

**Presentation 1**

# RIBA (Interest)

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# PRESENTATION OVERVIEW

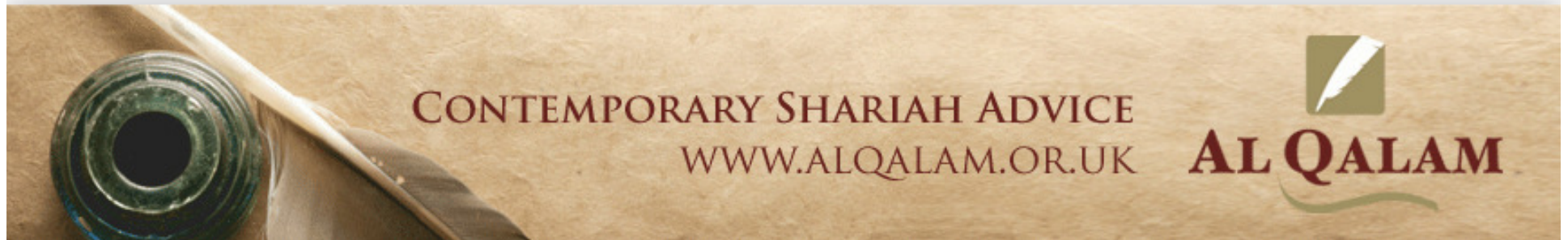
- Riba in Qur'an & Sunnah
- Definition of Riba
- Misconceptions about Riba

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# Historical Analysis of the Prohibition of Riba

- 1<sup>st</sup> verse: ‘And what ever usury you give so that it may increase in the wealth will not increase with Allah’ C:30 V:39
  - 2<sup>nd</sup> verse: ‘And because of them charging interest while they were prohibited from it’ C:4 V: 161
  - 3<sup>rd</sup> Verse: ‘O those who believe do not eat up usury doubled and re-doubled’. C: 3 V:130
- 4<sup>th</sup> Verse: C:2 Verses 275 – 281 (Next Slide)



# How does Islam view Interest ?

## Prohibition of Riba in the Qur'an

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي  
يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ  
مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ  
مِّن رَّبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ  
فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ﴿۲۷۵﴾

Those who devour Riba shall rise up before Allah like men whom Shaitan has demented by his touch; for they claim that trading is like Riba. **But Allah has permitted trading and forbidden Riba.** He that receives an admonition from his Rabb and mends his ways may keep what he has already earned; his faith is in the hand of Allah. But he that pays no heed shall be among the people of fire and shall remain in it forever.”

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## Prohibition of Riba in the Qur'an

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ  
مُؤْمِنِينَ ﴿٢٧٨﴾ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن  
تُبِتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ ﴿٢٧٩﴾

“O you who believe, Fear Allah and give up what remains of your demand for Interest, if you are indeed a believer. If you do not, then you are warned of the declaration of war from Allah and His Messenger; But if you turn back you shall have your principal: Deal not unjustly and you shall not be dealt with unjustly.”

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# Prohibition of Riba in Hadith

عن أبي هريرة عن النبي قال: اجتنبوا السبع الموبقات. قالوا: يا رسول الله! وما هن؟ قال: الشرك بالله والسحر وقتل النفس التي حرم الله إلا بالحق وأكل الربا وأكل مال اليتيم والتولى يوم الزحف وقذف المحصنات الغافلات المؤمنات. رواه البخارى ومسلم وأبو داود والنسائى.

Abu Hurayrah reports Rasulullah SAW saying:

“Refrain from seven deadly things: The companions asked him: What are these? He said: To associate partners with Allah, sorcery; to kill a soul without valid reason in the eyes of Allah; to devour interest; to devour the property of the orphan; to flee from the battlefield; and to falsely implicate chaste, innocent, believing women of vulgarity.”

[Bukhari, Muslim, Abu Dawud, Nasai]



# Prohibition of Riba in Hadith

عن جابر بن عبد الله قال: لعن رسول الله  
آكل الربا و موكله و كاتبه و شاهديه و قال هم سواء. رواه مسلم  
والترمذى و أحمد.

