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UNIVERSITEIT
LEIDEN

DOES MONEY MATTER IN ISLAMIC ECONOMICS: GOLD, SILVER, RIBA AL-FADL AND RIBA NASI'AH

MA-Scriptie | Tom Verplancke, s1224557
Begeleider: Prof. dr. mr. M.S. Berger

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Introduction

In February 2010 the VPRO, a Dutch broadcasting organization, aired an investigative documentary called '*where is the rage*'. In the aftermath of the financial crisis that had swept across the globe after 2007, the makers of this documentary wanted to find out what bottom-up initiatives were being taken to create an alternative to the current debt based, and apparently unstable, financial system. One of the initiatives covered was the reintroduction of the gold dinar and silver dirham by local entrepreneurs in Indonesia.¹ One of the initiators of gold and silver money, Zaim Saidi, explains: 'It is *sunnah* to use money that has the same intrinsic value as the goods bought with it. *Sunnah* means that by using gold and silver as medium of exchange, we are following the example of the prophet of Islam, Muhammad, peace and blessings be upon him. By following the *sunnah* of the prophet, we are following the *Sharia*, God's Will for a just and righteous society on earth.'² The fiat currency of Indonesia is named the rupiah. The name rupiah is derived from the Sanskrit term *rūpya* which means impressed or stamped and actually refers to the coinage of silver coins, but according to Saidi it has no real value whatsoever. He exclaims: 'The huge inflation the Indonesians have been experiencing is actually a form of theft. Bankers are criminals who hold all the actual wealth like gold, silver and all other assets(as collateral). We want to reverse the process where the bankers give people paper in exchange for real wealth by returning the paper to the banks and getting the gold and silver back.'³ In 2012 the popularity of Saidi's and other communities like his suffered a major blow, as the central bank of Indonesia announced that business transactions were only allowed using rupiah(legal tender law).⁴ Indonesia is a Muslim country and its central bank considers it one of its primary objectives to enable the Indonesian banking sector to take a leadership role in Islamic finance.⁵ If using gold and silver as payment is considered to be *sunnah*, why would this central bank discourage the use of gold and silver as medium of exchange?

On the First of September 1752 the Dutch East Indian Company, de facto ruler of current day Indonesia, opens the 'Bank-Courant', a bank of circulation. A bank of circulation was allowed to issue bank paper that could be used as money. The real money had always been coined precious metals, though copper and tin coins had been used for small transactions.⁶ In the Dutch East Indian colonies silver was the primary medium of exchange. To entice people to bring their silver and gold to the

¹ Corry Elyda, "Muslim entrepreneurs turn to dinar, dirham," The Jakarta Post, July 22, 2013, accessed February 24, 2017, <http://www.thejakartapost.com/news/2013/07/22/muslim-entrepreneurs-turn-dinar-dirham.html>

² Waar is de Woede, directed by Bregthe van der Haak (2010; Hilversum: VPRO tegenlicht), documentary: minute 42.

³ Haak, Waar is de woede, m. 45.

⁴ PNB Law Firm Jakarta, "New Regulation on Mandatory Use of Rupiah in Indonesia," Indonesia-investments, April 18, 2015, accessed September 10, 2016, <http://www.indonesia-investments.com/nl/business/business-columns/new-regulation-on-mandatory-use-of-rupiah-in-indonesia/item5472?>

⁵ "Sharia Banking," Bank Indonesia, accessed September 11, 2016, <http://www.bi.go.id/en/perbankan/syariah/Contents/Default.aspx>

⁶ Kenneth R. Hall. "Coinage, trade and economy in early South India and its Southeast Asian neighbors," *Indian Economic And Social History Review*, Vol.36. No 4. 1999: 452.

bank, interest was given on the money deposited, but this would only be done if the depositors agreed to accept the paper certificates in exchange for their precious metals.⁷ This allowed the bank to again lend out the gold and silver deposited, in the form of paper certificates, this way increasing the amount of money in circulation, creating a temporary economic boom. Over time, instead of being equity, a growing percentage of the money supply would become debt, as the 'Bank-Courant' created and lend more paper certificates than it had real money (gold and silver) in its vault.

Interestingly this was one of the first experiments with a central bank and paper money. When inflation struck and people found out there were more silver certificates than actual silver in the vault, confidence in the paper money was lost. The paper money drove out the silver and gold in circulation as people hoarded or exported the money with intrinsic value and used the paper money for domestic exchanges. In 1794 this private bank was rescued by the Dutch government and its activities curtailed. The debt remained though, and by 1827 the value of the assets on which the debts were pledged had shrunk. The governor exclaimed: 'On the one hand there is a total lack of capital, on the other hand, everything is mortgaged or done on credit.'⁸ In the described episode one witnesses the beginning of the transition from currency with intrinsic value, to arbitrarily created debt currency. Though the people were told the paper was convertible to physical metal, only insiders were aware to what extent the paper money issued exceeded the amount of precious metals with the bank.⁹

Experiments like these involving central banking and fiduciary money laid the foundation of the current global financial consensus based on the creation of debt. The Javasche bank still exists and is now called Bank Indonesia, the central bank of Indonesia. The debt created and brought into circulation as fiduciary money by the predecessor of Bank Indonesia would eventually replace gold and silver as legal tender, and today this is the Indonesian rupiah. If gold and silver were to be reinstated, would Bank Indonesia and the commercial banks with whom it creates and controls the money supply, become obsolete?¹⁰ The institutions that issue debt currency might then consider money with intrinsic value, e.g. gold and silver, rivalry. The growing popularity of Islamic finance does indicate there is a discrepancy between the current financial consensus and the way Muslims believe they should conduct their financial affairs.¹¹ Islamic financial institutions use the same money as conventional financial institutions though, but what if the money used (and created) by Islamic financial institutions is not *sharia* compliant?

⁷ Pieter H. van der Kemp. "Het ontstaan der Javasche Bank op het einde van 1827," *De Economist*, Vol. 68, No. 1. 1919: 562.

⁸ *Ibid.*, 578.

⁹ *Ibid.*, 585.

¹⁰ Michael McLeay, Amar Radia and Ryland Thomas. "Money creation in the modern Economy," *Quarterly Bulletin*, Vol. 1. 2014: 6.

¹¹ Thorsten Beck, Asli Demirgüç-Kunt and Ouarda Merrouche. "Islamic vs. conventional banking: Business model, efficiency and stability" *Journal of Banking & Finance*, Vol. 37. 2013: 433.

This research will deal with one of the most basic components of the economy, namely money. Money is a medium of exchange as well as a store of value. Aristotle explains that money was introduced to satisfy the requirement that all items must be comparable in some way, so it also functions as a measure of value. He identified four characteristics that good money should have: *durability, portability, divisibility and intrinsic value*.¹² It is the first and especially this last characteristic that the money currently in use lacks. Intrinsically fiduciary or fiat money is worthless, as its perceived value is based on trust and legal tender laws. With its counterpart commodity money, the actual value is contained within the medium of exchange itself. That's why over thousands of years the value of gold and silver money has been remarkably stable.¹³ Gold and silver are considered *natural money* as the free market or the convergence of individual choice decided its characteristics were most suitable to function as a medium of exchange and the common measure in which goods and services were valued.¹⁴ To many Muslims there is an added incentive to use precious metals as money as they're convinced it is codified in their primary sources.¹⁵ Islamic scholars like Ibn Rushd(1263-1328) and Ibn Tamiyya(1263-1328) agreed gold and silver had been especially created to serve as money, and the economic system based on it was considered *the natural situation*.¹⁶ Many contemporary Islamic scholars tend to indiscriminately substitute gold and silver mentioned in the primary sources for fiat money, though.¹⁷ This seems logical since ruling out the use of fiduciary money would instantly disqualify the Islamic economist his contribution and would forbid Muslims from partaking in almost all economic activity, as fiat money is used in every country in the world. On the other hand, there are some scholars that argue that there is merit to the idea that Muslims are obliged to use gold and silver as money and might be prohibited from using fiduciary money.¹⁸ They claim the failure to reinstate gold and silver as money is the main reason why Islamic finance has not been able to attain the goals of the *sharia*.¹⁹ The question this master thesis is supposed to answer is as follows:

What did the economic system based on precious metals (the natural situation) look like in the Muslim world and did the evolution toward fiat money violate the commandments concerning riba?

¹² Scott Meikle. "Aristotle on money," *Phronesis: A Journal for Ancient Philosophy*, Vol. 39. No. 1. 1994: 34.

¹³ Peter Bernholz. *Inflation: History, Economics and Political Relationships*. (Cheltenham: Edward Elgar Publishing Limited, 2015), 19.

¹⁴ Nathan Lewis. *Gold: The Once and Future Money*. (Hoboken: John Wiley & Sons Inc., 2007), 27.

¹⁵ Abdul Azim Islahi. *History of Islamic Economic Thought: Contributions of Muslim Scholars to Economic Thought and Analysis*. (Northampton: Edward Elgar Pub, 2015), 36.

¹⁶ David Fox and Wolfgang Ernst. *Money in the Western Legal Tradition: Middle Ages to Bretton Woods*. (Oxford: Oxford University Press, 2016) 67.

¹⁷ Ahamed Kameel Mydin Meera. *The Islamic Gold Dinar*. (Selangor: Pelanduk Publications, 2002), 75.

¹⁸ Meera, *The Islamic*, 23.

¹⁹ Feisal Khan. "How 'Islamic' is Islamic Banking?," *Journal of Economic Behavior & Organization*, Vol. 76. 2010: 805.

To answer this question a detailed investigation of the primary Islamic sources is necessary in order to find out what the *sharia* prescribes. To be able to interpret the rules pertaining to money, knowledge of the economic system at and after the time of the revelations is necessary. Next the transition from precious metals to fiat money will be described and the efforts of Islamic finance to deal with the current monetary system is outlined. Finally the research results will be discussed with a selection of Muslims to gauge their opinion.

Literary review

Money is a measure of value and a medium of exchange, facilitating economic activity, but also a store of value or capital. Capital also includes other assets that have value like buildings, machines etc. In the current financial system most capital is collateralized and leveraged. This means the assets are pledged to a borrower (typically banks) who provided a loan in return.²⁰ As explained in the introduction, this is how the money used today is brought into existence, namely as a debt by central and commercial banks. Over time the current financial system has become debt based instead of equity based.²¹ Fox and Ernst in their book *“Money in Western Legal Tradition: Middle Ages to Bretton Woods”*(Fox and Ernst, 2016) wrote a history of monetary law from the High Middle Ages until the twentieth century. In it they describe: ‘the general transition from a monetary system consisting of intrinsically valuable coins to one where the value –or indeed the existence- of some material substance is no longer relevant to the status and value of a thing as money’(Fox and Ernst, 2016).²² The writers identify five different stages, and while describing the first stage they use the work of Ibn Rushd to highlight the ‘entrenched’ position of Islamic Law (*fiqh*). Ibn Rushd claims, based on the primary Islamic sources, Islamic law requires coins to be weighted rather than counted, this way codifying the intrinsic value component of money.²³ The rest of the ‘evolution story’ by Fox and Ernst asserts Europe first moved away from coins with intrinsic value to coins with nominal value. As Europe sees a gradual dematerialization of money through the appearance of bank money, paper money and finally fiat money that would be adopted globally, it becomes obvious why the money in use today might be considered problematic from an Islamic point of view.²⁴

Though great thinkers like Locke, Ricardo, Smith and Keynes have contributed to the philosophical validation of this ‘dematerialization trajectory’, it can’t be regarded as a smooth transition as it required surreptitious debasement, secrecy regarding vaulted gold, legal tender laws and government enforcement to overcome resistance.²⁵ This transition not only met popular resistance, fierce intellectual debate raged as well about the nature of money and what the government and bankers role should be in the creation and distribution of the lifeblood of the economy. The work of the brilliant economist John Maynard Keynes is seen as pivotal in giving the fiat money advocates the upper hand, dubbing gold and silver ‘barbaric relics’ implying the same for the proponents of their

²⁰ Heather Stewart, “Beyond Greece, the world is filled with debt crises,” *The Guardian*, July 11, 2015, accessed October 15, 2016, <https://www.theguardian.com/business/2015/jul/11/beyond-greece-world-filled-debt-crises>

²¹ Curzio Giannini. “Money, trust and central banking,” *Journal of Economics and Business*, Vol. 47. No. 2. 1995: 218.

²² Fox and Ernst, *Money*, 12.

²³ *Ibid.*, 67.

²⁴ *Ibid.*, 9.

²⁵ Edward Atkinson. “The Philosophy of Money,” *The Monist*, Vol. 6, No. 3. 1896: 341.

use.²⁶ Though we can still find economists and philosophers that consider themselves ‘metallists’, their influence has become negligible. They argue that if people were given the freedom to choose, gold and silver would again reign supreme and the situation described in the first stage would reassert itself, where weight and intrinsic value is leading instead of debt based fiat money and government induced legal tender law.²⁷ Coincidentally, these free money advocates reason ‘the natural situation’ is similar to the situation prescribed by the primary Islamic sources.²⁸

Stage:	Time period:	Characteristics:
Natural situation	Unknown-1973	Coinage with intrinsic value
Nominalism	15 th century	Coinage with face value, debt determined by nominal value of current coinage, even if debased. Not only gold/silver weight.
Bank money	15 th century	Letter of credit: Gold/silver with bank. Debt transfer: Bank used as clearing house.
Paper money/ gold standard	17 th century-1973	One private bank got government monopoly on bank note creation. People turn in gold/silver for notes/currency. Notes could be refunded with central bank to get metal back. Notes deposited with other banks to obtain interest.
Fiat money	End of 19 th , beginning 20 th century-now	Money no longer backed by gold/silver

Fig. 2. Five stages in the evolution of Money in the Western Legal tradition

Islamic orthodoxy values ‘divine revelation’ over the contributions of ‘great thinkers’. That doesn’t mean great thinkers aren’t revered in Islam, quite the contrary, but these men needed to work within the confines of their religion. According to Islahi(Islahi 2015) in his book *“History of Islamic Economic Thought: Contributions of Muslim Scholars to Economic Thought and Analysis”*, initially Islamic economic thought was not influenced by any outside elements, the Quran and *Sunnah* providing enough detailed economic teachings. The broad range of these teachings did require the use of juristic logic (*usūl al-fiqh*). It also prompted the Muslim scholars, after the example of the prophet Muhammad, to use *qiyās* (analogical reasoning) and *ijtihad* (original thinking).²⁹ This meant that scholars could disagree on certain matters, and in *“the distinguished Jurist Primer”* Ibn Rushd has gathered the opinions of different scholars to present the range of viewpoints about a specific subject. The book also includes a chapter on the use of gold and silver and how to deal with the

²⁶ Vishnu Padayachee and Bradley Bordiss. “Barbaric gold and civilised banking: Keynes’s Indian Currency and Finance. A view from the South after 100 years,” *International Review of Applied Economics*, Vol. 27. No. 6. 2013: 824.
²⁷ Murray N. Rothbard. *What Has Government Done to Our Money?* (Auburn: Ludwig von Mises Institute, 1991), 8.
²⁸ Rothbard, *What has Government*, 13.
²⁹ Abdul Azim Islahi. *History of Islamic Economic Thought: Contributions of Muslim Scholars to Economic Thought and Analysis*. (Northampton: Edward Elgar Pub, 2015): 8.

obligation to exchange gold for gold on the spot (*riba nasi'ah*) and weight for weight (*riba al-fadl*).³⁰ It gives a good insight into how these scholars reasoned, but it also demonstrates these forms of *riba* are quite clear and unambiguous.

Apart from a legalistic approach, reading through the different scholarly opinions also helps to get 'inside the head of the believer'. Economics is very much a social science, concerned with the production, distribution and consumption of goods and services.³¹ This means there is a large moral component as an optimal outcome for one group might cannibalize on another groups welfare. According to Naqvi(Naqvi, 1994), even though the Islamic prescriptions need to be analyzed scientifically, this doesn't mean there is no room for value judgments. Quite the contrary, the ethical component of economics is a given and Muslim economists claim to strive for an economy where 'faith is neither inconsistent with reason nor hostile to a culture of scientific inquiry'(Naqvi, 1994).³² With Islamic jurisprudence or *fiqh*, if certain rules are clear but they go against conventional wisdom, most Islamic scholars would prefer to stick to the clear rule, as they would feel they just might not be able to comprehend the wisdom or bigger picture, the *Hikma*, behind these rules send down by their creator.³³

The prescription money should have intrinsic value is derived from the prohibition of *riba al-fadl*, meaning the weight of the gold and silver exchanged should always be equal. Ibn Taymiyya(1263-1328), an influential Muslim scholar, claimed he was unable to grasp the reason why this prohibition was so important. Regardless, he would respect the rule and proclaim he obviously lacked knowledge.³⁴ So though there might be discussion about the interpretation of certain rules, to Muslims implementation would eventually lead to optimal results or keep away unforeseen harm. Ibn Rushd shows that when ambiguity is encountered or for practical reasons, scholars might become more flexible, but over time in the field of economics it even became possible to challenge straightforward rules, like the prohibition of interest. For example Tantawi, the rector of Al-Azhar university in Egypt, issued a fatwa in the 1980s explaining why a fixed bank interest could be permissible.³⁵ Also, Rauf A. Azhar, a renowned economist and Islamic scholar, put a lot of effort in explaining a moderate interest rate might not be a bad thing on the individual level, arguing the total prohibition of interest is an exaggeration.³⁶ He also links his argument to the arrival of fiat money, stating: 'The classical position has become practically irrelevant due to the replacement of

³⁰ Ibn Rushd. *The Distinguished Jurist's Primer: A Translation of Bidayat Al-Mujtahid*. Reading: Garnet, 1996: 232.

³¹ Azhar, Rauf A. *Economics of an Islamic Economy*. Leiden: Brill, 2010: 33.

³² Naqvi, *Islam, Economics*, 13.

³³ Azhar, *Economics of*, 283.

³⁴ Abdul A. Islahi, "An Analytical Study of al-Ghazali's Thought on Money and Interest" (paper presented to the International Conference on al-Ghazali's Legacy: Its Contemporary Relevance at the International Institute of Islamic Thought and Civilization, Kuala Lumpur, Malaysia, October 24–27, 2001): 9.

³⁵ Mahmoud A. El-Gamal. *Islamic Finance: Law, Economics and practice*. (New York: Cambridge university press, 2006), 139.

³⁶ Azhar, *Economics of*, 339.

commodity (or real) money -the essential ingredient of the classical discourse- with paper money.’³⁷ This makes his position more understandable as fiat money is prone to inflation and interest offsets this, but what if it turned out paper money could never have been introduced if the prohibitions on *riba al-fadl* and *riba nasi’ah* had been observed. Other Muslim scholars might partly agree, but still favor the prohibition as in their reading of the sources, the prohibition is unequivocal. Or they might argue the current situation where most people and countries are in debt, leading to a loss of (personal) sovereignty, is exactly the thing their creator warned them against.³⁸ To most Western scientists this would go against the belief that scientific inquiry should be free from religious dogma.³⁹ This would be one of the hallmarks of the modern age, and it is the confrontation with ‘modernity’, in combination with the dominion of the colonial powers over most Muslim lands that would have a profound effect on the Muslim world.

An important scholar whose life and work embodies the intersection of the Islamic world with Western orientalism, imperialism and modernity that would be so significant during the spread of the contemporary economic paradigm, is Christiaan Snouck Hurgronje(1857-1936). His book “*Mekka in the latter part of the 19th Century*” is a monumental work filled with irony and sarcasm that might betray a form of haughtiness, characteristic for the 19th century ‘rational Western orientalist’.⁴⁰ Still, his writings provide an excellent anthropological insight into ‘medieval’ Meccan society, where modernity seemed far away and the Wahabi conquest had not yet taken place. He gives a sobering account of the holy place, where he discovers many times the compliance of the ‘neighbors of Allah’ with the religious prescriptions seem questionable. For example, he encounters people who to him obviously deal in interest or *riba*, but who explain it is *murabahah* which is supposed to be allowed by the *hanafi madhab*.⁴¹ As time progressed from the time of the Prophet, especially in the *hanafi* judicial school, many legal stratagems (*hiyal*) were condoned (though frowned upon) to circumvent financial prohibitions. Nicholas D. Ray states in this regard: ‘Modern scholarship has concentrated on the Hanafi school, which has led to an overemphasis of the role of the *hiyal*, thus implying a sort of hypocrisy to Islamic law which the traditional Orientalist was happy to classify as one of the characteristics of ‘the Oriental mind’.⁴² These encounters probably shaped the view of Hurgronje and he goes as far as to declare the Muslim commercial law a ‘dead letter’: ‘... all classes of the Muslim community have exhibited in practice an indifference to the sacred law in all its fullness,

³⁷ Azhar, *Economics of*, 283.

³⁸ Mahmoud A. El-Gamal. *Interest in Islamic Economics: Understanding riba*. (New York: Routledge, Taylor & Francis, 2006), 115.

³⁹ Snouck Hurgronje. “Mekka in the Latter Part of the 19th Century: Daily Life, Customs and Learning: The Muslims of the East-Indian Archipelago,” translated by J. H. Mohanan, edited by Jan J. Witkam (Brill: Leiden, 2007), 4.

⁴⁰ Zachary Lockman. *Contending Visions of the Middle East: The History and Politics of Orientalism*. (New York: Cambridge University Press, 2010), 89.

⁴¹ Hurgronje, *Mekka*, 4.

⁴² Nicholas D. Ray. “The Medieval Islamic System of Credit and Banking: Legal and Historical Considerations,” *Arab Law Quarterly*, Vol. 12. 1997: 58.

quite equal to the reverence with which they regard it in theory'.⁴³ Hurgronje was also skeptical of the validity of the primary Islamic sources, especially the traditions or hadith which according to Hurgronje had originated in an atmosphere of 'pious fraud' and pertained to a specific era, namely the medieval period.⁴⁴ He argued the so called prophet of Islam had, after a psychopathologic episode, started to believe he was sent by Allah to uplift Meccan society.⁴⁵

Hurgronje was very popular among his contemporaries and also today it is more likely scholars would believe Muhammad was a hysteric but brilliant strategist and leader then to acknowledge he was a prophet. This signifies an obvious schism between Muslim scholars and the rest of the scientific community. In a sense the tradition of Hurgronje is followed during this research, taking the primary sources as being the foundation of the religion, no matter if Muslims are actually abiding to these commandments. It is irrelevant whether we believe the primary sources come from Allah, a 'hysteric genius' or were invented in the first centuries after the Arab conquest. One takes into consideration a Muslim believes the first, while non-Muslims most likely go for the latter two explanations. Secular modernists believe the dominant European position vis-à-vis the Muslim world can be largely attributed to the shedding of the shackles of religion.⁴⁶ On the other hand, most Muslims would argue the increasing disregard for the sacred law as observed by Hurgronje is the exact reason why the Muslim world was overtaken. What to one would look like progress, the other would regard as degeneration.⁴⁷ When trying to find out what the Islamic sources prescribe regarding the use of precious metals, it's a given the overwhelming majority of Muslims see the primary Islamic sources as irrefutable, so it's required to try and fully understand the Islamic perspective.

Methodology

The defining characteristic of Islamic commercial law is the fact that is rooted in the primary Islamic sources. In the first part of the research we'll take a look at the early period of Islam. From the time of the prophet and the four (rightly guided) *Caliphs* that succeeded him(610-661), Islamic scholars derive the jurisprudence that should govern the community. The Quran (the holy book directly transmitted from Allah onto his messenger) , and the *hadith* or traditions (stories about the prophet and his companions) make up the source material even contemporary Islamic economists work with.⁴⁸ By inserting specific keywords in an online *hadith* database and Quran site, relevant primary source material was elicited. The digitalization and translation of the Quran and large parts of the

⁴³ Christiaan S. Hurgronje. *Selected Works of C. Snouck Hurgronje*. translated by J. Schacht. (Leiden: Brill: 1957), 290.

⁴⁴ Hurgronje, *Mohammedanism*, 35.

⁴⁵ Hurgronje, *Mohammedanism*, 53.

⁴⁶ Chris L. Firestone. "Kant and religion: conflict or compromise?," *Religious Studies*, Vol. 35. No. 2. 1999: 153.

⁴⁷ Appendix 1: 4:161.

⁴⁸ Azhar, *Economics of*, 134.

hadith collections enable researchers who might not be well versed in the sources to do just that. This is clearly an unique and unprecedented development that made it possible to comprise databases specifically suited for this research. These databases can be found in the appendices, while some key parts of them are quoted in the master thesis itself. In order to find these *hadith* (traditions), the website "<http://ahadith.co.uk>" was used that claims to be the most comprehensive *hadith* database on the web, featuring traditions from works of Bukhari, Ibn Majah, At-Tirmidhi, Muslim, Abu Dawood, and Imam Malik's Muwatta that also includes explanation. The following search terms were inserted into the *hadith* database: Gold (134 results), Silver (96), *Dinar* (122), *Dirham* (50), *Riba* (14), and Debt (88). All this data was put in a word document and the irrelevant and overlapping *hadith* were discarded. The same search terms were used to find passages in the Quran that might be relevant. For this we used the same terms and used "www.quran.com" to find all the verses that included these words. The appendices would not only constitute important primary source material for the first chapter, but also for the remainder of the research.

It has to be remarked that the primary sources are originally written in Arabic, while the databases used are working with translated texts. Another problem might be the fact that the traditions and verses might be taken out of context if singled out. Traditional scholars would probably frown at the idea a master student would draw conclusions from the primary sources without having a thorough religious education. On the other hand, not a lot of people that finished a religious education have the equivalent economic education and experience as does the researcher. Finally, the amount of traditions in the database (approximately 10.000) is only a small part of the *hadith* corpus which ranges into the several hundred thousand, though the most reliable traditions are included in this database.

The second chapter describes the role of money in the Middle East from the time of Muhammad until about the 17th century. In the Middle East this time period represents the first stage identified by Fox and Ernst (Fox and Ernst, 2016), characterized as the 'natural situation'.⁴⁹ It describes the different aspects of Muslims their dealing with gold and silver as money and the institutional environment it required. It also challenges the narrative that the Islamic faith has been stifling the economic success of the Muslim world, an idea that Shatzmiller (Shatzmiller 2011) claims is flawed as researchers focus too much on the late medieval period instead of the early period of Islam. She even accuses many researchers of being biased, disregarding historical material because of the outdated orientalist idea that these sources can't be relevant as Muslims are incapable of producing

⁴⁹ Fox and Ernst, *Money*, 9.

consistent documents, archives etcetera.⁵⁰ On the other hand, this misguided attitude might provide an opportunity to actually make a meaningful contribution.

Fortunately researchers like for example Shelomo Goitein, an authority on the Geniza papers, numismatist Andrew Ehrenkreutz, an expert on Islamic coinage, and many others did seriously engage with empirical evidence. Many scientific articles and books were used to get a comprehensive picture of the role money, at that time almost solely in the form of gold and silver, played. Interestingly, in the secondary sources used there was almost no mention of *Riba nasi'ah* or *riba al-fadl* by any of the economic historians, despite the fact these concepts appear to influence the decisions of historic actors and ostensibly impede the emergence of a sophisticated financial industry.

The third chapter will mainly focus on the economic developments in Europe that gave rise to the current financial system. The contributions of Middle Eastern scholars to the economic sciences that became the foundation of the current financial and economic system is negligible, as the financial hegemony of Europe became unchallenged and its economic proliferation global. When looking at the different stages that led to the dematerialization of money it needs to be determined whether the commandments concerning gold and silver identified earlier were violated. The contemporary field of Islamic finance and its efforts to emancipate Muslims economically will also be discussed. Its inception came out of a discontent with the global financial consensus as there is a yearning among the Muslim populace to avoid *riba*. Currently the focus of Islamic Finance lies on avoiding interest. There appears to be little institutional interest on the issue of *riba al-fadl* and *riba nasi'ah*.

The final chapter recounts the data obtained via interviews with imams and Islamic scholars. What will be their reaction if confronted with the insights gained while illuminating the historical trajectory of money? Are they aware how the current monetary system actually works? Do they know the concepts of *riba al-fadl* and *riba nasi'ah*? What economic advice do they give the believers? What actions would they undertake if the sources would indicate that the use of fiat money would actually constitute *riba*?

⁵⁰ Maya Shatzmiller. "Economic Performance and Economic Growth in the Early Islamic World," *Journal of the Economic and Social History of the Orient*, Vol. 54. 2011: 141.

