CHAPTER - I

ORIGINS OF MODERN CONTROVERSY ON INTEREST

Throughout the history, interest has been an important topic of discussion everywhere. Almost all the religious thinkers and philosophers of the world have condemned it. With the passage of time various theories of the rate of interest were put forward. Available literature on this issue is full of arguments about the high and low rate of interest. Even in modern world, economists believe that, interest creates "liquidity preference" for speculative purposes and results in keeping a large part of the money supply in hoards waiting for the rate of interest to rise.¹ In the Islamic world too there emerged differing views regarding the words 'interest' and 'riba' (usurious). Among the Islamic writers, the prevalent view is that the institution of interest is 'neither indispensable nor ineradicable'. Most of the Muslim economists think that interest should be prohibited regardless of its level

¹ Ernest Mandel, Late Capitalism, (Norfolk: The Thetford Press Limited, Thetford, U.K., 1983), Ch. 14. The author, while tracing the evolution of capitalism, gets the conclusion that ongoing increase in the nominal rate of interest combined with permanent inflation may forbid longterm investment project altogether, i.e., both reinforce the reduction in the turnover-time of fixed capital due to the acceleration of technological innovation, and postpone indefinitely certain projects which are too risky because of the long duration of turnover involved in them (p.454).
and of the nature and purpose of the loan involved. However, there are still many others for whom it is not at all clear whether the Qur'anic ban also covers that institution of interest as it exists today. They claim that what Qur'an banned was the ancient Arabian practice of *riba*, which allowed the doubling and redoubling of debt when the borrower failed to make restitution on time. They think that in pre-Islamic Arabia, *riba* was responsible for the effective enslavement of people. The purpose of the Qur'anic ban, in their view, must have been the 'elimination of this potent source of inequality and communal friction'.

Whether the ban was in fact intended to apply on all the forms of interest, this was not clear even to the early Muslims. However, a controversy that is often raised is in regard to the definition of *riba*. While explaining the controversy on *riba*, as a result of some conflicting Traditions, some modern writers have started thinking that the controversy on *riba* is not due merely to

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3 The doubts concerning this issue have been documented by Fazlur Rahman, "Riba and Interest", *Islamic Studies*, (Karachi), 1966, p.44.
the meaning attached to it by some translators of the Qur'an; for if that were the case then the insertion of the word 'interest' for 'usury' in the translation would have resolved the matter. The fact that there was room for different interpretations of the Qur'anic injunctions against riba is traceable to the time of the Caliph 'Umar in the first century of the Islamic period, who is quoted as having said: 'The last to be revealed was the verse of usury (riba) and the Prophet expired without explaining it to us. Therefore, give up usury or anything resembling it.'

In this way, it is implied that not only 'Umar wished there were a greater explanation regarding all aspects of riba, but also that he wanted an interpretation according to which one must avoid anything which might resemble riba. One writer, on the basis of Caliph 'Umar's views, writes that:

"If he [Umar] meant that riba is usury then Islamic behaviour would require two kinds of patterns, one a following of the given interpretation case by case as established by fiqh (systematic interpretation of Qur'anic injunctions), and the other,"

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4 This report is recorded in the Musnad of Ahmad b. Hanbal the Sunan of Ibn Majah, Musannaf of Ibn Ali Shaybah, Dala'il al-Nubuwwah of al-Bayhaqi and similar other compilation of the Muhaddithun of the later period. See 'Ali al-Muttaqi, Kanz al-'ummal, 1312 A.H., 11231 (No.4954), as cited by Fazlur Rahman., Op.cit., p.8
in case of doubt, in which a person must follow his best judgement until assessment is given by ifta (the scholarly exercise of such judgement). If, on the other hand, 'Umar meant interest in his statement, then only nonmonetized transactions in the form of barter may involve some problems of interpretation. For monetized transactions any interest above zero would qualify as riba. In the case of nonmonetized transaction there are also two types of behaviour patterns under the latter interpretation of riba; first, avoiding examples involving barter which had been declared as constituting riba by the Prophet Muhammad, and second, monetized transactions through the market and thus avoiding problems of interpretation.\textsuperscript{5}

