Chapter 2

The Principle of Shariah: The Foundation for Islamic Banking
Law and Regulation

2.1 The Meaning and Concept of Shariah

The original meaning of the word Shariah or Shar is "the path or the road leading to the water" and the verb Shara'a literally means, "to chalk out or mark out a clear road to water". In its religious usage it has meant "the highway of good life". In other words, Shariah also has its correlation with the word "din" which literally means "submission" or "following". Shariah is the way which directs a man's life to the right path. The word Shariah is the ordaining of the way and its proper subject is God, whereas din is the following of that way and its subject is man. Therefore, as far as The Qur'anic idiom goes, one may speak of Shariah and din interchangeable (Rahman, 1979).

The concept of Shariah not only governs man in conducting his life in order to realise the Divine Will, but it includes all forms of behavior i.e. spiritual, mental and physical. Therefore, the Shariah principles are more than law, not only covering the total way of life that includes both faith and practices, but also all personal behaviour, legal and social transactions. In other words, Shariah is a comprehensive principle of the total way of life. It is an ideal situation as well as a reality and unites and guides Muslims in both time and space, down through the generations and across the diverse and widespread regions of Islam.

Islam can be divided into two aspects, namely, the theoretical and the practical. The theoretical aspects of Islam cover articles of faith or its doctrines and these aspects are also known as "usul" which means roots or principles. The practical aspects include all that a Muslim is required to do, or in other words the practical course to which he must conform his life. These practical aspects are also known as "furu" which means branches. The theoretical aspects are also called
"aqā'id" or beliefs, and the practical aspects are the "ahkam" (orders) or the ordinances and regulations of Islam. The existence of Islamic banking is, therefore, governed by the practical aspects of Islam and it must conform to the ahkam of Islam.

There are five categories of ahkam or principles in Shariah law as described below:

(a) Fard or wajib: Compulsory duties and acts to be performed by all Muslims whose performance is rewarded and omission is punished;

(b) Sunna, masnun, mandub, or mustahab: Duties and acts that are recommended but not required. Performance of them is rewarded, but omission is not punished;

(c) Jā'iz or Mubah: Indifferent actions, whose performance or omission is neither rewarded nor punished;

(d) Makruh: Actions that are disapproved but not punished or forbidden; and

(e) Haram: Actions that are both forbidden and punished.

Ismail (1992) in his elaboration on the root of Islamic banking and finance perceives Islam comprising three basic elements, namely, Aqidah, Shariah, and Akhlaq. Aqidah concerns all forms of faith and belief in Allah and His will held by a Muslim. Shariah is concerned with all forms of practical actions taken by a Muslim in manifesting his faith and belief. Finally, Akhlaq covers all aspects of a Muslim's behaviour, attitudes and work ethic with which he performs his practical actions.
Aspects of Shariah can be further divided into two areas called Ibadat and Muamalat. Ibadat is concerned with the practicalities of a Muslim’s worship to Allah, whereas Muamalat is concerned with the man-to-man relationship. Nevertheless, aspects such as political activities, economic activities and social activities will be under the ambit of Muamalat. The Islamic banking system, being part of economic activities, is thus linked with the Shariah principles through Muamalat. The relationship between Islam and the Islamic Banking System is shown in Appendix 3.

2.2 Sources of Shariah Law

There are four fundamental sources of Shariah law. The first source is Al-Qur’an. The Holy Qur’an is the original and eternal source of Shariah law. It constitutes messages that Allah inspired the Prophet (pbuh) to relay for the guidance of mankind. These messages are universal, eternal, and fundamental. The Hadith, the second foundation of Shariah is a piece of information, such as an account, narrative, or story and constitutes a record of the Sunnah of the Prophet (pbuh), handed down from generation to generation and which have become the rules of faith and practice of Muslims. The Sunnah signifies the custom, habit, or usage of the Prophet (pbuh). It designates his behaviour, mode of action, his saying and declaration under a variety of circumstances in life.

