

## **Qur'anic Concept of *Al-Bay* & *Al-Riba***

**Farooq Aziz**

*Department of Business Administration  
Federal Urdu University, Pakistan*

**Tasneem Fatima**

*Department of Education  
Federal Urdu University, Pakistan  
Email: drfaziz@yahoo.com*

### **Abstract**

Qur'an has used two terms *al-bay* & *al-riba* to represent reward of labor & capital respectively. According to Qur'an reward of each & every capital (asset) is included in *al-riba* and it is not just restricted to debt as the prevailing concept of *riba* claims. Same as it does not mean that just very high rate of interest (usury) is *riba*. On the other hand *al-bay* means a particular type of transaction in which increase in capital is due to human effort and this transaction should not be harmful to society & for the persons who are involved in it. So this debate should be taken as reward of Capital (assets) Vs reward human labor. Qur'an has prohibited the former & allowed the latter.

**Keywords:** Qur'an, *al-riba*, *al-bay*, prohibited, Islam, Qur'anic concepts.

### **1. Introduction**

No doubt there is almost a consensus on the definition of *riba* between Muslim scholars, and this term is defined in these words "*riba is an increment on debt which a creditor receives from the debtor on expiry of loan; subject to the condition this increment is pre-decided and part of the agreement (Shariah Appellate Bench, 2000)*. But this definition gives a limited concept of this term and does not qualify any standard of reasoning (Aziz, 2011a). On the other hand Qur'anic concept of *riba* is based on a broad concept and according to it, each & every increment in capital (assets) is *riba* and it is not restricted just to debt as the above mentioned definition said (Aziz, 2011b).

Before to start discussion on Qur'anic concept of *riba* a basic fact should be kept in mind that, *Allah* has provided only two sources of income to mankind, one is her labor and the second is capital. It means that men can get income either from his dint of labor or with any capital in which all types of assets are included e.g. cash, machines & equipment, plant, offices, houses or shops in the form of building etc. Definitely there is not any other source of income for human being. Qur'an has termed the former as *al-bay* and considers it as lawful, and the second is *al-riba* which is prohibited by Qur'an. This fact is clear from the following verse of Qur'an

"The persons who devour *al-riba* become like the one whom Satan, has bewitched and maddened by his touch. They have been condemned to this condition because they say. *Al-bay* is just like *al-riba* whereas Allah has made *al-bay* lawful and *al-riba* unlawful. Henceforth if one abstains from this practice after receiving this admonition from Allah, he shall keep the *riba* that which is past and his case shall ultimately go to Allah. But if one repeats the same crime even after this, he shall go to Hell, where he shall abide forever" (Chapter 2 Verse 275).

It is important to note that, Qur'an has used the term *al-bay* (the trade) and *al-riba* (the increment) in this verse. It simply means that Qur'an is focusing on some special trade as well as *riba*. Unfortunately no

attention is given on this basic point and both of these terms are used in their ordinary sense i.e. *bay & riba*. This ignorance has created a lot of problems in this regard, which is the main reason of many misconceptions in this context.

Hence in order to understand the base of this difference, these Qur'anic terms are analyzed individually in the following lines.

### *1.1 Al-bay (The trade)*

In Arabic language the term *bay* means sales, or purchase or trade (Nadvi, 1988). Qur'an has used this term in the same meaning in chapter 62, verse 9, chapter 2, verse 254, chapter 9, verse 111 and chapter 48 verse 10 etc.

A transaction will be termed as *bay* when a seller sells one or more commodities to the buyer and get profit or loss from it. Whatever may be the result, the important point is that, it is the result of dint of labor of seller. It is the main characteristic of this type of transaction, in the other words the profit which increases the capital of seller is the result of his/her labor. This situation will remain same for all the transactions fall in this category. Unfortunately proper attention is not given to this Qur'anic word and it is assumed that Qur'an has just allowed *bay*. The result is that all transactions which just fulfill this definition of *bay* i.e. a buyer a seller and a commodity will be considered as lawful, and the result is that, Muslim scholars did not find any way to stop unfair and illegal activities under this shelter. This problem is same today as it was in the past, still Muslim scholars do not have any justification to curtail such type of transactions.

