

Book Review

Prohibition of Interest: Does it make sense?

By: Dr. M. Umer Chapra

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This booklet consists of three different papers published in Saudi Airlines monthly *Ahlan wa Sahlan*. Later on, Islamic dawah movement of South Africa published their revised and updated versions in the present form.

Author, basically, deals with three different sets of questions related to Islamic Economics. Firstly, Has Islam really prohibited interest? Apart from the usual discussion based on the *Quran* and *Sunnah* some early commentaries, dictionary and important *fatawas* are also referred and quoted to prove that interest is *Riba*, which is prohibited. The author discusses *Riba al Nasiyah* and *Riba al Fadl*, however it is *Riba al Fadl*, which is discussed in detail. Four possible ways of indulgence in *Riba al Fadl* is specifically mentioned.

1. Exploitation in trade through any unfair means
2. Accepting a reward for recommending a person.
3. Barter transactions (because of difficulty in measuring the counter values)
4. Exchange of homogenous items in different quantities or at different times.

One may disagree with the author here that some directive principles of Islamic Economic Policy have been incorporated here under *Riba Al-Fadl*. However, one would not hesitate to accept that *Riba al Fadl* has been, throughout history, one of the controversial points of debate. Author himself has hinted towards this by quoting Caliph Umar "Abstain not only from *Riba* but also from *Ribah* (doubt or suspicion)". Author stresses that while *Riba al Nasiyah* was well known to the world during that period, *Riba al Fadl* is a unique contribution of Islam to the world.

The second question of this book is, "Prohibition of interest: Does it make sense"? The author starts his discussion with a point that "it is not Islam alone which has prohibited interest rather all major religions like Judaism, Christianity and Hinduism have also done the same". However, it can be pointed out here that there may be some kind of reservation regarding interest in other religions, but no religion unlike Islam has completely shut its door for interest. Jews allowed it to non-Jews while Christians could not resist it for long. As far as Hinduism is concerned there was never any strong injunction lest Manu would not have fixed a ceiling on interest rate. It is only Islam whose teaching and injunction regarding interest is clear and final. A brief discussion is also made on those who argue that interest is prohibited because it exploited the poor in favour of the rich and since no such situation is present today therefore prohibition stand void. Author has proved that this argument does not stand before history.

Finally, he asks: "Banks without interest: is it conceivable"? Dr. Chapra started discussion with a point often argued by the proponents of interest that every thing has a price and so is the interest for capital, which plays a crucial role in the supply of, and demand for, financial resources in the economy and that it is the interest which helps in the allocation of financial resources mobilised.

Dr. Chapra questioned the suitability of this price, keeping in view the objectivity of humanitarian goals. He further argues that living beyond means is the result of easily available credit at interest, which is the prime cause of macro economic imbalances and financial instability. To cure this, Dr. Chapra highlighted the need for an equity-based economy, which is the foundation stone of Islamic economic system. Profit and loss modes of financing are suggested as a basis for financial intermediation of Islamic economy. Some other modes of financing, like *Murabahah*, *Ijara*, *Salam* and *Istisna* are also discussed by the author. In the view of this reviewer this is an excellent piece of writing for understanding Islamic stand on interest.

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