Chapter 1: Islamic Primary Sources

It is impossible to research anything that has to do with Islam or Islamic history without taking into consideration the early period in which the prophet Muhammed came up with the Quran and set an example that is followed by the believers ever since. For this research it is irrelevant whether one believes he was just a brilliant politician, philosopher and economist or really divinely guided, in Islamic economics the latter is presumed so that should be recognized. Koehler states that 'His approach to wealth creation and market structure is at the core of Islamic economics'.⁵¹ Though the contributions of important scholars like for example Ibn Rushd(1263-1328), Al-Ghazali(1058-1111) or Ibn Tamiyya(1263-1328) are instrumental in drawing up the ideational and legal environment that characterizes the Muslim world, the primary sources are key and any scholar, either early or contemporary, uses them as source material. This is true for the field of Islamic economics as well. One of the challenges for Muslim society is to view this source material in historical context, without infringing on the universal applicability these sources are supposed to have. Prof. Dr. Nazeer Ahmed states: 'Muslims through the centuries have struggled to rediscover the fountain from which the Prophet drank. The corruption that surfaces with time is challenged time and again and a corporal attempt is made at a renewal of faith.'⁵² In this chapter the primary sources are consulted concerning gold and silver, debt and *riba*.

1.1 Gold and silver

Both the scripture and the hadith make elaborate mention of gold and silver being desirable.⁵³ In paradise believers will be adorned with gold and silver and in this world it is acknowledged as one of the things most treasured by people. The Quran says:

3:14

Beautiful for people is the love of that which they desire - of women and sons, heaped-up sums of gold and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return.

⁵¹ Benedikt Koehler. "The Economist Mohammed Ibn Abdullah (570-632)," *Economic Affairs*, March 2011: 109.

⁵² Nazeer Ahmed. "Omar bin Abdul Aziz," *History of Islam: An Encyclopedia of Islamic History*, accessed November 12, 2015, <https://historyofislam.com/contents/the-age-of-faith/omar-bin-abdul-aziz/>

⁵³ Appendix 1: 3:14-18:31-22:23-35:33-43:35-43:53-43:71-56:15-76:21

This sets a religious precedent for the intrinsic value of gold and silver, but that wasn't decreed by the Quran. Gold and silver had been performing the task of money since the inception of trade.⁵⁴ In the area around Medina and Mecca there were numerous gold mines.⁵⁵ Apart from desirability, the costs involved in delving the metals are an important factor in determining the intrinsic value of precious metals.⁵⁶ In the primary sources gold and silver are awarded a different status than mere commodities, though. There are special requirements when dealing with gold and silver that signify the metals serve as money. The sources indicate that gold and silver should be traded on the spot, called *riba an-nasi'ah*, and for equal weight, called *riba al-fadl*.⁵⁷

*Allah's Apostle said, "Do not sell gold for gold unless equivalent in weight, and do not sell less amount for greater amount or vice versa; and do not sell silver for silver unless equivalent in weight, and do not sell less amount for greater amount or vice versa and do not sell gold or silver that is not present at the moment of exchange for gold or silver that is present."*⁵⁸

*"I came saying. 'Who will exchange Dirham?' Talhah bin 'Ubaidullah, who was with Umar bin Khattab, said: 'Show us your gold, then come to us; when our treasure comes, we will give you your silver.' Umar said: 'No, by Allah, you will give him silver (now), or give him back his gold, for the Messenger of Allah (saw) said: "Silver for gold is usury, unless it is exchanged on the spot.""*⁵⁹

When the *hadith* database in appendix 2 is checked it is clear the rule laid down in these *hadith* are found numerous times, though set in different circumstances with different people.⁶⁰ This shows the importance of these rules, as it has been transmitted through multiple chains of narration and is reiterated by different important actors. It was incorporated into monetary policy by the early Caliphs, as some of these *hadith* are narrated by, for example, the second caliph Umar ibn al Khatab who initiated the first Islamic coinage.⁶¹

When analyzing the *hadith*, the prescription to exchange gold and silver on the spot, equal weight for equal weight, is self-evident and unambiguous. When answering the research question, these forms of *riba* take center stage as they specifically refer to gold and silver, the natural money used in those days. Economic historians agree that unlimited minting (no restrictions on the population to convert

⁵⁴ Hall, "Coinage," 452.

⁵⁵ Gene W. Heck. "Gold Mining in Arabia and the Rise of the Islamic State," *Journal of Social and Economic History of the Orient*, Vol. 42, No. 3. 1999: 364.

⁵⁶ Germán D. Feldman. "Money, Prices and the Silver Industry during the Price Revolution," *Review of Political Economy*, Vol. 26, No. 4. 2014: 568.

⁵⁷ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

⁵⁸ Appendix 2: 12.

⁵⁹ Appendix 2: 5.

⁶⁰ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

⁶¹ Sami Hamarnah, "Coinage in Islam," *Islamic Quarterly*, vol. 5, No. 3. 1959: 99.

bullion into coinage), without charge (the mint is financed by either a *waqf* or the government) provide the best economic outcome, and this is exactly what these *hadith* prescribe.⁶² There was a great temptation for governments to disregard this wisdom in order to obtain quick revenue.⁶³ Observance apparently optimized the natural situation, but does it rule out ‘the evolution of money’ that took place in Western legal tradition.

1.2 Debt

Though lending and borrowing is certainly not forbidden in Islam, the sources provide a mixed view on the issue. Providing people in need with a loan is seen as a good deed, but the brutal enforcement of its repayment if the debtor is unable to pay is frowned upon.⁶⁴ Forgiving the debt is the preferred option for the believer.⁶⁵

2:280

And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know.

On the other hand there are numerous *hadith* that emphasize the importance of repaying a loan.⁶⁶ To a believer paying back loans should be of primary concern.⁶⁷ Debt is problematic as caliph Umar exclaimed: ‘Beware of debts! Their beginning is a worry and their end is destitution.’⁶⁸ On the other hand, cooperative undertakings where one of the participants provide the capital and the other his (management) skills is encouraged (*qiradh*).

Allah's Apostle (saw) used to say: ‘O Allah, I seek refuge with you from all sins, and from being in debt.’ Someone said, O Allah's Apostle (saw)! Very often you seek refuge with Allah from being in debt. He replied, ‘If a person is in debt, he tells lies when he speaks, and breaks his promises when he promises.’⁶⁹

⁶² John D. Lowe. “Monetary Development in Fatimid Egypt and Syria (358-567/969-1171),” (Master Th., University of Arizona, 1985) 59.

⁶³ J. Rolnick, François R. Velde and Warren E. Weber. “The Debasement Puzzle: An Essay on Medieval Monetary History,” *The Journal of Economic History*, Vol. 56, No. 4. 1996: 790.

⁶⁴ Appendix 2: 127-120.

⁶⁵ Ray, “The Medieval,” 76.

⁶⁶ Appendix 2: 109-117-120-123-126-129-131.

⁶⁷ Appendix 2: 57-104-111.

⁶⁸ Appendix 2: 129.

⁶⁹ Appendix 2: 109.

With this *hadith* the effect debt has on a person is discussed. Debt can hold a person hostage and can even effect his moral conduct. The power the lender has over a debtor is further emphasized by the following *hadith*:

*"A man came to ask the Prophet of Allah (saw) for some debt or some right, and he spoke harshly to him, and the Companions of the Messenger of Allah (saw) wanted to rebuke him. But the Messenger of Allah (saw) said: 'Let him be, for the one who is owed something has authority over the debtor, until it is paid off.'"*⁷⁰

It is clear that the issue of debt plays an important role in the primary sources. The negative aspects of debt clearly take precedent over the positive aspects. Today all money is brought into existence as debt. This might be considered an unwanted situation by Muslims.

1.3 Riba

One of the most stern warnings in the Quran is reserved for the people who earn *riba*. Supposedly the last verses revealed to Muhammad were the final verses of the second and longest chapter of the Quran, *surah Baqarat* (the cow).⁷¹ Though *riba* had been forbidden earlier, in these verses this prohibition is repeated and solidified in the Islamic corpus. In it God declares war on the people who deal in interest, which is about the biggest and most direct threat issued in the Quran.

2:276

Allah will destroy Riba and will give increase for Sadaqat (deeds of charity) And Allah likes not the sinners.

2:278

O you who have believed, fear Allah and give up what remains of interest, if you should be believers.

2:279

And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged.

⁷⁰ Appendix 2: 112-125.

⁷¹ Azhar, *Economics of*, 283.

Riba has the literal meaning of unnatural growth or increase.⁷² It is applied to interest, but there is another context in which it is used. It is expressly forbidden to trade gold and silver if they are not equal in amount and it should be done on the spot, so there should be no deferred exchange of monetary metals.⁷³ The actual presence of the metal is thus key in this respect.

*Malik bin Aus said, "Who has change?" Talha said, "I (will have change) when our store-keeper comes from the forest." Allah's Apostle said, "The bartering of gold for silver is riba, except if it is from hand to hand and equal in amount."*⁷⁴

From this *hadith*, and many similar ones, the concepts of *riba al-fadl* (similar weight) and *riba nasi'ah* (time aspect) are derived. It is important to note the severity of these prohibitions have puzzled Islamic thinkers.⁷⁵ In line with Aristotle, Al-Ghazali (1058-1111) identifies gold and silver as an exceptional asset class. To him Allah created gold and silver to ease barter/trade by functioning as a medium of exchange and measurement of value. Eliminating the problem of double coincidence of wants and lack of divisibility of goods he sees the metals as a blessing from God. The primary sources indicate to Al-Ghazali that gold and silver should only be used as money. In Islamic history it is agreed that Al-Ghazali laid the foundation of the theory of money, but he himself admits that he is unable to phantom the full wisdom behind *riba al-fadl*, the rule that precious metal should always be exchanged equal weight for equal weight.⁷⁶ Another intellectual giant who bore down on the subject was Ibn Taymiyya (1263-1328). Though he expanded the theoretical foundation of the natural role of gold and silver as money, on the issue of *riba al-fadl* he exclaimed: 'The Prophet has forbidden many things that might be a source of evil though the evil is not immediately discernible in them: an example of this is *riba al-fadl* in which the reason for prohibition is sometimes unclear.'⁷⁷

⁷² Azhar, *Economics of*, 279.

⁷³ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

⁷⁴ Appendix 2: 63

⁷⁵ Islahi, "An Analytical Study.": 5.

⁷⁶ *Ibid.*, 7.

⁷⁷ *Ibid.*, 9.

Chapter 2: Early Islamic Economics, The natural situation

As we've established in the previous chapter, there was a consensus among Muslims that gold and silver were natural money, and that their use as measure of value and medium of exchange was ordained by Allah. The effectiveness of the precious metals in performing these tasks had not been discovered by Muslims, though. Precious metals had been in use since ancient times and had an immense geographical scope.⁷⁸ No matter if one travelled to China, Africa or Europe the gold and silver in your pocket would be accepted and trade could be conducted throughout the known world. No central global authority had declared gold and silver money, it was chosen through voluntary human action, hence the term 'natural money'.⁷⁹ Most currencies in use today are either named after precious metals (l'argent, argenta, gulden) or depict a weight measure (dollar, peso). In this chapter the intricacies surrounding an Islamic economy based on the use of physical metals will be explained. Transacting with precious metals was viewed as natural, as it constitutes the most honest way of barter since one exchanges something of equal value. It also serves as a necessary step to understand the debate starting from the 14/15th century about the nature of money.⁸⁰

2.1 Money Supply and Money Stock

The money supply is defined as the amount of gold, silver and petty coin available in an economy to conduct economic activities. It is important to note that this does not have to coincide with the total amount of gold and silver present in a specific region, though the Islamic sources seem to indicate that ideally this should be the case.⁸¹ Al-Ghazali concludes that it is undesirable to use precious metals for any other purpose than money. This would in effect sterilize a part of the gold and silver to perform its primary function, namely to be a medium of exchange.⁸² This is further corroborated by the commandments against hoarding.⁸³

9:34

O you who believe, indeed many of the scholars and the monks devour the wealth of people unjustly and avert (them) from the way of Allah . And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment.

⁷⁸ Erwin R. Leland. "The Debasement of Coinages," *The Popular Science Monthly*, Vol. 12. 1878: 580.

⁷⁹ Murray N. Rothbard. *The Ethics of Liberty*. (New York: New York University Press, 1998), 37.

⁸⁰ Fox and Ernst, *Money*, 9.

⁸¹ Appendix 2: 9.

⁸² Islahi, "An Analytical Study.": 1.

⁸³ Appendix 1: 9:34-9:35. Appendix 2: 17-23-28-33.

One of the companions of Muhammad said: ‘Keeping gold and silver out of circulation is part of working corruption in the land.’⁸⁴ The manipulation of its supply and velocity will affect the health of the economy as a whole, and wealth and power distribution might be skewed if gold and silver is hoarded.⁸⁵ The best way to ensure gold and silver could perform their natural role as money was by minting them into coins and ensuring the quality of the coinage in circulation. Next we are going to have a look at how coinage, government actions, people’s activity, mining and international trade influence both the money supply and the money stock. The money stock is defined as the form in which the money supply is manifested.

2.1.1 Coinage

Gold and silver have intrinsic value, which means that the value of these metals is contained within itself. In order to enhance the ease of use of precious metals, gold and silver were minted into coins. This meant that the people expected a specific amount of gold or silver would be found in each coin and this specified weight granted the coin a stable value.⁸⁶ It also gave the ruler the possibility to enhance his reputation and prestige, or squander it if coinage was mishandled.⁸⁷ Coins can provide a great deal of historical information and the study of numismatics can reveal much information about a certain time period by analyzing the characteristics of minting activity, the quality of the coins, their gold and silver content as well as the engravings.⁸⁸ These aspects could give clues about the economic stability of the region where the coins were used or the power of the central authority. Combining this information with other sources helps to get a better picture of the economic situation of the Middle East throughout the middle ages.

Minting of gold and silver into standard units of weight in the form of coins involves costs. The cost of minting is called *barrage*. When coins are sold for a higher price than the intrinsic value and added *barrage* the profit made is called **seigniorage**. There is an incentive for governments to monopolize the minting of coins in order to make money through seigniorage.⁸⁹ In the early period, the minting of coins was seen as a service to the community, and no profit was made on the minting of coins as precious metals were only allowed to be exchanged as equal weight for equal weight in order to avoid *riba*.⁹⁰ Contemporary economists agree this provides the best outcome, as the closer

⁸⁴ Appendix 2: 9.

⁸⁵ Shahrukh R. Khan. “Profit and Loss Sharing: An Economic Analysis of an Islamic Financial System,” (PhD diss. University of Michigan, 1983): 71.

⁸⁶ Angela Redish and Warren E. Weber. “Coin Sizes and Payments in Commodity Money Systems,” *Macroeconomic Dynamics*, Vol. 15, No. 1. 2011: 63.

⁸⁷ Leland, “The Debasement,”: 586.

⁸⁸ Jenni Irving, “numismatics,” *Ancient History Encyclopedia*, May 14, 2012, accessed March 1, 2017, www.ancient.eu/Numismatics/

⁸⁹ Nathan Sussman and Joseph Zeira. “Commodity money inflation: theory and evidence from France in 1350–1436,” *Journal of Monetary Economics*, Vol. 50. 2003: 1771.

⁹⁰ Lowe, “Monetary Development.” 6.

approximation of the coinage value to its intrinsic value leads to higher stability in coin value, which in turn has a positive effect on the economy.⁹¹ Higher tax revenue would then easily offset the costs involved in minting.⁹² Also, gold and silver act as a store of value, and if minting costs were too high, people would prefer to keep their wealth in bullion instead of coins, thus giving an incentive to hoard bullion instead of bringing metal into circulation.⁹³ These minting practices and the reliability of the Islamic dirham and dinar played an important role in the economic boom of the early period of Muslim expansion. As time progressed the dirham and dinar would be debased and other coins replaced them. The terms *dirham* and *dinar* would become a measure of weight (*mithqal*) rather than a specific coin.⁹⁴ Many rulers strove to reintroduce this standard, not only because of the obvious economic benefits a stable currency provides, but presumably also because the first *dirham* and *dinars* were struck under the second Caliph, Umar Ibn Al-Khatab, a companion of Muhammad and considered one of the greatest religious authorities by Muslim scholars.⁹⁵

The two empires that bordered the Arab world during the time of Muhammad were the Persian and the Byzantine empires. The silver and gold coins of these two empires were used in the Arab world and by Muhammad, this way becoming a *Sunnah*, an example to follow. The Persian empire produced the silver *dirham*, while the Byzantine empire primarily used the gold *dinar*. Especially the Byzantine emperors had been very stringent in maintaining the weight and purity of the dinar, no matter in what dire straits the empire found itself. This was probably due to the fact that the Byzantines attributed the demise of the Roman empire for a large part of to the debasement of its currency.⁹⁶ Apparently, the quality of the coins of the Persian empire were less reliable, but also less valuable as gold is more expensive. Because the sources prescribe a flexible gold/silver ratio, early Islamic scholars would only emphasize the weight ratio between the dirham and the dinar, being 10 to 7, and not their respective value relationship.⁹⁷ The official Arabic dirham would weigh 2,97 grams of pure silver while the dinar would weigh 4,25 grams of pure gold.

In order to make sure transactions were fair, people were religiously obliged to weigh the coins as the quality could vary which in turn could lead to *riba al-fadl*.⁹⁸ Historical evidence suggest this was indeed common practice.⁹⁹ Siegfried (Siegfried 2001) states that over several centuries counting, especially copper or silver coins, became more and more customary.¹⁰⁰ Despite the obvious contradiction with the primary sources, in modern Islamic finance this fact is taken as important

⁹¹ Lowe, "Monetary Development." 6.

⁹² Lowe, "Monetary Development." 60.

⁹³ Nathan Sussman. "The Late Medieval Bullion Famine Reconsidered," *The Journal of Economic History*, Vol. 58, No. 1. 1998: 130.

⁹⁴ Lowe, "Monetary Development." 22.

⁹⁵ Hamarnah, "Coinage," 99.

⁹⁶ Benedikt Koehler. "The Seventh-Century Islamic Gold Standard," *Economic Affairs*, Oktober 2010: 72.

⁹⁷ Philip Grierson. "The Monetary Reforms of 'Abd al-Malik: Their Metrological Basis and Their Financial Repercussions," *Journal of the Economic and Social History of the Orient*, Vol. 3, No. 3. 1960: 260.

⁹⁸ Appendix 2: 9-12.

⁹⁹ Lowe, "Monetary Development." 52.

¹⁰⁰ Nikolaus A. Siegfried. "Concepts of Paper Money in Islamic Legal Thought," *Arab Law Quarterly*, 2001: 321.

evidence that intrinsic value might be bypassed when dealing with money, as it would pave the way for token money that predominantly has nominal value.¹⁰¹ This is identified as the second stage in the evolution toward fiat money by Ernst and Fox (Ernst and Fox 2016), and is seen as a degradation by economic historians.¹⁰² Generally whenever the intrinsic value of coins would become less reliable, the economy suffered and the people would request currency reform to fix the problem. People certainly did not prefer token coins over coins with intrinsic value, quite the contrary, casting doubt on the premise that the transition to the second phase in ‘the evolution of money’ can be seen as progress.¹⁰³

2.1.2 Government

In Islamic doctrine the government is there to safeguard the welfare of the Muslims and non-Muslims under its authority. In this capacity it controls the ‘*bayt al-mal*’, literally the house of wealth as it refers to a specific place in Medina used by Muhammad, and after him the first Caliph Abu Bakr, to store the property mainly accumulated through taxes and war. The limitations on wealth accumulation by the ‘*bayt al-mal*’ are well defined, as are the ways these funds are to be spend.¹⁰⁴ Private property was well protected by religious commandments and the aim of the early caliphs was to have as little wealth as possible in the ‘*bayt al-mal*’. In this they followed the example of Muhammad who advocated swift payment and a light tax burden so as to keep the money in the hands of the people. This would have increased the money supply and money velocity, spurring economic activity. According to Lowe (Lowe 2011) this greatly contributed to the success of the Muslim conquest, as even non-Muslims paid less taxes and were better protected than before their subjugation.¹⁰⁵ Apart from regular expenditures on defense, roads, irrigation, judiciary, government officials etc., the focus on distribution to the poor would have had a similar effect. The poor are less likely to hoard and will thus spend their money right away on their prescient needs. Although the ruler was allowed to cover his expenditures via the ‘*bayt al-mal*’, the early caliphs were hesitant. The main tasks of the caliph were to enforce the Law, to make sure the religion is free from heresy and to defend the community militarily.¹⁰⁶ The second caliph Umar said: ‘with regard to the funds of bayt al-mal I assume myself a custodian of the funds of orphan; if I had what I need, I would not take

¹⁰¹ Siegfried, “Concepts of,” 320.

¹⁰² Fox and Ernst, *Money*, 203.

¹⁰³ Lowe, “Monetary Development.” 48.

¹⁰⁴ Habibur Rahman. “Bayt Al-Mal and its Role in Economic Development: A Contemporary Study,” *Turkish Journal of Islamic Economics*, Vol. 2. No. 2. 2015: 23.

¹⁰⁵ Lowe. “Monetary Development.” 17.

¹⁰⁶ Khan. “Profit and Loss.” 34.

anything from these, and if I could not manage what I need, I would take reasonably, and then once I get solvency I will repay it.’¹⁰⁷

When the Muslims conquered the former Persian and Byzantine lands the oppressive taxes by both the religious authority and the government had resulted in huge hoards of gold accumulated with the nobility and religious institutions. Many of these gold and silver hoards were seized by the conquering armies and put in the ‘*bayt al-mal*’. The subsequent swift distribution, mainly among the soldiers and the poor, as well as investments into irrigation and road construction resulted in an economic boom as the money supply grew and money velocity picked up.¹⁰⁸ Though sayings like the one quoted above provided ammunition to the *ulema* (religious leaders) to confront and potentially reign in rulers, there are many cases where the ‘*bayt al-mal*’ wasn’t managed according to the prescriptions elicited from the primary sources. Later rulers like the Ottoman Sultan Murad III (1546-1595) are known to have hoarded tremendous amounts of personal wealth in the form of gold and silver.¹⁰⁹ This would have had a dampening effect on the overall economy.¹¹⁰

Concerning monetary policy, one of the primary concerns was the (religious) responsibility of the government to ensure the money stock (composition and quality of coinage) was kept in good order. To achieve this the government should:

-Keep existing circulation in good condition

-Allow the right to melt or export

-Permit unlimited mintage free of charge¹¹¹

Coinage could directly influence the ruler’s prestige. One of the first things Mehmed I (1413-1421), one of the early rulers of the Ottoman empire, did in order to show his break from the vassalage of the great Mongol amir Timur, was to coin new currency.¹¹² It was a very good way of communicating power and reassuring the people, as a stable currency showed strength and thus boosted consumer confidence. But government actions might also impede economic activity by setting a specific gold/silver ratio or fix a specific exchange rate between different coins with different intrinsic value, gravitating toward nominalism. There were also cases where government forbade the outflow of specie by decree or take other measures to tweak the flow of precious metals.¹¹³ Seen by most historians as a sign of desperation, governments could also resort to debasement. Too much

¹⁰⁷ Rahman, “Bayt Al-Mal,” 25.

¹⁰⁸ Lowe. “Monetary Development.” 10.

¹⁰⁹ Baki Tezcan, “The Ottoman Monetary Crisis of 1585 Revisited,” *Journal of the Economic and Social History of the Orient*, Vol.52. 2009: 463.

¹¹⁰ Koehler, “The Economist,” 110.

¹¹¹ Lowe. “Monetary Development.” 6.

¹¹² Brian D. Johnson, “The Ottoman Currency System (1687—1754)” (PhD diss. University of Washington, 1999): 38.

¹¹³ Haim Gerber. “The Monetary System of the Ottoman Empire,” *Journal of the Economic and Social History of the Orient*, Vol. 25, No. 3. 1982: 318.

interference in the economy by for example inhibiting free trade, high taxation and patronage could lead to imbalances.

A fourth point might be added to the responsibilities of the government regarding the money stock. It should also ensure that the range of denominations fits the needs of the population. The minting of small denominations is relatively expensive, but an essential government task. Redish and Weber explain that a lack of small coin denominations disproportionately hurt the poor (Redish and Weber, 2011).¹¹⁴ The Geniza papers show that local shops would extend credit to customers, saving up bills until the value of a bigger coin was reached.¹¹⁵ But a severe scarcity could even entice people to start using token coins, coins where the nominal or face value exceeds the intrinsic value, albeit temporarily and grudgingly.¹¹⁶

2.1.3 People

The primary Islamic sources incentivize the people to keep money in circulation. The obligatory *zakah* (percentage of wealth to be paid yearly) would not only make sure money flowed to the poor, it also stimulated investment, as invested money falls outside the purview of the *zakah*.¹¹⁷ The primary sources also stimulated borrowing money to people in need as well as to engage in trade and invest in business ventures.¹¹⁸ When the Muslims conquered the former Persian and Byzantine lands the heavy tax burden was lifted and the marketplaces came under heavy scrutiny to ensure fair dealing. This resulted in higher consumer confidence and thus increased spending and investing. Together with the increase in available specie discussed earlier, economic activity boomed.¹¹⁹ The effects of low taxes, honest marketplaces, abolishment of interest and a well preserved coin stock were major, but the primary sources also address the individual believer directly and a lot of emphasis is put on the believers own responsibility.

As more and more people converted to Islam, the internalization of the religious prescriptions would have been instrumental to the economic boom, but it was partly delayed by the perceived gap between Ummayyad government edicts and the religious prescriptions. During the reign of 'Umar ibn 'Abd al-'Azīz (717-720), dubbed the fifth rightly guided caliph by many Islamic scholars, there was a refocus on the original teachings, alleviating discontent, especially among non-Arabs. The economic success of these policies are evidenced by the fact that despite a great reduction in the overall tax

¹¹⁴ Redish and Weber, "Coin Sizes," 63.

¹¹⁵ Ray, "The Medieval," 74.

¹¹⁶ Redish and Weber, "Coin Sizes," 63.

¹¹⁷ Appendix 1: 4:12. Appendix 2: 4-17-18-21-101-106.

¹¹⁸ Appendix 2: 110-127-133.

¹¹⁹ Shatzmiller, "Economic Performance," 133.

burden, tax revenues quadrupled. After only two and a half years the Caliph was poisoned, paving the way for the Abbasids to take over the caliphate. The popularity of this caliph among Sunni scholars might have been partly political in light of the Shi'a competition, but it does show that the primary sources, and the rulers that adhere to them, are highly revered.¹²⁰

2.1.4 Gold-silver mining

Another source of gold and silver was mining. From a monetary perspective, an important aspect that makes mining relevant in the determination of the buying power of the precious metals was its influence on the overall money supply. According to Feldman (Feldman 2014) who echoes the view of Adam Smith and David Ricardo, the cost of mining, like with any commodity, played a pivotal role in determining the 'natural' or intrinsic value of gold and silver. If the value of gold would rise above the cost of production, production would increase and if the price would fall below the cost of production the opposite would happen. Market forces would eventually be responsible for optimizing the amount of gold and silver in circulation, provided that free trade is possible.¹²¹

During the reign of Selim I (1512-1520) and Suleyman the Magnificent (1520-1566) mining and minting activity in the vastly expanded Ottoman empire declined. The conquered mines in the Balkan originally stayed in production during the 16th century, but the abundance of silver coming from the Americas forced them to close down, which also led to a decline in minting activity because the mints were located close to the mines.¹²² As a result of the decline of domestic minting activity, a host of foreign currencies obtained via trade were used for domestic purposes.¹²³ The responsibility of the government to regulate the money stock was disregarded, and this would have dire consequences. Confidence in domestic coinage shrank to such a low level and the shortage of petty coins so substantial, that between 1656 and 1669 European traders were able to fetch huge profits through the export of debased coins that commanded a hefty premium over bullion, thus trading at nominal value.¹²⁴ Though Fox and Ernst see this as a stepping stone toward bank money, the situation proved temporary and public demand for stable currency led to reforms.

2.1.5 Trade

¹²⁰ Nancy Khalek. "Early Islamic History Reimagined: The Biography of 'Umar ibn 'Abd al-'Aziz in Ibn 'Asākir's *Tārīkh madīnat Dimashq*," *Journal of the American Oriental Society*, Vol. 134, No. 3. 2014: 435.

¹²¹ Feldman, "Money, Prices," 557.

¹²² Halil Sahillioğlu, "The Role of International Monetary and Metal Movements in Ottoman Monetary History 1300-1750," *Precious metals in the later medieval and early modern worlds*, ed. John F. Richards. (Durham: Carolina Academic Press, 1983), 272.

¹²³ Johnson, "The Ottoman." 3.

¹²⁴ Şevket Pamuk. "In the Absence of Domestic Currency: Debased European Coinage in the Seventeenth-Century Ottoman Empire," *The Journal of Economic History*, Vol. 57, No. 2. 1997: 346.

