

COAS I460 – Independent Research

## The Call for *Ijtihad*

A quest for reclaiming the legitimation of *fiqh*  
on the financial concern of modern Muslims

Yoga Prakasa  
COAS I460  
R. Kevin Jaques  
April 29, 2004

# Table of Contents

<b>TABLE OF CONTENTS .....</b>	<b>2</b>
<b>INTRODUCTION .....</b>	<b>3</b>
<b>THE SACRED CANOPY .....</b>	<b>5</b>
IN THE CONTEXT OF ISLAM AND THE MUSLIM UMMA .....	8
<b>THE ISLAMIC LAW.....</b>	<b>10</b>
RIBA .....	14
GHARAR .....	16
<b>THE MODERN FINANCIAL THEORY .....</b>	<b>17</b>
FINANCIAL INTERMEDIATION .....	19
INTEREST .....	21
<b>THE MODERN IMPLEMENTATION OF <i>FIQH</i>.....</b>	<b>25</b>
PRODUCTS OF ISLAMIC BANKING .....	26
DISAGREEMENT IN INTERPRETATION .....	30
<b>CONCLUSION .....</b>	<b>35</b>
<b>APPENDICES.....</b>	<b>37</b>
APPENDIX 1. RIBA AND USURY IN THE QUR’AN .....	37
APPENDIX 2. RIBA AND USURY IN THE HADITHS.....	39
Appendix 2.1. Sahih Bukhari.....	39
Appendix 2.2. Sahih Muslim.....	44
Appendix 2.3. Sunan Abu-Dawud.....	48
Appendix 2.4. Muwatta of Malik ibn Anas .....	49
Appendix 2.5. Hadith Al-Tirmidhi.....	54
APPENDIX 3. GHARAR, MAYSIR AND RISK IN THE QUR’AN .....	56
APPENDIX 4. GHARAR, MAYSIR, AND RISK IN THE HADITH .....	57
Appendix 4.1. Muwatta of Malik ibn Anas .....	57
Appendix 4.2. Sunan Abu-Dawud.....	59
APPENDIX 5. UNCERTAINTY IN THE HADITH .....	60
Appendix 5.1. Sahih Muslim.....	60
Appendix 5.2. Sunan Abu-Dawud.....	60
Appendix 5.3. Muwatta of Malik ibn Anas .....	60
<b>SELECTED BIBLIOGRAPHY.....</b>	<b>66</b>

# Introduction

Islam is the youngest of the three Abrahamic faiths, which also include Judaism and Christianity. Its universal message of monotheism continues the tradition of its predecessors. Islam was first brought down to the Arabs by the Prophet Muhammad (peace be upon him) in mid-7<sup>th</sup> century C.E. Islam is now the second largest religion after Christianity, and it is professed by about 1.2 billion Muslims worldwide, a fifth of the world's population.

Islam came into America during the slave trade in the early 19<sup>th</sup> century C.E. Muslim slaves from the African continent brought Islam with them to the United States, and the faith of Islam continues to flourish until the present day. Currently, there are roughly about 6-7 million Muslims residing in the United States, and Islam has rapidly gained the title of “the fastest growing religion in America and the most diverse.”<sup>1</sup>

Muslims have always been characterized by their devotion to following the will of God. This is because the word “Islam” itself can be translated from its Arabic word which means “submission,” hence the word for the followers of Islam, the Muslims, can literally be translated as “people who submit to the will of God.” As such, Muslims have tried to harmonize their Islamic belief with their daily life, including polity and economics, in an effort to live in this world according to God's plan. Many Muslims do not even consider Islam as a religion, but as a way of life.

---

<sup>1</sup> Alexander Kronemer and Michael Wolfe, Muhammad: Legacy of a Prophet (Menlo Park, CA: Kikim Media and Unity Productions Foundation, 2002), DVD.

This type of interaction between religion and society is described by Peter Berger in his book, *The Sacred Canopy*, to be unsustainable. I write this research paper as a final project for the purpose of completing my Individualized Major Program in Islamic Finance, and to prove that Berger's argument on loss of religious legitimacy in society is relevant to my topic. For this purpose, I use Berger's idea to argue against the structural breakdown of the interaction between Islam and Muslims, particularly between Islamic jurisprudence (*fiqh*) and the financial concern of modern Muslims.

The structural breakdown of Islamic law began around 12<sup>th</sup> century C.E. Due to the threat of disunity facing the Islamic empire, medieval Muslim scholars took a drastic step. Following the invasions of the Mongols (1216-1260) and the Crusaders (1096-1291), and internal separatist movements within the Islamic empire, the once vast international Muslim community was weakened and threatening to disintegrate. As a precautionary measure, Muslim scholars in Baghdad announced that "the gate of *ijtihad* was closed," a proclamation that has since been interpreted as meaning that Muslims were no longer allowed to practice independent thinking (*ijtihad*) and were from that point in time only allowed to refer to already established legal rulings for answers on questions of contemporary nature, be it religious or secular.

Hence, for more than 700 years, Muslim thinking and mindset had been largely restricted to those of the medieval period, resulting in the visible, or not-so-visible, stagnation that is today pervasive in the Muslim world. However, there have been movements in North America, and in some Muslim states, which have struggled to bring forth modern discourses on Islamic law and to reopen the gate of *ijtihad*, in hopes of reinstating the legitimation of Islam.

I hope to contribute to this effort through the academic discourse of Islamic law dealing with economics and finance. It has been highly debated whether the law made in the circumstances of agrarian communities can still be applicable to modern society. The challenge I pose is that popular mainstream traditional *fiqh* (jurisprudence) cannot maintain its structures of legitimation in addressing complex modern financial matters faced by present day Muslims.

This research paper fulfills two needs: 1) it provides a brief historical overview of the developments on current interpretations of Islamic law in the field of finance. It also analyzes different aspects of *riba* (usury) and *gharar* (uncertainty) as defined in mainstream Islamic law. The popular definition of *riba* is characterized as interest, while there is very little discussion of *gharar* beyond its definition as uncalculated risk. 2) this paper is also a prescriptive project, advocating certain preferred aspects of Islamic finance. As a result, parts of this paper may be seen as critical of mainstream positions of Islamic law. In light of rapid financial development in the modern world, my view is that there is a need to redefine *riba* and *gharar* to more accurately reflect present day progress and to take into account the complexity of the present day financial environment.

## The Sacred Canopy

Peter Berger (1990) argues that society is a product of an individual, yet the same individual is also a product of society. He describes this phenomenon as a “dialectic process of society” which contains “externalization, objectivation, and internalization.”<sup>2</sup>

---

<sup>2</sup> Peter L. Berger, *The Sacred Canopy: Elements of A Sociological Theory of Religion* (New York: Anchor Books, 1990), 3-4.

Externalization is the human desire to express him/herself both physically and mentally to the outer world. This is the act which Berger claims makes society a product of individuals. Then, whatever results from this externalization is reflected back to the individual, thus he/she objectifies the product of his/her externalization. Finally, the individual turns the objectivation into internalization by processing the objective observation into subjective realization. This internalizing act turns the individual into a product of the society. This dialectical process does not stop at internalization, but starts again at externalization, and continues indefinitely.

Unlike animals, which instinctively accept the world as given to them, humans need to shape the world according to their ideals. Berger's statement of this self-expressionistic attempt of the individual in the search for his/her inner-self is also ranked as the highest form of human need as expressed in Maslow's "Hierarchy of Needs." This biological need is shared in a collective enterprise that results in the creation of culture, which Berger claims to be ongoing and always present.

Even though man may imagine realities different from his own society, he would still be able to recognize which one is real and which one is not because of the shared objectives that manifest into his culture.<sup>3</sup> This is because reality will enforce itself upon the individual, and sometimes may even tear down the individual with frustration or physical manifestations of social control.

---

<sup>3</sup> Ibid., 10-11

To ensure its existence, society also attempts to transfer its rules to new generations by means of socialization, in effect to “internalize and shape the new individuals.”<sup>4</sup> Despite the stake of its continuation, Berger asserted that “no totally socialized individual” exists, since there will always be individualized meanings that do not conform to society’s prescription.<sup>5</sup>

Because of the human’s biological need to search for meaning in life, those who find that meaning to be in contradiction with the society’s may face “the danger of meaninglessness,” which can separate an individual from society and cause him/her to exhibit a death wish in some extreme cases.<sup>6</sup>

Berger argued that society tries to prevent such events by framing itself in religious contexts. Because of its “larger than life” perceptive status, religion readily gives things to order and puts barriers against disorderliness, or in a nutshell, religion puts meaning into life. In order to maintain social control, religion has been given legitimation, or provides “answers to any questions about the ‘why’ of institutional arrangements.”<sup>7</sup>

Due to its powerful forces, legitimation becomes a supplement to socialization (i.e., the transfer of religious norms and values to younger generations), and justifies social control (i.e., quells rebellious movements and ensures obedience from its subjects). Berger stated that to be effective, legitimation must be both objective and subjective at the same

---

<sup>4</sup> Ibid., 19.

<sup>5</sup> Ibid., 19-20.

<sup>6</sup> Ibid., 23.

<sup>7</sup> Ibid., 29.

time, and therefore, religion is an “effective instrument of legitimation.”<sup>8</sup> If society is the defining entity of ultimate reality, including its religious legitimation, then acting against society would be considered madness.<sup>9</sup> In turn, a religious community is necessary to maintain the plausibility of the religion itself. In this paper, I use the Muslim *Umma* (community) as a representative of this necessary religious community.

Berger argued that “man cannot accept aloneness and he cannot accept meaninglessness.”<sup>10</sup> In his effort to find meaning in his life in this world, man seeks the protection of religion. Its legitimation protects individuals from things beyond his/her control, and it provides interpretative meaning that enables people to understand the world they live in.

### ***In the context of Islam and the Muslim Umma***

Because Islam does not acknowledge the concept of separation between church and state, Berger’s arguments become even more relevant since religious legitimation becomes crucial in the life of the *Umma*.

Many Muslims see secularism as a useless attempt to remove the divine legitimation from social life. Tarek El-Diwany (2003) argued that once religion is relegated to the private domain and never to be discussed in public, it will lose its authority in putting order to

---

<sup>8</sup> Ibid., 32.

<sup>9</sup> Ibid., 39.

<sup>10</sup> Ibid., 56.

societal activities.<sup>11</sup> To counter this secularist tendency, he argues that humans are not in the position to question God's injunctions because humans cannot understand God's reasons, and thus, it is better for Muslims to follow God's command "irrespective of the degree to which mankind understands them."<sup>12</sup>

Many Muslims believe this argument, but some are conflicted because such an argument does not take into account the dialectical process of society, as described by Berger. As Muslims have tried to externalize their ideas of God's commands for society, they have failed to keep up with the society itself. As the objective observation is internalized, Muslims are faced with the reality that the society, as their product of externalization, does not live up to their ideals. Muslims are being forcefully disconnected from the realities of the world. The advent of Western economic prowess continues to challenge Islam's religious legitimation. In this field, Islam must reinvent itself in order to have continued relevance.

Muhammad Abduh (1849-1905) in his book, *The Theology of Unity*, argued that Islam never endorsed blind obedience (*taqlid*), as proposed by El-Diwany. Abduh acknowledged that those working to preserve a religion cannot be rational, and that because of events occurring in the medieval period threatening the survival of the religion itself, there was a need to defend Islam's authenticity. However, Abduh believed that such a threat had long passed, and the act of preservation should be diverted back to that of critical thinking (*ijtihad*). Abduh believed that "reason is the pioneer of authentic belief,"

---

<sup>11</sup> Tarek El-Diwany, "About Islam: Beliefs," [http://www.islamic-finance.com/item40\\_f.htm](http://www.islamic-finance.com/item40_f.htm), accessed 28 March 2004. Note: Because of the recent emergence of the Internet, many Muslim scholars chose to publish their work through this medium. As such, I will quote some of their publications in this way.

<sup>12</sup> *ibid.*

therefore Islam's religious legitimation is not only backed by one's subjective belief of God, but also by one's own objective rational thought.<sup>13</sup> Thus, Islam according to Abduh, is truly an effective legitimation tool as described by Berger. It can be said that the loss of Islam's legitimation, in terms of modern financial discourse, has been caused by this disconnectedness between religion and society. Reconnecting the religion with society will require the re-opening of *ijtihad* to reclaim its legitimation.

## The Islamic Law

Mohammad Hashim Kamali (1999) wrote that Islamic law “originates in two major sources: divine revelation (*wahy*) and human reason (*aql*).” He added that “this dual identity of Islamic law is reflected in its two Arabic designations, *Shariah* which literally means ‘the right path’ or ‘guide’, and *fiqh* which refers to human understanding and knowledge.”<sup>14</sup> Therefore, while the *Shariah* is the primary source that indicates the heavenly guide, it is *fiqh* that discovers *Shariah*'s underlying essence in the effort to find the answers to contemporary issues.

The *Shariah* is derived from Islam's religious scripture, the Qur'an (which Muslims believe was communicated by the angel Gabriel to the prophet Muhammad to be propagated to his *Umma*) and the Sunna (which includes the hadith and can be explained as the “exemplary conduct of the Prophet Muhammad, including his sayings, acts, and

---

<sup>13</sup> Muhammad Abduh, The Theology of Unity (London, England: George Allen & Unwin, 1966), 145.

<sup>14</sup> Mohammad Hashim Kamali, “Law and Society: The Interplay of Revelation and Reason in the Shariah,” in The Oxford History of Islam, ed. John L. Esposito. (New York: Oxford University Press, 1999), 107-108.

tacit approval or lack of condemnation of the conduct of his Companions and some of the customs of Arabian Society”).<sup>15</sup>

Kamali described *fiqh* as knowledge of the practical dimension of the *Shariah*, and consequently concerned with aspects of individual conduct. The permissibility of conduct is categorized into five levels: obligatory (*wajib*), recommended (*mandub*), permissible (*halal* or *mubah*), reprehensible (*makruh*), and forbidden (*haram*). These categories are not always absolute for any given act in all circumstances and at all times. There are cases where exceptions can be made and the act in question can be temporarily assigned a different level from its original one. Such rules of necessity are called *al-darura*.<sup>16</sup>

Kamali added that “the definition of *fiqh* also implies that the deduction of the rules of *fiqh* from the Qur’an and Sunna is through direct contact with the source evidence and necessarily involves a certain measure of independent reasoning and intellectual exertion (*ijtihad*).”<sup>17</sup>

Kamali argued that a jurist (*faqih*) must exhibit certain qualifications to perform *ijtihad*. Jurists who meet these qualifications are known as *mujtahids*. “Only when juristic opinion and independent reasoning are supported by general consensus (*ijma*) does that reasoning acquire the binding force of a ruling (*hukm*) of *Shariah*,” Kamali noted.<sup>18</sup>

Between the mid-8<sup>th</sup> and mid-10<sup>th</sup> century C.E., Islamic law saw the emergence of more than 150 legal schools of which only four have survived to the present: the Hanafi,

---

<sup>15</sup> Ibid., 119.

<sup>16</sup> El-Diwany, “About Islam: Beliefs.”

<sup>17</sup> Kamali, “Law and Society”, 109-110.

<sup>18</sup> Ibid., 110.

Maliki, Shafi'i, and Hanbali. The Hanafi school is named after Abu Hanifah al-Numan ibn Thabit (699-767). His advocacy for legal reasoning by analogy (*qiyas*) gained popular acceptance and later was incorporated into Islamic legal methodologies by the Shafi'i school as one of its valid sources. Abu Hanifa's other contribution to jurisprudence, juristic preference (*istihsan*), is still highly debated by the other schools, especially the Shafi'i, as a valid source of methodology. The Maliki school is named after Malik ibn Anas al Asbahi (715-795). He "advocated the notion that the Medinan consensus (*ijma*) was the only valid consensus."<sup>19</sup> Malik's other contribution, *maslaha mursalah* or consideration of public interest, sometimes referred to as *istislah*, is debated in the same fashion as *istihsan*, mainly by the Shafi'i school. The Shafi'i school is named after Muhammad ibn Idris al-Shafi'i (767-820). He standardized juristic methodology and outlined the legal sources into what is known now as *usul-al-fiqh*. This methodology ranks the four sources of Islamic law based on importance: Qur'an, hadith, *ijma*, and *qiyas*. *Usul-al-fiqh* is still used to derive legalistic rulings on contemporary issues. Al-Shafi'i asserted that "non-revealed sources of *Shariah*" do exist and are "generally founded in juristic reasoning (*ijtihad*) which may take a variety of forms, including analogical reasoning (*qiyas*), juristic preference (*istihsan*), consideration of public interest (*istislah*), and even general consensus (*ijma*) of the learned."<sup>20</sup> The Hanbali school is named after Ahmad ibn Hanbal (780-855). As Kamali described, the Hanbali school "preferred not to rely on human reason and chose instead to base their doctrines as much as possible on the precedents established in the Qur'an and the hadith."<sup>21</sup>

---

<sup>19</sup> Ibid., 113.

<sup>20</sup> Ibid., 118.

<sup>21</sup> Ibid., 114.

Hence, the Hanbali school is known for its heavy reliance on the literal interpretation of Qur'an and hadith.

Following events that threatened the integrity of the medieval Muslim empire, “a climate of opinion prevailed that the early predecessors had exhaustively used and developed the resources (the Quran and the Sunna), and the digested version of *fiqh* that they had produced was to be strictly followed.” Kamali added that “imitation and following precedent thus gained ground, and the so-called ‘closure of the gate of *ijtihad*’ followed.”<sup>22</sup>

Kamali argued that “in modern times, legal interpretation or reasoning has occurred in the following three ways: statutory legislation, judicial decision and learned opinion (*fatwa*), and scholarly writings.”<sup>23</sup> Statutory legislation based on Islamic interpretation can be found in family laws in many Muslim countries that decide, among other things, matters of divorce and polygamy. Kamali referred to “the collection of published opinions of Muhammad Rashid Rida in the 1920s” as an example of learned opinion of the *ulama* (Islamic scholars). The scholarly writings of Yusuf al-Qaradawi (b. 1926), an Egyptian scholar, which address various contemporary issues was seen by Kamali to be an example of modern legal interpretation.

It should be noted that the description above applies to the *Sunni* branch of Islam and does not necessarily concern the parallel development experienced by the *Shi'a*. The

---

<sup>22</sup> Ibid., 115.

<sup>23</sup> Ibid., 117.

*Shi'a* branch of Islam developed its legal schools from the Shafi'i, thus are somewhat similar in some respects.

## ***Riba***

Ibn Taymiyyah (1268-1328), argued that “almost all prohibitions of economic transaction can be reduced to one of two things: *riba* and *gharar*.”<sup>24</sup> Therefore, a discussion on Islamic finance must address these two things. A general consensus among the scholars, past and present, agrees that there are two kinds of *riba*: *riba al-nasiah* and *riba al-fadl*. *Riba* is translated literally to mean “increase.” The word *riba* appears in the Qur'an in four instances, and it appears in numerous hadith transmissions.<sup>25</sup> It is not entirely clear what *riba* actually means. The second caliph, Umar ibn al-Khattab (ruled 634-644), is narrated to have wished that the Prophet had explained *riba* more clearly before his death.<sup>26</sup> Maxine Rodinson (1974) put it very simply: “What *riba* was, exactly, we do not know for certain.”<sup>27</sup>

*Riba al-fadl*, as Frank Vogel and Samuel Hayes (1998) suggested, is *riba* of excess. The explanation is derived from numerous references of this type of *riba* in the hadith, where the Prophet Muhammad advised conducting exact exchange of items and without

---

<sup>24</sup> Quoted in Mahmoud El-Gamal, “An Introduction to Modern Islamic Economics and Finance,” in Proceedings of the Fourth Harvard University Forum on Islamic Finance: The Task Ahead, (Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 2000), 146.

