129458 - What Is Riba?

the question

What is the definition of riba? If we take into account the fact that in most countries the economy is based on the principle of the circulation of capital, which includes lending, is accepting payment in that particular currency for any work regarded as an action that supports the riba-based system?

Is using the currency of a state that is based on riba regarded as contributing to the usurious economy?

Undoubtedly the employee in a riba-based bank plays a part in riba-based transactions one way or another, even if he is a security guard for the bank. Could you offer him a better job if you have anything to offer?

Summary of answer

1- Riba means an increase in a particular item.
2- Riba originated among the people of the Jahiliyyah
3- If money is deposited in a riba-based bank, then taking the interest is haram and it is not permissible to consume it.
4- It is not permissible to deal with riba-based banks, and loans based on interest are not permissible.

Detailed answer

Praise be to Allah.

What is riba?

Riba means an increase in a particular item. The word is derived from a root meaning increase or growth. Allah, may He be exalted, says (interpretation of the meaning): **“Whatever you pay as interest so that it may increase (li yarbu) the wealth of people does not increase (fa la yarbu) in the sight of Allah”** [ar-Rum 30:39]., i.e., it does not increase or rise in status before Allah.

History of riba

Riba originated among the people of the Jahiliyyah. If a debt became due, they would say to him (the borrower): Give us one hundred (that is due, now), or increase it to one hundred and fifty (and pay later). Then when the one hundred and fifty became due, they would say: Give us one hundred and fifty (now), or increase it to two hundred (and pay later) -- and so on.

What is riba al-fadl?

Islam also forbade another kind of riba, namely riba al-fadl, which means adding to the amount when exchanging one item for another of the same type. So if gold is sold for gold, that is not permissible except like for like, hand to hand. Islam stipulated that the exchange should be done hand to hand and that the items or goods should be of the same quality. Whoever gives more or asks for more has engaged in riba. If he sells a saa‘ of wheat for two saas (of the same commodity), even if it is hand to hand, he has engaged in riba.

What is circulation of capital?

The principle of the circulation of capital exists in both the Muslim world and the non-Muslim world. What it means is circulating capital so that it will increase. The same applies to lending; they give money as a loan provided that it will increase when they get it back. Such transactions are undoubtedly riba.

What is the meaning of mudarabah?

There is nothing wrong with the principle of the circulation of capital if the capital is invested in trade or business, and the profit is shared between the owner of the capital and the worker.

This is called mudaarabah (profit sharing), and there is nothing wrong with it if the capital is kept distinct from the profit. If this money is deposited in a riba-based bank , then taking the interest is haram and it is not permissible to consume it.

Dealing with riba-based banks: Permissible?

It is not permissible to deal with these banks, and loans based on interest are not permissible. It is also not permissible to accept payment in that currency for any job if that job helps to support a system that is based on riba .

With regard to using this currency (such as the dollar), there is nothing wrong with doing so in the case of necessity, even if that leads to helping to advance the economy of that country. That is because the dollar is accepted in most Muslim and other countries, so it is permissible to deal with it because of necessity. But if there is an Islamic currency that is used, then we can do away with the dollar.

And Allah knows best.