

RETHINKING ECONOMIC ETHICS IN ISLAM:
Muhammad Rashīd Ridā's Concept of Ribā

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ملخص

ما زال الربا إحدى موضوعات الجدل في التفكير الاقتصادي الإسلامي، علما بأن القرآن قد صرح بتحريم الربا الذي انتشر في العصر الجاهلي. بينما وقعت في العصر الحالي معاملات يظن أنها تتضمن عناصر الربا.

والمسألة هي: هل تحريم الربا كما صرحه القرآن سار لجميع المعاملات التي تفرض المقرض أن يدفع للمقرض أكثر مما اقترض؟ وكيف بالنسبة للمعاملات التي يظن أنها تتضمن الربا مثل فائدة البنك وبيع العملة الأجنبية وشراء الأشياء بطريقة التسيط؟

تحاول هذه المقالة عرض آراء محمد رشيد رضا حول الربا بجمبع عقلية وقلبية وعلاقته بالظروف المعاصرة. وبعد بيان معاني الربا في القرآن والحديث وعدد من آراء العلماء ومنهم محمد رشيد رضا حول الربا استنتج الكاتب أن مفهوم رشيد رضا عن الربا صالح لتطبيقه في العصر الحالي.

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Abstrak

Dalam pemikiran ekonomi Islam, riba merupakan salah satu persoalan yang masih menjadi perdebatan. Hal ini mengingat bahwa Al-Qur'an, ketika merespon praktek riba yang terjadi pada masa jahiliyah, dengan tegas melarangnya. Sementara, pada era sekarang, banyak orang melakukan transaksi pinjam-meminjam yang diduga juga mengandung unsur riba (*interest*).

Persoalannya, apakah larangan riba sebagaimana ditegaskan Al-Qur'an juga berlaku untuk semua transaksi pinjam-meminjam uang dimana peminjam berkewajiban memberi nilai tambah dari nilai semula kepada pemberi pinjaman? Bagaimana dengan berbagai transaksi yang dipandang juga mengandung riba, seperti bunga bank, jual beli mata uang atau bahkan pembelian barang dengan sistem kredit (angsuran)?

Tulisan ini mencoba memaparkan pandangan Muhammad Rasyid Ridha mengenai riba dengan argumen-argumennya, baik yang rasional maupun tekstual, dan bagaimana relevansinya dengan situasi kontemporer.

Setelah menjelaskan makna riba dalam Al-Qur'an, Al-Hadis dan berbagai pandangan yang dikemukakan para ulama', termasuk Rasyid Ridha sendiri, akhirnya penulis berkesimpulan bahwa konsep Rasyid Ridha tentang riba dipandang relevan dan dapat diterapkan pada era sekarang.

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A. Introduction

Islam obliges every Muslim to act with justice in all aspects of life. Ribā, which is regarded as an unjust manner of business transaction, is therefore strictly prohibited in Islam. In fact, the practice of harmful ribā was also prohibited by the ancient Egyptians and Greeks.¹ In jāhiliyya times, this ribā consisted in the debtor having to pay a certain amount to the creditor in addition to the principle, a practice called ribā al-nasī'a. In the Qur'ān, the term ribā is used in a number of different senses, while in the ḥadīth, we find contradictory statements: in one instance, the prophet permits the addition (ribā) as a gift, while in another Abu Bakr prohibits it even as a gift.² The term ribā is usually translated as "interest" or "usurious interest", when in fact it has much wider meaning.

This paper will look at the Qur'ānic verses relating to ribā al-nasī'a and show that they are intended to prohibit the ribā known in jāhiliyya times. Moreover, we shall also see how the contradictory ḥadīths concerning ribā al-faḍl have led to different opinions among jurists. There are those who regard

ribā al-faḍl as lawful (permitted), given the need for a profit making mechanism in commercial transactions, which is essential to business and economic development. It can in fact be shown that its benefit is greater than its evil. We will base our argument in this regard on the views of Muḥammad Rashīd Riḍā, and will refer the Qur'ān and the ḥadīth for textual support. In the conclusion, we will try to determine whether Riḍā's opinions on ribā are relevant to or disconnected with today's conditions.

B. Ribā and the Qur'ān

In general, ribā is divided into two kinds: ribā al-nasī'a (deferred ribā) and *ribā al-faḍl* (excess ribā). The former, as we shall see, was the ribā practiced by the Arabs in jāhiliyya times, while the latter is prohibited as a *shādd al-dharī'a* (precaution), i.e., not in itself, but because it might lead to real ribā (*ribā al-nasī'a*).³ In the Qur'ān we find the term ribā used to indicate growth (as in Q. 22:5), increase or prosperity (as in Q. 30:39), climbing a hill (as in Q. 23:50), etc. The verses fall into two categories depending on whether they were revealed in the Meccan or the Medinan period. The sūrat al-Rūm: 39, which mildly denounces the more dangerous form of ribā, was revealed in Mecca, where the followers of the Prophet were few in number small and Islamic political power quite weak. By contrast, when the Prophet came to occupy Medina the prohibition against ribā became much stronger due to the increased political power and faith of the Muslims.⁴ It can be conceived that the gradual revelation of these verses is in conjunction with growth in both political authority and people's belief in Islam. For the Qur'ān was made to follow the social development and the need of Muslims for solutions to problems. The verse from sūrat al-Rūm may be seen as a response to the problem of ribā in particular, a practice which prevailed in Arabia before the coming of Islam, and is considered as a prologue to further ribā verses. The verse reads as follows:

And whatever you invest by way of ribā so that it may increase upon people's wealth, increases not with God; but what you give by way of zakā seeking the pleasure of God, those—they receive recompense manifold" (Q. 30:39).