Much of the gold and silver was mined outside Muslim lands and obtained through trade. These precious metals could have been in circulation for centuries, and (long distance) trade had a great influence on the money stock and supply of particular areas. Gold and silver were universally accepted signifying their natural role as money. International trade affected the sort of coins that were in circulation as well as the quality of domestic coins. The better quality coins would be used for international trade, as unfamiliarity with the coins would invoke scrutiny. As the gold and silver weight decides the purchasing power and not face value, foreign merchants would likely assay the coins to determine gold and silver content. If coins would spend too much time abroad, their quality could also drop as they would be out of reach of the mints that would take them in and reissue them if their quality began to falter.¹²⁵ A high quality gold coin issue increased the prestige of the ruler, but more importantly made it easier for the native traders since the currency would be readily accepted by foreign traders. Domestically, though primarily with silver coins, there might be less focus on weight since everybody recognizes the coins and because of their daily use they go from hand to hand quickly. In the next chapter we will discuss how the resulting wear and tear could prompt the government to debase the currency.¹²⁶ The Egyptian gold coinage had been of especially high quality and even reached an almost 100% purity in the early 1200s, making it the preferred coin to conduct trade with in the Mediterranean area.¹²⁷ This 'reserve currency status' of the Egyptian gold coinage would later be usurped by the Venetian Ducat.¹²⁸ How this came about will be discussed in the chapter on debasement.

2.2 Debasement and currency reform

In the literature there are many reasons sighted why authorities would resort to debasement. It might be interesting to note even though history is fraught with episodes of debasement, there is still a lot of discussion among historians as to the reasons and effects of debasements.¹²⁹ What is generally agreed upon is that most of the time when governments have to resort to debasement, this is a sign of weakness. Historical data also suggest that once a government starts debasing a coin, one can generally recognize a sliding scale that can only be reversed by currency reform. Debasement is

¹²⁵ Grierson, "The Monetary Reforms," 249.

¹²⁶ Rolnick and Velde, "The Debasement," 790.

¹²⁷ Andrew S. Ehrenkreutz. "The Standard of Fineness of Gold Coins Circulating in Egypt at the Time of the Crusades," *Journal of the American Oriental Society*, Vol. 74, No. 3. 1954: 163.

¹²⁸ Jere L. Bacharach. "The Dinar versus the Ducat," *International Journal of Middle East Studies*, Vol.4. 1973: 77.

¹²⁹ Rolnick and Velde, "The Debasement," 790.

the lowering of the silver or gold content of newly minted coins in comparison to the coins that were minted previously. As a consequence many different issues might be in circulation with varying weight and fineness. For honest trade it became important to assay coins to establish the precious metal content. For this, people would seek the service of moneychangers, who would have the experience and equipment to determine the exact weight and fineness of the coins.¹³⁰

Moneychangers thus played an important role in monetary affairs, which will be discussed later.

The most sighted reason by main line historians as to why a ruler would resort to debasement was to acquire a direct financial gain by lowering the silver or gold content, without announcing this to the public. These new coins could be disseminated via the payment of soldiers and public servants. The trick is to debase surreptitiously since the longer the people are kept in the dark, the more profit could be made by the government. This form of debasement was rare as it led to inflation and destroyed public confidence in both the authorities and the currency used. It could also lead to discontent among the soldiers, a dangerous precedent for a ruler. According to Pamuk, the threat of reprisal by the powerful Janissaries prevented the Ottomans from more debasement, after they executed the vizier responsible for the currency after the 1585-1586 debasement.¹³¹ Another example of direct financial benefit via debasement was displayed by the Safavid ruler in 1555. He forced the merchants of the empire to sell all the years silk stock to him and paid them with silver dirham that had only halve the silver content of the previously coined dirham. There is no evidence of a second attempt, but a ruler engaging in trade while using his position to gain the upper hand was no unfamiliar occurrence in the Middle East, though the coupling with debasement was not very common. In this instance, there was an outcry that reverberated throughout the Muslim world which is the reason why it was well documented. The action of the Safavid shah was condemned as stealing, and the ruler's reputation was severely tarnished.¹³²

A government could also resort to debasement to inflate away debt. Debt would have been contracted in full coin, but would then be repaid by debased coins.¹³³ Apparently many historians believe direct financial gain is the main reason for debasement, but the research suggest this is unlikely.¹³⁴ If we consider the well known long term damage debasement has on the economy and the popularity of the sovereign, and the fact that it constitutes *riba al-fadl*, it is not very likely that in all cases observed this measure was taken just to lower a budget deficit or debt burden. In the 11th century, Al-Ghazali had already condemned the practice of debasement, but he also sights more

¹³⁰ Richard Dutu. "Moneychangers, Private Information and Gresham's Law in Late Medieval Europe," *Journal of Iberian and Latin American Economic History*, Vol. 22, No. 3. 2004: 560.

¹³¹ Pamuk, "In the Absence," 356.

¹³² Tezcan, "The Ottoman," 473.

¹³³ Leland, "The Debasement," 588.

¹³⁴ Velde and Weber, "A Model of," 292.

sophisticated reasons why debasement was utilized.¹³⁵ In most cases the overall benefit to the economy was of primary concern, without a direct profit objective for the government.

The second and most common reason for debasement was to realign the value of the coins in circulation. The primary objective was to provide a stable currency, which means that the people can rely on the coins to have a specific amount of gold or silver in them. It was very important the coins in circulation were kept in good condition, and this was done via a continual process of recall and reissue by the mint.¹³⁶ If the coins representing the money stock would become of lower quality this would obstruct trade and make counterfeiting easier. Any new coins struck would quickly disappear from circulation as people would start hoarding them or using them for foreign trade, instead using the worn coins for domestic payments.¹³⁷ This process is called the Gresham law, after scientist Thomas Gresham(1519-1579), who explained this phenomenon to queen Elizabeth I who unsuccessfully tried to restore the quality of the circulating currency.¹³⁸ In the 12th and 13th century Al-Ghazali and Ibn Taimiyya had already commented on this phenomenon, with Ibn Taimiyya stating: 'If the intrinsic value of coins are different it will become a source of profit for the wicked to collect the small (bad) coins and exchange them (for good money) and then they will take them to another country and shift the small (bad) money of that country (to this country) . So value of people's goods will be damaged.'¹³⁹

These 'wicked' people would obviously engage in *riba al-fadl*, but free minting (possibility for everyone to bring in bullion/coin to be (re)coined) and a vigilant government that would keep a constant eye on the quality of the currency stock could prevent this process. Once a certain threshold is passed, apart from the currency reform that will be discussed next, official debasement became the only option to deal with the problem. The precious metal content would be lowered so as to drive out the 'good' money, which now actually hold a higher silver content than the newly minted coins.¹⁴⁰ The government provided the opportunity to bring the old, 'good' money to the mint to be re-minted in the newly established fineness.

Whether we observe the Abbasids in the 9th till 11th century, the Fatimid, the Ottomans etc. almost any currency used in the Muslim empire fell prey to debasement, and the deterioration of the coin stock seems to be the primary reason.¹⁴¹ This is corroborated by the fact that the silver coins were debased most often. As their use in daily transactions was high, their quality would suffer most as their daily use increased wear and tear. Next to that, this higher velocity increased the chance a good

¹³⁵ Islahi, "An Analytical Study." 9.

¹³⁶ Grierson, "The Monetary Reforms," 249.

¹³⁷ Lowe. "Monetary Development." 94.

¹³⁸ Lowe. "Monetary Development." 100.

¹³⁹ Islahi, "An Analytical Study." 9.

¹⁴⁰ Velde and Weber, "A Model of," 293.

¹⁴¹ Andrew S. Ehrenkreutz. "Arabic Dinars Struck by the Crusaders: A Case of Ignorance or of Economic Subversion," *Journal of the Economic and Social History of the Orient*, Vol. 7, No. 2. 1964: 178.

coin would get into the hands of somebody who would recognize it as such, and subsequently withdraw it from circulation. Also a ruler would derive more prestige from his gold coin issue, so there would be a focus on maintaining its quality. Also, because there was a tendency among the people to assay gold coins, any irregularities with them would be quickly recognized. Still their reputation could also get compromised as shown by the counterfeiting efforts of the crusaders discussed below.

2.2.1 Counterfeiting

Apart from the 'legitimate' counterfeiting done by the government, counterfeiting could also be done by private individuals or even foreign governments. The counterfeiting could be done by sweating (rubbing of a small amount of metal), clipping (cutting of a part of the coin) or the actual minting of sub-standard coins.¹⁴² This was of course illegal, but once the coin stock in circulation had become too bad, the counterfeiting was made easier and the coin stock would further degenerate. Counterfeiting could also be used to willingly undermine the economy of an enemy. This is argued by Ehrenkreutz (Ehrenkreutz, 1964), one of the premier authorities in the field of oriental economic history and numismatics. He explains that during the start of the 12th century the crusaders started to produce the gold dinar in the conquered mint of Jerusalem. These dinars were of inferior quality, averaging a fineness of 75 percent where the Fatimid had been producing dinars averaging 96 percent fineness. This led to a crisis as confidence in the dinar plummeted and people started hoarding the good coins.¹⁴³ Apart from the domestic economic problems this caused, because of decreased circulation, it also inhibited international trade as it had become the 'reserve currency' for Mediterranean merchants.¹⁴⁴ This 'reserve currency' status had been obtained because of its consistent quality over the past centuries, however, because of the counterfeiting the reputation of the dinar took a severe blow. Though the common understanding is that the crusaders just didn't have the skills to produce good quality coins, Ehrenkreutz suggest that it might very well have been a form of economic warfare.¹⁴⁵ The dinars and dirham struck by the Abasids had been increasingly debased during the 10th century, no longer representing 4.25 grams of pure gold.¹⁴⁶ Now the Fatimid dinar suffered the same fate, and these coins would be replaced by other coins through currency

¹⁴² Lowe. "Monetary Development." 94.

¹⁴³ Ehrenkreutz, "Arabic Dinars," 179.

¹⁴⁴ Ehrenkreutz, "Arabic Dinars," 168.

¹⁴⁵ Ehrenkreutz, "Arabic Dinars," 180.

¹⁴⁶ Ehrenkreutz, "Byzantine Tetartera," and Islamic Dinars," *Journal of the Economic and Social History of the Orient*, Vol. 7, No. 2.1964: 186.

reform.¹⁴⁷ This resulted in the fact that the dirham and dinar would eventually solely live on as ‘ghost money’, so as a weight measure.¹⁴⁸

2.2.2 Monetary reform

The emphasis laid on the stability of the currency and the prestige derived from a well maintained coin stock shows the importance of monetary stability was well known to Muslim rulers. There are many examples that when minting standards had slipped and certain coin issues had deteriorated, the first action of a new king would be to try to restore the currency to its old level. An example of this is the Fatamid ruler al-‘Aziz (975–996) who restored the dinar’s gold content to 4.25 grams of gold, or one *mithqal*, after it had slipped to an average of 4.14 grams.¹⁴⁹ Though al-‘Aziz would stamp his name on this restored coin issue to make them easily recognizable and improve his reputation, sometimes the coins in circulation had deteriorated to such an extent that it became impossible to salvage the coin issue and an overhaul of the currency became necessary. New coins were introduced and this process is called Monetary reform. But there could be more reasons for monetary reform as shown by the legendary monetary reform of ‘Abd al-Malik which took place in 695.

Until the reign of ‘Abd al-Malik the Arabs had let most of the institutional structures they encountered in the former Byzantine and Sassanian lands operate as they did previously. The fifth Umayyad caliph would be the first to introduce far reaching reforms that would lead to a the centralization of the empire. One of the actions undertaken to reach this goal was the introduction of a new monetary standard. The reforms were based on the examples of the second and fourth caliphs Umar and Ali, who had also attempted monetary reform, but with limited success.¹⁵⁰ With this reform though, the weight and purity of the dinar and dirham were set, and for approximately 150 years this standard was maintained.¹⁵¹ In effect ‘Abd al-Malik combined the silver monometallism of the Sassanians and the copper/gold minting of the Byzantines.¹⁵² Another interesting aspect of the reform of Abd al-Malik is that it helped to distribute the wealth more equally. As the whole range of metals became available, providing coins from very low to high value, it would have become easier for especially less wealthy individuals to make purchases and do trade.¹⁵³

¹⁴⁷ Lowe. “Monetary Development.” 22.

¹⁴⁸ Andrew S. Ehrenkreutz . “Studies in the Monetary History of the Near East in the Middle Ages,” *Journal of the Economic and Social History of the Orient*, Vol 2. 1959: 132.

¹⁴⁹ Ehrenkreutz, “Byzantine Tetartera,” 189.

¹⁵⁰ Lowe. “Monetary Development.” 22.

¹⁵¹ Ehrenkreutz, “Byzantine Tetartera,” 186.

¹⁵² Grierson, “The Monetary Reforms,” 242.

¹⁵³ Redish and Weber, “Coin Sizes,” 63.

Many times currency reform was demanded by the populace as it increased economic activity and overall welfare. In the early 14th century the Mongol rulers in Persia had converted to Islam and started to see this country as their home country. When Ghāzān Khān asked his chief minister what action would best serve the economic well being of the country, Rashīduddīn replied: 'The currency should be made uniform in style, purity and weight so as to hamper counterfeiters and clippers, and to reduce the profit in, and the disruption of commerce by speculation in coins of differing assay and weight; and that the volume of currency in circulation should be increased, so as to simplify, expedite and encourage orderly economic activity.'(Smith, 1969)¹⁵⁴ So if the general population clamored for currency stability and the government saw it as one of its primary objectives, who would profit from speculation and were most likely to counterfeit and clip coins? Next the role of moneychangers and the origin of banking will be discussed.



Fig. 8. ‘Abd al-Malik would replace the Byzantine with the Arabic Dinar. These would only have letters. The political and religious significance should not be underestimated. The right one is inscribed with a verse from *surah* 112 in the Quran saying: He Neither begets (a son) nor is born.

2.3 Moneychangers and the emergence of banking

2.3.1 Moneychangers

The government and mint were mainly responsible for the quality of the coin stock and the amount of coins available. As shown earlier, because of debasement and currency reform the official dinar and dirham had become units of account, which meant they had become weight measures and many

¹⁵⁴ John M. Smith, "The Silver Currency of Mongol Iran," *Journal of the Economic and Social History of the Orient*, Vol. 12, No. 1. 1969: 17.

other coins had come to replace the original dirham and dinar.¹⁵⁵ The need for market participants to assay the different coins in order to determine their intrinsic value gave rise to the profession of moneychanger. In its official capacity a moneychanger would provide this service for a fixed price.¹⁵⁶ The equipment to perform this task is expensive and it takes a long time to acquire these skills, which justifies these costs. In effect many times the moneychanger would form the link between the public and the mint.¹⁵⁷ Asatryan(Asatryan 2014) observes that 8th century Kufa housed a relatively large amount of moneychangers, which he attributes to the fact that Kufa was a major minting centre.¹⁵⁸ While describing the role of moneychangers in financing the ‘rightly guided imams’ like Ja’far al-Sādeq, he also notices that one of the most successful moneychangers of that time, Mo’men al-Tāq, is nicknamed as-shaitan, or the devil.¹⁵⁹ This is due to another important source of income that accrued to the moneychangers and was mainly based on information asymmetry. Their knowledge of different coins gave them the possibility to compare the intrinsic value of two apparently identical coins, keeping the more valuable ones and returning the lighter coins. This is called *billionage*, clearly *riba al-fadl*, as are many other practices moneychangers engaged in, namely sweating or clipping coins.¹⁶⁰ This was done despite the threat of severe punishment.¹⁶¹ Another way to increase their income would be through *arbitrage*. The best coins would be kept and melted down or transported to another region where they would fetch a higher price.¹⁶²

It isn’t hard to imagine why the money changing profession was viewed as highly suspect by both the government and the people. From it would also arise the profession of banker as excess capital was used to lend to for example government officials, which in effect shielded the successful moneychangers from prosecution and provided them with leverage over their debtors. We’ve discussed Mo’men al-Tāq, but in Abbasid times the most famous government financiers were the bankers Joseph Phineas and Aaron Amram. These men were partners and held the honored title of ‘*jahabidhat al-hadra*’, or Court Bankers under Caliph Al-Muqtadir(895-932). The bankers made a lot of money when the Abassid empire changed from a silver to a gold standard. If not properly handled, these kind of transitions were especially profitable for moneychangers who had no qualms with exploiting the information asymmetry and who were apparently not worried about the implications of *riba nasi’ah* or *riba al-fadl* on the day of judgment.¹⁶³ This money was then borrowed to high officials and the government itself. When Ray relates this story he quotes the bible, Proverbs 22:7,

¹⁵⁵ Louise Buenger Robbert, “Money and prices in thirteenth-century Venice,” *Journal of Medieval History*, Vol. 20. 1994: 376

¹⁵⁶ Abraham L. Udovitch. “Reflections on the Institutions of Credits and Banking in the Medieval Islamic Near East,” *Studia Islamica*, Vol 41. 1975: 14.

¹⁵⁷ Dutu, “Moneychangers,” 559.

¹⁵⁸ Mushegh Asatryan, “Bankers and Politics: The Network of Shi’i Moneychangers in Eighth-Ninth Century Kufa and their Role in the Shi’i Community,” *Journal of Persianate Studies*, Vol. 7. 2014: 17.

¹⁵⁹ Asatryan, “Bankers and Politics,” 10.

¹⁶⁰ Dutu, “Moneychangers,” 561.

¹⁶¹ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

¹⁶² Dutu, “Moneychangers,” 557.

¹⁶³ *Ibid.*, 567.

saying: "*The borrower is a slave to the lender*". The first chapter shows Islam contains similar quotes.^{164 165} The interest required by these two bankers is estimated to be about twenty percent and the power they wielded was enormous.¹⁶⁶ It likely superseded religious influence and interestingly it is around this time the first mention of the *suftāja* or letter of credit is found.¹⁶⁷

2.3.2 Letter of credit

Groitein, one of the premier researchers of the Geniza papers, defined a *suftāja* as a "loan of money in order to avoid the risk of transport" (Goitein 1967).¹⁶⁸ By many modern scholars the letter of credit or *suftāja* is seen as the precursor of paper money.¹⁶⁹ The bill of exchange would be copied in Europe and become very popular, laying the foundation for a sophisticated financial industry.¹⁷⁰ Udovitch (Udovitch, 1975) is surprised that, despite the fact the Muslim world had been far ahead of Europe spurring innovations like this, this didn't happen in the Muslim world.¹⁷¹ Though apparently unaware of the concept of *Riba nasi'ah* and *riba al-fadl*, Ray (Ray 1997) states all schools (hanafi, shafi, Maliki and hanbali) see it as an abomination and most forbade its use outright.¹⁷² To him the main reason *suftāja* was banned was the prohibition to transfer debt without the knowledge of the debtor.^{173 174} Apart from religious reasons, the *suftāja* was also reluctantly issued as it required the parties involved to keep a large amount of specie on hand that would be unavailable for investment, as well as tight connections between the different bankers. In Europe it became profitable because bankers realized they could issue more letters of credit than there was gold in the vault as people started to pay each other with the letters and left the precious metals with the banker.¹⁷⁵ Though initially this was done surreptitiously, fractional reserve banking would become the hallmark of the financial industry.¹⁷⁶ It would provide liquidity and flexibility, but also led to economic instability and power concentration with the creators of 'money'.¹⁷⁷ The letter of credit was an important stepping stone toward the fiat money and the appearance of this 'bank money' is seen by Ernst and Fox as the third stage in the evolution toward fiat currency.¹⁷⁸

¹⁶⁴ Ray, "The Medieval," 76.

¹⁶⁵ Appendix 2: 112-125.

¹⁶⁶ Ray, "The Medieval," 69.

¹⁶⁷ Ibid., 72.

¹⁶⁸ Shelomo D. Goitein. *A Mediterranean Society*. (Berkeley/Los Angeles: University of California Press, 1967), 242.

¹⁶⁹ Siegfried, "Concepts of," 322.

¹⁷⁰ Lowe. "Monetary Development." 70.

¹⁷¹ Udovitch, "*Reflections*," 16.

¹⁷² Ray, "The Medieval," 65.

¹⁷³ Ibid., 62.

¹⁷⁴ Appendix 2: 116.

¹⁷⁵ Abbott P. Usher. "The Origin of the Bill of Exchange," *Journal of Political Economy*, Vol. 22, No. 6. 1914: 574.

¹⁷⁶ Ann M. Carlos and Larry Neal. "Amsterdam and London as financial centers in the eighteenth century," *Financial History Review*, Vol. 18, No 1. 2011: 32.

¹⁷⁷ De Cecco, *Money and Empire*, 101.

¹⁷⁸ Fox and Ernst, *Money*, 410.

The rise of a sophisticated banking system went hand in hand with the charging of interest, and though all three monotheistic religions forbid this, from the 12th century we see this prohibition being softened in Europe and to a lesser extent in the Middle East.¹⁷⁹ The court bankers under al Muqtadir are a very early example, and in the Geniza papers the first documents describing loans with interest appear in the 13th century.¹⁸⁰ In the following two centuries the moneylender families from Italy spread out over the rest of Europe and laid the foundation of an international banking sector.¹⁸¹ Scholars like Ray, Kuran and Udovitch wonder why this financial innovation didn't take place in the Middle East considering the head start.¹⁸² Kuran(Kuran 2005) blames religious rigidity and this chapter shows he is probably right.¹⁸³ He also seems unaware of the concept of *riba al-fadl* and *riba nasi'ah*, but if one looks at these developments, it is obvious why religious scholars might have been hard pressed to view this financial and institutional innovation in line with the religious commandments. It's obvious Muslims were far from backward. They were conscious of the 'innovations' that constitute the second and third stage in 'the evolution of money', but a combination of public, religious and intellectual pressure preserved the natural situation.

¹⁷⁹ Rowan W. Dorin. "'Once the Jews have been Expelled': Intent and Interpretation in Late Medieval Canon Law," *Law and History Review*, Vol. 34, No. 2. 2016: 340.

¹⁸⁰ Lowe, "Monetary Development." 72.

¹⁸¹ Fox and Ernst, *Money*, 415.

¹⁸² Ray, "The Medieval," 80.

¹⁸³ Timur Kuran. "The logic of financial westernization in the Middle East," *Journal of Economic Behavior & Organization*, Vol. 56. 2005: 594.

Chapter 3: The Rise of Banking and the Demonetization of Silver and Gold

From about the 13th century onward financial innovation would come from Europe, though it might be interesting to note that these banking practices were already known in Babylonian and Roman times and curtailed by monotheistic religious influence.¹⁸⁴ Half way the 13th century the letter of credit became common in Europe.¹⁸⁵ This would go hand in hand with the proliferation of moneychangers and merchant bankers initially originating from Italy.¹⁸⁶ By no means these gold and silver backed letters quickly substituted physical transactions. Coinage made gold and silver very convenient to use, and the letter of credit required trust and coordination on the part of the banks. These banks were usually run by families who were personally liable for the return of the specie once the letter was turned in. Also fractional reserve banking was risky as banking runs meant the end of the bank as the gold and silver was simply not there.¹⁸⁷ Despite the profit and power banking provided, its long term success depended on close cooperation among and between the different banking families.¹⁸⁸ These banking houses slowly gained power and perfected their services, but it wasn't until after the reformation the real transition took place in Great Britain and the Netherlands that would lay the foundation for the current financial system.¹⁸⁹ This system gave birth to the fourth stage in the evolution of money identified by Ernst and Fox, paper money.¹⁹⁰

This chapter focuses on London as this city maintained its position as the undisputed global financial center until today.¹⁹¹ It sheds light on how debt issued by the banking system would slowly replace gold and silver as money.¹⁹² The introduction of 'gold backed' paper money resulted in the demonetization of silver and the introduction of fiat currency would demonetize gold.¹⁹³ The question is if these final two stages violate the religious commandments concerning *riba*.

3.1 Goldsmith bankers and central banking

The real rise of banking started in the early 17th century. As England witnessed substandard minting and the coin stock had deteriorated, the money supply was insufficient to facilitate economic activity. This gave rise to a system of goldsmith-banking, where interbank clearing started to

¹⁸⁴ Percy H. Johnston. "Origin and Development of Banking," *The Spur*, Vol. 40, No 2. 1927: 72.

¹⁸⁵ Usher, "The Origin," 569.

¹⁸⁶ Dorin, "Once the Jews," 340.

¹⁸⁷ Stephen F. Quinn. "Banking before the Bank: London's Unregulated Goldsmith-Bankers (1660-1694)," (PhD diss. University of Illinois, 1994): 15.

¹⁸⁸ Usher, "The Origin," 575.

¹⁸⁹ Carlos and Neal, "Amsterdam and," 21.

¹⁹⁰ Fox and Ernst, *Money*, 465.

¹⁹¹ H.V. Bowen. *The Business of Empire: The East India Company and Imperial Britain, 1756-1833*. Cambridge: Cambridge University Press, 2006: 37.

¹⁹² John M. Keynes. *Indian Currency and Finance*. New York: Lenox Hill Pub. & Distr. Co., 1913: 44.

¹⁹³ De Cecco, *Money and Empire*, 149.

supersede cash transactions.¹⁹⁴ Interbank cooperation and economies of scale were essential to the success of the sector and by the end of the 17th century: 'The positive returns generated by fractional reserve banking, private bank notes and checkable deposits (often called inside money) would displace commodity money (outside money) in nearly all local circulation. Much of London's specie did fall into the hands of the goldsmith-bankers.'(Kim 2011)¹⁹⁵ The glorious revolution of 1688 brought William of Orange to the throne and the bill of rights he was required to sign made it very difficult for the crown to renege on loans as earlier kings had done on several occasions.¹⁹⁶ This made government bills more secure and greatly increased the stability of the network of goldsmith-bankers. Still bank failures plagued the industry and public distrust was high considering the usurious practices and enormous power of these bankers. In 1694 the goldsmith-bankers joined forces to establish a central bank to regulate themselves and in exchange for a 1.2 million loan the government granted a banking charter. Whenever the government was strapped for cash, mainly because of war, the privately owned bank was able to gain more privileges in return for loans, and in 1709 the bank acquired the monopoly on the issuance of bank notes.¹⁹⁷ In the next two centuries the banking families that owned the Bank of England would go on to establish private central banks in many other countries, including the Ottoman empire.¹⁹⁸

Despite the fact that the central bank holds the monopoly over the creation of notes, most of the money was created by book entries of the commercial banks that lend money to the government and public. Credit expansion led to growth and speculative fever, while credit contraction could lead to a banking crisis. Over its lifetime the central bank was constantly accused by politicians and the general public of working for the banks instead of the general interest. This was of course true as the shares of the central bank were owned by these banks, but the central bank would make the legitimate reply an implosion of the banking sector would be most detrimental for the government and public as the banks dominated the economy. These crisis led to consolidation as the big players, the joint stock banks, were saved and acquired the smaller banks.¹⁹⁹ The 18th and 19th century could be deemed the era of the Bank of England, the joint stock banks and the East India Company, as these gigantic international entities reigned supreme in the city of London and were the driving force behind the imperial endeavors of Great-Britain.²⁰⁰ Gold and silver played a central role as measure of value, but for the banking sector these metals could be seen as a burden and competitor to the

¹⁹⁴ Jongchul Kim. "Identity, Money, and Trust: The Origin, Politics, and Ontology of Early-Modern Paper Money in England, The 17th –Early 19th Century," (PhD diss. York University, 2011): 23.

¹⁹⁵ Quinn. "Banking before," 16.

¹⁹⁶ *Ibid.*, 62.

¹⁹⁷ Fox and Ernst, *Money*, 469.

¹⁹⁸ Christopher Clay. *Gold for the Sultan: Western Bankers and Ottoman Finance 1856-1881, A contribution to Ottoman and to International Financial History*. London: I.B. Tauris, 2000: 27.

¹⁹⁹ De Cecco, *Money and Empire*, 132.

²⁰⁰ Bowen, *The Business*, 305.

paper money created by the sector. Subsequently, the financial industry played a crucial role in the demonetization of gold and silver.

3.2 The Gold Standard and the Demonetization of Silver

The most important stage in driving gold and especially silver out of circulation has been the introduction of 'the gold standard' or paper money, classified by Ernst and Fox as the fourth stage of the evolution of money.²⁰¹ In a gold standard the central bank issues notes that are convertible into gold.²⁰² By setting the interest rate the central bank enticed the public to turn in their gold, as interest was only given by the joint stock banks on notes, and not on gold. This should be considered *riba nasi'ah*, as the note represents a deferred exchange of gold.²⁰³ The clerk one deposits the gold with is lost out of sight while the person bringing the gold gets a note stating he will get his gold later. This appears like a clear violation of the traditions. Secondly, the only reason people turned in their gold was to gain interest, which is also forbidden in Islam. By raising the interest rate the central bank would make sure more gold would be deposited.²⁰⁴ The interest rate was also used to prevent people from taking back their gold. This was important because 'the gold standard' was also done on a fractional reserve basis, meaning there were much more notes in circulation than actual gold in the vault.²⁰⁵ In effect a note would actually represent less gold(weight), so it also involves *riba al-fadl*²⁰⁶ Another consequence of the adoption of the gold standard was the demonetization of silver. Silver had always been the preferred metal for small transaction, but to the less wealthy it was also a store of value, hence the term 'poor man's gold'. As more and more countries switched to paper money partly backed by gold, the price of silver became volatile and dropped precipitously.²⁰⁷ This not only wiped out the life savings of many people, especially in the peripheral countries like India, it also reduced the stability of silver currency, one of the most important aspects why it is so suitable as currency. Many economists like Milton Friedman view it as a robbery that transferred a huge amount of wealth from the peripheral countries to the core countries, but also from the poor to the rich. Especially after 1873, when Germany, the United states and many other European countries changed to the gold standard, silver prices dropped fast sealing the faith of silver currency.²⁰⁸

²⁰¹ Fox and Ernst, *Money*, 469.

