to the dismantling of social and humanitarian ties among different classes⁹.

Another harmful aspect of interest becomes obvious when borrowing leads to loss. In this case the involvement in borrowing may be 'to fulfill basic needs' or 'for business purpose', if borrowing is to meet basic needs then it's the worst of cruelty from the lender (whether it is an individual or organization etc.) to take interest from the poor. While if the borrower was financially established but involved in interest to start or enhance business but suffered great loss in business then it will be difficult for borrower to return the loan and interest. Therefore, to provide interest based loan means to facilitate borrowers in becoming a burden for the economy and society. Instead, there is a need to motivate the financially established people towards interest free loans or charity.

According to 'The Guardian' newspaper, "The vast and growing gap between rich and poor has been laid bare in a new Oxfam report showing that the 62 richest billionaires own as much wealth as the poorer half of the world's population."¹⁰ When there is already such a worst situation in the World that every night one in nine persons sleep hungry¹¹. Definitely, it would not be possible for them to make healthy relationships with other members of the society. Even it may cause enmities, cutoff and hatred among the members of a society¹²

About the cause of money scarcity Anthony Migchels writes: "American Populists always focused on scarcity of money. Expanding the money supply was their main goal, not Usury abolition. But Usury is the fundamental cause of money scarcity."¹³ After highlighting this main issue of Riba, he further writes that "Usury is a constant drain on the money supply. Banks spend some of the interest back into the economy, but not all."¹⁴ In this way, interest contributes in the economic enslavement not in the real development and affluence to the society¹⁵.

Islamic Law and Prohibition of Interest: Islamic rule and regulations are for the betterment of humanity, it promotes goodness and condemns all which is harmful for others. Therefore, interest because of its harmful effects is prohibited in Islamic Shariah. Instead, Islam proposes a system of helping people without expecting anything in return;

its teachings are based on mutual trust not accusations¹⁶. In order to serve humanity at its best there is a concept of lawful and unlawful in Islam and interest is in the list of those items which are strictly condemned by Almighty Allah. About Interest and its prohibition there are several instructions in Quran-e-Pak and Hadith (the teachings of the Prophet Muhammad peace and blessings of Allah be upon him).

There are different verses in the Quran-e-Pak regarding interest. In the very first verse that was revealed in Makkah, there is a motivation to spend on charity instead of interest, as it says that charity pleases Allah not Riba therefore Allah will only multiply charity.

“And whatever you give for interest [i.e., advantage] to increase within the wealth of people¹ will not increase with Allah. But what you give in zakāh,² desiring the face [i.e., approval] of Allah - those are the multipliers.”¹⁷

Then after the Prophet’s migration to Madina the verse revealed was a step forward it orders the believers that do not devour Riba and fear Allah in order to get real success.

“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful.”¹⁸

Finally, Allah declared it prohibited and if anyone still involves in Riba based transactions then it’s like a war with Almighty Allah and His Prophet.

O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged.¹⁹

The divine book, Quran-e-Pak is a source of guide for all humanity but believers of the Quran-e-Pak can gain maximum benefit from its teachings that’s why by reminding them about the Day of Judgment Allah says that he who devour interest will stand like the person who is insane by the touch of the Devil and it is due to their attempt against Allah’s commandment that they consider interest equal to the trade, while Allah had already prohibited interest and permitted trade.

“Those who consume interest¹ cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns [to dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.”²⁰

Furthermore, the Quran-e-Pak also indicates that interest was also forbidden for Jews.

“And [for] their taking of usury while they had been forbidden from it, and their consuming of the people’s wealth unjustly. And We have prepared for the disbelievers among them a painful punishment.”²¹

The transactions were commonly interest based in Arabia, therefore, for the ease of public, Islamic Shariah didn't ban it at once but it was made unlawful in several stages as mentioned above. The strategy was adopted not only for interest's prohibition but also in some other issues just like intoxication²². Certainly, each and every thing that is prohibited by Islamic Shariah is for the betterment of mankind.

The prohibition of interest by Quran-e-Pak is further explained by the Prophet Muhammad (peace and blessings of Allah be upon him). He practically implemented it by saying that all interest is eradicated however people will get their capital then he waived all the interest of his uncle, Abbas bin Abdul Muttalib²³. The Prophet peace be upon him has motivated his companions to move at charity instead of interest as there is no blessing in it²⁴ and cursed all those who either devour Riba, pay it, witness or record it²⁵.