Actual fact is that Qur'an has allowed *al-bay* (the trade) and not just the *bay* (trade). It means that some specialty is required by Qur'an in this regard and all types of *bay* are not allowed. Now the question is how Qur'an distinguishes between *bay* and *al-bay*. The following verse of Qur'an gives the answer of this question:

“Spend your wealth in the way of Allah and do not cast yourselves into ruin with your own hands. Do all things gracefully, Allah loves those who do all things with excellence” (Chapter 2 verse 195).

In this verse Allah has addressed to the whole mankind and order is given to them that do not kill yourselves with your own hands. It means do not involve yourselves in any activity which is directly or indirectly based on sin or in all those activities which are prohibited by Qur'an and called them as tyranny because according to the wholly Book all these activities are the only cause of destruction at micro as well as macro level. From economic point of view this order restricts the whole mankind to involve in any activity or any transaction which results on any direct or indirect damage to society and the persons involved in it. Many examples can be given in this regard. Examples of such type transactions are adulteration smuggling, supply of obscenity items, black marketing, hoarding any type of cheating and fraud in trade etc.

It is interesting that, all of these wrong activities fall in the category of *bay* but not in *al-bay*, because all of these transactions are harmful to the society as well as persons involved in it because these activities fall in the category of sin, which ultimately results on destruction of men. On the other hand *al-bay* transactions are those which are fair, legal and completely free from any sin and tyranny. Hence it can be said that any transaction which falls in the category of *al-bay* must have two characteristics.

1. Profit or increase in capital is the result of human labor.
2. This transaction will not be harmful to the society and the persons involved in it.

### *1.2 Al-Riba (The increment)*

In Arabic language the word *riba* has the meaning of increase, swell, fatten and expansion etc. (Parwaiz, 1987). It is used as noun and as well as verb also, e.g. Qur'an has used it as noun in chapter 3, verse 130, and in the sense of latter in chapter 2, verse 275 (Assadi, 2002). The other words which are derived from the root words of *riba* have almost the same meaning e.g., *arbaalshay* means increment in an item; *rabwa* is used for the height. That part of land which is comparatively higher than the surrounding is termed as *rabia* etc. (Maududi, 1997). Qur'an has used this word in these different meanings in different verses e.g., in chapter 30, verse 39 in the meaning of increase in wealth, in chapter 23, verse 50 in the sense of plateau, in the meaning of more advantages in chapter 16, verse 92 etc.

In its typical background it is used in the meaning of increase in capital due to capital or wealth (assets), as it comes in different verses of Qur'an e.g. chapter 3, verse 130, and chapter 2, verses 275 to 279. It is important to note that in all of these verses Qur'an has used the term *al-riba*. It means that, Qur'an is focusing on a special type of *riba* and this particular type of *riba* is prohibited in Quranic verses. Before to understand the facts that which type of *riba* is prohibited in Qur'an, one basic point should be kept in mind about the Qur'anic style of explanation of its teachings. One basic principle which can be observed throughout this Wholly Book is that, Qur'an brings two opposite concepts in one verse or in more than one consecutive verse to explain the nature and difference between them. A lot of examples can be given in this regard e.g. light is brought against darkness in chapter 13, verse 16, power and weakness in chapter 30, verse 54, mischief and peacemakers, chapter 2, verse 11, guidance and misguidance, chapter 2, verse 16, death & life, chapter 2, verse 28, error and guideness, chapter 7, verse 30, disclose & hide chapter 2, verse 33, obedient and disobedient chapter 2, verse 34, truth & falsehood chapter 2, verse 42, expansion & contraction in chapter 94, verses 5 & 6, blind and seer chapter 13, verse 16, health & illness chapter 26, verse 80 etc. These are just few examples of this style and it can be said that the whole Qur'anic teachings are based on same pattern.

In the line of same practice Qur'an has put two concepts in the above mentioned verse (2:275) i.e. *al-bay* and *al-riba*. It means that, these are two opposite concepts and this is the reason that, Qur'an has put them against each other in this verse. The main difference between these two terms is that in case of *al-bay* net increase in capital is just due to dint of human labor, and in case of *al-riba* it is due to capital itself or any asset or wealth. Qur'an has accepted the former & prohibited the latter.

