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Usury in Scriptures: The Case of the Qur'an

Kutsal Kitaplarda Tefecilik ve Faiz: Kur'an Örneklemi

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ABSTRACT

The spread of Islamic financial institutions and the adoption of their practices as alternatives to traditional banking and finance systems throughout the world have drawn increased interest in the academic pursuits of economists and religious academics alike. The justification for the establishment and promotion of such institutions and practices is formulated as follows: conventional financial systems violate Islamic bounds, and as a corollary, observant Muslims are unable to benefit from traditional financial products. As a result, alternative Islamic financing systems have emerged, with products claiming to comply with Islamic religious edicts. Islamic religious prohibitions that invalidate certain economic activities can almost always be predicated on two foundational principles: ribā (loosely rendered as either financial interest and/or usury) and gharar (also loosely rendered as deception), where the former denotes unlawful and excessive gain at the expense of a party's disadvantage in a given transaction, and the latter refers to the uncertainties that result in unbearable risks and deceptions. The current research focuses solely on the former, as Islam's holy scripture, the Qur'ān addressed it. Despite the fact that considerable ink has been spent on the matter of financial interest in Islam, there still seems to be confusion and indifference over how differently the subject is addressed in scriptural and prophetic sources. As a result, the researchers intend to confine the scope of their study to investigating what riba practice was like during the revelation of the Qur'an and how the Qur'an presents the concept of riba.

Keywords: Usury, interest, Qur'ān, Islamic Finance, *ribā*
Jel Code: R19, H81, G00

ÖZ

Geleneksel finans ve bankacılık sistemine alternatif olarak gelişen ve sayıları da gün geçtikçe artan İslami Finans kurumları ve uygulamaları hem ekonomi bilim insanlarının hem de din bilim insanlarının dikkatini çekmeye devam etmektedir. Bu tür kurum ve uygulamaların varlığını

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meşru kılan sebeplerin başında, birtakım geleneksel finans ve bankacılık uygulamalarının ve hizmetlerinin dini sınırları ihlal etmesi ve, bunun neticesi olarak da, dini hassasiyet taşıyan müslümanların geleneksel finans ürünlerinden faydalanamamalarıdır. Dolayısıyla, İslami Finans kurumları alternative uygulamaları ve ürünleriyle İslami hassasiyetleri gözönünde bulundurarak hizmet iddiası ile kabul görmektedir. Belirli ekonomik uygulamaların önünü almak gayesiyle ortaya konular İslami kısıtlamalar iki temel yasağa dayandırılabilir: ribā (faiz ve/veya tefecilik) ve garar (hile), birincisi yasal olmayan ve bir tarafı mağdur eden aşırı kazancı; ikincisi de belirsizliğin doğurduğu aldatma ve aşırı risk unsurlarını çağrıştırır. Bu çalışma, birincisini, yani ribā'yı, Kur'an perspektifinden ele almayı hedeflemektedir. İslam'da faiz konusunda bir çok araştırma yapılmış olsa da, Kur'an'da ve Peygamber'den geldiği iddia edilen kaynaklarda konunun farklı boyutları hem zihin karışıklığına, hem de bazı ince ayrıntıların gözden kaçmasına sebep olmuştur. Biz bu çalışmamızda Kur'an'ın varlık kazandığı dönemde ribā uygulamalarının ne olduğunu ve Kur'an'ın bu kavramı nasıl tasvir ettiğini aydınlatma gayretinde olacağız.

Anahtar Kelimeler: Tefecilik, faiz, Kur'an, İslami Finans, *ribā*
Jel Sınıflaması: R19, H81, G00

Introduction: Historical Background

Debt-interest relations are among the oldest economic relationships that have changed history. From the earliest days of keeping accounting records to the emergence of economic enterprises that prioritize and institutionalize profit-sharing, interest-bearing debts, which were incorporated into the first legal texts that regulated social life, have spearheaded the discovery and introduction of numerous innovations in a wide range of fields (Ustaoğlu, 2021). Since items such as animals, soil, barley, wheat, and so on were the subject of interest-bearing activities after the society's transition to settled life, the origin of the concepts used to designate the meaning of interest in the languages of ancient civilizations is generally predicated on concepts that denote the meanings of birthing, reproducing, increasing, multiplying, and excess (Goetzmann, 2017; Özsoy, 2012). The fact that livestock, like money and agricultural harvest, served as the backbone and constitutive agents of debt relations, facilitated the easing and elimination of barriers that prohibited lenders from demanding a share of the production of agricultural and pastoral commodities. As a result, debt relations took on a new dimension, demanding the addition of surplus value to capital. Given the circumstances and conditions in hunter-gatherer societies, it was a rational debt relationship to give the surplus goods to relatives, neighbors, and those living nearby without demanding interest. People were only interested in obtaining economic goods that fulfilled their basic food necessities. Such goods, like game animals, had to be consumed quickly and could not have been stored for an extended period (Ustaoğlu, 2021).