The third source of Shariah law is the Ijma’. Ijma’ means a consensus of opinion of the mujtahids, or an agreement of the Muslim jurists of a particular age on a question of law. The fourth and last source of Shariah is the Qiyas which is the process of reasoning by analogy of the mujtahids (the learned doctors of Islam or those who exercise independent legal reasoning) with regard to certain difficult and doubtful questions of doctrine or practice, by comparing them with similar cases already settled by the authority of the Al-Qur’an and Sunna and thus arriving at the solution of undecided questions.
These four sources of laws were formally accepted by all four schools of law (Hanafis, Malikis, Shafiis and Hanbalis) at the end of 9th century (Doi, 1984). There are, however some ancillary principles considered by Muslim jurists as additional sources of Shariah. These principles are used mostly by a particular school of law and examples of these principles are ijtihad (to strive to the utmost), ma’ruf or urf (well known or customary), maslahat (general good or welfare), istihsan or istislah (public interest) and istishah (rule of evidence). Sometimes these concepts are incorporated within the principles of ijma’ and qiyas.

2.2.1 Al-Qur’an

Al-Qur’an is the foundation of Islam and is primarily a book of religious and moral principles. It consists of one hundred and fourteen chapters of unequal length called surah which literally means “eminence” or “high degree” and each chapter has a special title. These chapters are further divided into verses called ayat which means “sign” or “communication from God”. The Qur’an also specifies as to whom, when, in what language, how and why it was revealed. The Qur’an was revealed to the Prophet (pnh) through a process called “wahy matlulww” or “revelation that is recited”. In this case, Gabriel or the Holy Spirit who acted as an intermediary gave directly to the Prophet (pbuh) Divine messages from Allah.

To Muslims, the verses in the Qur’an belong to two intermingled portions namely, the portion which is the nucleus or foundation of the Book, and the portion which is figurative, metaphorical, or allegorical. The nucleus verses are also known as verses of “established meanings” and are easily understood by ordinary Muslims. In the case of verses which have allegorical meanings, one who has well-versed knowledge in the science of interpretation or “tafsir” would be needed.
2.2.2 Hadith

Hadith literally means a story, a narration or a report (Rahman, 1979). It also has root meanings of "being new" or "occurring, taking place, coming to pass" and extends to talking about or reporting what has happened. Therefore, Hadith is a report of something that has taken place. This report or saying is conveyed to another party either through hearing or through revelation. Hadith is also known as "tradition" because it was passed down from person to person and from generation to generation. In Shariah, Hadith describes the sunnah (the way or manner) of the Prophet (pbuh).

Hadith is the second and undoubted source from which the Shariah laws are drawn. This is in line with various verses in the Al-Qur'an which commanded the believers to obey Allah and his Apostle. For example, in verse 32 of Chapter 3 (Surah Ali-'Imran) Allah says:

"Say: "Obey Allah and His Messenger": But if they turn back, Allah Loveth not those who reject Faith."

Again in verse 7 of Chapter 59 (Surah Al-Hasyr), Allah specifically mentions:

"....so take what the Messenger gives you, and refrain from what the prohibits you...".

As a source of Shariah, Hadith in many cases confirmed, extended, elaborated, explained, and complemented the revelation.

As far as the Shariah is concerned, not all the Hadith can be used as a source in formulating the law. Hadith in the category of sahih (sound) are the primary source of Shariah. The second category of Hadith is called hasan (fair) and Hadith in this category are not considered quite strong, but they are necessary

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for establishing a point of law. Indeed, most of the Hadith concerning legal matters are of this type. The last category of Hadith is da‘if (weak) or sakim (infirm). Hadith which falls into this category deals with matters of law or with things which are allowable or forbidden will be rejected. For Hadith under the sakim category usage is considered only if it deals with exhortations, stories, and good behaviour.

2.2.3 Ijma’

Ijma’ or consensus, was originally the agreement of qualified legal scholars in a given generation and such consensus of opinion is deemed infallible. The emergence of this concept as a source of law is in line with the Hadith which says, “My community will never agree upon an error”. This statement denotes the universal acceptance by all Muslims of the fundamental tenets of the faith, such as belief in the mission of Prophet (pbuh) and the divine nature of Qur’an. In its broadest sense, of course, Ijma’ is not the criterion of authority at all but simply the collected expression of a common religious conviction. Ijma’ was regarded as absolutely authoritative not only for discerning the right at present and the future, but also establishing the past: it was Ijma’ that determined what the sunnah of the Prophet (pbuh) had been and indeed what was the right interpretation of the Qur’an. In the final analysis, therefore, both Qur’an and Hadith were authenticated through Ijma’ (Rahman, 1979).