During the Prophet's stay in Medina, the warning against dangerous ribā was revealed (Q. 3:130), which resulted in its prohibition. The verse refers to excessive ribā, in which the amount owed multiplies:

O you who believe do not consume ribā with continued redoubling and protect yourselves from God, perchance you may be blissful" (Q. 3:130).

The strongest and most unequivocal condemnation of ribā in the Qur'ān is stated in sūrat al-Baqara. This statement stresses the danger of ribā and warns that whoever continuously practices it should expect to be punished:

Those who consume ribā shall not rise except like the one who has been struck by the Devil's touch. This is because they say that selling and ribā making are one and the same thing, whereas God has made selling lawful and has forbidden ribā. Whoever receives an admonition from his Lord and desists, he shall have his past gains, his affair is committed to God; but whoever reverts those are the inhabitants of the Fire, therein dwelling forever" (Q. 2:275).

These verses of the Qur'ān indicate the general meaning assigned to ribā. They, however, were revealed in response to the prevailing unjust business practices amongst the Arabs, which perpetuated a situation where the poor grew poorer while the rich became richer. Our elucidation of these verses will be made in the light of exegesis and the *'illat al-ḥukm (ratio legis)* of ribā extant in the Qur'ān.

The stricture prohibiting ribā in the Qur'ān is stronger than that against all kinds of gambling. Ribā is even contrasted with ṣadaqa, which is described as the best way for conducting charity among the poor (Q. 3:276). The giver and the receiver in any transaction involving ribā are both condemned by the Prophet and God; the condemnation even extends to the writer of the agreement and the witness. Transactions of *ribā jāhiliyya (ribā al-nasī'a)* enabled the rich to suppress the poor with their burden of debt. The Qur'ān, however, enjoins the opposite, obliging the rich help the poor.⁵

The *ribā jāhiliyya* mentioned in the Qur'ān is often called as a "complete" ribā due to a certain transaction on loans. The creditor, in this case, requires the debtor to add a certain amount in addition to the principle every month or year. The addition of the definite article "al" to ribā usually specifies a certain type of ribā, when used in conjunction with another word, that is *ribā al-nasī'a*. The ratio legis (*'illa*) of verse Āl-'Imrān: 130 concerning ribā is not related merely to its manifold aspect, for even a small amount of it is forbidden.⁶ An analogy can be drawn with the prohibition on drinking liquor has nothing to do with the amount drunk but with its danger, for even a drop is strictly forbidden.⁷

Verse 130 of sūrat Āl-‘Imrān prohibits in a progressive fashion ribā that has a dangerous effect, with the last of these, revealed in Medina, categorically prohibiting the practice. However, the verses do refer to ribā in general terms, and with reference to that variety practiced in jāhiliyya times.⁸

Besides *ribā al-nasī’a* mentioned in the Qur’ān, another kind of ribā, which is called ribā al-faḍl is discussed in the Prophetic ḥadīth. The latter was often applied to six particular commodities, which we shall see in the following ḥadīth, as well as involving prohibited materials for sale such as the meat of the fox.⁹ However, sale transactions can be made by cash or deferred according to the needs and conditions of the transaction. The payment of it follows the agreement between the buyer and seller, for the difference on price between a deferred and a cash payment is possible due to uncertainty about its value at a latter date.¹⁰

Fakhruddin al-Rāzī (d. 1210 A.D.) contends that the manifold ribā in sūrat Āl-‘Imrān: 130 refers to the common "loan" in jāhiliyya times. This practice contained a provision whereby a creditor promised a debtor to pay a certain additional amount at a deferred time. Al-Rāzī too notes the distinction between ribā al-nasī’a and *ribā al-faḍl*. *Ribā jāhiliyya*, which is equivalent to the nasī’a type has to do with the additional interest charged to a debtor taken every month while the principle remains unpaid.¹¹ Al-Rāzī, furthermore, quotes Ibn ‘Abbās’ notion on sale and ribā saying that *wa harrām al-ribā* in (Q.2/275) entails a particular transaction involving additional interest, i.e. *ribā al-nasī’a*. By contrast, the term *aḥalla-llāhu-lbay’a* relates to additional cash. Therefore, additions to a cash transaction or a profit on a sale are lawful. Al-Rāzī contends that the general meaning of the verses on ribā can not legally specified by a solitary ḥadīth.¹² Furthermore, Al-Rāzī mentions the reason for prohibiting ribā in certain aspects. First, ribā is taking something in addition without giving anything in exchange. The addition to one dirhām of two dirhāms in cash or deferred payment is an exploitation of one by another. Second, taking a profit without engaging in work, but only levying a charge on a debtor in return for lending money is ribā. Third, this practice leads to an unbalanced relationship between humans which should instead be one of mutual help, for ribā on loans benefits only the creditor and is a burden for a debtor. Consequently, the rich become richer while, the poor get poorer.¹³

