

Why Interest (Riba) Is Forbidden In Islam:



What is '*riba*' in Islam?

The Arabic word '*riba*' means 'excess,' 'increase,' 'addition,' 'expanse,' or 'growth.'

In the Shari'ah, or Divine Way of Islam, *Riba* is the name Allah gave in the Quran to any increase of a debt or a loan until its repayment. It is equal to the financial terms 'interest' or 'usury' in English, with no distinction between these two words and *riba*.

In other words, *riba* is money paid at a particular rate of increase over time for the use of money lent, or for delay in debt repayment beyond a loan or debt's specified life. In Islam, all forms of interest, regardless of its rate or purpose, are considered haram. This includes simple interest, compound interest, or any other form of interest charged on loans, credit cards, mortgages, or other financial transactions.

Before we go into question why Islam has prohibited Interest, we need to know what Quran and Ahadith of Prophet ﷺ had said about interest/Riba.

Quranic Ayat regarding interest/Riba

1) Allah prohibits *riba*'s consumption and invalidates it as a type of Trading:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ
قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ
فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

Those who devour interest shall not rise on Judgment Day, except as one rises whom Satan has battered with the touch of madness. That is because they say: Indeed, trading is just like interest – while Allah has made trading lawful and has prohibited interest. So when an admonition comes to one from his Lord, and he quits interest, then to him belongs what was formerly gained. And his affair henceforth rests with Allah. But whoever returns to interest – then these are the Companions of the Fire of Hell. They shall abide therein forever.” (Surah Al-Baqarah, 2:275)

2. Allah blights *riba* of all blessing in contrast with the abundant increase He bestows on charity:

يَمْحَقُ اللَّهُ الرِّبَا وَيُزِيهِ الصَّدَقَاتِ وَاللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ

Allah obliterates all blessing from interest and increases generously the reward for charity. For Allah loves no relentlessly unbelieving sinner.” (Surah Al-Baqarah, 2:276)

3. Allah wants to forgive all interest due in the past.

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ

O you who believe! Be ever God-fearing and forsake all that remains due to you from interest, if, indeed, you are believers.” (Surah Al-Baqarah, 2:278)

4. Allah ﷻ and His Rasool (Messenger) have declared war with people who continue to consume interest money:

فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُؤُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ

If you fail to do so (not stop demanding interest money due), war shall be declared against you by Allah and His Messenger. If you repent, you may retain your principal, causing no loss to debtor and suffering no loss. Surah Baqra 2/279.

Note: In this Aya Allah ﷻ shows His Extreme fury about consuming interest as Quran has not declared war by Allah and His Messenger against any other major crime.

5. Allah bans lenders from attaching any simple *riba* multiplier to their loans or compounded *riba* attached to both initial principal and accumulated interest:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُّضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ

O you who believe! You shall not consume interest on anything lent, multiplying and compounding the return. Rather, be ever God-fearing, so that you may be successful." (Surah Aal 'Imran, 3:130)

Was interest forbidden for any people before Muslims?

Yes. All the Heavenly Books have prohibited *riba* absolutely. Allah says He punished a believing people before Muslims by restricting the foods they could lawfully eat, in part, for violating His prohibition on them against taking *riba*:

فَبِظُلْمٍ مِّنَ الَّذِينَ هَادُوا حَرَّمْنَا عَلَيْهِمْ طَيِّبَاتٍ أُحِلَّتْ لَهُمْ وَبِصَدِّهِمْ عَنِ سَبِيلِ اللَّهِ كَثِيرًا

وَأَخَذَهُمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكَلِهِمْ أَمْوَالَ النَّاسِ بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا

Because of the wrongdoing perpetrated by those who call themselves Jews, their hindering of many people from the way of Allah, taking of usury in spite of its prohibition, and cheating others of their properties. We made many wholesome things unlawful which were formerly lawful for them. We have prepared a painful punishment for these among them who reject faith. (Surah Al-Nisa', 4:160/161)

Is the prohibition on people profiting from interest offset by anything in Islam?

Yes. Allah specifically contrasts the divine losses that accrue to those who give *riba* loans to gain from people with the much-multiplied blessing He gives to those who pay the obligatory Zakat to the poor and needful for His sake alone:

وَمَا آتَيْتُمْ مِّن رَّبًّا لِّيَرْبُو فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُو عِنْدَ اللَّهِ وَمَا آتَيْتُمْ مِّن زَكَاةٍ تُرِيدُونَ
وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ

That usury which you give so that it may increase through the wealth of other people, does not increase with Allah: but the Zakah (Obligatory charity) that you give to seek the pleasure of Allah, shall be repaid to you many times over. Surah AL-Rum 30/39.