However, once new methods of storing and preserving food were discovered, the lending-for-free practice lost its rationale. As a result, people become hesitant to lend economic products for free and begin demanding additional material value in debt repayment (Demirgil & Türkay, 2017). The incorporation of these demands into economic life gave debt relations a new dimension that had a direct impact on all aspects of the economic cycle. Whereas in conventional economic thought, interest-bearing debts are generally examined and analyzed through money and money-like agents, which primarily designate welfare, monotheistic religions take into account a much wider range of agents that involve public order, social and economic relations, inequality, and the social welfare of the people when assessing interest-bearing debts.There are numerous dramatic examples in history that demonstrate the disadvantages of approaching debt relations from the standpoint of economic development, such as trade and industrial production. On the one hand, there is no denying the positive effects that financing trade has on the intra-economic relations of societies, even in the typical agriculture based Oikos economies of antiquity. On the other hand, there is no doubt that the enormous costs of debt spiral, debt slavery, and other socio-economic issues brought on by the repayment of interest-bearing debts that are resorted to in order to meet basic consumption needs like shelter and nutrition should not be disregarded

either. As a result, the issue of interest-bearing loans was seen differently in the early period of monotheistic religions, which emphasized societal relations. In contrast, usury was institutionalized in ancient Mesopotamian religious regimes.

Thus, monotheistic religions attempt to preserve the social stability that would otherwise be severely undermined by usury and financial interest-bearing loans (Ustaoğlu, 2021). Therefore, religious doctrines putting prohibitions on interest-bearing debts based on a range of factors can be found in the scriptures of monotheistic religions, particularly those from early eras.

The Hebrew scriptures provide the ontological foundation for these doctrines, as they refer to financial interest with the metaphor of a snakebite -nèèk- and describe in detail numerous types of interest that vary according to name, nature, maturity, payment method, and the rate at which it is applied to the debt. The new types of financial interest, such as *ribbit deoraita*, also known as *ribbit ktzutza*, *ribbit d'rabonon*, *mehze k'ribbit*, and *mehze dvarim*, which arose from the natural flow of economic life are important signifiers in terms of demonstrating the complexity to which discussions on the issue evolved (Ustaoğlu, 2019). The changing nature of economic circumstances makes the orthodox definition of interest in early-period sources questionable. Social pressure plays a significant role here, particularly on the clergy, as it leads to a questioning of the reasonable parameters of interest, and when new doctrines emerge that prioritize economic expectations and seek methods to legitimize financial interest, the constraints that were placed on it are gradually removed.

In theological terms, early Christianity went through similar processes. On moral and social grounds, the regime of financial interest in the church, where the influence of the sacred book of Judaism is obviously felt, is forbidden (Young, 1977). Theological sources encourage lending a helping hand to people in financial need through charity, almsgiving, and donations. The church strives to respond to society's demand for debt in a variety of ways, while simultaneously striving to develop a constructive connection with society as well as with societal and civil organizations that work to satisfy the needs of the poor, orphans, widows, prisoners, and other disadvantaged segments of society (Maloney, 1972). Interest and usury, which were the backbones of interest-bearing debt relations until the Middle Ages, were frequently used synonymously (Geisst, 2013). The origin of these two concepts is linked to the biting metaphor, which was addressed in early Hebrew literature as "the lender's right to a legal share of the debtor's future income" (Chewning, 1995). However, using Talmudic sources, some Jewish religious scholars claimed that usury and interest are separate concepts. They argue that the prohibition of interest should be restricted to the primitive conditions of agricultural economies and illegal interest rates and that the prohibition of usury, not interest, was forbidden in the scriptures (Murray, 1886; Ustaolu,

2021). While some early clergymen, such as St. Jerome and St. Ambrose, confined interest-bearing debts to the most narrow definition possible, St. Thomas Aquinas, who in principle opposed interest, and Luther advanced the argument, which was later adopted by Calvin, that the transformation of money from an unfruitful means of exchange into a capital instrument that directly affects productivity in commercial investments, as opposed to the conditions of the ancient ages, entails reassessment of the prohibition of interest. It is stated that taking action without considering the transformation of money and the new economic circumstances caused by the evolving features of commerce would result in a slew of new difficulties. As a result, the Church no longer resists the new economic conditions, and the way theological considerations approach the matter evolves correspondingly. As commerce grows, the increased demand for financing leads to a material relationship in which the lender claims a share of the final output under the guise of interest. The prohibition of interest in the Christian world has faded with the spread of modern economic thought. Although the early economic conditions of monotheistic cultures permitted the prohibition of interest, maintaining this restriction became increasingly difficult as socioeconomic conditions changed and transformed.

The Qur'anic Prohibition of Usurious Acts

Islam is the only one of the three major monotheistic religions that still prohibits interest today. Islamic scholars have sought to develop a unified theory of financial interest based on their scripture sources and prophetic instances; however, the sources reveal that their ideas have varied to some extent. While the prohibition against rib in Islam's holy scripture, the Qur'an, was based on a number of factors, including the fact that it resulted from an ex-post transaction, a transaction that lacked contractual freedom, or that it resulted in an excessive gain, which in turn irreparably disadvantaged a debtor, juristic formulations have come up with rulings that include ex-ante transactions and/or interest-bearers. The majority of these legal formulations were based on prophetic traditions that are outside the scope of this study. The researchers are particularly concerned with the scriptural approach to the topic at hand. Even though Muslim academics would not distinguish between scriptural authority and prophetic authority, knowing one enriches comprehension of the other.