Ṭabarī (d. 310 A.H) defines the term "doubled or multiplied ribā", which prevailed in pre-Islamic times, as meaning that " the creditor who had lent a certain capital (money, commodity, cattle, etc.) to a debtor for a certain period, used to demand repayment after the time (maturity of the loan) had expired. The debtor would say to his creditor that if he could grant him a delay in the payment of his loan, he (the debtor) would give an increase over the originally loaned capital. This practice was doubled or multiplied ribā."¹⁴ Al-

Bayḍāwī (d. 791 H), furthermore, elaborates that the phrase 'devourers of ribā' shows that usurers advanced agricultural commodities and foodstuffs because, naturally, only commodities and goods circulated. Crops, grains and fruits were the main object of ribā.¹⁵ Therefore, ribā in this sense is not limited to money or gold; moreover it also applies to whatever the primary commodity that is needed by people for daily life. Consequently, the prohibition of this ribā has also a broader meaning.

The ribā of jāhiliyya times which is forbidden in the Qur'ān had to do with loans which were deferred for a certain time and for a certain amount of addition. Jaṣṣāṣ (d. 370 A.H), a famous commentator, elaborates that ribā on a loan is set at the beginning of transaction for a deferred time, while Fakhruddin al-Rāzi sees the practice as being of two different kinds. The first is loans, in which the debtor must pay a certain additional amount every month to a creditor besides the principle of the debt. The second involves payment at some different date of an additional amount. Here the debtor owes an extra amount based on the fact that he could not pay for a certain time. Thus the meaning of ribā does not have to do with all kinds of addition but is specifically related to loans at interest, which are called ribā al-nasī'a, and which included also the prohibited material for sale such as liquor and dead meat.¹⁶ In sum all exegetes are in agreement that the prohibited ribā in the Qur'ān is related only to additions levied on loans consisting of either sums of money or small amounts of goods, such as primary foodstuffs.

C. Ribā and the Ḥadīth

We have seen that the ribā mentioned in the Qur'ān refers to the ribā jāhiliyya or ribā al-nasī'a. Furthermore, the quasi-ribā (ribā al-faḍl) which is not real ribā but an excess ribā, can lead to real ribā (*ribā al-nasī'a*). The former is controversial among jurists, who argue over its legality. There are two particular ḥadīths which contradict each other on the question of whether *ribā al-faḍl* is permitted or not. The first ḥadīth is narrated by Abū Hurayra and included by Bayḥāqī in his Sunan al-Kubrā, while the second is attributed to Abū Bakr. The first ḥadīth mentions that a man came to the Prophet of God to pawn certain goods, and later when the man came back to claim his goods, the Prophet of God said: "this half is yours and the other half is from me as a gift." This ḥadīth is considered to be ṣaḥīḥ. The second ḥadīth, on the other hand, states that when Abū Bakr was being reimbursed by Abū Rāfi'ī for a certain loan, he refused to take any additional dirhāms as a gift saying that: "the giver and the receiver of addition is in Hell". Muḥammad Rashīd Ridā argues that Abū Bakr's ḥadīth indicates that all such additions, even unconditional ones, are prohibited (*ḥarām*) and that any loan that requires payment of an additional

sum at the end is forbidden. Nevertheless, quoting the opinion of the majority of jurists, Riḍā affirms that loans where an additional amount is paid to a lender, as long as there is no provision for it in the contract, is permitted.¹⁷

Furthermore, there is the famous ḥadīth in the Ṣaḥīḥ of al-Bukhārī in the chapter on sale, narrated by Abū Saʿīd al-Khudrī as follows:

Abu Saʿīd al-Khudrī reported God's Messenger as saying: "Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt like for like, payment being made hand to hand. If anyone gives more or asks for more he has dealt in ribā. The receiver and the giver are equally guilty."¹⁸

These contradictory ḥadīths mentioned above have resulted in different opinions amongst the various Islamic legal schools. This is partly because the very last verses on ribā revealed in sūrat al-Baqara were not completely explained by the Prophet, who did not live very long after that revelation. Therefore, all kinds of additions can be regarded as ribā or may be merely included as profit (*ribḥ*), such as in commercial transactions.¹⁹ Islamic jurists such as Abū Ḥanīfa (d. 150 A.H.), Mālik b. Anas (d. 179 A.H.), Muḥammad b. Idrīs al-Shāfiʿī (d. 204 A.H.) and Aḥmad b. Ḥanbal (d. 241 A.H.) see a different *'illa* (*ratio legis*) underlying the prohibition on *ribā al-faḍl* (excess ribā), such as in the six items in the above ḥadīth.

