MAKING SENSE OF RIBA

THE PHILOSOPHY UNDERPINNING RIBA

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A Summary of the Essay

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The Two Dimensions of Islamic Guidance

Shariah encompasses a dual objective: one that nurtures the moral and spiritual development of individuals (*tarbawī*), and another that establishes regulatory and institutional frameworks (*tanẓīmī*) to preserve social order and collective welfare (al-Mabādī wa al-Usas Fī al-Mu'amalāt). Far from being at odds, these two dimensions operate in synergy—cultivating the inner self while structuring the external life in balance and harmony.

The Tarbawī Aspect: Refining the Human

As explained by Dr Ṣalāḥ Abū al-Ḥāj, the educational and reformative function of Shariah is vividly embodied in acts of worship (*'ibādāt*), which aim to elevate the human being from base, animalistic traits to the highest ranks of moral and spiritual excellence. This dimension is captured in the Prophet ﷺ's famous saying: "I was sent to perfect noble character" (Musnad Aḥmad).

The essence of worship is not merely ritualistic compliance, but a transformative moral process. A Muslim, through sincere and regular worship, is meant to shed negative traits such as arrogance, greed, and heedlessness, and to instead embody the values of humility, sincerity, discipline, and focus.

Take the example of *Ṣalāh* (prayer): it habituates the believer to *ikhlāṣ* (sincerity) before Allah, to maintain presence of heart and mind (*khushū'*), and to focus entirely during moments of devotion. Over time, this cultivates in the individual a capacity for whole-life sincerity—in work, relationships, ethics, and intentions. Every day, five times a day, a Muslim is trained in this ethic, reinforcing values that gradually become embedded in their personality and conduct.

Prayer also serves as a disciplinary structure: it organises time, brings discipline to life, and imposes self-regulation. A person who learns to schedule their day around prayer is one who is learning to master time management, one of the keys to success in both this life and the next.

Moreover, *Ṣalāh* instils the power to resist desires and distractions. It nurtures spiritual energy and moral clarity. It awakens the believer at dawn, detaches them from the lethargy of sleep, requires ritual purification, and combats the whispers of the *nafs* (ego) and *Shayṭān*. In short, the spiritual benefits of *Ṣalāh* are innumerable and deeply embedded in the fabric of human wellbeing.

Thus, Shariah's *tarbawī* function is neither abstract nor speculative—it is deeply experiential, practical, and aimed at the reform of character and soul through tangible, ritual, and behavioural disciplines.

The *Tanẓīmī* Aspect: Structuring Social Life and Institutions

On the other hand, Shariah also contains a robust regulatory dimension. It governs civil matters such as marriage, divorce, commercial transactions, contracts, court procedures, political governance, and financial ethics. Here, jurists strive to craft legal structures that are not only compliant with divine instruction but also conducive to the optimal functioning of human society.

This includes defining rights and duties, ensuring fairness in exchange, preventing exploitation, regulating time-bound obligations, and preserving social order. Shariah provides a framework that aims to create a better quality of life for individuals and communities.

However, this aspect is not merely mechanical. Shariah does not seek regulation for its own sake. Rather, it is informed by deep ethical reasoning and revelation-based foresight. Reason alone cannot perceive all harms, especially those that are subtle, long-term, or rooted in human psychology. Here, revelation fills the gap by guiding society away from potential corruption and moral decay—often before those dangers are even recognised.

Take the prohibition of Riba: while rational analysis may not immediately reveal the depth of harm, revelation identifies it as a major sin due to its destructive social and economic consequences. This confirms that the regulatory laws of Islam are underpinned by profound wisdom, aimed at protecting human dignity, distributive justice, and economic equity.

The Harmony Between the Two: Shariah as a Complete Model

Ultimately, these two dimensions—*tarbawī* (reformative) and *tanẓīmī* (regulatory)—are interwoven. The acts of worship cultivate inner virtues that make external compliance easier and more sincere, while the regulatory laws ensure that social and economic life reflect the moral and spiritual values encouraged in private devotion.

This harmony is seen in how every ruling in Shariah not only aims at legal order but also at moral upliftment and societal benefit. The true purpose of Shariah is to align every aspect of life with divine wisdom and divine pleasure, making it possible to live a structured, balanced, and ethical life both individually and collectively.

If Islamic rulings are viewed merely as burdens or formalities, their true function is misunderstood. Every ruling is designed to benefit the human being—whether through nurturing sincerity, organising time, promoting justice, or preventing harm. The reality is: Allah is not in need of our worship, but we are in need of it to purify ourselves, regulate our lives, and attain success in both worlds. As such, the Shariah is not just a list of do’s and don’ts, but a holistic framework that integrates spiritual and moral reform with practical organisation—both essential to the flourishing of the human being.

The Mystery of Riba

Riba is among the most obscure prohibitions that is very difficult to understand. The renowned Imam al-Ghazali (d.505 AH) states that the wisdoms behind the prohibition of Riba only became apparent to him towards the end of his life, when he reduced his legal work and focused on the purification of the soul (Ihyā' Ulūm al-Dīn). He writes:

فهذه حكمة الشرع في تحريم الربا وقد انكشف لنا هذا بعد الإعراض عن فن الفقه (إحياء علوم الدين)

"This is the wisdom of the Sharīʿah in prohibiting Riba, and this has become clear to us after having turned away from the discipline of Fiqh." (Ihyā 'Ulūm al-Dīn)

Ibn 'Abd al-Salām (d.660 AH) very humbly declared his lack of understanding and inability to realise the wisdom behind the prohibition of Riba. He states:

وكذلك المفسدة المقتضية لجعل الربا من الكبائر، لم أقف فيها على ما يُعتمد على مثله، فإن كونه مطعومًا أو قيمةً للأشياء أو مقدّرًا، لا يقتضي مفسدة عظيمة يكون من الكبائر لأجلها (قواعد الأحكام)

"Similarly, regarding the harm (*mafsadah*) which necessitates classifying Riba as one of the major sins (*kabā'ir*), I have not come across a [specific] rationale that can reliably explain it. The fact that the item is edible (*maṭʿūm*), a store of value, or measurable, does not in itself imply a great harm that would warrant its classification as a major sin." (Qawā'id al-Aḥkām)

Imam al-Shatibi (d.790 AH) states:

وَيَبْقَى النَّظَرُ: لِمَ جَازَ مِثْلُ هَذَا فِي غَيْرِ النَّقْدَيْنِ وَالْمَطْعُومَاتِ وَلَمْ يَجُزْ فِيهِمَا؟ مَحَلُّ نَظَرٍ يَخْفَى وَجْهُهُ عَلَى الْمُجْتَهِدِينَ، وَهُوَ مِنْ أَخْفَى الْأُمُورِ الَّتِي لَمْ يَتَّضِحْ مَعْنَاهَا إِلَى الْيَوْمِ؛ فَلِذَلِكَ بَيَّنَتْهَا السُّنَّة؛ إِذْ لَوْ كَانَتْ بَيِّنَةً لَوُكِّلَ فِي الْغَالِبِ أَمْرُهَا إِلَى الْمُجْتَهِدِينَ، كَمَا وُكِّلَ إِلَيْهِمُ النَّظَرُ في كثير من محال الِاجْتِهَادِ؛ فَمِثْلُ هَذَا جَار مَجْرَى الْأَصْلِ وَالْفَرْعِ فِي الْقِيَاسِ؛ فَتَأَمَّلْهُ. (الموافقات)

"There remains the question: Why is this (i.e., the prohibition of unequal exchange) permitted in things other than the two currencies (gold and silver) and foodstuffs, but not permitted in them? This is an area of inquiry whose reasoning is subtle and obscure, even for the *mujtahidīn* (legal experts). It is among the most concealed matters, the meaning of which has not become fully clear until today. Therefore, the Sunnah clarified it, because had the reasoning been clear, its ruling would have generally been entrusted to the jurists, just as many other matters are left to their *ijtihād* (independent reasoning). Thus, this issue functions like the original and the derivative in *qiyās* (analogical reasoning)—so reflect upon it carefully." (al-Muwāfaqāt)

The Bifurcation of Exchangeables: Goods and Money

To grasp the true nature and rationale behind the prohibition of Riba, one must first understand the foundational structure of economic exchange as envisioned in the Fiqh. At the heart of every market system lie two distinct categories of exchangeable assets:

1. Goods (*ʿUrūḍ*)
2. Money (*Thaman* or *Māl Naqdī*)

This bifurcation is not merely semantic; it defines the essential difference between two types of value—intrinsic utility and exchange functionality—and it is this distinction that underpins the entire legal and moral framework of transactions in Shariah.

Goods refer to physical or digital assets that possess inherent, consumable, or intrinsic and productive utility. You benefit from goods by holding them and using them. These may include foodstuffs, commodities, manufactured items, or services. Goods are exchanged because of what they do—they serve a purpose, fulfil a need, or generate further value through consumption or use. Their value is rooted in their ability to satisfy human wants or enable productive effort. Hence, trade in goods naturally permits variation in price, quality, and quantity, as these differences reflect real-world utility and transformation potential.

Money, on the other hand, is not sought for its own sake but for what it can procure. Its value lies not in its substance but in its exchange utility—its role as a universally accepted medium that facilitates trade and resolves the inefficiencies of barter, most notably the double coincidence of wants, where two parties must have exactly what the other desires in order for a transaction to occur. Money effectively broke the limitations of barter-for-barter systems and became the intermediary that enabled transactions to happen freely, flexibly, and across time and distance. It earned its title as a medium of exchange precisely because it allowed goods and services to be traded even when a direct swap was impractical or impossible. You benefit from money not by holding it, but by spending it—by exchanging it for real goods or services that carry actual utility. Over time, societies transitioned from commodity-based economies to monetary systems by designating certain items—like gold, silver, and later fiat currencies—as Thaman—standardised instruments used to assign and transfer value.