The phrase used by the Qur'ān for usury is ribā, and it refers to a certain sort of interest that leads to an excessive increase, which is also rendered as usury in other areas of this study. Many ancient civilizations described excessive interest as "interest on interest," or usurae usurarum, which was added to the principle of unpaid debt. For the first time, Roman law distinguished between legal interest and anathema-inducing compound interest. Doubling the debt through interest charges, known as anatocismus (a term invented by Cicero) and alterum tantum, is a practice forbidden by the Justinian Code of 1130. (Geisst,

2013). Although there are some parallels between the historical history of the prohibition of interest in the Islamic world and arguments in other monotheistic religions, the origin of the doctrines that comprise the interest-ban corpus is drawn in part from the way it is expressed in the Qur'ān. Thus, the research begins with a detailed investigation of the scriptural handling of the subject of interest, and, God willing, a future study that combines prophetic and, as a result, juristic assessments of the matter should ideally follow.

Ribā is the quintessential word used only in the Qur'ān to denote prohibitive financial interest and/or usury. The term Ribā is referenced in six verses of the Qur'ān, while its derivatives in various forms are stated in eleven verses.[1] The researchers may use three sorts of materials to explain the definition of the term Ribā: dictionaries, historical documents, and exegetical narratives. Luckily, all these sources agree, to a considerable extent, that the term ribā refers to growth, rise, rising, height, swelling, raising, augmentation, and so on (Rahman, 1964). Unfortunately, because the meanings of all these designations might materialize in unlimited degrees of excess, the researchers are unsure if the degree of excess in ribā transactions is or can be qualified to a certain quantity. While prohibitive and excessive excess has historically been referred to as usury, non-prohibitive excess might be referred to differently and so be omitted from the definition of ribā. Can financial interest in modern times be classified as something other than ribā in the Qur'anic context? As we shall soon see, the ribā system that existed as the Qur'anic revelations dropped had aspects that were clearly in opposition to the edicts of fair commerce. It lacked contractual flexibility or limited it to the point where one party, particularly the one obliged to execute an obligation, was forced to accede to the terms of the *ribā* regime. In this study, the researchers will show that the Qur'anic alternative to *ribā* is sadaqa, or charity and/or almsgiving, rather than fair trade. Furthermore, the researchers would want to emphasize that comprehending ribā is dependent not just on the verses that include the regime of ribā that was in existence throughout the Qur'anic period, but also on other Qur'anic imperatives that try to establish an equitable approach to worldly and economic issues. We'd want to start by reading the Qur'anic verses that are relevant to the issue and laying the groundwork for a historical viewpoint on the topic.

According to recent studies, of the three distinct verses and a pericope addressing a single issue that is directly linked to ribā, the one in Qur'ān 30:39 appears to have been revealed first. It runs: *"Whatever you give in usury so that it may increase through people's wealth does not increase with God; but whatever you give in alms seeking to please God, it is they that receive the manifold increase."* As demonstrated by the historical events stated

[1] Ribā in (2:275, 276, 278), (3:130), (4:161), (30:39) and derivative words in (2:265, 276), (13:17), (16:92), (17:24), (22:5), (23:50), (26:18), (30:39), (41:39), (69:10).

in the introduction of this Qur'anic chapter, this verse must have been revealed in Mecca somewhere during the fourth or fifth year of Prophet Muhammad's mission, that is, 614 or 615 CE. The chapter begins and ends with the Persians defeating the Romans during 611-614 CE. Though most traditional exegetical reports on this verse imply that it was about donations and presents given in the hope of obtaining something much greater or higher in value in return, there are also sources that say that the verse refers to Thaqīf's ribā deals.[2] The researchers do not have a thorough description of the ribā practices of the tribe of Thaqīf; however, we have no reason to suspect that they were distinct from the ribā practices of the people of Mecca, which will be recounted shortly. Furthermore, the Meccan verses often address the immoral and inhumane practices of the Meccan idolatrous society, chief among which were economic practices. Fazlur Rahman also stated that "*the Meccan verses of the Qur'ān are replete with the denunciation of the economic injustice of contemporary Meccan society, the profiteering and stinginess of the rich, and their unethical commercial practices such as cheating in the weight and measurements, etc., how is it possible then that the Qur'ān would have failed to condemn an economic evil such as ribā.*" (Rahman, 1964) Furthermore, ribā is compared in this verse with zakāh/zakāt, required almsgiving, a category of almsgiving to which ribā is continually and again opposed in the Qur'ān. As a reason, the verse at hand is about the ribā system that existed in either Mecca or Thaqīf, rather than gift exchanges. In any case, it does not yet definitively prohibit ribā because, as Fazlur Rahman stated, Muslims have not yet gained governmental power through which they might enforce the prohibition or because God has observed the wisdom of graduality (tadrīj) in instituting legal norms (Türcan, 2011). Here, the Qur'ān merely passes an ethical and religious judgement on the negative aspect of, in the modern-day economic jargon, maximizing profit in its absolute terms. Even though this verse does not legally prohibit the dealings conducted in the regime of *ribā*, it sets a paradigm that, according to the Qur'ān, should govern economic activities. The verse does not say that the transactions conducted in *ribā* do not result in desired high return, and it probably, though indirectly, admits that they do, but it concludes that that type of high return has no value for God. What it implies is that it does not avail in the Hereafter. Rather than listing legal and/or illegal economic activities, the Qur'ān establishes a paradigm for its followers to follow and by which otherworldly profits should be measured.