²⁰² T.E. Gregory. *The First Year of the Gold Standard*. London: Ernest Benn Limited, 1926: 10.

²⁰³ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

²⁰⁴ De Cecco, *Money and Empire*, 76.

²⁰⁵ De Cecco, *Money and Empire*, 129.

²⁰⁶ Appendix 2: 1-3-5-7-8-10-11-14-16-19-20-31-32-34-37-39-63.

²⁰⁷ Milton Friedman. "The Crime of 1873," *Journal of Political Economy*, Vol. 98, No. 6 1990: 1169.

²⁰⁸ Friedman, "The Crime," 1167.

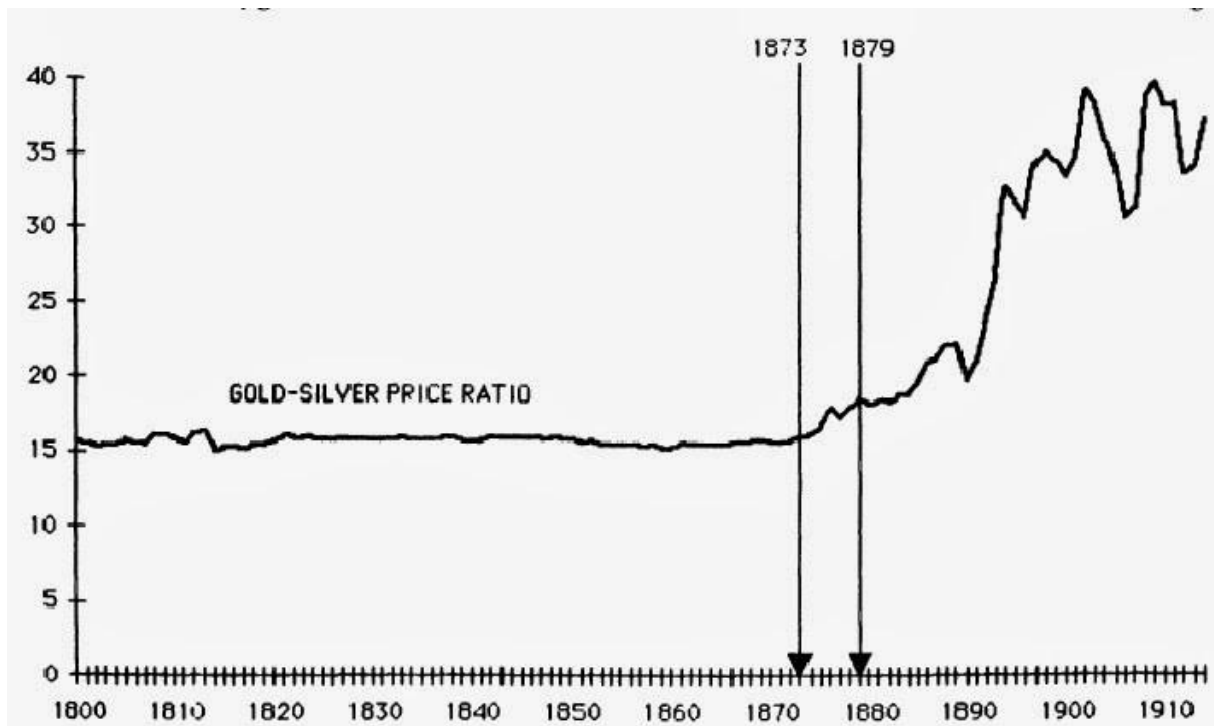


Fig. 11. The gold to silver ratio from 1800 till 1914. For every ounce of gold in the earth crust there are approximately 15 ounces of silver. The demonetization of silver upset the age old relationship.

India had always been a silver country, and while working in India Keynes witnessed the turmoil this currency devaluation caused. As discontent among the poor rose, London decided to introduce 'the gold standard'. While the paper money is distributed, Keynes notices there is no gold backing of the currency, though the masses are not informed of this fact. This leads him to the idea that an intrinsic backing of the currency is not necessary, as human intellect is better suited to decide the optimal money supply than 'the barbaric relics'.²⁰⁹ Keynes would become the most important advocate of the final stage of the evolution of money in use today, fiat money.²¹⁰

²⁰⁹ John M. Keynes. *Indian Currency and Finance*. New York: Lenox Hill Pub. & Distr. Co., 1913: 53.

²¹⁰ Fox and Ernst, *Money*, 595.

3.3 Fiat Currency and Islamic Finance

Paper money during the gold standard had already only been partly backed by precious metal and Keynesianism further eroded the perceived need for backing of a currency by gold. The central banking system would now be the creator of money(debt). Roberds and Velde explain the workings of the central banking system as follows: 'The structure of modern central banks follows a well-established model. *Central bank debt, a.k.a. 'money'*, enjoys a privileged status as a transaction medium (e.g., in terms of legal tender and payment finality), which renders it the most liquid asset in most contemporary economies.'²¹¹ The dissolution of Bretton Woods severed the final link between gold and the national currencies as the US dollar, to whom the rest of the national currencies were pegged, would no longer be convertible to gold.²¹² It was clear this convertibility was already tenuous from an Islamic perspective and fiat currency just goes a step further, totally removing gold and silver, or intrinsic value, from the currency equation. As gold and silver were understood to be natural money in the primary sources, and the different stages that signified the evolution of money saw an increased infringement of the commandments, it might be expected Islamic finance would might regard a return to *sunnah* money important.

If we look at the experts on Islamic Finance we see that most of the prestigious adherents of Islamic finance have taken well paid positions in Sharia counsels of the major (Western) banking institutions or the influential, Qatar based, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). They have made tremendous efforts to make Islamic finance compatible with the current financial system. This is logical as these scholars combine their knowledge of the *sharia* with Western financial education. This proved virtually impossible though, and in countries like Turkey, Malaysia and Indonesia a dual banking system emerged. Still the operations of the 'Islamic banks' remain almost in indistinguishable from conventional banks.²¹³ This results in apprehension among Muslims as to the products and services that are most prevalent in Islamic finance.²¹⁴ Most of these innovations are 'reversed engineered' conventional banking products. Because most Muslims expect that Islamic finance actually serves a higher cause such as relieving poverty and lessening inequality, there is displeasure among some Islamic scholars and ordinary Muslims as to the inability of current 'Islamic finance' to actually make a difference.²¹⁵ They would like to see a more fundamental departure from the current financial consensus that is debt based whereas Islamic economics should

²¹¹ Ibid., 321.

²¹² Ibid., 606.

²¹³ Mansor H. Ibrahim. "Business cycle and bank lending procyclicality in a dual banking system," *Economic Modelling*, Vol. 55. 2016: 128.

²¹⁴ Knowledge, Economy and Islamic Finance: A New Institutional Economics Perspective, youtube 30:05

²¹⁵ Khan. "How 'Islamic'," 814.

be equity based.²¹⁶ In Islamic finance focus lies on avoiding interest, but the term *riba* incorporates more than just interest. The idea that the use of fiat currency might not be in line with the *sharia* is hardly discussed among professionals, even despite its obvious relationship with interest.²¹⁷

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an Islamic, international and autonomous non-profit corporate body, regarded within the Islamic finance industry as one of the premier authorities on accounting, auditing, governance, ethics and *sharia* standards.²¹⁸ To many their stamp of approval means a financial product or service is *sharia* compliant, though critics question its autonomy and impartiality as many of its members have well paid positions with the financial institutions they write the standards for.²¹⁹ They want to put the precious metals into the category of ordinary commodities, while at the same time supplanting the words gold and silver in the primary sources with the paper money used today. On the 1st of December 2016 the AAOIFI announced it had come up with new standards concerning gold and silver. Mohd Daud Bakar, founder and executive chairman of Amanie, a firm that offers *Sharia* advisory services to the financial industry, helped to draw up the new standards and states: 'The *sharia* standard on gold and silver from my perspective is a game changer given the market conditions, given the preconceived idea that we have - even among the scholars themselves - that gold and silver are very restricted.' He continues: 'Until now there has been little guidance for products which classify gold and silver as a commodities, rather than a currency.'²²⁰

This push might be understandable from a practical point of view, as there is concern among Islamic economists about the economic underperformance of the Islamic world. Many feel this underperformance can be contributed to religious rigidity.²²¹ Still, however genuine these reformative efforts are, a look at the primary sources revealed why these efforts might be considered tenuous in the eyes of the 'rigid Islamists' or 'purist traditionalists' they are trying to engage.²²² However these 'traditionalists' enjoy a great deal of popular support as the primary sources are widely available and their content undisputed. In these primary sources anyone can find the specific rules for gold and silver. These rules clearly set the precious metals apart from other commodities and when applied to the different stages in the evolution toward fiat money, this evolution could not have taken place.

²¹⁶ Atiqul M. Haque. "An Outline of Islamic Banking: Its History and its Contrasts with Western Banking," *Islamic Quarterly*, Vol 30. No. 1. 1986: 64.

²¹⁷ Meera, *The Islamic*, 12.

²¹⁸ "AAOIFI Shari'ah Board Adopts New Shari'ah Standards on (Gold) and (Liability of Investment Manager)," Accounting and Auditing Organization for Islamic Financial Institutions, accessed November 20, 2016, <http://aaoifi.com/announcement/aaoifi-shariah-board-adopts-new-shariah-standards-on-gold-and-liability-of-investment-manager/?lang=en>

²¹⁹ Dina Elshurafa. Islamic Capitalism: An Imminent Reality or a Hopeful Possibility for Islamic Finance? *Arab Law Quarterly* Vol. 26. 2012: 349.

²²⁰ Bernardo Vizcaino, "Islamic finance nears final standard for gold-based products," Reuters, November 7, 2016, accessed 10 November 2016, <http://www.reuters.com/article/islamic-finance-gold-idUSL8N1D900W>

²²¹ Timur Kuran. *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton: Princeton University Press, 2011: 280.

²²² Jan Skoyles. "Islamic Finance set to Change Gold Market," *Khaleej Times*, December 4, 2016, accessed December 4, 2016, <http://www.khaleejtimes.com/islamic-finance-set-to-change-gold-market>

Stage:	Time period:	Characteristics:	Sharia compliant?
Natural situation	Unknown-1973	Coinage with intrinsic value	Yes
Nominalism	15 th century-now	Coinage with face value, debt determined by nominal value of current coinage, even if debased. Not gold/silver weight.	Violation <u>riba al-fadl</u> (weight for weight)
Bank money	14 th century-now	Letter of credit: Gold/silver with bank. Debt transfer: Bank used as clearing house.	Violate <u>riba al-fadl</u> (more paper than metal circulated), <u>riba al nasi'ah</u> (deferred exchange of gold/silver, not on the spot)
Paper money/ gold standard	17 th century-1973	One private bank got government monopoly on bank note creation. People turn in gold/silver for notes/currency. Notes could be refunded with central bank to get metal back. Currency deposited with other banks to obtain interest.	Violate <u>riba al-fadl</u> (more paper than metal in vault), <u>Riba al-nasi'ah</u> (deferred transfer of gold/silver, notes signify temporary storage with central bank), interest (most important reason people turned in metal was that they only got interest on <i>paper</i> money.)
Fiat money	End of 19 th , beginning 20 th century-now	Money no longer backed by gold/silver	No intrinsic backing. Money created by (central) banks always loan with interest.

Fig. 12. Five stages in the evolution of Money in the Western Legal tradition.

Chapter 4: Interviews

Evidently professionals in the field of Islamic finance don't feel like challenging the concept of fiduciary money, but how do Muslim (scholars) without a financial background react when confronted with the concepts of *riba al-fadl*, *riba nasi'ah* and 'the evolution of money'. Two Imams, two teachers active in the Dutch academic world and two Middle Easterners with a traditional religious education were interviewed and in this chapter their responses are discussed. During the interview a set of questions was asked that can be found in appendix 3. When asked whether they believed Muslims were allowed to use fiat currency they initially affirmed this. They all knew the concepts of *riba al-fadl* and *riba nasi'ah* and knew the traditions that obliged Muslims to exchange gold and silver on the spot, equal weight for equal weight. When asked about their knowledge concerning the nature of money in use today they were less certain. The Saudi was taught in school paper money was backed by gold and silver, though he had later learned this was not the case. The others admitted in varying degrees they were no economic specialists and were unaware of the intricacies of money creation. The Syrian imam stressed that even though gold and silver were referred to in the primary sources as being money, this doesn't mean they could not be substituted by something else. After all, the interpretation of the primary sources require vast knowledge and expertise. Being too rigid and literal could hurt the Muslim community.

When the different stages toward fiat currency were explained, all respondents agreed this had been in clear violation of the traditions they all knew by heart. The highly educated Moroccan Imam agreed the money used might not have come about in the right way, but he was certain Islamic Finance would eventually deal with this problem. Islamic finance was still in its infancy, and once it matured a real Islamic economic system would emerge. He said that he heard about others advocating the return to gold and silver as money, but he warned these people are considered 'extremists' in religious academic circles. He advised to focus on other issues, as there were many other things in Islam that would ensure a more fair economic system. He cautioned that obliging Muslims to return to gold and silver as money would be impractical and probably impossible.

The Turkish teacher active in the Dutch academic world agreed with this. He was unable to imagine a return to gold and silver as medium of exchange. He exclaimed there was probably too little gold and silver and that digitalization had definitely made gold and silver obsolete. Toward the end of the conversation as familiarity grew he confided that Erbakan, a famous Islamist politician in Turkey, had also spearheaded a return toward gold and silver. He also said that he had been Erdogan's mentor, and that Erdogan was also a proponent of gold and silver money. According to him these politicians

see paper currency and the banking system that brings it into circulation as a big threat. He agrees these views might be considered 'extreme', but he says that Erdogan believes the recent economic and currency woes of Turkey are an attack by foreign banks and that he urges Turks to buy gold and silver to protect themselves and their nation.

His Moroccan colleague explains the discrepancies between the sources and the current monetary system became apparent to him and many other immigrants during the eighties. He admits there was a lot of soul searching, but the sheer vastness and inescapability of the issue prompted him and most of his contemporaries to bury that knowledge and hope for Allah his forgiveness. He would avoid interest, but were it not for this interview, he would not start a discussion about the issue of banking and paper/debt money. When asked when was the last time he talked about these economic matters he replied that he couldn't remember any discussion after the eighties. He worked hard and considered himself quite successful financially. When the researcher asked whether he would rather not have had this conversation he answered: 'Maybe, but there must be a reason for this. *Riba* is not an issue we as Muslims should take lightly, you know. But I think the situation actually got even more difficult in comparison to the 80s, so it's not that I have an answer now.'



Fig. 13. To many Muslims the current financial system is obviously *haram*.

The two Middle Easterners were younger of age, both in their early thirties, and their reaction differed. The Syrian refugee responded that everybody knows the international financial system was corrupt and the primary driver behind inequality and war. 'The most important reason Syria was attacked is because it has an independent (from foreign influences) central bank and no foreign debt.' he said. He still felt he had more important things to worry about, since he would not be able to do anything against the powerful institutions that made up this system. He casually claimed it is

well known in the Middle East that the reason Gadaffi was ousted and the country laid to waste was exactly the same as with Syria. He posed an even bigger threat than Assad because he wanted to introduce a gold dinar together with a group of African countries and form the African Union.

The Saudi national, a former employee of Shell who was in the process of returning to Saudi Arabia to start teaching at a university, said he had been unaware of the obviousness of the discrepancies. He used to believe Islamic Finance had dealt with all the problems in the current financial system. The scholars that were at the boards of these financial institutions were quite famous in his country, and he had never doubted their integrity. They might make a lot of money, but that is not forbidden in Islam, and in Saudi Arabia there are many people that make a lot of money. Regardless, he was determined to look into the subject further and try within his network to raise awareness. Maybe he could even reach out to these scholars and confront them with these insights.

Conclusion

This research deals with the question what the economic system based on precious metals (the natural situation) looked like in the Muslim world and if the evolution toward fiat money violates the commandments of the *sharia* concerning *riba*, particularly *riba al-fadl* and *riba nasi'ah*? These two forms of *riba* apply specifically to gold and silver, designated in the Quran and *Sunnah* as natural money. The first stage in 'the evolution of money' described by Fox and Ernst is the natural situation where gold and silver are valued by their intrinsic value. This is the only stage that is *sharia* compliant. This and the logic and fairness of the first stage spawned a combination of public, religious and intellectual pressure to preserve the natural situation. Rulers would comply by keeping the existing coins in circulation in good condition, allowing the right to melt or export, Permitting unlimited mintage free of charge, refraining from debasement and instigating currency reform if the coin stock had deteriorated too much. Though moneychangers could make a valuable contribution to the economy, if the government neglected its responsibilities it could create opportunities to reap huge profits by these precursors of modern banks at the expense of the public welfare.

Fox and Ernst identify a second stage where coins were valued at face or nominal value. Examples of this are scarce and mainly temporary in the Muslim world. Reason for this is the instability this created, but the violation of *riba al-fadl* which prescribes the exchange of weight for weight, might also have prevented transition to this second phase. Bank money is identified as the third stage, and this is problematic regarding *riba nasi'ah* as the exchange of gold and silver is deferred whereas the sources prescribe exchange should be done on the spot. The *suftāja* or letter of credit was actually invented in the Middle East, but was contested heavily, especially by religious forces (forbidden in all juristic schools, except *Hanafi* where it was frowned upon). Paper money convertible to gold is the fourth stage. This again constitutes deferred exchange of metals, but also *riba al-fadl* as there is no 100% backing of the notes brought in circulation. It could be seen as an extension of the *suftāja*, but the banks that issue the paper are now granted monopoly and backing (through legal tender laws) by the government. It would have likely drawn the same religious critique as the letter of credit did. The support of the strengthened nation state for paper currency has probably been instrumental in drowning out critique of the religious establishment, though to establish this more research would be needed.

Fiat money is totally divorced from gold and silver and is always brought into existence as a loan with interest. Islamic finance hasn't really engaged with the topic of the permissibility of fiat money, but it appears interest in the subject is gaining traction as most Muslims feel that from an Islamic perspective there is something fundamentally wrong with the current financial system. As main stream Islamic Finance is very much an effort to interpret the Islamic precepts so Muslims can take

part in the current financial system, this discontent is not readily addressed. A lack of understanding, but also the sheer magnitude and pervasiveness of the current global consensus concerning fiat money discourages many Muslims from engaging with the topic.

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Appendix 1 Quran database

Translators: Shakir, Yusuf Ali, Sahih International, Muhsin Khan, Dr. Ghali, Pickthall

Search terms: Gold(15), Silver(12), Dinar(1), Dirham(0), Riba(7), Sell(7), Debt (7)

Gold (15)

Verses: 3:14, 3:75, 3:91, 4:20, 9:34, 9:35, 17:93, 18:31, 22:23, 35:33, 43:35, 43:53, 43:71, 56:15, 76:21

[3:14](#)

Sahih International

Beautified for people is the love of that which they desire - of women and sons, heaped-up sums of *gold* and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return.

[3:75](#)

Yusuf Ali

Among the People of the Book are some who, if entrusted with a hoard of *gold*, will (readily) pay it back; others, who, if entrusted with a single silver coin, will not repay it unless thou constantly stooped demanding, because, they say, "there is no call on us (to keep faith) with these ignorant (Pagans)." but they tell a lie against Allah, and (well) they know it.

[3:91](#)

Sahih International

Indeed, those who disbelieve and die while they are disbelievers - never would the [whole] capacity of the earth in *gold* be accepted from one of them if he would [seek to] ransom himself with it. For those there will be a painful punishment, and they will have no helpers.

[4:20](#)

Shakir

And if you wish to have (one) wife in place of another and you have given one of them a heap of *gold*, then take not from it anything; would you take it by slandering (her) and (doing her) manifest wrong?

[9:34](#)

Sahih International

O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah . And those who hoard *gold* and silver and spend it not in the way of Allah - give them tidings of a painful punishment.

[9:35](#)

Muhsin Khan

On the Day when that (Al-Kanz: money, *gold* and silver, etc., the Zakat of which has not been paid) will be heated in the Fire of Hell and with it will be branded their foreheads, their flanks, and their backs, (and it will be said unto them):-"This is the treasure which you hoarded for yourselves. Now taste of what you used to hoard."

[17:93](#)

Sahih International

Or you have a house of *gold* or you ascend into the sky. And [even then], we will not believe in your ascension until you bring down to us a book we may read." Say, "Exalted is my Lord! Was I ever but a human messenger?"

[18:31](#)

Sahih International

Those will have gardens of perpetual residence; beneath them rivers will flow. They will be adorned therein with bracelets of *gold* and will wear green garments of fine silk and brocade, reclining therein on adorned couches. Excellent is the reward, and *good* is the resting place.

[22:23](#)

Shakir

Surely Allah will make those who believe and do *good* deeds enter gardens beneath which rivers flow; they shall be adorned therein with bracelets of *gold* and (with) pearls, and their garments therein shall be of silk.

[35:33](#)

Shakir

Gardens of perpetuity, they shall enter therein; they shall be made to wear therein bracelets of *gold* and pearls, and their dress therein shall be silk.

[43:35](#)

Sahih International

And *gold* ornament. But all that is not but the enjoyment of worldly life. And the Hereafter with your Lord is for the righteous.

[43:53](#)

Yusuf Ali

"Then why are not *gold* bracelets bestowed on him, or (why) come (not) with him angels accompanying him in procession?"

[43:71](#)

Sahih International

Circulated among them will be plates and vessels of *gold*. And therein is whatever the souls desire and [what] delights the eyes, and you will abide therein eternally.

[56:15](#)

Muhsin Khan

(They will be) on thrones woven with *gold* and precious stones,

[76:21](#)

Shakir

Upon them shall be garments of fine green silk and thick silk interwoven with *gold*, and they shall be adorned with bracelets of silver, and their Lord shall make them drink a pure drink.

Silver(12)

Verses: 3:14, 3:75, 9:34, 9:35, 12:20, 17:93, 18:19, 43:33, 43:34, 76:15, 76:16, 76:21.

[3:14](#)

Sahih International

Beautified for people is the love of that which they desire - of women and sons, heaped-up sums of gold and *silver*, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return.

[3:75](#)

Sahih International

And among the People of the Scripture is he who, if you entrust him with a great amount [of wealth], he will return it to you. And among them is he who, if you entrust him with a [single] *silver* coin, he will not return it to you unless you are constantly standing over him [demanding it]. That is because they say, "There is no blame upon us concerning the unlearned." And they speak untruth about Allah while they know [it].

[9:34](#)

Sahih International

O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah . And those who hoard gold and *silver* and spend it not in the way of Allah - give them tidings of a painful punishment.

[9:35](#)

Muhsin Khan

On the Day when that (Al-Kanz: money, gold and *silver*, etc., the Zakat of which has not been paid) will be heated in the Fire of Hell and with it will be branded their foreheads, their flanks, and their

backs, (and it will be said unto them):-"This is the treasure which you hoarded for yourselves. Now taste of what you used to hoard."

[12:20](#)

Shakir

And they sold him (Joseph) for a small price, a few pieces of *silver*, and they showed no desire for him.

[17:93](#)

Muhsin Khan

"Or you have a house of adornable materials (like *silver* and pure gold, etc.), or you ascend up into the sky, and even then we will put no faith in your ascension until you bring down for us a Book that we would read." Say (O Muhammad SAW): "Glorified (and Exalted) be my Lord (Allah) above all that evil they (polytheists) associate with Him! Am I anything but a man, sent as a Messenger?"

[18:19](#)

Sahih International

And similarly, We awakened them that they might question one another. Said a speaker from among them, "How long have you remained [here]?" They said, "We have remained a day or part of a day." They said, "Your Lord is most knowing of how long you remained. So send one of you with this *silver* coin of yours to the city and let him look to which is the best of food and bring you provision from it and let him be cautious. And let no one be aware of you.

[43:33](#)

Yusuf Ali

And were it not that (all) men might become of one (evil) way of life, We would provide, for everyone that blasphemes against (Allah) Most Gracious, *silver* roofs for their houses and (*silver*) stair-ways on which to go up,

[43:34](#)

Yusuf Ali

And (*silver*) doors to their houses, and thrones (*of silver*) on which they could recline,

[76:15](#)

Muhsin Khan

And amongst them will be passed round vessels of *silver* and cups of crystal,

[76:16](#)

Sahih International

Clear glasses [made] from *silver* of which they have determined the measure.

[76:21](#)

Muhsin Khan

Their garments will be of fine green silk, and gold embroidery. They will be adorned with bracelets of *silver*, and their Lord will give them a pure drink.

Dinar(1)

Verse: 3:75

[3:75](#)

Shakir

And among the followers of the Book there are some such that if you entrust one (of them) with a heap of wealth, he shall pay it back to you; and among them there are some such that if you entrust one (of them) with a *dinar* he shall not pay it back to you except so long as you remain firm in demanding it; this is because they say: There is not upon us in the matter of the unlearned people any way (to reproach); and they tell a lie against Allah while they know.

Dirham(0)

Riba(7)

Verses: 2:275, 2:276, 2:278, 3:130, 4:161, 5:62, 6:146, 30:39

[2:275](#)

Muhsin Khan

Those who eat *Riba* (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaitan (Satan) leading him to insanity. That is because they say: "Trading is only like *Riba* (usury)," whereas Allah has permitted trading and forbidden *Riba* (usury). So whosoever receives an admonition from his Lord and stops eating *Riba* (usury) shall not be punished for the past; his case is for Allah (to judge); but whoever returns [to *Riba* (usury)], such are the dwellers of the Fire - they will abide therein.

[2:276](#)

Muhsin Khan

Allah will destroy *Riba* (usury) and will give increase for Sadaqat (deeds of charity, alms, etc.) And Allah likes not the disbelievers, sinners.

[2:278](#)

Muhsin Khan

O you who believe! Be afraid of Allah and give up what remains (due to you) from *Riba* (usury) (from now onward), if you are (really) believers.

[3:130](#)

Muhsin Khan

O you who believe! Eat not *Riba* (usury) doubled and multiplied, but fear Allah that you may be successful.

[4:161](#)

Muhsin Khan

And their (Jews) taking of *Riba* (usury) though they were forbidden from taking it and their devouring of men's substance wrongfully (bribery, etc.). And We have prepared for the disbelievers among them a painful torment.

[5:62](#)

Muhsin Khan

And you see many of them (Jews) hurrying for sin and transgression, and eating illegal things [as bribes and *Riba* (usury), etc.]. Evil indeed is that which they have been doing.

[6:146](#)

Muhsin Khan

And unto those who are Jews, We forbade every (animal) with undivided hoof, and We forbade them the fat of the ox and the sheep except what adheres to their backs or their entrails, or is mixed up with a bone. Thus We recompensed them for their rebellion [committing crimes like murdering the Prophets, eating of *Riba* (usury), etc.]. And verily, We are Truthful.

[30:39](#)

Dr. Ghali

And whatever you bring in *riba* (Usury and other forms of unlawful gain) that it may augment upon (other) persons' (Usury and other forms of unlawful gain) wealth, then it does not augment in the Providence of Allah; and whatever you bring in Zakat, (Poor-dues) willing to seek the Face of Allah, then those are they who will get (recompense) manifold.

Sell(7)

Verses: 2:90, 2:102, 2:207, 3:199, 3:77, 4:74, 5:44, 16:95

[2:90](#)

Pickthall

Evil is that for which they *sell* their souls: that they should disbelieve in that which Allah hath revealed, grudging that Allah should reveal of His bounty unto whom He will of His slaves. They have incurred anger upon anger. For disbelievers is a shameful doom.

[2:102](#)

Yusuf Ali

They followed what the evil ones gave out (falsely) against the power of Solomon: the blasphemers were, not Solomon, but the evil ones, teaching men Magic, and such things as came down at Babylon to the angels Harut and Marut. But neither of these taught anyone (Such things) without saying: "We are only for trial; so do not blaspheme." They learned from them the means to sow discord between man and wife. But they could not thus harm anyone except by Allah's permission. And they learned what harmed them, not what profited them. And they knew that the buyers of (magic) would have no share in the happiness of the Hereafter. And vile was the price for which they did *sell* their souls, if they but knew!

[2:207](#)

Sahih International

And of the people is he who *sells* himself, seeking means to the approval of Allah . And Allah is kind to [His] servants.