This distinction between goods and money is more than economic—it is juridical and ethical. Goods serve as means of production and consumption, while money serves only as a conduit of exchange. Goods create value through use; money circulates existing value. Therefore, the rules governing their exchange must differ accordingly.

Whereas profit and variation are permissible in the trade of goods—reflecting differences in quality, utility, risk, and effort—the exchange of money for money (*Sarf*) is subject to far stricter regulation. Since money does not undergo transformation or produce utility by itself, any gain derived from its direct exchange for more money (without an underlying productive activity) becomes legally and morally suspicious. It mimics a transaction of surplus without substance—what Shariah identifies as Riba.

Indeed, this is why in Shariah, the exchange of money or money-like commodities is constrained by two key conditions:

- Equivalence in quantity (*tasāwī*)
- Simultaneity in exchange (*taqābuḍ*)

These ensure that the exchange remains fair, non-exploitative, and free from unjust enrichment. In contrast, such strict conditions are not required when exchanging goods for goods, or goods for money, because the transaction is grounded in differing utilities, not monetary parity.

In sum, the differentiation between *ʿUrūḍ* and *Thaman* lies at the very foundation of Islamic economic ethics. The former allows for the creation of value and productive growth, while the latter must remain a neutral facilitator—never a source of unjust profit. When money is used not as a means but as an object of speculation or gain in itself, the distinction collapses, and the transaction risks becoming a form of synthetic wealth creation—precisely what the prohibition of Riba is designed to prevent.

What Is Riba All About?

At its core, Riba refers to the artificial and unjust creation of wealth—through monetary transactions—without any corresponding productive effort, utility, or risk. It is the creation of value where no real value has been given in return. In Riba al-Nasīʾah, this occurs through value extracted from mere delay—where time alone is used to generate profit, without any productive contribution. In Riba al-Faḍl, it occurs through value taken without equal countervalue—when one party gains extra in an immediate exchange of identical items, despite there being no difference in utility or quality. In both cases, Riba represents a gain disconnected from genuine economic exchange, making it fundamentally exploitative. This gain is not only unearned but also structurally harmful, as it distorts the very nature of trade and wealth distribution.

Riba undermines the universal maxim of fair exchange in trade, which is foundational to Islamic commercial ethics, as narrated by Imam al-Marghīnānī (d.593 AH):

المعاوضات تقتضي المساواة
"Contracts of exchange demand parity." (al-Hidayah)

The Prophet ﷺ clearly prohibited any transactional arrangement that results in such unjustified gain. He said:

قَالَ رَسُولُ اللَّهِ ﷺ: لَا يَحِلُّ سَلَفٌ وَبَيْعٌ وَلَا شَرْطَانِ فِي بَيْعٍ وَلَا رِبْحُ مَا لَمْ يضمن وَلَا بيع مَا لَيْسَ عِنْدَك) . رَوَاهُ التِّرْمِذِيُّ وَأَبُو دَاوُدَ وَالنَّسَائِيُّ وَقَالَ التِّرْمِذِيُّ: هَذَا صَحِيح(

"It is not permitted to combine a loan and a sale, nor two conditions in a single sale, nor profit from that which you do not bear the risk of, nor the sale of what is not in your possession." (Sunan al-Tirmidhī, Abū Dāwūd, al-Nasāʾī)

This Ḥadīth captures the broader legal and moral philosophy of Islamic trade: you cannot profit from that which you do not own, control, or bear the responsibility of it. Riba violates all of these requirements.

Riba in the Qur'an and Ḥadīth

The Riba that the Qur'an prohibited was defined by Imam Abū Bakr al-Jaṣṣāṣ (d.370 AH), who said:

"It is the loan where a delay is stipulated, along with an increase of wealth in favour of the lender." This type of Riba is known as Riba al-Qarḍ, Riba al-Qur'an, or Riba al-Nasī'ah, because its prohibition is established by the Qur'an.

Then the Prophet ﷺ clarified another type of Riba that occurs through exchange transactions. This type is known as Riba al-Faḍl or also Riba al-Nasī'ah in some contexts.
The foundational text on this comes from the ḥadīth of Abū Saʿīd al-Khuḍrī (may Allah be pleased with him), who narrated that the Prophet ﷺ said:

"Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt — equal for equal, hand to hand. Whoever gives more or takes more has engaged in Riba" (Ṣaḥīḥ Muslim). A similar narration is reported from ʿUbādah ibn al-Ṣāmit (may Allah be pleased with him) and others.

"If these types (commodities) differ, then sell as you wish — as long as it is hand to hand." (Ṣaḥīḥ Muslim)

The Prophet ﷺ mentioned the six items and ruled on them in two cases:

1. If a transaction involves one of the six items exchanged for the same kind, then it is obligatory for each unit to be of equal quantity and for the transaction to be conducted on the spot (hand to hand). It is not allowed to have a surplus nor any deferment.
2. If the transaction involves these items but with different kinds (e.g., dates for barley), then it is permissible to have a difference in quantity, but it must be done hand to hand. If not, then it falls under Riba al-Nasīʼah.

This type (Riba al-Nasīʼah) is prohibited even when no increase is present — only delay. This is what is also known as Riba al-Nasīʼah.

Although the Prophet ﷺ only mentioned the six commodities, he did not mention others explicitly. However, the majority of the early scholars agreed that this ruling is not restricted to only these six items. Rather, it extends to other items that share the same underlying cause (*ʿillah*) — this is the position held by Ṭāwūs and his students, and also by Dāwūd al-Ẓāhirī. It is also narrated from al-Shaʿbī, Masrūq, and ʿUthmān ibn ʿAffān (may Allah be pleased with them).

All the scholars who accept analogical reasoning (*Qiyās*) agreed that the prohibition found in these six items is due to an underlying cause. When that cause is found in other items, the ruling of prohibition applies to them as well. Because the prohibition has been established with an identifiable cause, and it is proven that the cause (*ʿillah*) can be extracted, identified, and applied across contexts — then it is obligatory to investigate this ʿillah and apply it wherever it exists.

Thus, the ruling that prohibits Riba applies to all assets which share the *ʿillah* (underlying rationale) that exists in these six items — namely, that they are measured (by volume or weight) and of the same genus. Riba al-Faḍl and Riba al-Nasīʼah are only prohibited when the items share the same genus and are quantifiable by standardised measures. If any of these elements are missing, the ruling of Riba does not apply (Fiqh al-Buyū').

In relation to Riba al-Faḍl, Shaykh al-Islam Mufti Taqi Uthmani writes:

"As for the perspective on Riba al-Faḍl, it is indeed prohibited by the Prophet ﷺ as a preventive measure (*sadd al-dharīʿah*), so that it does not become a gateway to Riba al-Nasīʼah, which is the type explicitly prohibited in the Qur'an, as clearly indicated in the narration of Abū Saʿīd al-Khuḍrī (may Allah be pleased with him), and as our predecessors have explained in the words: "That is Riba al-Nasīʼah." The progression from Riba al-Faḍl to Riba al-Nasīʼah is easy and common in items that function as *athmān* (pricing mediums), and Riba al-Faḍl naturally occurs in such transactions.

This is not something hidden, and Riba al-Nasīʾah was widespread in dealings among the Arabs and others, especially those living in remote rural areas. They typically dealt in gold and silver, but also bartered using grains and fruits, which were easier to manage for them than dinars and dirhams. So they used these goods as substitutes for actual money when fulfilling their needs from others.

Hence, the Prophet ﷺ made the prohibition revolve around the six items mentioned in the *Ḥadīth* — not because they are intrinsically forbidden, but because they were used as currency-like instruments at the time, either in settled areas or in rural environments. People would use them as a medium of exchange due to the widespread difficulty in acquiring actual coinage, and their buying and selling was commonly done with these items.

Therefore, scholars have explained that the ruling in these four types (gold, silver, dates, barley) and their equivalents in modern contexts (like other grains and pulses) is due to their circulation as pricing tools. As such, the ruling of Riba applies to them due to this aspect.

Riba-based transactions occur when an exchange takes place between two items, either because they are both considered *thaman* (pricing instruments), or because the exchange mimics the general flow of *athmān* (pricing mediums). This is the common underlying meaning in the six items—dates, barley, wheat, salt, and the metals—where the exchange would regularly happen in lieu of money, and thus the Prophet ﷺ prohibited trade involving these if it included deferment or disparity.

Hence, any other item that functions like those six in practice, such as cotton, wool, copper, lead, brass, etc., is considered by analogy to be governed by the same rulings if used commonly as currency or trade equivalent" (Takmilat Fatḥ al-Mulhim).

Understanding the Different Assets in Fiqh

To grasp the rationale behind the prohibition of Riba al-Faḍl, it is essential to categorise exchangeable assets based on their function, measurability, and economic role. Fiqh differentiates between three primary classes of assets, each governed by distinct rules of trade:

1. Pure Monetary Assets (*Thaman*): Gold and Silver

These assets, namely gold and silver, served as the foundational currencies. What distinguished them is their monetary function: they were not produced or consumed like ordinary goods but were held and exchanged purely as measures of value and stores of wealth.

Gold and silver were weighed and had objective, quantifiable value, which made them ideal for acting as a universal standard of pricing. Because each unit was intrinsically similar in composition and function, they could be used interchangeably in transactions. Their legal status in Shariah was firmly established as *Thaman* (money), and thus they are at the highest level of sensitivity to Riba rules, particularly the requirement of exact equivalence and immediate exchange.

2. Commodities (‘*Urūḍ*): Count-Based Consumables and Production Items

On the other end of the spectrum are goods meant purely for production, consumption, or use—such as livestock, tools, garments, or unique agricultural produce. These items are not weighed or measured in standardised terms, but instead traded by count or estimation, and their value is subject to market dynamics and negotiation.

Each unit within this category of goods can vary significantly in size, quality, utility, and desirability, making them non-fungible. For example, one cow is not exactly equal to another in every characteristic. Therefore, these goods cannot function as money nor serve as objective mediums of exchange, and thus the rules of Riba al-Faḍl does not apply to them. Their valuation is primarily subjective and contextual, determined through mutual consent.