He also contrasts the unseen ruin of people who deal in *riba* with the immense profit gained by those who give *sadaqah*, which includes obligatory Zakat alms, but also all types of voluntary charity (see Surat Al-Baqarah, 2:276 and Surat Aal 'Imran, 3:130-34).

Ahadith of Prophet (ﷺ) regarding interest (Riba)

1) Shun the seven deadly [deeds]. 'It was said [by a Companion listening to him]: O Messenger of Allah! What are they?' "He said: Association of partners with Allah; the practice of sorcery; the killing of any person – which Allah has forbidden – except by a divinely established right; the consumption of interest; the consumption of an orphan's wealth; fleeing on the day of advance into battle; and the defaming of virtuous, innocent, believing women." Bukhari and Muslim, (Nasa'i)

He said also:

2) Cursed are the receiver and the payer of interest, and the one who records it, and the two witnesses to the transaction. All are alike [in their guilt]." (Bukhari and Muslim)

In his celebrated Farewell Address to us, he said:

3) All *riba* of the Days of Ignorance before Islam is annulled, and the first *riba* I annul is our *riba* [meaning of his close clan relations], that accruing to 'Abbas ibn 'Abd al-Muttalib [his paternal uncle]. It is cancelled in total." (Muslim)

He ranked *riba* high among the great sins:

4) A single coin of *riba* that a man receives knowingly is worse than committing adultery thirty-six times." (Ahmad)

He related much on the consequences of consuming interest from his miraculous Night Journey and Ascension to Heaven (*Isra wa'l Mi'raj*):

5) In Sahih Muslim, it is narrated that the Prophet said, "On the night of Ascension, I met with Moses who asked me: 'What did Allah prescribe for your Ummah?' I said: 'He prescribed for them the lawful and the prohibited.' He said: 'Did Allah forbid *riba* for them?' I said: 'Yes.' He said: 'By Allah, Allah has forbidden *riba* for them and blessed them in their transactions. But they hasten, and I fear they will fall into it.'" These Ahadith further emphasize the prohibition of *riba* in the Islamic faith.

6) Numerous Ahadith are mentioned by many 'Muhadaseen" regarding Prophet describing the different punishment people were getting who were involved in dealing with *Riba* at the time of his night journey and Ascension to Heavens.

7) The Ahadith of the Prophet (peace be upon him) further emphasize the severity of the issue, such as in a hadith reported by Abu Huraira (may Allah be pleased with him) that the Prophet (peace be upon him) said: "**The trader's profit is lawful, but *Riba* is haram.**"

8) 'Abd Al-Rahman son of 'Abd Allah, son of Mas'ud reported that his father said:

When adultery and fornication (*zina*) and interest (*riba*) appear in a land, Allah orders its destruction." (Imam Dhahabi)

9) Prophet said "There are seventy degrees of usury, the least of which is equivalent to a man having intercourse with his mother. (Sunan Ibne Majah #2274)

After seeing Quranic verses and Ahadith of Prophet (ﷺ), It is very obvious that Interest/Riba is strictly prohibited in Islam. Since Allah and His Messenger gave their verdict on interest, we have no say or justification about interest/Riba.

Though Allah and His Messenger knows the real reason for this Prohibition, but as human beings with intellect given to us by Allah, we can also analyze the reason ourselves why Sharia has prohibited Interest/Riba.

Here are at least 10 (Ten) reasons we will list , why is Interest Haram (Forbidden) in Islam:

1) Riba is a form of Exploitation:

Interest (riba) is considered haram in Islam because it goes against the principles of fairness, justice, and mutual cooperation that are at the heart of the Islamic faith. In Islamic finance, charging or paying interest on loans is seen as a form of exploitation, as it creates a situation in which the lender benefits from the borrower's need for money, without offering any real value or service in return.

2) Riba Creates an Unjust Social System:

Riba creates an unjust social system and exploits vulnerable members of society, particularly the poor. For example, consider a scenario where a poor individual needs funds and turns to a wealthy lender for help. In turn, the lender charges a high-interest rate on loan, effectively exploiting the borrower's desperation for financial assistance. This unjust system leads to the rich becoming richer and the poor becoming poorer, exacerbating the wealth gap in society.

Riba also has severe consequences for the economy as a whole. For example, consider the scenario where a wealthy lender lends many borrowers money at a high-interest rate. Over time, these borrowers will find it increasingly difficult to repay their loans, leading to widespread defaults. This will reduce economic activity, as fewer funds will be available for investment and

spending. This can lead to economic downturns and recessions, negatively impacting society.

To mitigate the negative effects of Riba, Islam promotes a fair and just financial system where society's wealth is distributed equitably. For example, the concept of Zakat, one of the five pillars of Islam, requires Muslims to give a portion of their wealth to those in need. This helps reduce poverty and promotes a more equitable distribution of wealth in society. Additionally, Islamic finance promotes the principles of risk-sharing and mutual benefit, where profits and losses are shared between the lender and borrower, fostering a more cooperative and equitable financial system.