[3:77](#)

Yusuf Ali

As for those who *sell* the faith they owe to Allah and their own plighted word for a small price, they shall have no portion in the Hereafter: Nor will Allah (Deign to) speak to them or look at them on the Day of Judgment, nor will He cleans them (of sin): They shall have a grievous penalty.

[3:199](#)

Muhsin Khan

And there are, certainly, among the people of the Scripture (Jews and Christians), those who believe in Allah and in that which has been revealed to you, and in that which has been revealed to them, humbling themselves before Allah. They do not *sell* the Verses of Allah for a little price, for them is a reward with their Lord. Surely, Allah is Swift in account.

[4:74](#)

Sahih International

So let those fight in the cause of Allah who *sell* the life of this world for the Hereafter. And he who fights in the cause of Allah and is killed or achieves victory - We will bestow upon him a great reward.

[5:44](#)

Muhsin Khan

Verily, We did send down the Taurat (Torah) [to Musa (Moses)], therein was guidance and light, by which the Prophets, who submitted themselves to Allah's Will, judged the Jews. And the rabbis and the priests [too judged the Jews by the Taurat (Torah) after those Prophets] for to them was entrusted the protection of Allah's Book, and they were witnesses thereto. Therefore fear not men but fear Me (O Jews) and *sell* not My Verses for a miserable price. And whosoever does not judge by what Allah has revealed, such are the Kafirun (i.e. disbelievers - of a lesser degree as they do not act on Allah's Laws).

[16:95](#)

Yusuf Ali

Nor *sell* the covenant of Allah for a miserable price: for with Allah is (a prize) far better for you, if ye only knew

Debt (7)

Verses: 2:280, 4:11, 4:12, 9:60, 52:40, 56:66, 68:46

[2:280](#)

Muhsin Khan

And if the debtor is in a hard time (has no *money*), then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know.

[4:11](#)

Sahih International

Allah instructs you concerning your children: for the male, what is equal to the share of two females. But if there are [only] daughters, two or more, for them is two thirds of one's estate. And if there is only one, for her is half. And for one's parents, to each one of them is a sixth of his estate if he left children. But if he had no children and the parents [alone] inherit from him, then for his mother is one third. And if he had brothers [or sisters], for his mother is a sixth, after any bequest he [may have] made or *debt*. Your parents or your children - you know not which of them are nearest to you

in benefit. [These shares are] an obligation [imposed] by Allah . Indeed, Allah is ever Knowing and Wise.

[4:12](#)

Sahih International

Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in *debt* and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah . And Allah is Knowing and Wise.

[9:60](#)

Shakir

O you who believe! when you deal with each other in contracting a *debt* for a fixed time, then write it down; and let a scribe write it down between you with fairness; and the scribe should not refuse to write as Allah has taught him, so he should write; and let him who owes the *debt* dictate, and he should be careful of (his duty to) Allah, his Lord, and not diminish anything from it; but if he who owes the *debt* is unsound in understanding, or weak, or (if) he is not able to dictate himself, let his guardian dictate with fairness; and call in to witness from among your men two witnesses; but if there are not two men, then one man and two women from among those whom you choose to be witnesses, so that if one of the two errs, the second of the two may remind the other; and the witnesses should not refuse when they are summoned; and be not averse to writing it (whether it is) small or large, with the time of its falling due; this is more equitable in the sight of Allah and assures greater accuracy in testimony, and the nearest (way) that you may not entertain doubts (afterwards), except when it is ready merchandise which you give and take among yourselves from hand to hand, then there is no blame on you in not writing it down; and have witnesses when you barter with one another, and let no harm be done to the scribe or to the witness; and if you do (it) then surely it will be a transgression in you, and be careful of (your duty) to Allah, Allah teaches you, and Allah knows all things.

[52:40](#)

Sahih International

Or do you [O Muhammad] ask of them a payment, so they are by *debt* burdened down?

[56:66](#)

Sahih International

Or do you, [O Muhammad], ask of them a payment, so they are by *debt* burdened down?

[68:46](#)

Sahih International

And for you is half of what your wives leave if they have no child. But if they have a child, for you is one fourth of what they leave, after any bequest they [may have] made or *debt*. And for the wives is one fourth if you leave no child. But if you leave a child, then for them is an eighth of what you leave, after any bequest you [may have] made or *debt*. And if a man or woman leaves neither ascendants nor descendants but has a brother or a sister, then for each one of them is a sixth. But if they are more than two, they share a third, after any bequest which was made or *debt*, as long as there is no detriment [caused]. [This is] an ordinance from Allah , and Allah is Knowing and Forbearing.

Appendix 2 Hadith database:

Search terms: Gold(48), Silver(96), Dinar (122), Dirham (50), Riba (14), Sale (82), Debt (88)

Gold and/or silver(48)

Books: [Sahih Bukhari](#) (13) [Imam Malik's Muwatta](#) (26) [Ibn Majah](#) (8) [Sunan an Nasai](#) (1)

1

Imam Malik's Muwatta, Chapter 31, no. 47:

Yahya related to me from Malik that Abuz-Zinad heard Said ibn al-Musayyab and Sulayman ibn Yasar forbid a man to sell wheat for **gold** on delayed terms and then to buy dried dates with the **gold** before he had taken delivery of the **gold**.

2

Imam Malik's Muwatta Chapter 31, no. 48:

Yahya related to me from Malik that Kathir ibn Farqad asked Abu Bakr ibn Muhammad ibn Amr ibn Hazm about a man who sold food to be delivered at a future date to a man for **gold** and then with the **gold**, he bought dates before he had taken delivery of the **gold**. He disapproved of that and forbade it. Yahya related to me from Malik from Ibn Shihab the like of that. Malik said, "Said ibn al-Musayyab, Sulayman ibn Yasar, Abu Bakr ibn Muhammad ibn Amr ibn Hazm, and Ibn Shihab forbade that a man sell wheat for **gold** and then buy dates with that **gold** before he had received the **gold** from the transaction in which he sold the wheat. There is no harm for someone to buy dates on delayed terms, on the strength of the **gold** for which he sold the wheat, from someone other than the person to whom he sold the wheat before taking possession of the **gold**, and to refer the one from whom he bought the dates to his debtor who bought the wheat, for the **gold** he is owed for the dates." Malik said, "I asked more than one of the people of knowledge about that and they did not see any harm in it."

3

Sahih Bukhari Chapter 34, no. 388

Abdur Rahman bin Abu Bakra that his father said, "The Prophet forbade the selling of gold for gold and silver for silver except if they are equivalent in weight, and allowed us to sell gold for silver and vice versa as we wished."

4

Imam Malik's Muwatta Chapter 17, no. 11

Yahya related to me from Malik from Nafi that Abdullah ibn Umar used to adorn his daughters and slave-girls with **gold** jewellery and he did not take any zakat from their jewellery. Malik said, "Anyone who has unminted **gold** or silver, or **gold** and silver jewellery which is not used for wearing, must pay zakat on it every year. It is weighed and one-fortieth is taken, unless it falls short of twenty dinars of **gold** or two hundred dirhams of silver, in which case there is no zakat to pay. Zakat is paid only when jewellery is kept for purposes other than wearing. Bits of **gold** and silver or broken jewellery which the owner intends to mend to wear are in the same position as goods which are worn by their owner - no zakat has to be paid on them by the owner." Malik said, "There is no zakat (to pay) on pearls, musk or amber."

5

Sunan Ibn Majah Chapter 14, no. 2260

"I came saying. 'Who will exchange Dirham?' Talhah bin 'Ubaidullah, who was with Umar bin Khattab, said: 'Show us your gold, then come to us; when our treasure comes, we will give you your silver.' Umar said: 'No, by Allah, you will give him silver (now), or give him back his gold, for the Messenger of Allah (saw) said: "Silver for gold is usury, unless it is exchanged on the spot."'

6

Imam Malik's Muwatta Chapter 43, no. 2

Malik related to me that he had heard that Umar ibn al-Khattab estimated the full blood-money for the people of urban areas. For those who had gold, he made it one thousand dinars. and for those who had silver he made it ten thousand dirhams. Malik said, "The people of gold are the people of ash-Sham and the people of Egypt. The people of silver are the people of Iraq." Yahya related to me from Malik that he heard that the blood-money was divided into instalments over three or four years. Malik said, "Three is the most preferable to me of what I have heard on that." Malik said, "The generally agreed on way of doing things in our community is that camels are not accepted from the people of cities for blood-money nor is gold or silver accepted from the desert people. Silver is not accepted from the people of gold and gold is not accepted from the people of silver."

7

Sahih Bukhari Chapter 34, no. 383

Allah's Apostle said, "Don't sell gold for gold unless equal in weight, nor silver for silver unless equal in weight, but you could sell gold for silver or silver for gold as you like."

8

Imam Malik's Muwatta Chapter 31, no. 34

Yahya related to me from Malik from Nafi from Abdullah ibn Umar that Umar ibn al-Khattab said, "Do not sell gold for gold except like for like, and do not increase one part over another part. Do not sell silver for silver except like for like, and do not increase one part over another part. Do not sell silver for gold, one of them at hand and the other to be given later. If someone seeks to delay paying you until he has been to his house, do not leave him. I fear rama for you." Rama is usury.

9

Imam Malik's Muwatta Chapter 31, no. 37

Yahya related to me from Malik that Yahya ibn Said heard Said ibn al-Musayyab say, "Keeping gold and silver out of circulation is part of working corruption in the land." Malik said, "There is no harm in buying gold with silver or silver with gold without measuring if it is unminted or a piece of jewellery which has been made. Counted dirhams and counted dinars should not be bought without reckoning until they are known and counted. To abandon number and buy them at random would only be to speculate. That is not part of the business transactions of Muslims. As for what is weighed of unminted objects and jewellery, there is no harm in buying such things without measuring. To buy them without measuring is like buying wheat, dried dates, and such food-stuffs, which are sold without measuring, even though things like them are measured " Malik spoke about buying a Qur'an, a sword or a signet ring which had some gold or silver work on it with dinars or dirhams. He said, "The value of the object bought with dinars, which has gold in it is looked at. If the value of the gold is up to one-third of the price, it is permitted and there is no harm in it if the sale is hand to hand and there is no deferment in it. When something is bought with silver which has silver in it, the value is looked at. If the value of the silver is one-third, it is permitted and there is no harm in it if the sale is hand to hand. That is still the way of doing things among us."

10

Sunan Ibn Majah Chapter 14, no. 2259

Zuhri heard Malik bin Aws bin Hadathan say: "I heard Umar say: "The Messenger of Allah (saw), said: '**gold** for silver is usury, unless it is exchanged on the spot.'" (Sahih) Abu Bakr bin Abu-Shaibah said: "I heard sufyan saying: '**gold** for silver.'" memorize (this).

11

Sunan Ibn Majah Chapter 14, no. 2262.

Narrated: Ibn Umar

"I used to sell camels, and I used to buy **gold** for silver and silver for **gold**, Dinar for Dirham and Dirham for Dinar. I asked the Prophet (saw) about that, and he said: 'If you take one of them and give the other, then you and your companion should not separate until everything is clear (i.e., the exchange is completed).'" (Hasan) Another chain with similar wording.

Malik's Muwatta Chapter 31, no. 39

Yahya related to me from Malik that Yazid ibn Abdullah ibn Qusayt saw Said ibn al-Musayyab sell gold counterpoising for gold. He poured his gold into one pan of the scales, and the man with whom he was counterpoising put his gold in the other pan of the scale and when the tongue of the scales was balanced, they took and gave. Malik said, "According to the way things are done among us there is no harm in selling gold for gold, and silver for silver by counterpoising weight, even if 11 dinars are taken for 10 dinars hand to hand, when the weight of gold is equal, coin for coin, even if the number is different. Dirhams in such a situation are treated the same way as dinars." Malik said, "If, when counterpoising gold for gold or silver for silver, there is a difference of weight, one party should not give the other the value of the difference in silver or something else. Such a transaction is ugly and a means to usury because if one of the parties were permitted to take the difference for a separate price, it could be as if he had bought it separately, so he would be permitted. Then it would be possible for him to ask for many times the value of the difference in order to permit the completion of the transaction between the two parties. Malik said, "If he had really been sold the difference without anything else with it, he would not have taken it for a tenth of the price for which he took it in order to put a 'legal front' on the transaction. This leads to allowing what is forbidden . The matter is forbidden." Malik said that it was not good when counterpoising to give good old gold coins and put along with them unminted gold in exchange for worn kufic gold, which was unpopular and to then treat the exchange as like for like. Malik said, "The commentary on why that is disapproved is that the owner of the good gold uses the excellence of his old gold coins as an excuse to throw in the unminted gold with it. Had it not been for the superiority of his (good) gold over the gold of the other party, the other party would not have counterpoised the unminted gold for his kufic gold, and the deal would have been refused. "It is like a man wanting to buy three sa of ajwa dried dates for two sa and a mudd of kabis dates, and on being told that it was not good, then offering two sa of kabis and a sa of poor dates desiring to make the sale possible. That is not good because the owner of the ajwa should not give him a sa of ajwa for a sa of poor dates. He would only give him that because of the excellence of kabis dates. "Or it is like a man asking some one to sell him three sa of white wheat for two and a half sa of Syrian wheat, and being told that it was not good except like for like, and so offering two sa of wheat and one sa of barley intending to make the sale possible between them. That is not good because no one would have given a sa of barley for a sa of white wheat had that sa been by itself. It was only given because of the excellence of Syrian wheat over the white wheat. This is not good. It is the same as the case of the unminted gold." Malik said, "Where gold, silver and food, things which should only be sold like for like, are concerned, something disliked and of poor quality should not be put with something good and desirable in order to make the sale possible and to make a bad situation halal. When something of desirable quality is put with something of poor quality and it is only included so that its excellence in quality is noticed, something is being sold which if it had been sold on its own, would not have been accepted and to which the buyer would not have paid any attention. It is only accepted by the buyer because of the superiority of what comes with it over his own goods. Transactions involving gold, silver, or food, must not have anything of this description enter into them. If the owner of the poor quality goods wants to sell them, he sells them on their own, and does not put anything with them. There is no harm if it is

like that."

13

Sunan Ibn Majah Chapter 21, no. 2511

"I heard my father narrate from Abu Hurairah that the Prophet (saw) said: 'Among those who came before you there was a man who bought some property and found there in a jar of **gold**. He said: "I bought land from you, but I did not buy the **gold** from you." The man said: "Rather I sold you the land with whatever is in it." They referred their case to (a third) man who said: "Do you have children?" One of them said: "I have a boy." The other said: "I have a girl." He said: "Marry the boy to the girl, and let them spend on themselves from it and give in charity."

14

Sahih Bukhari Chapter 34, no. 385

Allah's Apostle said, "Do not sell **gold** for **gold** unless equivalent in weight, and do not sell less amount for greater amount or vice versa; and do not sell silver for silver unless equivalent in weight, and do not sell less amount for greater amount or vice versa and do not sell **gold** or silver that is not present at the moment of exchange for **gold** or silver that is present.

15

Imam Malik's Muwatta Chapter 36, no. 14

Yahya said that he heard Malik say, "What is done in our community about someone who consumed an animal without the permission of its owner, is that he must pay its price on the day he consumed it. He is not obliged to replace it with a similar animal nor does he compensate the owner with any kind of animal. He must pay its price on the day it was consumed, and giving the value is more equitable in compensation for animals and goods." Yahya said that he heard Malik say about someone who consumes some food without the permission of its owner, "He returns to the owner a like weight of the same kind of food. Food is in the position of **gold** and silver. **gold** and silver are returned with **gold** and silver. The animal is not in the position of **gold** in that. What distinguishes between them is the sunna and the behaviour which is in force. Yahya said that he heard Malik say, "If a man is entrusted with some wealth and then trades with it for himself and makes a profit, the profit is his because he is responsible for the property until he returns it to its owner."

16

Sunan Ibn Majah Chapter 14, no. 2261

Narrated: Umar bin Muhammad bin Ali bin abi Talib
from his father, that his grandfather said: 'The Messenger of Allah (saw) said: 'Dinar for Dinar,

Dirham for Dirham, with no increase between them. Whoever has need of silver, let him trade **gold** for it, and whoever has need of **gold**, let him trade silver for it, and let the transaction be done on the spot."

17

Sunan Ibn Majah: Chapter 10, no. 1787

Narrated: Khalid bin Aslam

the freed slave of Umar bin Khattab: "I went out with Abdullah bin Umar, and a Bedouin met him and recited to him the words of Allah: 'And those who hoard up **gold** and silver (the money, the Zakah of which has not been paid) and spend them not in the way of Allah.' Ibn Umar Said to him: 'The one who hoards it and does not pay Zakat due on it, woe to him. But this was before the (ruling on) Zakat was revealed. When it was revealed, Allah made it a purification of wealth.' Then he turned away and said: 'I do not mind if I have the (the equivalent of) Uhud in **gold**, provided that I know how much it is and I pay Zakat on it, and I use it in obedience of Allah, the Mighty and Sublime'"

18

Imam Malik's Muwatta: Chapter 17, no. 3

Yahya related to me from Malik that he had heard that Umar ibn Abd al-Aziz wrote to his governor in Damascus about zakat saying, "Zakat is paid on the produce of ploughed land, on **gold** and silver, and on livestock." Malik said, "Zakat is only paid on three things: the produce of ploughed land, **gold** and silver, and livestock."

19

Sunan Ibn Majah: Chapter 1, no. 18

Narrated: Ishaq bin Qasibah

from his father that Ubadah bin Samit Al-Ansari, head of the army unit, the Companion of the Messenger of Allah (saw), went on a military campaign with Muawiyah in the land of the Byzantines. He saw people trading pieces of gold for Dinar and pieces of silver for Dirham. He said: "O people, you are consuming Riba (usury)! For I heard the Messenger of Allah (saw) say: 'Do not sell gold for gold unless it is like for like; there should be no increase and no delay (between the two transactions).'" Mu'awiyah said to him: "O Abu Walid, I do not think there is any Riba involved in this, except in cases where there is a delay." 'Ubadah said to him: "I tell you a Hadith from the Messenger of Allah (saw), and you tell me your opinion! If Allah brings me back safely I will never live in a land in which you have authority over me." When he returned, he stayed in Al-Madinah, and 'Umar bin Khattab said to him: "What brought you here, O Abu Walid?" So he told him the story, and what he had said about not living in the same land as Mu'awiyah. 'Umar said: "Go back to your land, O Abu Walid, for what a bad land is the land from where you and people like you are absent." Then he wrote to Muawiyah and said: "You have no authority over him; make the people

follow what he says, for he is right."

20

Imam Malik's Muwatta: Chapter 31, no. 38

Yahya related to me from Malik from Ibn Shihab from Malik ibn Aus ibn al-Hadathan an-Nasri that one time he asked to exchange 100 dinars. He said, "Talha ibn Ubaydullah called me over and we made a mutual agreement that he would make an exchange for me. He took the **gold** and turned it about in his hand, and then said, 'I can't do it until my treasurer brings the money to me from al-Ghaba.' Umar ibn al-Khattab was listening and Umar said, 'By Allah! Do not leave him until you have taken it from him!' Then he said, 'The Messenger of Allah, may Allah bless him and grant him peace, said, "**gold** for silver is usury except hand to hand. Wheat for wheat is usury except hand to hand. Dates for dates is usury except hand to hand. Barley for barley is usury except hand to hand." "' Malik said, "When a man buys dirhams with dinars and then finds a bad dirham among them and wants to return it, the exchange of the dinars breaks down, and he returns the silver and takes back his dinars. The explanation of what is disapproved of in that is that the Messenger of Allah, may Allah bless him and grant him peace, said, '**gold** for silver is usury except hand to hand.' and Umar ibn al-Khattab said, 'If someone asks you to wait to be paid until he has gone back to his house, do not leave him.' When he returns a dirham to him from the exchange after he has left him, it is like a debt or something deferred. For that reason, it is disapproved of, and the exchange collapses. Umar ibn al-Khattab wanted that all **gold**, silver and food should not be sold for goods to be paid later. He did not want there to be any delay or deferment in any such sale, whether it involved one commodity or different sorts of commodities."

21

Imam Malik's Muwatta: Chapter 17, no. 7

Yahya related to me from Malik that Ibn Shihab said, "The first person to deduct zakat from allowances was Muawiya ibn Abi Sufyan." (i.e. the deduction being made automatically). Malik said, "The agreed sunna with us is that zakat has to be paid on twenty dinars (of **gold** coin), in the same way as it has to be paid on two hundred dirhams (of silver)." Malik said, "There is no zakat to pay on (**gold**) that is clearly less than twenty dinars (in weight) but if it increases so that by the increase the amount reaches a full twenty dinars in weight then zakat has to be paid. Similarly, there is no zakat to pay on (silver) that is clearly less than two hundred dirhams (in weight), but if it increases so that by the increase the amount reaches a full two hundred dirhams in weight then zakat has to be paid. If it passes the full weight then I think there is zakat to pay, whether it be dinars or dirhams." (i.e. the zakat is assessed by the weight and not the number of the coins.) Malik said, about a man who had one hundred and sixty dirhams by weight, and the exchange rate in his town was eight dirhams to a dinar, that he did not have to pay any zakat. Zakat had only to be paid on twenty dinars of **gold** or two hundred dirhams. Malik said, in the case of a man who acquired five dinars from a transaction or in some other way which he then invested in trade, that, as soon as it increased to a zakatable amount and then a year elapsed, he had to pay zakat on it, even if the zakatable amount was

reached one day before or one day after the passing of a year. There was then no zakat to pay on it from the day the zakat was taken until a year had elapsed over it. Malik said, in the similar case of a man who had in his possession ten dinars which he invested in trade and which reached twenty dinars by the time one year had elapsed over them, that he paid zakat on them right then and did not wait until a year had elapsed over them, (counting) from the day when they actually reached the zakatable amount. This was because a year had elapsed over the original dinars and there were now twenty of them in his possession. After that there was no zakat to pay on them from the day the zakat was paid until another year had elapsed over them. Malik said, "What we are agreed upon (here in Madina) regarding income from hiring out slaves, rent from property, and the sums received when a slave buys his freedom, is that no zakat is due on any of it, whether great or small, from the day the owner takes possession of it until a year has elapsed over it from the day when the owner takes possession of it." Malik said, in the case of **gold** and silver which was shared between two co-owners, that zakat was due from any one whose share reached twenty dinars of **gold**, or two hundred dirhams of silver, and that no zakat was due from anyone whose share fell short of this zakatable amount. If all the shares reached the zakatable amount and the shares were not equally divided, zakat was taken from each man according to the measure of his share. This applied only when the share of each man among them reached the zakatable amount, because the Messenger of Allah, may Allah bless him and grant him peace, had said, "There is no zakat to pay on less than five awaq of silver." Malik commented, "This is what I prefer most out of what I have heard about the matter." Malik said, "When a man has **gold** and silver dispersed among various people he must add it all up together and then take out the zakat due on the total sum ." Malik said, "No zakat is due from some one who acquires **gold** or silver until a year has elapsed over his acquisition from the day it became his."

22

Imam Malik's Muwatta: Chapter 34, no. 2

Malik related to me that Ibn Shihab said, "I asked Said ibn al-Musayyab about renting land for **gold** or silver, and he said, 'There is no harm in it.' "

23

Sahih Bukhari: Chapter 42, no. 581

Allah's Apostle (SAW) said, "If I had **gold** equal to the mountain of Uhud, it would not please me that it should remain with me for more than three days, except an amount which I would keep for repaying debts."

24

Sahih Bukhari: Chapter 34, no. 387

I asked Al-Bara bin Azib and Zaid bin Arqam about money exchanges. Each of them said, "This is better than I," and both of them said, "Allah's Apostle forbade the selling of silver for **gold** on credit. "

25

Sahih Bukhari: Chapter 34, no. 264

Narrated: Abdur Rahman bin Auf

"When we came to Medina as emigrants, Allah's Apostle established a bond of brotherhood between me and Sad bin Ar-Rabi. Sad bin Ar-Rabi said (to me), 'I am the richest among the Ansar, so I will give you half of my wealth and you may look at my two wives and whichever of the two you may choose I will divorce her, and when she has completed the prescribed period (before marriage) you may marry her.' Abdur-Rahman replied, "I am not in need of all that. Is there any market-place where trade is practiced?' He replied, "The market of Qainuqa." Abdur-Rahman went to that market the following day and brought some dried butter-milk (yogurt) and butter, and then he continued going there regularly. Few days later, 'AbdurRahman came having traces of yellow (scent) on his body. Allah's Apostle asked him whether he had got married. He replied in the affirmative. The Prophet said, 'Whom have you married?' He replied, 'A woman from the Ansar.' Then the Prophet asked, 'How much did you pay her?' He replied, '(I gave her) a **gold** piece equal in weigh to a date stone (or a date stone of **gold**)! The Prophet said, 'Give a Walima (wedding banquet) even if with one sheep.' "

26

Sahih Bukhari: Chapter 40, no. 525

Narrated: Rafi bin Khadij

We worked on farms more than anybody else in Medina. We used to rent the land at the yield of specific delimited portion of it to be given to the landlord. Sometimes the vegetation of that portion was affected by blights etc., while the rest remained safe and vice versa, so the Prophet (SAW) forbade this practice. At that time **gold** or silver were not used (for renting the land).

27

Imam Malik's Muwatta: Chapter 17, no. 44

Yahya related to me from Malik from Nafi from Aslam, the mawla of Umar ibn al-Khattab, that Umar ibn al-Khattab imposed a jizya tax of four dinars on those living where **gold** was the currency, and forty dirhams on those living where silver was the currency. In addition, they had to provide for the muslims and receive them as guests for three days.

28

Imam Malik's Muwatta: Chapter 31, no. 56

Yahya related to me from Malik that he had heard that Umar ibn al-Khattab said, "There is no hoarding in our market, and men who have excess gold in their hands should not buy up one of Allah's provisions which he has sent to our courtyard and then hoard it up against us. Someone who brings imported goods through great fatigue to himself in the summer and winter, that person is the guest of Umar. Let him sell what Allah wills and keep what Allah wills."

29

Sunan An-Nasai: Chapter 5, no: 452

“When the Messenger of Allah (saw) was taken on the Night Journey, he came to Sidrah Al-Muntaha, which is in the sixth heaven. That is where everything that comes up from below ends, and where everything that comes down from above, until it is taken from it. Allah says: When what covered the lote-tree did cover it!. [53:16] He said: “It was moths of **gold**. And I was given three things: The five daily prayers, the last verses of Surah Al-Baqarah, and whoever of my Ummah dies without associating anything with Allah will be forgiven for Al-Muqhimat.”* (Sahih) *“The sins of the worst magnitude that drag one into the Fire.” (An-Nihayah)

30

Sunan Ibn Majah: Chapter 11, no. 1856

"When the Verse concerning silver and gold was revealed, they said: 'What kind of wealth should we acquire?' Umar said: 'I will tell you about that.' So he rode on his camel and caught up with the Prophet (saw), and I followed him. He said: 'O Messenger of Allah (saw) what kind of wealth should we acquire?' He said: 'Let one of acquire a thankful heart, a tongue that remembers Allah and a believing wife who will help him with regard to the Hereafter.' "

31

Imam Malik's Muwatta: Chapter 31, no: 52

Yahya related to me from Malik that he had heard the same as that from al-Qasim ibn Muhammad from Ibn Muayqib ad-Dawsi. Malik said, "This is the way of doing things among us . " Malik said, "The generally agreed on way of doing things among us is that wheat is not sold for wheat, dates for dates, wheat for dates, dates for raisins, wheat for raisins, nor any kind of food sold for food at all, except from hand to hand. If there is any sort of delayed terms in the transaction, it is not good. It is haram. Condiments are not bartered except from hand to hand." Malik said, "Food and condiments are not bartered when they are the same type, two of one kind for one of the other. A mudd of wheat is not sold for two mudds of wheat, nor a mudd of dates for two mudds of dates, nor a mudd of raisins for two mudds of raisins, nor is anything of that sort done with grains and condiments when they are of one kind, even if it is hand to hand. "This is the same position as silver for silver and **gold for gold**. No increase is halal in the transaction, and only like for like, from hand to hand is halal." Malik said, "If there is a clear difference in foodstuffs which are measured and weighed, there

is no harm in taking two of one kind for one of another, hand to hand. There is no harm in taking a sa of dates for two sa of wheat, and a sa of dates for two sa of raisins, and a sa of wheat for two sa of ghee. If the two sorts in the transaction are different, there is no harm in two for one or more than that from hand to hand. If delayed terms enter into the sale, it is not halal ." Malik said, "It is not halal to trade a heap of wheat for a heap of wheat. There is no harm in a heap of wheat for a heap of dates, from hand to hand. That is because there is no harm in buying wheat with dates without precise measurement." Malik said, "With kinds of foods and condiments that differ from each other, and the difference is clear, there is no harm in bartering one kind for another, without precise measurement from hand to hand. If delayed terms enter into the sale, there is no good in it. Bartering such things without precise measurement is like buying it with **gold** and silver without measuring precisely." Malik said, "That is because you buy wheat with silver without measuring precisely, and dates with **gold** without measuring precisely, and it is halal. There is no harm in it." Malik said, "It is not good for someone to make a heap of food, knowing its measure and then to sell it as if it had not been measured precisely, concealing its measure from the buyer. If the buyer wants to return that food to the seller, he can, because he concealed its measure and so it is an uncertain transaction. This is done with any kind of food or other goods whose measure and number the seller knows, and which he then sells without measurement and the buyer does not know that. If the buyer wants to return that to the seller, he can return t. The people of knowledge still forbid such a transaction." Malik said, "There is no good in selling one round loaf of bread for two round loaves, nor large for small when some of them are bigger than others. When care is taken that they are like for like, there is no harm in the sale, even if they are not weighed." Malik said, "It is not good to sell a mudd of butter and a mudd of milk for two mudds of butter. This is like what we described of selling dates when two sa of kabis and a sa of poor quality dates were sold for three sa of ajwa dates after the buyer had said to the seller, 'Two sa of kabis dates for three sa of ajwa dates is not good,' and then he did that to make the transaction possible. The owner of the milk puts the milk with his butter so that he can use the superiority of his butter over the butter of the other party to put his milk in with it." Malik said, "Flour for wheat is like for like, and there is no harm in that. That is if he does not mix up anything with the flour and sell it for wheat, like for like. Had he put half a mudd of flour and half of wheat, and then sold that for a mudd of wheat, it would be like what we described, and it would not be good because he would want to use the superiority of his good wheat to put flour along with it. Such a transaction is not good."

