

# RIBA: COMMENTS ON THE VIEW OF DR. RAUF YUSUF

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Reference to be provided by Prof. Khurshid

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By Prof. Khurshid Ahmad

Dr A.Rauf Yousuf in his detailed response to my article has presented an alternative view on the subject (DAWN September 19, 1997). Briefly,, his arguments are as follows: (1) Societies with interest system would not be devoid of real happiness and joy; (2) there is no consensus on the definition of riba (3) the Prophet (p.b.u.h.) did not elucidate and expand upon the details of riba (4) Riba did not relate to loans for business or trade, rather it was only the exploitative type of usurious transactions in which the strong money lenders took advantage of economically weak people, which were covered under this term.

None of these objections are new and numerous writings have been put forward in response to such objections. I would very briefly touch on them and mostly make reference to places from where greater details can be obtained by a reader who would want to pursue them further.

At the outset, it is surprising that Dr Yousuf has taken exception to my observation that a society with interest system will be devoid of real happiness and joy (despite granting the definition of interest used in the article). Does he think that a society against which Allah and His Messenger (p.b.u.h.) have declared open war for sanctioning interest would continue to live in real happiness and joy? Or does he consider that real happiness and joy would continue to be bestowed on those who commit such heinous sins as have been associated with those taking riba according to a number of Ahadith reported from the Prophet (p.b.u.h.)? If so, there we may have basic differences on the meaning of real happiness and joy. In my view, one measure of real happiness and joy is the repeated promise of Allah to (believers, that for them there is neither any fear nor any remorse or grief. How can anybody argue that living in a state in which open war is declared with Allah and His Prophet (p.b.u.h.) will be filled with happiness and joy?

Second, nobody uses the word consensus to claim that there does not exist The question is whether the opposite view carries an this in view, my submission was that the colonial debt is of no relevance at present as currently there is certain an ijma in the Islamic world on the definition of riba. I have extensively cited from the findings of various reports of the Islamic Ideology Council, written at different time and by vary compositions of the Council. There has been not an iota difference in these reports on this subject. More importantly, all groups, panels of experts, commissions and committees formed by the Government during the last more than three decades have reached the same conclusion. None has failed to identify interest in all its manifestations - simple or compound, for production or consumption, by private individuals, banks or Governments - as falling within the meaning of riba prohibited by Islam. An overwhelming majority of Islamic scholars, both from traditional and non-traditional centers of learning, hold identical view. The entire experiment in the name of Islamic banking, indeed in varying degrees of success and purity, is based on this meaning of riba. If this is not consensus, what is it?

Dr Yousuf says tha would have If riba simply meant ordinary interest, surely Allah aid:

"No. unequivocally s profit on lending money" - no controversy".

The conceptual confusion reflected in this quotation makes it quite clear as to why Dr Yousuf has difficulty in understanding the question of riba with ordinary interest. He is clearly equating ordinary interest with profit the standard text; book definition of interest says that it is the fixed price received for lending capital. On the other hand, profit is the reward for risk taking through investing of capital, which would not be known in advance. Islam has permitted earning of return/profit on capital, but prohibited interest/riba.

Third, on the question of ambiguity in the meaning of riba, Dr Yousuf is apparently mixing up Riba al-Fadl with Riba al-Nasia. The former arises in the exchange of commodities in barter, whereas the latter arises in money transactions. The consensus referred to above certainly lies in the realm of riba in money transactions, the commonly known interest.