In fact, the main issue of this controversy is the effort to make a distinction between riba and interest. The conflicting Hadith literature (which we will elaborate later on) do not help to define riba in exact manner. But at the same time the view may be taken that the Qur'anic injunction against riba are absolute and thus the prohibition must be accepted as they stand. Imam Razi and other scholars of Islamic law have presented a variety of arguments for these injunctions. In the final analysis

\textsuperscript{5} M. Siddiq Noorzoy, "Islamic Laws on Riba (Interest) and their Economic Implications", International Journal of Middle East Studies, (U.S.A.) vol. 14(1982), pp. 3-17.
they are reduced to the two types of loan transactions on consumption and investment, and the reasons attached to the prohibition of *riba* on these types of loans. Among the contemporary writers, both views are found; one is that the positive rate of interest is acceptable for the modern commercial transaction, whereas economic rate of interest occupies the same place as price and regulates the supply and demand for credit, and in this way ration it among the customers. Yusuf Ali, an eminent translator of the Qur'an, translates *riba* as 'usury' and states that "My definition (of usury) would include profiteering of all kinds but exclude economic credit, the creature of modern banking and finance." However, this view is rejected by several modern writers. They generally interpret *riba* to mean interest rather than usury, and thus argue for a zero rate of interest.


on all transactions. 8

Meaning of Riba

As mentioned above the Arabic word *riba* literally means 'increase or addition of to any thing'. It also means 'expansion and growth'. 9 The Qur'anic suras as quoted earlier clearly indicate the meaning of *riba*: "God destroys *riba* but makes alms

8 See for detail but uncritical study, M.N. Siddiqi, *Muslim Economic Thinking: A Survey of Contemporary Literature*, (Leicester: The Islamic Foundation, 1981). The author has presented the views of Islamic writers who have analysed the role of interest in the economy and have traced the consequences of its abolition. Muslim scholars compare interest and "profit share" as means of mobilising saving and channelising them into the productive process. They have pointed out that the institution of interest introduces an essential duality of interest between the capitalist and the entrepreneurs, which is a source of fluctuation in the systems. According to them, by abolishing interest and bringing the capitalists and the entrepreneurs together on the basis of profit-sharing, Islam ends this duality and harmonises the interest of two classes. However, their main argument against the interest is that the borrowed capital whose repayment to the lender is guaranteed takes no part in the enterprise in which it is invested and is, therefore, not entitled to any returns even when the enterprise does make a profit. This capital does not expose itself to the risks and uncertainties of the enterprise (p.64).

9 See the word *riba* in Ibn Manzur Lis'an al-Arab (Beirut: Dar Sadir Li Taba'a wa'l-Nashr, 1968), vol.14, pp. 304-7, as cited by M. Umar Chapra, 'The Nature of *Riba* in Islam', *Hamdard Islamicus*, vol. 7; 1984, p.4.
prosper" (11:276) and "And whatever you invest in riba so that it may increase upon the people's wealth, it increases not with God". (xxx:39).

Thus, it is not every increase or growth which has been prohibited. In Islamic jurisprudence it is defined as "an increment in money or goods having no compensation in a transaction". In other words, it is a predetermined excess or surplus over and above the loan capital received by the creditor conditionally in relation to a specified period. Thus it includes all types of interest resulting due to late payment or due to unequal exchange of the same commodity.

The question whether the ban on interest should also apply to commercial bank interest charges had for long been debated. Those who support the commercial interest think that Islam prohibited interest only on consumption loan, which entitled exploitation of the needy and the underprivileged. So far as commercial and productive loans are concerned, Islam has no objection to them. As such there is nothing wrong with modern banking.

