

## RIBA

**I. WHY DOES ALLAH PROHIBIT DEALING WITH RIBA?**

There are two types of Riba:

-Riba an-Nasiyah; EXCESS FROM PREDETERMINED INTEREST the lender receives from the capital he lends to the borrower.

-Riba al-Fadl: Excess compensation without any consideration resulting from the sale of goods. Thus, taking unreasonable profit from one's sale of goods is also prohibited

-The prohibition of Riba an Nasiyah (forcefully taking more money than is due) is one of those issues that have been confirmed in the revealed laws of all the Prophets (Peace be upon them). Some verses of the Old Testament have rendered Riba as haram. (See Exodus 22:25, Leviticus 25:35-36, Deuteronomy 23:20, Psalms 15:5, Proverbs 28:8, Nehemiah 5:7, and Ezekiel 18:8,13,17 /22:12). : Source: Riba and its types. pdf

- In the Quran, Allah has prohibited dealing with Riba in not less than 7 places.
- "O you who believe, devour not Riba, double and multiplied, but fear Allah that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey Allah and HIS Prophet ﷺ so that you may receive Mercy." --- Al-Quran 3: 130
- 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. (Al-Quran: 2: 275)
- Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever. Al-Quran: 2: 276
- O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. Al-Quran: 2: 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. - Al-Quran: 2: 279
- 'As for their taking interest even though it is forbidden for them, and their wrong appropriation of other people's property. WE have prepared for those who reject faith, a grievous punishment.' Al-Quran: 4: 161

We come to know that from the Quran: Sura Nisa (4:161) that the people of the previous books also were forbidden from dealing with Riba, and devouring others'

wealth unlawfully. However, the Jews and the Christians ignored the warning of Allah, and Allah warns that HE has prepared for those who disbelieve (whoever ignore the Warnings of Allah), a painful punishment here as well as in the Hereafter.

And Prophet ﷺ has categorically prohibited Riba in any form when he says:

- May Allah curse whoever consumes Riba, whoever pays Riba, the two witnesses to it, and the scribe who records it!!” ---Sahi Muslim 3: 1219.

- Riba is of seventy types, the least of which is equal to one having sexual relations with his mother” – Ibn Majah 2: 764 / Al-Haakim: 2: 37<sup>1</sup>

Here, the magnanimity of the sin makes us beware of even approaching, which even seems like an added income, which is illegal. May Allah save us from this great sin. Ameen.

### 1) WHY? WHY HAVE ALLAH AND HIS MESSENGER (ﷺ) FORBIDDEN RIBA SO VEHEMENTLY?

1. Allah always wishes us to earn our money through hard work and forbids man to consume others' wealth illegally.
2. When we deposit money in the bank, they give 6% and, in turn, give a loan at 20% to the general public. Thus, indirectly, we are consuming a part of the Riba that the bank gets.
3. In truth, they will find that such wealth is not going to avail them when they really need it. Because it will be devoid of the Grace that Allah will shower on hard-earned Halaal money.
4. It only shows their lack of complete surrender to Allah. Shait'an threatens them with poverty if they do not indulge in such wrong methods of acquiring wealth. Many a Mutawallis—caretakers of the Masajid, forbid their Imams from talking about the evils of Riba in the Qutba, because those who help maintain the Masajid, want to thrive in it!
5. We find that those who take loans to do farming, if their crops fail them, and they are unable to repay the loan. The accumulated interest will make them lose their land and property. We find many committing suicide due to this. When the pandemic (covid 19) struck in 2019, many who had taken a loan for an apartment or house realized that they were caught in the clutches of the loans and unable to repay them. Imagine the stress and tension they underwent through it. Most of the houses were seized by the banks and put up for sale to recover the loans, along with the exorbitant interest that was introduced through the EMI.
6. A person who takes a loan on interest, if he suddenly dies, will leave his family bereft of the little land or gold which they had pledged to take the loan.

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<sup>1</sup> Source: *Ibn Khathir, 1<sup>st</sup> edition 2000, vol. 2, pg. 76*

7. While in trade, one can increase the price as he likes, but because of the competition of the traders will be forced to keep the selling price low, while if he has taken a loan at interest, he will incur a loss if he reduces the selling price.

8. When a man starts his business by taking a loan, he will have to increase his selling price many times over the cost price, to be able to repay the interest at the end of the day!