Abū Ḥanīfa believed that the reason for the prohibition of such transactions involving wheat, barley, salt and dates has to do with the fact that they are all weighed and measured. Thus payment of additional amounts of the same items that are weighed and measured are included in ribā, whether of foodstuffs or not, such as iron. However, if the items are different, the exchange should be done on the spot and any increases in amount paid then and there. For example, wheat and barley can be exchanged with the addition of an extra amount. Where identical products are exchanged, as in the ḥadīth quoted above, this too must be done on the spot but involve goods of the same quality and quantity. Similarly, Mālik argues that the *ratio legis* for the prohibition of these items lies in the fact that all are foodstuffs and restorable, and hence ribā is forbidden. Shāfiʿī for this part emphasizes that the six items are all either money (as the main exchange) or foodstuffs. Therefore, he differentiates between these two categories of above ḥadīth saying that gold and silver are like money as a standard price and exchange, whereas food is a staple of humans life. Consequently, he further argues, neglecting control over these items leads to a danger for society. Therefore, exchanges involving additional amounts of an identical nature, whether of precarious metal or foodstuffs, are prohibited (*ḥarām*) and considered as a kind of ribā.²⁰

Lending and borrowing did not always involve items such as those mentioned above; for instance the prophet of God, as Abū Rāfi'ī narrates, once borrowed a camel from one of his Companions and replaced it with a better camel.²¹ This practice of the prophet indicates that additional payment may be lawful in such circumstances if there is an urgent need and without prerequisite. At the same time we find a report banning the exchange of one animal for another narrated by Samra ibn Jundub, who says that 'the prophet of God prohibits selling one animal for another animal by deferring the payment (nasī'a).²² This prohibition is to point out that urgent need is different from exploiting another party in a sale. Moreover, the transaction engaged in by the prophet was void of conditions. Hence, it was possible to add payment as a gift out of gratitude to a lender.

There is a ḥadīth narrated by Usāma bin Zayd to the effect that "there is no ribā except on nasī'a" (*lā ribā illā fī al-nasī'a*).²³ This ḥadīth is held by Ibn 'Abbās to be a response to the proposal that *ribā al-faḍl* (excess ribā) is permitted and lawful as long as it is done on the spot (*yadan bi yadin*). The supporters of Ibn 'Abbās contend that it is meaningless to barter or exchange one thing to another, like one kilo of wheat for another kilo, and so exchange must involve items different in quantity and quality. The rationale behind such an exchange should be a just transfer of property, not a static interpretation of a text.²⁴ The ḥadīth upheld by Ibn 'Abbās and narrated by Usāma is however deemed to be abrogated by the previous ḥadīth narrated by Sa'īd al-Khudrī, as the latter had been expressed by the prophet at an earlier date than the former.²⁵ As expounded by Shāfi'ī, the ḥadīth narrated by Usāma is considered to be *ṣaḥīḥ*.²⁶

D. Ridā's View on Ribā

Unlike *ribā al-nasī'a*, which represented the conventional interest applied during the jāhiliyya period, the evil of *ribā al-faḍl* is hidden and unclear. The reason for *ribā al-faḍl*'s prohibition is not the same as that of *ribā al-nasī'a*. The former is prohibited out of precaution (*shādd al-dharī'a*), while the latter is a danger that must be prohibited outright. *Ribā al-faḍl* is however permitted and lawful when necessity (*ḍarūra*) demands it and as long as there is no risk of unlawful interest (*al-ribā al-muḥarram*) being applied. Ibn Taymiyya (d. 728) gives the example of the permitted exchange of fresh dates for dry ones in small quantities and by estimation, without actually weighing them. Although this violates the stipulation in the ḥadīth on *ribā al-faḍl* that exchanges must be of equal quantities, nevertheless exchanging them in approximate amounts, which will almost surely involve unequal quantities, can be permitted out of necessity.²⁷

Sale on the other hand is permitted in Islam, but the concept of bay' itself varies; it involves either an exchange of money for a commodity or the bartering of one commodity for another. The purpose of bay' for the seller is to earn profit, while a buyer is interested in receiving a commodity, without one in any way deceiving or exploiting the other. Ibn Ḥazm (d. 456 A.H.) contends that bay', "share a common, and individual operation of each is the same: each comprises a mu'āwada (mutual exchange) of goods for goods but one exchange is just, permissible and good, and the other unlawful, perverse and noxious, and falls in the category of gravest sins."²⁸ Surprisingly, he resorts to a broader understanding of bay' as compared to ribā, saying that the difference between the two is very slight since if the borrower asks the lender to lend him a certain amount and promises to return it in a certain time, it is valid; moreover, if the borrower will return it with a slight addition without having made any provisions and by the agreement and consent of the two parties, this transaction is valid and not ribā. However, if the borrower asks the lender to sell him a certain dinār for another *dinār*, which he will return in a certain month, without mentioning the actual date for repayment, this is ribā, which is unlawful.²⁹ The exchange between two precious metals such as gold for gold, in this sense, is strictly forbidden at the point of sale or as deferred payment. For, the transaction on these materials will lead to *ribā al-nasī'a*.