The Qur'an has left no confusion in respect of the definitions. Verse 278-279 of al-Baqar clearly and categorically states that in loan transactions you are entitled to your 'principal amount' (fa lakum raosu amwalakum) and nothing more and nothing less. Any excess upon the principal is exploitation (zulm) according to the Qur'an. One percent or one thousand percent - every excess is zulm, and not some arbitrary percentage of one's imagination or historical experiences. This is exactly what interest in economics is, i.e. "the price or rent paid on money in exchange for the use of a sum of money, the premium obtained on current cash over deferred cash" (William L. Miller: A Dictionary of the Social Science, London Tavistode Publication, 1964; p.341). Don Patinkin, a leading British authority on monetary economics (see article on 'Interest' in the International Encyclopedia of the Social Sciences, London 1968, vol. 7, p.471) explains interest as "the difference between the amount that the borrower repays and the amount that he originally received iron the lender (i.e. the principal)". The question of rate is irrelevant, in facts rates o interest have varied from 0.1 percent to over 10,000 percent in different period's o time in history. Where to draw the line? Sidney Homer in his monumental work '7 History of Interest Rates" (2nd ed, New, Rutgers University Press, 1977) rightly says "A bird's eye view of the history of interest rates will unsettle most preconceived ideas of what is high rate or a low rate or an average rate... In fact we do not have to look beyond our own century to find the highest and lowest rate in the entire span of history: 10,000 percent high in Berlin; .01 percent low in New York. Both rates were quoted on standard money-market credits under very unusual circumstances. This is a range of one million to one": (p.6) I Presently (Dec'97) Japan has below 1 percent interest-rate while Turkey has a prevailing rate of over 90 percent. Rate of interest on credit cards in Europe and America i between 18-30 percent while on-going rates vary from 3 to 8 percent. That is why any increase, small or large, is interest (riba) and forbidden by Islam.

There definitely are differences in opinions of various schools of thought regarding the scope of Riba al-Fadl. Simply stated, it means the excess resulting from barter exchange of commodities of the same nature. In most of the Ahadith on the subject, only six commodities - namely, gold, silver, wheat, barley, dates an( salt - were identified. Accordingly, differences arose whether the

prohibition was confined to only these commodities or was extendible to others as well. One school believes that no other commodities are included. A second school believes that it will apply to all those commodities which are exchanged either by weight or measure - which happen to be the exchange characteristics of the above six commodities. The third school believes that it will apply to gold, silver and all those commodities that are eatable and are exchanged either by weight or by measure. The fourth group believes that it will apply to only those commodities; which are eatable and can be stored.

It may, however, be noted that this difference relates only to an aspect of the prohibition which is not fully explained. But this cannot be, and has never been, a basis to cast doubt about those injunctions which are categorical - *Nasus*. The prohibition of *Riba al-Nisa* falls in this category of injunctions, and as such no question has ever been raised on the meaning and scope of this prohibition.

Dr Rauf believes that the interest prohibited in Islam is not the present day interest but the one which was exploitative. He defines the exploitative interest as; one which was charged at exorbitant rates, from those who were in need; of charity under distress, suffering from illness, their properties mortgaged or they were themselves slaves etc. He draws this conclusion from verse 2:276; Allah will deprive *riba* of all blessing, but will give increase for deeds of charity; for He loved not creatures ungrateful and wicked. His entire basis for this conclusion stems from the contrast the verse makes between charity and *riba*. Even when one is granted the liberty of reading the bare text of Qur'an - irrespective of its historical context or treatment in different *Tafaseer* - the fact that a contrast is made does not suggest a peculiar meaning of *riba* which must be understood within the context of other verses where this term is used. Hence, we cannot escape the need to see what was meant by *riba* at the time these verses were revealed and what practices were banned or prohibited forthwith.

Space will not permit me to delve at any length on this subject. Suffice it to say that the word was understood in exactly the same way as what we commonly understand today by the word interest. I would again refer to the reports of CIL where comprehensive debates on the subject are contained and the just stated conclusion is affirmed. Also, the books of Maulana Mawdudi and Mufti Mohammad Shafi on the subject would give detailed accounts of historical sources which report the practices prevalent in pre-Islamic period and their correspondence with the present day interest. Dr Rauf would thus find that he does not hold a view which can be supported by; the reality prevalent at the time.

Finally, let us say a few things, in response to a number of observations made by Dr Rauf which purport to demonstrate that heavens will fall if interest was eliminated. First, there is constant mixing up of profit and interest; much of Dr Rauf's problem would be gone if he properly grasps the difference between the two concepts. Second, the elimination of interest does not mean elimination of the process of financial intermediation; the two are not the same things, interest is only one possible instrument of intermediation, profit sharing, leasing etc can also perform this

job. Third, elimination of debt would not simply, elimination of redeemable/dischargeable capital; Islamic instruments can easily be designed having the features of redemption. Fourth, who says Government's development activities can only take place through funds generated on interest-based borrowings? There is no bar on using public revenues for this purpose, besides having other ways of raising such funds. Islamic instruments for this purpose are also available both in the literature as well as in the market.

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