Jabir b. Abdullah reports that the Rasulullah SAW cursed the receiver of interest and the payer thereof, the one who records it and the two witnesses thereof. He said: "They are all alike [in guilt]."

[Muslim, Tirmidhi, Ahmad]



## Prohibition of Riba in Hadith

: حدثنا أبو بكر بن إسحاق عن عبد الله

: عن النبي - صلى الله عليه وسلم - قال

(الربا ثلاثة وسبعون بابا، أيسرها مثل أن ينكح الرجل أمه)

In another hadith narrated by Abu Huraira ra the words are:

الربا سبعون جزءاً أيسرها

*'Rasulullah SAW said; Riba has 73 doors or 70 grades, least serious is equivalent to committing adultery with his own mother'.*

(ibn Majah)



# Prohibition of Riba in Hadith

**Abdullah Ibn Hanzala reports Rasulullah SAW saying:**

*One Dirham consumed by a person knowing that it is Riba  
is more severe in sin than committing Zina 36 times!*

*(By Ahmed/Tabrani/ & in Bukhari )*

**Abu Huraira reports Rasullah SAW saying:**

*In the night of ascension (Meraj) as I reached the 7<sup>th</sup> heaven and looked up, I saw before me lightening & thunder. I then went pass a group of people whom I saw had very big stomachs, as big as houses, filled with snakes which could be seen from the outside of the stomach. I asked Jibreal. He said; These are the consumers of Riba’.*

*(By Ibn Maja/ & Ahmed)*



# Definition of Interest

‘Any sum repaid or received above the Principal’

*Definition derived from Surah Baqarah (2:275)*



# Definition Of Interest / Riba

## Key Difference

- Capitalist system allows unbridled interest/returns on capital as a commodity.
- Islamic system does not allow capital to earn interest.



# Misconceptions about Riba

1. The verses on Riba were revealed in the final days of the Prophet Mohammed (SAW)'s life and he therefore did not have time to explain them properly.
2. Interest only becomes Riba when the poor are exploited.
3. Interest is only Riba when the amount loaned is 'doubled and re-doubled'
4. Interest is only Riba when loans are given for consumption needs, not productive needs.
5. We can justify Riba on the basis of it being a necessity of the current time and economic climate.



## Presentation 2

# Effects of Riba & The Islamic Alternative

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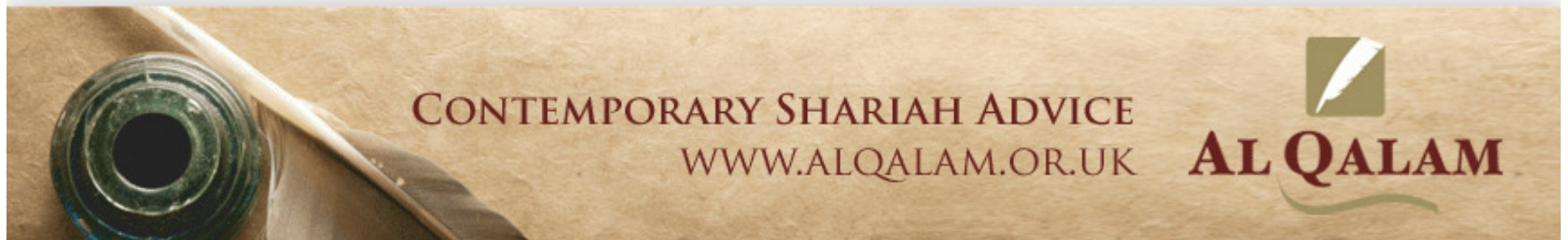
# Rich just get Richer

- ‘The richest 225 people in the world own more wealth than the poorest 2.5 Billion’

United Nations Development Report 1998

‘In 1998, 64.5% of all Bank Loans in Pakistan were advanced to under 0.5% of the population’