### 1.3 Difference between Al-bay & Al-Riba some more points

Rather the basic difference between these two terms is that, they represent two different sources of income; moreover there are some other differences as well, which are as follows:

- In case of *al-bay* there must be a seller, a buyer and a commodity or commodities which are bought and sold by buyer & seller. In this case all of these conditions must be satisfy; otherwise there will not be any concept of *bay*. On the other hand in case of *riba* none of these conditions are fulfilled. In this case owner of any asset gives one or more of his assets to a person who used it for a specific time period and pays the reward to the owner against services of that asset.
- *Al-bay* is not harmful to the trader and society as well in any way, because there is not any concept of tyranny in it. On the other hand *al-riba* is the mother of all economic problems. It creates unequal distribution of wealth in economy which is the mother of all economic problems. These economic problems create a series of social difficulties in the society.
- *Al-bay* creates spirit of willingness of work which is a good and positive sign for the economy & society. On the other hand *al-riba* creates the thinking to get money from easy and illegal sources.
- *Al-bay* is the order of God and if a person follows it, he/ she can get pleasure of God, which is the way of welfare in this world and hereafter. On the opposite side the way of *al-riba* is the path of miseries & problems both in this world and on the Day of Judgment.
- No logical reason can be given for the reward of capital. This is the reason that, prevailing capitalist economic system has to adopt double standard in this regard. This system is not ready to pay any amount to the worker until he / she will not produce something or render some services and no proxy is allowed in this regard. Whereas the same system is ready to pay to capitalist unlimited amount without any work and gives him the right of proxy (Aziz, 2011c).

### 1.4 Why Qur'an has prohibited Al-Riba?

At this stage simple question may be asked that, why Qur'an has restricted *al-riba*? Its answer is that, because this source of income is against of one basic principle of Qur'an. The fundamental principle is that, all human beings are personally responsible for their own load or responsibilities any human being cannot share his/ her load (responsibilities) by anyone else. This basic principle is given in following words in Qur'an:

“That no laden one shall bear another's load” (Chapter 53, Verse 38)

Since capital (assets/wealth) has the capacity to lift partially or completely the economic load of men, hence any income from this source is completely prohibited by Qur'an, because it is an open violation of above mentioned principle. This is the reason why Qur'an has treated them as two opposite concepts in the above mentioned verse (2:275). On this basis it can be said that, income from human labor & reward of capital (it doesn't matter what is the form of asset) are two opposite things in the eyes of Qur'an. This is the reason that why Qur'an has justified the former and prohibited the latter.

## **2. Quran Has Compared Al-Riba with Al-Bay Not With Other Types of Riba.**

Review of literature related to the *riba* reveals that all thinkers have the opinion that by the term *al-riba* Qur'an is comparing a particular type of *riba* with other types of *riba*. In order to find the answer that which type of *riba* is prohibited by Qur'an? Muslim thinkers are divided in two groups. One group argues that it is that very high rate of interest which was charged in the island of Arab, and termed as usury (Rehman, 1963). This school of thought presents their arguments on the basis of following verse of Qur'an.

“O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful” (Chapter 3, verse 130).

They claimed that it is the only verse of Qur'an in which quantitative explanation of *riba* is given. Hence Qur'an has prohibited only this type of *riba* and on this basis if the rate of interest is small as in the case of commercial banks than it is lawful.

Definitely this argument cannot be accepted because if it is accepted than it means that 99.99% rate of interest will be lawful, which is definitely not possible.

The second and the dominant group of Muslim thinkers have the opinion that, only that particular increment on debt should be termed as *al-riba* which is pre-decided and part of the agreement whereas reward of all other assets except cash is lawful and cannot be called as *al-riba*. A lame reason in the form of depreciation is given to justify this artificial bifurcation (Siddiqui, 1968). With that some other reasons are also presented to give weight of this division e.g. change in ownership and change in nature of commodity etc. (Killani, 1991). But all of these reasons do not qualify any standard of reasoning (Aziz, 2011b).

On this basis it can be said that, both schools of thought cannot prove their claims about the concept of *al-riba*. On the other hand if *al-riba* is treated as the reward of all assets and *al-bay* as the remuneration of labour than there will not be any difficulty to understand and to explain this Qur'anic concept.