<sup>25</sup> See Appendix 1 for instances where *riba* is mentioned in the Qur'an, and see appendix 2 for instances where *riba* is mentioned in the hadith.

<sup>26</sup> See Appendix 2.1. Volume 7, Book 69, Number 493.

<sup>27</sup> Maxime Rodinson, Islam and Capitalism, (Suffolk, England: Allen Lane, 1974), 14.

delay, or with different amounts of items and/or with permitted delay in certain cases.<sup>28</sup>

Mahmoud El-Gamal (1999) argued that the prohibition of *riba al-fadl* was meant to protect the efficiency of the market.<sup>29</sup> According to him, the underlying advocacy of fair compensation found in several hadith was meant to prevent exploitative practices and to preserve market pricing efficiency.

*Riba al-nasiah*, as Vogel and Hayes suggested, is *riba* in delay. This type of *riba* is mentioned in the Qur'an and in some hadith. Vogel and Hayes explained, however, that the prohibition of this *riba* does not mean a ban on credit, but a ban on the sale of credit. Most Muslim scholars, however, equate this type of *riba* with interest. This position has resulted in a large volume of discourse in the last 50 years or so. So much so, that an entire field of Islamic economics has been born, dedicated to finding an alternative to the interest-based financial system. Such development, while encouraging to the re-establishment of *ijtihad*, is missing crucial social elements that M.A. Muqtedar Khan (2000) categorizes as “*adl* (justice), *zakat* (distributive justice), *israf* (prohibition of extravagance) and *falah* (welfare),” and have marginalized modern ideals such as “equal opportunity, frugality, public welfare, just wages, fiscal transparency, discrimination in workplace, poverty alleviation, and compulsory education.”<sup>30</sup> Some of the ideals mentioned by Khan would be

---

<sup>28</sup> See Appendix 2.1. Volume 3, book 34, Number 344 and 379; Appendix 2.2 Book 010, Number 3854, 3856-3857, and 3859; Appendix 2.3. Book 22, Number 3343; Appendix 2.4. Book 31, Number 31.16.34, 31.17.38, 31.32.71, and 31.39.86.

<sup>29</sup> More on Mahmoud El-Gamal's analysis of economic efficiency, please consult to his work, “An Economic Explication of the Prohibition of *Riba* in Classical Islamic Jurisprudence,” in Proceedings of the Third Harvard University Forum on Islamic Finance: Local Challenges, Global Opportunities, (Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 1999), 29-40.

<sup>30</sup> M.A. Muqtedar Khan, “The Mythology of Islamic Economics and the Theology of the East Asian Economic Miracle,” in Proceedings of the Fourth Harvard University Forum on Islamic Finance: The Task Ahead, (Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 2000), 36.

covered in discussions of *riba*, if *riba al-fadl* received more attention. However, the reality of the *riba* debate is the opposite. The discussion of *riba al-fadl* receives very little attention, but it is my hope that this paper will shift that balance.

## **Gharar**

*Gharar*, interestingly, is never mentioned explicitly in the Qur'an but is mentioned in the hadith.<sup>31</sup> The Qur'an however, does mention an extreme form of *gharar*, which is "games of chance" (*maysir*) or in other words, gambling.<sup>32</sup> The fact that the concept of *gharar* is mentioned explicitly only in the hadith, and in the Qur'an only for its most extreme form, may explain why there is so little current discussion about *gharar*, despite the fact that Ibn Taymiyyah considered it to be one of the two most prohibitive practices in economics. The lack of discussion of *gharar* in the Islamic scripture has the implication that is of a lesser importance when compared to the concept of *riba*. Furthermore, since only the most extreme form of *gharar*, *maysir*, is mentioned in the Qur'an, it has more of a black-and-white clarity in comparison with *riba*'s shades of grey.

The modern term for *gharar*, as Vogel and Hayes argued, is risk, but a more accurate definition would probably be pure speculation, uncertain (ambiguous) outcome, or unknown future benefits.<sup>33</sup> Kees van der Heijden (1996) classifies uncertainty into three categories: 1) simple risk that has historical precedents, thus the probabilities of its

---

<sup>31</sup> See Appendix 4 for instances where *gharar* is mentioned in the hadith.

<sup>32</sup> See Appendix 3 for instances where *maysir* is mentioned in the Qur'an.

<sup>33</sup> Frank E. Vogel and Samuel L. Hayes, III, Islamic Law and Finance: Religion, Risk, and Return. (The Hague, The Netherlands: Kluwer Law International, 1998), 88-89.

occurrence can be estimated through statistical calculations; 2) structural uncertainty that has never occurred yet, but does not mean it cannot happen; and 3) unknowable of occurrence with undetermined probabilities that have never been thought of before.<sup>34</sup> Iggi Achsien (2003) postulated that *gharar* has characteristics similar to van der Heijden's third category of uncertainty. According to Achsien, *gharar* is more comparable to a game of chance instead of game of skills, where probability distribution can be calculated with result of logical causality.<sup>35</sup> This is similar to what Sami Al-Suwailem (1999) argued, that "gharar is simply zero-sum game with uncertain payoffs."<sup>36</sup>

The discussions of *gharar* are far from over, but the basic concept of interest, as outlined in the time-value of money theory presented later, does not exhibit *gharar*. The uncertainty element present in the concept of interest has historical precedents, and because of the government's involvement, it has limited structural uncertainty. Therefore, *gharar* is not present in the basic concept of interest.

## The Modern Financial Theory

The definition of money has not changed much since its first usage. In his book, *The Economics of Money, Banking, and Financial Markets*, Frederic Mishkin (2001) defined

---

<sup>34</sup> Quoted in Iggi H. Achsien, *Investasi Syariah di Pasar Modal: Menggagas Konsep dan Praktek Manajemen Portofolio Syariah*, (Jakarta, Indonesia: PT Gramedia, 2000), 51.

<sup>35</sup> Achsien, 51.

<sup>36</sup> Quoted in Achsien, 51.

money as “anything that is generally accepted in payment for goods or services or in the repayment of debts.”<sup>37</sup>

Over time, money has gained functions beyond being simply a medium of exchange, such as a “unit of account.” In this capacity, money is used as measurement of value in the economy. Another function of money is for “storage of value,” which allows people to choose when to use their money; thus they can save its purchasing power from the time money is received until it is spent.<sup>38</sup>

The expansion of the Muslim empire and its trade conduct necessitated the creation of checks as one medium of exchange.<sup>39</sup> Such checks could be drawn in Cordoba, Spain and cashed in Delhi, India. Checks are still in use until today, and are considered to be a type of a unit of account M1, a monetary aggregate which can be used as direct medium of exchange, along with cash and coins as one of three economic indicators to measure money supply. Muslim scholars such as El-Diwany and Achsien argued that money has transgressed its function and has become a commodity in itself, which has resulted in its consideration as one of the three factors of production (along with land and labor) and requires interest as a reward for its utilization (just as rent is for land and wage is for labor). However, the consideration of interest is actually based upon the theory of the time-value of money.

---

<sup>37</sup> Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, (Boston, Massachusetts: Pearson Addison Wesley, 2001), 9.

<sup>38</sup> *Ibid.*, 49-51.

<sup>39</sup> Alexander Kronemer and Michael Wolfe, Muhammad: Legacy of a Prophet.

## ***Financial Intermediation***

Mishkin described a financial intermediary as an “institution that borrows funds from people who have saved and in turn makes loans to others.”<sup>40</sup> In other words, the institution utilizes excess funds from surplus units to supply deficit units. A bank would immediately come to mind as an example of a financial intermediary. However, there are non-bank financial institutions which can be categorized as financial intermediaries, among them are insurance companies, venture capitalists, micro-lenders, mutual funds, and pension funds.

The need for financial intermediaries arises primarily from asymmetric information. Asymmetric information occurs when “one party does not know enough about the other party to make accurate decisions.”<sup>41</sup> Because of asymmetric information, lenders and borrowers face difficulty in meeting one another and carrying out transactions. The time and money spent in acquiring information and making the transaction would be considerable should the lender and/or the borrower conduct it themselves. Hence the transaction cost would not be feasible.

Financial intermediaries, on the other hand, are capable of reducing transaction costs substantially due to economies of scale, or a “reduction in transaction costs as the size of transactions increases.”<sup>42</sup> Thus, the cost can be spread out among many transactions and

---

<sup>40</sup> Mishkin, 8

<sup>41</sup> *Ibid.*, 34.

<sup>42</sup> *Ibid.*, 34.

through specialization or the intermediary's expertise, such as providing liquidity services which enable customers to make transactions easily.<sup>43</sup>

The profit gained by the intermediary (i.e., the bank) allows it to continue its information gathering activity, among other things.<sup>44</sup> This information gathering cannot only reduce the transaction cost due to minimal information asymmetry, but also tackles one of the two main problems faced by financial intermediaries, that of adverse selection.

Mishkin described adverse selection as the problem created by asymmetric information before a transaction occurs. He argued that adverse selection occurs when the potential borrowers who are the most likely to produce an undesirable (adverse) outcome – the bad credit risk – are the ones who most actively seek out a loan and thus are the most likely to be selected.”<sup>45</sup> This risk of attracting bad credit is inherent in intermediary business, but it is not the only risk. Another natural risk in the industry is that of moral hazard.

According to Mishkin, moral hazard is “the problem created by asymmetric information after the transaction occurs.”<sup>46</sup> Mishkin explained that “the risk (hazard) that the borrower might engage in undesirable (immoral) activities from the lender's point of view” is a problem because this behavior may “make it less likely that the loan will be paid back.”<sup>47</sup> Moral hazard is the source of the principal-agent problem, a somewhat similar

---

<sup>43</sup> Ibid., 34, 186.

<sup>44</sup> Ibid., 191.

<sup>45</sup> Ibid., 35.

<sup>46</sup> Ibid., 36.

<sup>47</sup> Ibid., 36.

dilemma where the agent (the borrower) acts in the opposite direction intended originally by the principal (the lender).

Screening and monitoring can reduce the potential of adverse selection and moral hazard, respectively. However, screening and monitoring have their own costs on top of the intermediary's overhead cost, which requires the intermediary to earn a return from its activities in order to cover all costs and still make a decent profit. Therefore, financial intermediaries are required to charge the lenders some type of return in order to cover its own cost of doing business, and to realize profits as one of, if not the main, reason for doing business. The profits can also be used to allow the intermediary to expand operations internally and externally. Islamic financial intermediaries charge a return based on shared profits with the lenders, while conventional financial intermediaries often charge an interest-based return.

## ***Interest***

The concept of interest comes from the theory of the time value of money, where the value of money in the present is not the same with its value in the future. This concept is not new in Islamic jurisprudence. For instance, Zayd ibn Ali (d. 740), the great-great-grandson of the Prophet Muhammad, was the first Muslim economist to explain the permissibility of higher future payment in comparison with payment on the spot (i.e., cash payment).<sup>48</sup> Other Muslim economists of the medieval period made essentially the same

---

<sup>48</sup> Quoted in Zainul Arifin, Memahami Bank Syariah: Lingkup, Peluang, Tantangan, dan Prospek, (Jakarta, Indonesia: AlvaBet, 2000), 7.

claim. However, the recent phenomenon of banning interest in Islamic law begs some articulation of what interest is in modern financial theory.

According to the Merriam-Webster dictionary, interest in a monetary sense is described as “a charge for borrowed money generally a percentage of the amount borrowed,” or “the profit in goods or money that is made on invested capital,” or “an excess above what is due or expected.”<sup>49</sup> Mishkin described an interest rate as “the cost of borrowing or the price paid for the rental of funds.”<sup>50</sup> Interest then, is paid to reward the individual of his/her opportunity cost for sacrificing other opportunities that hold a better return.

In the context of the U.S. economy, the banking system is using a fractional reserve system, where “reserve requirement make it obligatory for all depository institutions to keep a certain fraction of their deposits in accounts with the Federal Reserve or as cash in their vaults.”<sup>51</sup> The depository institutions (i.e., banks) are therefore free to use the other fraction in activities that will generate returns for the banks and also, for the depositors.

In order to generate this return, banks operate as financial intermediaries between the lender ( depositor) and the borrower. Banks charge interest to the borrower with the expectation that the borrower will repay the loan, plus interest in the future. Obviously, the bank would have gathered information regarding the borrower and assessed the borrower’s credit worthiness. The bank then decides an appropriate expected rate of return from the assessment of the borrower’s ability to pay in the future. Some portion of the

---

<sup>49</sup> Merriam-Webster Online dictionary, <http://www.m-w.com>.

<sup>50</sup> Mishkin, 4.

<sup>51</sup> Ibid., 45.

interest received by the bank is given back to the depositor, in effect rewarding their opportunity cost. The interest spread, that is, the difference between the interest paid by the borrower and the interest paid to the depositor, constitutes the bank's profit after subtracting its overhead cost.

The simple assessment of the interest rate for a given loan can be derived from the interest rate structures as follows:

$$k = k_f + k_{rp}$$

where the structure can be further broken down to:

$$k = (k_{\text{real}} + k_{\text{inf}}) + (k_{\text{ir}} + k_{\text{dr}} + k_{\text{lr}})$$

where:

$k$  = level of compensation as determined by the market

$k_f$  = risk-free rate

$k_{rp}$  = risk premium

$k_{\text{real}}$  = real risk-free rate when there is no risk or inflation present

$k_{\text{inf}}$  = inflation premium

$k_{\text{ir}}$  = length of contract, volatility of interest rate

$k_{\text{dr}}$  = health of issuer and economy, issuer's debt structure

$k_{\text{lr}}$  = trading volumes, degree of standardization

Modern Muslim scholars argue on precisely which variable(s) "k" contain *riba*. M.

Umer Chapra (1985) claimed that inflation does injustice to the lender because it erodes the purchasing power of the individual, therefore, he argues that it is just for the lender to be rewarded with a return to compensate for his/her loss in purchasing power.<sup>52</sup> Thus, indexation (linking the rate of return of a loan to the inflation rate) is deemed to be just compensation, so  $k_{\text{inf}}$  or the inflation premium is considered to be *riba* free. Its counterpart,  $k_{\text{real}}$  or the real rate when no risk is involved, is simply a rate of return for waiting.

<sup>52</sup> M. Umer Chapra, Towards a Just Monetary System, (Leicester, England: The Islamic Foundation, 1985), 38.

According to Chapra, this element is suspected to contain *riba*. Further, he considers the risk premium to be wholly *riba*.

The explanation presented by El-Gamal (1999) suggests that explanations used to understand the real risk-free rate depends on the subject country. In the case of the U.S. economy, the real risk-free rate is set by the Federal Reserve through issuing US Treasury Bills and Notes with fixed interest promised. This rate fluctuates depending on the Federal Reserve monetary policy, which also happens to affect the inflation premium. Further elaboration is beyond the scope of this paper; however, El-Gamal presents the view of former Egyptian *Muftis*, such as Sheikh Shaltut (1893-1963) and Dr. Muhammad Sayyed Tantawi (served 1986-1996), who declared in a *fatwa* (opinion) that government borrowing (in the U.S. represented by T-Bills and Notes) was permissible since “the funds are reportedly used by the government to foster economic development.”<sup>53</sup> While the components of the risk-free rate are controlled by the government, the components of the risk premium rate are set by the market.

The variable  $k_{rp}$ , or the risk premium, contains elements that determine the appropriate rate of return above the risk-free rate set by the government. This risk premium is calculated by financial intermediaries based on the rate set by the market on loans with comparable characteristics. For example, a loan from a company with a longer repayment period and worse financial health will have a higher rate compared to a loan from a company with a shorter repayment period and better financial health. Financial intermediaries can determine the risk premium rate for the loan above from the interest

---

<sup>53</sup> Mahmoud El-Gamal, “Involving Islamic Banks in Central Bank Open Market Operations,” Thunderbird International Business Review 41, no.4/5 (1999): 511-512.

rate of bonds with the same repayment period and credit reports prepared by agencies such as Standard & Poor and Moody's for assessing the company's financial health. Hence, the risk premium is not only an assessment of a lender's credit-worthiness, but also the return expected to be fair for the borrower.

Unlike Chapra, Rafik Issa Beekun (1997) and Achsien consider risk free to be unjustified and do not prohibit risk premium specifically.<sup>54</sup> However, while some of the scholars above argue on the certain part of the equation that is prohibited, most modern Muslim scholars who argue against the concept of interest itself prohibit every part of the equation above even after these scholars realized that the calculation for assessing the profit-sharing scheme used by Islamic banks also refers to this rate as a part of their estimation.

## **The Modern Implementation of *Fiqh***

In a period of slightly more than a decade, the Islamic banking system expanded from practically zero market segments into about US\$ 200 billion. Its customers number in the millions from over 70 countries.<sup>55</sup> It is reported that the overall growth rate is between 10-15 % annually, far beyond that of its conventional brethren.

Since the mainstream definition of *riba* has been equated with interest, most, if not all, Islamic banking practices concentrate on structuring their practices in a way that does not include interest.

---

<sup>54</sup> Rafik Issa Beekun, Islamic Business Ethics, (Herndon, Virginia: International Institute of Islamic Thought, 1997), 46; also in Achsien, 5.

<sup>55</sup> Ibrahim Warde, Islamic Finance in the Global Economy, (Edinburgh, England: Edinburgh University Press, 2000), 1.

## ***Products of Islamic Banking***

There is a wide variety of products offered by Islamic banks, all designed to accommodate customers with alternatives to the products offered by conventional banks. However, as M. Shahid Ebrahim and Tan Kai Joo (2001) pointed out, there are several “plain vanilla” instruments covering credit financing, equity participation, or a hybrid of both.<sup>56</sup>

Credit financing products include *murabaha*, *bai’ bithaman ajil* or *bai’ mu’ajjal*, and *ijarah wal-‘iqina*, *qard-ul-hassan*. *Murabaha* is usually referred to as cost-plus financing. It is a contract between the bank and its client for a sale for goods at a price agreed to by both parties, which also includes a profit margin for the bank.<sup>57</sup> First, the bank purchases the goods on behalf of the client, and acquires the ownership of those goods. Second, the client purchases those goods, as promised in the contract, at an agreed mark-up (profit margin). The client can make his/her payment to the bank over time, as specified in the contract, with the fixed mark-up that never increases or decreases.<sup>58</sup> For instance, mortgage and car loans in Islamic banks will generally fall under this category.

*Bai’ bithaman ajil* or *bai’ mu’ajjal* is translated as sale with deferred payments.<sup>59</sup>

This contract is probably the closest thing Islamic banks have as an alternative to credit

---

<sup>56</sup> M. Shahid Ebrahim and Tan Kai Joo, “Islamic Banking in Brunei Darussalam,” International Journal of Social Economics 28, no.4 (2001): 324.

<sup>57</sup> Vogel and Hayes, 140.

<sup>58</sup> Ebrahim and Joo, 324.