Ibn Qayyim (d. 751 A.H.) contends that the prohibition against ribā al-faḍl is an indirect cause of ribā al-nasī'a (*ribā jāhiliyya*). However, he too acknowledges that *ribā al-faḍl* is lawful when there is necessity and urgent demand. For example, he further explains, even though looking at the body of women is forbidden, doctors are allowed to do so because transgression of this rule will lead to a greater good and maṣlaḥa.³⁰ Like Ibn Qayyim, Riḍā divides ribā into two categories: *ribā al-jalī* (*ribā al-nasī'a*) and *ribā al-khafī* (*ribā al-faḍl*). The former is absolute ribā which is dangerous in itself, while the latter is prohibited as a precaution (*shādd al-dharī'a*). Quoting the notion of Ibn Qayyim on ribā, Riḍā contends that the actual prohibition is on *ribā al-nasī'a*. *Ribā al-faḍl*, by contrast, is permitted in cases of urgent need and demand. The prohibition against ribā al-faḍl is similar to the prohibition against seeing women so as to avoid indulgence in adultery (*zinā*). In consequence, looking at women itself is not prohibited; rather its main purpose is to avoid a greater danger, which is *zinā*.³¹

Hence, Riḍā concludes, matters which are prohibited by precaution (*shādd al-dharī'a*) are allowed and lawful when there is an urgent demand for maṣlaḥa. Therefore, *ribā al-faḍl* may be permitted in transactions which are in the public interest. One example of this is the Prophet's allowing the sale (exchange) of 'arāyā (pl. 'ariya).³² This contract, originally, involves risk

(*gharar*). However, as there is an absolute need (*ḥājīyyāt*), such transaction is lawful in order to make life and legal practice of Muslims tolerable.³³

In the discourse on *ribā*, Riḍā places himself in the middle position between those who upheld the extreme *qiyās* (analogical reasoning) on the one hand and those who were more moderate in their *qiyās* on the other. The former maintained that *ribā al-faḍl* is not restricted to the six items listed in the ḥadīth quoted earlier. Moreover, they contend that such *ribā* can be applied to all materials that may be sold. The latter, by contrast, insist on the six items only. Riḍā resorts, furthermore, to the ḥadīth of Sa'īd al-Khudrī on the six items as his basic reference in declaring other items, especially foodstuffs and other essential products, to be included also in *ribā al-faḍl*.³⁴

We have seen how in al-Khudrī's ḥadīth it is prohibited (*ḥarām*) to exchange any amount of the same commodities (six in number) if one party receives an additional consideration in cash or in deferred payment. However, if the commodities are different one from another, an addition (*faḍl*) in cash is permitted (lawful), but not a delayed payment. In this matter, Riḍā argues that there is no *ribā* in a sale transaction. Citing Ibn Kathīr's notion in his *tafsīr* on sūrat al-Rūm, Riḍā contends that *ribā al-nasī'a* is unlawful on sale transaction whereas *ribā al-faḍl* (excess *ribā*) in the form of a gift or donation is permitted and lawful. Therefore, *ribā* (addition) on sale transactions is valid.³⁵ Concerning loans, Riḍā explains that the additions paid by the borrower to the lender are not to be considered as unlawful *ribā* (*al-ribā al-muḥarram*), for the prophet of God values those who pay a better payment provided the conditions are not spelled out at the beginning of the transaction.³⁶ Discussing the contradictory ḥadīth above, Riḍā contends that as it explains the general meaning of the Qur'ān on *ribā*, it should entail the *qat'ī al-dalāla wa al-riwāya* (bearing conclusive evidence in both content and transmission). For while the term *ribā* in the Qur'ān is general, most of the ḥadīths that specify it may be seen to weak and contradictory.

In describing an addition to sales and loans as a gift, Riḍā concedes that there are different reasons for doing so in each case. There is a certain *rukṅ* (basic element) in sale whereas in loans there is nothing. Sale has to do with the exchange of a commodity between the seller and the buyer wherein making a profit constitutes the purpose of the exchange. Here, mutual benefit between the seller and the buyer is maintained and there is no exploitation, such as by multiplying the price due to a delay in transaction, etc. By contrast, in loans the borrower is in urgent need and very short of material or money. His adding an amount as a gift, as long as no provision was made at the first transaction, should not be considered as *ribā* but as charity (*tabarru'*) and therefore valid.³⁷ In response to that situation, the laws of transactions and contracts in this case may change from one place to another due to changes in

the attitudes and customs of peoples in different regions. As long as, they are not entailing an exploitation one to another and are not attributed to double standards in the law. Rather, they must be seen as indicative of flexibility in accommodating human exigencies and cultural differences. If the mutable elements are not taken into account, legal obligation would be intolerable (*taklīf mā lā yuḥāq*), and this is not admitted in the Sharī'a.³⁸

In discussing the debatable issue of gold, Riḍā again distinguishes between manufactured gold objects such as bracelets and gold in its natural state. These two substances are not the same, he explains. Therefore, an addition in an exchange of one for another is valid. This is primarily due to the fact that a bracelet is handmade and justifies the extra cost.³⁹ This matter in a sense is to avoid a gain or profit which was unearned such as through chance or in consideration of the element of risk. Mālik recognizes the validity of barter in unripe dates still on the palm for dried dates. Furthermore, this transaction is regarded as a 'special dispensation' (*rukḥṣa*) and this evidence lies in its own peculiar legal incidents.⁴⁰

Commenting on the ḥadīth saying that *kullu qarḍin jarra manfa'atan fahuwa ribā* (every loan taking a profit is ribā), Riḍā argues that the ḥadīth is not relevant for use as the 'illa (*ratio legis*) of *qiyās* involving ribā. For the use of *qiyās* is subject to change due to time and place. Moreover, the ḥadīth is not authentic and again is considered as *ḍa'īf*. Restricting himself to *ribā al-nasī'a* as constituting absolute ribā, Riḍā sought to prove it with the above ḥadīth of Usāma as quoted by Ibn 'Abbās. At length, Riḍā contends that the ḥadīth is *qat'ī al-dalāla wa al-riwāya* (bearing conclusive evidence in both content and transmission). Therefore, the only ribā which should be condemned is that of *nasī'a*. By contrast, *ribā al-faḍl* is an uncertain and ambiguous case.