The Ijma’ among the Muslim community is arrived at by ijtihad or exertion, or conscientious examination and meditation on the subject under consideration. Such consensus or agreement is generally said to be three fold:

(a) Agreement of words or declaration of opinion in words;

(b) Agreement of act or practice expresses in unanimity by action or practice; and
(c) Agreement of silence or tacit assent by silence or by non-interference.

Mujtahids (learned scholars) who are involved in this process must be men of integrity and honesty. Their minds must not be iniquitous (fasik) or blinded by passion (hawa) which inspire pernicious doctrines. There are three classes of mujtahids for this task namely, the absolute mujtahid who has absolute authority and whose sphere of exertion embraces the whole law, the mujtahid of a special school of theology who is an authority within the sphere of one of the special theological systems (mazhab) and lastly, mujtahid of special questions, and cases, which have not been decided by the founders of the four schools of laws (Klein, 1985).

2.2.4 Qiyas

The fourth source of Shariah is the Qiyas, which means literally "measuring by" or "comparing with", or "judging by comparison". Briefly it may be described as reasoning by analogy of mujtahids. Reasoning or the exercise of judgment, in theological as well as in legal matters, plays a vital part in Islam and the Qur'an clearly recognised this process. Allah in Chapter 4, verse 83 (Surah An-Nisaa') of Al-Qur'an says:

"And when there comes to them news of security or fear, they spread it abroad; and if they had referred it to the Messenger and to those in authority among them, those among them who can search out the knowledge of it would have known it."

There are four points to be considered in Qiyas. First, the thing compared with, second, the thing compared, third, the point of similarity between the two, or the thing common to both, and finally the decision resulting from the comparison of both. The following are the conditions of the Qiyas (Doi, 1984):
(a) Qiyaş can be applied only when there is no solution to the matter in Al-Qur’an or in the Hadith;

(b) Qiyaş must not go against the principles of Islam;

(c) Qiyaş must not go against the contents of Al-Qur’an neither must it be in conflict with the traditions of the Prophet (pbbuh); and

(d) It must be a strict Qiyaş based on either Al-Quran, Hadith, or the Ijma’.

2.2.5 Other Sources of Shariah

While Al-Qur’an, Hadith, Ijma’ and Qiyaş have been considered as the main sources of Shariah by all Schools of Law, there are other principles considered as a source of Shariah by some Muslim scholars. These additional principles are considered as supplementary sources. Among the principles within this category are ijtihad, ma’ruf or urf, maslahat, istihsan and istishab.

Ijtihad literally means to strive to the utmost. But in Islamic legal language it means in particular, to strive hard in search of a ruling based on deeper implications and hints underlying the commandments of Al-Qur’an and Sunnah (Islahi, 1989). Ijtihad also means the use of human reason in the elaboration and explanation of the Shariah law. It covers a variety of mental processes, ranging from the tafsir or interpretation of Al-Qur’an and the judgement of the genuineness of a Hadith. However, ijtihad is not applicable to the following conditions (Doi, 1984):

(a) Ijtihad must not be exercised as to the existence of Allah. It is certain that Allah does exist and any attempt to think of His existence or not would lead to disbelief;
(b) Ijtihad must not be exercised as to the truism of the Prophets of Allah who were sent by Allah Himself and any attempt to ponder over the idea of their Prophethood is tantamount to disbelief; and

(c) Ijtihad must not be exercised on the authenticity of the Al-Qur'an.

Ma'ruf literally means what is well-known or generally recognized and it implies custom or usage. In Shariah, the term Ma'ruf means a matter that is generally accepted by the noble side of human intelligence, that fulfils the demands of justice and fair play, and that is in vogue among, and popularly acted upon by the righteous people in the society. Although all schools of law recognised Ma'ruf as a subsidiary source of Shariah, it is the Malikis who give more weight to the usage of this principle (Doi, 1984). Ma'ruf is valid as long as there is no provision on the matter in Al-Qur'an and Sunnah.