<sup>59</sup> Vogel and Hayes, 139.

sale. It works similarly to *murabaha*, but it is clear from the beginning that payment of this contract involves a future date, regardless of whether it is in a lump-sum or in installments. *Bai' mu'ajjal* is only allowed on capital assets and commodities.<sup>60</sup> The agreed price is between the seller (bank) and the client, and it can be the same as the spot price on the day of the transaction or different from it. Examples for this type of sale include commercial loans to purchase commodities that will later be resold.

*Ijarah wal-'iqtina* is a lease-to-own contract and is commonly used in mortgage contracts.<sup>61</sup> The bank agrees to purchase certain goods (usually equipment or facilities) on behalf of the client. The client then pays an agreed amount of the rental fee over a specified period of time. The rental payments are structured on an amortization-like basis so the client's ownership share of the goods increases with time.<sup>62</sup> Unlike other modes of financing, it is understood from the beginning that ownership of the goods will only transfer fully to the client at the very end of payment period. For example, a mortgage loan can be structured in this way instead of as *murabaha*. Another translation for this type of transaction is "declining balance co-ownership."

*Qard-ul-hassan*, literally means "good loan."<sup>63</sup> It is a loan given by the bank without expecting any type of return on the repayment aside from the principal sum. *Qard-ul-hassan* usually is given for a short-term, or ultra short-term, financing, and it is usually

---

<sup>60</sup> Ebrahim and Joo, 325.

<sup>61</sup> Ibid., 325.

<sup>62</sup> Ibid., 325.

<sup>63</sup> Richard Freeland, "Ways to Lend Without Interest," *Euromoney* 349 (1998): 118.

used for basic necessities or for welfare purposes.<sup>64</sup> An example for *qard-ul-hassan* would be the Islamic bank's version of a charge card with its credit line limit.

Equity participation products offered by Islamic banks are usually referred to as a *musharaka* type transactions.<sup>65</sup> *Musharaka* is a partnership where funds from the bank are combined with the client's own funds.<sup>66</sup> Though both providers of capital are entitled to active management participation, they are not required to do so. Usually the bank is involved in some key decision-making and in periodic monitoring. The profit from the partnership is distributed on a pre-agreed ratio between both parties, though loss is split on the proportional basis of capital contribution.<sup>67</sup> Some examples of *musyarakah* include joint venture, cooperative, venture capital, general partnerships and some forms of limited partnerships.

Hybrid financing, combining some traits of debt and equity financing, occurs in the form of *mudharabah* and *ijara*.<sup>68</sup> *Mudharabah* is also known as trust financing or a silent partnership.<sup>69</sup> The bank acts as silent partner and provides full capital for the client's project. The client provides the management expertise and retains full control of the project. The profit resulting from the project is split on a pre-agreed ratio, while loss is born

---

<sup>64</sup> Ibid., 118.

<sup>65</sup> Ebrahim and Joo, 325.

<sup>66</sup> Freeland, 118.

<sup>67</sup> Ibid., 118.

<sup>68</sup> Ebrahim and Joo, 325.

<sup>69</sup> Ibid., 325.

only by the capital provider, in this case, the bank.<sup>70</sup> Some other examples of *mudharabah* include most forms of limited partnerships and joint-stock companies.

*Ijara*, or lease, is unlike *ijara wal-‘iqina* where there is no ownership share that changes with time. From the beginning of the *ijara* contract, the bank retains full ownership of the goods. It leases out the goods for the usufruct (*manfa’a*) to the client as specified in the contract.<sup>71</sup> Agreement on specific responsibilities and the right to cancel, if any, are specified in the contract. It is still unclear if the option to purchase at the end of the term for the amount equal to its salvage value is permissible under Islamic law.<sup>72</sup> Some examples of *ijara* are car lease and almost any type of rental operation, commercial or otherwise.

On the deposit side, Islamic banks offer three types of account: 1) a current account “with a very small minimum deposit of which withdrawal can be made at any time,” and no return is given for this type of account;<sup>73</sup> 2) a *mudharabah* deposit account where banks act as the expertise provider, the account generates returns based on profit-sharing, and withdrawal can be made on a periodic basis that is less often than the current account;<sup>74</sup> and 3) “social service funds, consisting of gifts in which payments are made in emergencies

---

<sup>70</sup> Freeland, 118.

<sup>71</sup> Vogel and Hayes, 144.

<sup>72</sup> *Ibid.*, 144.

<sup>73</sup> Muhammad Abdul-Rauf, The Islamic Doctrine of Economics and Contemporary Economic Thought, (Washington, DC: American Enterprise Institute for Public Policy Research, 1979), 16.

<sup>74</sup> *Ibid.*, 16.

such as accidents involving participants,” where it can be in the form of benevolent loan (*qard-ul-hassan*) or insurance (*takaful*).<sup>75</sup>

Additionally, there are other financial instruments offered that are not discussed at length in this paper such as bonds (*sukuk*), insurance (*takaful*), mutual funds, forward contracts (*bai' al-salam*), and commissioned to manufacture contracts (*istisna*) due to their complex nature and distinction from typical offerings of the banking system.

### ***Disagreement in Interpretation***

Because of disagreement in the interpretation of Islamic financial law ranging from the simple translation of *riba* as interest and/or usury, to deeper understandings of the meanings of the scripture, to modern analyses using scientific methodologies and modern theories, there is bound to be more than one definition of *riba*.

*Riba* in Arabic is generally taken to mean either interest or usury in translations of the Qur'an. In A. Nooruddeen Durkee's (2003) interpretation of the Qur'an, which is used for this paper, usury is used while sometimes keeping the word *riba* itself in the translation with parenthesis referring to *usury*.<sup>76</sup> According to the Merriam-Webster dictionary, usury means “the lending of money with an interest charge for its use, especially the lending of money at exorbitant interest rates,” or “an unconscionable or exorbitant rate or amount of interest, specifically interest in excess of a legal rate charged to a borrower for the use of

---

<sup>75</sup> Ibid., 16.

<sup>76</sup> See Appendix 1.

money.”<sup>77</sup> Therefore the definition of *riba al-nasiah*, as referred to in the Qur’an, may differ depending upon the English translation used to indicate its meaning. El-Gamal (2000) argues that either choice would be misleading since he believes that no English translation of *riba* is available at this point.<sup>78</sup>

The message from the scriptures themselves contains very stern warnings for people who practice *riba*. The Qur’an condemns people who take *riba*, and God declares wars on those people.<sup>79</sup> Several hadith describe the severe punishments in hellfire for people who practiced *riba*, and another hadith puts the act itself on the same level as incest with one’s own mother.<sup>80</sup> It is clear from the analogy made that *riba* is a very bad deed, and referring back to the Qur’anic injunction, the act must have a potentially disruptive impact on society for God Himself to challenge the *riba*-taker directly.

Syed Abul A’la Maududi (1903-1979) reasons that by instituting interest-based economic systems, the negative effect of *riba* would create two classes within a society: a “small class which possesses means of living over and above its requirement,” who does not hesitate to further exploit the larger class “that only owns the means according to their need, less or none at all.”<sup>81</sup> He argued that interest-based economics would make attempts by the wealthy to exploit the poor prevalent in society.

---

<sup>77</sup> Merriam-Webster Online dictionary, <http://www.m-w.com>.

<sup>78</sup> El-Gamal, “An Introduction”, 146-147.

<sup>79</sup> See Appendix 1 Quran Chapter 2 (Al-Baqara) verse 279.

<sup>80</sup> See Appendix 2.1 Volume 2 Book 23 Number 468, Volume 3 Book 34 Number 298, and Volume 9 Book 87 Number 171 for punishments in the afterlife for people who practiced *riba*; see Appendix 2.5 number 855 for equation of *riba* with incest.

<sup>81</sup> Syed Abul A’la Maudoodi, The Economic Problem of Man and Its Islamic Solution, (Delhi, India: Markazi Maktaba Islami, 1979), 18.

As a counterpoint to Maududi's socialist tendency, the author of *Islam and Capitalism*, Maxine Rodinson claimed that the Qur'an does not propose an equal economic system, based on Qur'an Chapter 4 verse 36 which states, "And do not covet that by which Allah has made some of you excel over others, for men shall have a share of what they earn and women shall have a share of what they earn. And ask Allah for His Grace. Truly Allah has knowledge of all things."<sup>82</sup> Although she acknowledged that there is no meaning for *riba* that can be ascertained other than the direct English translation of "increase," she postulated that the Qur'anic verses may address temporal practice common in that region and era. The practice, according to Rodinson, was "the doubling of a sum owed (capital and interest, in money or in kind) when the debtor cannot pay it back at the moment when it falls due."<sup>83</sup> In response to those referring to hadith, Rodinson went to the extreme by dismissing them because she doubted that the transmission of hadith could be genuinely recognized (hadith were not written down until at least two centuries after the Prophet died).<sup>84</sup> Even then, she pointed out from the hadith, that *riba* "was taken to mean any advantage accruing to one of the contracting parties in the sale of precious metals or foodstuffs."<sup>85</sup>

Rodinson was neither the only nor the first to ascribe a literal interpretation to *riba*. According to Ibn Rushd (1126-1198), the Zahiri school of Dawud ibn Ali al-Zahiri (819-891)

---

<sup>82</sup> Rodinson, 14.

<sup>83</sup> Ibid., 14.

<sup>84</sup> Ibid., 12-13.

<sup>85</sup> Ibid., 18.

took the literal position on *riba* to be applicable only to six kinds of items: gold, silver, wheat, barley, dates, and salt as described by the Prophet in his hadith.<sup>86</sup> Ibn Rushd's elaboration on the different positions taken different schools of law and his own various rulings on the matter suggests that there is a common theme underlying the prohibition of *riba*. It seems that regardless of whether the type of *riba* in question is *al-fadl* or *al-nasihah*, the underlying message resonates with the ideals of what Muslims advocate as the central message of Islam. Just as Karen Armstrong (2000) writes of the Muslims' efforts to externalize the Islamic ideals of justice, equality, and compassion, I contend that the underlying message on the prohibition of *riba* is to advocate fairness in trade, transparency (which morally can also mean honesty, or economically mean to exhibit symmetrical information), and social (moral) responsibility.

When modern theories are used to explain the message behind the prohibition of *riba*, the disagreement over what is seen as just and fair arises again. Sir Sayyid Ahmad Khan (1817-1898) was probably the first modern Muslim scholar to raise the issue of interest as being different from *riba*, as long as interest is charged on a loan for commercial purposes and not on a consumptional loan.<sup>87</sup>

Looking back to the interest structure formula, it can be considered fair when the formula is applied for commercial loans since the individual variables (especially on the risk-premium side) correspond with commercial activities.<sup>88</sup>

---

<sup>86</sup> See Appendix 2.3 book 22, number 3343.

<sup>87</sup> Quoted in M. Umer Chapra, The Future of Economics, (Leicester, England: The Islamic Foundation, 2000), 344.

<sup>88</sup> See page 19 of this paper.

The formula itself assumes a stable and efficient market so no cap was imposed on the interest rate. However, the market can become unstable and heated, which will result in high interest rates that are usurious. The exploitative tendencies which Maududi predicted can occur, and societal injustice could become prevalent. Even economist Adam Smith (1723-1790) and John Maynard Keynes (1883-1946) supported the idea of regulating interest rate and putting a cap on it.<sup>89</sup> Combined with the *fiqh*, it seems that a new formula can be derived from the previously used interest rate formula:

$$k_f + k_{rp} = k \leq \text{cap} \leq \text{fiqh rate}$$

where:

$k_f$  = risk-free rate as determined by the government (a “floor” to protect lenders)

$k_{rp}$  = risk premium as determined by the market

$k$  = level of compensation as determined by the market (and to some level, the government)

cap = limit imposed by the government (a “ceiling” to protect borrowers)

*fiqh rate* = absolute limit as imposed by the *Shariah* (determined through *fiqh*)

There are some limitations on the formula above, however. It assumes that the government is just and pious, so the government is assumed to act in the best interest of all parties involved. The government can determine the cap through various indicators such as poverty level, house ownership rate, and tax system. The cap is expected to be different for different compensation categories (i.e., mortgage rate, commercial loan, rental fee, etc.) Understandably the cap is adjustable depending on the market situation, however, frequent adjustment to the cap by the government would be disturbing to the market’s efficiency. On the other hand, the government could mistakenly set the cap too high or too low due to its detachment from the market.

---

<sup>89</sup> Quoted in Tarek El Diwany, “Secular Ideas,” [http://www.islamic-finance.com/conventional\\_f.htm](http://www.islamic-finance.com/conventional_f.htm), accessed 28 March 2004.

The *fiqh* rate is meant to be a non-negotiable rate upon which government would base its cap. I have not found the exact rate yet, but from two hadith on *riba*, a preliminary rate could be set at 50%.<sup>90</sup>

Depending upon the economic system of the subject country, governmental policies based on this formula may be adjusted as necessary. Thus, this is but a simple demonstration of how there is no single Islamic economic system, just as there is no single economic system and no single definitions of *riba*.

## Conclusion

Through this examination of the discourse, it can be concluded that the concept of interest, as it is expressed in the theory of the time value of money, is not the same as *riba*. However, the level of compensation as it is determined by the market (k or interest) needs slight adjustment. An interest rate ceiling should be imposed by the government, and the rate cannot exceed the limit set by the *Shariah*. This precautionary measure is taken to protect all parties involved, including the government and the market itself. In the U.S., a cap, which is known as usury law, has been put in place although it is not broadly enforced. It should be noted that the rate limit is not explicitly mentioned in the scripture, so further exercise of *fiqh* is needed to determine the rate itself and its applicable circumstances.

This does not mean that development in Islamic banking should be halted. On the contrary, it reflects the demand of socially-responsible financial industry that concerns with moral values and not just “the bottom line.” However, it also means that Islamic banking

---

<sup>90</sup> See Appendix 2.4. Book 31 Number 31.38.84 and Book 31 Number 31.39.86 where the examples given by Malik represents 50% rate of return.

industry does not have to shy away from the concept of interest, or make elaborate attempts to conceal interest with Islamically pleasing name. There are demands in the market to profit-sharing methods of conducting business transactions due to its higher return potential; conversely, there are demands to interest-based methods, despite its lower return potential, due to its risk-aversion advantages. Therefore, conventional and Islamic banking systems can go hand-in-hand to satisfy these demands.

The discussions on *riba* must not stop. The redefinition of *riba* into a transactional act which causes harm to either party would open a wide discussion on *riba al-fadl*. Furthermore, it would lead to discussion on modern practices that are not immediately come to mind in *riba* discourse such as: bribery, insider trading, unnatural monopoly, price fixing, and usage of wealth. This redefinition by no means is an act of necessity (*al-darura*) only because most the world chooses a conventional financial system, and digresses back to older definition of *riba* when the alternatives come along. This redefinition is a more fundamental act of critical thinking (*ijtihad*) that corresponds with the change of time and civilization.

It is understood and even expected that evolving time and innovation would render my discourse analysis to continuous revision. When such widespread acts of critical thinking exist, then legitimation of *fiqh* will be restored, and Islam's religious legitimation will be both subjective and objective. Perhaps then, Islam would be able to explain the meaning of life.

## Appendices

### **Appendix 1. Riba and Usury in the Qur'an**

#### **Quran Chapter 30 (Ar-Rum) verse 39**

"And whatever you give by way of **usury** to increase (your wealth through) the wealth of (other) people will not increase with Allah. But what you give as *zakah* – desiring the Presence of Allah – (will be blessed), for it is those (who seek His Presence) who shall have (their reward) multiplied." [39]

---

#### **Quran Chapter 4 (An-Nisaa) verse 160-161**

"Because of the wrongdoing of the Jews, We made unlawful for them (certain) good things which had before been lawful for them, and because of their hindering many from the Way of Allah –," [160]

"and (because) of their taking of **usury** while they had been forbidden from (taking) it, and their devouring the wealth of people by falsehood. We have prepared for those among them who cover up (the Truth) a painful punishment." [161]

---

#### **Quran Chapter 3 (Al 'Imran) verse 130-132**

"Oh you who securely believe, do not eat **usury** – doubling it and redoubling it. And guard your selves for Allah, that you may be successful." [130]

"And guard yourselves (against) the fire prepared for those who cover up (the Truth)." [131]

"And obey Allah and the Messenger, that you may be shown mercy." [132]

---

#### **Quran Chapter 2 (Al-Baqarah) verse 275-281**

"Those who devour **usury** shall not rise up save as someone crazed by the touch of *Shaytan*. That is because they say, "Selling (and buying) is like **usury**," And Allah has made permissible selling (and buying), but He has forbidden **usury**. So whoever receives counsel from his Lord and stops (indulging in **usury**) can keep his past (gains). And (the outcome of) his affair is with Allah. And whoever reverts – those are the Companions of the Fire. They are in it forever." [275]

"Allah erases (the gain of) **usury** and increases (the gain from) freewill gifts. Allah does not love any ungrateful wrongdoer." [276]

"Surely, those who securely believe and do good and stand for the *salah* and give the *zakah*, for them their reward is with the Lord. And no fear shall be upon them, and they shall not grieve." [277]

"Oh you who securely believe, safeguard yourselves (from within and without) for Allah and give up any remaining (interest from) **usury**, if you are believers." [278]

“And if you do not, then be warned of a war [against you] from Allah and His Messenger. And if you turn back in repentance, then you shall be entitled to [the return of] your wealth [without **interest**], neither wronging nor wronged.” [279]

“And if [the debtor] is in difficulty, [grant] a delay until things are easier, but to give freewill gifts is better for you, if only you knew.” [280]

“And guard yourself against a Day when you shall be returned to Allah. Then every soul shall be paid in full for what it has earned, and none shall be wronged.” [281]

---

## **Appendix 2. Riba and Usury in the hadiths**

### **Appendix 2.1. Sahih Bukhari**

#### **Volume 1, Book 8, Number 449**

"Narrated 'Aisha:

When the verses of Surat *Al-Baqara* about the **usury** **riba** were revealed, the Prophet went to the mosque and recited them in front of the people and then banned the trade of alcohol."

---

#### **Volume 2, Book 23, Number 468**

"Narrated Samura bin Jundab:

Whenever the Prophet finished the (morning) prayer, he would face us and ask, "Who amongst you had a dream last night?" So if anyone had seen a dream he would narrate it. The Prophet would say: "*Ma sha'a-Allah*" (An Arabic maxim meaning literally, 'What Allah wished,' and it indicates a good omen.) One day, he asked us whether anyone of us had seen a dream. We replied in the negative. The Prophet said, "But I had seen (a dream) last night that two men came to me, caught hold of my hands, and took me to the Sacred Land (Jerusalem). There, I saw a person sitting and another standing with an iron hook in his hand pushing it inside the mouth of the former till it reached the jaw-bone, and then tore off one side of his cheek, and then did the same with the other side; in the mean-time the first side of his cheek became normal again and then he repeated the same operation again. I said, 'What is this?' They told me to proceed on and we went on till we came to a man Lying flat on his back, and another man standing at his head carrying a stone or a piece of rock, and crushing the head of the Lying man, with that stone. Whenever he struck him, the stone rolled away.