Riḍā argues by stating that the verse in sūrat al-Baqara (Q. 2:275) on ribā quoted above is general, and can only be interpreted by the Qur'ān and the *mutawātir* ḥadīth. According to Riḍā, the ribā in the Qur'ān is only related to additions on loans by postponement (*ribā al-nasī'a*), while the ḥadīth of Abū Sa'īd on the six items above is alien to the wisdom and 'illa (*ratio legis*) of the Qur'ān. Predecessors and later jurists, in fact, are in agreement that the prohibition on ribā is basically on loans involving deferred payment, he states.⁴¹

There is no certain explanation regarding a *qarḍ* (loans) for personal consumption or for running a business. Apparently, the prohibition against levying ribā on a debtor is in consideration of the needs of the poor, and hence addition is forbidden. However, if the purpose of a borrower is to run a business, levying an additional amount is permitted. In such a case, as Riḍā points out (basing himself on Muḥammad 'Abduh) the interest on the money of people (particularly the poor) deposited in banks is in line with *muḍāraba*

(profit sharing). This means that the money is used as a means of production and that the interest is the result of profit, not *ribā al-muḥarrām* (prohibited *ribā*).⁴² Actually, it is not clear that the Qur'ānic ban covers the institution as we know it today. What the Qur'ān bans is the ancient Arabian practice of *ribā*, which entailed the doubling and redoubling of debt when the borrower failed to make restitution on time. The purpose of the Qur'ānic ban must have been the elimination of this potent source of inequality and communal friction. If the ban was in fact intended to apply to all forms of interest, this was not clear even to the early Muslims.⁴³

At a later time, such profit (interest) on money saved in banks was allowed by the *fatwās* of '*ulamā*' such as 'Alī Effendy, an Ottoman *muffi*. Issuing his *fatwā* on the *mu'āmalā al-shar'iyya* made by people, he states that profit (*ribḥ*) taken from the debtor on loans for a fixed period of time is lawful.⁴⁴ It can be understood that fixed length loans involve the use of money or a commodity as a means of production. The profit, therefore, is not a kind of *ribā* but a form of sharing in a business.

E. Conclusion

For many, *ribā* is not limited to prohibiting payment or receipt of interest on loans of money. But it may pervert any kind transaction, which involves the exchange of two or more counter-values if and when certain conditions are met; they also change depending on whether the exchange is to take place immediately or with deferment. The prohibition of *ribā* is clearly understood to stem from a desire to end the exploitation of the poor by the rich. As it was practiced by Arabs of the *jāhiliyya*, *ribā* was equivalent to loans. Moreover, loans were commonly taken due to urgent need and when there was no other alternative to borrowing. Since banking institutions or the *bayt al-māl* did not exist as yet, the practice of lending fell on the shoulders of the rich, individually or collectively. Surprisingly, the intention of borrowers was not usually to run a business; rather, the money or commodity was needed for their daily consumption alone.

Although Riḍā did not spell out his own position on the addition (profit) in the area of bank interest, but merely followed his great teacher Muḥammad 'Abduh, it is implicitly understood that he also saw this as permissible if it were understood as sharing in profit (*muḍāraba*). His strong stance on the ḥadīth related by Ibn 'Abbās saying that the restriction on *ribā* was limited to *naṣī'a* (loans) is very clear. Unfortunately, Riḍā did not elaborate on the detail surrounding the practice of *ribā al-naṣī'a*, such as when the transaction of a loan is for consumption or for running a business. As today's world changes, people borrow money mostly for productive purposes

rather than unproductive ones. It is precisely the former that is permissible.⁴⁵ Moreover, as the Ottoman *fatwā* suggests, interest as a consequence of the circulation of money by a bank was permitted, a fact that 'Abduh argued as well. Furthermore, Riḍā elucidates that the main purpose of *ribā al-muḥarram* was to eliminate exploitation. Therefore, he states, the transaction should also take into consideration the *nīya* (main intention) of the parties involved. In support of this idea he cites the example of the Prophet giving an additional amount to a lender as a gift. It is my view as well that the mutual benefit of the two parties should be considered. For, as the practice of *muḍāraba* (profit and loss sharing) in *fiqh* shows, Islām clearly accepts profit that is devoid of exploitation. From the above elaboration, it shows that Riḍā's opinions on *ribā* are adaptable and relevant for today's condition where the transaction of some businesses via banks--interest commonly operated--is inevitable.

ENDNOTES

¹Sheikh Ghazali Sheikh Abod, Syed Umar Syed Agil and Aidit Hj. Ghazali, eds., *An Introduction to Islamic Finance* (Kuala Lumpur: Quill Publisher, 1992), xiv.