Historic Judgment on Interest



# Indebting the 3<sup>rd</sup> World ?

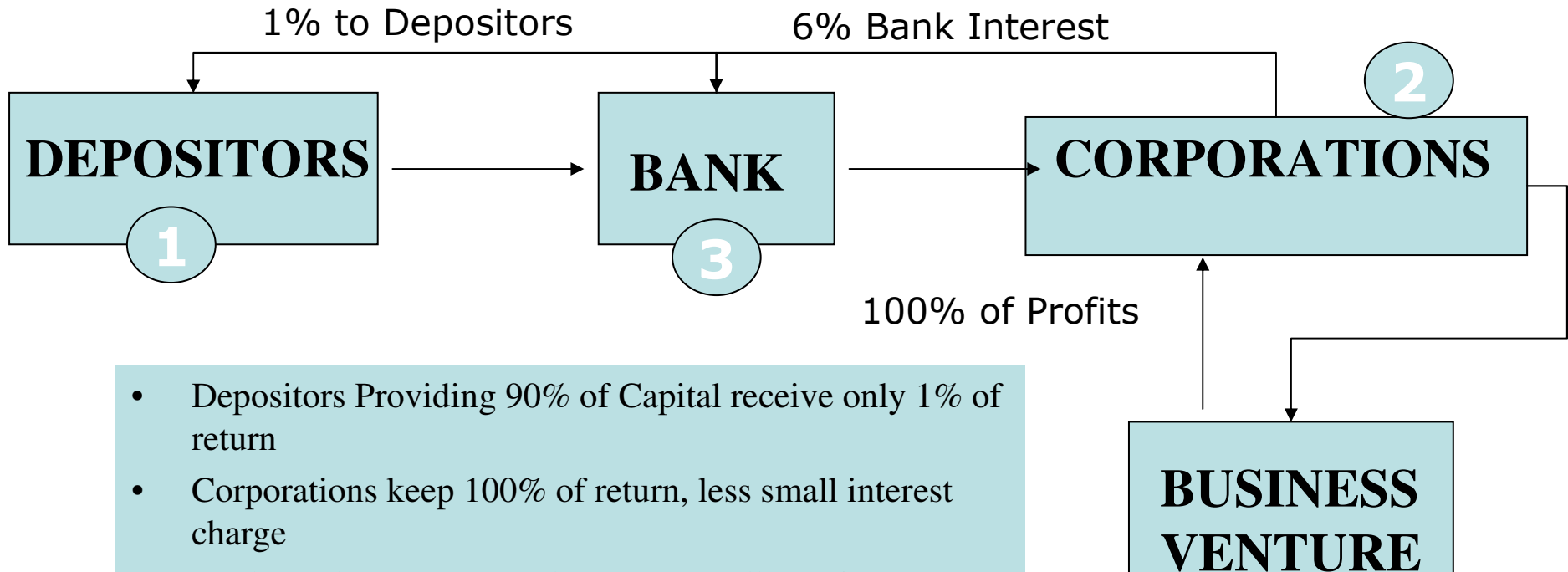
- In 1987, IAA called for dissolving of IMF & World Bank
- No country has ever paid off debt taken
- Debt is not on leaders but people of sovereign state
- Debt Interest often constitutes a greater % of GDP than Education, Healthcare combined
- Debtor countries started off 1990's 61% deeper in debt than 1980's
- During 1982-90, developing countries paid £1.3Bn in Interest & Capital to creditor countries
- Largest faith group in 3rd World are Muslims
- In 1989 review World Bank unable to point to a single project which has resulted in a better quality of life for citizens in recipient country