The man went to pick it up and by the time he returned to him, the crushed head had returned to its normal state and the man came back and struck him again (and so on). I said, 'Who is this?' They told me to proceed on; so we proceeded on and passed by a hole like an oven; with a narrow top and wide bottom, and the fire was kindling underneath that hole. Whenever the fire-flame went up, the people were lifted up to such an extent that they about to get out of it, and whenever the fire got quieter, the people went down into it, and there were naked men and women in it. I said, 'Who is this?' They told me to proceed on. So we proceeded on till we reached a river of blood and a man was in it, and another man was standing at its bank with stones in front of him, facing the man standing in the river. Whenever the man in the river wanted to come out, the other one threw a stone in his mouth and caused him to retreat to his original position; and so whenever he wanted to come out the other would throw a stone in his mouth, and he would retreat to his original position. I asked, 'What is this?' They told me to proceed on and we did so till we reached a well-flourished green garden having a huge tree and near its root was sitting an old man with some children. (I saw) Another man near the tree with fire in front of him and he was kindling it up. Then they (i.e. my two companions) made me climb up the tree and made me enter a house, better than which I have ever seen. In it were some old men and young men, women and children.

Then they took me out of this house and made me climb up the tree and made me enter another house that was better and superior (to the first) containing old and young people. I said to them (i.e. my two companions), 'You have made me ramble all the night. Tell me all about that I have seen.' They said, 'Yes. As for the one whose cheek you saw being torn away, he was a liar and he used to tell lies, and the people would report those lies on his authority till they spread all over the world. So, he will be punished like that till the Day of Resurrection.

The one whose head you saw being crushed is the one whom Allah had given the knowledge of Qur'an (i.e. knowing it by heart) but he used to sleep at night (i.e. he did not recite it then) and did not use to act upon it (i.e. upon its orders etc.) by day; and so this punishment will go on till the Day of Resurrection. And those you saw in the hole (like oven) were adulterers (those men and women who commit illegal sexual intercourse). And those you saw in the river of blood were those dealing in **riba** (**usury**). And the old man who was sitting at the base of the tree was Abraham and the little

children around him were the offspring of the people. And the one who was kindling the fire was Malik, the gate-keeper of the Hell-fire. And the first house in which you have gone was the house of the common believers, and the second house was of the martyrs. I am Gabriel and this is Michael. Raise your head.' I raised my head and saw a thing like a cloud over me. They said, 'That is your place.' I said, 'Let me enter my place.' They said, 'You still have some life which you have not yet completed, and when you complete (that remaining portion of your life) you will then enter your place.' " "

---

### **Volume 3, Book 34, Number 294**

"Narrated Abu Said:

We used to be given mixed dates (from the booty) and used to sell (barter) two *Sas* of those dates) for one *Sa* (of good dates). The Prophet said (to us), "No (bartering of) two *Sas* for one *Sa* nor two *Dirhams* for one *Dirham* is permissible", (as that is a kind of **usury**)."

---

### **Volume 3, Book 34, Number 298**

"Narrated Samura bin Jundab:

The Prophet said, "This night I dreamt that two men came and took me to a Holy land whence we proceeded on till we reached a river of blood, where a man was standing, and on its bank was standing another man with stones in his hands. The man in the middle of the river tried to come out, but the other threw a stone in his mouth and forced him to go back to his original place. So, whenever he tried to come out, the other man would throw a stone in his mouth and force him to go back to his former place. I asked, 'Who is this?' I was told, 'The person in the river was a **riba**-eater.'"

---

### **Volume 3, Book 34, Number 299**

"Narrated 'Aun bin Abu Juhaifa:

My father bought a slave who practiced the profession of cupping. (My father broke the slave's instruments of cupping). I asked my father why he had done so. He replied, "The Prophet forbade the acceptance of the price of a dog or blood, and also forbade the profession of tattooing, getting tattooed and receiving or giving **riba**, (**usury**), and cursed the picture-makers." "

---

### **Volume 3, Book 34, Number 344**

"Narrated Az-Zuhri from Malik bin Aus:

that the latter said, "Who has change?" Talha said, "I (will have change) when our store-keeper comes from the forest."

Narrated 'Umar bin Al-Khattab: Allah's Apostle said, "The bartering of gold for silver is **riba**, (**usury**), except if it is from hand to hand and equal in amount, and wheat grain for wheat grain is usury except if it is from hand to hand and equal in amount, and dates for dates is usury except if it is from hand to hand and equal in amount, and barley for barley is usury except if it is from hand to hand and equal in amount." "

---

### **Volume 3, Book 34, Number 379**

"Narrated Ibn 'Umar:

The Prophet said, "The selling of wheat for wheat is **riba** (**usury**) except if it is handed from hand to hand and equal in amount. Similarly the selling of barley for barley, is **riba** except if it is from hand to hand and equal in amount, and dates for dates is **usury** except if it is from hand to hand and equal in amount." "

---

### **Volume 3, Book 34, Number 382**

"Narrated Ibn Shihab:

that Malik bin Aus said, "I was in need of change for one-hundred *Dinars*. Talha bin 'Ubaidullah called me and we discussed the matter, and he agreed to change (my *Dinars*). He took the gold pieces in his hands and fidgeted with them, and then said, "Wait till my storekeeper comes from the forest." 'Umar was listening to that and said, "By Allah! You should not separate from Talha till you get the

money from him, for Allah's Apostle said, 'The selling of gold for gold is **riba (usury)** except if the exchange is from hand to hand and equal in amount, and similarly, the selling of wheat for wheat is **riba (usury)** unless it is from hand to hand and equal in amount, and the selling of barley for barley is **usury** unless it is from hand to hand and equal in amount, and dates for dates, is **usury** unless it is from hand to hand and equal in amount.' "

---

### **Volume 3, Book 34, Number 386**

"Narrated Abu Salih Az-Zaiyat:

I heard Abu Said Al-Khudri saying, "The selling of a *Dinar* for a *Dinar*, and a *Dirham* for a *Dirham* (is permissible)." I said to him, "Ibn 'Abbas does not say the same." Abu Said replied, "I asked Ibn 'Abbas whether he had heard it from the Prophet or seen it in the Holy Book. Ibn 'Abbas replied, "I do not claim that, and you know Allah's Apostle better than I, but Usama informed me that the Prophet had said, 'There is no **riba** (in money exchange) except when it is not done from hand to hand (i.e. when there is delay in payment).' "

---

### **Volume 3, Book 34, Number 405**

"Narrated Abu Said Al-Khudri and Abu Huraira:

Allah's Apostle appointed somebody as a governor of Khaibar. That governor brought to him an excellent kind of dates (from Khaibar). The Prophet asked, "Are all the dates of Khaibar like this?" He replied, "By Allah, no, O Allah's Apostle! But we barter one *Sa* of this (type of dates) for two *Sas* of dates of ours and two *Sas* of it for three of ours." Allah's Apostle said, "Do not do so (as that is a kind of **usury**) but sell the mixed dates (of inferior quality) for money, and then buy good dates with that money." "

---

### **Volume 3, Book 34, Number 440**

"Narrated Aun bin Abu Juhaifa:

I saw my father buying a slave whose profession was cupping, and ordered that his instruments (of cupping) be broken. I asked him the reason for doing so. He replied, "Allah's Apostle prohibited taking money for blood, the price of a dog, and the earnings of a slave-girl by prostitution; he cursed her who tattoos and her who gets tattooed, the eater of **riba (usury)**, and the maker of pictures." "

---

### **Volume 3, Book 38, Number 499**

"Narrated Abu Said Al-Khudri and Abu Huraira:

Allah's Apostle employed someone as a governor at Khaibar. When the man came to Medina, he brought with him dates called *Janib*. The Prophet asked him, "Are all the dates of Khaibar of this kind?" The man replied, "(No), we exchange two *Sa*'s of bad dates for one *Sa* of this kind of dates (i.e. *Janib*), or exchange three *Sa*'s for two." On that, the Prophet said, "Don't do so, as it is a kind of **usury (riba)** but sell the dates of inferior quality for money, and then buy *Janib* with the money". The Prophet said the same thing about dates sold by weight."

---

### **Volume 3, Book 38, Number 506**

"Narrated Abu Said al-Khudri:

Once Bilal brought *Barni* (i.e. a kind of dates) to the Prophet and the Prophet asked him, "From where have you brought these?" Bilal replied, "I had some inferior type of dates and exchanged two *Sas* of it for one *Sa* of Barni dates in order to give it to the Prophet; to eat." Thereupon the Prophet said, "Beware! Beware! This is definitely **riba (usury)**! This is definitely **riba (Usury)**! Don't do so, but if you want to buy (a superior kind of dates) sell the inferior dates for money and then buy the superior kind of dates with that money." "

---

### **Volume 3, Book 48, Number 841**

"Narrated 'Abdullah bin Abu Aufa:

A man displayed some goods in the market and took a false oath that he had been offered so much for them though he was not offered that amount Then the following Divine Verse was revealed:-- "Verily! Those who purchase a little gain at the cost of Allah's covenant and their oaths . . . Will get

painful punishment." (3.77) Ibn Abu Aufa added, "Such person as described above is a treacherous **riba**-eater (i.e. eater of **usury**)."

---

### **Volume 4, Book 51, Number 28**

"Narrated Abu Huraira:

The Prophet said, "Avoid the seven great destructive sins." The people enquire, "O Allah's Apostle! What are they?" He said, "To join others in worship along with Allah, to practice sorcery, to kill the life which Allah has forbidden except for a just cause, (according to Islamic law), to eat up **riba** (**usury**), to eat up an orphan's wealth, to give back to the enemy and fleeing from the battlefield at the time of fighting, and to accuse, chaste women, who never even think of anything touching chastity and are good believers."

---

### **Volume 5, Book 58, Number 159**

"Narrated Abu Burda:

When I came to Medina. I met Abdullah bin Salam. He said, "Will you come to me so that I may serve you with *Sawiq* (i.e. powdered barley) and dates, and let you enter a (blessed) house that in which the Prophet entered?" Then he added, "You are in a country where the practice of **riba** (i.e. **usury**) is prevalent; so if somebody owe you something and he sends you a present of a load of chopped straw or a load of barley or a load of provender then do not take it, as it is **riba**."

---

### **Volume 6, Book 60, Number 64**

"Narrated 'Aisha:

When the Verses of *Surat-al-Baqara* regarding **usury** (i.e. **riba**) were revealed, Allah's Apostle recited them before the people and then he prohibited the trade of alcoholic liquors."

---

### **Volume 6, Book 60, Number 67**

"Narrated Ibn Abbas:

The last Verse (in the Qur'an) revealed to the Prophet was the Verse dealing with **usury** (i.e. **riba**)."

---

### **Volume 7, Book 63, Number 259**

"Narrated Abu Juhaifa:

The Prophet cursed the lady who practices tattooing and the one who gets herself tattooed, and one who eats (takes) **riba** (**usury**) and the one who gives it. And he prohibited taking the price of a dog, and the money earned by prostitution, and cursed the makers of pictures."

---

### **Volume 7, Book 69, Number 493**

"Narrated Ibn 'Umar:

'Umar delivered a sermon on the pulpit of Allah's Apostle, saying, "Alcoholic drinks were prohibited by Divine Order, and these drinks used to be prepared from five things, i.e., grapes, dates, wheat, barley and honey. Alcoholic drink is that, that disturbs the mind." 'Umar added, "I wish Allah's Apostle had not left us before he had given us definite verdicts concerning three matters, i.e., how much a grandfather may inherit (of his grandson), the inheritance of Al-Kalala (the deceased person among whose heirs there is no father or son), and various types of **riba** (**usury**)."

---

### **Volume 7, Book 72, Number 829**

"Narrated Abu Juhaifa:

The Prophet forbade the use of the price of blood and the price of a dog, the one who takes (eats) **usury**, the one who gives **usury**, the woman who practises tattooing and the woman who gets herself tattooed."

---

### **Volume 7, Book 72, Number 845**

"Narrated Abu Juhaifa:

that he had bought a slave whose profession was cupping. The Prophet forbade taking the price of blood and the price of a dog and the earnings of a prostitute, and cursed the one who took or gave (*riba*) usury, and the lady who tattooed others or got herself tattooed, and the picture-maker."

---

### **Volume 8, Book 82, Number 840**

"Narrated Abu Huraira:

The Prophet said, "Avoid the seven great destructive sins." They (the people!) asked, "O Allah's Apostle! What are they?" He said, "To join partners in worship with Allah; to practice sorcery; to kill the life which Allah has forbidden except for a just cause (according to Islamic law); to eat up usury (*riba*), to eat up the property of an orphan; to give one's back to the enemy and freeing from the battle-field at the time of fighting and to accuse chaste women who never even think of anything touching chastity and are good believers." "

---

### **Volume 9, Book 87, Number 171**

"Narrated Samura bin Jundub:

Allah's Apostle very often used to ask his companions, "Did anyone of you see a dream?" So dreams would be narrated to him by those whom Allah wished to tell. One morning the Prophet said, "Last night two persons came to me (in a dream) and woke me up and said to me, 'Proceed!' I set out with them and we came across a man lying down, and behold, another man was standing over his head, holding a big rock. Behold, he was throwing the rock at the man's head, injuring it. The rock rolled away and the thrower followed it and took it back. By the time he reached the man, his head returned to the normal state. The thrower then did the same as he had done before. I said to my two companions, 'Subhan Allah! Who are these two persons?' They said, 'Proceed!' So we proceeded and came to a man lying flat on his back and another man standing over his head with an iron hook, and behold, he would put the hook in one side of the man's mouth and tear off that side of his face to the back (of the neck) and similarly tear his nose from front to back and his eye from front to back. Then he turned to the other side of the man's face and did just as he had done with the other side. He hardly completed this side when the other side returned to its normal state. Then he returned to it to repeat what he had done before. I said to my two companions, 'Subhan Allah! Who are these two persons?' They said to me, 'Proceed!' So we proceeded and came across something like a *Tannur* (a kind of baking oven, a pit usually clay-lined for baking bread)." I think the Prophet said, "In that oven here was much noise and voices." The Prophet added, "We looked into it and found naked men and women, and behold, a flame of fire was reaching to them from underneath, and when it reached them, they cried loudly. I asked them, 'Who are these?' They said to me, 'Proceed!'

And so we proceeded and came across a river." I think he said, "... red like blood." The Prophet added, "And behold, in the river there was a man swimming, and on the bank there was a man who had collected many stones. Behold, while the other man was swimming, he went near him. The former opened his mouth and the latter (on the bank) threw a stone into his mouth whereupon he went swimming again. He returned and every time the performance was repeated, I asked my two companions, 'Who are these (two) persons?' They replied, 'Proceed! Proceed!' And we proceeded till we came to a man with a repulsive appearance, the most repulsive appearance, you ever saw a man having! Beside him there was a fire and he was kindling it and running around it. I asked my companions, 'Who is this (man)?' They said to me, 'Proceed! Proceed!' So we proceeded till we reached a garden of deep green dense vegetation, having all sorts of spring colors. In the midst of the garden there was a very tall man and I could hardly see his head because of his great height, and around him there were children in such a large number as I have never seen. I said to my companions, 'Who is this?' They replied, 'Proceed! Proceed!'

So we proceeded till we came to a majestic huge garden, greater and better than I have overseen! My two companions said to me, 'Go up and I went up' The Prophet added, "So we ascended till we reached a city built of gold and silver bricks and we went to its gate and asked (the gatekeeper) to open the gate, and it was opened and we entered the city and found in it, men with one side of their bodies as handsome as the handsomest person you have ever seen, and the other side as ugly as the ugliest person you have ever seen. My two companions ordered those men to throw themselves into the river. Behold, there was a river flowing across (the city), and its water was like milk in

whiteness. Those men went and threw themselves in it and then returned to us after the ugliness (of their bodies) had disappeared and they became in the best shape." The Prophet further added, "My two companions (angels) said to me, 'This place is the Eden Paradise, and that is your place.' I raised up my sight, and behold, there I saw a palace like a white cloud! My two companions said to me, 'That (palace) is your place.' I said to them, 'May Allah bless you both! Let me enter it.' They replied, 'As for now, you will not enter it, but you shall enter it (one day) I said to them, 'I have seen many wonders tonight. What does all that mean which have seen?'

They replied, 'We will inform you: As for the first man you came upon whose head was being injured with the rock, he is the symbol of the one who studies the Qur'an and then neither recites it nor acts on its orders, and sleeps, neglecting the enjoined prayers. As for the man you came upon whose sides of mouth, nostrils and eyes were torn off from front to back, he is the symbol of the man who goes out of his house in the morning and tells so many lies that it spreads all over the world. And those naked men and women whom you saw in a construction resembling an oven, they are the adulterers and the adulteresses, and the man whom you saw swimming in the river and given a stone to swallow, is the eater of **usury** (*riba*) and the bad looking man whom you saw near the fire kindling it and going round it, is Malik, the gatekeeper of Hell and the tall man whom you saw in the garden, is Abraham and the children around him are those children who die with *Al-Fitra* (the Islamic Faith)." The narrator added: Some Muslims asked the Prophet, "O Allah's Apostle! What about the children of pagans?" The Prophet replied, "And also the children of pagans." The Prophet added, "My two companions added, 'The men you saw half handsome and half ugly were those persons who had mixed an act that was good with another that was bad, but Allah forgave them.' " "

---

## Appendix 2.2. Sahih Muslim

### Book 001, Number 0161

"It is reported on the authority of Abu Huraira that the Messenger of Allah (may peace be upon him) observed: Avoid the seven noxious things. It was said (by the hearers): What are they, Messenger of Allah? He (the Holy Prophet) replied: Associating anything with Allah, magic, killing of one whom God has declared inviolate without a just cause, consuming the property of an orphan, and consuming of **usury**, turning back when the army advances, and slandering chaste women who are believers, but unwary."

---

### Book 007, Number 2803

"Ja'far ibn Muhammad reported on the authority of his father: We went to Jabir ibn Abdullah and he began inquiring about the people (who had gone to see him) till it was my turn. I said: I am Muhammad ibn 'Ali ibn Husain. He placed his hand upon my head and opened my upper button and then the lower one and then placed his palm on my chest (in order to bless me), and I was, during those days, a young boy, and he said: You are welcome, my nephew. Ask whatever you want to ask. And I asked him but as he was blind (he could not respond to me immediately), and the time for prayer came. He stood up covering himself in his mantle. And whenever he placed its ends upon his shoulders they slipped down on account of being short (in size). Another mantle was, however, lying on the clothes rack near by. And he led us in the prayer. I said to him: Tell me about the *Hajj* of Allah's Messenger (may peace be upon him). And he pointed with his hand nine, and then stated: The Messenger of Allah (may peace be upon him) stayed in (Medina) for nine years but did not perform *Hajj*, then he made a public announcement in the tenth year to the effect that Allah's Messenger (may peace be upon him) was about to perform the *Hajj*. A large number of persons came to Medina and all of them were anxious to follow the Messenger of Allah (May peace be upon him) and do according to his doing. We set out with him till we reached Dhu'l-Hulaifa. Asma' daughter of Umais gave birth to Muhammad ibn Abu Bakr. She sent message to the Messenger of Allah (may peace be upon him) asking him: What should I do? He (the Holy Prophet) said: Take a bath, bandage your private parts and put on Ihram. The Messenger of Allah (May peace be upon him) then prayed in the mosque and then mounted al-Qaswa (his she-camel) and it stood erect with him on its back at al-Baida'. And I saw as far as I could see in front of me but riders and

pedestrians, and also on my right and on my left and behind me like this. And the Messenger of Allah (may peace be upon him) was prominent among us and the (revelation) of the Holy Qur'an was descending upon him. And it is he who knows (its true) significance. And whatever he did, we also did that. He pronounced the Oneness of Allah (saying): "Labbaik, O Allah, Labbaik, Labbaik. Thou hast no partner, praise and grace is Thine and the Sovereignty too; Thou hast no partner."