32

Imam Malik's Muwatta: Chapter 31, no. 31

Yahya related to me from Malik from Humayd ibn Qays al-Makki that Mujahid said, "I was with Abdullah ibn Umar and an artisan came to him and said, Abu Abdar Rahman - I fashion gold and then sell what I have made for more than its weight. I take an amount equivalent to the work of my hand.' Abdullah forbade him to do that, so the artisan repeated the question to him, and Abdullah continued to forbid him until he came to the door of the mosque or to an animal that he intended to mount. Then Abdullah ibn Umar said, 'A dinar for a dinar, and a dirham for a dirham. There is no increase between them. This is the command of our Prophet to us and our advice to you."

33

Sahih Bukhari: Chapter 24, no. 488

I passed by a place called Ar-Rabadha and by chance I met Abu Dhar and asked him, "What has brought you to this place?" He said, "I was in Sham and differed with Muawiya on the meaning of (the following verses of the Quran): 'They who hoard up **gold** and silver and spend them not in the way of Allah.' (9.34). Muawiya said, 'This verse is revealed regarding the people of the scriptures.'" I said, 'It was revealed regarding us and also the people of the scriptures.'" So we had a quarrel and Mu'awiya sent a complaint against me to 'Uthman. 'Uthman wrote to me to come to Medina, and I came to Medina. Many people came to me as if they had not seen me before. So I told this to 'Uthman who said to me, "You may depart and live nearby if you wish." That was the reason for my being here for even if an Ethiopian had been nominated as my ruler, I would have obeyed him.

34

Sahih Bukhari: Chapter 35, no. 449

I asked Ibn Umar about Salam of (the fruits of) date-palms. He replied, "The Prophet forbade the sale of dates till their benefit becomes evident and fit for eating and also the sale of silver (for **gold**) on credit." I asked Ibn Abbas about Salam for dates and he replied, "The Prophet forbade the sale of dates till they were fit for eating and could be estimated."

35

Imam Malik's Muwatta: Chapter 31, no. 26

Malik said, "There is no harm in buying dates from specified trees or a specified orchard or buying milk from specified sheep when the buyer starts to take them as soon as he has payed the price. That is like buying oil from a container. A man buys some of it for a dinar or two and gives his **gold** and stipulates that it be measured out for him. There is no harm in that. If the container breaks and the oil is wasted, the buyer has his **gold** back and there is no transaction between them." Malik said, "There is no harm in everything which is taken right away as it is, like fresh milk and fresh picked dates which the buyer can take on a day-to-day basis. If the supply runs out before the buyer has what he has paid for in full, the seller gives him back the portion of the **gold** that is owed to him, or else the buyer takes other goods from him to the value of what he is owed and which they mutually agree about. The buyer should stay with the seller until he has taken it. It is disapproved of for the seller to leave because the transaction would then come into the forbidden category of a debt for a debt. If a stated time period for payment or delivery enters into the transaction, it is also disapproved. Delay and deferment are not permitted in it, and are only acceptable when it is standard practice on definite terms by which the seller guarantees it to the buyer, but this is not to be from one specific orchard or from any specific ewes." Malik was asked about a man who bought an orchard from another man in which there were various types of palm-trees - excellent ajwa palms, good kabis palms, adhq palms and othertypes. The seller kept aside from the sale the produce of a certain palm of his choice. Malik said, "That is not good because if he does that, and keeps aside, for

instance, dates of the ajwa variety whose yield would be 15 sa, and he picks the dates of the kabis in their place, and the yield of their dates is 10 sa or he picks the ajwa which yield 15 sa and leaves the kabis which yield 10 sa, it is as if he bought the ajwa for the kabis making allowances for their difference of quality. This is the same as if a man dealing with a man who has heaps of dates before him - a heap of 15 sa of ajwa, a heap of 10 sa of kabis, and a heap of 12 sa of cadhq, gives the owner of the dates a dinar to let him choose and take whichever of the heaps he likes." Malik said, "That is not good." Malik was asked what a man who bought fresh dates from the owner of an orchard and advanced him a dinar was entitled to if the crop was spoiled. Malik said, "The buyer makes a reckoning with the owner of the orchard and takes what is due to him of the dinar. If the buyer has taken two-thirds of a dinar's worth of dates, he gets back the third of a dinar which is owed him. If the buyer has taken three-quarters of a dinar's worth of dates, then he gets back the quarter which is owed to him, or they come to a mutual agreement, and the buyer takes what is owed him from his dinar from the owner of the orchard in something else of his choosing. If, for instance, he prefers to take dry dates or some other goods, he takes them according to what is due. If he takes dry dates or some other goods, he should stay with him until he has been paid in full." Malik said, "This is the same situation as hiring out a specified riding-camel or hiring out a slave tailor, carpenter or some other kind of worker or letting a house and taking payment in advance for the hire of the slave or the rent of the house or camel. Then an accident happens to what has been hired resulting in death or something else. The owner of the camel, slave or house returns what remains of the rent of the camel, the hire of the slave or the rent of the house to the one who advanced him the money, and the owner reckons what will settle that up in full. If, for instance, he has provided half of what the man paid for, he returns the remaining half of what he advanced, or according to whatever amount is due." Malik said, "Paying in advance for something which is on hand is only good when the buyer takes possession of what he has paid for as soon as he hands over the **gold**, whether it be slave, camel, or house, or in the case of dates, he starts to pick them as soon as he has paid the money." It is not good that there be any deferment or credit in such a transaction. Malik said, "An example illustrating what is disapproved of in this situation is that, for instance, a man may say that he will pay someone in advance for the use of his camel to ride in the hajj, and the hajj is still some time off, or he may say something similar to that about a slave or a house. When he does that, he only pays the money in advance on the understanding that if he finds the camel to be sound at the time the hire is due to begin, he will take it by virtue of what he has already paid. If an accident, or death, or something happens to the camel, then he will get his money back and the money he paid in advance will be considered as a loan." Malik said, "This is distinct from someone who takes immediate possession of what he rents or hires, so that it does not fall into the category of 'uncertainty,' or disapproved payment in advance. That is following a common practice. An example of that is that a man buys a slave, or slave-girl, and takes possession of them and pays their price. If something happens to them within the period of the year indemnification contract, he takes his **gold** back from the one from whom he bought it. There is no harm in that. This is the precedent of the sunna in the matter of selling slaves." Malik said, "Someone who rents a specified slave, or hires a specified camel, for a future date, at which time he will take possession of the camel or slave, has not acted properly because he did not take possession of what he rented or hired, nor is he advancing a loan which the person is responsible to pay back."

Sahih Bukhari: Chapter 48, no. 745

Narrated: Aisha

that Barira came to seek her help in her writing of emancipation and she had to pay five Uqiya (of **gold**) by five yearly installments. Aisha said to her, "Do you think that if I pay the whole sum at once, your masters will sell you to me." Barira went to her masters and told them about the offer. They said that they would not agree to it unless her Wala would be for them. Aisha further said, "I went to Allah's Messenger (SAW) and told him about it." Allah's Messenger (SAW) said to her, "Buy Barira and manumit her and the Wala will be for the liberator." Allah's Messenger (SAW) then got up and said, "What about those people who stipulate that are not present in Allah's Laws? If anybody stipulates a condition which is not in Allah's Laws, then what he stipulates is invalid. Allah's Conditions (Laws) are the truth and are more solid."

37

Imam Malik's Muwatta Chapter 31, no. 28

Yahya related to me from Malik that Yahya ibn Said said, "The Messenger of Allah, may Allah bless him and grant him peace, ordered the two Sads to sell a vessel made of either **gold** or silver from the booty. They either sold each three units of weight for four units of weight of coins or each four units of weight for three units of weight or coins. The Messenger of Allah, may Allah bless him and grant him peace, said to them, 'You have taken usury, so return it.' "

38

Sahih Bukhari: Chapter No: 10, no. 532

Narrated: Salim bin Abdullah

My father said, "I heard Allah's Apostle saying, 'The period of your stay as compared to the previous nations is like the period equal to the time between the 'Asr prayer and sunset. The people of the Torah were given the Torah and they acted (upon it) till mid-day then they were exhausted and were given one Qirat (of **gold**) each. And then the people of the Gospel were given the Gospel and they acted (upon it) till the 'Asr prayer then they were exhausted and were given one Qirat each. And then we were given the Qur'an and we acted (upon it) till sunset and we were given two Qirats each. On that the people of both the scriptures said, 'O our Lord! You have given them two Qirats and given us one Qirat, though we have worked more than they.' Allah said, 'Have I usurped some of your right?' They said, 'No.' Allah said: "That is my blessing I bestow upon whomsoever I wish."

39

Sahih Bukhari: Chapter 35, no 451

Narrated: Abu Al-Bakhtari

I asked Ibn Umar about Salam for dates. Ibn Umar replied, "The Prophet forbade the sale (the fruits) of datepalms until they were fit for eating and also forbade the sale of silver for **gold** on credit." I also asked Ibn Abbas about it. Ibn Abbas replied, "The Prophet forbade the sale of dates till they were fit for eating, and could be weighed." I asked him, "What is to be weighed (as the dates are on the trees)?" A man sitting by Ibn 'Abbas said, "It means till they are cut and stored."

40

Imam Malik's Muwatta: Chapter 31, no. 70

Yahya related to me from Malik from Yahya ibn Said that al-Qasim ibn Muhammad said, "I heard Abdullah ibn Abbas say, when a man asked him about a man making an advance on some garments and then wanting to sell them back before taking possession of them, 'That is silver for silver,' and he disapproved of it." Malik said, "Our opinion is - and Allah knows best that was because he wanted to sell them to the person from whom he had bought them for more than the price for which he bought them. Had he sold them to some one other than the person from whom he had purchased them, there would not have been any harm in it." Malik said, "The generally agreed on way of doing things among us concerning making an advance for slaves, cattle or goods is that when all of what is to be sold is described and an advance is made for them for a date, and the date falls due, the buyer does not sell any of that to the person from whom he has purchased it for more than the price which he advanced for it before he has taken full possession of what he has advanced for. It is usury if he does. If the buyer gives the seller dinars or dirhams and he profits with them, then, when the goods come to the buyer and he does not take them into his possession but sells them back to their owner for more than what he advanced for them, the outcome is that what he has advanced has returned to him and has been increased for him." Malik said, "If someone advances **gold** or silver for described animals or goods which are to be delivered before a named date, and the date arrives, or it is before or after the date, there is no harm in the buyer selling those goods to the seller, for other goods, to be taken immediately and not delayed, no matter how extensive the amount of those goods is, except in the case of food because it is not halal to sell it before he has full possession of it. The buyer can sell those goods to some one other than the person from whom he purchased them for **gold** or silver or any goods. He takes possession of it and does not defer it because if he defers it, that is ugly and there enters into the transaction what is disapproved of: delay for delay. Delay for delay is to sell a debt against one man for a debt against another man." Malik said, "If someone advances for goods to be delivered after a time, and those goods are neither something to be eaten nor drunk, he can sell them to whomever he likes for cash or goods, before he takes delivery of them, to some one other than the person from whom he purchased them. He must not sell them to the person from whom he bought them except in exchange for goods which he takes possession of immediately and does not defer." Malik said, "If the delivery date for the goods has not arrived, there is no harm in selling them to the original owner for goods which are clearly different and which he takes immediate possession of and does not defer." Malik spoke about the case of a man who advanced dinars or dirhams for four specified pieces of cloth to be delivered before a specified time and when the term fell due, he demanded delivery from the seller and the seller did not have them. He found that the seller had cloth but inferior quality, and the seller said that he would give him eight of those cloths. Malik said, "There is no harm in that if he takes the cloths which he offers him before they separate. It is not good if delayed terms enter into the transaction. It is also not good if that is before

the end of the term, unless he sells him cloth which is not the type of cloth for which he made an advance.

41

Imam Malik's Muwatta: Chapter 17, no. 8

Yahya related to me from Malik from Rabia ibn Abi Abd ar-Rahman from more than one source that the Messenger of Allah, may Allah bless him and grant him peace, assigned the mines of al Qabaliyya, which is in the direction of al-Fur, to Bilal ibn Harith al-Mazini, and nothing has been taken from them up to this day except zakat. Malik said, "In my opinion, and Allah knows best, nothing is taken from what comes out of mines until what comes out of them reaches a value of twenty **gold** dinars or two hundred silver dirhams. When it reaches that amount there is zakat to pay on it where it is on the spot. Zakat is levied on anything over that, according to how much of it there is as long as there continues to be a supply from the mine. If the vein runs out, and then after a while more becomes obtainable, the new supply is dealt with in the same way as the first, and payment of zakat on it is begun on it as it was begun on the first. Malik said, "Mines are dealt with like crops, and the same procedure is applied to both. Zakat is deducted from what comes out of a mine on the day it comes out, without waiting for a year, just as a tenth is taken from a crop at the time it is harvested, without waiting for a year to elapse over it."

42

Imam Malik's Muwatta: Chapter 31, no. 91

Malik related to me from Humayd ibn Qays al-Makki that Mujahid said, "Abdullah ibn Umar borrowed some dirhams from a man, then he discharged his debt with dirhams better than them. The man said, 'Abu Abdar-Rahman. These are better than the dirhams which I lent you.' Abdullah ibn Umar said, 'I know that. But I am happy with myself about that.' " Malik said, "There is no harm in a person who has borrowed **gold**, silver, food, or animals, taking to the person who lent it, something better than what he lent, when that is not a stipulation between them nor a custom. If that is by a stipulation or promise or custom, then it is disapproved, and there is no good in it." He said, "That is because the Messenger of Allah, may Allah bless him and grant him peace, discharged his debt with a good camel in its seventh year in place of a young camel which he borrowed, and Abdullah ibn Umar borrowed some dirhams, and repaid them with better ones. If that is from the goodness of the borrower, and it is not by a stipulation, promise, or custom, it is halal and there is no harm in it."

43

Imam Malik's Muwatta: Chapter 31, no: 1

Yahya related to me from Malik from a reliable source from Amr ibn Shuayb from his father from his father's father that the Messenger of Allah, may Allah bless him and grant him peace, forbade transactions in which nonrefundable deposits were paid. Malik said, "That is, in our opinion, but Allah

knows best, that for instance, a man buys a slave or slave-girl or rents an animal and then says to the person from whom he bought the slave or leased the animal, 'I will give you a dinar or a dirham or whatever on the condition that if I actually take the goods or ride what I have rented from you, then what I have given you already goes towards payment of the goods or hire of the animal. If I do not purchase the goods or hire the animal, then what I have given you is yours without liability on your part.' " Malik said, "According to the way of doing things with us there is nothing wrong in bartering an arabic speaking merchant slave for abyssinian slaves or any other type that are not his equal in eloquence, trading, shrewdness, and know-how. There is nothing wrong in bartering one slave like this for two or more other slaves with a stated delay in the terms if he is clearly different. If there is no appreciable difference between the slaves, two should not be bartered for one with a stated delay in the terms even if their racial type is different." Malik said, "There is nothing wrong in selling what has been bought in such a transaction before taking possession of all of it as long as you receive the price for it from some one other than the original owner." Malik said, "An addition to the price must not be made for a foetus in the womb of its mother when she is sold because that is gharar (an uncertain transaction). It is not known whether the child will be male or female, good-looking or ugly, normal or handicapped, alive or dead. All these things will affect the price." Malik said that in a transaction where a slave or slave-girl was bought for one hundred dinars with a stated credit period that if the seller regretted the sale there was nothing wrong in him asking the buyer to revoke it for ten dinars which he would pay him immediately or after a period and he would forgo his right to the hundred dinars which he was owed. Malik said, "However, if the buyer regrets and asks the seller to revoke the sale of a slave or slave-girl in consideration of which he will pay an extra ten dinars immediately or on credit terms, extended beyond the original term, that should not be done. It is disapproved of because it is as if, for instance, the seller is buying the one hundred dinars which is not yet due on a year's credit term before the year expires for a slave-girl and ten dinars to be paid immediately or on credit term longer than the year. This falls into the category of selling **gold** for **gold** when delayed terms enter into it." Malik said that it was not proper for a man to sell a slave-girl to another man for one hundred dinars on credit and then to buy her back for more than the original price or on a credit term longer than the original term for which he sold her. To understand why that was disapproved of in that case, the example of a man who sold a slave-girl on credit and then bought her back on a credit term longer than the original term was looked at. He might have sold her for thirty dinars with a month to pay and then buy her back for sixty dinars with a year or half a year to pay. The outcome would only be that his goods would have returned to him just like they were and the other party would have given him thirty dinars on a month's credit against sixty dinars on a year or half a year's credit. That was not to be done.

44

Imam Malik's Muwatta: Chapter 32, no. 4

Malik said, "When a man owes money to another man and he asks him to let it stay with him as a qirad, that is disapproved of until the creditor receives his property. Then he can make it a qirad loan or keep it. That is because the debtor may be in a tight situation, and want to delay it to increase it for him." Malik spoke about an investor who made a qirad loan to a man, and some of the principal was lost before he used it, and then he used it and made a profit. The agent wanted to make the principal the remainder of the money after what was lost from it. Malik said, "His

statement is not accepted, and the principal is made up to its original amount from his profit. Then they divide what remains after the principal has been repaid according to the conditions of the qirad." Malik said, "**Qirad loan is only good in gold or silver coin and it is never permitted in any kind of wares or goods or articles.**" Malik said, "There are certain transactions which if a long span of time passes after the transaction takes place, its revocation becomes unacceptable. As for usury, there is never anything except its rejection whether it is a little or a lot. What is permitted in other than it is not permitted in it because Allah, the Blessed and the Exalted, said in His Book, 'If you repent, you have your capital back, not wronging and not wronged.' " 32.4 Conditions Permitted in Qirad

45

Imam Malik's Muwatta: Chapter 31, no. 97

Narrated:

Abu

Huraira

Malik related to me from Abuz-Zinad from al-Araj from Abu Hurayra that the Messenger of Allah, may Allah bless him and grant him peace, said, "Do not go out to meet the caravans for trade, do not bid against each other, outbidding in order to raise the price, and a townsman must not buy on behalf of a man of the desert, and do not tie up the udders of camels and sheep so that they appear to have a lot of milk, for a person who buys them after that has two recourses open to him after he milks them. If he is pleased with them, he keeps them and if he is displeased with them, he can return them along with a sa of dates." Malik said, "The explanation of the words of the Messenger of Allah, may Allah bless him and grant him peace, according to what we think - and Allah knows best - 'do not bid against each other,' is that it is forbidden for a man to offer a price over the price of his brother when the seller has inclined to the bargainer and made conditions about the weight of the **gold** and he has declared himself not liable for faults and such things by which it is recognised that the seller wants to make a transaction with the bargainer. This is what he forbade, and Allah knows best." Malik said, "There is no harm, however, in more than one person bidding against each other over goods put up for sale." He said, "Were people to leave off haggling when the first person started haggling, an unreal price might be taken and the disapproved would enter into the sale of the goods. This is still the way of doing things among us."

46

Imam Malik's Muwatta: Chapter 31, no. 71

Malik said, "The generally agreed on way of doing things among us about whatever is weighed but is not gold or silver, i.e. copper, brass, lead, black lead, iron, herbs, figs, cotton, and any such things that are weighed, is that there is no harm in bartering all those sorts of things two for one, hand to hand. There is no harm in taking a ritl of iron for two ritls of iron, and a ritl of brass for two ritls of brass." Malik said, "There is no good in two for one of one sort with delayed terms. There is no harm in taking two of one sort for one of another on delayed terms, if the two sorts are clearly different. If both sorts resemble each other but their names are different, like lead and black lead, brass and yellow brass, I disapprove of taking two of one sort for one of the other on delayed terms." Malik

said, "When buying something of this nature, there is no harm in selling it before taking possession of it to someone other than the person from whom it was purchased, if the price is taken immediately and if it was bought originally by measure or weight. If it was bought without measuring, it should be sold to someone other than the person from whom it was bought, for cash or with delayed terms. That is because goods have to be guaranteed when they are bought without measuring, and they cannot be guaranteed when bought by weight until they are weighed and the deal is completed. This is the best of what I have heard about all these things. It is what people continue to do among us." Malik said, "The way of doing things among us with what is measured or weighed of things which are not eaten or drunk, like safflower, date-stones, fodder leaves, indigo dye and the like of that is that there is no harm in bartering all those sort of things two for one, hand to hand. Do not take two for one from the same variety with delayed terms. If the types are clearly different, there is no harm in taking two of one for one of the other with delayed terms. There is no harm in selling whatever is purchased of all these sorts, before taking delivery of them if the price is taken from someone other than the person from whom they were purchased." Malik said, "Anything of any variety that profits people, like gravel and gypsum, one quantity of them for two of its like with delayed terms is usury. One quantity of both of them for its equal plus any increase with delayed terms, is usury."

47

Imam Malik's Muwatta: Chapter 31, no. 86

Malik related to me from Musa ibn Maysara that he heard a man ask Said ibn al-Musayyab, "I am a man who sells for a debt." Said said, "Do not sell except for what you take to your camel." Malik spoke about a person who bought goods from a man provided that he provide him with those goods by a specific date, either in time for a market in which he hoped for their saleability, or to fulfil a need at the time he stipulated. Then the seller failed him about the date, and the buyer wanted to return those goods to the seller. Malik said, "The buyer cannot do that, and the sale is binding on him. If the seller does bring the goods before the completion of the term, the buyer cannot be forced to take them." Malik spoke about a person who bought food and measured it. Then some one came to him to buy it and he told him that he had measured it for himself and taken it in full. The new buyer wanted to trust him and accept his measure. Malik said, "Whatever is sold in this way for cash has no harm in it but whatever is sold in this way on delayed terms is disapproved of until the new buyer measures it out for himself. The sale with delayed terms is disapproved of because it leads to usury and it is feared that it will be circulated in this way without weight or measure. If the terms are delayed it is disapproved of and there is no disagreement about that with us." Malik said, "One should not buy a debt owed by a man whether present or absent, without the confirmation of the one who owes the debt, nor should one buy a debt owed to a man by a dead person even if one knows what the deceased man has left. That is because to buy that is an uncertain transaction and one does not know whether the transaction will be completed or not completed." He said, "The explanation of what is disapproved of in buying a debt owed by someone absent or dead, is that it is not known what unknown debtor may be connected to the dead person. If the dead person is liable for another debt, the price which the buyer gave on strength of the debt may become worthless." Malik said, "There is another fault in that as well. He is buying something which is not guaranteed for him, and so if the deal is not completed, what he paid becomes worthless. This is an uncertain transaction and it is not good." Malik said, "One distinguishes between a man who is only selling

what he actually has and a man who is being paid in advance for something which is not yet in his possession. The man advancing the money brings his **gold** which he intends to buy with. The seller says, 'This is 10 dinars. What do you want me to buy for you with it?' It is as if he sold 10 dinars cash for 15 dinars to be paid later. Because of this, it is disapproved of. It is something leading to usury and fraud."

48

Sahih Bukhari: Chapter 24, no. 526

Narrated: Abu Said Al-Khudri

Allah's Apostle said, "There is no Zakat on less than five camels and also there is no Zakat on less than five Awaq (of silver). (5 Awaq = 22 Fransa Riyals of Yamen or 200 Dirhams.) And there is no Zakat on less than five Awsuq. (A special measure of food-grains, and one Wasq equals 60 Sa's.) (For **gold** 20, Dinars i.e. equal to 12 Guinea English. No Zakat for less than 12 Guinea (English) of **gold** or for silver less than 22 Fransa Riyals of Yamen.)

Dinar(13)

Books: [Sahih Bukhari](#) (3) [Imam Malik's Muwatta](#) (5) [Ibn Majah](#) (5)

49

Sunan Ibn Majah: Chapter 18, no. 2414

Narrated: Ibn Umar

that the Messenger of Allah (saw) said: "Whoever dies owing a dinar or a Dirham, it will be paid back from his good deeds, because then there will be no dinar or Dirham." Sahih

50

Found In: Sunan Ibn Majah: Chapter 14, no. 2193

Narrated: Amr bin Shuaib from his father, from his grandfather that : the Prophet (saw) forbade the deal involving earnest money. (Hasan) Abu Abdullah said: Earnest money refers to when a man buys an animal for one hundred **dinar**, then he gives the seller two **dinar** in advance and says: "If I do not buy the animal, then the two **dinar** are yours." And it was said that it refers, and Allah knows best, to when a man buys something, and gives the seller a Dirham or less or more, and says: "If I take it (all well and good), and if I do not, then the Dirham is yours."

51

Sunan Ibn Majah: Chapter 14, no 2257

Narrated: Abu Hurairah

"I heard Abu Said Al-Khudri say: 'A Dirham for a Dirham and a **dinar** for a **dinar**.' So I said: 'I heard Ibn 'Abbas say something other than that.' He said: 'But I met Ibn 'Abbas and said: "Tell me about what you say concerning exchange is it something that you heard from the Messenger of Allah (saw) or something that You found in the Book of Allah?" He said: "I did not find it in the Book of Allah, and I did not hear it from the Messenger of Allah; rather Usamah bin Zaid told me that the Messenger of Allah (saw) said: "Usury is only in credit."

52

Imam Malik's Muwatta: Chapter 31, no. 101

Malik related to me from Yahya ibn Said that he heard Muhammad ibn al-Munkadir say, "Allah loves his slave who is generous when he sells, and generous when he buys, generous when he repays, and generous when he is repaid." Malik said about a man who bought camels or sheep or dry goods or slaves or any goods without measuring precisely, "There is no buying without measuring precisely in anything which can be counted." Malik said about a man who gave a man goods to sell for him and set their price saying, "If you sell them for this price as I have ordered you to do, you will have a **dinar** (or something which he has specified, which they are both satisfied with), if you do not sell them, you will have nothing," "There is no harm in that when he names a price to sell them at and names a known fee. If he sells the goods, he takes the fee, and if he does not sell them, he has nothing." Malik said, "This is like saying to another man, 'If you capture my runaway slave or bring my stray camel, you will have such-and-such.' This is from the category of reward, and not from the category of giving a wage. Had it been from the category of giving a wage, it would not be good." Malik said, "As for a man who is given goods and told that if he sells them he will have a named percentage for every **dinar**, that is not good because whenever he is a **dinar** less than the price of the goods, he decreases the due which was named for him. This is an uncertain transaction. He does not know how much he will be given."

53

Sunan Ibn Majah: Chapter 25, no. 2695

Narrated: Aishah

"The Messenger of Allah (saw) did not leave behind a **dinar** nor a Dirham, nor a sheep, nor a camel, and he did not make a will concerning anything." Sahih

54

Sahih Bukhari: Chapter No: 54, no. 146

Narrated: Abu Huraira

The Prophet (SAW) said, "Let the slave of **dinar** and Dirham of Qatifa and Khamisa (i.e. money and

luxurious clothes) perish for he is pleased if these things are given to him, and if not, he is displeased!"

55

Sahih Bukhari: Chapter 34, no. 394

Narrated: Jabir

The Prophet forbade the selling of fruits unless they get ripe, and none of them should be sold except for **dinar** or Dirham (i.e. money), except the Araya trees (the dates of which could be sold for dates).