3. Hybrid Commodities: Measurable Goods with Monetary Characteristics

Between these two extremes lies a unique category of assets that have dual potential: they are used as consumables or commodity assets, yet due to their uniformity and fungibility, they could also serve as monetary substitutes in specific contexts.

Items such as dates, wheat, barley, and salt fall into this category. These goods were:
- Weighed or measured by volume (*kayl*) or weight (*wazn*),
- Largely indistinguishable unit-to-unit, and
- Widely traded and accepted in transactions in lieu of formal currency.

Because of these features, they held the potential to function as proto-money or commodity money, especially in marketplaces where coinage was scarce or inaccessible. As such, the Shariah subjected these items to a heightened level of regulatory scrutiny, particularly under the laws of Riba al-Faḍl.

Any unequal exchange of these fungible and measurable commodities—despite being non-monetary in origin—was treated as a potential form of synthetic monetary gain, and thus prohibited unless the exchange was equal in amount and immediate in delivery (*yadan bi-yad*). This rule aims to prevent hidden usury from entering trade through the backdoor of commodity barter.

The Definition of Riba

Imam al-Mawṣilī (d.683 AH) writes:

وفي الشَّرْع: الزِّيادةُ المشروطةُ في العَقْد، وهذا إنّما يكون عند المقابلةِ بالجِنْس. وقيل: الرِّبا في الشِّرع: عبارةٌ عن عقدٍ فاسدٍ بصفةٍ سَواءٌ كان فيه زيادةٌ أو لم يكن، فإنّ بَيْعَ الدِّراهم بالدَّنانير نسيئة رباً ولا زيادةَ فيه. (الاختيار)

"In Shariah, Riba is defined as an increase stipulated in a contract, and this occurs specifically when the exchange involves items of the same genus. It is also said that Riba in Shariah refers to a void (fāsid) contract due to a particular attribute—regardless of whether there is an increase or not. For example, the deferred exchange of dirhams for dinars is considered Riba, even though there is no increase." (al-Ikhtiyār)

At its core, Riba refers to an unearned and unfair increase in wealth, where one party gains more than they give—without doing any work, taking any risk, or offering anything of real benefit in return.

There are two main types of Riba:

1. Riba al-Nasīʾah – Riba Through Delay

This happens when money, commodity money or monetary instruments are mutually exchanged, and one side delays the delivery or payment.

In simple terms: It's making money just by waiting, without doing anything in return.

This type of Riba is dangerous because it turns time itself into something that can be sold, even though time isn't something you own or create. Charging for time in this way turns a loan into a profit-making tool—without trade, production, or risk.

The requirement of immediacy in exchange (*Taqābuḍ*) serves as a legal safeguard against the exploitation of time as a vehicle for unjust gain. In economic reality, time is undeniably valuable—used for planning, productivity, and determining returns. Yet, in Fiqh, time is not classified as *Māl* (a legally recognised form of wealth) because it lacks two essential attributes: ownership and storability (*iddikhār*). Time cannot be possessed, transferred, or retained as a tradable entity; it is intangible, fleeting, and not subject to legal appropriation.

However, time carries value in commercial settings and is desired in contracts, especially when linked to delayed delivery or deferred settlement. This gives time a quasi-economic appeal, granting it one of the two criteria that might normally qualify something as Māl: desirability (*Mayl*). Yet, this value remains notional rather than real. It does not meet the full legal threshold of *Māl* under Shariah.

Time, in this context, is a pseudo-commodity—it resembles *Māl* in that people value it, yet it lacks the legal and tangible substance required to justify profit. Hence, any additional benefit gained purely due to deferment is unjustified and prohibited. It is classified as *Ḥukmī faḍl* (legal surplus) and is a form of Riba precisely because there is no real or equivalent value being offered in exchange.

Given this potential for perceived gain through time—even if it is not a real asset—the Shariah imposes strict restrictions. It prohibits not only explicit Riba but even the possibility of Riba (*Shubhat al-Riba*). By requiring immediacy in the exchange of Riba assets, the Fiqh effectively closes the door to monetising time—a principle central to the prohibition of Riba al-Nasī'ah, where the gain is linked solely to delay rather than productive activity. This gain has no productive basis, nor does it correspond to a counter-obligation or real economic contribution.

2. Riba al-Faḍl – Riba Through Surplus

This occurs when two items of the same kind (like gold for gold, wheat for wheat) are exchanged in unequal amounts, even if the exchange happens immediately.

In simple terms: It's gaining extra just because you gave first or gave more, even when what you're trading is the same kind of thing.

As previously outlined, Riba al-Faḍl is not primarily concerned with specific food items like wheat, dates, or raisins in and of themselves. Rather, its prohibition is rooted in a broader economic philosophy: the regulation of commodities that either serve as monetary instruments or possess the inherent qualities of money. In early societies, certain goods—due to their durability, storability, divisibility, and portability—naturally evolved into mediums of exchange, even if not minted coinage. These commodities, such as dates or salt in desert economies, or barley and wheat in agrarian cultures, were frequently used in lieu of formal currency to facilitate trade. The same can apply today in commodities that have this level of uniformity, durability, storability, divisibility and portability.

Because these items had the potential to function as commodity money, their exchange became subject to stricter legal scrutiny. Shariah intervenes at this point to prevent unjust enrichment in exchanges that closely resemble monetary transactions. When such items are exchanged unequally in quantity—despite being of the same type and unit of measure—it opens the door to wealth generation without effort or productive contribution, mirroring the exploitative logic of Riba. Therefore, the principle of *Mumāthalah*—equivalence in quantity and immediacy in delivery—was imposed to block this path.

By mandating equality in exchange (*mithl bi-mithl*) and hand-to-hand transfer (*yadan bi-yad*) for such items, Shariah closes the avenue to synthetic monetary gain through trade in quasi-currencies. The goal is not simply to prevent minor transactional unfairness but to uphold a deeper economic ethic: value must only be gained through real economic activity, risk, or effort—not through manipulative use of items with monetary traits. This ruling thus extends beyond food to any fungible, measurable, and tradable good that might serve a monetary function.

In essence, Riba al-Faḍl functions as a juridical safeguard against the monetisation of commodities in a way that bypasses the effort-based ethic of Islamic economic justice. It reflects the Shariah's broader principles of prevention of exploitative economic behaviours that can distort markets and accumulate wealth unjustly.

When identical items are exchanged, they must be equal and immediate—because their only purpose is to measure value. Adding a surplus without a real difference in quality, risk, or usefulness turns the exchange into unfair profit. Because these transactions closely resemble monetary exchanges—where goods act like currency—the Shariah demands the highest level of compliance to prevent even subtle forms of unjust enrichment. Thus, two critical conditions are mandated:

1. Absolute equality in quantity (*tasāwī*)
2. Immediate hand-to-hand delivery (*taqābuḍ*)

In both cases, what makes Riba unjust is that one party gains without offering anything extra in return—no extra effort, no extra value, no extra risk. It is a profit created either:

- Just by passing time (Riba al-Nasīʾah), or
- By giving more of the same thing without justification (Riba al-Faḍl).

Such profits are disconnected from real economic activity.

Understanding the Legal Causes of Riba

Imam al-Marghīnānī (d.593 AH) writes:

فالعلة: الكيل مع الجنس، أو الوزن مع الجنس.

"The legal cause ('illah) is: measurement by volume (kayl) combined with shared genus, or measurement by weight (wazn) combined with shared genus." (Bidāyat al-Mubtadī)

On explaining the above, Imam al-Atqānī (d.758 AH) writes:

بيانُه : أَنَّ النَّبِيَّ ﷺ شَرَطَ المُمَاثَلَةَ في الحديث بقوله: «مِثْلُ بِمِثْلِ» ، والمراد بالمثل : القَدْرُ ، لأَنَّه رُوِيَ في بعض الرواياتِ: كَيْلًا بِكَيْلٍ ، أَوْ لأَنَّ المُمَاثَلَةَ بَينَ الشيئين بالصورة والمعنى ؛ لأَنَّ كلَّ مَوْجُودٍ مُحْدَثٍ قائم بصورته ومعناه، فالقَدْرُ يُسَوِّي الصورة ؛ لأنه عبارة عن امتلاء المعيار، والجنس يُسَوِّي المعنى، فإن الجنسية عبارة عن المشاكلة في المعنى، فإذا استوى الشيئان في القَدْرِ والجنس كانا مستويين في الصورة والمعنى ، فكانا متماثلين .
وإِمَّا صِيَانَةً لأموالِ النَّاسِ عَنِ التَّوَى والتلف ؛ لأَنَّ أحد البدلَيْنِ إِذا كَانَ أنقص من الآخر يكون الزائد خاليًا عن العوض ، وفِيهِ تَلَفُ الزَّائِدِ ، فَاشْتُرِطَتِ المُمَاثَلَةُ حَتَّى تُصان أموال النَّاسِ ، وإليه أشار النبي ﷺ بقوله : وَالفَضْلُ ربا أي : الفضل على المُتَمَائِلَيْنِ رِبًا ، يعني أن الذي نطق به القرآن بقوله:وَحَرَّمَ الرِّبوا [البقرة: ٢٧٥] ، المراد منه: هذا الفضل .