Maslahat means public interest and in Shariah it refers to the general good or welfare of Islam and the Muslims (Islahi, 1989). Although Al-Qur'an does not explicitly mention the usage of this principle, Muslim jurists nevertheless believed that verse 18 of Chapter 39 indirectly raises the subject (Doi, 1984). The jurists of different schools have used different terms to describe this principle. It is known as "Istihsan" to the School of Hanafis which means an equitable preference to find a just solution. The term "Masalih mursalah" i.e. the public benefit or public welfare, is used by the School of Malikis, and for the Hanbalis, this principle is known as "Istislah" or seeking the best solution for the general interest. The School of Shafiis does not recognise Maslahat as one of the sources of Shariah. Another source of Shariah which is accepted by all schools of laws is called Istishab, meaning a rule of evidence or a legal presumption of continuance of conditions. Under this principle, laws in certain matters will continue to be valid until proven otherwise (Doi, 1984).
2.3 Prohibition of Riba

The issue of riba outlined in this paper is not confined to only one but several aspects. That riba is prohibited is clear; it can no longer be debated because there are many conclusive provisions in the Al-Qur'an and the Hadith prohibiting it. Therefore, this paper only presents and cites those important provisions which are relevant to the problems which are raised. This paper stresses on the reasons why riba is prohibited, the types of riba, the wisdom behind its prohibition, the views of the ulama (scholars) on riba, the way out of riba and how to overcome it. When people talk of banks and the interest charged, they always associate it with riba. This paper will attempt to analyse the issue relating to riba pertaining to banks, so that Islamic banks would be free from riba, and those who need to borrow would be free from oppression by the lenders.

Riba literally means increase, addition, expansion or growth. It is however, not every increase or growth, which has been prohibited by Islam. Riba technically refers to the premium that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity. In this case, riba obviously means interest. Riba is a sin under Islamic law, and even those hired to write the contract or who witness (and thus confirm) the contract are a party to the sin. Furthermore, prohibition of riba means that money can be lent lawfully only for either charitable purposes (without any expectation of return above the amount of the principle), or for purposes of doing lawful business, that is investment on the basis of profit and risk sharing i.e. an investment of the kind that seeks profit while sharing the risk is encouraged in Islam, indeed it is commended (Qureshi, 1991).

Islam made a clear distinction between trade and riba where trading is welcomed and riba is prohibited. Chapter 2 (Surah Al-Baqarah) verse 279 of the Al-Qur'an stated:
“Allah has permitted trade and forbidden usury”.

The prohibition of riba in the Al-Qur’an developed gradually in four stages and appeared in four revelations. The first revelation was revealed in Mecca and the three others were in Medina. The first revelation is in verse 39 of Chapter 30 (Surah Ar-Rum) of the Qur’an which says:

“That which you lay out for increase through the property of (other) people will have no increase with Allah. But that which you lay out for charity, seeking the countenance of Allah, will increase. It is these who will get a recompense multiplied”

This verse was revealed in Mecca during the early stages of the spread of Islam. The verse merely indicates that the payment of zakat is better than riba, although manifestly men’s property can increase through the practice of riba.

The second revelation is in verse 160-161 of Chapter 4 (Surah An-Nisaa’) of the Qur’an, which says:

“For the iniquity of the Jews, we made unlawful for them certain foods good and wholesome which had been lawful for them; in that they hindered many from Allah’s way, that they took usury, though they were forbidden, and that they devoured men’s substance wrongfully; We have prepared for those among them who reject faith a grievous punishment.”

This verse was revealed in Medina after the migration of the Prophet. At that time, the Muslims lived as neighbours with the Jews who practiced riba. The verse clearly shows that the practice of the Jews is condemned by Allah. After hearing this clarification, the Muslims in Medina realised that the practice of riba
is sinful and frowned upon by Allah, and thereafter pious Muslims began to avoid it.

The third revelation is in the verse 130 of Chapter 3 (Surah Ali-'Imran) of the Qur'an, which means:

"Oh you who believe! Devour not usury doubled and multiplied; but fear Allah that you may (really) prosper."

Although at this stage, those Muslims who were less pious, continued to practise riba, those who knew that sooner on later riba will be forbidden, avoided it. Nevertheless, there were still Muslims who continued to practice riba, although they charged less riba in accordance with the advice of the Qur'an, and in order to avoid riba which multiplies.

The fourth and final revelation is in verses 278-279 of Chapter 2 (Surah Al-Baqarah) of the Qur'an which means:

"Oh you who believe! Fear (taqwa) Allah and give up what remains of your demand for usury if you are indeed believers. If you do it not, take notice of war from Allah and His Messenger: But if you repent you shall have your capital sums; Deal not unjustly, and you shall not be dealt with unjustly."

With this final command from Allah, the law was established that riba is forbidden until the day of Resurrection. It is final, it cannot be changed and does not succumb to any form of argument.