The pericope, verses 275-280, in chapter two of the Qur'ān are the last verses that were revealed about *ribā* and that reiterated the prohibition against it, but between the first verse and this pericope there are two other verses on the subject; and determining which one was

[2] Thaqīf was the tribe of Arabs that dwelled in the town of Tā'if, in some 90 kms southeast distance to the modern day city of Mecca. They strove to rival the tribe of Quraysh, the leading tribe within Mecca. See, Büyükaşçı, 2009; for the exegetical variances on the verse, see al-Tha'labi, 2002, v. 7, p. 304.

revealed first denies an easy solution. The first of these two verses is in 3:130 and it runs: "*O you who believe, do not consume ribā, doubling and multiplying. Fear God so that you may attain salvation*." and the second one is in 4:160-161 which runs:

> "*And for the wrongdoing of the Jews We forbade them certain good things that were (previously) lawful to them, and for their keeping many from the way of God, and for their taking ribā which was forbidden to them, and for consuming people's wealth falsely; And We have prepared for the disbelievers among them a painful punishment*."

According to some researchers, 4:160-161 must have been revealed after 3:130 and the prohibition against ribā must have already happened since the Jews would have complained to the Muslims, asking, "How can your God blame us for taking ribā when He keeps silent to you on the same dealing?" As a result of this parallel, the latter must have been revealed before the previous verses. And, because the Jews charged in these verses are the Banu Qurayza Jews, who were driven from Madina in 628, the revelation of 3:130 must have predated that year (Rahman, 1964; Uluda, 2021). The conclusion of this argument is that the prohibition against ribā was imposed before 628. Because the verse in 2:275-280 was revealed at the end of Muhammad's mission, most likely around 632, the practice of dealing with ribā continued uninterrupted within Muslim society. As reasonable as this conclusion appears, the revelation of 4:160-161 might still have occurred before 3:130 because, first, the interlocutor in these verses does not have to be a Jew. The Qur'ān may simply be warning Muslims that Jews have lost God's favor due to their disobedience to Divine precepts; the message is clear: do not behave as they have done! Second, as M. Öztürk points out, notifying Muslims of Jewish wrongdoings and engaging in ribā deals with Jews does not imply that the same prohibition(s) have already been imposed on Muslims (Öztürk & Şahin, 2021). These two verses might just be a foreshadowing of a prospective restriction on ribā. In establishing rules gradually, this should be examined within the context of Qur'anic knowledge. As it is, the Qur'ān teaches believers that ribā is a breach of religious ethos and that Jews were instructed to avoid it; hence, a comparable restriction for Muslims is necessary.

So, when was 3:130 revealed, and when was the ribā outright forbidden? Although the exact timing of this verse's revelation is unknown, some authors have accounted for ancient authors' conjectural theories that it was revealed after the battle of Uhud in 625 (Öztürk & Şahin, 2021). However, as evidenced by the reiterations and severe warnings in 2:275-280, this does not necessarily imply that Muslims accepted this rule. They run:

> "*Those who consume ribā do not rise except as someone who is felled by the touch of Satan. This is because they say that buying is the same as ribā, whereas*

God has made buying licit and forbade (made it ḥarām) ribā. The ones who receive God's admonition and act accordingly may have what is past, and their affair is left to God, but those who revert, they are the inhabitants of Fire where they dwell forever. God blights ribā and causes the acts of almsgiving grow (exponentially). And God does not love the sinful ingrate. Verily, those who believe, do righteous deeds, perform the prayer and pay the alms shall have their reward with God, and no fear shall be upon them, nor shall they grieve. O you who believe, fear God and leave what remains of ribā, if you are believers. If you do not, then beware of a war from God and his Messenger. If you repent, you are entitled to the principal of your capital without wronging or being wronged. And if someone is in difficult situation, let there be a respite until he is able to repay; it is, however, better for you to remit, if only you knew."

Some prophetic or other traditions imply that this set of words on ribā were the last revelations. Furthermore, a special story suggests that the Prophet died only days after these verses were revealed, and he did not have the opportunity to clarify what ribā deals were involved (Rahman, 1964; Öztürk & Şahin, 2021). The conclusion to be drawn from these traditions is that what ribā is up to grabs and is left as mujmal, or undefined. According to some researchers, these traditions may have been invented to broaden the definition of ribā to encompass deals that grew through time and were not mentioned in the Qur'ān. Later jurists, according to the theory, did the same thing, putting words in the mouths of the founding fathers (the salaf) to give it more legitimacy (Öztürk & Şahin, 2021). The issue is presented because, first, 3:130 was revealed much earlier, and Qur'ān interlocutors must have previously known what ribā signified; and second, not knowing what a divine edict means creates further theological concerns. Given that such stories are made up, the motivation for creating them may have been to protect the reputation of the Companions, who must have been dealing with ribā up until the Prophet's death. In all religious traditions, religious tendencies and religious fervor bear witness to such cases. According to Fazlur Rahman, many scholars interpreted ribā in 3:130 as being about gift exchanges in order to shield the prestige of Muslim predecessors from the severe sin of ingesting ribā (Öztürk & Şahin, 2021). The language in 2:274-280 is exceedingly threatening, harsh, and unforgiving, and it is intended for believers. One cannot but conclude that the interlocutors were given an order, which they ignored, and carried on as before. Some sources suggest traditions attesting to the persistence of ribā practice among some Companions, albeit intermittently and in varied forms (Öztürk & Şahin, 2021). As a result, a second order was sent, but this time it threatened them with war if they did not obey. Nobody else in the Qur'ān received a comparable threat. This line of reasoning may also imply that 4:160-161, or perhaps 30:39, were disclosed between 3:130 and 2:275-280 in order to convey the seriousness of the situation.