وإما تتميما للفائدة باتصال التسليم به ، أي : بالتماثل . يعني: أنَّ الذَّهَبَ بِالذَّهَبِ ، والفضَّة لا يَتَعَيَّنَانِ إلا بالتسليم، وإن كان البدلانِ مُماثَلَيْنِ وزنًا ، ثمَّ إذا اتَّصلَ التَّسْلِيمُ بالتماثل ؛ بأن وُجِدَ التَّسْلِيم بعد وجود التماثل ، صار ذلك تتميماً لفائدة العَقْدِ ؛ لأَنَّهما بحصولِ التَّعْيِين بالتسليم صارًا مُمَاثَلَيْنِ في الوَزْنِ والتَّعَيُّن جميعاً ، فإذا فاتَ التماثل صورة ومعنى في القَدْرِوالجنس ؛ لزم حرمة الربا

“The Prophet ﷺ stipulated equivalence (*mumāthalah*) in the ḥadīth through his words: "like for like (*mithl bi-mithl*)."What is meant by *mithl* (likeness) here is quantity (*al-qadr*), because it is reported in some narrations using the phrase: "measure for measure" (*kaylan bi-kayl*). Or because equivalence between two items is realised through both their form (ṣūrah) and their meaning (*maʿnā*).

This is because every created thing (*mawjūd muḥdath*) exists with both form and essence. The form (*ṣūrah*) is equalised by quantity, as quantity expresses the filling of a standard measure. The genus (*jins*) equalises the meaning, for genus refers to similarity in essence. Thus, if two things are equal in both quantity (*qadr*) and genus (*jins*), they are equal in form and essence, and therefore considered truly equivalent and identical (*mutamāthilān*).

Or the requirement for equivalence between both countervalues may be for the preservation of people’s wealth from waste and loss. That is, if one of the exchanged items is less than the other, the excess lacks any valid countervalue (*ʿiwaḍ*), leading to the destruction or nullification of the surplus wealth. Hence, equivalence was made a condition to preserve alluded to in his statement: “And the excess is ﷺ people’s wealth. This is what the Prophet Riba”—meaning, excess in an exchange between equivalents is Riba, which is what the .Qur’an refers to when it says: “And He (Allah) has forbidden Riba” [al-Baqarah: 275]

The “Riba” that is meant here is this very surplus (*faḍl*). Or the condition of equivalence may serve the purpose of completing the contractual benefit by connecting delivery to equivalence. This means: exchanging gold for gold or silver for silver is not considered valid unless the transaction includes physical delivery (*taqābuḍ*)—even if the two exchanged items are equal in weight. Then, if delivery is joined to equivalence—i.e., if delivery occurs after equivalence is ensured—this perfects the benefit of the contract, because by assigning (*taʿyīn*) and delivering, both parties become equivalent in weight and determination. Thus, if equivalence is absent in form and meaning—that is, in both quantity and genus—then the ruling of Riba applies and the transaction becomes impermissible.” (Ghāyat al-Bayān)

In light of the above, whenever two assets that possess the characteristics of money are exchanged and both belong to the same genus, the rules of Riba are immediately triggered. Such transactions raise a critical concern about the actual intent and utility being sought: are the parties genuinely seeking the functional benefit (*manfaʿah*) of the asset, or are they simply engaging in a transaction to transfer value? When the assets involved are measurable commodities—whether by weight or volume—and they are of the same kind, there arises a strong presumption that their "moneyness" is being utilised rather than their productive or consumptive utility. This is ascertained by the legal causes (ʻilal) being found, not by some subjective analysis on intent or *Maqāṣid*. The legal causes objectively define the intent as far as Fiqh is concerned.

To safeguard against this misuse, Shariah imposes the strict requirement of *Mumāthalah*—complete equivalence between the two sides of the exchange. This parity is not only in quantity (amount) but also in time (immediacy of possession and delivery). The condition of *taqābuḍ* (hand-to-hand exchange) complements *tasāwī* (equal measure), ensuring that neither party gains an advantage through delay or imbalance.

Should there be any discrepancy—either in the amount exchanged or the timing of delivery—the transaction is no longer considered a trade of useful goods but rather a disguised money-for-money exchange. In such a case, the contract reflects an attempt to exploit the value stored in the commodity as a monetary substitute, not to benefit from its inherent utility. Consequently, the transaction is treated as one involving Riba, as it reflects an unjustified gain over time or quantity without a corresponding counter-value.

Thus, the Shariah has mandated complete equivalence to ward off any possibility of unjustified enrichment and gain. This complete equivalence is in two ways:

- Form (*ṣūrah*): This refers to measurable equivalence—weight for weight, volume for volume. This is an objective standard: a kilo for a kilo, a litre for a litre.
- Meaning (*maʿnā*): This refers to genus or kind—wheat for wheat, gold for gold. It denotes sameness in nature or intrinsic type.

Riba al-Faḍl occurs when two identical commodities (same genus) measured by the same system (e.g., two sacks of wheat) are exchanged in unequal quantities. Even if done immediately and hand-to-hand, any surplus constitutes Riba. This is not about preventing trade in raisins or wheat—it is about preventing the use of fungible, measurable commodities as a covert form of monetary enrichment. These items could function as currency substitutes due to their standardisation. Hence, the Shariah mandates that such exchanges be at par (*mithlan bi-mithlin*) to avoid exploitation.

Riba al-Nasīʾah occurs when there is a deferral of delivery (*ajal*) in the exchange of two items that share one of the two legal causes, especially in monetary or quasi-monetary assets.

This prohibition safeguards against the monetisation of time. The Shariah rejects the idea of treating time as a tradable asset or source of gain—time is not *Māl* (property) and thus cannot justify a markup. This is because any excess gained through delay has no countervalue (*ʿiwaḍ*)—it is simply benefiting from time.

What about Countable (ʻAdadī) Assets?

The legal causes (ʻ*ilal*) that trigger the rules of Riba explicitly exclude assets that are exchanged based on count (ʻ*adad*) rather than standardised measures of weight (*wazn*) or volume (*kayl*). This exclusion raises an important question: why are countable items not subject to Riba regulations?

The answer lies in the very nature of these assets. Countable goods—such as animals, garments, or electronics—are not exchanged based on objective, quantifiable equivalence. Instead, they are valued through subjective estimation, market perception, or individual preference. For instance, if one sells a cow in exchange for a MacBook, the value comparison is not rooted in a shared measurable standard. There is no universal scale to equate the life of an animal with a digital device. The transaction is guided by mutual consent and market dynamics, not by objective parity.

Even if two items of the same type are exchanged—such as a cow for another cow—the basis of valuation remains subjective. One may be younger, stronger, or healthier; the other might be of a rare breed or better trained. These differences influence the valuation, but they are not reducible to a standardised unit of weight or volume. As such, these assets cannot be treated as "monetary" or *amwāl mithliyyah* in the legal sense.

The Shariah sees money as assets that have a stable, objective, and standardised measure. This is what allows them to serve as a unit of account, a store of value, and a medium of exchange. Items sold purely by count lack these traits. They are not interchangeable in the same way as gold, silver, or staple food commodities that are measured by scale. Their value fluctuates with context, condition, and perception, making them inherently unsuitable to function as money.

Therefore, the Fiqh of Riba does not incorporate assets that are valued subjectively and exchanged by count. These items, by their nature, do not facilitate monetary-like transactions and cannot function as money in an economy. Their exclusion ensures that Riba laws remain tightly focused on assets that pose a real risk of unjust enrichment through subtle imbalances in value—imbalances that can only arise when the items exchanged are assumed to be truly equal, measurable, and monetisable.

Imam al-Dabbūsī (d.430 AH) states explaining the above:

قلنا: إنَّ الأموال في غير ما نحن فيه ضروب ثلاثة:
أموال متفاوتة في جنسها؛ كالحيوانات، والثياب.
وأمثال متقاربة؛ كالجوزات، والعدديات المتقاربة.
وأمثال متساوية المالية قطعاً ويقينا؛ كالفلوس الرائجة، فإنه لا فضل لبعضها على بعض في المالية قطعاً؛ لسقوط قيمة الجودة منها، لاصطلاح الناس على الرواج بصورها كذلك، واتفاقهم على أن لا قيمة للجودة، كما تقل القيمة بالرخص لا تفاقهم.
ثم أجمعنا على أن المماثلة ليست بشرط للجواز في المتفاوتة، وكذلك عندنا في المتقاربة، وهي الجوزات ونحوها التي تباع عددا، ويضمن مستهلكها المثل من جنسها بلا خلاف؛ لأن ماليتها غير متساوية قطعاً ويقينا؛ لجواز أن يكون بعضها أجود من بعض، والجودة منها متقومة، فلا يمكن القول بالمساواة قطعاً. (الأسرار في مسائل الخلاف)

"We say: Assets, in contexts other than the one under discussion, fall into three categories:

1. Assets that differ significantly in their genus, such as animals and garments.
2. Assets that are similar but not identical, like nuts and other countable items that are somewhat alike.
3. Assets that are unquestionably and certainly equal in financial value, such as circulating coins (*fulūs rāʾija)*. There is no superiority of one over another in financial worth, because the value of quality has been nullified. This is due to people's customary acceptance of them as equal based on their external form and their mutual agreement that quality has no value—just as prices drop when items are considered less valuable by consensus.

It is agreed upon that equivalence (*mumāthalah*) is not a condition for validity in the case of the first category (dissimilar assets). The same applies, according to our position, to the second category (similar-but-not-identical items), such as nuts and similar items sold by count. If such an item is consumed, its replacement is determined from the same genus, without dispute—because their financial value is not absolutely equal or certain. One may be of better quality than another, and quality in such cases carries value (*taqawwum*), so it cannot be said that they are certainly equal." (al-Asrār Fī Masā'il al-Khilāf)

Another explanation is offered by Imam al-Sarakhsī (d.483 AH). Only certain types of assets are governed by the rules of Riba, particularly those sold by weight (*wazn*) or volume (*kayl*). The *Ḥadīth* effectively strips these items of their qualitative differences; in other words, it treats the good and the bad as legally equal in exchange. However, this legal abstraction—disregarding quality—only applies to Riba assets mentioned in the texts or those that share their precise legal cause: being of the same genus and measurable by weight or volume. In these cases, quality (*jawdah*) is intentionally discarded. Countable (*ʿadadī*) are not governed by the Naṣṣ of Riba. Since there is no textual basis to strip away the value of quality in such assets, we return to the Qiyās and recognise their inherent differences in utility, quality, and market value. Therefore, if someone trades one garment for two others, or one high-quality walnut for two lesser ones, it is not automatically assumed to be Riba. This is because the surplus may very well be a justified compensation for superior quality or utility, and Shariah recognises this when the *Naṣṣ* does not override it.