In line with its function as the original and eternal source of Shariah law, the Al-Qur'an neither defines riba nor provides any detailed explanation about riba. The prohibitions of riba revealed in four chapters of the Al-Qur'an serve as universal
and fundamental guidelines for Muslims. On the other hand, Hadith or tradition serves as a source of reference in order for Muslims to confirm or to get further explanation on the rules stipulated in the Al-Qur'an. The Hadith reports prohibition of riba in numerous accounts. The examples of Hadith relating to riba are shown below:

It is reported on the authority of Abu Huraira that the Messenger of Allah (pbuh) observed: "Avoid seven noxious things. It was said (by the hearers), What are they, Messenger of Allah? He (the Holy Prophet) replied: Associating anything with Allah, sorcery, killing of one whom God has declared inviolate without a just cause, consuming the property of the orphans, and consuming riba, turning back when the army advances, and slandering chaste women who are believers, but unwary:

(Sahih Muslim Vol 1, p.52)

Narrated by Ibn 'Umar: The Prophet (pbuh) said, "The selling of wheat for wheat is riba (usury) except if it is handed from hand to hand and equal in amount. Similarly the selling of barley for barley is riba except if it is from hand to hand and equal in amount, and dates for dates is usury except if it is from hand to hand and equal in amount"

(Sahih Al-Bukhari Vol 3, p.210)

Narrated by Abu Said Al-Khudri: Once Bilal brought Barni (i.e. a kind of dates) to the Prophet (pbuh) and the Prophet (pbuh) asked him; "From where have you brought these?" Bilal replied, "I had some inferior type of dates and exchanged two Sa's of it for one Sa's of Barni dates in order to give it to the Prophet (pbuh) to eat. "There upon the Prophet (pbuh) said, "Beware! Beware! This is definitely riba (usury)! This is definitely riba (usury)! Don't do so,
but if you want to buy (a superior kind of dates) sell the inferior dates for money and then buy the superior kind of dates with that money."

(Sahih Al-Bukhari Vol 3, p.291)
(Sahih Muslim Vol 3, p.837)

2.3.1 Types of Riba

There are four kinds of riba, namely, Riba al-Nasi’ah, Riba al-Fadl, Riba al-Qard, and Riba al-Yad (Report of the National Steering Committee on Islamic Bank, 1982).

2.3.1.1 Riba al-Nasi’ah

The term Nasi’ah means to postpone, defer, or wait and refers to the time that is allowed for the borrower to repay the loan in return for the addition or the premium. Hence Riba al-Nasi’ah refers to the interest on the loan. It is in this sense that the term riba has been used in the Al-Qur’an in verse 275, Chapter 2 (Surah Al-Baqarah) of the Qur’an which means:

“Allah has forbidden interest (usury).”

This is also the riba which the Prophet (pbuh) referred to when he said: “There is no riba except in nasi’ah.”

The prohibition of Riba al-Nasi’ah essentially implies that the fixing in advance of a positive return on a loan as a reward for waiting is not permitted by Islam. It makes no difference whether the return is a fixed or variable percent of the principle or an absolute amount to be paid in advance or on maturity, or a gift or service to be received as a condition for the loan. However, if the return on
principle can be either known in advance, it is allowed provided that it is shared in accordance with the principles of justice laid down in Islam.

2.3.1.2 Riba al-Fadl

Riba al-Fadl is an increase which occurs in exchanging riba goods not due to a postponement. Islam wishes to eliminate not merely the exploitation that is intrinsic in the institutions of interest, but also that which is inherent in all forms of dishonest and unjust exchanges in business transactions. Riba al-Fadl applies to hand-in-hand purchases and sale of commodities. It covers all spot transactions involving cash payment in one hand and immediate delivery of the commodity on the other. To avoid Riba al-Fadl, people have to exchange commodities equally. For example, gold for gold and silver for silver. Anything that is received as extra by one of the two parties to the transaction is Riba al-Fadl, which can be defined as all excess over what is justified by the counter-value.

2.3.1.3 Riba al-Qard

Riba al-Qard is giving a loan to someone on condition that the borrower gives something beneficial or useful to the lender.

2.3.1.4 Riba al-Yad

Riba al-Yad is a deferment or postponement in the delivery or receipt of riba goods which are exchanged.