The researchers have so far established a type of historical sequence in the descent of verses directly connected to ribā. 30:39 and 4:160-161 were the first to be disclosed, most likely before 615 and 627 CE, respectively. The categorical prohibition occurred with 3:130, after the battle of Uhud in 625 CE, and the reiteration came with 2:275-280 in the latter days of the Prophet's mission. Even if it allows that 2:275-280 were revealed too late for the Prophet to explain, 2:160-161 and 3:130 were revealed relatively early, and it is unreasonable to believe that the interlocutors did not understand what was meant by ribā therein. Because the inhabitants of the pre-Islamic Arabian Peninsula focused on the towns of Mecca and Madina were the direct interlocutors of the Qur'anic injunctions surrounding ribā, we may reasonably deduce that ribā was a pre-Islamic practice across the abovementioned locations. The researchers also know that a transaction involving *ribā* is different from a regular sale transaction where a seller exchanges a commodity in lieu of another or a value representing item, such as money. We are also certain of the fact that the Qur'ān prohibits *ribā* in its absolute form without any specification or restriction. The only restriction or qualification that can be discerned here is the fact that it was the sort of *ribā* that was in practice either in the Meccan or the Medinan community and that resulted in some sort of doubling and multiplying. We have evidence to this effect in the saying/*Sunna* of the Prophet Muhammad on the day of the conquest of Mecca: "Beware! *Ribā* of *al-Jahiliyya*[3] is abolished" (al-Tabari, 2001).[4] Here, the term *ribā* is qualified with the term *al-Jahiliyya* and it indicates that practice of the era. The researchers would like to focus their attention now on what this *ribā* of *al-Jāhilīya* was.

Fazlur Rahman elaborated on historical accounts mentioned in traditional sources and exegetical works to show that the pre-Islamic ribā system involved a type of dealing or transaction that entailed a prohibitive amount of excess that resulted in the doubling and/or redoubling (or quadrupling for that matter) of the principal or the value of the commodity (Rahman, 1964). This type of exponential expansion is also seen in 3:130, when "doubling and/or redoubling" are clearly addressed. The researchers are unable to determine in the earlier exegetical verses whether the words "doubling or redoubling or quadrupling" are the qualifying terms that can narrow down the type or degree of excess for which *ribā* was prohibited. Although this seems to be the case, some exegetes oppose this interpretation and take the terms "doubling and redoubling" to be used merely as emphasis. It is interesting, however, to realize that the same exegetes did not apply the same criterion to the same term in 2:245 (Gül, 2001). Furthermore, the celebrated exegete of classical Muslim scholarship, al-Kashshaf of al-Zamakhshari (d. 1144 CE), elaborated that the terms indicated the practice

[3] *Jāhilīya* is a term that designates the era, or anything associated with it, of pre-Islamic life, it literally means ignorance.

[4] See al-Tabari, 2001, vol. 5, p. 55.

and reality of the day and that the lender was thus able to dispossess the debtor of his entire belonging (al-Zamakhshari, 1998).[5] This indication that the practice of *ribā* in the pre-Islamic days involved doubling or redoubling/quadrupling, is also corroborated by historical accounts. One of the earliest Islamic sources, the *Muwatta'* of *Imam* Malik, the founder of the Maliki legal school, (d. 795 CE), recounts the following[6]:

> *Zayd. b. Aslam said "In the Days of Ignorance (al-Jahiliyya) prior to Islam, ribā was understood to consist of the following transaction: someone was owed an obligation from someone else due on a future date, and when payment of the obligation became due, the creditor would say to the debtor "will you pay me what you owe, or will you increase the principal sum owed and defer payment to the future? (turbī, verbal derivative of ribā in the second person)" If the debtor paid the creditor would accept payment, but if he did not, the creditor would increase the principal sum of the debt owed to him and extend the maturity date further into the future."*

An intriguing element of this account is that it makes no mention of any type of negotiated rise or interest in the initial period agreed upon by both parties to the transaction. What is evident is that there was an initial term of a certain amount of time after which the parties engaged in the transaction would consider a subsequent time period with ribā; there is no ribā whatsoever during the original term. Was there a rise during the first period that was distinct from ribā? Although it is not unreasonable to believe that there was no prescribed rise during the first term, Fazlur Rahman believes that "those who were so focused on doubling or redoubling(/quadrupling) their money would forego the initial "interest" (increase) by way of charity, so to speak" (Rahman, 1964). Given that people, in our modern world, receive credit or loan offers from various institutions free of interest for a specific period of time, or sale offers of a commodity on a period of credit with zero interest, it is perfectly logical to imagine creditors or sellers lending or selling their commodity free of interest for a specific period of time. According to Fakhr al-Din al-Razi (13th century), the pre-Islamic Arabs used to offer a commodity (on credit) in exchange for a specific amount of return for a period (the initial term), and the principal amount would remain intact. When the time period matured, they requested the return of the principal, or else increased the amount and the time period; this is the riba they used to engage in during al-Jahiliyya (al-Razi, 1981). al-Tabari (2001) (10th century) also mentions that the murbī (one who deals in riba) is named so because of his redoubling the principal (al-mal).

