39505 - Interest based loans

the question

The state has allocated special funds for business start-up for unemployed youth who have graduated from university. This fund is divided into two sections:
1 – 30% of the costs of start-up are paid by this fund. This money is to be paid back over 5 years, without interest.
2 – 70% of the costs are paid by the national bank. This money is to be paid back over 5 years with interest at a rate of 4%.
What is the Islamic ruling on this scheme?.

Detailed answer

Praise be to Allah.

There is no problem with the first kind of funding, because it is a kind of goodly loan (al-qard al-hasan).

But the second kind is a riba-based loan which is haram, no matter what the rate of interest. Imam Ibn Qudaamah (may Allah have mercy on him) said: “Every loan in which it is stipulated that something extra must be paid back is haram, with no difference of scholarly opinion. Ibn al-Mundhir said: [the scholars] are unanimously agreed that if the lender stipulates that the borrower must pay extra or give him a gift, and he lends him money on that basis, then accepting the extra payment is riba. It was narrated from Ubayy ibn Ka’b, Ibn ‘Abbaas and Ibn Mas’ood that they forbade every loan that brings benefits, because loans should be given as an act of kindness and an act of worship aimed at bringing one closer to Allah. So if there is a stipulation of extra payment, this diverts the loan from its purpose.”

Al-Mughni, 6/436.

If you can apply for the first kind of funding, there is no sin on you, because it is permissible, as we have mentioned.

But if that is subject to the condition that you also apply for the second kind, then it is haram to do that.

And Allah knows best.