Although the controversy has continued for long time, especially in the Christian world after the industrial revolution, it did not carry much weight with the Islamic people. The early Muslim modernists opposed *riba* but defended interest. Now the idea is gaining ground among many Muslim writers and economists that interest is prohibited in all its form. The Islamic injunction against *riba* is in fact a special case of a more general rule which prohibits all financial deals which promote social inequalities. A contemporary Muslim economist has asserted that:

"Prohibition of *riba* is the Islamic rejection of a particular mode of capital pricing, namely through positive interest rates, which offends the Islamic ethical philosophy instruments. It follows that to enforce the Islamic injunction, alternative means must be found to price capital

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11 Mohsin S. Khan and Abbas Nirkhor, "The framework and practice of Islamic banking", *Finance & Development* (September 1986), p.33. Also in detail, see Khursheed Ahmad (in forward), *A Survey of Issues and a Programme for Research in Monetary and Fiscal Economics of Islam* (Islamabad: Institute of Policy Studies, 1981), p.2. It is now a general view that Islam is opposed to the principal of a fixed pre-determined return on capital, whether used for consumption or productive purposes and whatever be the rate of this pre-determined return, normal or exorbitant.
appropriately, satisfying the requirements of Islamic ethics". 12

The concept of the cost of capital is a controversial issue among many Muslim scholars. In modern context, the cost of capital originates from the concept that money is a limited stock and it cannot be a 'free commodity, hence there should be a price for it.

12 S.N.H. Naqvi, Ethics and Economics, (Leicester: Islamic Foundation, 1981), p.43; Muslim Scholars, generally do not accept the cost of capital, because, if a saver deposits his money in a bank, he can always draw his money from the bank and avail of the 'opportunity' that he may have come across. Therefore, there is no opportunity cost involved - In fact the concept of opportunity cost of capital was raised by the money — lender to legitimise to their unlawful interest earnings. Originally there was a lot of resistance on the part of Church to allow usury. Then the opportunity cost argument was coined to persuade it to allow interest in those cases where a lender losses an opportunity to invest, if it arises during the period his money is being used by the borrower. The church agreed to relax the prohibition of usury on the basis of this argument. From this relaxation followed the wholesale legitimisation.
Modernist Views on Interest

It is generally asked whether there is any distinction between *riba* of the Qur'an and the interest of the capitalist world. This is an important question because it makes one to further ask whether an interest-free economy can come into existence and further that what is the alternative of interest and whether the elimination of interest from the economy can be replaced by profit-sharing system. The modernists "think that the prohibition on borrowing and lending at interest can only be enforced in a primitive Islamic society with Islamic morals." This important assumption is considered necessary before interest-based system is eliminated. The main reason for the modernist

13 M.A. Mannan, *Islamic Economic Theory and Practice* (Idarah-i-Adabiyyat-i-Delli, 1980), p.158. A searching criticism of some recent attempt to justify interest has been made by Mahmud Abu Saud, who also warns against the tendency of treating money capital as if it were capital goods or real assets, a tendency that has become quite frequent in modern literature. Western writer, particularly, equates the price with the rental use of money, giving the impression that to use the service of money is exactly as to use the service of a doctor. The obvious objections to treating interest as rent are that money as a medium of exchange is not supposed to depreciate and that you do not rent something that perishes or disappears once you use it. See for detail, Abu Saud, Mahmud, "Interest free banking". Paper presented at the First International Conference on Islamic Economics, Mecca, 1976, Mimeo., p.164.

to defend interest is that, the economies of the Islamic World have shifted to a greater extent into the western block and no doubt, for this, 'many obstacles of religious nature come in their way to reach the western standard of living and to adopt the monetary instruments and the institution of the West. But so far as monetary conditions are concerned, the main facts to be noted is that the Qur'an prohibited riba which according to traditional interpretation should also cover interest'.