The Prophet Muhammad (Peace and blessings of Allah be upon him) included interest in the list of seven major sins that leads to the Hell²⁶. Even the Prophet's peace be upon him agreement with the Christians of Najran was based on the stipulation that they will not devour interest²⁷. The same teachings were adopted by his companions in future, one of them is as follows:

A man gave loan to someone on the condition that he will return him better than it. Hearing this Abdullah Bin Umar said that it is interest and explained the three types of loan: (i) A free loan that a person gives for Allah's pleasure. (ii) A free loan that a person gives to please his companion. (iii) A free loan that a person gives to return more than it. And the third one is Riba.

Then the man asked Abdullah Bin Umar what should he do now? Abdullah Bin Umar suggested him to withdraw the agreement and if the borrower returns you equal to what you lent then accept it. If it is less than yours, accept it with a hope that Allah will recompense it. However, he may return you better than yours as gratitude and that will be your reward²⁸.

That's a brief view of Islamic Sharia on prohibition of interest. Here we can see the strictness in the words of Quran-e-Pak to avoid interest, it is just because Almighty Allah demands people to create an economic system, free from all types of exploitations²⁹. There are also some narrations from the companion of the Prophet Muhammad (peace and blessings of Allah be upon him) showing that he returned more or better than what he had borrowed. But it doesn't fall in the category of interest as it was not predefined but an unexpected increase as a sign of gratitude.

Alternates of Interest: Islam motivates its followers to be helpful for other Muslims and in case of financial crises giving interest free loan is appreciated.

"The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing. Those who spend their wealth in the way of Allah and then do not follow up what they have spent with reminders [of it] or [other] injury will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve."

and for the safe side there are some major instructions to deal with this matter. Such as:

“O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation [i.e., the debtor] dictate. And let him fear Allah, his Lord, and not leave anything out of it. But if the one who has the obligation is of limited understanding or weak or unable to dictate himself, then let his guardian dictate in justice. And bring to witness two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses - so that if one of them [i.e., the women] errs, then the other can remind her. And let not the witnesses refuse when they are called upon. And do not be [too] weary to write it, whether it is small or large, for its [specified] term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you, except when it is an immediate transaction which you conduct among yourselves. For [then] there is no blame upon you if you do not write it. And take witnesses when you conclude a contract. Let no scribe be harmed or any witness. For if you do so, indeed, it is [grave] disobedience in you. And fear Allah. And Allah teaches you. And Allah is Knowing of all things.” 30

Similarly, if you are well-off then charity is also a way to help another other instead of giving them interest based loan. Almighty Allah has ordered the believers that:

O you who have believed, spend from that which We have provided for you before there comes a Day in which there is no exchange [i.e., ransom] and no friendship and no intercession. And the disbelievers - they are the wrongdoers.”31

The Prophet Muhammad (peace and blessings of Allah be upon him) also motivated his followers towards interest free loan, by saying that “Whoever gives respite to one in difficulty, he will have (the reward of) an act of charity for each day. Whoever gives him respite after payment becomes due, will have (the reward of) an act of charity equal to (the amount of the loan) for each day.”³² And he (peace and blessings of Allah be upon him) prays for such people in these words, "May Allah show mercy to a man who adopts a kind attitude when he sells, buys and demands for the repayment of loans."³³

Conclusion: Interest based system can't be beneficial for the overall humanity. The involvement of people in interest based monetary system either collectively or individually, cause great hurdle in money circulation. No society can ever be considered as a balanced society where the rich becomes richer and the poor, poorer. Likewise, it will be difficult to keep on the social values instead there will be injustice, oppression and usurping on the one hand while jealousy, hate and poverty on the other hand. Definitely, how it's possible for the people to create a healthy relationship with those who are the cause of their sufferings in different types of financial issues. Therefore, Islam condemns not only interest but all those who involve in it to eliminate any form of exploitation. Furthermore, Islam provides alternate sources to fulfil the need of the people who are in financial crises. These alternates can be in the form of charity, donations, interest free loan or Qarz-e-Hasna; where people will be rewarded for such efforts

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