In essence, the textual rule of ignoring quality applies only where the Sharīʿah has explicitly imposed it—namely, in weighted and measured Riba assets. Outside of that domain, the door to considering qualitative differences remains open. Thus, in the case of countable goods, the Fiqh allows subjective valuation and does not impose the same strict equivalence, precisely because quality is still meaningful and legally recognised.

Imam al-Sarakhsī (d.483 AH) states:

" أما الجوز والبيض فلأنه عددي والعددي ليس بمال الربا؛ لأن مال الربا ما توجد فيه علة الربا. وقد ثبت من أصلنا أن علة الربا القدر وهو الكيل والوزن. ثم الأصل في باب الربا الأشياء الستة التي وردت السنة فيها، وليس فيها معدود. وباعتبار العدد لا تصير" الأموال أمثالاً متساوية قطعًا؛ فإنه لا تسقط قيمة الجودة منها، لأن إسقاط قيمة الجودة عند المبايعة ثابت بالشرع بخلاف القياس، فيقتصر على ما ورد فيه الشرع. وإذا لم تسقط قيمة الجودة لا يظهر الفضل الخالي عن المقابلة؛ فإن بيع واحد باثنين قد يكون الواحد أجود، وتكون الثانية بمقابلة الجودة. (شرح الجامع الصغير)

“As for walnuts and eggs, the reason is that they are countable (ʿadadī), and countable items do not fall under the category of Riba assets (*māl al-Riba*). This is because Riba wealth is that in which the effective legal cause (*ʿillah*) of Ribā is present. According to our legal position (the Ḥanafī school), the ʿillah of Ribā is quantity *(al-qadr*), which refers to [items that are sold by] measure or weight.

The foundational legal basis in the chapter of Ribā is the six items explicitly mentioned in the Sunnah, and none of them are countable. Furthermore, countability does not make wealth definitively equivalent (*amthāl mutasāwiyah*), because the value of quality (*jawdah*) is not dropped in such items. And the dropping of quality in sale transactions is only established through revelation (sharʿ), not through analogical reasoning (*qiyās*); thus, we restrict the ruling to what the Sharīʿah has specified.

And if the value of quality is not dropped, then a surplus that lacks an equivalent counter-value (*faḍl khālī ʿan al-muqābalah*) does not appear clearly. For example, if one unit is sold for two, it is possible that the one is of higher quality, and the second item simply compensates for that superior quality.” (Sharḥ al-Jāmi’ al-Ṣaghīr)

The Shariah Discards Quality Difference in Riba Assets

When items functioning as money—whether money like gold or commodity money like wheat—are exchanged within the same genus, a reasonable question arises: what if there is a clear difference in quality? One gold coin may be more finely minted than another, or one sack of wheat may be cleaner and more desirable than its counterpart. Logically, it would seem that the superior item should warrant additional compensation to account for its enhanced value.

However, Shariah adopts a different legal stance in such cases. When two Riba assets of the same type are exchanged, Shariah deliberately disregards differences in quality. This is not because quality has no real-world utility, but because acknowledging it in these transactions would open the door to hidden surplus and thereby Riba. The exchange, by its very nature, is treated as a monetary transaction. In such transactions, only the amount or measure is considered—not the utility or subjective superiority of one item over the other.

This legal abstraction effectively flattens the exchange: it treats both items as equal in every respect, even if one is clearly superior. The ruling operates on the assumption that when two identical items are traded, any additional quantity—however justified by quality—constitutes an unjustified gain, i.e., Riba. Thus, to uphold parity and prevent exploitation, Shariah mandates that these items be exchanged hand-to-hand and in equal amounts, as though they are identical in every dimension. This legal treatment is essential to preserve the integrity of monetary transactions and prevent any party from gaining value without a valid counter-value.

Imam al-Marghīnānī (d.593 AH) writes:

ولا يجوز بيع الجيد بالرديء مما فيه الربا إلا مثلاً بمثل.

"It is not permissible to sell the superior for the inferior (of items subject to Riba) except on a like-for-like basis." (Bidāyat al-Mubtadī)

When two items of the same genus are exchanged—like gold for gold or wheat for wheat—the Prophet ﷺ explicitly required that the exchange be equal in quantity and immediate (hand-to-hand). He declared, “Good and bad are equal” (جَيِّدُهَا وَرَدِيئُهَا سَوَاءٌ), indicating that once these items are classified as *Ribawi*, their quality becomes legally irrelevant for the purpose of exchange.

This is a form of legal abstraction (*istiḥsān*), where a potential aspect of value—quality—is intentionally excluded to prevent a greater harm: the possibility of Riba. The law assumes that if quality were factored in, people might use it as a loophole to justify inequality in quantity or delay in delivery, thereby opening the door to Riba al-Faḍl or Riba al-Nasīʾah.

If both the legal causes of Riba are found, the items are deemed *mutamāthilān*—legally equivalent. However, since no two items are ever absolutely identical in every property, the Shariah deliberately drops the consideration of quality (*ṣifah*) of the items in such contracts. Without this ruling, trade would become impossible, as one could always argue that one batch of wheat or one gold coin is better than another due to subjective factors.

For example, selling a high quantity of good-quality wheat for the lower quantity of inferior wheat is impermissible. Why? Because the additional appears to be compensating for the higher quality—but quality has been legally voided in this context. This transaction is legally deemed to be a monetary transaction due to possessing the legal causes of Riba: genus and measure. The surplus wheat, therefore, becomes an unjustified gain without an equivalence, and that is what Riba is; an unjustified monetary gain. Had quality retained value in this context, the extra wheat could serve as lawful consideration. But the law has stripped it of such value specifically to close the door to Riba.

Imam al-Sarakhsī (d.483 AH) writes:

وَالْمُمَاثَلَةُ صُورَةٌ بِاعْتِبَارِ الْقَدْرِ؛ لِأَنَّ الْمِعْيَارَ فِي هَذَا الْمِقْدَارِ كَالطُّولِ وَالْعَرْضِ وَالْمُمَاثَلَةِ مَعْنِيٌّ بِاعْتِبَارِ الْجِنْسِيَّةِ وَلَكِنَّ هَذِهِ الْمُمَاثَلَةَ لَا تَكُونُ قَطْعًا إلَّا بِشَرْطٍ وَهُوَ سُقُوطُ قِيمَةِ الْجَوْدَةِ مِنْهَا لِجَوَازِ أَنْ يَكُونَ أَحَدُهُمَا أَجْوَدُ مِنْ الْآخَرِ وَإِذَا سَقَطَتْ قِيمَةُ الْجَوْدَةِ مِنْهَا صَارَتْ أَمْثَالًا مُتَسَاوِيَةً قَطْعًا فَإِنَّمَا يُقَابَلُ الْبَعْضُ بِالْبَعْضِ فِي الْبَيْعِ مِنْ حَيْثُ الذَّاتُ فَإِذَا كَانَ فِي أَحَدِ الْجَانِبَيْنِ فَضْلٌ كَانَ ذَلِكَ الْفَضْلُ خَالِيًا عَنْ الْمُقَابَلَةِ وَالْفَضْلُ الْخَالِي عَنْ الْمُقَابَلَةِ رِبًا فَإِذَا جُعِلَ شَرْطًا فِي الْعَقْدِ فَسَدَ بِهِ الْعَقْدُ وَهَكَذَا فِي سَائِرِ الْأَمْوَالِ إلَّا أَنَّ الْفَضْلَ الْخَالِيَ عَنْ الْمُقَابَلَةِ هُنَاكَ إنَّمَا يَظْهَرُ بِالشَّرْطِ حَتَّى لَوْ بَاعَ ثَوْبًا بِثَوْبٍ بِشَرْطِ أَنْ يُسَلِّمَ لَهُ مَعَ ذَلِكَ ثَوْبًا آخَرَ لَا يَجُوزُ؛ لِأَنَّ هُنَاكَ الْفَضْلُ يَظْهَرُ بِالشَّرْطِ وَهُنَا يَظْهَرُ شَرْعًا لِوُجُوبِ الْمُمَاثَلَةِ فَثَبَتَ بِمَا قَرَّرْنَا أَنَّ الْعِلَّةَ لِهَذَا الْحُكْمِ بِالتَّأْثِيرِ فِي إيجَابِ الْمُمَاثَلَةِ وَهُوَ الْجِنْسُ وَالْقَدْرُ وَإِنَّ شَرْطَ عَمَلِ الْعِلَّةِ سُقُوطُ قِيمَةِ الْجَوْدَةِ مِنْهَا وَهَذَا شَرْطٌ عَرَفْنَاهُ بِالنَّصِّ وَهُوَ قَوْلُهُ: – صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ – جَيِّدُهَا وَرَدِيُّهَا سَوَاءٌ وَبِدَلِيلٍ مُجْمَعٍ عَلَيْهِ وَهُوَ أَنَّهُ لَوْ بَاعَ قَفِيزَ حِنْطَةٍ جَيِّدَةٍ بِقَفِيزِ حِنْطَةٍ رَدِيَّةٍ وَدِرْهَمٍ لَا يَجُوزُ وَمَا كَانَ مَالًا مُتَقَوِّمًا يَجُوزُ الِاعْتِيَاضُ عَنْهُ كَالْبَيْعِ وَإِنَّمَا يَجُوزُ الِاعْتِيَاضُ عَمَّا فَسَدَ بِتَقَوُّمِهِ شَرْعًا كَالْخَمْرِ وَنَحْوِ ذَلِكَ فَلَمَّا لَمْ يَجُزْ الِاعْتِيَاضُ عَنْ الْجَوْدَةِ هُنَا عَرَفْنَا أَنَّهُ لَا قِيمَةَ لِلْجَوْدَةِ عِنْدَ الْمُقَابَلَةِ بِالْجِنْسِ ثُمَّ إثْبَاتُ الْحُكْمِ بِهَذَا الطَّرِيقِ يَكُونُ عَلَى مُوَافَقَةِ الْأُصُولِ (المبسوط للسرخسي)