3). Riba Leads to Economic Instability

Riba directly impacts the economy and can contribute to the formation of economic cycles. These cycles can lead to instability in the financial sector and cause widespread harm to individuals and businesses. The repetitive cycle of boom and bust seen in the economy is a clear example of the harmful effects of Riba.

Using the interest in financial transactions can result in an unequal distribution of wealth, with the rich becoming richer and the poor becoming poorer. This can cause a decrease in consumer spending, leading to a slowdown in the economy. Additionally, interest-based loans can lead to increased debt, creating a cycle of debt for individuals and businesses and causing further instability in the economy.

Islam emphasizes the importance of stability in all aspects of life, including finance. This is why Riba is prohibited in Islamic finance, as it can contribute to economic instability and harm the overall financial system. The aim of Islamic finance is to provide stability, fairness, and equality in financial transactions and the prohibition of Riba is crucial in achieving these goals.

4). Riba Undermines the Principle of Trust in Financial Transactions

Islamic finance is based on the principle of mutual trust and cooperation between the parties involved in a financial transaction. This starkly contrasts conventional finance, where transactions are often based on legal contracts and enforcement mechanisms. In Islamic finance, trust plays a critical role in maintaining the stability and fairness of financial transactions.

Unfortunately, Riba undermines the principle of trust in financial transactions. A lender effectively takes advantage of the borrower's money needs by charging interest. This creates an unbalanced relationship between the lender and the borrower, leading to resentment and mistrust. For example, if a borrower cannot pay the interest on a loan, the lender may become aggressive and take legal action, which can harm the relationship between the two parties. Another example is when lenders charge exorbitant interest rates, which can lead to a vicious cycle of debt for borrowers, eroding trust in the financial system.

It is important to note that trust-based financial transactions are not only fairer but also more stable. When parties in a financial transaction trust each other, they are more likely to make responsible decisions, which can help to prevent economic instability. In Islam, trust-based financial transactions are considered to be in line with the teachings of the Quran and Sunnah, which promote fairness, justice, and mutual cooperation.

5). Riba Is Considered a Form of Gambling

Firstly, let's understand the definition of gambling in Islam. Gambling is defined as a game of chance where a person risks their money or possessions to win more. In Islam, gambling is considered haram as it is seen as a form of wastefulness and a means of earning money through unjust means.

Now, let us consider the similarities between Riba and gambling. Riba and gambling are forms of earning money through unjust means and involve risking one's money. In Riba, a person lends money to another person at a higher interest rate, hoping to earn a profit. This is similar to gambling, where a person bets on the outcome of an event with the hope of winning more money.

It is important to note that gambling is prohibited in Islam, as it goes against the principles of fairness, justice, and trust. Therefore, it is logical to conclude that Riba is also haram as it shares similar characteristics with gambling.

6). Riba Encourages Greed and Materialism

In Islam, having material wealth is not the goal. It's seen as a tool to help fulfill religious duties and responsibilities to God and others. But, being too focused on wealth for its own sake is dangerous and can lead to greed.

Riba, by its very nature, is a system that rewards those who lend money over those who borrow it. It creates an incentive to hoard wealth and to seek greater profits rather than to use one's wealth to help others. This kind of mentality, when taken to extremes, can lead to an obsession with material gain and a disregard for the well-being of others.

Islam teaches us to be moderate and self-restrained in our financial dealings. All Muslims are encouraged to seek balance in their lives, to avoid extremes, and to avoid becoming so consumed with material wealth that we neglect our spiritual and moral responsibilities. In this way, Islam provides a framework for a just and equitable financial system grounded in trust, fairness, and moderation.

7). Riba Violates the Principle of Mutual Cooperation

Now consider the importance of cooperation in our society and how it relates to the practice of financial transactions. In Islam, cooperation and mutual benefit are highly valued and encouraged as they promote unity, stability, and growth within our community. However, the practice of Riba, or interest-based lending, directly opposes these principles.

The Prophet Muhammad (peace be upon him) has taught us that cooperation and mutual support are the hallmarks of a strong and cohesive community. When we work together, we can achieve greater things and overcome challenges more easily. In the Quran, Allah says, **“And cooperate in righteousness and piety, but do not cooperate in sin and aggression.”** (5:2)

On the other hand, Riba encourages competition and conflict, as it pits borrowers against lenders in a zero-sum game. It creates a situation where one party benefits at the expense of the other, contrary to the spirit of mutual cooperation that is so important in Islam. Moreover, Riba can lead to economic hardship and poverty, especially for those who cannot afford to pay back their loans with interest.