The modernists believe that what Islam prohibits is riba and not interest. In their opinion interest paid on loans for investment in productive activities would not contravene the laws of the Qur'an, for it refers only to riba on non-productive loans which prevailed in pre-Islamic times when people were not familiar with productive loan. The basis of the injunction against riba on consumption loan is that those who borrows are assumed to be in need of such loan for purpose of maintaining some standard of living. To make loan to another without riba, then, is an act of charity. Thus, those with higher incomes,

therefore, higher savings, are asked to make loans to those with lower income who are in need without having to extract *riba* from them. The prohibition of *riba* on consumption loan is also clearly aimed at the allocation of purchasing power from the rich to the poor. The loans can be classified into consumption loan and production loan and that *riba* forbidden by the Qur'an is that which is connected with consumption loan only. It is thought that in the case of production loan, where, due to investment in productive projects of lucrative return, there would be no sin in demanding interest.\(^\text{16}\)

**Production Loan**

Regarding the controversy over the productive and non-productive loans in pre-Islamic Arabia there are still differences of opinion on this: the modernists argue that people of the pre-Islamic Arabs resorted to *riba* for meeting their consumption requirements only. Therefore, in their view, the Qur'anic prohibition of *riba*, in any case, cannot apply to such economic

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\(^{16}\) Sayyid Ahmad Khan, *Tafsir al-Qur'an*, vol. 1, pp. 298-313, Aligarh 1882. The Indian Modernist, Sayyid Ahmad holds the view that interest on production loan is not *riba* and that interest on consumption loan would be *riba* only if the debtor was poor and not able to pay the interest.
practices which were not present at that time. 17

Among the Muslim modernists Muhammad 'Abduh is considered as the first among the prominent 'ulama' of modern times who initiated a discussion on the problem. He is quoted as having recommended bank interest as lawful according to the shari'ah. It is said that he gave this opinion at the request of the Postal Authority of Cairo. 'He gave a verdict that the profits on the postal saving accounts operated by the Muslim depositors could be apportioned by them. It should not come under the category of riba, but it should be treated as profit gained from

17 CF. Ziauddin Ahmad, 'The Theory of Riba, Islamic Studies, Vol. 17, 1978. The author has mentioned the Egyptian Ulemas, who were in favour of bank interest merely on the above ground. All of them suppose that bank interest is not 'riba'al-nasi'ah, hence lawful. They also regarded it as subject to Ijtiham as 'riba'al-fadl. The author has presented the view of 'modern Arab 'Ulama', some of whom held the post of Shaykh al-Azhar i.e., Mifti Abduh, Rashid Rida, Mahmud Shaltut, Abd al-Wahab al-Khallaf, Ibrahim Zaky al-Din al-Badwai are reputed for their opinion that present bank interest is not the same as riba in Qur'An.
Mudarabah business undertaken by the postal authorities.\(^1\) Muhammad Rashid Rida, the disciple of Muhammad 'Abduh followed his master in this respect.

A modern Muslim writer says that: Rashid Rida was

"an exponent of the Mudarabah theory of bank business (with interest) who very often quotes his teacher in support of the position taken by himself in legalizing bank interest from the Shari'ah viewpoint. But according to other scholars opposing bank interest as lawful are generally reluctant to give any credential of authenticity to 'Abduh's opinion on the problem as found in the writing of Rashid Rida. In their view Rashid Rida might have sometimes attributed his own opinion to his teacher. But about another Egyptian writer the author mentions that "Muhammad Shaltut, a former Shaykh of al-Azhar, refused to recognize bank interest as lawful, but later on he changed his opinion and ranked himself with Rashid Rida and others to accord sanction of legality to the present bank interest. On the other hand, Ibrahim Zaky, al-Din'l Badawi remained a staunch supporter of bank interest in his early writings, and later he reviewed his opinion and authored the book entitled, Nazariyyah'l-Riba'l-Muharram fil'l-Shari'a'l-Islamiyyah.\(^2\)"

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\(^1\) Ibid., p.184.

\(^2\) Ibid., p.185.
Nature of Consumption and Production Loan

As far as the modernists views on the nature of loan are concerned, there is absolutely no evidence to support the contention that riba of the Jahiliyyah was on consumption and not on production loan. There are a good deal of historical record to prove that position of the Arabs in Mecca was as a trader, and hence it is difficult to believe that loans were for consumption purposes only. The Qur'anic verses about remitting the principal in the event of the borrowers hardship does not refer to consumption loan. It refers essentially to interest based.