وَعِنْدَنَا لَا قِيمَةَ لِلْجَوْدَةِ فِي الْأَمْوَالِ الرِّبَوِيَّةِ عِنْدَالْمُقَابَلَةِ بِجِنْسِهَا فَالْمُقَابَلَةُ بِاعْتِبَارِ الْأَجْزَاءِ وَيَجُوزُ الْعَقْدُ لِوُجُودِ الْمُسَاوَاةِ فِي الْوَزْنِ عَمَلًا بِقَوْلِهِ – صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ – «الذَّهَبُ بِالذَّهَبِ مِثْلٌ بِمِثْلٍوَالْفِضَّةُ بِالْفِضَّةِ مِثْلٌ بِمِثْلٍ يَدٌ بِيَدٍ» وَبِقَوْلِهِ – صَلَّىاللَّهُ عَلَيْهِ وَسَلَّمَ – «جَيِّدُهَا وَرَدِيئُهَا سَوَاءٌ (المبسوط للسرخسي)

"Equivalence in form is based on quantity (*qadr*), because measurement in this context operates like length and width. Equivalence in meaning is based on shared genus. However, this equivalence cannot be fully realised unless a condition is met: the value of quality must be dropped. This is because it is possible that one item may be of better quality than the other. Once quality is dropped from consideration, the two items become definitively equal.

In sales, items are exchanged based on their essence. If one side includes a surplus, then that surplus lacks a counter-value, and such unreciprocated surplus is Riba. If this surplus is stipulated in the contract, the contract becomes invalid.

The same rule applies to all other properties, except that in non-Ribawi items, surplus only becomes apparent when explicitly stated. For instance, if someone sells a garment for another garment with the condition that an extra garment is added, the contract is invalid—because the surplus appears through the condition. In Ribawi items, the surplus appears by default through the legal requirement of equivalence.

From this reasoning, it is established that the cause (*ʻillah*) necessitating equivalence is the combination of genus and measure (*qadr*). The effectiveness of this cause is conditional upon the nullification of the value of quality, which is known by textual evidence. The Prophet ﷺ said: “Its good and bad are the same.” This is supported by consensus (*ijmāʿ*), as in the ruling that selling a measure of high-quality wheat for the same measure of poor-quality wheat plus one dirham is impermissible.

This tells us that quality has no value when *Ribawi* items are exchanged for others of the same genus. In contrast, if it were of value, the extra dirham could serve as a legitimate counter-value, rendering the transaction valid. However, this is not the case. In Shariah, exchange is only permitted for something that has legal value (*taqawwum*). Thus, when it is not permissible to exchange for quality here, we know that it has no legal value in such exchanges.

This method of establishing the ruling conforms with foundational principles. In our (Ḥanafi) view, there is no value assigned to quality in *Ribawi* goods when exchanged within the same genus. The comparison is only based on quantity, and the contract is valid when there is equality in weight, in accordance with the Prophet’s ﷺ statement: “Gold for gold, equal for equal, hand to hand” and “Its good and poor quality are equal.” (al-Mabsūṭ)

'Alā al-Dīn al-Bukhārī (d.730 AH) writes:

قَوْلُهُ (وَسَقَطَتْ قِيمَةُ الْجَوْدَةِ) جَوَابٌ عَمَّا يُقَالُ لَا نُسَلِّمُ أَنَّ الْمُمَاثَلَةَ تَثْبُتُ حَقِيقَةً بِمَا ذَكَرْتُمْ؛ فَإِنَّهُ قَدْ يَبْقَى تَفَاوُتٌ
بَيْنَ الْبَدَلَيْنِ فِي الْوَصْفِ بَعْدَ اسْتِوَائِهِمَا قَدْرًا وَجِنْسًا؛ فَإِنَّ الْمَالِيَّةَ الَّتِي هِيَ الْمَقْصُودَةُ مِنْ هَذِهِ الْأَشْيَاءِ تَزْدَادُ بِالْجَوْدَةِ
وَتَنْتَقِصُ بِالرَّدَاءَةِ، وَإِذَا لَمْ تَثْبُتْ الْمُمَاثَلَةُ لَا يَظْهَرُ الْفَضْلُ كَمَا فِي الْعَبِيدِ وَالثِّيَابِ فَقَالَ هَذَا إنَّمَا يَلْزَمُ لَوْ بَقِيَتْ لِلْجَوْدَةِ
قِيمَةٌ فِي هَذِهِ الْأَمْوَالِ عِنْدَ الْمُقَابَلَةِ بِجِنْسِهَا وَلَكِنَّهَا سَقَطَتْ بِالنَّصِّ، وَهُوَ قَوْلُهُ ﷺ «الذَّهَبُ بِالذَّهَبِ تِبْرُهُ وَعَيْنُهُ سَوَاءٌ
وَالْفِضَّةُ بِالْفِضَّةِ تِبْرُهَا وَعَيْنُهَا سَوَاءٌ» وَالْعَيْنُ اسْمٌ لِلْمَضْرُوبِ وَهُوَ أَجْوَدُ مِنْ التِّبْرِ، وَقَدْ جَعَلَهُمَا سَوَاءً وَفِي بَعْضِ
الرِّوَايَاتِ جَيِّدُهَا وَرَدِيئُهَا سَوَاءٌ فَيَكُونُ نَصًّا عَلَى سُقُوطِ قِيمَةِ الْجَوْدَةِ.(كشف الأسرار)

“Addressing an Objection: “You claim that *mumāthalah* (equivalence) is truly realised by what you’ve mentioned. But isn’t it possible that, after establishing equal quantity and genus, a quality difference may still remain between the two items?” Indeed, financial value, which is the main objective in such items, increases with quality and decreases with deficiency. Without equivalence, *faḍl* (surplus) may not be clear—just like in the case of slaves or garments.

The answer: This issue would arise only if quality retained value in such goods when exchanged within the same genus. But that value has been nullified by explicit text. The Prophet ﷺ said: “Gold for gold—minted and unminted are the same; silver for silver—minted and unminted are the same.” ʿAyn refers to minted coins, which are of higher quality than unminted raw metal, yet both were declared equal. In other narrations: “Its good and poor quality are equal.” This constitutes explicit evidence that quality has no value in this context.” (Kashf al-Asrār)

The Wisdoms Underpinning ***Taqābuḍ*** (Immediate Possession)

Delaying delivery or settlement in Riba transactions introduces several economic and ethical hazards:

1. Fluctuating Purchasing Power

When one party promises to deliver money or a monetary instrument at a future date, the purchasing power of that instrument may change in the interim. The party delivering late may end up gaining or losing in real terms, undermining the actual value that was exchanged in the original agreement and perhaps, unjustly benefiting one party with additional purchasing power not contracted. This violates the condition of equivalence (Mumāthalah) required in money-for-money transactions.

2. Leveraging Through Delay

The party delaying payment retains control over funds that should have been transferred. This allows them to benefit from both sides of the transaction—their own capital and the deferred obligation—effectively creating a form of unjustified leverage. From a Riba perspective, this is monetisation from purely time-based gain without an equivalent, i.e., Riba al-Nasī'ah.

3. Multiplication of Debt and Systemic Risk

Permitting deferred settlement in monetary exchanges creates the potential for a web of obligations, where each debt can give rise to further debt without any real economic activity in between. This leads to cascading financial liabilities, heightening systemic risk and driving speculative behaviour rather than productive investment.

4. Debt (Dayn) Cannot Be Benefited From Before Possession

From a Fiqh perspective, a debt (*Dayn*) cannot be sold, resold, or utilised by the creditor with third parties until possession is taken. Allowing one to act upon and transact unpossessed debt with third parties—whether by trading it, leveraging it, or charging for it—transforms money into a speculative instrument, distorting its intended role as a measure of value and a facilitator of exchange.

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The Legal Wisdoms Behind The Prohibition of Riba

The Fiqh of Riba offers sound and substantive justifications for its prohibition, including reasons such as:

1. Disconnection Between Value Creation and Return

A lawful return must be contractually tied to a productive activity that involves risk, effort, or utility. In the case of a conventional loan, the return (i.e. interest) is fixed and contractually guaranteed regardless of whether the borrowed funds generate any real value. This disconnection renders the return unlawful. A profit without participation in risk or productivity is classified as Riba—an unjust enrichment.

2. Loan as Temporary Transfer of Property

A monetary loan (*Qarḍ*) is a temporary transfer of ownership, with an expectation of repayment in kind. The borrower becomes the owner of the funds and is only obliged to return an equivalent in value—not more. Any stipulated increase is an addition to the principal that lacks a lawful justification, as the original property is no longer owned by the lender. Thus, demanding more than what was given constitutes an illegitimate expansion of one’s property rights.

3. Unjust Creation of Property Rights

Interest creates instantaneous property claims for the lender, giving them the right to additional wealth without contributing any further capital, effort, or liability. From a Sharīʿah perspective, property rights must arise from real economic exchange or productive entitlement. Interest, however, grants entitlement without trade, labour, or investment, making it a form of wrongful appropriation—Riba by definition.

4. No Justification for a “Hire Charge” on Money

Money differs fundamentally from assets like cars or property. When you rent a car, the car remains intact and in your possession throughout the lease, and any depreciation or damage is borne by the lessor. However, when money is lent, it is immediately consumed in use—it does not remain with the borrower in the same form, nor is it preserved over time. Yet interest demands payment over the entire term, despite the lender no longer holding any risk or bearing any liability over the asset. In effect, the lender earns without any active ownership or ongoing responsibility.