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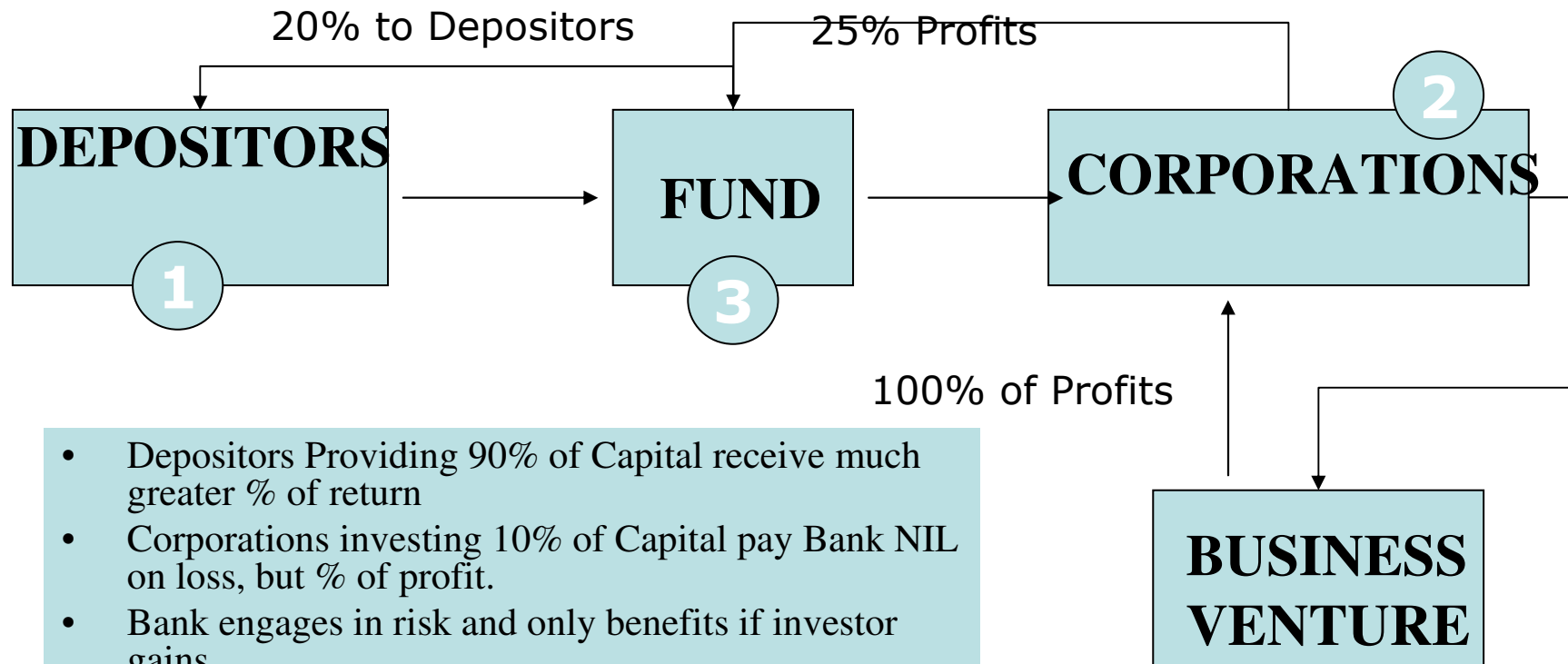