Traditional View of Interest

Traditional view on interest greatly differs from modern thinking, where Qur'anic riba and contemporary commercial interests are treated alike. In recent years literature supporting

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20 Most of the interest-based transactions mentioned in the classical commentaries in relation to the prohibition of riba are loan taken by the tribes from each other, each tribes acting like a large partnership company. (For an excellent factual presentation on the subject with numerous solid references from primary sources, see, Mufti Muhammad Shafi, Mas'al a'-e-Sud (Urdu) (Karachi, Idarah al-Ma'rif) 1374 A.H.), pp. 18-23, and 'Riba' in Urdu Encyclopaedia of Islam, (Lahore : Da'iratal Ma'arif-i-Islamiyya) n.d.
this traditional thinking are appearing at an increasing scale. Though it cannot be claimed that an interest-free system will replace present interest-based system, but the emergence of Islamic banking system (interest-free banking) have generated the debate on this issue.²¹

By traditional view here is meant that line of thinking which is in accordance with Sha'ri'ah law. The basic attitude of the traditionalist is this that riba and interest are one and the same. According to a well-known medieval Muslim theologist Fakhr al-Din al-Razi the Arabs of the Jahiliyah period recovered riba monthly without affecting the sum advanced. When the time for settlement came, the principal amount lent was demanded and if the debtor was unable to pay, the lender increased the amount in his own favour and granted extension of time. This was how the Arabs of the Jahiliyah used to transact their lending operations. From the observation of this learned jurist, it can safely be said that riba which was prevalent in pre-Islamic era consisted in extending the time limit and increasing the amount

due so much so that the borrower would at the end of the period of the loan returned to the lender double or even more of the principal sum. 22

A survey of Islamic history shows that the Muslims always considered riba as forbidden. They managed their economy and carried on domestic and international trade without the institution of interest. Profit-sharing and various kinds of participation arrangement served as adequate bases for saving and investment and considerable capital was mobilized in mining, ship-building, textile and other industries as well as for wartime trade. 23 There did not exist any distinction between interest and riba but the conflict between the Shari'ah and practice continued to exist as an unresolved problem of Islamic history. It was realised that the Islamic notion of interest was mainly a medieval idea and it has no connection with what actually takes place in the modern world. As a result of this, Muslim economists started to find out the alternative of interest. It is

22 M.A. Mannan, op. cit., p. 159.

profit and loss-sharing that bears the true spirit of Islamic concept of justice. Up till now a good number of literature has come out in the support of the theory that profit-loss sharing system is superior to interest-based debt financing on ground of efficiency.

Controversy on Hadith Literature

The main controversy on the riba arises due to its definition. The riba mentioned in Qur'an implies to that kind of riba which is consisted in doubling and redoubling of the original amount. This is the riba related to pre-Islamic days i.e. riba'ul-Jahiliyah. Although the Qur'an does not give any specific definition of riba'ul-Jahiliyyah, but its nature and characteristic

24 A Current Study on the issue is by Waqar Masood Khan, Towards an Interest-Free Islamic Economic System, (Leicester: The Islamic Foundation, U.K., 1985). The author accepts the position of total prohibition of interest and adopts profit-loss-sharing as the alternative to interest-based financing. He has analysed the issue in the context of secular economy. In this way he has departed from the usually assumed ideal-Islamic society condition. He has integrated the profit-loss sharing into the mainstream economies. This is an approach which Muslim economists could adopt to Islamise economies, instead of the more common style of stating Islamic Jurisprudence in the terminology of secular economies.
features are manifested in various *riba* verses of the Qur'an. The modernists also think that Qur'an prohibited only such kinds of pre-Islamic *riba* as used to make the principal sum several fold with the passage of time. As we have mentioned earlier, in pre-Islamic Arabia *riba* became due when a man owned another a debt, at the time of its maturity the creditor would ask the debtor, will you repay? Will you increase? If the debtor paid up, the amount was received otherwise the debtor increased the amount and the creditor extended a further term.  