9. Hence, an increase in prices is inevitable *and burdens the consumer who is cheated of the real cost price*, which he may have to spend if the goods had been sold without taking a loan at interest.

**10. Last but not least, it will not bring Barkath and Happiness to the household, because Allah has cursed him and his business, which he conducts with haram Riba (interest).**

11. Usually, the moneylenders try to illegally acquire people's money by relying on evil methods. Such people will think twice before spending even a small amount for even the needs of their family, because they will want to lend that amount too for interest. Thus, they will turn miserly and will not give charity, nor have any compassion towards those who had taken a loan from them.

12. Those who consume Riba are not satisfied with the permissible and pure resources that are allowed for them. This demonstrates their lack of appreciation for the bounty that Allah provides.

13. Whereas legitimate trade or industry increases the prosperity and stability of men and nations, a dependence on Riba would merely encourage a race of idlers, cruel blood suckers, and worthless fellows who do not know their own good and are therefore akin to madmen. ---Tafseer No. 325—Saudi Holy Quran.

Hence, we find money flowing like water in drugs, and gambling dens, and the flesh trade, etc. Will any sane person spend his hard-earned money on all this wastage, which he knows will ultimately only destroy him?

## **2) RESULT OF RIBA ON SOCIETY AT LARGE**

14. As a result of this Riba, we find that 80% of the wealth of the world is concentrated in the hands of a few wealthy, and 30% are below the poverty line.

15. What is the income below the Poverty Line? <sup>2</sup>

What is BPL: below poverty line: Poverty line is the level of income to meet the minimum living conditions. <sup>3</sup> According to the World Bank, the BPL has been fixed

<sup>2</sup> <https://www.indiatoday.in/business/story/in-covid-hit-india-23-crore-people-earn-less-than-rs-375-per-day-study-1799550-2021-05-06>

<sup>3</sup> <https://www.indianeconomy.net/splclassroom/what-is-poverty-line-how-poverty-line-is-constructed-in-india/>

at \$1.90 per day (Rs. 142.32) in 2015, which is where it currently stands. But we find 77% of the population in India earns below 100 Rupees!]

India has not counted its poor since 2011. But the United Nations estimated the number of poor in the country to be 364 million in 2019, or 28 per cent of the population. However, this number has risen to roughly 381-418 million with nearly 42.4% in 2021, with an additional 36-46 million people falling under the poverty line. More than 800 million people in India are considered poor. Most of them live in the countryside and keep afloat with odd jobs. The lack of employment that provides a livable wage in rural areas is driving many Indians into rapidly growing metropolitan areas such as Bombay, Delhi, Bangalore, or Calcutta. There, most of them live a life of poverty and despair in the mega-slums, made up of millions of corrugated ironworks, without sufficient drinking water supply, without garbage disposal, and in many cases without electricity. The poor hygiene conditions are the cause of diseases such as cholera, typhus, and dysentery, and are a cause of death for many, especially children, who suffer and die.<sup>4</sup>

**16.** Today, though there is no colonization of other countries by the superpowers, we find that the poor countries are enslaved by them through offering loans at interest. They take loans to improve the conditions of the country, but more than 21% of their revenue is spent on interest.

Where does this money go? Does it go to the poor?

No! It goes to the bankers.

The West Bank gives several billion dollars as a loan to businessmen who invest in high-technology institutions and make huge profits and mint money.

Thus, we find the rich becoming richer while the poor grow poorer!

But the Government, which has taken the loan, keeps itself afloat by just paying the interest, as it is unable to repay the capital, which is trapped in the hands of the business tycoons. This is the curse caused by taking loans from the superpowers.

Taking loans surely enslaves a man to another. That is why we should try to live within our means and not yearn for the luxuries of others if we cannot afford them.

### **3) THE QUESTION ARISES AS TO HOW AN ORDINARY CITIZEN CAN SUBSIST WITHOUT INTEREST?**

'Because interest occupies a central position in modern economic life, and especially since interest seemingly is the very lifeblood of the existing financial institutions, several Muslims have been inclined to interpret it in a manner radically different from the understanding of Muslim Scholars. They claim that Riba indicates only compound interest (Usury), which never ends and pulls the borrower into the depths of poverty.

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<sup>4</sup> > <https://www.soschildrensvillages.ca> › news › poverty-in <

On the other hand, they claim that it is not wrong to deal in interest, for legitimate trade, or for buying a first house, etc.