²This contradictory ḥadīths are shown that Abū Bakr refuses to receive an addition as a gift from Abū Rāfi' on the loan. By contrast, the prophet gives a person as a gift for his debt. See Muḥammad Rashīd Riḍā, *Al-Ribā wa al-Mu'āmalāt fī al-Islām* (Cairo: Dār al-Kuliyāt al-Azhariyya, 1986), 40-41.

³Ibn Qayyim divides *ribā* into: *al-jalī* and *al-khafī*. The former is known as *ribā al-naṣī'a* and the latter is *ribā al-faḍl*. See Shams al-Dīn b. Abī Bakr Ibn Qayyim al-Jawziyya, *I'lām al-Muwāqī'in 'an Rabb al-'Ālamīn*, ed., Muḥammad Muhyi al-Dīn 'Abd al-Ḥami.d, vol. 2 (Cairo: Maṭba'at al-Sa'āda, 1955), 134-35. *Sadd al-tharī'a* is intended to avert evil and conserve the benefit. This concept indicates that the *naṣṣ* (clear injunction) did not elaborate clearly on the matter, however the matter should be based on the beneficence and *maṣlaḥa*. see Moḥammad Hashim Kamali, *Principles of Islamic Jurisprudence* (Kuala Lumpur: Pelanduk Publications, 1989), 392-93.

⁴Fazlur Rahman, "Riba and Interest," *Islamic Studies*, 13 (1964), 3.

⁵Taqī al-Dīn Ibn Taymiyya, *al-Qawā'id al-Nūraniyyat al-Fiqhiyya* (Caro: Maṭba'at al-Sunna al-Nabawiyya, 1951), 115-18.

⁶'Abd al-Samī' al-Maṣrī, *Limādhā Harram Allāh al-Ribā* (Cairo: Dār al-Tawfiq al-Namūdhajiyya, 1986), 12. The essence of prohibition in *ribā* is related to an

exploitation by one party to another. By contrast, the main reason of transaction in Islam is to make a mutual benefit one another by way of sales not loans.

⁷Muḥammad Rashīd Riḍā, *Tafsīr al-Manār*. Vol. 3 (Egypt: al-Hay'a al-Miṣriyya al-'Amma li al-Kitāb, 1973), 101-2. See also Ibn Taymiyya, al-Qawā'id, 117.

⁸Fazlur Rahman, "Ribā," *Islamic studies*, 3-5.

⁹Badawī, *Nazariyyāt al-Ribā*, 28.

¹⁰'Abd al-Samī', *Limādha*, 30-31.

¹¹Badawī, *Nazariyyat al-Ribā*, 39.

¹²Fakhr al-Dīn al-Rāzī, *Al-Tafsīr al-Kabīr*. Vol. 6 (Beirut: Ihyā al-Turāth al-'Arabī, n.d.), 65-6.

¹³Al-Rāzī vol. 6, *Al-Tafsīr al-Kabīr*, 87-8.

¹⁴Ibn Jarīr al-Ṭabarī, *Jāmi' al-Bayān fī Tafsīr al-Qur'ān*. Vol. 6 (Cairo: Dār al-Ma'ārif, n.d.), 27; See also Ziaul Haque, *Riba The Moral Economy of Usury, Interest and Profit* (Kuala Lumpur: S.Abdul Majeed & CO, 1995), 28.

¹⁵'Abd Allāh Ibn 'Umar al-Bayḍāwī, *Anwār al-Tanzīl*. Vol. 1 (Cairo: Maṭba'at al-'Ilmī, 1314 A.H.), 185.

¹⁶Ibrāhīm Zakī al-Dīn Badawī, *Nazariyyat al-Ribā al-Muharram* (Cairo: Dār wa Maṭābi' al-Sha'ab, 1964), 29.

¹⁷Muḥammad Rashīd Riḍā, *al-Ribā wa al-Mu'āmalāt fī al-Islām* (Cairo: Dār al-Kuliyyat al-Azhariyya, 1986), 39-40. See also Mūsā Shāhayn Lāshīn and Aḥmad 'Umar Hāshim, eds., *Ṣaḥīḥ Muslim*, vol. 2 (Beirut: Mu'assasat 'Izz al-Dīn, 1987), 413-14. In this ḥadīth narrated by Abū Hurayra, the Prophet of God says: "The best people of you are who pay back the best payment".

¹⁸See Badawī, *Nazariyyāt*, 86.

¹⁹Fazlur Rahman, *Islamic studies*, 4-5.

²⁰Amīn 'Abd al-Ma'būd Zaghlūl, *al-Māl wa Istithmāruh fī Mīzān al-Sharī'a* (Cairo: Maṭba'at al-Amāna, 1986), 207-8. See also Abū Sarī' Muhammad 'Abd al-Hādī, *Al-ribā wa al-Qarḍ fī al-Fiqh al-Islāmī* (Cairo: Dār al-I'tiṣām, 1985), 38-40.

²¹Imām Bahrām al-Dārimī, *Sunan al-Dārimī*, vol. 2 (Damascus: Bāb al-Barīd, 1349 A.H.), 254. In this case the Prophet of God always recommends returning to the lender a better payment as a gift. Moreover, the best man among you is who pays a better payment in the benefit and function for the other.