By the above statement, it is implied that credit was offered free of *riba* for the first term, and that the *riba* was charged only when the debtor failed to discharge the debt at the end of the first term. Therefore, the *riba'l-Jahiliyyah* is certainly different from the usual interest bearing dealing which stipulates the increase from the very beginning. In comparison to *riba'l-Jahiliyyah*, and the loan with interest, in which the increase is stipulated in the first term is something different. Hence the question arises: was it not a common knowledge among the Arabs that what Qur'an prohibits is merely *riba'l-Jahiliyyah*

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and not the *riba* as production loan? This is the main point from which the controversy originates. The Qur'an has not mentioned clearly the nature and definition of *riba*. The fact that there was room for different interpretation of the Qur'anic injunction against *riba* is traceable to the time of Caliph Umar, in the first half century of Islamic period who is reported to have said "The last to be revealed was the verse of usury and the Prophet expired without explaining it to us. Therefore, give up usury or any thing resembling it".  

Thus not only Caliph 'Umar wished there were a greater explanation regarding all aspects of *riba*, but also that to be safe he opted for an interpretation according to which one must avoid anything which might resemble *riba* in dealing with others. The Hadith literature covering the various dimensions of the nature of *riba* is sometimes in conflict with each other. Particularly the traditions related to the exchange of same item. Take for example, the following hadith: "Abu Rafi, a client of the Prophet said: "the Prophet borrowed a young camel from some person, and when camel from the camel of the Sadaqah came to

26 For detail see, M. Siddiq Noarzay, "Islamic Laws on *Riba* (interest) and their economic implication", International Journal of Middle Eastern Studies, (U.S.A.), vol 18, 1986, p.4
him, he ordered me to pay back the man his young camel. When I told him that I could find only an "excellent" camel in its seventh year, he said, 'give it to him, for the best person is he who discharges his debt with something better'.

It is said that the above tradition created doubt that the conversion of *riba* into the "virtue of the goodness' in the repayment of loan" related only to the purchase and sale of cattle. Regarding this tradition two opinions have been expressed. The first is that, if at the time of repayment of a loan, the excess paid over and above the principal sum of money is not *riba* in the case of cattle, what is to happen to the universility of the diction so very much insisted upon by our 'doctors': that every loan from which a profit accrues is *riba*. 'The second question that is asked regarding this tradition is that 'goodness in the repayment of loan' in the case of cattle, becomes, when applied to forms of wealth other than cattle, an evil of enormity that it is characterised as an act of war against God and his Prophet. In this way the variation in the Hadith literature creates doubts and controversy. The Sunan of Abu Da'ud and the Masnad of Ahmad b. Hanbal are quoted to showing that such an unjust distinction between cattle and other forms of wealth cannot be attributed to the Prophet. A similar

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27 *Muslim, Sahih, Kitab al-Bu'yu.*
Hadith in the Sunan of Abu Da'ud is: "Muharib reported that he heard Jabir b. 'Abd. Allah saying that Prophet owed him some money and at the time of repayment of the loan the Prophet added some money in excess of the principal borrowed". 28

The modernists on the ground of this tradition say that 'no attempt to define riba in the light of Hadith have so far been successful. The question is asked whether all the traditions relating to riba, having been found unauthentic should be rejected in toto? It is also asked whether the Qur'anic declaration that if people do not give up riba, they should be prepared for a 'war from God and his Prophet' refers to such transaction? and whether it is with reference to these dealings that such hadith have been narrated in which it is said that the taking of riba is as revolting as incest'. 29


29 Ibid., p.30., Regarding this issue, the author thinks that the evolutionary process through which these hadiths have passed, and these do not seem to be authentic. But it would be a grave folly to ignore their moral import since they are sincere and performed attempts at interpreting and elaborating the sunnah of the Prophet and the Qur'anic injunctions. The Fact is that the spirit underlying these efforts was the Qur'anic spirit in respect of economic life and economic system that it wanted to promote. Therefore, in order to understand riba as meant by the Hadith, it is first necessary to understand what the Qur'an meant by riba (p.30).
Regarding the various types of Hadith on *riba*, a modernist

writer says:

"The contradiction found in the Hadiths in respect of *riba* is difficult to resolve. On the basis of *Isnad* alone, there is not much scope either for the rejection or acceptance of these traditions because, the *Sihah* works contain a good number of Hadiths on each aspect of these topics. Every one of these Hadith is either *Sahih* i.e. supported by a strong chain of authorities or is supported by other Hadiths of the level of *Sahih* Hadith. The surmise made on the basis of *qiyas* (analogy) are not so important in our opinion as the historical order of these Hadiths, because the historical order is something which is based on certainty, and is not a mere matter of probability. If these Hadiths are viewed in this way, it becomes apparent that there is a clear process of development involved therein. This process of development is at the bottom of the contradiction found in Hadith material. Besides, the abovementioned contradiction most of these Hadith are full of other complexities, which we find it almost impossible to resolve."

30 The author mentions that if there is hand to hand exchange of articles like gold, silver, wheat, dates or salt in excess or in deficiency, that would become *riba*, in accordance with the most widely current traditions. This is called as *riba al-fadl*. The author put question that whether the Qur'anic declaration that if people do not give up *riba*, they should be prepared for 'a war from God and His Prophet'. refers to such transactions and whether it is with reference to those dealings that such hadith have been narrated in which it is said that the taking of *riba* is as revolting as incest. The author quotes the *Muwatta* of Malik and the *Sahih* of al-Bukhari, who say that excess is permissible in a transaction involving cattle, even on credit, and such excess cannot be characterised as *riba*. The question, therefore, arises as why such excess in respect of other forms of wealth should be considered *riba*. Further more, the *Sahih* of Muslim and other *Sahih* works contain Hadiths showing that the credit transactions, not only of cattle but even of slaves and coins of copper is permissible, even when such transaction involves excess. See al-Bayhaqi, 'al-Sunan al-Kubra', (Hyderabad), 1352. A.H., V: 288; as quoted by Fazlur Rahman, *Op. cit.*, p.20.
The above statement throws some light on the complexities of Hadith that concern with rība'ī-fadl. In view of these sharp differences found in the Hadith literature the modernists do not think the commercial interest also comes in the category of rība.

So far as rība'ī-nasi'ah is concerned, there is hardly any difference of opinion among Muslim writers because Qur'an has clearly mentioned it. The controversy arises from the rība'ī-fadl which concerns the exchange of the items about which there are contradictory statements in the Hadith.\(^{31}\)

In modern times, particularly when the commercial interest is considered as Qur'anic rība by the Muslim traditionalists, their most persuasive argument against interest is that it is

\(^{31}\) For detail see Fazlur Rahman n, "A study of commercial interest in Islam", Islamic Thought (Aligarh) 5 (4 & 5) July-October, 1956, p. 24-46; In fact, the prohibition of rība'ī-fadl has been looked upon as a discouragement of barter and a step directed at monetization of the economy. The primary aim of this injunction is, however, to eliminate the possibilities of exploitation and injustice similar to that which is the target of prohibition of interest on money loan. See Sheikh Ahmad Irshad "Islamic Economy and the Elimination of Interest", Voice of Islam (Karachi), vol. 12; November 1963; pp. 78-85.
unjust to demand a reward without participating in the risk of enterprise. But according to this definition large number of economic transactions can be brought under riba. 'What about a doctor who charges a fixed fee without ensuring that his treatment would certainly have a positive effect on the patient? Again, why should a lawyer charge a fixed wage rate without being able to guarantee the successful defense of the client? and why should a labour union contract for a fixed wage rate without caring for the profitability of the enterprise? These are the important question when the nature and definition of riba is discussed. 32

32 This is a complex point in Islamic economic literature. For a full discussion see Waqar Masood Khan's admirable, Towards An Interest-Free Islamic Economic System, (Leicester: The Islamic Foundation, U.K., 1985). The author notes that it is not a fixed predeterment reward that makes a payment riba nor is it non-sharing of risk. Riba is an increment on Principal sum, which does not have an equivalent in exchange. The lender gives the money to the borrower and takes it back, but the interest that the former receives is not compensation for anything.