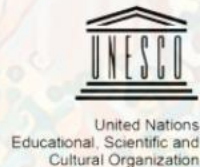


Riba and its adverse effects

Week 3

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Outline

- Meaning and Types of Riba
- Riba: Quran
- Riba: Sunnah
- Adverse effects of Riba
- Conclusion



Meaning and Types of Riba (Usury, Interest)

- *Literally*: Increase and growth.
- *Technically*: refers to the additional sum of money that must be paid by the borrower to the creditor along with the principal amount as a condition for the loan (or invested capital) or for an extension in its maturity.
- **Types of Riba:**
 - 1) Riba Al-Nasiyah/Al-Jahiliyah: (Riba in credit or %) by Quran & Sunnah
 - 2) Riba Al-Fadhl: (Riba on cash) by Sunnah



1) Riba Al-Nasiyah/Al-Jahiliyah): Quran

- “Those who consume interest 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. (275) Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever. (276) Indeed, those who believe and do righteous deeds and establish prayer and give zakah will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve. (277) O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. (278) 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.” (2:275-279).



1) Riba Al-Nasiyah/Al-Jahiliyah): Sunnah

- “Avoid seven destructive sins: worshiping other than with Allah; sorcery; killing the life which Allah has forbidden except for a just cause; eating up usury (Riba); eating up an orphan’s property; turning back to the enemy at the battle-field at the time of fighting; accusing chaste women who are good believers and never even think of anything touching chastity” (Bukhari and Muslim)
- “Allah cursed the accepter of interest and its payer, and one who records it, and the two witnesses” (Bukhari and Muslim)



2) Riba Al-Fadhl: Sunnah

- *“Gold is to be paid 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).*
- *...But if the commodities differ, then you may sell as you wish, provided that the exchange is hand-to-hand.” (Muslim)*
- **Note:** Fiat money is also included in the above six commodities through analogy on Gold Dinar and Silver Dirham.



Adverse effects of Riba

1) From the spiritual and moral perspective:

- Greed, selfishness, stinginess, hard-heartedness, narrow-mindedness, cruelty, money-worship....
- It kills the spirit of fellow-feeling and co-operation in the society.

2) From the social perspective:

- Exploitation, disintegration of the society, class struggle, poverty...

3) From the economic and political perspectives:

- No actual economic development, but rather poverty, enslavement....
- **Chinese government loans, with no "No Paris Club clause":**
<https://www.dw.com/en/chinas-secret-loans-to-developing-nations-pose-problems-study-finds/a-57066390>
- **IMF:** <https://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador>



Conclusion

- Loans should not be granted for productive purposes.
- Real trade (Murabaha, Salam...)
- Real partnership (Musharaka, Mudharaba) where profit and loss is based on equitable terms

• ...وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ ۖ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ... (المائدة: 2)

“...and cooperate in righteousness and piety, but do not cooperate in sin and aggression...” (5:2)



Thank You

Wa Allah A'lam