The rulings on all these kinds of riba, according to the consensus of the Muslim scholars, are that riba is forbidden and should not be practiced and one of the major sins.
2.3.2 Wisdom of Prohibition

Riba is not only forbidden by Islam but also by Judaism and Christianity, which existed before Islam. This is due to the following reasons:

(a) Riba promotes hostility among men and removes the feeling of love, sympathy, and cooperation among them, because the rich will not want to help the poor and they will continue to exploit them without due consideration;

(b) Riba encourages laziness and disinclination to work, since profit could be reaped from the money lent without much exertion on the part of the lender;

(c) Riba inculcates greed and avarice for wealth, without undue regard for morality, causing the rich to be arrogant because of their wealth; and

(d) Riba may lead to oppression and exploitation on the borrower.

2.3.3 The way out of Riba and How to Overcome It

For people who live in a society of diverse races and religions, riba has become quite common. Those who desire to become rich, without any effort on their part, often resort to riba, and those who need help succumb to it. We acknowledge the fact that the door of riba is difficult to close, but a way out of riba has always existed in Islamic law. It provides for:

(a) The establishment of a number of Sharikat Inan (companies) throughout the country;
(b) The practice of qard-hassan in accordance with the Qur’anic injunction in verse 245, Chapter 2 (Surah Al-Baqarah), which means:

"Who is he that will loan to Allah a beautiful loan which Allah will double unto his credit and multiply many times?"; and

(c) The establishment of Islamic financial institutions such as Islamic banks and takaful according to the rules of Mudharabah, Musyarakah, Kafalah and Bai Bithaman Ajil.

2.4 Summary

The word Shariah originally meant the path leading to the water and in religious usage it means the way which directs a person's life along the right path. The Shariah governs all aspects of human life. Its principles include not only faith or spiritual aspects of human life but also personal behaviour, legal and social transactions. The Islamic banking system is linked with Shariah through one of the aspects of Shariah called muamalat or the man-to-man relationship.

There are some discrepancies among Muslim scholars on the number of sources of Shariah. Nevertheless, the majority of past and present scholars believe that Shariah is derived mainly from four sources, Al-Qur'an, Hadith, Ijma' and Qiyas. Both Al-Qur'an and Hadith are called "al-adilat-al-qatiyyah" or absolutely sure arguments or infallible proof. Al-Qur'an constitutes messages that Allah inspired the Prophet (pbbuh) to deliver for the guidance of mankind. Hadith in many cases confirmed, extended, elaborated, explained, and complemented the revelation. Al-Qur'an comprises the words of Allah, whereas Hadith is a piece of information, account, narrative, story and record which designate the Prophet's (pbbuh) behaviour, mode of action, or his saying and declaration under a variety of circumstances in life.
In the case of Ijma' and Qiyas, these two sources of Shariah are known as al-
"adilat-al-ijtihadiyyah" or arguments obtained by exertion. The role of Ijma' and
Qiyas is to decide in juridical questions of theory or practise concerning one way
or another, the behaviour of the believer, as he is subject to the rules of conduct
laid down by Allah and His Prophet (pbuh). That is to say that Ijma' and Qiyas
have a part to play in the field of muamalat but not in the areas of ibadat and
i'ktikad. Other sources of Shariah are not widely accepted and may be applicable
for a particular school of law. Among the principle within this category are ijtihad,
ma'ruf, maslahat, istihsan and istishab.

The prohibition of riba in Al-Quran developed gradually and appeared in four
revelations. The first revelation was in Mecca (30:39) and three others were in
Medina (4:160-161; 3:130; and 2:278-279). These revelations clearly indicated
that riba is prohibited and condemned severely those who take riba. In line with
its function as the original and eternal source of Shariah, Al-Qur'an neither
defines nor provides any detailed explanation about riba. Hadith, on the other
hand serves as a source of reference in order for Muslims to confirm or to get
further explanation on the rules stipulated in Al-Qur'an. The Hadith reports
prohibition of riba in numerous accounts, although sometimes the content of a
particular Hadith is slightly different from one narrator to another.

Riba is not only prohibited by Islam, but also by Judaism and Christianity which
came long before Islam. Contrary by the practice of Judaism, Islam forbids the
practice of riba by all mankind, without any exception. Although we acknowledge
the fact that it is quite difficult to abolish the element of riba particularly in a
society of multi races and religions, a way out of riba has always existed in
Islamic law, one of which is the establishment of Islamic financial institutions
according to the rules of mudharabah and muqaradahah especially in Muslim
countries if not in the whole world.
References

6. Report of the National Steering Committee on Islamic Banking, July 1, 1982, Kuala Lumpur, Prime Minister’s Department.