And the people also pronounced this *Talbiya* which they pronounce (today). The Messenger of Allah (May peace be upon him) did not reject anything out of it. But the Messenger of Allah (May peace be upon him) adhered to his own *Talbiya*. Jabir (Allah be pleased with him) said: We did not have any other intention but that of *Hajj* only, being unaware of the *Umra* (at that season), but when we came with him to the House, he touched the pillar and (made seven circuits) running three of them and walking four. And then going to the Station of Ibrahim, he recited: "And adopt the Station of Ibrahim as a place of prayer." And this Station was between him and the House. My father said (and I do not know whether he had made a mention of it but that was from Allah's Apostle [may peace be upon him]) that he recited in two *rak'ahs*: "say: He is Allah One," and say: "Say: O unbelievers." He then returned to the pillar (Hajar Aswad) and kissed it. He then went out of the gate to al-Safa' and as he reached near it he recited: "Al-Safa' and al-Marwa are among the signs appointed by Allah," (adding:) I begin with what Allah (has commanded me) to begin. He first mounted al-Safa' till he saw the House, and facing *Qibla* he declared the Oneness of Allah and glorified Him, and said: "There is no god but Allah, One, there is no partner with Him. His is the Sovereignty. To Him praise is due. And He is Powerful over everything. There is no god but Allah alone, Who fulfilled His promise, helped His servant and routed the confederates alone." He then made supplication in the course of that saying such words three times. He then descended and walked towards al-Marwa, and when his feet came down in the bottom of the valley, he ran, and when he began to ascend he walked till he reached al-Marwa. There he did as he had done at al-Safa'. And when it was his last running at al-Marwa he said: If I had known beforehand what I have come to know afterwards, I would not have brought sacrificial animals and would have performed an '*Umra*. So, he who among you has not the sacrificial animals with him should put off *Ihram* and treat it as an *Umra*. Suraqa ibn Malik ibn Ju'sham got up and said: Messenger of Allah, does it apply to the present year, or does it apply forever? Thereupon the Messenger of Allah (may peace be upon him) intertwined the fingers (of one hand) into another and said twice: The '*Umra* has become incorporated in the *Hajj* (adding): "No, but for ever and ever." 'All came from the Yemen with the sacrificial animals for the Prophet (may peace be upon him) and found Fatimah (Allah be pleased with her) to be one among those who had put off *Ihram* and had put on dyed clothes and had applied antimony. He (Hadrat 'Ali) showed disapproval to it, whereupon she said: My father has commanded me to do this. He (the narrator) said that 'Ali used to say in Iraq: I went to the Messenger of Allah (may peace be upon him) showing annoyance at Fatimah for what she had done, and asked the (verdict) of Allah's Messenger (may peace be upon him) regarding what she had narrated from him, and told him that I was angry with her, whereupon he said: She has told the truth, she has told the truth. (The Holy Prophet then asked 'Ali): What did you say when you undertook to go for *Hajj*? I ('Ali) said: O Allah, I am putting on *Ihram* for the same purpose as Thy Messenger has put it on.

He said: I have with me sacrificial animals, so do not put off the *Ihram*. He (Jabir) said: The total number of those sacrificial animals brought by 'Ali from the Yemen and of those brought by the Apostle (may peace be upon him) was one hundred. Then all the people except the Apostle (may peace be upon him) and those who had with them sacrificial animals, put off *Ihram*, and got their hair clipped; when it was the day of *Tarwiya* (8th of Dhu'l-Hijja) they went to Mina and put on the *Ihram* for *Hajj* and the Messenger of Allah (may peace be upon him) rode and led the noon, afternoon, sunset 'Isha' and dawn prayers. He then waited a little till the sun rose, and commanded that a tent of hair should be pitched at Namira. The Messenger of Allah (may peace be upon him) then set out and the Quraish did not doubt that he would halt at al-Mash'ar al-Haram (the sacred site) as the Quraish used to do in the pre-Islamic period. The Messenger of Allah (may peace be upon him), however, passed on till he came to 'Arafa and he found that the tent had been pitched for him at Namira. There he got down till the sun had passed the meridian; he commanded that al-Qaswa should be brought and saddled for him. Then he came to the bottom of the valley, and addressed the people saying: Verily your blood, your properties are as sacred and inviolable as the sacredness of this day of yours, in this month of yours, in this town of yours. Behold! Everything pertaining to the Days of Ignorance is under my feet completely abolished. Abolished are also the blood-revenges of the Days of Ignorance.

The first claim of ours on blood-revenge which I abolish is that of the son of Rabi'a ibn al-Harith, who was nursed among the tribe of Sa'd and killed by Hudhail. And the **usury** of the pre-Islamic period is abolished, and the first of our **usury** I abolish is that of 'Abbas b. 'Abd al-Muttalib, for it is all abolished. Fear Allah concerning women! Verily you have taken them on the security of Allah, and intercourse with them has been made lawful unto you by words of Allah. You too have right over them, and that they should not allow anyone to sit on your bed whom you do not like. But if they do that, you can chastise them but not severely. Their rights upon you are that you should provide them with food and clothing in a fitting manner. I have left among you the Book of Allah, and if you hold fast to it, you would never go astray. And you would be asked about me (on the Day of Resurrection), (now tell me) what would you say? They (the audience) said: We will bear witness that you have conveyed (the message), discharged (the ministry of Prophethood) and given wise (sincere) counsel. He (the narrator) said: He (the Holy Prophet) then raised his forefinger towards the sky and pointing it at the people (said): "O Allah, be witness. O Allah, be witness," saying it thrice. (Bilal then) pronounced Adhan and later on Iqama and he (the Holy Prophet) led the noon prayer. He (Bilal) then uttered Iqama and he (the Holy Prophet) led the afternoon prayer and he observed no other prayer in between the two.

The Messenger of Allah (may peace be upon him) then mounted his camel and came to the place of stay, making his she-camel al-Qaswa, turn towards the side where there were rocks, having the path taken by those who went on foot in front of him, and faced the *Qibla*. He kept standing there till the sun set, and the yellow light had somewhat gone, and the disc of the sun had disappeared. He made Usama sit behind him, and he pulled the nose string of Qaswa so forcefully that its head touched the saddle (in order to keep her under perfect control), and he pointed out to the people with his right hand to be moderate (in speed), and whenever he happened to pass over an elevated tract of sand, he slightly loosened it (the nose-string of his camel) till she climbed up and this is how he reached al-Muzdalifa. There he led the evening and 'Isha prayers with one *Adhan* and two *Iqamas* and did not glorify (Allah) in between them (i. e. he did not observe supererogatory *rak'ahs* between Maghrib and 'Isha' prayers). The Messenger of Allah (may peace be upon him) then lay down till dawn and offered the dawn prayer with an *Adhan* and *Iqama* when the morning light was clear. He again mounted al-Qaswa, and when he came to al-Mash'ar al-Haram, he faced towards *Qibla*, supplicated Him, Glorified Him, and pronounced His Uniqueness (La ilaha illa Allah) and Oneness, and kept standing till the daylight was very clear.

He then went quickly before the sun rose, and seated behind him was al-Fadl ibn 'Abbas and he was a man having beautiful hair and fair complexion and handsome face. As the Messenger of Allah (May peace be upon him) was moving on, there was also going a group of women (side by side with them). Al-Fadl began to look at them. The Messenger of Allah (may peace be upon him) placed his hand on the face of Fadl who then turned his face to the other side, and began to see, and the Messenger of Allah (may peace be upon him) turned his hand to the other side and placed it on the face of al-Fadl. He again turned his face to the other side till he came to the bottom of Muhassir. 1680 He urged her (al-Qaswa) a little, and, following the middle road, which comes out at the greatest *jamra*, he came to the *jamra* which is near the tree. At this he threw seven small pebbles, saying Allah-o-Akbar while throwing every one of them in a manner in which the small pebbles are thrown (with the help of fingers) and this he did in the bottom of the valley. He then went to the place of sacrifice, and sacrificed sixty-three (camels) with his own hand. Then he gave the remaining number to 'All who sacrificed them, and he shared him in his sacrifice. He then commanded that a piece of flesh from each animal sacrificed should be put in a pot, and when it was cooked, both of them (the Holy Prophet and Hadrat 'All) took some meat out of it and drank its soup. The Messenger of Allah (May peace be upon him) again rode and came to the House, and offered the *Zuhr* prayer at Mecca. He came to the tribe of Abd al-Muttalib, who were supplying water at Zamzam, and said: Draw water. O Bani 'Abd al-Muttalib; were it not that people would usurp this right of supplying water from you, I would have drawn it along with you. So they handed him a basket and he drank from it.

---

### **Book 010, Number 3687**

"Bushayr ibn Yasar reported on the authority of some of the Companions of Allah's Messenger (peace be upon him) among the members of his family among whom one was Sahl ibn AbuHathmah that

Allah's Messenger (may peace be upon him) forbade buying of fresh dates against dry dates and that it is **Riba** and this is *Muzabana*, but he made an exemption of '*ariyya* (donations) of a tree or two in which case the members of a family sell dry dates and buy fresh dates for eating them."

---

### **Book 010, Number 3689**

"Bushayr ibn Yasar reported on the authority of some of the Companions of Allah's Messenger (may peace be upon him) from among the members of his family that he forbade (the direct exchange of a commodity having different qualities) but with the change that Ishaq and Ibn al-Muthanna used the word *Zabn* in place of **Riba** and Ibn Abu 'Umar used the word **Riba** (interest)."

---

### **Book 010, Number 3839**

" 'A'isha (Allah be pleased with her) reported: When the concluding verses of *Sura Baqara* pertaining to **Riba** were revealed, Allah's Messenger (may peace be upon him) went out to the mosque and he forbade the trade in wine."

---

### **Book 010, Number 3854**

"Abu Sa'id al-Khudri (Allah be pleased with him) reported Allah's Messenger (may peace be upon him) as saying: Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, salt by salt, like by like, payment being made hand to hand. He who made an addition to it, or asked for an addition, in fact dealt in **usury**. The receiver and the giver are equally guilty."

---

### **Book 010, Number 3856**

"Abu Huraira (Allah be pleased with him) reported Allah's Messenger (may peace be upon him) as saying: Dates are to be paid for by dates, wheat by wheat, barley by barley, salt by salt, like for like, payment being made on the spot. He who made an addition or demanded an addition, in fact, dealt in **usury** except in case where their classes differ. This hadith has been narrated on the authority of Fudail ibn Ghazwan with the same chain of transmitters, but he made no mention of (payment being) made on the spot."

---

### **Book 010, Number 3857**

"Abu Huraira (Allah be pleased with him) reported Allah's Messenger (may peace be upon him) as saying: Gold is to be paid for by gold with equal weight, like for like, and silver is to be paid for by silver with equal weight, like for like. He who made an addition to it or demanded an addition dealt in **usury**."

---

### **Book 010, Number 3859**

"Abu Minhal reported: My partner sold silver to be paid in the (*Hajj*) season or (in the days of) *Hajj*. He (my partner) came to me and informed me, and I said to him: Such transaction is not desirable. He said: I sold it in the market (on loan) but nobody objected to this. I went to al-Bara' ibn 'Azib and asked him, and he said: Allah's Apostle (may peace be upon him) came to Medina and we made such transaction, whereupon he said: In case the payment is made on the spot, there is no harm in it, and in case (it is sold) on loan, it is **usury**. You better go to Zaid ibn Arqam, for he is a greater trader than I; so I went to him and asked him, and he said like it."

---

### **Book 010, Number 3871**

"Abd Sa'id reported: Bilal (Allah be pleased with him) came with fine quality of dates. Allah's Messenger (may peace be upon him) said to him: From where (you have brought them)? Bilal said: We had inferior quality of dates and I exchanged two *sa's* (of inferior quality) with one *sa* (of fine quality) as food for Allah's Apostle (may peace be upon him), whereupon Allah's Messenger (may peace be upon him) said: Woe! it is in fact **usury**; therefore, don't do that. But when you intend to buy dates (of superior quality), sell (the inferior quality) in a separate bargain and then buy (the superior quality). And in the hadith transmitted by Ibn Sahl there is no mention of "whereupon"."

---

## Appendix 2.3. Sunan Abu-Dawud

### Book 19, Number 3035

“Narrated Abdullah ibn Abbas:

The Apostle of Allah (peace be upon him) concluded peace with the people of Najran on condition that they would pay to Muslims two thousand suits of garments, half of Safar, and the rest in Rajab, and they would lend (Muslims) thirty coats of mail, thirty horses, thirty camels, and thirty weapons of each type used in battle. Muslims will stand surely for them until they return them in case there is any plot or treachery in the Yemen. No church of theirs will be demolished and no clergyman of theirs will be turned out. There will be no interruption in their religion until they bring something new or take **usury**. Isma'il said: They took **usury**.”

---

### Book 22, Number 3325

“Narrated Abu Hurayrah:

The Prophet (peace be upon him) said: A time is certainly coming to mankind when only the receiver of **usury** will remain, and if he does not receive it, some of its vapor will reach him. Ibn Isa said: Some of its dust will reach him.”

---

### Book 22, Number 3327

“Narrated Abdullah ibn Mas'ud:

The Apostle of Allah (peace be upon him) cursed the one who accepted **usury**, the one who paid it, the witness to it, and the one who recorded it.”

---

### Book 22, Number 3328

“Narrated Amr ibn al-Ahwas al-Jushami:

I heard the Apostle of Allah (peace be upon him) say in the Farewell Pilgrimage: "Lo, all claims to **usury** of the pre-Islamic period have been abolished. You shall have your capital sums, deal not unjustly and you shall not be dealt with unjustly. Lo, all claims for blood-vengeance belonging to the pre-Islamic period have been abolished. The first of those murdered among us whose blood-vengeance I remit is al-Harith ibn Abdul Muttalib, who suckled among Banu Layth and killed by Hudhayl." He then said: O Allah, have I conveyed the message? They said: Yes, saying it three times. He then said: O Allah, be witness, saying it three times.”

---

### Book 22, Number 3343

“Narrated Ubadah ibn as-Samit:

The Apostle of Allah (peace be upon him) said: Gold is to be paid for with gold, raw and coined, silver with silver, raw and coined (in equal weight), wheat with wheat in equal measure, barley with barley in equal measure, dates with dates in equal measure, salt by salt with equal measure; if anyone gives more or asks more, he has dealt in **usury**. But there is no harm in selling gold for silver and silver (for gold), in unequal weight, payment being made on the spot. Do not sell them if they are to be paid for later. There is no harm in selling wheat for barley and barley (for wheat) in unequal measure, payment being made on the spot. If the payment is to be made later, then do not sell them.”

---

### Book 23, Number 3454

“Narrated Abu Hurayrah:

The Prophet (peace be upon him) said: If anyone makes two transactions combined in one bargain, he should have the lesser of the two or it will involve **usury**.”

---

### Book 23, Number 3534

“Narrated Abu Umamah:

The Prophet (peace be upon him) said: If anyone intercedes for his brother and he presents a gift to him for it and he accepts it, he approaches a great door of the doors of **usury**."

---

### **Book 41, Number 4858**

"Narrated Sa'id ibn Zayd:

The Prophet (peace be upon him) said: The most prevalent kind of **usury** is going to lengths in talking unjustly against a Muslim's honor."

---

## **Appendix 2.4. Muwatta of Malik ibn Anas**

### **Book 31, Number 31.16.28**

"Yahya related to me from Malik that Yahya ibn Said said, "The Messenger of Allah, may Allah bless him and grant him peace, ordered the two *Sads* to sell a vessel made of either gold or silver from the booty. They either sold each three units of weight for four units of weight of coins or each four units of weight for three units of weight or coins. The Messenger of Allah, may Allah bless him and grant him peace, said to them, 'You have taken **usury**, so return it.' "

---

### **Book 31, Number 31.16.34**

"Yahya related to me from Malik from Nafi from Abdullah ibn Umar that Umar ibn al-Khattab said, "Do not sell gold for gold except like for like, and do not increase one part over another part. Do not sell silver for silver except like for like, and do not increase one part over another part. Do not sell silver for gold, one of them at hand and the other to be given later. If someone seeks to delay paying you until he has been to his house, do not leave him. I fear *rama* for you." *Rama* is **usury**."

---

### **Book 31, Number 31.16.35**

"Yahya related to me from Malik from Abdullah ibn Dinar from Abdullah ibn Umar that Umar ibn al-Khattab said, "Do not sell gold for gold except like for like. Do not increase part of it over another part. Do not sell silver for silver except like for like, and do not increase part of it over another part. Do not sell some of it which is there for some of it which is not. If someone asks you to wait for payment until he has been to his house, do not leave him. I fear *rama* for you." *Rama* is **usury**."

---

### **Book 31, Number 31.16.37a**

"Yahya related to me from Malik that Abu'z-Zinad heard Said ibn al-Musayyab say, "There is **usury** only in gold or silver or what is weighed or measured of what is eaten or drunk." "

---

### **Book 31, Number 31.17.38**

"Yahya related to me from Malik from Ibn Shihab from Malik ibn Aus ibn al-Hadathan an-Nasri that one time he asked to exchange 100 *dinars*. He said, "Talha ibn Ubaydullah called me over and we made a mutual agreement that he would make an exchange for me. He took the gold and turned it about in his hand, and then said, 'I can't do it until my treasurer brings the money to me from al-Ghaba.' Umar ibn al-Khattab was listening and Umar said, 'By Allah! Do not leave him until you have taken it from him!' Then he said, 'The Messenger of Allah, may Allah bless him and grant him peace, said, "Gold for silver is **usury** except hand to hand. Wheat for wheat is **usury** except hand to hand. Dates for dates is **usury** except hand to hand. Barley for barley is **usury** except hand to hand." "

Malik said, "When a man buys *dirhams* with *dinars* and then finds a bad *dirham* among them and wants to return it, the exchange of the *dinars* breaks down, and he returns the silver and takes back his *dinars*. The explanation of what is disapproved of in that is that the Messenger of Allah, may Allah bless him and grant him peace, said, 'Gold for silver is **usury** except hand to hand.' and Umar ibn al-Khattab said, 'If someone asks you to wait to be paid until he has gone back to his house, do not leave him.' When he returns a dirham to him from the exchange after he has left him, it is like a

debt or something deferred. For that reason, it is disapproved of, and the exchange collapses. Umar ibn al-Khattab wanted that all gold, silver and food should not be sold for goods to be paid later. He did not want there to be any delay or deferment in any such sale, whether it involved one commodity or different sorts of commodities." "

---

### **Book 31, Number 31.18.39**

"Yahya related to me from Malik that Yazid ibn Abdullah ibn Qusayt saw Said ibn al-Musayyab sell gold counterpoising for gold. He poured his gold into one pan of the scales, and the man with whom he was counterpoising put his gold in the other pan of the scale and when the tongue of the scales was balanced, they took and gave.

Malik said, "According to the way things are done among us there is no harm in selling gold for gold, and silver for silver by counterpoising weight, even if 11 *dinars* are taken for 10 *dinars* hand to hand, when the weight of gold is equal, coin for coin, even if the number is different. *Dirhams* in such a situation are treated the same way as *dinars*."

Malik said, "If, when counterpoising gold for gold or silver for silver, there is a difference of weight, one party should not give the other the value of the difference in silver or something else. Such a transaction is ugly and a means to **usury** because if one of the parties were permitted to take the difference for a separate price, it could be as if he had bought it separately, so he would be permitted. Then it would be possible for him to ask for many times the value of the difference in order to permit the completion of the transaction between the two parties.

