

Issues Concerning Interest (*Ribā*) ♦

Certain issues concerning interest were discussed in the Second Fiqh Seminar. One of the major themes of the Seminar was *Ribā* (interest). Consensus on the following points emerged after deliberations in the light of Shariah, rules of Islamic Jurisprudence, precedents and the demands of prevailing conditions.

- 13.1 *Ribā* (interest) is totally *Harām* (prohibited), both its giving and taking.
- 13.2 Paying of interest is not forbidden for itself but it is so because it opens door for the taking of interest. Hence, under certain compelling circumstances the paying of interest may become permissible. The circumstances, under which it may become permissible for the needy person, will depend on individual cases for the determination of which the person concerned should consult a competent *Mufti* and abide by his guidance.
- 13.3 The Government of India advances loans on subsidy basis and interest is also charged on the loan amount. In such cases if the total amount of interest charged does not exceed the amount of subsidy or falls short of it, then the amount charged as interest will not be interest according to Shariah.
- 13.4 In cases where the Government compulsarily acquires land (or any other property) under the Land Acquisition Act and fixes its market value according to its own formula; and the land owner, being dissatisfied with the price so fixed, gets the dispute referred to courts of law for adjudication and the court fixes a higher price and orders the Government to pay the same along with interest at a fixed rate on the difference, this Seminar is of the view that this additional amount paid under the name of interest is not, in fact, interest but should be treated as part of the price of the property in question, receiving and using of which is permissible.
- 13.5 In cases where the Government fails to pay the just dues of its employees at proper time and an employee ultimately approaches a court of law for redressal and the court, while fixing the quantum of the amount payable to the employee, further orders that interest at a certain rate be also paid over and above the due amount, this Seminar is of the view that the additional amount ordered to be so paid by way of interest is in fact, not interest and such person can take and use the amount.

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- 13.6 As regards the question of interest-bearing development loans advanced by nationalised banks, in view of the peculiar context of India, this Seminar recommends to the Islamic Fiqh Academy to constitute a committee of religious scholars and other experts and assign to it the task of examining the issue in all its dimensions and give its findings on the issue.
- 13.7 As per orders of the Reserve Bank, all financial institutions and Banks are compulsorily required to invest 5% (five percent) of their total capital in interest-bearing government bonds/securities. Therefore, it would be proper to allow the interest thus accrued to be accumulated and proportionately withdrawn the amount invested in interest-bearing bond/ securities making the accrued interest to gradually replace the deposited capital.