56

Imam Malik's Muwatta: Chapter 31, no. 41

Narrated: Abdullah bin Umar

Yahya related to me from Malik from Abdullah ibn **dinar** from Abdullah bin Umar that the Messenger of Allah, may Allah bless him and grant him peace, said, "Someone who buys food, must not sell it until he takes possession of it."

57

Sahih Bukhari: Chapter 38, no. 491

Narrated: Salama bin Al-Akwa

Once, we were sitting in the company of the Prophet (SAW), a dead body was brought. The Prophet (SAW) was requested to lead the funeral salat (prayer) for the deceased. He said, "Is he in debt?" The people replied in the negative. He said, "Has he left any wealth?" They said, "No." So, he led his funeral prayer. Another dead person was brought and the people said, "O Allah's Messenger! Lead his funeral salat (prayer)." The Prophet (SAW) said, "Is he in debt?" They said, "Yes." He said, "Has he left any wealth?" They said, "Three **dinar**." So, he led the funeral prayer. Then a third dead person was brought and the people said (to the prophet), "Please lead his funeral prayer." He said, "Has he left any wealth?" They said, "No." He asked, "Is he in debt?" They said, ("yes! He has to pay) three **dinar**." He [refused to offer funeral salat (prayer) and] said, "Then offer salat for your (dead) companion." Abu Qatada said, "O Allah's Messenger! Lead his funeral prayer, and I will pay his debt." So, he led the salat (prayer).

58

Imam Malik's Muwatta: Chapter 31, no. 74

Yahya related to me from Malik that he had heard that al-Qasim ibn Muhammad was asked about a man who bought goods for 10 **dinars** cash or fifteen **dinars** on credit. He disapproved of that and

forbade it. Malik said that if a man bought goods from a man for either 10 **dinars** or 15 **dinars** on credit, that one of the two prices was obliged on the buyer. It was not to be done because if he postponed paying the ten, it would be 15 on credit, and if he paid the ten, he would buy with it what was worth fifteen **dinars** on credit. Malik said that it was disapproved of for a man to buy goods from someone for either a **dinar** cash or for a described sheep on credit and that one of the two prices was obliged on him. It was not to be done because the Messenger of Allah, may Allah bless him and grant him peace, forbade two sales in one sale. This was part of two sales in the one sale. Malik spoke about a man saying to another, "'I will either buy these fifteen sa of ajwa dates from you, or these ten sa of sayhani dates or I will buy these fifteen sa of inferior wheat or these ten sa of Syrian wheat for a **dinar**, and one of them is obliged to me.' Malik said that it was disapproved of and was not halal. That was because he obliged him ten sa of sayhani, and left them and took fifteen sa of ajwa, or he was obliged fifteen sa of inferior wheat and left them and took ten sa of Syrian wheat. This was also disapproved of, and was not halal. It resembled what was prohibited in the way of two sales in one sale. It was also included under the prohibition against buying two for one of the same sort of food."

59

Imam Malik's Muwatta: Chapter 41, no. 23

Narrated: Amra bint Abdur Rahman

Yahya related to me from Malik from Abdullah ibn Abi Bakr from his father from Amra bint Abd ar-Rahman that a thief stole a citron in the time of Uthman Uthman ibn Affan ordered its value to be estimated and it was estimated at three dirhams at the rate of exchange of twelve dirhams for the **dinar**, so Uthman cut off his hand.

60

Imam Malik's Muwatta: Chapter 31, no. 53

Narrated:

Yahya related to me from Malik that Muhammad ibn Abdullah ibn Abi Maryam asked Said ibn al-Musayyab's advice. "I am a man who buys food with receipts from al-Jar. Perhaps I will buy something for a **dinar** and half a dirham, and will be given food for a half." Said said, "No. You give a dirham, and take the rest in food." (A half dirham did not exist as a coin.)

61

Sunan Ibn Majah Chapter 1, no. 223

Narrated: Kathir bin Qais

I was sitting with Abu Darda' in the mosque of Damascus, when a man came to him and said: 'O Abu

Darda', I have come to you from Al-Madinah, the city of the Messenger of Allah (saw), for a Hadith which I have heard that you narrate from the Prophet (saw).' He said: 'Did you not come for trade?' He said: 'No.' He said: 'Did you not come for anything else?' He said: 'No.' He said: 'I heard the Messenger of Allah (saw) say: "Whoever follows a path in the pursuit of knowledge, Allah will make easy for him a path to Paradise. The angels lower their wings in approval of the seeker of knowledge, and everyone in the heavens and on earth prays for forgiveness for the seeker of knowledge, even the fish in the sea. The superiority of the scholar over the worshipper is like the superiority of the moon over all other heavenly bodies. The scholars are the heirs of the Prophets, for the Prophets did not leave behind **dinar** of Dirham, rather they left behind knowledge, so whoever takes it has taken a great share."

Dirham(1)

Book: [Ibn Majah](#) (1)

62

Sunan Ibn Majah: Chapter 18, no. 2430

Narrated: Qais bin Rumi

"Sulaiman bin Udhunan lent Alqamah one thousand **dirham** until he got his salary, When he got his salary, he demanded that he pay him back and treated him harshly. He paid him back, and it was as if Alqamah was angry. Several months passed then he came to him and said: 'Lend me one thousand **dirham** until my salary comes.' He said 'Yes, it would be an honor. O Umm Utbah! Bring me that sealed leather bag that you have.' He said: 'By Allah (SWT), these are your **dirham** that you paid back to me; I did not touch a single **dirham**., 'What made you do what you did to me (i.e., treat me so harshly)?' He said: 'What I heard from you.' He said: 'What did you hear from me?' He said: 'I heard you narrated from Ibn Masud that the Prophet (saw) said: "There is no Muslim who lends something to another Muslim twice, but it will be like giving charity once."He said: 'That is what Ibn Masud told me.' " sahih

Riba(9)

Book: [Sahih Bukhari](#) (9)

63

Sahih Bukhari: Chapter No: 34, no. 344

Narrated: Az-Zuhri

from Malik bin Aus, that the latter said, "Who has change?" Talha said, "I (will have change) when our store-keeper comes from the forest." Narrated Umar bin Al-Khattab: Allah's Apostle said, "The bartering of gold for silver is **riba**, (usury), except if it is from hand to hand and equal in amount, and wheat grain for wheat grain is usury except if it is form 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, and barley for barley is usury except if it is from hand to hand and equal in amount."

64

Sahih Bukhari: Chapter 39, no: 511

Narrated: Abu Said Al-Khudri

Once Bilal brought Barni (i.e., a kind of dates) to the Prophet (SAW) and the Prophet (SAW) asked him, "From where have you brought these?" Bilal replied, "I had some inferior type of dates and exchanged two Sas of it for one Sa of Barni dates in order to give it to the Prophet (SAW) to eat." Thereupon the Prophet (SAW) 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."

65

Sahih Bukhari: Chapter 34, no. 379

Narrated: Ibn Umar

The Prophet 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.

66

Sahih Bukhari: Chapter 34, no. 382

Narrated: Ibn Shihab

that Malik bin Aus said, "I was in need of change for one-hundred Dinars. Talha bin Ubaid-Ullah called me and we discussed the matter, and he agreed to change (my Dinars). He took the gold pieces in his hands and fidgeted with them, and then said, "Wait till my storekeeper comes from the forest." Umar was listening to that and said, "By Allah! You should not separate from Talha till you get the money from him, for Allah's Apostle said, 'The selling of gold for gold is **riba** (usury) except if the exchange is from hand to hand and equal in amount, and similarly, the selling of wheat for wheat is **riba** (usury) unless it is from hand to hand and equal in amount, and the selling of barley for barley is usury unless it is from hand to hand and equal in amount, and dates for dates, is usury unless it is from hand to hand and equal in amount"

67

Sahih Bukhari: Chapter 50, no. 854

Narrated: Ibn Abu Afa

A man displayed some goods in the market and took a false oath that he had been offered so much for them though he was not offered that amount Then the following Divine Verse was revealed: "Verily! Those who purchase a little gain at the cost of Allah's covenant and their oaths . . . Will get painful punishment." (3.77) Ibn Abu Afa added, "Such person as described above is a treacherous **riba**-eater (i.e. eater of usury).

68

Sahih Bukhari: Chapter 53, no. 30

Narrated: Abu Huraira

The Prophet (SAW) said, "Avoid the seven great destructive sins." The people enquire, "O Allah's Apostle (SAW)! What are they?" He said, "(1) To join others in worship along with Allah, (2) to practice sorcery, (3) to kill the life which Allah has forbidden except for a just cause, (according to Islamic law), (4) to eat up **riba** (usury), (5) to eat up an orphan's wealth, (6) to show one's back to the enemy and fleeing from the battlefield at the time of fighting, (7) and to accuse, chaste women, who never even think of anything touching chastity and are good believers.

69

Sahih Bukhari: Chapter 34, no. 299

Narrated: Aun bin Abi Juhaifa

My father bought a slave who practiced the profession of cupping. (My father broke the slave's instruments of cupping). I asked my father why he had done so. He replied, "The Prophet forbade the acceptance of the price of a dog or blood, and also forbade the profession of tattooing, getting tattooed and receiving or giving **riba**, (usury), and cursed the picture-makers."

70

Sahih Bukhari: Chapter 34, no. 298

Narrated: Samura bin Jundab

The Prophet said, "This night I dreamt that two men came and took me to a Holy land whence we proceeded on till we reached a river of blood, where a man was standing, and on its bank was standing another man with stones in his hands. The man in the middle of the river tried to come out, but the other threw a stone in his mouth and forced him to go back to his original place. So, whenever he tried to come out, the other man would throw a stone in his mouth and force him to go

back to his former place. I asked, 'Who is this?' I was told, The person in the river was a **riba**-eater."

71

Sahih Bukhari: Chapter 39, no. 504

Narrated: Abu Said Al-Khudri and Abu Huraira

Allah's Apostle (SAW) employed someone as a governor at Khaibar. When the man came to Medina, he brought with him dates called Janib. The Prophet (SAW) asked him, "Are all the dates of Khaibar of this kind?" The man replied, "(No), we exchange two Sa's of bad dates for one Sa of this kind of dates (i.e. Janib), or exchange three Sa's for two." On that, the Prophet (SAW) said, "Don't do so, as it is a kind of usury (**riba**) but sell the dates of inferior quality for money, and then buy Janib with the money". The Prophet (SAW) said the same thing about dates sold by weight.

Sale(30)

Books: Sahih Bukhari (13), Imam Malik's Muwatta (13), Ibn Majah (4)

72

Sahih Bukhari: Chapter 31, no. 213

Narrated: Abu Huraira

Two fasts and two kinds of sale are forbidden: fasting on the day of Eid ul Fitr and Eid-ul-Adha and the kinds of sale called Mulamasa and Munabadha. (These two kinds of sale used to be practiced in the days of Pre-Islamic period of ignorance; Mulamasa means when you touch something displayed for sale you have to buy it; Munabadha means when the seller throws something to you, you have to buy it.)

73

Sunan Ibn Majah: Chapter 14, no. 2289

Narrated: Salih bin Suhaib

that his father said: "The Messenger of Allah (saw) said: 'There are three things in which there is blessing: A sale with deferred payment; Muqaradhah (profit sharing); and mixing wheat with barley for one's house, but not for sale.'"

74

Sahih Bukhari: Chapter 34, no. 399

Narrated: Abdullah bin Umar

Allah's Apostle forbade the sale of fruits till their benefit is evident. He forbade both the seller and the buyer (of such a sale).

75

Sahih Bukhari: Chapter 41, no. 576

Narrated: Rafi bin Khadij and Sahl bin Abi Hathma

Allah's Apostle (SAW) forbade the sale of Muzabana, i.e. selling of fruits for fruits, except in the case of Araya; he allowed the owners of Araya such kind of sale.

76

Sahih Bukhari: Chapter 34, no. 353

Narrated: Abdullah bin Umar

Allah's Apostle forbade the sale called Habal-al-Habala which was a kind of sale practiced in the Pre-Islamic Period of ignorance. One would pay the price of a she-camel which was not born yet would be born by the immediate offspring of an extant she-camel.

77

Sahih Bukhari: Chapter 35, no. 449

Narrated: Abu Al-Bakhtari

I asked Ibn Umar about Salam of (the fruits of) date-palms. He replied, "The Prophet forbade the sale of dates till their benefit becomes evident and fit for eating and also the sale of silver (for gold) on credit." I asked Ibn Abbas about Salam for dates and he replied, "The Prophet forbade the sale of dates till they were fit for eating and could be estimated."

78

Imam Malik's Muwatta: Chapter 17, no. 37

Malik said, "The sunna that we are all agreed upon here (in Madina) and which I have heard from the people of knowledge, is that there is no zakat on any kind of fresh (soft) fruit, whether it be pomegranates, peaches, figs or anything that is like them or not like them as long as it is fruit." He continued, "No zakat has to be paid on animal fodder or herbs and vegetables of any kind, and there is no zakat to pay on the price realised on their sale until a year has elapsed over it from the day of sale which counts as the time the owner receives the sum."

79

Sahih Bukhari: Chapter 34, no. 419

Narrated: Abdur Rahman bin Abu Bakr

We were with the Prophet when a tall mushrik (pagan) with long matted unkempt hair came driving his sheep. The Prophet asked him, "Are those sheep for sale or for gifts?" The mushrik (pagan) replied, "They are for sale." The Prophet bought one sheep from him.

80

Imam Malik's Muwatta: Chapter 31, no. 87

Malik said there was no harm if a man who sold some drapery and excluded some garments by their markings, stipulated that he chose the marked ones from that. If he did not stipulate that he would choose from them when he made the exclusion, I think that he is partner in the number of drapery goods which were purchased from him. That is because two garments can be alike in marking and be greatly different in price. Malik said, "The way of doing things among us is that there is no harm in partnership, transferring responsibility to an agent, and revocation when dealing with food and other things, whether or not possession was taken, when the transaction is with cash, and there is no profit, loss, or deferment of price in it. If profit or loss or deferment of price from one of the two enters any of these transactions, it becomes sale which is made halal by what makes sale halal, and made haram by what makes sale haram, and it is not partnership, transferring responsibility to an agent, or revocation." Malik spoke about some one who bought drapery goods or slaves, and the sale was concluded, then a man asked him to be his partner and he agreed and the new partner paid the whole price to the seller and then something happened to the goods which removed them from their possession. Malik said, "The new partner takes the price from the original partner and the original partner demands from the seller the whole price unless the original partner stipulated on the new partner during the sale and before the transaction with the seller was completed that the seller was responsible to him. If the transaction has ended and the seller has gone, the pre-condition of the original partner is void, and he has the responsibility." Malik spoke about a man who asked another man to buy certain goods to share between them, and he wanted the other man to pay for him and he would sell the goods for the other man. Malik said, "That is not good. When he says, 'Pay for me and I will sell it for you,' it becomes a loan which he makes to him in order that he sell it for him and if those goods are destroyed, or pass, the man who paid the price will demand from his partner what he put in for him. This is part of the advance which brings in profit." Malik said, "If a man buys goods, and they are settled for him, and then a man says to him, 'Share half of these goods with me, and I will sell them all for you,' that is halal, there is no harm in it. The explanation of that is that this is a new sale and he sells him half of the goods provided that he sells the whole lot."

81

Imam Malik's Muwatta: Chapter 31, no. 63

Yahya related to me from Malik from Ibn Shihab that Said ibn al-Musayyab said, "There is no usury in animals. There are three things forbidden in animals: al-madamin, al-malaqih and habal al-habala. Al-madamin is the sale of what is in the wombs of female camels. Al-malaqih is the sale of the breeding qualities of camels" (i.e. for stud). Malik said, "No one should buy a specified animal when it is concealed from him or in another place, even if he has already seen it, very recently or not so recently, and was pleased enough with it to pay its price in cash." Malik said, "That is disapproved of because the seller makes use of the price and it is not known whether or not those goods are found to be as the buyer saw them or not. For that reason, it is disapproved of. There is no harm in it if it is described and guaranteed."

82

Sahih Bukhari: Chapter 34, no. 349

Narrated: Abdullah bin Umar

Allah's Apostle said, "Do not urge somebody to return what he has already bought (i.e. in optional sale) from another seller so as to sell him your own goods."

83

Sunan Ibn Majah: Chapter 14, no. 2191

Narrated: Samurah

that the Messenger of Allah (saw), said: "If two (separate) authorized persons make a sale (of the same thing), then the first transaction is the one that is valid. "

84

Sunan Ibn Majah: Chapter 14, no. 2209

Narrated: Abu Qatadah

that the Messenger of Allah (saw), said: "Beware of swearing oaths when selling, for it may help you to make a sale but it destroys the blessing."

85

Sahih Bukhari: Chapter 34, 324

Narrated: Abdullah bin Umar

Allah's Apostle said, "Both the buyer and the seller have the option of cancelling or confirming a bargain unless they separate, or the sale is optional."

86

Narrated: Sahl bin Abu Hathma

Allah's Apostle forbade the selling of fruits (fresh dates) for dried dates but allowed the sale of fruits on the Araya by estimation and their new owners might eat their dates fresh. Sufyan (in another narration) said, "I told Yahya (a sub-narrator) when I was a mere boy, 'Makkans say that the Prophet allowed them the sale of the fruits on Araya by estimation.' Yahya asked, 'How do the Makkans know about it?' I replied, 'They narrated it (from the Prophet) through Jabir.' On that, Yahya kept quiet." Sufyan said, "I meant that Jabir belonged to Medina." Sufyan was asked whether in Jabir's narration there was any prohibition of selling fruits before their benefit is evident (i.e. no dangers of being spoiled or blighted). He replied that there was none.

87

Imam Malik's Muwatta: Chapter 31, no. 72

Narrated: Malik

Yahya related to me from Malik that he had heard that the Messenger of Allah, may Allah bless him and grant him peace, forbade two sales in one sale.

88

Imam Malik's Muwatta: Chapter 31, no. 97

Narrated: Abu Huraira

Malik related to me from Abuz-Zinad from al-Araj from Abu Hurayra that the Messenger of Allah, may Allah bless him and grant him peace, said, "Do not go out to meet the caravans for trade, do not bid against each other, outbidding in order to raise the price, and a townsman must not buy on behalf of a man of the desert, and do not tie up the udders of camels and sheep so that they appear to have a lot of milk, for a person who buys them after that has two recourses open to him after he milks them. If he is pleased with them, he keeps them and if he is displeased with them, he can return them along with a sa of dates." Malik said, "The explanation of the words of the Messenger of Allah, may Allah bless him and grant him peace, according to what we think - and Allah knows best - 'do not bid against each other,' is that it is forbidden for a man to offer a price over the price of his brother when the seller has inclined to the bargainer and made conditions about the weight of the gold and he has declared himself not liable for faults and such things by which it is recognised that the seller wants to make a transaction with the bargainer. This is what he forbade, and Allah knows best." Malik said, "There is no harm, however, in more than one person bidding against each other over goods put up for sale." He said, "Were people to leave off haggling when the first person started haggling, an unreal price might be taken and the disapproved would enter into the sale of the goods. This is still the way of doing things among us."

89

Imam Malik's Muwatta: Chapter 31, no. 79

Malik spoke about what was done among them in the case of a group of people who bought goods, drapery or slaves, and a man heard about it and said to one of the group, "I have heard the description and situation of the drapery goods you bought from so-and-so. Shall I give you such-and-such profit to take over your portion?" This person agreed, and the man gave him the profit and became a partner in his place. When he looked at the purchase, he saw that it was ugly and found it too expensive. Malik said, "It is obliged on him and there is no choice in it for him if he bought it according to a list of contents and the description was well-known." Malik spoke about a man who had drapery goods sent to him, and salesmen came to him and he read to them his list of contents and said, "In each bag is such-and-such a wrap from Basra and such-and-such a light wrap from Sabir. Their size is such-and-such," and he named to them types of drapery goods by their sort, and he said, "Buy them from me according to this description." They bought the bags according to what he described to them, and then they bought them and found them too expensive and regretted it. Malik said, "The sale is binding on them, if the goods agree with the list of contents on which he sold them." Malik said, "This is the way of doing things which people still use today. They permit the sale among them when the goods agree with the list of contents and are not different from it."

90

Sahih Bukhari: Chapter 34, no. 322

Narrated: Ibn Umar

Allah's Apostle said, "The seller and the buyer have the option of cancelling or confirming the deal unless they separate, or one of them says to the other, Choose (i.e. decide to cancel or confirm the bargain now)." Perhaps he said, 'Or if it is an optional sale.' Ibn Umar, Shuraih, Ash-Shabi, Tawus, Ata, and Ibn Abu Mulaika agree upon this judgment.

91

Imam Malik's Muwatta: Chapter 35, no. 4

Yahya said that Malik related from Muhammad ibn Umara from Abu Bakr ibn Hazm that Uthman ibn Affan said, "When boundaries are fixed in land, there is no pre-emption in it. There is no pre-emption in a well or in male palm trees." Malik said, "This is what is done in our community." Malik said, "There is no pre-emption in a road, whether or not it is practical to divide it." Malik said, "What is done in our community is that there is no pre-emption in the courtyard of a house, whether or not it is practical to divide it." Malik spoke about a man who bought into a shared property provided that he had the option of withdrawal and the partners of the seller wanted to take what their partner was selling by pre-emption before the buyer had exercised his option. Malik said, "They cannot do that until the buyer has taken possession and the sale is confirmed for him. When the sale is confirmed, they have the right of pre-emption." Malik spoke about a man who bought land and it remained in his hands for some time. Then a man came and saw that he had a share of the land by inheritance.

Malik said, "If the man's right of inheritance is established, he also has a right of preemption. If the land has produced a crop, the crop belongs to the buyer until the day when the right of the other is established, because he has tended what was planted against being destroyed or being carried away by a flood." Malik continued, "If the time has been long, or the witnesses are dead or the seller has died, or the buyer has died, or they are both alive and the basis of the sale and purchase has been forgotten because of the length of time, pre-emption is discontinued. A man only takes his right by inheritance which has been established for him. If his situation differs from this, because the sale transaction is recent and he sees that the seller has concealed the price in order to sever his right of pre-emption, the value of the land is estimated, and he buys the land for that price by his right of pre-emption. Then the buildings, plants, or structures which are extra to the land are looked at, so he is in the position of some one who bought the land for a known price, and then after that built on it and planted. The owner of pre-emption takes possession after that is included." Malik said, "Pre-emption is applied to the property of the deceased as it is applied to the property of the living. If the family of the deceased fear to break up the property of the deceased, then they share it and sell it, and they have no pre-emption in it." Malik said, "There is no pre-emption among us in a slave or a slave-girl or a camel, a cow, sheep, or any animal, nor in clothes or a well which does not have any uncultivated land around it. Pre-emption is in what can be usefully divided, and in land in which boundaries occur. As for what cannot be usefully divided, there is no pre-emption in it." Malik said, "Some one who buys land in which people who are present have a right of pre-emption, refers them to the Sultan and either they claim their right or the Sultan surrenders it to him. If he were to leave them, and not refer their situation to the Sultan and they knew about his purchase, and then they left it until a long time had passed and then came demanding their pre-emption, I do not think that they would have it."

92

Imam Malik's Muwatta: Chapter 31, no: 54

Yahya related to me from Malik that he had heard that Muhammad Sirin used to say, "Do not sell grain on the ears until it is white." Malik said, "If someone buys food for a known price to be delivered at a stated date, and when the date comes, the one who owes the food says, 'I do not have any food, sell me the food which I owe you with delayed terms.' The owner of the food says, 'This is not good, because the Messenger of Allah, may Allah bless him and grant him peace, forbade selling food until the deal was completed.' The one who owes the food says to his creditor, 'Sell me any kind of food on delayed terms until I discharge the debt to you.' This is not good because he gives him food and then he returns it to him. The gold which he gave him becomes the price of that which is his right against him and the food which he gave him becomes what clears what is between them. If they do that, it becomes the sale of food before the deal is complete." Malik spoke about a man who was owed food which he had purchased from a man and this man was owed the like of that food by another man. The one who owed the food said to his creditor, "I will refer you to my debtor who owes me the same amount of food as I owe you, so that you may obtain the food which I owe you ." Malik said, "If the man who had to deliver the food, had gone out, and bought the food to pay off his creditor, that is not good. That is selling food before taking possession of it. If the food is an advance which falls due at that particular time, there is no harm in paying off his creditor with it because that

is nota sale. It is not halal to sell food before receiving it in full since the Messenger of Allah, may Allah bless him and grant him peace, forbade that. However, the people of knowledge agree that there is no harm in partnership, transfer of responsibility and revocation in sales of food and other goods." Malik said, "That is because the people of knowledge consider it as a favour rendered. They do not consider it as a sale. It is like a man lending light dirhams. He is then paid back in dirhams of full weight, and so gets back more than he lent. That is halal for him and permitted. Had a man bought defective dirhams from him as being the full weight, that would not be halal. Had it been stipulated to him that he lend full weight in dirhams, and then he gave faulty ones, that would not be halal for him."

93

Sahih Bukhari: Chapter 34, no. 397

Narrated: Ibn Umar

from Zaid bin Thabit, Allah's Apostle allowed the sale of Araya by estimating the dates on them for measured amounts of dried dates. Musa bin Uqba said, "Al-Araya were distinguished date palms; one could come and buy them (i.e. their fruits)."

94

Imam Malik's Muwatta: Chapter 31, no. 43

Yahya related to me from Malik from Nafi that Hakim ibn Hizam traded in food for people as Umar ibn al-Khattab had ordered him to do. Hakim re-sold the food before he had taken delivery of it. That reached Umar ibn al-Khattab and he revoked the sale and said, "Do not sell food which you have purchased until you take delivery of it."

95

Sahih Bukhari: Chapter 34, no. 360

Narrated: Abu Huraira

Allah's Apostle said, "Do not go forward to meet the caravan (to buy from it on the way before it reaches the town). And do not urge buyers to cancel their purchases to sell them (your own goods) yourselves, and do not practice Najsh. A town dweller should not sell the goods for the desert dweller. Do not leave sheep un milked for a long time, when they are on sale, and whoever buys such an animal has the option of returning it, after milking it, along with a Sa of dates or keeping it. It has been kept un milked for a long period by the seller (to deceive others)."

96

Sahih Bukhari: Chapter 41, no. 553

Narrated: Abu Huraira

Allah's Apostle (SAW) said, "There are three persons whom Allah will not look at on the Day of Resurrection, nor will he purify them and theirs shall be a severe punishment. They are: 1. A man possessed superfluous water, on a way and he withheld it from travelers. 2. A man who gave a pledge of allegiance to a ruler and he gave it only for worldly benefits. If the ruler gives him something he gets satisfied, and if the ruler withholds something from him, he gets dissatisfied. 3. A man displayed his goods for sale after the Asr prayer and he said, 'By Allah, except Whom None has the right to be worshipped, I have been given so much for my goods,' and somebody believes him (and buys them)." The Prophet (SAW) then recited: "Verily! Those who purchase a little gain at the cost of Allah's Covenant and their oaths." (3.77)

97

Sunan Ibn Majah: Chapter 14, no. 2186

Narrated: Qasim bin Abdur Rahman

from his father that : Abdullah bin Masud sold one of the slaves from the state to Ashath bin Qais, and they differed concerning the price. Ibn Masud said: "I sold him to you for twenty thousand,' but Ashath bin Qais said: "I bought him from you for ten thousand." Abdullah said: "If you want, I will tell you a Hadith which I heard from the Messenger of Allah (saw)" He said: "Tell me it." He said: "I heard the Messenger of Allah (saw) say: 'If two parties to a transaction differ, and they have no proof, and the sale item remains (unredeemed), then what the seller says is valid. Or they may cancel the transaction." He said: "I want to cancel the transaction." And he cancelled it.

98

Imam Malik's Muwatta: Chapter 31, no. 69

Narrated: Malik

Yahya related to me from Malik that he had heard that the Messenger of Allah, may Allah bless him and grant him peace, forbade 'selling and lending.' Malik said, "The explanation of what that meant is that one man says to another, 'I will take your goods for such-and-such if you lend me such-and-such.' If they agree to a transaction in this manner, it is not permitted. If the one who stipulates the loan abandons his stipulation, then the sale is permitted." Malik said, "There is no harm in exchanging linen from Shata, for garments from Itribi, or Qass, or Ziqq. Or the cloth of Herat or Merv for Yemeni cloaks and shawls and such like as one for two or three, from hand to hand or with delayed terms. If the goods are of the same kind, and deferment enters into the transaction, there is no good in it." Malik said, "It is not good unless they are different, and the difference between them is clear. When they resemble each other, even if the names are different, do not take two for one with delayed terms, for instance two garments of Herat for one from Merv or Quhy with delayed terms, or two garments of Furqub for one from Shata. All these sorts are of the same description, so do not buy two for one, on delayed terms." Malik said, "There is no harm in selling what you buy of things of this nature, before you complete the deal, to some one other than the person from whom

you purchased them if the price was paid in cash."