Malik said, "If he had really been sold the difference without anything else with it, he would not have taken it for a tenth of the price for which he took it in order to put a 'legal front' on the transaction. This leads to allowing what is forbidden. The matter is forbidden."

Malik said that it was not good when counterpoising to give good old gold coins and put along with them unminted gold in exchange for worn *kufic* gold, which was unpopular and to then treat the exchange as like for like.

Malik said, "The commentary on why that is disapproved is that the owner of the good gold uses the excellence of his old gold coins as an excuse to throw in the unminted gold with it. Had it not been for the superiority of his (good) gold over the gold of the other party, the other party would not have counterpoised the unminted gold for his kufic gold, and the deal would have been refused.

"It is like a man wanting to buy three *sa* of *ajwa* dried dates for two *sa* and a *mudd* of *kabis* dates, and on being told that it was not good, then offering two *sa* of *kabis* and a *sa* of poor dates desiring to make the sale possible. That is not good because the owner of the *ajwa* should not give him a *sa* of *ajwa* for a *sa* of poor dates. He would only give him that because of the excellence of *kabis* dates.

"Or it is like a man asking some one to sell him three *sa* of white wheat for two and a half *sa* of Syrian wheat, and being told that it was not good except like for like, and so offering two *sa* of wheat and one *sa* of barley intending to make the sale possible between them. That is not good because no one would have given a *sa* of barley for a *sa* of white wheat had that *sa* been by itself. It was only given because of the excellence of Syrian wheat over the white wheat. This is not good. It is the same as the case of the unminted gold."

Malik said, "Where gold, silver and food, things which should only be sold like for like, are concerned, something disliked and of poor quality should not be put with something good and desirable in order to make the sale possible and to make a bad situation *halal*. When something of desirable quality is put with something of poor quality and it is only included so that its excellence in quality is noticed, something is being sold which if it had been sold on its own, would not have been accepted and to which the buyer would not have paid any attention. It is only accepted by the buyer because of the superiority of what comes with it over his own goods. Transactions involving gold, silver, or food, must not have anything of this description enter into them. If the owner of the poor quality goods wants to sell them, he sells them on their own, and does not put anything with them. There is no harm if it is like that." "

---

### Book 31, Number 31.19.44

"Yahya related to me from Malik that he had heard that receipts were given to people in the time of Marwan ibn al-Hakam for the produce of the market at al-Jar. People bought and sold the receipts among themselves before they took delivery of the goods. Zayd Thabit and one of the Companions of the Messenger of Allah, may Allah bless him and grant him peace, went to Marwan ibn al-Hakam and said, "Marwan! Do you make **usury** *halal*?" He said, "I seek refuge with Allah! What is that?" He said, "These receipts which people buy and sell before they take delivery of the goods." Marwan therefore sent a guard to follow them and to take them from people's hands and return them to their owners."

---

### Book 31, Number 31.26.63

"Yahya related to me from Malik from Ibn Shihab that Said ibn al-Musayyab said, "There is no **usury** in animals. There are three things forbidden in animals: *al-madamin*, *al-malaqih* and *habal al-habala*. *Al-madamin* is the sale of what is in the wombs of female camels. *Al-malaqih* is the sale of the breeding qualities of camels" (i.e. for stud).

Malik said, "No one should buy a specified animal when it is concealed from him or in another place, even if he has already seen it, very recently or not so recently, and was pleased enough with it to pay its price in cash."

Malik said, "That is disapproved of because the seller makes use of the price and it is not known whether or not those goods are found to be as the buyer saw them or not. For that reason, it is disapproved of. There is no harm in it if it is described and guaranteed." "

---

### Book 31, Number 31.31.70

"Yahya related to me from Malik from Yahya ibn Said that al-Qasim ibn Muhammad said, "I heard Abdullah ibn Abbas say, when a man asked him about a man making an advance on some garments and then wanting to sell them back before taking possession of them, 'That is silver for silver,' and he disapproved of it."

Malik said, "Our opinion is - and Allah knows best that was because he wanted to sell them to the person from whom he had bought them for more than the price for which he bought them. Had he sold them to some one other than the person from whom he had purchased them, there would not have been any harm in it."

Malik said, "The generally agreed on way of doing things among us concerning making an advance for slaves, cattle or goods is that when all of what is to be sold is described and an advance is made for them for a date, and the date falls due, the buyer does not sell any of that to the person from whom he has purchased it for more than the price which he advanced for it before he has taken full possession of what he has advanced for. It is **usury** if he does. If the buyer gives the seller *dinars* or *dirhams* and he profits with them, then, when the goods come to the buyer and he does not take them into his possession but sells them back to their owner for more than what he advanced for them, the outcome is that what he has advanced has returned to him and has been increased for him."

Malik said, "If someone advances gold or silver for described animals or goods which are to be delivered before a named date, and the date arrives, or it is before or after the date, there is no harm in the buyer selling those goods to the seller, for other goods, to be taken immediately and not delayed, no matter how extensive the amount of those goods is, except in the case of food because it is not *halal* to sell it before he has full possession of it. The buyer can sell those goods to some one other than the person from whom he purchased them for gold or silver or any goods. He takes possession of it and does not defer it because if he defers it, that is ugly and there enters into the transaction what is disapproved of: delay for delay. Delay for delay is to sell a debt against one man for a debt against another man."

Malik said, "If someone advances for goods to be delivered after a time, and those goods are neither something to be eaten nor drunk, he can sell them to whomever he likes for cash or goods, before he takes delivery of them, to some one other than the person from whom he purchased them. He must not sell them to the person from whom he bought them except in exchange for goods which he takes possession of immediately and does not defer."

Malik said, "If the delivery date for the goods has not arrived, there is no harm in selling them to the original owner for goods which are clearly different and which he takes immediate possession of and does not defer."

Malik spoke about the case of a man who advanced *dinars* or *dirhams* for four specified pieces of cloth to be delivered before a specified time and when the term fell due, he demanded delivery from the seller and the seller did not have them. He found that the seller had cloth but inferior quality, and the seller said that he would give him eight of those cloths. Malik said, "There is no harm in that if he takes the cloths which he offers him before they separate. It is not good if delayed terms enter into the transaction. It is also not good if that is before the end of the term, unless he sells him cloth which is not the type of cloth for which he made an advance."

---

### **Book 31, Number 31.32.71**

"Malik said, "The generally agreed on way of doing things among us about whatever is weighed but is not gold or silver, i.e. copper, brass, lead, black lead, iron, herbs, figs, cotton, and any such things that are weighed, is that there is no harm in bartering all those sorts of things two for one, hand to hand. There is no harm in taking a *ritt* of iron for two *ritts* of iron, and a *ritt* of brass for two *ritts* of brass."

Malik said, "There is no good in two for one of one sort with delayed terms. There is no harm in taking two of one sort for one of another on delayed terms, if the two sorts are clearly different. If both sorts resemble each other but their names are different, like lead and black lead, brass and yellow brass, I disapprove of taking two of one sort for one of the other on delayed terms."

Malik said, "When buying something of this nature, there is no harm in selling it before taking possession of it to some one other than the person from whom it was purchased, if the price is taken immediately and if it was bought originally by measure or weight. If it was bought without measuring, it should be sold to someone other than the person from whom it was bought, for cash or with delayed terms. That is because goods have to be guaranteed when they are bought without measuring, and they cannot be guaranteed when bought by weight until they are weighed and the deal is completed. This is the best of what I have heard about all these things. It is what people continue to do among us."

Malik said, "The way of doing things among us with what is measured or weighed of things which are not eaten or drunk, like safflower, date-stones, fodder leaves, indigo dye and the like of that is that there is no harm in bartering all those sort of things two for one, hand to hand. Do not take two for one from the same variety with delayed terms. If the types are clearly different, there is no harm in taking two of one for one of the other with delayed terms. There is no harm in selling whatever is purchased of all these sorts, before taking delivery of them if the price is taken from someone other than the person from whom they were purchased."

Malik said, "Anything of any variety that profits people, like gravel and gypsum, one quantity of them for two of its like with delayed terms is **usury**. One quantity of both of them for its equal plus any increase with delayed terms, is **usury**." "

---

### **Book 31, Number 31.38.84**

"Malik related to me that Zayd ibn Aslam said, "**Usury** in the Jahiliyya was that a man would give a loan to a man for a set term. When the term was due, he would say, 'Will you pay it off or increase me?' If the man paid, he took it. If not, he increased him in his debt and lengthened the term for him."

Malik said, "The disapproved of way of doing things about which there is no dispute among us, is that a man should give a loan to a man for a term, and then the demander reduce it and the one from whom it is demanded pay it in advance. To us that is like someone who delays repaying his debt after it is due to his creditor and his creditor increases his debt." Malik said, "This is nothing else but **usury**. No doubt about it."

Malik spoke about a man who loaned one hundred *dinars* to a man for two terms. When it was due, the person who owed the debt said to him, "Sell me some goods, whose price is one hundred *dinars* in cash for one hundred and fifty on credit." Malik said, "This transaction is not good, and the people of knowledge still forbid it."

Malik said, "This is disapproved of because the creditor himself gives the debtor the price of what the man sells him, and he defers repayment of the hundred of the first transaction for the debtor for the term which is mentioned to him in the second transaction, and the debtor increases him with fifty *dinars* for his deferring him. That is disapproved of and it is not good. It also resembles the hadith of Zayd ibn Aslam about the transactions of the people of the Jahiliyya. When their debts were due, they said to the person with the debt, 'Either you pay in full or you increase it.' If they paid, they took it, and if not they increased debtors in their debts, and extended the term for them." "

---

### **Book 31, Number 31.39.86**

"Malik related to me from Musa ibn Maysara that he heard a man ask Said ibn al-Musayyab, "I am a man who sells for a debt." Said said, "Do not sell except for what you take to your camel."

Malik spoke about a person who bought goods from a man provided that he provide him with those goods by a specific date, either in time for a market in which he hoped for their salability, or to fulfill a need at the time he stipulated. Then the seller failed him about the date, and the buyer wanted to return those goods to the seller. Malik said, "The buyer cannot do that, and the sale is binding on him. If the seller does bring the goods before the completion of the term, the buyer cannot be forced to take them."

Malik spoke about a person who bought food and measured it. Then someone came to him to buy it and he told him that he had measured it for himself and taken it in full. The new buyer wanted to trust him and accept his measure. Malik said, "Whatever is sold in this way for cash has no harm in it but whatever is sold in this way on delayed terms is disapproved of until the new buyer measures it out for himself. The sale with delayed terms is disapproved of because it leads to **usury** and it is feared that it will be circulated in this way without weight or measure. If the terms are delayed it is disapproved of and there is no disagreement about that with us."

Malik said, "One should not buy a debt owed by a man whether present or absent, without the confirmation of the one who owes the debt, nor should one buy a debt owed to a man by a dead person even if one knows what the deceased man has left. That is because to buy that is an uncertain transaction and one does not know whether the transaction will be completed or not completed."

He said, "The explanation of what is disapproved of in buying a debt owed by someone absent or dead, is that it is not known what unknown debtor may be connected to the dead person. If the dead person is liable for another debt, the price which the buyer gave on strength of the debt may become worthless."

Malik said, "There is another fault in that as well. He is buying something which is not guaranteed for him, and so if the deal is not completed, what he paid becomes worthless. This is an uncertain transaction and it is not good."

Malik said, "One distinguishes between a man who is only selling what he actually has and a man who is being paid in advance for something which is not yet in his possession. The man advancing the money brings his gold which he intends to buy with. The seller says, 'This is 10 *dinars*. What do you want me to buy for you with it?' It is as if he sold 10 *dinars* cash for 15 *dinars* to be paid later. Because of this, it is disapproved of. It is something leading to **usury** and fraud." "

---

### **Book 31, Number 31.43.93**

"And Malik related to me that he had heard that a man came to Abdullah ibn Umar and said, "Abu Abd ar-Rahman, I gave a man a loan and stipulated that he give me better than what I lent him." Abdullah ibn Umar said, "That is **usury**." Abdullah said, "Loans are of three types: A free loan which you lend by which you desire the pleasure of Allah, and so you have the pleasure of Allah. A free loan which you lend by which you desire the pleasure of your companion, so you have the pleasure of your companion, and a free loan which you lend by which you take what is impure by what is pure, and that is **usury**." He said, "What do you order me to do, Abu Abd ar-Rahman?" He said, "I think that you should tear up the agreement. If he gives you the like of what you lent him, accept it. If he gives you less than what you lent him, take it and you will be rewarded. If he gives you better than what you lent him, of his own good will, that is his gratitude to you and you have the wage of the period you gave him the loan." "

---

### **Book 31, Number 31.43.95**

"Malik related to me that he had heard that Abdullah ibn Masud used to say, "If someone makes a loan, they should not stipulate better than it. Even if it is a handful of grass, it is **usury**."

Malik said, "The generally agreed on way of doing things among us is that there is no harm in borrowing any animals with a set description and itemization, and one must return the like of them. This is not done in the case of female slaves. It is feared about that that it will lead to making *halal* what is not *halal*, so it is not good. The explanation of what is disapproved of in that, is that a man borrow a slave-girl and have intercourse with her as seems proper to him. Then he returns her to her owner. That is not good and it is not *halal*. The people of knowledge still forbid it and do not give an indulgence to any one in it." "

---

### **Book 31, Number 32.3.4**

"Malik said, "When a man owes money to another man and he asks him to let it stay with him as a *qirad*, that is disapproved of until the creditor receives his property. Then he can make it a *qirad* loan or keep it. That is because the debtor may be in a tight situation, and want to delay it to increase it for him."

Malik spoke about an investor who made a *qirad* loan to a man, and some of the principal was lost before he used it, and then he used it and made a profit. The agent wanted to make the principal the remainder of the money after what was lost from it. Malik said, "His statement is not accepted, and the principal is made up to its original amount from his profit. Then they divide what remains after the principal has been repaid according to the conditions of the *qirad*."

Malik said, "*Qirad* loan is only good in gold or silver coin and it is never permitted in any kind of wares or goods or articles."

Malik said, "There are certain transactions which if a long span of time passes after the transaction takes place, its revocation becomes unacceptable. As for **usury**, there is never anything except its rejection whether it is a little or a lot. What is permitted in other than it is not permitted in it because Allah, the Blessed and the Exalted, said in His Book, 'If you repent, you have your capital back, not wronging and not wronged.' "

---

## **Appendix 2.5. Hadith Al-Tirmidhi**

### **Number 854**

"Narrated Abdullah ibn Hanzalah; Abdullah ibn Abbas:

Allah's Messenger (peace be upon him) said, "A dirham which a man knowingly receives in **usury** is more serious than thirty-six acts of fornication." Ibn Abbas's version adds that he said, "Hell is more fitting for him whose flesh is nourished by what is unlawful."

Ahmad and Daraqutni transmitted it. Bayhaqi transmitted in Shu'ab al-Iman on the authority of Ibn Abbas."

---

### **Number 855**

"Narrated Abu Hurayrah:

Allah's Messenger (peace be upon him) said, "**Usury** has seventy parts, the least important being that a man should marry his mother."

Ibn Majah and Bayhaqi, transmitted it in Shu'ab al-Iman."

---

### **Number 856**

"Narrated Abdullah ibn Mas'ud:

Allah's Messenger (peace be upon him) said, "Even though **usury** be much it leads in the end to penury."

Ibn Majah, Bayhaqi transmitted it in Shu'ab al-Iman and also transmitted by Ahmad."

---

### **Number 857**

"Narrated Abu Hurayrah:

Allah's Messenger (peace be upon him) said, "On the night when I was taken up to Heaven I came upon people whose bellies were like houses and contained snakes which could be seen from outside their bellies. I asked Gabriel who they were and he told me that they were people who had practiced **usury**."

Ahmad and Ibn Majah transmitted it."

---

### **Number 858**

"Narrated Ali ibn Abu Talib:

Ali heard Allah's Messenger (peace be upon him) curse those who took **usury**, those who paid it, those who recorded it, and those who refused to give sadaqah. And he used to prohibit wailing.

Nasa'i transmitted it."

---

### **Number 859**

"Narrated Umar ibn al-Khattab:

The last verse to be sent down was that on **usury**, but Allah's Messenger (peace be upon him) was taken without having expounded it to us; so leave aside **usury** and whatever is doubtful.

Ibn Majah and Darimi transmitted it."

---

### **Appendix 3. Gharar, Maysir and Risk in the Qur'an**

#### **Quran Chapter 2 (Al-Baqarah) verse 219**

"They ask you about fermented beverages and **games of chance**, Say, "In them is great harm and (some) benefit for people, but the harm is greater than the benefit." And they ask you about what they should spend (in the Way of Allah). Say, "The surplus." So in that way Allah makes clear the Signs to you in order that you might reflect." [219]

---

#### **Quran Chapter 5 (Al-Maa'idah) verse 90-91**

"Oh you who have attained to belief! Fermented drinks and **games of chance** and idolatrous dedication of altars and divining arrows are (all) abomination from the work of *Shaytan*, so avoid them completely that you may be successful." [90]

"Truly *Shaytan* wants to cast enmity and hatred among you by means of fermented beverages and **games of chance**, and to bar you from the remembrance of Allah and the *salah*. So will you not then abstain?" [91]

## **Appendix 4. Gharar, Maysir, and Risk in the hadith**

### **Appendix 4.1. Muwatta of Malik ibn Anas**

#### **Book 31, Number 31.1.1**

"Yahya related to me from Malik from a reliable source from Amr ibn Shuayb from his father from his father's father that the Messenger of Allah, may Allah bless him and grant him peace, forbade transactions in which nonrefundable deposits were paid.

Malik said, "That is, in our opinion, but Allah knows best, that for instance, a man buys a slave or slave-girl or rents an animal and then says to the person from whom he bought the slave or leased the animal, 'I will give you a *dinar* or a *dirham* or whatever on the condition that if I actually take the goods or ride what I have rented from you, then what I have given you already goes towards payment of the goods or hire of the animal. If I do not purchase the goods or hire the animal, then what I have given you is yours without liability on your part.' "

Malik said, "According to the way of doing things with us there is nothing wrong in bartering an arabic speaking merchant slave for Abyssinian slaves or any other type that are not his equal in eloquence, trading, shrewdness, and know-how. There is nothing wrong in bartering one slave like this for two or more other slaves with a stated delay in the terms if he is clearly different. If there is no appreciable difference between the slaves, two should not be bartered for one with a stated delay in the terms even if their racial type is different."

Malik said, "There is nothing wrong in selling what has been bought in such a transaction before taking possession of all of it as long as you receive the price for it from some one other than the original owner."

Malik said, "An addition to the price must not be made for a foetus in the womb of its mother when she is sold because that is *gharar* (an uncertain transaction). It is not known whether the child will be male or female, good-looking or ugly, normal or handicapped, alive or dead. All these things will affect the price."

Malik said that in a transaction where a slave or slave-girl was bought for one hundred *dinars* with a stated credit period that if the seller regretted the sale there was nothing wrong in him asking the buyer to revoke it for ten *dinars* which he would pay him immediately or after a period and he would forgo his right to the hundred *dinars* which he was owed.