To promote cooperation and mutual benefit in financial transactions, Islam advocates the practice of profit and loss sharing, in which both parties share the risks and rewards of a business venture. This creates a situation where both parties are vested in the venture’s success and are incentivized to work together for the greater good. By avoiding Riba and promoting cooperation and mutual benefit, we can build a strong and just financial system that aligns with the principles of Islam.

8). Riba Goes Against the Principles of Charity and Compassion

This is another reason why Riba (usury) is prohibited in Islam. It is because Riba goes against the principles of charity and compassion. These values are

deeply ingrained in our Islamic teachings and are crucial for fostering strong relationships and building a just and compassionate society.

Charity and compassion are essential components of Islam. They are considered acts of worship and a means of seeking the pleasure of Allah. Our beloved Prophet Muhammad (peace be upon him) said, **“The most beloved of people to Allah are those who are most beneficial to people.”** (Sahih Bukhari)

On the other hand, Riba has a detrimental impact on these values. It encourages greed and the accumulation of wealth at the expense of others. The exploitation of the weak and vulnerable is a direct violation of the principles of charity and compassion.

In Islam, financial transactions should promote mutual cooperation, compassion, and charity. This is why Riba is prohibited, and alternatives such as profit-and-loss sharing and gifting are encouraged. Our duty is to strive to create a financial system grounded in compassion, charity, and mutual cooperation. In doing so, we can promote a just and equitable society and earn the pleasure of Allah.

9). Riba Can Lead to Moral Corruption

Money is a powerful tool and can significantly impact our moral values. It can easily corrupt our intentions and actions, leading us astray from the path of righteousness. This is why it is crucial for us to be mindful of our financial dealings and ensure that they align with our moral principles.

Riba can damage our moral values by promoting greed, avarice, and materialism. These traits directly conflict with the values of compassion, fairness, and selflessness at the heart of our faith. The pursuit of Riba can also lead to actions such as deceit and exploitation, further eroding our moral values.

Islam places a high value on moral integrity and expects its followers to maintain their values and principles in all aspects of their lives, including

financial transactions. The use of Riba in financial dealings goes against this principle and can lead to moral corruption. This is why it is essential to choose financial transactions that align with the teachings of Islam and promote moral values such as trust, cooperation, and compassion.

10). Riba is Against the Principles of Accountability and Transparency

Financial transactions must be open and honest, with no room for deceit or deception. This is why accountability and transparency are so highly valued. By keeping all parties fully informed and ensuring that all transactions are recorded accurately, we can maintain the integrity of our financial dealings.

The practice of Riba, however, is inherently opaque and lacks accountability. This is because interest-based lending is often shrouded in secrecy, with the true cost of borrowing hidden behind complex financial instruments. This lack of transparency makes it difficult for people to fully understand the true impact of their financial dealings and can lead to exploitation and abuse.

In Islam, we must always strive for accountability and transparency in our financial dealings. This means making sure that all transactions are fully disclosed and that the terms of any agreement are clear and understood by all parties. By doing so, we can ensure that our financial dealings are based on trust, honesty, and fairness and that we are always held accountable for our actions.

Final Thoughts

Understanding why interest haram in Islam is of utmost importance for both individuals and society as a whole. The reasons discussed above, ranging from the exploitation of the poor to the encouragement of greed and materialism, are all significant factors that demonstrate the detrimental effects of Riba on the economy, society, and individuals.

It is crucial to acknowledge and understand these reasons to ensure that our financial dealings align with the teachings of Islam and are in line with the principles of fairness, justice, and mutual benefit

Finally, Riba-free financial transactions are not only necessary for compliance with the teachings of Islam, but they also provide a more stable, fair, and just financial system that benefits all members of society. May Allah guide us toward financial transactions that align with His teachings and bless us with wisdom, compassion, and justice. Amin.

It is important to once again understand what are the Major sins described by Quran and Sunnah in Islam?

The major sins in Islam are called the Al-Kaba'ir (the great sins). They include shirk (associating partners with Allah), murder, unlawful sexual relations (Zina), theft, making false accusations of unlawful sexual relations (Qadhf), drinking intoxicants, and Riba (usury or interest). All of these actions go against the principles of fairness, justice, and morality in Islam and are considered to have serious consequences in this life and the afterlife.

It is also important to be aware of the alternatives available in Islam, such as Profit and Loss Sharing (PSL) Mudaraba, Murabaha, and Ijara, which provide ethical and responsible financial options for individuals and businesses.

Instead of interest, Islam encourages profit-sharing arrangements in which both the lender and borrower share in the risks and rewards of the investment. This type of arrangement promotes economic cooperation and fairness.

Reader should check with True Islamic scholars, Islamic financial institutions for alternative arrangements in Islamic financing then involving in Riba based system.

Note: It is worth noting that there is some debate among Islamic scholars about the definition and scope of riba, and how it should be applied in

modern financial systems. **However, the prohibition of interest remains an important principle in Islamic finance and economic ethics.**