# Rich just get Richer



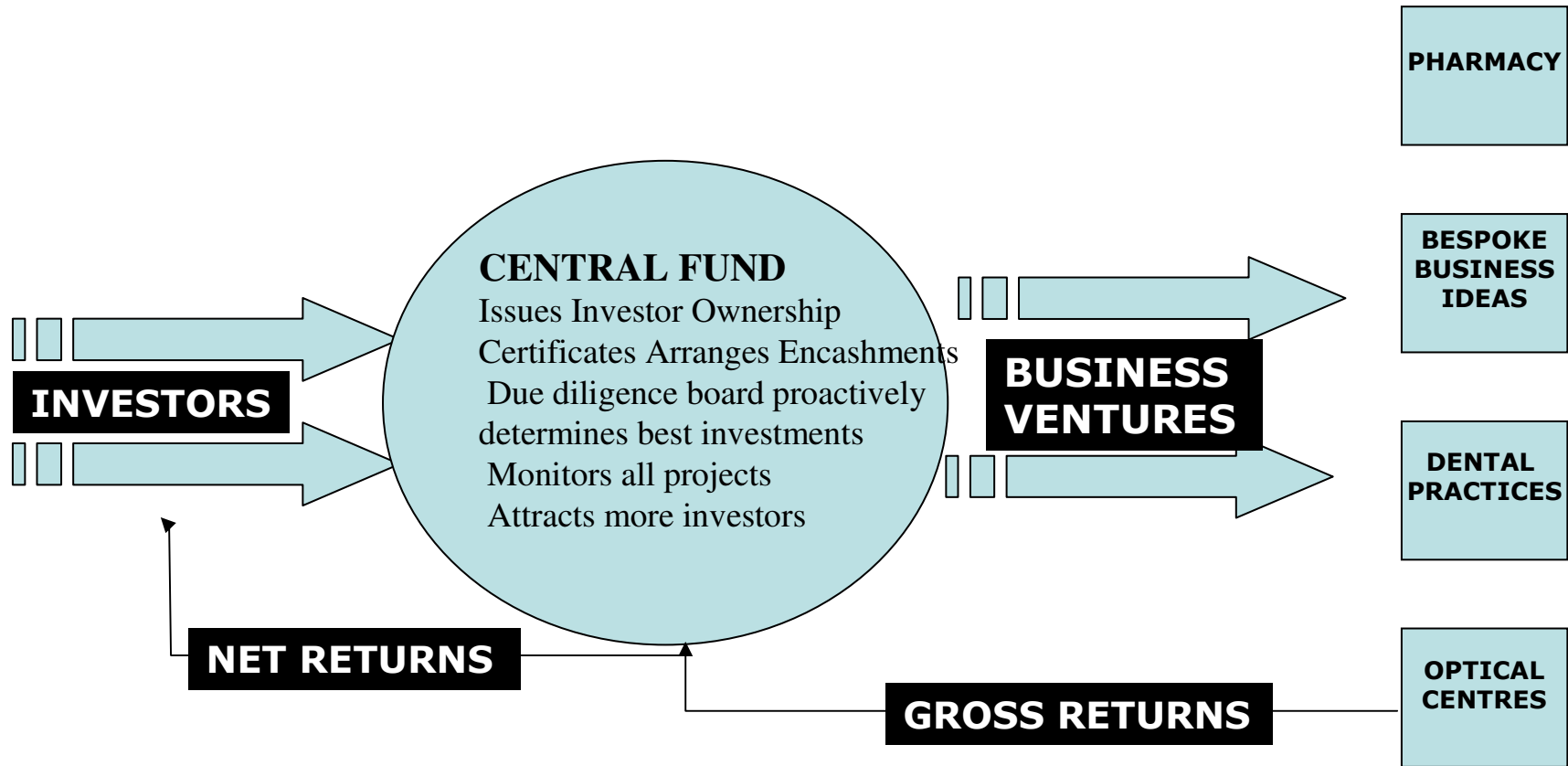
- Depositors Providing 90% of Capital receive only 1% of return
- Corporations keep 100% of return, less small interest charge
- Bank receives guaranteed return regardless of borrower's fate.
- As wealthiest have most collateral, they can borrow the most

# Musharaka in Action



- Depositors Providing 90% of Capital receive much greater % of return
- Corporations investing 10% of Capital pay Bank NIL on loss, but % of profit.
- Bank engages in risk and only benefits if investor gains.
- Capital allocated on project strength not collateral levels
- Society wins – Direct Business investment

# The Musharaka Fund



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# Summary of Benefits

- Obeying the key financial Commandment of Allah (SWT)
- Attacking the heart of the 'Interest' system
- Generating healthy returns on otherwise 'dead capital'
- Providing diversity to the heavily concentrated property portfolio
- Financing successful Muslim business ideas
- Providing an alternative to interest-based financing for Muslim Entrepreneurs
- Being part of the most significant financial initiative ever for Muslims in the West
- Musharaka could well be the cornerstone for Muslim prosperity in all spheres of life in the West



*‘The collapse of the global marketplace would be a traumatic event with unimaginable consequences. Yet I find this easier to imagine than the continuation of the present regime’*

George Soros

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*‘So lose not heart, Nor fall in despair,  
For you are bound to rise, If you are true in faith’*

Al-Quran 3:139