Malik said, "However, if the buyer regrets and asks the seller to revoke the sale of a slave or slave-girl in consideration of which he will pay an extra ten *dinars* immediately or on credit terms, extended beyond the original term, that should not be done. It is disapproved of because it is as if, for instance, the seller is buying the one hundred *dinars* which is not yet due on a year's credit term before the year expires for a slave-girl and ten *dinars* to be paid immediately or on credit term longer than the year. This falls into the category of selling gold for gold when delayed terms enter into it."

Malik said that it was not proper for a man to sell a slave-girl to another man for one hundred *dinars* on credit and then to buy her back for more than the original price or on a credit term longer than the original term for which he sold her. To understand why that was disapproved of in that case, the example of a man who sold a slave-girl on credit and then bought her back on a credit term longer than the original term was looked at. He might have sold her for thirty *dinars* with a month to pay and then buy her back for sixty *dinars* with a year or half a year to pay. The outcome would only be that his goods would have returned to him just like they were and the other party would have given him thirty *dinars* on a month's credit against sixty *dinars* on a year or half a year's credit. That was not to be done."

---

### Book 31, Number 31.9.14

“Yahya related to me from Malik from Abu'r-Rijal Muhammad ibn Abd ar-Rahman ibn Haritha from his mother, Amra bint Abd ar-Rahman that the Messenger of Allah, may Allah bless him and grant him peace, forbade selling fruit until it was clear of blight. Malik said, "Selling fruit before it has begun to ripen is an uncertain transaction (*gharar*).” “

---

### Book 31, Number 31.34.75

“Yahya related to me from Malik from Abu Hazim ibn Dinar from Said ibn al-Musayyab that the Messenger of Allah, may Allah bless him and grant him peace, forbade the sale with uncertainty in it.

Malik said, "An example of one type of uncertain transaction and **risk** is that a man intends the price of a stray animal or escaped slave to be fifty *dinars*. A man says, 'I will take him from you for twenty *dinars*.' If the buyer finds him, thirty *dinars* goes from the seller, and if he does not find him, the seller takes twenty *dinars* from the buyer."

Malik said, "There is another fault in that. If that stray is found, it is not known whether it will have increased or decreased in value or what defects may have befallen it. This transaction is greatly uncertain and **risky**."

Malik said, "According to our way of doing things, one kind of uncertain transaction and **risk** is selling what is in the wombs of females - women and animals - because it is not known whether or not it will come out, and if it does come out, it is not known whether it will be beautiful or ugly, normal or disabled, male or female. All that is disparate. If it has that, its price is such-and-such, and if it has this, its price is such-and-such."

Malik said, "Females must not be sold with what is in their wombs excluded. That is that, for instance, a man says to another, 'The price of my sheep which has much milk is three *dinars*. She is yours for two *dinars* while I will have her future offspring.' This is disapproved because it is an uncertain transaction and a **risk**."

Malik said, "It is not *halal* to sell olives for olive oil or sesame for sesame oil, or butter for ghee because *muzabana* comes into that, because the person who buys the raw product for something specified which comes from it, does not know whether more or less will come out of that, so it is an uncertain transaction and a **risk**."

Malik said, "A similar case is the selling of ben-nuts for ben-nut oil. This is an uncertain transaction because what comes from the ben-nut is ben-oil. There is no harm in selling ben-nuts for perfumed ben because perfumed ben has been perfumed, mixed and changed from the state of raw ben-nut oil."

Malik, speaking about a man who sold goods to a man on the provision that there was to be no loss for the buyer, (i.e. if the buyer could not re-sell the goods they could go back to the seller), said, "This transaction is not permitted and it is part of **risk**. The explanation of why it is so, is that it is as if the seller hired the buyer for the profit if the goods make a profit. If he sells the stock at a loss, he has nothing, and his efforts are not compensated. This is not good. In such a transaction, the buyer should have a wage according to the work that he has contributed. Whatever there is of loss or profit in those goods is for and against the seller. This is only when the goods are gone and sold. If they do not go, the transaction between them is null and void."

Malik said, "As for a man who buys goods from a man and he concludes the sale and then the buyer regrets and asks to have the price reduced and the seller refuses and says, 'Sell it and I will compensate you for any loss.' There is no harm in this because there is no **risk**. It is something he proposes to him, and their transaction was not based on that. That is what is done among us."

---

## Appendix 4.2. Sunan Abu-Dawud

### Book 26, Number 3677

“Narrated Abdullah ibn Amr ibn al-'As:

The Prophet (peace be upon him) forbade wine (*khamr*), game of chance (*maysir*), drum (*kubah*), and wine made from millet (*ghubayrah*), saying: Every intoxicant is forbidden.”

## **Appendix 5. Uncertainty in the hadith**

### **Appendix 5.1. Sahih Muslim**

#### **Book 010, Number 3614**

"Abu Huraira (Allah be pleased with him) reported that Allah's Messenger (may peace be upon him) forbade a transaction determined by throwing stones, and the type which involves some **uncertainty**."

---

### **Appendix 5.2. Sunan Abu-Dawud**

#### **Book 22, Number 3376**

"Narrated Ali ibn Abu Talib:

A time is certainly coming to mankind when people will bite each other and a rich man will hold fast, what he has in his possession (i.e. his property), though he was not commanded for that. Allah, Most High, said: "And do not forget liberality between yourselves." The men who are forced will contract sale while the Prophet (peace be upon him) forbade forced contract, one which involves some **uncertainty**, and the sale of fruit before it is ripe."

---

### **Appendix 5.3. Muwatta of Malik ibn Anas**

#### **Book 31, Number 31.14.26**

"Malik said, "There is no harm in buying dates from specified trees or a specified orchard or buying milk from specified sheep when the buyer starts to take them as soon as he has paid the price. That is like buying oil from a container. A man buys some of it for a *dinar* or two and gives his gold and stipulates that it be measured out for him. There is no harm in that. If the container breaks and the oil is wasted, the buyer has his gold back and there is no transaction between them."

Malik said, "There is no harm in everything which is taken right away as it is, like fresh milk and fresh picked dates which the buyer can take on a day-to-day basis. If the supply runs out before the buyer has what he has paid for in full, the seller gives him back the portion of the gold that is owed to him, or else the buyer takes other goods from him to the value of what he is owed and which they mutually agree about. The buyer should stay with the seller until he has taken it. It is disapproved of for the seller to leave because the transaction would then come into the forbidden category of a debt for a debt. If a stated time period for payment or delivery enters into the transaction, it is also disapproved. Delay and deferment are not permitted in it, and are only acceptable when it is standard practice on definite terms by which the seller guarantees it to the buyer, but this is not to be from one specific orchard or from any specific ewes."

Malik was asked about a man who bought an orchard from another man in which there were various types of palm-trees - excellent *ajwa* palms, good *kabis* palms, *adhq* palms and other types. The seller kept aside from the sale the produce of a certain palm of his choice. Malik said, "That is not good because if he does that, and keeps aside, for instance, dates of the *ajwa* variety whose yield would be 15 *sa*, and he picks the dates of the *kabis* in their place, and the yield of their dates is 10 *sa* or he picks the *ajwa* which yield 15 *sa* and leaves the *kabis* which yield 10 *sa*, it is as if he bought the *ajwa* for the *kabis* making allowances for their difference of quality. This is the same as if a man

dealing with a man who has heaps of dates before him - a heap of 15 *sa* of *ajwa*, a heap of 10 *sa* of *kabis*, and a heap of 12 *sa* of *cadhq*, gives the owner of the dates a *dinar* to let him choose and take whichever of the heaps he likes." Malik said, "That is not good."

Malik was asked what a man who bought fresh dates from the owner of an orchard and advanced him a *dinar* was entitled to if the crop was spoilt. Malik said, "The buyer makes a reckoning with the owner of the orchard and takes what is due to him of the *dinar*. If the buyer has taken two-thirds of a *dinar's* worth of dates, he gets back the third of a *dinar* which is owed him. If the buyer has taken three-quarters of a *dinar's* worth of dates, then he gets back the quarter which is owed to him, or they come to a mutual agreement, and the buyer takes what is owed him from his *dinar* from the owner of the orchard in something else of his choosing. If, for instance, he prefers to take dry dates or some other goods, he takes them according to what is due. If he takes dry dates or some other goods, he should stay with him until he has been paid in full."

Malik said, "This is the same situation as hiring out a specified riding-camel or hiring out a slave tailor, carpenter or some other kind of worker or letting a house and taking payment in advance for the hire of the slave or the rent of the house or camel. Then an accident happens to what has been hired resulting in death or something else. The owner of the camel, slave or house returns what remains of the rent of the camel, the hire of the slave or the rent of the house to the one who advanced him the money, and the owner reckons what will settle that up in full. If, for instance, he has provided half of what the man paid for, he returns the remaining half of what he advanced, or according to whatever amount is due." Malik said, "Paying in advance for something which is on hand is only good when the buyer takes possession of what he has paid for as soon as he hands over the gold, whether it be slave, camel, or house, or in the case of dates, he starts to pick them as soon as he has paid the money."

It is not good that there be any deferment or credit in such a transaction.

Malik said, "An example illustrating what is disapproved of in this situation is that, for instance, a man may say that he will pay someone in advance for the use of his camel to ride in the hajj, and the hajj is still some time off, or he may say something similar to that about a slave or a house. When he does that, he only pays the money in advance on the understanding that if he finds the camel to be sound at the time the hire is due to begin, he will take it by virtue of what he has already paid. If an accident, or death, or something happens to the camel, then he will get his money back and the money he paid in advance will be considered as a loan."

Malik said, "This is distinct from someone who takes immediate possession of what he rents or hires, so that it does not fall into the category of 'uncertainty,' or disapproved payment in advance. That is following a common practice. An example of that is that a man buys a slave, or slave-girl, and takes possession of them and pays their price. If something happens to them within the period of the year indemnification contract, he takes his gold back from the one from whom he bought it. There is no harm in that. This is the precedent of the sunna in the matter of selling slaves."

Malik said, "Someone who rents a specified slave, or hires a specified camel, for a future date, at which time he will take possession of the camel or slave, has not acted properly because he did not take possession of what he rented or hired, nor is he advancing a loan which the person is responsible to pay back." "

### **Book 31, Number 31.23.55**

"Malik said, "Another example of that is that the Messenger of Allah, may Allah bless him and grant him peace, forbade the sale called *muzabana* and granted an indulgence in the *ariya* for computing the equivalent in dates. It was distinguished between them that the *muzabana*-sale was based on shrewdness and trade, and the *ariya* sale was based on a favour rendered, and there was no shrewdness in it."

Malik said, "A man must not buy food for a fourth, a third, or a fraction of a *dirham* on the basis that he be given that food on credit. There is no harm in a man buying food for a fraction of a *dirham* on credit and then he gives a *dirham* and takes goods with what remains of his *dirham* because he gave

the fraction he owed as silver, and took goods to make up the rest of his *dirham*. There is no harm in that transaction."

Malik said, "There is no harm in a man placing a *dirham* with another man and then taking from him known goods for a fourth, third, or a known fraction. If there was not a known price on the goods and the man said, 'I will take them from you for the price of each day,' this is not *halal* because there is **uncertainty**. It might be less one time, and more another time, and they would not part with a known sale."

Malik said, "If someone sells some food without measuring precisely and does not exclude any of it from the sale and then it occurs to him to buy some of it, it is not good for him to buy any of it except what it would be permitted for him to exclude from it. That is a third or less. If it is more than a third, it becomes *muzabana* and is disapproved. He must only purchase from what he would be permitted to exclude, and he is only permitted to exclude a third or less than that. This is the way of doing things in which there is no dispute with us." "

### **Book 31, Number 31.34.75**

"Yahya related to me from Malik from Abu Hazim ibn Dinar from Said ibn al-Musayyab that the Messenger of Allah, may Allah bless him and grant him peace, forbade the sale with **uncertainty** in it. Malik said, "An example of one type of uncertain transaction and risk is that a man intends the price of a stray animal or escaped slave to be fifty *dinars*. A man says, 'I will take him from you for twenty *dinars*.' If the buyer finds him, thirty *dinars* goes from the seller, and if he does not find him, the seller takes twenty *dinars* from the buyer."

Malik said, "There is another fault in that. If that stray is found, it is not known whether it will have increased or decreased in value or what defects may have befallen it. This transaction is greatly uncertain and risky."

Malik said, "According to our way of doing things, one kind of uncertain transaction and risk is selling what is in the wombs of females - women and animals - because it is not known whether or not it will come out, and if it does come out, it is not known whether it will be beautiful or ugly, normal or disabled, male or female. All that is disparate. If it has that, its price is such-and-such, and if it has this, its price is such-and-such."

Malik said, "Females must not be sold with what is in their wombs excluded. That is that, for instance, a man says to another, 'The price of my sheep which has much milk is three *dinars*. She is yours for two *dinars* while I will have her future offspring.' This is disapproved because it is an uncertain transaction and a risk."

Malik said, "It is not *halal* to sell olives for olive oil or sesame for sesame oil, or butter for ghee because *muzabana* comes into that, because the person who buys the raw product for something specified which comes from it, does not know whether more or less will come out of that, so it is an uncertain transaction and a risk."

Malik said, "A similar case is the selling of *ben*-nuts for *ben*-nut oil. This is an uncertain transaction because what comes from the *ben*-nut is *ben*-oil. There is no harm in selling *ben*-nuts for perfumed *ben* because perfumed *ben* has been perfumed, mixed and changed from the state of raw *ben*-nut oil."

Malik, speaking about a man who sold goods to a man on the provision that there was to be no loss for the buyer, (i.e. if the buyer could not re-sell the goods they could go back to the seller), said, "This transaction is not permitted and it is part of risk. The explanation of why it is so, is that it is as if the seller hired the buyer for the profit if the goods make a profit. If he sells the stock at a loss, he has nothing, and his efforts are not compensated. This is not good. In such a transaction, the buyer should have a wage according to the work that he has contributed. Whatever there is of loss or profit in those goods is for and against the seller. This is only when the goods are gone and sold. If they do not go, the transaction between them is null and void."

Malik said, "As for a man who buys goods from a man and he concludes the sale and then the buyer regrets and asks to have the price reduced and the seller refuses and says, 'Sell it and I will compensate you for any loss.' There is no harm in this because there is no risk. It is something he proposes to him, and their transaction was not based on that. That is what is done among us."

### **Book 33, Number 33.1.2**

"Malik related to me from Ibn Shihab from Sulayman ibn Yasar that the Messenger of Allah, may Allah bless him and grant him peace, used to send Abdullah ibn Rawaha to Khaybar, to assess the division of the fruit crop between him and the jews of Khaybar.

The jews collected for Abdullah pieces of their women's jewellery and said to him, "This is yours. Go light on us and don't be exact in the division!"

Abdullah ibn Rawaha said, "O tribe of jews! By Allah! You are among the most hateful to me of Allah's creation, but it does not prompt me to deal unjustly with you. What you have offered as a bribe is forbidden. We will not touch it." They said, "This is what supports the heavens and the earth."

Malik said, "If a share-cropper waters the palms and between them there is some uncultivated land, whatever he cultivates in the uncultivated land is his."

Malik said, "If the owner of the land makes a condition that he will cultivate the uncultivated land for himself, that is not good because the sharecropper does the watering for the owner of the land and so he increases the owner of the land in property (without any return for himself)."

Malik said, "If the owner stipulates that the fruit crop is to be shared between them, there is no harm in that if all the maintenance of the property - seeding, watering and case, etc. - are the concern of the sharecropper.

If the share-cropper stipulates that the seeds are the responsibility of the owner of the property - that is not permitted because he has stipulated an outlay against the owner of the property. Share-cropping is conducted on the basis that all the care and expense is outlaid by the share-cropper, and the owner of the property is not obliged anything. This is the accepted method of share-cropping."

Malik spoke about a spring which was shared between two men, and then the water dried up and one of them wanted to work on the spring and the other said, "I don't have the means to work on it." He said, "Tell the one who wants to work on the spring, 'Work and expend. All the water will be yours. You will have its water until your companion brings you half of what you have spent. If he brings you half of what you have spent, he can take his share of the water.' The first one is given all the water, because he has spent on it, and if he does not reach anything by his work, the other has not incurred any expense."

Malik said, "It is not good for a share-cropper not to expend anything but his labor and to be hired for a share of the fruit while all the expense and work is incurred by the owner of the garden, because the share-cropper does not know what the exact wage is going to be for his labor, whether it will be little or great."

Malik said, "No-one who lends a *qirad* or grants a share-cropping contract, should exempt some of the wealth, or some of the trees from his agent, because, by that, the agent becomes his hired man. He says, 'I will grant you a share-crop provided that you work for me on such-and-such a palm - water it and tend it. I will give you a *qirad* for such-and-such money provided that you work for me with ten *dinars*. They are not part of the *qirad* I have given you.' That must not be done and it is not good. This is what is done in our community."

Malik said, "The sunna about what is permitted to an owner of a garden in share-cropping is that he can stipulate to the share-cropper the maintenance of walls, cleaning the spring, sweeping the irrigation canals, pollinating the palms, pruning branches, harvesting the fruit and such things, provided that the share-cropper has a share of the fruit fixed by mutual agreement. However, the

owner cannot stipulate the beginning of new work which the agent will start digging a well, raising the source of a well, instigating new planting, or building a cistern whose cost is great. That is as if the owner of the garden said to a certain man, 'Build me a house here or dig me a well or make a spring flow for me or do some work for me for half the fruit of this garden of mine,' before the fruit of the garden is sound and it is *halal* to sell it. This is the sale of fruit before its good condition is clear. The Messenger of Allah, may Allah bless him and grant him peace, forbade fruit to be sold before its good condition became clear."

Malik said, "If the fruits are good and their good condition is clear and selling them is *halal* and then the owner asks a man to do one of those jobs for him, specifying the job, for half the fruit of his garden, for example, there is no harm in that. He has hired the man for something recognized and known. The man has seen it and is satisfied with it.

"As for share-cropping, if the garden has no fruit or little or bad fruit, he has only that. The laborer is only hired for a set amount, and hire is only permitted on these terms. Hire is a type of sale. One man buys another man's work from him. It is not good if **uncertainty** enters into it because the Messenger of Allah, may Allah bless him and grant him peace, forbade uncertain transactions."

Malik said, "The sunna in share-cropping with us is that it can be practiced with any kind of fruit tree, palm, vine, olive tree, pomegranate, peach, and soon. It is permitted, and there is no harm in it provided that the owner of the property has a share of the fruit: a half or a third or a quarter or whatever."

Malik said, "Share-cropping is also permitted in any crop which emerges from the earth if it is a crop which is picked, and its owner cannot water, work on it and tend it.

"Share-cropping becomes reprehensible in anything in which share-cropping is normally permitted if the fruit is sound and the good condition is clear and it is *halal* to sell it. He must share-crop in it the next year. If a man waters fruit whose good condition is clear and it is *halal* to sell it, and he picks it for the owner, for a share of the crop, it is not sharecropping. It is similar to him being paid in *dirhams* and *dinars*. Share-cropping is what is between pruning the palms and when the fruit becomes sound and its sale is *halal*."

Malik said, "If some one makes a share-cropping contract for fruit trees before the condition becomes clear and its sale is *halal*, it is share-cropping and is permitted."

Malik said, "Uncultivated land must not be involved in a share-cropping contract. That is because it is *halal* for the owner to rent it for *dinars* and *dirhams* or the equivalent for an accepted price."