5. Risk-Free Gain Is Prohibited

A key Sharīʿah principle is that lawful gain must accompany liability (*ghurm*) or risk (*ḍamān*). In a loan, the lender does not bear any of the risks tied to how the money is used—whether it leads to profit or loss. Yet they demand a fixed return. This asymmetry violates the foundational legal maxim: "*Al-kharāj bi al-ḍamān*" (gain is only justified through liability) or "*al-Ghumn bi al-Ghurm*" (Profit is justified only through bearing risk.). Riba bypasses this legal axiom and entitles one party to profits without ever being exposed to corresponding risks.

The Economic Wisdoms Behind the Riba Prohibition

Riba undermines economic rationality and moral order. There are several economic wisdoms behind the prohibition of Riba. Even if some of the economic rationale maybe debated and possibly analysed differently in different circumstances, the Fiqh is not dependent on wisdoms. The identification of the legal causes is sufficient for the prohibition of Riba to manifest, even if the wisdoms are not found.

1. Leverage and Artificial Liquidity Through Delay (Riba al-Nasīʾah)

One of the primary mechanisms through which Riba operates is the delayed settlement of exchange, known as Riba al-Nasīʾah. When a transaction is not settled on the spot, the creditor gains temporary control over liquidity while incurring only a future obligation. This creates unearned leverage—effectively a loan disguised as trade.

By delaying settlement, one side retains access to monetary resources, potentially investing or consuming them without productive risk or output. The Shariah mandates immediate settlement in currency exchange precisely to prevent this type of artificial liquidity. If such deferral were permitted, it would incentivise speculative behaviour and monetary gain without commensurate contribution to the economy.

2. Debt Addiction and Systemic Risk

Riba acts as the economic fuel of excessive indebtedness. Without interest, debt is limited to legitimate needs—typically credit sales backed by actual goods or services. However, the promise of fixed returns through interest makes lending attractive even when the underlying venture lacks productive merit. This incentivises non-productive lending, facilitating systemic debt accumulation in both the public and private sectors. As debt is traded and repackaged across financial systems, it amplifies systemic risk and creates a fragile economy vulnerable to contagion and collapse. The result is an ecosystem saturated with loans detached from production, where capital circulates for yield, not development. This leads to systemic fragility: as debt levels mount and compound, the risk of default and financial contagion escalates across households, corporations, and the system.

3. Artificial Wealth Creation and Inflation

Riba-based lending creates synthetic wealth in the form of receivables without actual goods or services backing them. Each loan contract with interest expands the money supply without a parallel increase in real output. This phenomenon directly fuels demand-side inflation, where more money chases the same number of goods and services.

Every interest-bearing loan adds financial claims without corresponding goods or services. It expands the notional money supply, creating demand without increasing supply. This excess liquidity contributes to inflation, especially in asset markets. While real production requires labour, materials, and time, Riba generates paper wealth instantaneously. Over time, this erodes purchasing power and fuels inequality, especially for those on fixed incomes or outside capital markets.

This monetary distortion erodes purchasing power and disproportionately harms those with fixed incomes or limited assets. Unlike gold mining—where physical effort and resources determine output—Riba generates financial claims without input or scarcity, corrupting the supply-demand balance fundamental to market economies.

4. Misallocation of Capital

In an interest-based system, financial institutions prioritise creditworthiness over productivity. Loans are granted based on a borrower's ability to repay interest rather than the economic utility of the project. As a result, resources are diverted away from innovation and industry toward speculative finance, consumption loans, or refinancing cycles. Such misallocation starves high-impact, productive ventures of necessary capital, undermines entrepreneurship, and promotes financial inefficiency.

5. Violation of Risk-Sharing Norms and Asymmetric Burdens

The principle of equitable risk-sharing lies at the heart of efficient markets. Trade and investment must involve mutual exposure to risk for gains to be considered fair. Riba violates this principle: the lender enjoys guaranteed returns regardless of the borrower's success or failure. The borrower, however, bears the entire commercial risk and the additional burden of fixed interest. This unequal distribution of risk distorts market discipline, disincentivises prudent investment, and effectively socialises losses while privatising gains.

Islamic economics insists that profit be tied to risk and contribution. Riba severs this link. The lender is guaranteed a return regardless of outcome, while the borrower bears the entire risk—of loss, delay, or insolvency. This asymmetry disincentivises cautious investment and undermines market discipline. In contrast, equity-based models distribute risk and reward equitably, creating a more balanced and resilient economic structure.

6. The Paradox of Money Commanding a Price

Money is not a factor of production—it does not produce anything by itself. Unlike land, labour, or capital goods, money is a medium of exchange, not an input into production. Charging a price (interest) for money is thus economically illogical. It violates the foundational principle that only productive effort or value-added services should be compensated.

Moreover, classical and neoclassical economics recognise that capital without entrepreneurial input is inert. The return on capital should be variable and contingent on success, not fixed ex ante. Interest, therefore, is a distortion of capital's real function, substituting security for effort, and undermining entrepreneurship.

7. Distinction Between Trade and Interest

Islamic finance differentiates trade and interest through their structural impact on the economy. In trade, profits are justified by risk, effort, and the exchange of utility. A trader earns by sourcing, transporting, and transferring ownership of goods. The buyer pays for value received.

In contrast, interest-based lending yields gain without risk or effort. The lender gains merely by waiting, and the transaction continues to generate profit so long as the borrower cannot repay. Thus, while trade ends with the transfer of goods and payment, interest enforces perpetual gain without new value creation—an economic imbalance that accumulates across transactions and time.

8. Distortion of Prices and Market Signals

Interest interferes with price signals—the core mechanism by which markets allocate resources. Since interest payments become part of the cost structure, they artificially inflate prices, misguide investment decisions, and weaken market competition. Interest distorts the price mechanism by embedding a non-productive cost into transactions. Additionally, Riba-based credit distorts the natural discipline of failure by propping up inefficient entities that should otherwise exit the market. This resembles the inefficiencies of a command economy, where market decisions are replaced by financial imperatives. By disconnecting capital flow from productive merit, Riba erodes the efficiency of markets and undermines long-term growth.

9. Pareto Inefficiency and Social Justice

Drawing from Ibn Rushd and classical economics, the principle of Pareto efficiency—where no one can be made better off without making someone worse off—aligns closely with the Shariah principles underpinning *Mu'amalāt*. Interest transactions often lead to Pareto suboptimal outcomes. The lender improves their position regardless of the borrower's outcome, violating the mutual benefit principle.

The Prophet's ﷺ instruction to trade Riba assets equally reflects this concern. If dates differ in quality, the solution is two separate trades at fair market value, not a biased direct swap. This ensures that pricing reflects utility, not power dynamics. In turn, this upholds economic balance, supports market efficiency, and prevents arbitrary enrichment.

10. Manipulation of Money and Devaluation of Labour

Riba incentivises the manipulation of the money supply, turning money into a commodity rather than a measure of value. When money is priced through interest, it no longer serves its intended function as a stable store of value or a unit of account.

Moreover, as interest accumulates, people's labour is devalued. They must work not just to meet needs, but to service a monetary burden that grows independently of effort. Over time, this creates structural inequalities, where the wealthy grow wealthier without engaging in production, while the indebted remain perpetually obligated.

11. Normalisation of Debt Culture

Riba promotes a culture of dependency and consumption-based debt. Historically, debt was an emergency measure. Today, due to the systemic role of interest, it has become the default financial model for households, businesses, and others. This normalisation distorts financial priorities: instead of building value, actors focus on servicing liabilities. Where equity would direct growth and innovation, interest cultivates survivalism and short-termism. This shift is detrimental to long-term productivity and generational wealth creation.

12. Artificial Creation of Intangible Wealth

Riba transforms money into a self-replicating instrument detached from production. It creates intangible "wealth" through interest-bearing debt instruments without the backing of goods, labour, or services. This undermines the real economy by inflating financial claims while no corresponding economic output is produced—resulting in systemic fragility and wealth concentration.

13. Debt Monetisation and Wealth Conversion

Through interest, real assets are continuously converted into debt, and debt itself becomes a tradable, value-accumulating asset. This turns the economic system from a productivity-based model into a debt-based one, where wealth increases on ledgers but not in the real economy. This model rewards financial speculation and penalises tangible production and enterprise.

14. Non-Depreciating Entries on Balance Sheets

In conventional lending, the creditor's wealth on paper does not depreciate. It grows predictably, regardless of what happens in the broader economy. This stands in contrast to all other forms of wealth creation—such as business, agriculture, or trade—where uncertainty and loss are integral parts. Riba eliminates these natural correctives, making the lender's position artificially privileged.

15. Risk and Responsibility Disconnected

In a productive economy, wealth follows effort, risk, and accountability. Riba divorces wealth from all three. The lender assumes no operational or market risk but continues to extract wealth even during downturns or borrower default. This structure concentrates capital in risk-free positions, leaving the burden of volatility on the debtor and eroding incentives for equitable partnership or innovation.

16. Wealth Extraction, Not Wealth Creation

Riba leads to a zero-sum or negative-sum outcome: it extracts value from the economy without injecting productivity. It shifts wealth from borrowers (often less capitalised) to lenders (often already wealthy), deepening inequality and systemic dependence. Unlike trade or investment, which can create new value through innovation, labour, or enterprise, interest-based finance is inherently extractive.

What about Fiat Currencies?

Shaykh Mufti Taqi Uthmani excellently articulates the position of fiat currencies and Riba in Fiqh al-Buyū' as follows:

"There is a third opinion regarding fiat money and banknotes, built upon the view of Imam Muhammad (may Allah have mercy on him), which holds that these are not mere tokens or contractual items, but rather they are now customary money (*Athmān 'Urfīyyah*), like the *Fulūs* (copper coins).