## **3. This Comparison Has Also Closed the Doors of Prevailing Concept of Riba**

As it is stated, reward of all assets is considered as lawful except cash. Increment on any debt transaction is considered as *al-riba*. This baseless concept automatically vanishes out if it is analyzed in the above mentioned perspective of *al-bay* and *al-riba*. Under this concept Qur'an has refused to accept reward of any asset in any form. Each and every increment on any asset is completely prohibited. *Al-riba* represents reward of capital against *al-bay* i.e. reward of human labor since Qur'an has prohibited the former it means the reward of any capital in any form is not acceptable. On this basis no justification can be given for the prevailing concept of *riba*.

## **4. Conclusion**

God has given to mankind only two choices to get income, i.e. either from his dint of labor or from the capital (assets). Qur'an has used the term *al-bay* (the trade) for the former and *al-riba* (the increment) for the latter. Former represents the reward of human labor, because all forms of *bay* (Trade) are based on human labor. Moreover Qur'an has not allowed just *bay*, but it has used the term *al-bay* which represents all those transactions which are not based on tyranny and are fruitful both for trader and society as well. On the other hand the term *al-riba* indicates that particular increment in capital which is due to capital or wealth. Qur'an has restricted it in the verse 2:275. It is common misconception that, Qur'an has prohibited a specific type of *riba* which was prevailing at that time in the island of Arab. But the actual fact is that, Qur'an is not comparing different type of *riba*, it has put it against reward of capital or the Wholly Book is comparing the remuneration of human labor with the reward of capital.

It is a general practice in Qur'an, according to which Qur'an puts two opposite terms in one or more than one consecutive verses to highlight their nature and difference e.g. light & darkness (13:16) power & weakness (30:54) death & life (2:28) and health & illness (26:80) etc.

Under the same practice in the verse 2:275, Qur'an has put these two terms against each other and prohibited *al-riba*, because reward of capital is against the basic teachings of Qur'an i.e. any human being cannot share the lord of anyone else 53:38. In this load each and every type of load is included particularly the economic load. Since capital has the capacity to share partially or fully this load, hence its reward (*al-riba*) is completely prohibited by Qur'an.

This condition closed the chapter of prevailing concept of *riba*, which gives permission to take the reward of all forms of capital (assets) except cash. In such a condition when Qur'an has restricted all the doors of reward of capital, no room is left for this concept.

### References

- Farooq, A. (2011a), Prevailing concept of interest (*riba*) in Islamic perspective: A critical analysis. *Interdisciplinary Journal of Contemporary Research in Business*, 3(2), 439-444.
- Farooq, A. (2011b). Interest (*Riba*) in Qur'anic perspective. *European Journal of Social Sciences*, 22(3), 338-340.
- Farooq, A. (2011c). Double standard of remuneration of different factors of production in a Capitalist economy, *European Journal of Social Sciences*, 23(2), 318-322.
- Aziz, F., Khan, N. R. (2012). Refutation of Private Ownership of Land: An Islamic Perspective. *Journal of Islamic Economics, Banking and Finance*, 8(2), 81-90. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2150952](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2150952)
- Killani, A. R. (1991). *Tijarat Aur Lain Dain Kay Masail woEhkam*. Lahore, pp. 96-97.
- Maududi, A. (1997). *Saud* (Urdu) 20<sup>th</sup> ed. Lahore, p. 107.
- Nadvi, M. H. (1998), *Lissan-ul-Qur'an* (Urdu). 1, Lahore, p. 244.
- Parwaiz, G. A. (1987). *Lugat-ul-Qur'an* (Urdu). 2, Lahore, p. 719.
- Rehman, F. (1963). *Tahqiq-ur-Riba, Fikar-o-Nazar*, (Urdu), 1(5), p. 1.
- Shariah Appellate Bench (SAB) (2000) Supreme Court of Pakistan judgment on Riba. *Shariat Law Reports*, Lahore, p. 425.
- Siddiqui, M. N. (1968). *Islam Ka Nazria-e-Milkiat* (Urdu). 1, Lahore, pp. 126-183.
- Ubaidullah, A. M. (2002). *Saud Kia Hai?* (Urdu). Karachi, p. 33.