[5] See al-Zamakhshari, 1998, v. 1, p. 626.

[6] See Muhammad al-Zurqani, 1987. Sharh al-Zurqani Ala Muwatta al-Imam Malik. Dar al-Ma'rifa, p. 324.

In another tradition, when the term of the debt matured and the debtor was unable to pay up, the lender would extend the term to the following year, causing the debt to double, and the following year (if the debtor was still unable to pay up), the debt would redouble, so the hundred would be two hundred the next year, and four hundred the year after (al-Tabari, 2001).[7]

While some modern researchers equated *ribā* with any degree of degree of excess,[8] others equated it only with usury and differentiated it from the modern concept of financial interest (Ahmad, 1978).[9] Those who have designated the term *ribā* the same as the concept of " interest " or " usury " have been shunning the modern financial institutions of banks or credit firms, and in response to their needs, there have been sprouting up institutions under the rubrics of "Islamic" bank and "Islamic finances" that offer alternative ways of financial dealings allegedly in accordance with Islamic observances. We will not be dealing with these so-called Islamic financial institutions here; however, we will attempt to shed some light on the understanding of *ribā* and interest.

The accompanying historical narratives represent the practice of the day while the Qur'ān was being transmitted to Prophet Muhammad, and this is what the Qur'ān must have meant when it referenced ribā. Even if ribā denotes "grow" in its absolute sense, the degree of increase can range from minimal to excessive and extravagant, and the negligible quantity can be only nominal, especially in our present inflationist economic systems. The verses at hand, as well as the historical narratives that shed light on al-Jahiliyya practice, plainly show that the rise that ribā entailed was exponential. Verse 3:130 defines ribā as doubling and multiplication, and the historical narrative given above by the early exegete al-Tabari indicates that the practice resulted in the exponential expansion of the original sum payable in the first place. The words "doubling and multiplying," according to al-Kashshaf of al-Zamakhshari, signified the practice and actuality of the day, and that the lender was thus able to dispose of the debtor's entire property (al-Zamakhshari, 1998).[10]

The Qur'anic framing of the prevalent practice of *ribā* draws our attention to the aspect of excessive increase in it by comparing it to another charitable deed that results in excessive increase as well, but in a more positive and desired sense. We have previously mentioned that the alternative to Qur'anic *ribā* is charity/almsgiving. The Qur'ān uses the verbal derivative of *yurbī* in 2:276 where it states that "God blights *ribā* and increases/multiplies

[7] See al-Tabari, 2001, v. 6, pp. 49-51.

[8] See, Ziauddin Ahmad, 'The Theory of Ribā' in Islamic Studies, vol. 17, No. 4 (Winter 1978), pp. 171-185.

[9] See, Fazlur Rahman, pp. 1-43.

[10] See al-Zamakhshari, 1998, vol. 1, p. 626.

(*yurbī*) charities." And in contrast to those who engage in *ribā* in order to increase their wealth to no avail, the Qur'ān states, "But whatever you give in alms seeking to please God, it is they that receive the manifold increase." We know from other verses in the Qur'ān that manifold increase is rendered as the return of almsgiving. Qur'ān 2:261, for instance, clearly states this fact where it says "*the parable of those who spend their wealth in the way of God is that of a grain that grows seven ears, in every ear a hundred grains. And God multiplies for whomsoever He will, and God is All-Encompassing, Knowing*." This is equivalent to a seven hundredfold return in numbers. There is little doubt that the Qur'n employed the term "yurbī" in the context of almsgiving rather than other phrases that would denote some form of increase to express a specific type of gain that translates into numerous folds in return. As a result, the term "ribā" and its derivatives signify not only an absolute growth but also an increase characterized by excessiveness, whether positive in the instance of almsgiving or negative in the case of satisfying a commitment.

Another feature of the ribā rule in al-Jahiliyya is that it is an ex-post transaction. This characteristic of the riba regime separates it from a normal and fair-trading transaction. The verse itself attests to this truth, and disbelievers' resistance to deeming ribā religiously unlawful stems from this standpoint. "*They (the disbelievers) said that buying (and selling/ trade) is the same as ribā, whereas God has made buying licit and forbade ribā*" states 2:275. Disbelievers make a connection between commerce and ribā, arguing that there should be no difference. The conclusion of this reasoning is that the Qur'ān recognizes the reality that trade is licit and entails mark-ups; otherwise, the disbelievers' use of such an analogy would be futile. And, while the Qur'ān recognizes commerce as licit and hence accepts mark-ups, it nonetheless distinguishes between trade and ribā. From this vantage point, Al-Tabari makes the following observations: "God has made mark-ups in commerce and in buying and selling licit, "and made ribā illicit/haram," which refers to mark-ups applied to the initial price...The two increases, or markups, are not the same: one is ex-ante, while the other is ex-post.