A currency of every country is considered an independent genus; Zakat is obligatory on it, transactions are concluded with it, and it is permissible to make it the capital in Salam transactions. Riba applies to it, and if it is sold within its own genus, equality is required in number. Valuation is obligatory. Instant exchange in the same session (*Taqābuḍ fi al-majlis*) is not required, because it is not classified as *ṣarf*, since the same genus prohibits excess by itself—similar to the ruling of *Fulūs*, but it is not governed by the rules of *ṣarf*.

That is, it is not necessary to exchange it in the same sitting, and it is permissible to exchange it with excess when it is exchanged for another currency of a different country, like selling US dollars for Pakistani rupees. But the exchange must be done at the rate of the day of transaction to avoid it being a pretext for Riba.

The reasoning here is that there is a huge difference between gold and silver and fiat currencies, as gold and silver have always been money since ancient times until now. Thus, it was said they are "naturally money" (t*haman khilqīyy*). As for fiat money, they have become payment systems by convention (*ʿurf*) and practice (*Iṣṭilāḥ*). So, their value is not inherent nor intrinsic and permanent but rather have acquired that function through legislative usage. This means that if the government withdraws their legal status, they are no longer legal tender.

Based on this view, fiat currencies are more like *Fulūs* than silver dirhams and gold dinars. But if we wanted to apply the rules of *Fulūs* according to the understanding of the Shāfi'ī school or the Ḥanbalī school, or even the views of Imam Abū Ḥanīfah and Imam Abū Yūsuf (may Allah have mercy on them), then the doors of Riba would be wide open. In their time, *Fulūs* were used in small, simple exchanges. But now, fiat currencies have become the dominant means of transaction. Therefore, only the position of Imam Muhammad remains viable: that it is not permissible to exchange *Fulūs* with each other in unequal amounts.

I genuinely feel that if these very jurists and giants were alive today and witnessed the changes in the monetary system that we now observe, they would have given Fatwā on the prohibition of unequal exchanges in current money and fiat. In fact, there is a precedent which the classical and earlier jurists from Transoxiana declared the prohibition of exchanging *Fulūs*-type coins.

Ibn al-Humām (d.861 AH) writes whilst commentating on the text of al-Hidāyah:

“Even with this, our *Mashāyikh*—meaning the scholars of Transoxiana (i.e., Bukhara and Samarkand)—did not issue Fatwā permitting it, that is, the exchange of *Fulūs* for the same genus with excess (tafāḍul),whether in ‘*al-ʿadālā*’ or ‘*al-ghaṭārifah*’, despite the fact that other metals were dominant in them than silver.

Why? Because these items were the most valuable forms of wealth in our lands. So, if *tafāḍul* were permitted in them, it would open the clear door to Riba. People would then become accustomed to engaging in *tafāḍul* with precious forms of wealth, and from there, they would gradually extend this to sound, pure currencies (e.g., gold and silver). Therefore, it was prohibited—as a measure to close the door to corruption (*ḥasman li-māddat al-fasād*).” (Fatḥ al-Qadīr)

This Fatwā emerged in a time when *Fulūs* were widespread in commerce. At that time, silver dirhams and gold dinars were also in circulation. But now, silver and gold have completely disappeared from the monetary system, so issuing a Fatwā today must consider the current reality and the prevailing pricing convention.

The stronger view in our time is that the exchange of fiat currencies issued by the same country must occur with equality in amount and it is impermissible to exchange them with *tafāḍul*.

Equality here does not mean equal number of papers, but equality in the nominal value the papers represent. So, one may sell a 50-pound note for five 10-pound notes because the total value is the same. This shows that what matters is value, not number.

The consideration here is not in the number of units, but rather the value the note represents. The nominal value on the note is what is fixed and stable—it does not change with market fluctuation. Hence, what matters in transactions involving fiat is the value represented by the numbers printed on the note, not the physical count of the notes themselves. Therefore, Riba applies when inequality in value is found, even if the count remains equal.” (Fiqh al-Buyū’)

The Islamic Economic Philosophy for Wealth Creation

The prohibition of Riba in Islamic economics represents a decisive rejection of financial systems built on fixed returns, synthetic wealth creation, and asymmetric power dynamics. Instead, Islamic economic theory advances a model rooted in real value, productivity, co-creation, and equitable risk-sharing. The rationale behind this prohibition is not merely spiritual—it is economically coherent, socially just, and structurally sound.

At the heart of this philosophy lies a fundamental distinction: wealth is not created in a vacuum, nor is money itself inherently productive. Rather, real wealth is generated through transactions that engage with the factors of production, which include:

- Capital – such as machinery and tools used in manufacturing or service delivery;
- Labour – human effort and skill applied to transform raw materials or produce services;
- Land – providing agricultural output or extractable resources;
- Enterprise – the coordination and management of these elements to create goods and economic value.

Each of these inputs contributes tangibly to the economy. When money is used to invest in them—by purchasing assets, hiring workers, or developing productive infrastructure—it becomes a means of enabling real economic activity. This, in turn, justifies the generation of profit or surplus.

However, money itself is not a factor of production. It cannot grow, replicate, or create output on its own. It is merely a medium of exchange, a measure of value, and a store of purchasing power. Consequently, when money is exchanged for more money without passing through any productive channel—such as in interest-bearing loans or speculative monetary transactions—the resulting gain is artificial. It does not stem from trade, labour, or risk-bearing, and thus, in the Shariah, it is classified as unearned and unjustified.

This is precisely why Islam prohibits Ribā al-Faḍl (gain through unequal exchange of similar commodities) and Ribā al-Nasīʾah (gain through deferred payment in monetary exchanges). Both forms attempt to generate profit without value creation. They turn money into a commodity, rather than a tool of productive exchange, and allow for enrichment through delay or imbalance rather than effort or output.

Islamic economic philosophy, in contrast, introduces a system where:

- Money facilitates real exchange, not exploitation.
- Wealth is earned, not extracted.
- Risk is shared, not offloaded onto the weaker party.

Such a system incentivises trade, investment, entrepreneurship, and partnership. It encourages long-term growth, productivity, and equitable distribution of resources—ensuring that gains in the economy reflect actual contributions. The moral clarity of this model is reinforced by its economic logic, making the case against Riba not only a matter of sacred law, but also of sound, responsible economic practice.

The Islamic economic philosophy is deeply concerned with real sector growth—that is, economic expansion driven by actual goods, services, and productive output. It holds that legitimate wealth is only created when capital, labour, and enterprise are combined in meaningful ways to produce tangible or beneficial results. This includes sectors such as agriculture, manufacturing, trade, and service industries—all of which contribute to job creation, infrastructure, innovation, and consumer satisfaction.

The verse in the Qur'an—"Allah has permitted trade and prohibited Ribā" (2:275)—presents a binary between two economic models. One model is based on trade, al-bayʿ, which requires effort, risk, and real value transfer. The other is based on usury, Ribā, which facilitates unearned wealth accumulation through debt, delay, and financial leverage without corresponding productive engagement.

Trade and investment drive economic vitality. When an investor puts money into a business—whether it's a farm, a textile workshop, or a technology startup—they stimulate employment, resource allocation, and innovation. The risk they bear is tied directly to the success of the venture. This risk-reward structure encourages prudent decision-making and long-term growth planning.

For example, if a business owner invests £100,000 into opening a bakery, they hire workers, rent premises, buy equipment and raw materials, and work to generate sales. If successful, the profits are shared, and the entire community benefits through employment, access to food, and economic spillover effects. The investor's gain is tied to actual performance and output.

Islam strongly promotes this type of enterprise because it is founded on mutual benefit and leads to the creation of real, tangible wealth across society. The Islamic economic philosophy advocates for positive-sum transactions, where all parties involved gain—creating win-win outcomes rather than zero-sum or exploitative arrangements.

Riba, by contrast, enables parasitic gain—the extraction of wealth without production. It typically manifests in interest-based loans where a lender demands a guaranteed return regardless of the outcome of the borrower's venture. For instance, a farmer borrowing £10,000 at 10% interest must repay £11,000 even if the crop fails due to drought. The lender earns without participating in the risk or labour.

This model:

- Disincentivises investment in risky or innovative ventures, as lenders prefer guaranteed returns over equity participation.
- Encourages short-termism, as borrowers focus on servicing debt rather than investing in long-term growth.
- Concentrates wealth, as capital keeps flowing to creditors without productive redistribution.
- Distorts prices and markets, as interest costs are embedded into the price of goods and services, fuelling inflation and reducing affordability.

The result is an economy bloated by debt, where speculative financial instruments outpace the growth of real goods and services.

Let us consider a few examples. In the conventional banking system, banks lend money for mortgages, charging interest for decades. The asset—usually a home—might not increase in real utility or productivity, but the financial sector continues to extract wealth through interest payments. This generates asset bubbles and widens inequality. In contrast, in Islamic finance, models such as Mushārakah or Muḍārabah ensure that profit is shared based on actual performance. If there is no profit, there is no return. This forces capital holders to be selective and constructive in how they deploy funds—favouring ideas with real value, not just creditworthiness. A Riba-based loan to a developing country might yield a guaranteed return for a creditor, even if the project funded does not succeed or benefit the population. In Islamic finance, a failed project means the financier shares in the loss—aligning incentives with outcomes.

Riba enables what economists might call financialisation without productivity—where gains are made not through the generation of goods and services but through manipulation of money and debt instruments. It allows for wealth without work, which in turn breaks the moral and economic symmetry required for equitable societies.

Islam’s emphasis on trade ensures that money circulates in productive channels. In a healthy Islamic economy, wealth moves from investors to entrepreneurs, from entrepreneurs to labourers, and from producers to consumers. It does not remain locked in speculative financial loops or return disproportionately to those who assume no effort or risk.

Islamic economics builds its system on principles that promote production over speculation, real value over notional value, and shared risk over asymmetric certainty. Trade, investment, and enterprise are the engines of real wealth creation. Riba, by contrast, acts as a financial siphon, extracting wealth from the real economy and redirecting it toward passive capital. This is why Islam not only discourages Riba—it declares it structurally incompatible with economic justice, stability, and growth.

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