Malik said, "As for a man who gives his uncultivated earth for a third or a fourth of what comes out of it, that is an uncertain transaction because crops may be scant one time and plentiful another time. It may perish completely and the owner of the land will have abandoned a set rent which would have been good for him to rent the land for. He takes an uncertain situation, and does not know whether or not it will be satisfactory. This is disapproved. It is like a man having someone travel for him for a set amount, and then saying, 'Shall I give you a tenth of the profit of the journey as your wage?' This is not *halal* and must not be done."

Malik summed up, "A man must not hire out himself or his land or his ship unless for a set amount."

Malik said, "A distinction is made between sharecropping in palms and in cultivated land because the owner of the palms cannot sell the fruit until its good condition is clear. The owner of the land can rent it when it is uncultivated with nothing on it."

Malik said, "What is done in our community about palms is that they can also be share-cropped for three and four years, and less or more than that."

Malik said, "That is what I have heard. Any fruit trees like that are in the position of palms. Contracts for several years are permissible for the sharecropper as they are permissible in the palms."

Malik said about the owner, "He does not take anything additional from the share-cropper in the way of gold or silver or crops which increases him. That is not good. The share-cropper also must not take from the owner of the garden anything additional which will increase him of gold, silver, crops or anything. Increase beyond what is stipulated in the contract is not good. It is also not good for the lender of a *qirad* to be in this position. If such an increase does enter share-cropping or *qirad*, it becomes by it hire. It is not good when hire enters it. Hire must never occur in a situation which has **uncertainty** in it."

Malik spoke about a man who gave land to another man in a share-cropping contract in which there were palms, vines, or the like of that of fruit trees and there was also uncultivated land in it. He said, "If the uncultivated land is secondary to the fruit trees, either in importance or in size of land, there is no harm in share-cropping. That is if the palms take up two-thirds of the land or more, and the uncultivated land is a third or less. This is because when the land that the fruit trees take up is secondary to the uncultivated land and the cultivated land in which the palms, vines or the like is a third or less, and the uncultivated land is two-thirds or more, it is permitted to rent the land and share-cropping in it is *haram*."

"One of the practices of people is to give out sharecropping contracts on property with fruit trees when there is uncultivated land in it, and to rent land while there are fruit trees on it, just as a Qur'an or sword which has some embellishment on it of silver is sold for silver, or a necklace or ring which have stones and gold in them are sold for *dinars*. These sales continue to be permitted. People buy and sell by them. Nothing described or instituted has come on that which if exceeded, makes it *haram*, and if fallen below makes it *halal*. What is done in our community about that is what people practice and permit among themselves. That is, if the gold or silver is secondary to what it is incorporated in, it is permitted to sell it. That is, if the value of the blade, the Qur'an, or the stones is two-thirds or more, and the value of the decoration is one-third or less."

## Selected Bibliography

- Abduh, Muhammad. The Theology of Unity. Translated by Ishaq Musa'ad and Kenneth Cragg. London, England: George Allen & Unwin, 1966.
- Abdul-Rauf, Muhammad. The Islamic Doctrine of Economics and Contemporary Economic Thought: Highlight of a Conference on a Theological Inquiry into Capitalism and Socialism. Washington, DC: American Enterprise Institute for Public Policy Research, 1979.
- Achsien, Iggi H. Investasi Syariah di Pasar Modal: Menggagas Konsep dan Praktek Manajemen Portofolio Syariah. Jakarta, Indonesia: PT Gramedia, 2000.
- Adams, Charles, and Walter Harrelson. Religion, Scriptures and Spirituality: Islam. Narrated by Ben Kingsley. 179 min. Nashville, TN: University New Media, 2003. Audio book.
- Al-Bahar, Adnan. "Differentiation: The Key Critical Success Factor for Business Today." Speech presented at the annual World Islamic Banking Conference, Bahrain, 9-11 November 2001.
- Al-Omar, Fuad, and Mohammed Abdel-Haq. Islamic Banking: Theory, Practice, and Challenges. New Jersey: Zed Books, 1996.
- Al-Sadah, Anwar K. "Regulation of Islamic Banks in Bahrain." Speech presented at the annual World Islamic Banking Conference, Bahrain, 9-11 November 2001.
- Al-Yousuf, Ala'a. "The Role of Ratings in the Development of Islamic Capital Markets." Speech presented at the annual World Islamic Banking Conference, Bahrain, 2-3 November 2002.
- Alim 6.0 [CD-ROM]. Silver Spring, Maryland: ISL Software, 1999.
- Arifin, Zainul. Memahami Bank Syariah: Lingkup, Peluang, Tantangan, dan Prospek. Jakarta, Indonesia: AlvaBet, 2000.
- Armstrong, Karen. Islam: A Short History. New York: Random House, 2000.

- Asadi, Muhammed A. "The Koran, Interest and the Economy." Holy Qur'an Resources on the Internet [online]. Accessed 4 April 2004. Available from [http://www.quran.org.uk/ieb\\_quran\\_economy.htm](http://www.quran.org.uk/ieb_quran_economy.htm).
- Ash-Shaybani, Muhammad ibn Al-Hasan. "Book of Sales in Trading and Deferred Sales." The Muwatta of Muhammad [online]. Accessed 4 April 2004. Available from <http://www.bogvaerker.dk/Bookwright/muwatta.html>.
- Atta, Hajara. "Ethical Rewards: An Examination of The Effect of Islamic Ethical Screens on Financial Performance and of Conditioning Information on Performance Measures." MSc. diss., University of Durham, 2000.
- Beekun, Rafik Issa. Islamic Business Ethics. Herndon, Virginia: International Institute of Islamic Thought, 1997.
- Berger, Peter L. The Sacred Canopy: Elements of A Sociological Theory of Religion. New York: Anchor Books, 1990.
- Bodie, Zvi, Alex Kane, and Alan J. Marcus. Essentials of Investments. 4th ed. New York: McGraw-Hill/Irwin, 2001.
- Brill, Hal, Jack A. Brill, and Cliff Feigenbaum. Investing with Your Values. Gabriola Island, Canada: New Society Publishers, 2000.
- Chapra, M. Umer. "Islam and Economic Development: A Discussion within the Framework of Ibn Khaldun's Philosophy of History." In Proceedings of the Second Harvard University Forum on Islamic Finance: Islamic Finance into the 21<sup>st</sup> Century, 23-30. Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 1998.
- . Towards a Just Monetary System: A Discussion of Money, Banking and Monetary Policy in the Light of Islamic Teachings. Leicester, England: The Islamic Foundation, 1985.
- . The Future of Economics: An Islamic Perspective. Leicester, England: The Islamic Foundation, 2000.
- Culloton, Dan. "Profiting According to the Words of the Prophet: Islamic Funds Set Sights on US Market." Morningstar [online], 15 March 2000. Accessed 30 March

2004. Available from <http://news.morningstar.com/doc/news/0,2,6907,00.html>.

Darwish, Ahmed F. "Al-Rubban: The Islamic Credit Card from Shamil Bank." Speech presented at the annual World Islamic Banking Conference, Bahrain, 2-3 November 2002.

"Dictionary." [Investopedia.com](http://www.investopedia.com) [online]. Accessed 12 April 2004. Available from <http://www.investopedia.com/dictionary>.

Diwany, Tarek El. "About Islam: Beliefs." [Islamic-Finance.com](http://www.islamic-finance.com) [online]. Accessed 28 March 2004. Available from [http://www.islamic-finance.com/item40\\_f.htm](http://www.islamic-finance.com/item40_f.htm).

---. "About Islam: Schools of Thought." [Islamic-Finance.com](http://www.islamic-finance.com) [online]. Accessed 28 March 2004. Available from [http://www.islamic-finance.com/item39\\_f.htm](http://www.islamic-finance.com/item39_f.htm).

---. "About Islam: Sources of Law." [Islamic-Finance.com](http://www.islamic-finance.com) [online]. Accessed 28 March 2004. Available from [http://www.islamic-finance.com/item38\\_f.htm](http://www.islamic-finance.com/item38_f.htm).

---. "Fractional Reserve Banking." [The Problem with Interest](http://www.theproblemwithinterest.com) [online]. Accessed 28 March 2004. Available from [http://www.theproblemwithinterest.com/pwi\\_fractional.htm](http://www.theproblemwithinterest.com/pwi_fractional.htm).

---. "Islamic Banking isn't Islamic." [The Problem with Interest](http://www.theproblemwithinterest.com) [online]. Accessed 28 March 2004. Available from [http://www.theproblemwithinterest.com/pwi\\_islamic.htm](http://www.theproblemwithinterest.com/pwi_islamic.htm).

---. "The Great Islamic Mortgage Caper?" [Islamic-Finance.com](http://www.islamic-finance.com) [online]. Accessed 24 March 2004. Available from [http://www.islamic-finance.com/item122\\_f.htm](http://www.islamic-finance.com/item122_f.htm).

---. "The Other Kind of Terrorism." [The Problem with Interest](http://www.theproblemwithinterest.com) [online]. Accessed 28 March 2004. Available from [http://www.theproblemwithinterest.com/pwi\\_terrorism.htm](http://www.theproblemwithinterest.com/pwi_terrorism.htm).

---. "Secular Ideas." [Islamic-Finance.com](http://www.islamic-finance.com) [online]. Accessed 28 March 2004. Available from [http://www.islamic-finance.com/conventional\\_f.htm](http://www.islamic-finance.com/conventional_f.htm).

Dudley, Nigel. "Islamic Banks Aim for the Mainstream." [Euromoney](#) 349 (1998): 113-116.

- Durkee, A. Nooruddeen, trans. The Tajwidi Qur'an.  
Charlottesville, Virginia: an-Noor Educational Foundation,  
2003.
- Ebrahim, M. Shahid, and Abdel-Hameed M. Bashir. "On The Design  
and Efficiency of A Participating Growth Bill." The  
Quarterly Review of Economics and Finance 39 (1999): 513-  
527.
- Ebrahim, M. Shahid, and Tan Kai Joo. "Islamic Banking in Brunei  
Darussalam." International Journal of Social Economics 28,  
no.4 (2001): 314-337.
- El-Ashker, Ahmed Abdel-Fattah. The Islamic Business Enterprise.  
Wolfeboro, NH: Croom Helm, 1987.
- El-Gamal, Mahmoud A. "An Economic Explication of the  
Prohibition of *Riba* in Classical Islamic Jurisprudence."  
In Proceedings of the Third Harvard University Forum on  
Islamic Finance: Local Challenges, Global Opportunities,  
29-40. Cambridge, Massachusetts: Center for Middle Eastern  
Studies, Harvard University, 1999.
- . "An Introduction to Modern Islamic Economics and Finance."  
In Proceedings of the Fourth Harvard University Forum on  
Islamic Finance: The Task Ahead, 145-150. Cambridge,  
Massachusetts: Center for Middle Eastern Studies, Harvard  
University, 2000.
- . "Involving Islamic Banks in Central Bank Open Market  
Operations." Thunderbird International Business Review 41,  
no.4/5 (1999): 501-521.
- Fakhry, Majid. "Philosophy and Theology: From the Eight Century  
C.E. to the Present." In The Oxford History of Islam, ed.  
John L. Esposito, 269-303. New York: Oxford University  
Press, 1999.
- Freeland, Richard. "Ways to Lend Without Interest." Euromoney  
349 (1998): 118-119.
- Greiner, Daniel J. "Lecture Notes for the B Lectures."  
Introduction to Financial Management F301 (I-Core).  
Bloomington, Indiana: Tichenor Publishing, 2001.

- "Hadith Database." MSA-USC [online]. Accessed 11 April 2004. Available from <http://www.usc.edu/dept/MSA/reference/searchhadith.html>.
- Hall, Emily. "Keeping the Faith." Morningstar [online], 30 June 2000.
- Hourani, Albert. Arabic Thought in The Liberal Age 1798-1939. Cambridge, England: Cambridge University Press, 1989.
- Iqbal, Zamir. "Equity and Ethics." Banker 147, no.852 (1997): 64-66.
- Jaroudi, Jamil. "The Challenge of Innovation in Islamic Banking." Speech presented at the annual World Islamic Banking Conference, Bahrain, 9-11 November 2001.
- Johnson, Dale, and Walter Harrelson. Religion, Scriptures and Spirituality: Protestant Christianity. Narrated by Ben Kingsley. 174 min. Nashville, TN: University New Media, 2003. Audio book.
- Kahf, Monzer. The Calculation of Zakah for Muslims in North America. Brentwood, Maryland: International Graphics Printing Service, 1980.
- Kamali, Mohammad Hashim. "Law and Society: The Interplay of Revelation and Reason in the Shariah." In The Oxford History of Islam, ed. John L. Esposito, 107-153. New York: Oxford University Press, 1999.
- . Principles of Islamic Jurisprudence. Cambridge, England: The Islamic Texts Society, 1991.
- Khan, Javed Ahmad. Islamic Economics and Finance: A Bibliography. London, England: Mansell Publishing, 1995.
- Khan, M.A. Muqtedar. "The Mythology of Islamic Economics and the Theology of the East Asian Economic Miracle." In Proceedings of the Fourth Harvard University Forum on Islamic Finance: The Task Ahead, 35-41. Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 2000.
- Kronemer, Alexander, and Michael Wolfe. Muhammad: Legacy of a Prophet. Produced and directed by Michael Schwarz. 120

- min. Menlo Park, CA: Kikim Media and Unity Productions Foundation, 2002. DVD.
- Kuran, Timur. "Further Reflections on the Behavioral Norms of Islamic Economics." Journal of Economic Behavior and Organization 27 (1995): 159-163.
- "Lariba Presentation." The Islamic Banking Network [online]. Accessed 5 April 2004. Available from <http://www.islam.org/Video/lariba.ram>.
- Manji, Irshad. The Trouble with Islam: A Muslim's Call for Reform in Her Faith. New York: St. Martin's Press, 2004.
- Maudoodi, Syed Abul A'la. The Economic Problem of Man and Its Islamic Solution. Delhi, India: Markazi Maktaba Islami, 1979.
- Merriam-Webster [Online]. Accessed 15 April 2004. Available from <http://www.m-w.com>.
- Mishkin, Frederic S. The Economics of Money, Banking, and Financial Markets. 6th ed. Boston, Massachusetts: Pearson Addison Wesley, 2001.
- Morris, Virginia B., and Abdulkader S. Thomas. Guide to Understanding Islamic Home Finance. New York: Lightbulb Press, 2002.
- Morris, Virginia B., and Brian D. Ingram. Guide to Understanding Islamic Investing. New York: Lightbulb Press, 2001.
- Murtuza, Athar. "Analyzing the Contemporary Discourse about Riba among Muslims." Paper presented at the Association of Muslim Social Scientists 32<sup>nd</sup> Annual Conference in Bloomington, IN, 26-28 September 2003.
- National Geographic Society. Inside Mecca. Produced and directed by Anisa Mehdi. 60 min. Washington, DC: National Geographic Television & Film, 2003. DVD.
- Nomani, Farhad, and Ali Rahnema. Islamic Economic Systems. New Jersey: Zed Books, 1994.
- Porter, Jean, and Walter Harrelson. Religion, Scriptures and Spirituality: Orthodox and Roman Catholic Christianity.

Narrated by Ben Kingsley. 174 min. Nashville, TN:  
University New Media, 2003. Audio book.

Public Broadcasting Service. Commanding Heights: The Battle for the World Economy [online]. Produced by Howard Cutler. Television series produced and directed by William Cran. Accessed 4 March 2004. Available from <http://www.pbs.org/wgbh/commandingheights/hi/index.html>.

---. Islam: Empire of Faith. Produced and directed by Robert Gardner. 163 min. Burbank, CA: Warner Home Video, 2001. DVD.

Rodinson, Maxime. Islam and Capitalism. Translated by Brian Pearce. Suffolk, England: Allen Lane, 1974.

Rush, Ibn. The Distinguished Jurist Primer. Translated by Imran Ahsan Khan Nyazee and reviewed by Muhammad Abdul Rauf. Vol. 2. Reading, England: Garnet Publishing, 1996.

Rynecki, David. "Profiting from Conscience: Socially Responsible Funds Go after Liberals and Conservatives Alike." CNNmoney [online], 8 January 1997. Accessed 30 March 2004. Available from [http://money.cnn.com/1997/01/08/mutualfunds/socially\\_responsible](http://money.cnn.com/1997/01/08/mutualfunds/socially_responsible).

Sahadi, Jeanne. "Serving God and Nest Egg: Banking on Your Religious Values Can (Sometimes) Bring Competitive Returns." CNNmoney [online], 6 March 2000. Accessed 30 March 2004. Available from [http://money.cnn.com/2000/03/06/mutualfunds/q\\_retire\\_religion](http://money.cnn.com/2000/03/06/mutualfunds/q_retire_religion).

Siddiqi, Muhammad Nejatullah. Insurance in an Islamic Economy. Leicester, England: The Islamic Foundation, 1985.

Stein, Andrew. "Funds Live by Muslim Tenets: Amana Funds Look for Solid Stocks that Adhere to Islamic Principles." CNNmoney [online], 5 November 2001. Accessed 30 March 2004. Available from [http://money.cnn.com/2001/11/05/funds/q\\_funds\\_amana/index.htm](http://money.cnn.com/2001/11/05/funds/q_funds_amana/index.htm).

Thompson, Jason. "Serving God and Mammon." Euromoney 307 (1994): 46-49.

Uthman, Usamah. "A Short Outline of the Foundations of Islamic Economics." In Proceedings of the Second Harvard University Forum on Islamic Finance: Islamic Finance into

the 21<sup>st</sup> Century, 83-91. Cambridge, Massachusetts: Center for Middle Eastern Studies, Harvard University, 1998.

Visser, Wayne A.M., and Alastair McIntosh. "A Short Review of the Historical Critique of Usury (Riba)." American Finance House [online]. Accessed 4 April 2004. Available from <http://www.lariba.com/financing/HistoricalCritiqueUsury.shtm>.

Vogel, Frank E., and Samuel L. Hayes, III. Islamic Law and Finance: Religion, Risk, and Return. The Hague, The Netherlands: Kluwer Law International, 1998.

Warde, Ibrahim. Islamic Finance in the Global Economy. Edinburgh, England: Edinburgh University Press, 2000.

Widodo, Hertanto, M. Asmaldi Firman, Dwi Hariyadi, and Rimon Domiyandra. Pedoman Akuntansi Syariah: Panduan Praktis Operasional Baitul Mal wat Tamwil. Bandung, Indonesia: Mizan, 1999.

Wigoder, Geoffrey, and Walter Harrelson. Religion, Scriptures and Spirituality: Judaism. Narrated by Ben Kingsley. 176 min. Nashville, TN: University New Media, 2003. Audio book.

Wilson, Rodney. "Islam and Economic Development(1)." In Islam in the Modern World, ed. Denis MacEoin and Ahmed Al-Shahi, 119-131. New York: St. Martin's Press, 1983.

Yaquby, Nizam. "Participation and Trading in Equities of Companies which Main Business is Primarily Lawful but Fraught with Some Prohibited Transactions." Speech presented at the Fourth Harvard Islamic Finance Forum in Cambridge, MA, 30 September-1 October 2000.

---. "Requirements to be Fulfilled when Conventional Banks Set Up Islamic Bank, 'Windows' or 'Islamic Funds'." Dow Jones Index - Islamic Market [online]. Accessed 6 April 2004. Available from <http://www.djindexes.com/downloads/nizam.pdf>

Yunus, Muhammad. Banker to the Poor: Micro-Lending and the Battle Against World Poverty. New York: PublicAffairs, 2003.