There appears to be no difference between the two markups, cateris paribus. However, there appears to be an absence of two important premises in pre-Islamic ribā dealings: one is the assumption of contractual freedom, and the other is the amount of markup that both commerce and the ribā system entail. The first premise appears to be that transactions are difficult and evasive. Some have suggested that the ban on ribā stems from a lack of contractual freedom or the debtor's permission. In pre-Islamic ribā trading, the debtor is forced to accept the terms imposed by the lender, depriving him of his right to choose. This rationale has been dismissed on the grounds that a similar transaction can be struck initially as well, whereby the consent of the debtor is secured from the beginning and of his own free will. Let us consider that a seller sets two prices for a commodity, one for 100 dollars, and

the other for 200 dollars but with a deferred payment option. For the sake of deferral, a buyer could choose to buy the commodity for $200 instead of $100, and this type of transaction would violate no consent but would still result in the same way that a sale for $100 but with double the interest rate would. There is no reason to think that such a scenario cannot happen, but how efficient would that kind of offer would be! Not to mention the fact that in a laissez-faire market economy, another seller will almost certainly offer a more beneficial pricing to the consumer. Unless the market in question is experiencing a strong inflationary cycle, the likelihood of such a scenario, in which a buyer offers and/or imposes double the price of an otherwise spot transaction, is extremely rare. However, in pre-Islamic *ribā* dealing, the debtor has no option, neither in terms of consenting to the transaction, nor in terms of opting for another buyer. One wonders, if the practice of *ribā* did not involve doubling and multiplying, and/or the increase that the buyer was entitled to impose was restricted to a negligible amount, say, for instance, 20 percentage over the initial obligation, would the Qur'ān have also prohibited it? Given the difficulties and variables involved in such a circumstance, you may never know the answer. When such a caveat is factored in at the time of the first transaction, similar hypotheticals can be examined, specifically that both parties agree that if the one who is under obligation fails to service his debt when it matures, an extra 20% will be added to the initial price. In fact, in inflationary markets, such a situation is more favorable to the buyer than a rise agreed upon at the time of the initial transaction because he will be better off with the amount of depreciation when he meets his obligation at the time of its maturity. Such scenarios will obviously lead to consideration of the implications of inflation, and the researchers will return to it shortly. But, before concluding this section, the researchers would like mention a critical fact that should bear relevance to the principle of contractual freedom: Even though the Qur'ān severely and harshly threatens those who engage in *ribā*/usurious transactions, it stipulates no penalty, at least worldly terms, on usurers, and it has been argued that it was probably left to the jurists to determine the type of punitive measures (Schacht, 1964). Although in the prevalent practice of ribā during pre-Islamic times, the debtor reasonably hopes to fulfill his obligation by the time the debt matures, he should also be aware that failing to do so would result in an exponential increase in his liability. Consequently, he does know at the beginning of the transaction that things may turn for the worse, and he still enters willingly into such transactions. He may do so because he has no other option, but whether this sort of scenario deprives him of contractual freedom should be determined by legal specialists. Perhaps the reason for not stipulating a punitive measure for usurious acts is that contractual freedom is not completely and/or formally violated, or that the prohibition against ribā-involved transactions was due to violations of God's command, for which jurists can determine discretionary punishment. (el-Awa, 1983). Lastly, this aspect of Qur'anic handling of the regime of *ribā* should reinforce the fact that religious assessments of economic undertakings

are laden with concerns that are different than conventional and traditional profit-oriented economics and finances; they take into account ethical concerns such as equity, social welfare, charity, etc. Although according to conventional economic principles, interest-bearing economic activities can be beneficial in terms of profit and trade financing, excessive interest charges and usurious practices cause irreparable damage to societal structures. According to the regime of *ribā* that was in practice in pre-Islamic Arabia, the debtor would either fulfill his obligation when it matured, or he would be taken as a slave in lieu of the payment (Sadr, 2016).

Another rationale for the prohibition of *ribā* seems to be the excessive increase it involves. It is explicitly mentioned both in the Qur'anic verses and the historical accounts about the pre-Islamic practice of *ribā* that the lender doubles the amount he is due for the period of a year, quadruples it for two years, and the increase continues onward and exponentially as the period is extended to a further number of years. Some studies contend that the rationale is the factor of time-buying and that riba is prohibited because time cannot be bought. Otherwise, the increase in the price of a commodity at the time of the initial transaction with deferred payment should also be considered a *ribā* dealing and be prohibited. However, most Islamic Finance institutions provide alternatives to mortgage systems in this manner. As a result, an increase in the postponed payment of a commodity is not a reason to ban it, and it should not be, especially if it is agreed at the outset. What remains is the quantity of increase, and the researchers believe that the only reason for the prohibition of ribā is the excessive increase and the unfairness it creates. According to this logic, Hanafi scholars based their decisions on ribā, and Ibn Rushd (d. 1198), the renowned philosopher generally known as Averroes in the West, and the Maliki jurists adopted the Hanafi principle in the following explanation (al-Gamal, 2006):

> "It is thus apparent from the law that what is targeted from the prohibition of *ribā* is the excessive inequity it entails. In this regard, equity in certain transactions is achieved through equality. Since the attainment of equality in exchange of items of different kinds is difficult, we use their *values* in monetary terms. Thus, equity may be ensured through proportanality of value for goods that are not measured by weight and volume. Thus, the ratio of exchanged quantities will be determined by the ratio of the *values* of the different types of goods traded. For example, if a person sells a horse in exchange for clothes … if the value of the horse is fifty, the value of the clothes should be fifty. [If the value of each piece of clothing is five], then the horse should be exchanged for 10 pieces of clothing."