However, the categorical prohibition of our Prophet ﷺ clearly indicates that all types of interests come under the title: RIBA. Hence, we cannot accept these arguments.’<sup>5</sup>

We find many claim that only when we put our life savings in the Bank and subsist on the interest we get from it, do we feel safe that our hard-earned life savings will not be lost. However, we do not realize that such income will never bring us peace of mind, and the money so obtained will only be wasted on our illness and other unnecessary expenses. I have seen many households that subsist on taking interest. They will never rise from their poor condition and will have to live a miserable life. Their children have mental problems and other incurable diseases. Seemingly, they are safe, but Allah has cursed them as Allah has warned in the Quran, and through HIS dear Prophet Muhammad ﷺ.

Moreover, those who deposit the money can never be able to avail themselves of the capital they have deposited even in times of emergency, because if they do so, they will be devoid of their regular income for subsistence.

As for those who think they can increase their business or take a loan from banks for a house on interest, they are really not devoid of problems, leading to many stress-related diseases. However much people seem to become rich through this method, they will find that their lives are full of tension in fear that, if they incur a loss, they will be ruined, and they will not be able to repay the loan. There are thousands of those who are ruined through this transaction. We find that many have to spend all their lives repaying the loan they took, but even after they have repaid many times over the amount they took, their capital loan will remain the same. This is because the banks often start the first half of the installments by deducting only the interest. Only after that do they begin to deduct the original capital of the loan. (Personal survey)

During the time of of COVID-19 pandemic, I found the newspapers full of advertisements displaying flats for sale, which the banks had seized from the defaulters. Thus, all those who took a loan for a house: their dreams are shattered.

Many millionaires have declared that they were wrong in considering that money was enough for happiness in this world, and many have committed suicide after they have reached seemingly the heights of glory.

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<sup>5</sup> (Footnotes no: 326; Holy Quran by king Fahd publications) and (<https://www.dawn.com/news/845231/bank-interest-is-not-riba>)

Therefore, if we have the correct understanding of why Riba is so much hated by Allah and HIS Messenger ﷺ, none would dare to even approach it in fear of punishment in this world as well as the Hereafter.

**Many think that business cannot be done without involving Riba.**

But the fact is, today most of the top companies of the world are running on 0 debt loans. They go to the public and sell equity shares, and they thrive in this wealth, which can be shared by all. If there is profit, all get the percentage of profit, and if loss, again it will be shared by all who have taken the shares. This is the Islamic way and is accepted by even other religions.

In the same way, many builders offer houses if paid in installments, while the house is being built. This helps the owner to pay the amount in full by the time the building is complete, without having to pay interest.

**4) Counter Questions:**

Then what is the solution for those who have become old and are left with only their life savings for their subsistence, or in case of emergency, to pledge their ornaments?

I wish to thank all my friends and colleagues who have ventured to provide answers by asking their Ulema about this fact. Herewith, I am providing a summary in simple words of what they said about this subject.

1. The very first point is that the false feeling of 'feeling safe' with our money in banks is that, at any moment, the banks can declare new rules, by which the interest they offer for these deposits has depreciated. i.e., they will be given a lower interest rate for the amount deposited. This will reduce the means of subsistence for the depositors who rely solely on it. We have noticed that in recent times, because of the devaluation of the Rupee vs the dollar, many banks have adopted this policy.

2. It is impossible to withdraw our money from the bank immediately in bulk, if at all we need it in an emergency

3. The value of the money deposited becomes lesser and less as the years go by. i.e., supposing we have deposited ONE lakh rupees for 5 years, if we can buy a scooter with it at the time of depositing, after five years, the price of the Scooter will have increased to 2 lakhs. This is called the depreciation of the value of money with time. Hence, the Riba consumed is no way a profit for our money, but the value of money will reduce with time, rendering it of far less use by the time the date of withdrawal is reached.

4. This money, which seems safe, can be erased with one headache if Allah wishes. If Allah wills, any amount we have saved will not avail us to cure our problems.

5. And since Allah has cursed Riba, the one who consumes will surely be affected with some problem or other, either physically, or loss of children, or anxiousness causing high Blood pressure or heart disease, for which the ever-increasing medical bill will render the income got through Riba not sufficient for their subsistence.

6. Depending on the money from interest is Haram. Indeed, Riba leads you towards poverty, not an increase in wealth. Riba is not only from the loan, it is from the benefit you get from the borrower.