²²Al-Dārimī, *Sunan*, 254. These contradictory ḥadīths can be deemed as a precaution of indulging in ribā such lending money by defer with addition. The first ḥadīth seems to portray a possible transaction in borrow and lend with a better payment by addition, without any conditions.

²³This contradictory ḥadīth with the previous one narrated by Sa'īd al-Khudrī on six items as ribā al-faḍl evokes a controversial opinion on ribā.

²⁴Zaydan Abū al-Makārim, *Mazhab Ibn 'Abbās fī al-Ribā* (Cairo: Dār al-Ittihād al-'Arabī, 1972), 33-5.

²⁵Abū al-Makārim, *Mazhab Ibn 'Abbās*, 45-9.

²⁶Abū al-Makārim, *Mazhab Ibn 'Abbās*, 58. *Ṣaḥīḥ* means that a ḥadīth is sound in its structure and transmitter, and it does not contradicts the meaning of verse, ḥadīth mutwātir and sound ijma' see M.Hasbi Ashshidieqy, *Pokok-pokok Ilmu Dirayah Hadits* (Jakarta: Bulan Bintang, 1987), 109. Shāfi'ī discusses this controversial ḥadīth in its long elucidation that the ḥadīth 'lā ribā illā fī al-nasi'a' is upheld by the people of Meccan. It can be assumed that while the prophet asked by Ibn 'Abbās for the barter in different items such as gold with silver, and the prophet answers directly and the Ibn 'Abbās accept it without analyzing it properly and compared it with a previous ḥadīth or he doubt about it. In the last, Shāfi'ī is still doubtful in these two contradictory ḥadīths and recommends every jurist to do ijtihād on it.

²⁷Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyya* (London: The Islamic Foundation, 1988), 131-35. See also Taqī al-Dīn Ibn Taymiyya, *al-Qiyās fī al-Shar'ī al-Islāmī* (Cairo: al-Maṭba'at al-Salafiyya, 1375 A.H.), 118-22.

²⁸Islahi, *Economic Concepts*, 142.

²⁹Ibn Ḥazm, *Al-Muḥalla* vol. 8 (Cairo: Idāra Ṭabā'at al-Muniriyya, 1305 H), 183 and 351; See also Haque, Riba, 11-12.

³⁰Ibn Qayyim, *I'lām al-Muwaqqi'in*, vol. 2, 142.

³¹Muḥammad Rashīd Riḍā, *Yusr al-Islām wa Uṣūl al-Tashrī' al-'Ām* (Cairo: Maṭba'at al-Nahḍa al-Miṣriyya, 1956), 59-60.

³²In the ḥadīth reported that the prophet of God, during the time of Khaybar, allows people to barter fresh dates on trees intended to be eaten, which it is permitted to exchange in small quantities for dried dates. See Joseph Schacht, "Ribā," in *Encyclopedia of Islam*, vol. 8 ed. (Leiden: E.J. Brill, 1995), 492.

³³Wael B. Hallaq, "The Primacy of the Qur'ān in Shāṭibī's Legal Theory," in Wael B. Hallaq and D. P. Little, eds., *Islamic Studies Presented to Charles J. Adams* (Leiden: E.J. Brill, 1991), 85.

³⁴Riḍā, *Yusr al-Islām*, 61.

³⁵Muḥammad Rashīd Riḍā, *Al-Ribā wa al-Mu'āmalāt fī al-Islām* (Cairo: Dār al-Kulliyat al-Azhariyya, 1986), 29.

³⁶Riḍā, *Al-Ribā*, 38.

³⁷Riḍā, *Al-Ribā*, 51-2.

³⁸Wael B. Hallaq, *A History of Islamic Legal Theories* (Cambridge: Cambridge University Press, 1997), 184.

³⁹Muḥammad Rashīd Riḍā, *Al-Manār*, vol. 34 (Egypt: Dār al-Manār, 1934), 369-71.

⁴⁰N.J. Coulson, *A History of Islamic Law* (Eidenburgh: Eidenbergh University Press, 1964), 38-44.

⁴¹Riḍā, *Al-Ribā*, 94-5. Muftī al-Hindī, here, is mostly supported by Hanafite jurists who base their argument on the ḥadīth of 'Ubāda and Abū Sa'īd saying that the bay' (sale) of six items should be on the spot and equal in both quantity and quality.

⁴²Muḥammad 'Abd al-Mun'im al-Jamāl, *Mawsū'at al-Iqtisād al-Islāmī* (Beirut: Dār al-Kitāb al-Libnānī, 1986), 414-18. See also Ignaz Goldziher, *Introduction to Islamic Theology and Law* (Princeton: Princeton University Press, 1981), 235. In this matter 'Abduh and his colleagues in Istanbul show that under the religious law savings banks and the drawing of dividends were admissible in Islamic society. Furthermore, the Ottoman state is possible to issue government bonds bearing interest.

⁴³Timur Kuran, "The Economic System in Contemporary Islamic Thought," in *Islamic Economic Alternatives*, ed. Jomo K.S. (Kuala Lumpur: Macmillan Academic, 1992), 27-8. See also Fazlur Rahman, *Islamic Studies* vol. 3 (1964).

⁴⁴Neset Cagatay, "Ribā and Interest Concept and Banking in The Ottoman Empire," in *Studia Islamica*, 32 (1970): 62-63.