The key term for us here is "value." The principle of value equality appears to be the guiding principle of an equitable transaction for Islam, and thus the Qur'anic trading system.

A fair mark-up value that is added to the initial price of an item is viewed within the confines of licit trade by the Qur'ān. If the exchange of value-laden commodities is broadly designated as trade, an equitable exchange should entail that equal values are exchanged. The same logic applies to credit regimes, and an increase in the initial amount should not always be considered a real increase. Consider the following scenario: In a market economy with a monthly inflation rate of five percentage points, a creditor makes a loan to a borrower with no interest or increase for one month. If the borrower returned the same amount at the end of one month, the creditor would be 5% worse off and 5% out of pocket. The same scenario may be extended to a trader who sells a specific product at the present price with deferred payment for one year in an economy with a 20% inflation rate. Now, if the seller does not observe the real value of the return at the time of the debt's maturity, he/she will be out of pocket by 20 percent and will therefore end up with an inequitable transaction. This principle is hinted at in Qur'ān 2:282, the longest verse in the Qur'ān and also known as the verse of debts:

> "*O you who believe, when you contract a debt with one another for an appointed time period, make it in writing. And let a scribe write it between you justly, and let not any scribe refuse to write as God taught him. So let him write, and the let the debtor dictate, and let him reverence God his Lord, and diminish nothing from it*."

The verse plainly emphasizes that an obligation, whether the result of a commodities sale or a credit, should be honored in full and that nothing of its worth should be reduced. Inflation-stricken markets can only maintain value under a regime of financial interest that is at least commensurate to the inflation ratio. Based on this, the present financial interest regime, at least in terms of inflation, should not be linked with the ribā system indicated in the Qur'ān.

Conclusions

The concept of *ribā*, usury in modern economic jargon, is one of the two fundamental terms that form the backbone of the financial system, and the prohibition against it has invariably been asserted by innumerable scholars. But the definition of what constituted *ribā*, how it materialized, and what was excluded from it proved to be controversial. Similar controversies had historically, transpired and much ink had been spilled on the issue in other societies as well. According to historical studies, interest-bearing economic acts appear to be a primordial part and parcel of at least settled human history. But the way it was practiced especially in terms of rates it they involved differed from place to place, and from time to another. There was a distinction between interest levied in basic terms and interest charged

excessively and/or double, according to ancient Roman rules. The former was permitted and considered lawful, while the latter was prohibited. Due to the fact that uncontrolled interest practices spiraled into disturbances that disrupted the social balance and resulted in injustices, which these religions claimed to have come to remedy, religious traditions had to address the matter from their own perspective. The church's all-encompassing ban on all types of interest proved impractical over time due to the callings of evolving economic and trade activities. Consequently, the restrictions on the interest rate have eased, and it has become part and parcel of the conventional financial system.

However, history has not evolved in the same way as Islamic civilizations. Despite the fact that the Qur'ān imposed a prohibition on excessively interest-bearing deeds, jurists included prophetic traditions of varied dimensions and judged the Qur'anic prohibition in light of those prophetic traditions. Nonetheless, the researchers attempted to confine the scope of this study to how the Qur'ān addressed the subject and what the practice was like historically in pre-Islamic Arabia. The researchers relied heavily and largely on early historical and exegetical sources that carried over pre-Islamic Arabian customs and practices to ascertain the context in which the Prophet Muhammad received Qur'anic revelations. . These sources led the researchers to the conclusion that the pre-Islamic Arabian regime of interest-bearing economic activity is referred to as ribā in the Qur'ān. The researchers stopped counting the ribā related verses and instead accounted for the chronological progression of their disclosures. Our study of historical and exegetical descriptions of the Qur'anic idea of ribā revealed that it was a form of interest-bearing deeds involving excessive gain with postponed payment. Modern research had previously shown comparable outcomes, although their judgments of the logic behind the ribā prohibition differed from one another. Some stated that the Qur'anic prohibition on ribā was based on the fact that such transactions restricted contractual flexibility, while others maintained that ribā-involved transactions were ex-post transactions in which no value-laden commodities were exchanged at debt maturity. The researchers reevaluated and questioned some of these evaluations, proposing that the restriction was imposed owing to excessive gains that harmed the debtors and that if the debtor failed to meet his responsibility, it was because it caused disruptions in and irreparable harm to societal harmony. The researchers also strove to distinguish between the Qur'anic ribā and the modern understanding of interest within the context of inflationist economies. The core of our argument in this regard was based on the notion that, because the Qur'ān was concerned with the values that commodities conveyed, a rise commensurate to the rate of inflation cannot be considered an increase. As a result, an interest rate that is lower than the rate of inflation should not be considered an increase or Qur'anic forbidden ribā.

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