7. The money obtained by pledging gold ornaments or documents is also prohibited in Islam if interest is involved. Even if we get immediate finance through this, we find that we have to pay back through the nose to take back the pledged items.

#### **5) THEN WHAT IS THE SOLUTION?**

1. 'The very thought that banks are more reliable and safer means that they do not have full Tawakkal on Allah's command. They doubt Allah's words!

2. The first step is to educate our Ummah, both academically as well as spiritually. This will help them to uplift themselves in Society as well as let them know the dangers of taking an interest.

3. The parents should sacrifice their comfort and work hard to educate their children. Our children should be educated enough to raise their status and find ways to invest properly, so as not to depend on interest transactions. Then, the parents can rest assured that their savings will be taken care of by their children, and leave it to Allah to safeguard them and their own future.

4. Last but not least, it will bring Barakah for the income, which will suffice us even if it is less than what we get from the bank.' - Source: > Financeinislam.org. <

5. If they have no children to help them, the best alternative is to invest in a property that fetches a good income. In case of insufficient funds, join with like-minded others and invest. Even if the returns may not be as much as bank interest, we will find that the value appreciation will compensate.

6. If someone has savings, then they may invest in something that may generate the money for an income. Allah is the All-Provider; the tiny amount of Riba is not worth its enjoyment in this world as compared to its consequences in the Akhirah.

7. There are today many organizations that help out people during their times of crisis. Hence, instead of pledging their ornaments with money lenders, it would be advisable to request loans without interest from these organizations using the gold or documents as collateral.

8. In case we are not able to obtain help from such organizations (which are very few comparatively), in case of dire need, it is better to sell the gold or property and start afresh to save the money which they would otherwise have had to repay to the

banks or moneylenders. This way, they can have their conscience clear, and can pray to Allah to give them Barakah for the firmness of Taqwah they had shown.

9. The rich, educated Muslims should come forward to help such deprived poor Muslims in guiding them to good investments. Such organizations should be made available in every Muhalalh, where the poor can approach and seek help and guidance in their times of need.

10. Zakat is first to the relatives who are needy and Miskeen (who do not beg):

“Give the kindred his due and the Miskin and wayfarer.” -- Al-Quran: Sura Al-Isra': 17:26

وَأْتِ ذَا الْقُرْبَىٰ حَقَّهُ وَالْمِسْكِينَ وَابْنَ السَّبِيلِ

11. The rich relatives should search for the needs of their poor relatives and enable them to overcome their difficulties by giving them a loan (without interest in luau to the gold or property). Many can be saved from falling into the trap of moneylenders or banks. For this, there should be a good rampart between them.

12. The rich should not look down upon the poor and keep reminding them of their help. (Al-Quran: Surah Baqarah: 2: 262- 274) The reason is that if we do so, the poor will hesitate to ask them, and turn to the banks or money lenders, because their self-respect will not allow them to be demeaned by the constant taunting of their rich relatives.

13. As for the poor, unnecessary expenses should be avoided, and the family should learn to live within its means.

14. They should work hard and try to earn money in halal ways, so that their income will give them peace of mind. (Today, many falsely think that subsisting on charity from the rich is their right.)

15. Un-Islamic rituals like dowry, grand wedding, Urs, etc., by taking loans and other extravagances should be avoided.

16. Allah says in the Quran: (Sura Rum: 30: 39): “And that which you give in gift to others, so that it may increase (through interest) from other people’s property, has no increase with Allah, but that which you give in zakat seeking Allah’s countenance, then those shall have manifold increase.”

وَمَا آتَيْتُم مِّن رَّبًّا لَّيْرَبُو فِي أَمْوَالِ النَّاسِ فَلَا يَزِيدُو عِنْدَ اللَّهِ - وَمَا آتَيْتُم مِّن زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ -

17. Hence, however little we earn, there should be a small amount set aside for charity and for savings. Experience has shown that this charity wards off evil and brings prosperity in the long run. May Allah guide all of us to maintain our Ummah’s dignity and save ourselves from the satanic temptation of Riba. Ameen.

“THOSE WHO STAND ‘ISTIQAM’ (STAND STRAIGHT AND FIRM), ON THEM THE ANGELS WILL DESCEND (SAYING) ‘FEAR NOT NOR GRIEVE. BUT RECEIVE GLAD TIDINGS OF PARADISE, WHICH YOU HAVE BEEN PROMISED’”- Allah promises in Surah Fussilat, 41:30,