

Commercial Interest and the Islamic Shariah ♦

After taking into consideration all the relevant facts, and after comprehensive discussions, the Second Seminar of Islamic Fiqh Academy held in New Delhi arrived at the following conclusions regarding consumptional and productive loans and reasonable and unreasonable rates of interest.

- 14.1 Shariah has categorically prohibited interest on all types of loans, consumptional as well as productive. It is sheer misunderstanding that Shariah prohibits interest only against consumptional loans and allows it on productive loans. It is entirely incorrect that productive loans did not exist during the period of revelation of the Qur'an. It has been established historically that the Arabs of the *Jāhiliyah* period as well as the nations who had commercial relations with pre-Islam Arabs had well established practice of receiving and paying extra amount on productive loans. Moreover, even if the practice of obtaining productive loans and extra payment thereupon is not to be found during the period of revelation of the Qur'an, it could not be made to mean that Shariah permitted interest or the prohibition of interest on such loans did not exist. The Qur'an, the *Sunnah*, the *Ijma*, the *Qiyās* and the precedents of unbroken chain of practice of the Ummah, each one of them, declares in unequivocal terms that the motives behind receiving or advancing a loan is entirely irrelevant to the prohibition of interest.
- 14.2 Further, the prohibition is in no way affected positively or negatively, by the rate of interest being reasonable or unreasonable (moderate or excessive). Shariah does never admit that interest may be permissible if the rate of interest is reasonably low and prohibits only when it is unreasonably high. The Shariah refuses to make any such distinction. Both are equally prohibited according to the Islamic Law.

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