99

Imam Malik's Muwatta: Chapter 31, no. 14

Yahya related to me from Malik from Nafi from Abdullah ibn Umar from Zayd ibn Thabit that the Messenger of Allah, may Allah bless him and grant him peace, allowed the holder of an ariya to barter the dates on the palm for the amount of dried dates it was estimated that the palms would produce. Yahya related to me from Malik from Da'ud ibn al-Husayn from Abu Sufyan, the mawla of Ibn Abi Ahmad, from Abu Hurayra that the Messenger of Allah, may Allah bless him and grant him peace, allowed the produce of an ariya to be bartered for an estimation of what the produce would be when the crop was less than five awsuq or equal to five awsuq. Da'ud wasn't sure whether he said five awsuq or less than five. Malik said, "Ariyas can be sold for an estimation of what amount of dried dates will be produced. The crop is examined and estimated while still on the palm. This is allowed because it comes into the category of delegation of responsibility, handing over rights, and involving a partner. Had it been like a form of sale, no one would have made someone else a partner in the produce until it was ready nor would he have renounced his right to any of it or put someone in charge of it until the buyer had taken possession."

100

Imam Malik's Muwatta: Chapter 32, no. 7

Yahya said that Malik said, "No one should make a qirad loan except in coin, because the loan must not be in wares, since loaning wares can only be worked in one of two ways: Either the owner of the wares says to the borrower, 'Take these wares and sell them. Buy and sell with the capital realized according to qirad.' The investor stipulates increase for himself from the sale of his goods and what relieves him of expenses in selling it. Or else he says, 'Barter with these goods and sell. When you are through, buy for me the like of my goods which I gave you. If there is increase, it is between you and me. 'It may happen that the investor gives the goods to the agent at a time in which they are in demand and expensive, and then the agent returns them while they are cheap and he might have bought them for only a third of the original price or even less than that. The agent then has a profit of half the amount by which the price of the wares has decreased as his portion of the profit. Or he might take the wares at a time when their price is low, and make use of them until he has a lot of money. Then those wares become expensive and their price rises when he returns them, so he buys them for all that he has so that all his work and concern have been in vain. This is an uncertain transaction and is not good. If, however, that is not known until it has happened, then the wage an agent in qirad would be paid for selling that, is looked at and he is given it for his concern. Then the money is qirad from the day the money became cash and collected as coin and it is returned as a qirad like that."

101

Yahya said that Malik said, "The person who puts up the principal must not stipulate that he has something of the profit alone without the agent sharing in it, nor must the agent stipulate that he has something of the profit alone without the investor sharing. In qirad, there is no sale, no rent, no work, no advance, and no convenience which one party specifies to himself without the other party sharing unless one party allows it to the other unconditionally as a favour and that is alright to both. Neither of the parties should make a condition over the other which increases him in gold or silver or food over the other party." He said, "If any of that enters the qirad, it becomes hire, and hire is only good with known and fixed terms. The agent should not stipulate when he takes the principal that he repay or commission anyone with the goods, nor that he take any of them for himself. When there is a profit, and it is time to separate the capital, then they divide the profit according to the terms of the contract. If the principal does not increase or there is a loss, the agent does not have to make up for what he spent on himself or for the loss. That falls to the investor from the principal. Qirad is permitted upon whatever terms the investor and the agent make a mutual agreement, of half the profit, or a third or a fourth or whatever." Malik said, "It is not permitted for the agent to stipulate that he use the qirad money for a certain number of years and that it not be taken from him during that time." He said, "It is not good for the investor to stipulate that the qirad money should not be returned for a certain number of years which are specified, because the qirad is not for a term. The investor loans it to an agent to use for him. If it seems proper to either of them to abandon the project and the money is coin, and nothing has been bought with it, it can be abandoned, and the investor takes his money back. If it seems proper to the investor to take the qirad loan back after goods have been purchased with it, he cannot do so until the buyer has sold the goods and they have become money. If it seems proper to the agent to return the loan, and it has been turned to goods he cannot do so until he has sold them. He returns the loan in cash as he took it." Malik said, "It is not good for the investor to stipulate that the agent pay any zakat due from his portion of the profit in particular, because the investor by stipulating that, stipulates fixed increase for himself from the profit because the portion of zakat he would be liable for by his portion of the profit, is removed from him. "It is not permitted for the investor to stipulate to the agent to only buy from so-and-so, referring to a specific man. That is not permitted because by doing so he would become his hireling for a wage." Malik spoke about an investor in qirad who stipulated a guarantee for an amount of money from the agent, "The investor is not permitted to stipulate conditions about his principal other than the conditions on which qirad is based or according to the precedent of the sunna of the Muslims. If the principal is increased by the condition of guarantee, the investor has increased his share of the profit because of the position of the guarantee. But the profit is only to be divided according to what it would have been had the loan been given without the guarantee. If the principal is destroyed, I do not think that the agent has a guarantee held against him because the stipulation of guarantees in qirad is null and void." Malik spoke about an investor who gave qirad money to a man and the man stipulated that he would only buy palms or animals with it because he sought to eat the dates or the offspring of the animals and he kept them for some time to use for himself. He said, "That is not permitted. It is not the sunna of the Muslims in qirad unless he buys it and then sells it as other goods are sold." Malik said, "There is no harm in the agent stipulating on the investor a slave to help him provided that the slave stands to gain along with him out of the investment, and when the slave only helps him with the investment, not with anything else."

Debt (32)

Books: Sahih Bukhari (11) Imam Malik's Muwatta (10) Ibn Majah (11)

102

Sahih Bukhari: Chapter 43, no. 613

Narrated: Abdullah bin Kab bin Malik Al-Ansari

from Kab bin Malik, That Abdullah bin Abi Hadrat Al-Aslami owed him some **debt**. Kab met him and caught hold of him and they started talking and their voices grew loudest. The Prophet (SAW) passed by them and addressed Kab, pointing out to him to reduce the **debt** to one half. So, Kab got one half of the **debt** and exempted the **debtor** from the other half.

103

Imam Malik's Muwatta: Chapter 36, no. 38

Yahya said that he heard Malik say, "What is done in our community about a man who refers a creditor to another man for the **debt** he owes him is that if the one referred to goes bankrupt or dies, and does not leave enough to pay the **debt**, then the creditor has nothing against the one who referred him and the **debt** does not return to the first party." Malik said, "This is the way of doing things about which there is no dispute in our community." Malik said, "If a man has his **debt** to somebody taken on for him by another man and then the man who took it on dies or goes bankrupt, then whatever was taken on by him returns to the first **debtor**."

104

Sahih Bukhari: Chapter 38, no. 500

Narrated: Abu Huraira

Whenever a dead man in **debt** was brought to Allah's Apostle (SAW) he would ask, "Has he left anything to repay his **debt**?" If he was informed that he had left something to repay his **debts**, he would offer his funeral prayer, otherwise he would tell the Muslims to offer their friend's funeral prayer. When Allah made the Prophet (SAW) wealthy through conquests, he said, "I am more rightful than other believers to be the guardian of the believers, so if a Muslim dies while in **debt**, I am responsible for the repayment of his **debt**, and whoever leaves wealth (after his death) it will belong to his heirs."

105

Sahih Bukhari: Chapter 43, no. 607

Narrated: Abdullah bin Kab bin Malik
Kab demanded his **debt** back from Ibn Abi Hadrad in the Mosque and their voices grew louder till Allah's Apostle (SAW) heard them while he was in his house. He came out to them raising the curtain of his room and addressed Kab, "O Kab!" Kab replied, "Labaik, O Allah's Apostle (SAW)." (He said to him), "Reduce your **debt** to one half," gesturing with his hand. Kab said, "I have done so, O Allah's Apostle (SAW)!" On that the Prophet (SAW) said to Ibn Abi Hadrad, "Get up and repay the **debt**, to him."

106

Imam Malik's Muwatta Chapter 17, no. 19

Yahya related to me from Malik from Yazid ibn Khusayfa that he had asked Sulayman ibn Yasar whether zakat was due from a man who had wealth in hand but also owed a **debt** for the same amount, and he replied, "No." Malik said, "The position that we are agreed upon concerning a **debt** is that the lender of it does not pay zakat on it until he gets it back. Even if it stays with the borrower for a number of years before the lender collects it, the lender only has to pay zakat on it once. If he collects an amount of the **debt** which is not zakatable, and has other wealth which is zakatable, then what he has collected of the **debt** is added to the rest of his wealth and he pays zakat on the total sum." Malik continued, "If he has no ready money other than that which he has collected from his **debt**, and that does not reach a zakatable amount, then he does not have to pay any zakat. He must, however, keep a record of the amount that he has collected and if, later, he collects another amount which, when added to what he has already collected, brings zakat into effect, then he has to pay zakat on it." Malik continued, "Zakat is due on this first amount, together with what he has further collected of the **debt** owed to him, regardless of whether or not he has used up what he first collected. If what he takes back reaches twenty dinars of gold, or two hundred dirhams of silver he pays zakat on it. He pays zakat on anything else he takes back after that, whether it be a large or small amount, according to the amount." Malik said, "What shows that zakat is only taken once from a **debt** which is out of hand for some years before it is recovered is that if goods remain with a man for trading purposes for some years before he sells them, he only has to pay zakat on their prices once. This is because the one who is owed the **debt**, or owns the goods, should not have to take the zakat on the **debt**, or the goods, from anything else, since the zakat on anything is only taken from the thing itself, and not from anything else." Malik said, "Our position regarding some one who owes a **debt**, and has goods which are worth enough to pay off the **debt**, and also has an amount of ready money which is zakatable, is that he pays the zakat on the ready money which he has to hand. If, however, he only has enough goods and ready money to pay off the **debt**, then he does not have to pay any zakat. But if the ready money that he has reaches a zakatable amount over and above the amount of the **debt** that he owes, then he must pay zakat on it."

107

Sunan Ibn Majah: Chapter 18, no. 2404

Narrated: Ibn Umar

that the Messenger of Allah (saw) said: "When a rich man takes too long to repay a **debt**, this is wrongdoing, and if the **debt** is transferred to a rich man, you should accept it."

108

Sunan Ibn Majah: Chapter 18, no. 2403

Narrated: Abu Hurairah

that the Messenger of Allah (saw) said: "(Wrongdoing) is when a rich man takes a long time to repay a **debt**, and if one of you is referred to a rich man (to collect a **debt**), he should accept that referral."

109

Sahih Bukhari: Chapter 42, no. 589

Narrated: Aisha

Allah's Apostle (SAW) used to invoke Allah in the prayer saying, "O Allah, I seek refuge with you from all sins, and from being in debt." Someone said, O Allah's Apostle (SAW)! (I see you) very often you seek refuge with Allah from being in debt. He replied, "If a person is in debt, he tells lies when he speaks, and breaks his promises when he promises."

110

Sahih Bukhari: Chapter 42, no. 583

Narrated: Hudhaifa

I heard the Prophet (SAW) saying, "Once a man died and was asked, 'What did you use to say (or do) (in your life time)?' He replied, 'I was a business-man and used to give time to the rich to repay his **debt** and (used to) deduct part of the **debt** of the poor.' So he was forgiven (his sins.)" Abu Masud said, "I heard the same (Hadith) from the Prophet (SAW)."

111

Sunan Ibn Majah: Chapter 18, no. 2415

Narrated: Abu Hurairah

if a believer died at the time of the Messenger of Allah (saw) and he had **debts**, the Messenger of Allah (saw) would ask: "Did he leave anything with which to off his **debt**?" If they said yes, then he would offer the funeral prayer for him, but if they said no, then he would say: "Pray for your companion." When Allah granted his Prophet (saw) the conquests, he said: "I am nearer to the

believers than their own selves. Whoever dies owing a **debt**, I will pay it off for him, and whoever leaves behind wealth, it will be for his heirs."

112

Sahih Bukhari: Chapter 49, no. 790

Narrated: Abu Huraira

Allah's Apostle (SAW) owed a man some **debt** (and that man demanded it very harshly). The companions of the Prophet (SAW) wanted to harm him, but the Prophet (SAW) said to them, "Leave him, as the creditor has the right to speak harshly." He then added, "Buy (a camel) of the same age and give it to him." They said, "We cannot get except a camel of an older age than that of his." He said, "Buy it and give it to him, as the best amongst you is he who pays back his **debt** in the most handsome way.'

113

Sunan Ibn Majah: Chapter 18, no. 2435

Narrated: Abdullah bin Amr

that the Messenger of Allah (saw) said: "A **debt** will be settled on the Day of Resurrection if the one who owes it dies, apart from three: A man who lost his strength fighting in the cause of Allah (SWT), so he borrows in order to become strong again to fighting in the cause of Allah (SWT) and his enemy. A man who sees a Muslims die and he cannot find anything with which to shroud him except by taking a loan. A man who fears Allah (SWT) if he stays single, so he gets married for fear of (losing) his religious commitment. Allah will pay off the **debt** for these people on the Day of Resurrection."

114

Malik's Muwatta: Chapter 31, no. 84

Malik related to me that Zayd ibn Aslam said, "Usury in the Jahiliyya was that a man would give a loan to a man for a set term. When the term was due, he would say, 'Will you pay it off or increase me?' If the man paid, he took it. If not, he increased him in his **debt** and lengthened the term for him ." Malik said, "The disapproved of way of doing things about which there is no dispute among us, is that a man should give a loan to a man for a term, and then the demander reduce it and the one from whom it is demanded pay it in advance. To us that is like someone who delays repaying his **debt** after it is due to his creditor and his creditor increases his **debt**." Malik said, "This is nothing else but usury. No doubt about it." Malik spoke about a man who loaned one hundred dinars to a man for two terms. When it was due, the person who owed the **debt** said to him, "Sell me some goods, whose price is one hundred dinars in cash for one hundred and fifty on credit." Malik said, "This

transaction is not good, and the people of knowledge still forbid it." Malik said, "This is disapproved of because the creditor himself gives the **debtor** the price of what the man sells him, and he defers repayment of the hundred of the first transaction for the **debtor** for the term which is mentioned to him in the second transaction, and the **debtor** increases him with fifty dinars for his deferring him. That is disapproved of and it is not good. It also resembles the hadith of Zayd ibn Aslam about the transactions of the people of the Jahiliyya. When their **debts** were due, they said to the person with the **debt**, 'Either you pay in full or you increase it.' If they paid, they took it, and if not they increased **debtors** in their **debts**, and extended the term for them."

115

Sunan Ibn Majah: Chapter 18, no. 2406

Narrated: Ibn Abbas

That during the time of the Messenger of Allah (saw), a man pursued a debtor who owed him ten Dinar, and he said: "I do not have anything to give you." He (the creditor) said: "No, by Allah, I will not leave you until you pay the debt or you bring me a guarantor." Then he dragged him to the Prophet (saw) and the Prophet (saw) said to him: "How long will you wait?" He said: "One month." The Messenger of Allah (saw) said: "I will be a guarantor for him." Then he came to him at the time the Prophet (saw) had said, and the Prophet (saw) said to him: "Where did you get this from?" He said: "From a mine." He said: "There is nothing good in it," and he paid the debt for him. Hasan

116

Imam Malik's Muwatta Chapter 31, no. 86

Malik related to me from Musa ibn Maysara that he heard a man ask Said ibn al-Musayyab, "I am a man who sells for a **debt**." Said said, "Do not sell except for what you take to your camel." Malik spoke about a person who bought goods from a man provided that he provide him with those goods by a specific date, either in time for a market in which he hoped for their saleability, or to fulfil a need at the time he stipulated. Then the seller failed him about the date, and the buyer wanted to return those goods to the seller. Malik said, "The buyer cannot do that, and the sale is binding on him. If the seller does bring the goods before the completion of the term, the buyer cannot be forced to take them." Malik spoke about a person who bought food and measured it. Then some one came to him to buy it and he told him that he had measured it for himself and taken it in full. The new buyer wanted to trust him and accept his measure. Malik said, "Whatever is sold in this way for cash has no harm in it but whatever is sold in this way on delayed terms is disapproved of until the new buyer measures it out for himself. The sale with delayed terms is disapproved of because it leads to usury and it is feared that it will be circulated in this way without weight or measure. If the terms are delayed it is disapproved of and there is no disagreement about that with us." Malik said, "**One should not buy a debt owed by a man whether present or absent, without the confirmation of the one who owes the debt, nor should one buy a debt owed to a man by a dead person even if one knows what the deceased man has left. That is because to buy that is an uncertain transaction and one does not know whether the transaction will be completed or not completed.**" He said, "The

explanation of what is disapproved of in buying a debt owed by someone absent or dead, is that it is not known what unknown debtor may be connected to the dead person. If the dead person is liable for another debt, the price which the buyer gave on strength of the debt may become worthless." Malik said, "There is another fault in that as well. He is buying something which is not guaranteed for him, and so if the deal is not completed, what he paid becomes worthless. This is an uncertain transaction and it is not good." Malik said, "One distinguishes between a man who is only selling what he actually has and a man who is being paid in advance for something which is not yet in his possession. The man advancing the money brings his gold which he intends to buy with. The seller says, 'This is 10 dinars. What do you want me to buy for you with it?' It is as if he sold 10 dinars cash for 15 dinars to be paid later. Because of this, it is disapproved of. It is something leading to usury and fraud."

117

Sahih Bukhari: Chapter 12, no. 795

Narrated: Aisha

(the wife of the Prophet) Allah's Apostle used to invoke Allah in the prayer saying "Allahumma inni a'udhu bika min adhabil-qabri, wa a'udhu bika min fitnatil-masihid-dajjal, wa a'udhu bika min fitnatil-mahya wa fitnatil-mamati. Allahumma inni a'udhu bika minal-ma thami wal-maghrami. (O Allah, I seek refuge with You from the punishment of the grave and from the afflictions of Masi,h Ad-Dajjal and from the afflictions of life and death. O Allah, I seek refuge with You from the sins and from being in **debt**)." Somebody said to him, "Why do you so frequently seek refuge with Allah from being in **debt**?" The Prophet replied, "A person in **debt** tells lies whenever he speaks, and breaks promises whenever he makes (them)." 'Aisha also narrated: I heard Allah's Apostle in his prayer seeking refuge with Allah from the afflictions of Ad-dajjal.

118

Sahih Bukhari: Chapter 29, no. 77

Narrated: Ibn Abbas

A woman from the tribe of Juhaina came to the Prophet and said, "My mother had vowed to perform Hajj but she died before performing it. May I perform Hajj on my mother's behalf?" The Prophet replied, "Perform Hajj on her behalf. Had there been a **debt** on your mother, would you have paid it or not? So, pay Allah's **debt** as He has more right to be paid."

119

Imam Malik's Muwatta: Chapter 31, no. 91

Malik related to me from Humayd ibn Qays al-Makki that Mujahid said, "Abdullah ibn Umar

borrowed some dirhams from a man, then he discharged his **debt** with dirhams better than them. The man said, 'Abu Abdar-Rahman. These are better than the dirhams which I lent you.' Abdullah ibn Umar said, 'I know that. But I am happy with myself about that.' " Malik said, "There is no harm in a person who has borrowed gold, silver, food, or animals, taking to the person who lent it, something better than what he lent, when that is not a stipulation between them nor a custom. If that is by a stipulation or promise or custom, then it is disapproved, and there is no good in it." He said, "That is because the Messenger of Allah, may Allah bless him and grant him peace, discharged his **debt** with a good camel in its seventh year in place of a young camel which he borrowed, and Abdullah ibn Umar borrowed some dirhams, and repaid them with better ones. If that is from the goodness of the borrower, and it is not by a stipulation, promise, or custom, it is halal and there is no harm in it."

120

Sunan Ibn Majah: Chapter 18, no. 2405

Narrated: Shurahbil bin Muslim Al-Khawlani

I heard Abu Umamah Al-Bahili say: "I heard the Messenger of Allah(saw) say: 'The guarantor is responsible and the **debt** must be repaid.' "

121

Sahih Bukhari: Chapter 38, no 489

Narrated: Abu Huraira

The Prophet (SAW) said, "Procrastination (delay) in paying **debts** by a wealthy man is injustice. So, if your **debt** is transferred from your **debtor** to a rich **debtor**, you should agree."

122

Sahih Bukhari: Chapter 42, no. 586

Narrated: Jabir bin Abdullah

I went to the Prophet (SAW) while he was in the Mosque. (Misar thinks, that Jabir went in the forenoon.) After the Prophet (SAW) told me to pray two Rakat prayer, he repayed me the **debt** he owed me and gave me an extra amount.

123

Sunan Ibn Majah: Chapter 18, no. 2413

Narrated: Abu Hurairah

that the Messenger of Allah (saw) that the Messenger of Allah (saw) said: "The soul of the believer is

attached to his **debt** until it is paid off."

124

Sunan Ibn Majah: Chapter 18, no. 2412

Narrated: Thawban

(the freed slave of the Messenger of Allah [saw]) that the Messenger of Allah (saw) said: "Anyone whose soul leaves his body and he is free of three things, will enter Paradise: Arrogance, stealing from the spoils of war, and **debt**."

125

Sunan Ibn Majah: Chapter 18, no. 2425

Narrated: Ibn Abbas

"A man came to ask the Prophet of Allah (saw) for some debt or some right, and he spoke harshly to him, and the Companions of the Messenger of Allah (saw) wanted to rebuke him. But the Messenger of Allah (saw) said: 'Let him be, for the one who is owed something has authority over the debtor, until it is paid off.' "

126

Sunan Ibn Majah: Chapter 18, no. 2433

Narrated: Sad bin Atwal

his brother died, leaving behind three hundred Dirham and dependents. "I wanted to spend (his money) on his dependents, but the Prophet (saw) said: 'Your brother is being detained by his **debt**, so pay it off for him.'" He said "O Messenger of Allah (saw), I have paid it off apart from two Dinar, which a woman is claiming but she has no proof." He said: "Give them to her for she is telling the truth."

127

Sunan Ibn Majah: Chapter 18, no. 2409

Narrated: Abdullah bin Jafar

that the Messenger of Allah (saw) said: "Allah will be the borrower until he pays off his **debt**, so long as it (the loan) is not for something that Allah dislikes." (Hasan) He the narrator said: "Abdullah bin Jafar used to say to his store keeper (i.e., the one entrusted with his wealth): 'Go and take out a loan

for me, for I would hate to spend the night without Allah (swt) being with me, after I heard the Messenger of Allah (saw)""

128

Sahih Bukhari Chapter 24, no. 574

Narrated: Abu Huraira

The Prophet said, "A man from Bani Israel asked someone from Bani Israel to give him a loan of one thousand Dinars and the later gave it to him. The **debtor** went on a voyage (when the time for the payment of the **debt** became due) but he did not find a boat, so he took a piece of wood and bored it and put 1000 diners in it and threw it into the sea. The creditor went out and took the piece of wood to his family to be used as fire-wood." And the Prophet narrated the narration (and said), "When he sawed the wood, he found his money."

129

Imam Malik's Muwatta: Chapter 37, no. 8

Malik related to me from Umar ibn Abd ar-Rahman ibn Dalaf al-Muzani from his father that a man from the Juhayna tribe used to buy camels before people set out for hajj and sell them at a higher price. Then he travelled quickly and used to arrive in Makka before the others who set out for hajj. He went bankrupt and his situation was put before Umar ibn al-Khattab, who said, "O People! al-Usayfi, al-Usayfi of the Juhayna, was satisfied with his deen and his trust because it was said of him that he arrived before the others on hajj. He used to incur debts which he was not careful to repay, so all of his property has been eaten up by it. Whoever has a debt against him, let him come to us tomorrow and we will divide his property between his creditors. Beware of debts! Their beginning is a worry and their end is destitution."

130

Sunan Ibn Majah: Chapter 18, no. 2426

Narrated: Abu Said Al-Khudri

"A Bedouin came to the Prophet (saw) to ask him to pay back a **debt** that he owed him, and he spoke harshly, saying: 'I will make things difficult for you unless you repay me.' His Companions rebuked him and said: 'Woe to you, do you know who you are speaking to?' He said: 'I am only asking for my rights.' The Prophet (saw) said: 'Why do you not support the one who has a right?' Then he sent word to Khawlah bint Qais, saying to her: 'If you have dates, lend them to us until our dates come, then we will pay you back.' She said: 'Yes, may my father be ransomed for you, O Messenger of Allah (saw)!' So she gave him a loan, and he paid back the Bedouin and fed him. He (the Bedouin) said: 'You have paid me in full, may Allah (SWT) pay you in full.' He (the Prophet (saw)) said: 'Those are the best of

people. May that nation not be cleansed (of sin) among whom the weak cannot get their rights without trouble.' "

131

Imam Malik's Muwatta: Chapter 21, no. 31

Yahya related to me from Malik from Yahya ibn Said from Said al-Maqburi from Abdullah ibn Abi Qatada that his father had said that a man came to the Messenger of Allah, may Allah bless him and grant him peace, and said, "O Messenger of Allah! If I am killed in the way of Allah, expectant for reward, sincere, advancing, and not retreating, will Allah pardon my faults?" The Messenger of Allah, may Allah bless him and grant him peace, said, "Yes." When the man turned away, the Messenger of Allah, may Allah bless him and grant him peace, called him - or commanded him and he was called to him. The Messenger of Allah, may Allah bless him and grant him peace, said to him, "What did you say?" He repeated his words to him, and the Prophet, may Allah bless him and grant him peace, said to him, "Yes, except for the **debt**. Jibril said that to me."

132

Sunan Ibn Majah: Chapter 14, no. 2198

Narrated: Anas bin Malik

a man from among the Ansar came to the Prophet (saw) and begged from him. He said, "Do you have anything in your house?" He said: "Yes, a blanket, part of which we cover ourselves with and part we spread beneath us, and a bowl from which we drink water." He said: "Givethem to me." So he brought them to him, and the Messenger of Allah (saw) took them in his hand and said, "Who will buy these two things?" A man said: "I will buy them for one Dirham." He said: "Who will offer more than a Dirham?" two or three times. A man said: "I will buy them for two Dirham." So he gave them to him and took the two Dirham, which he gave to the Ansari and said: "Buy food with one of them and give it to your family, and buy an axe with the other and bring it to me." So he did that, and the Messenger of Allah (saw) took it and fixed a handle to it, and said: "Go and gather firewood, and I do not want to see you for fifteen days." So he went and gathered firewood and sold it, then he came back, and he had earned ten Dirham. (The Prophet (saw) said: "Buy food with some of it and clothes with some." Then he said: "This is better for you than coming with begging (appearing) as a spot on your face on the Day of Resurrection. Begging is only appropriate for one who is extremely poor or who is in severe **debt**, or one who must pay painful blood money."

133

Imam Malik's Muwatta: Chapter 32, no. 15

Yahya said that Malik spoke about an investor paying qirad money to an agent who made a profit and then wanted to take his share of the profit and the investor was away. He said, "He should not take any of it unless the investor is present. If he takes something from it, he is responsible for it until

it is accounted for in the division of the capital." Malik said, "It is not permitted for the parties involved in a qirad to account and divide property which is away from them until the capital is present, and the investor is given the principal in full. Then they divide the profit into their agreed portions." Malik spoke about a man taking qirad money, and buying goods with it while he had a **debt**. His creditors sought and found him while he was in a city away from the investor, and he had profitable merchandise whose good quality was clear. They wanted him to sell the merchandise for them so that they could take his share of the profit. Malik said, "None of the profit of the qirad is taken until the investor is present. He takes his principal and then the profit is divided mutually between them." Malik spoke about an investor who put qirad money with an agent and he used it and had a profit. Then the principal was set aside and the profit divided. He took his share and added the share of the investor to his principal in the presence of witnesses he had called. Malik said, "It is not permitted to divide the profit unless the investor is present. If he has taken something here turns it until the investor has received the principal in full. Then what remains is divided into their respective portions." Malik spoke about an investor who put qirad money with an agent. The agent used it and then came to the investor and said, "This is your portion of the profit, and I have taken the like of it for myself, and I have retained your principal in full." Malik said, "I do not like that, unless all the capital is present, the principal is there and he knows that it is complete and he receives it. Then they divide the profit between them. He returns the principal to him if he wishes, or he keeps it. The presence of the principal is necessary out of fear that the agent might have lost some of it, and so may want it not to be removed from him and to keep it in his hand."

Appendix 3, questionnaire

1. Do you believe that the currencies in use today, for example the Euro/Dollar/Egyptian pound etc. are allowed according to the shariah?
2. Have you heard of the concepts of riba al fadl and riba al nassiah?
3. Do you know these hadiths?
4. Do you think money in circulation is backed by gold/silver?
5. Do you know how gold and silver got demonetized?
6. Do you think the gold standard was permissible?
7. Does knowledge of the demonetization process change your opinion considering the permissibility of fiat currency?
8. Do knowledge/recollection of the primary sources change your opinion regarding the permissibility of fiat currency?
9. What would be your reaction if you found out the fiat currency in use today is not halal, but a form of riba?

Interviews were held with six respondents:

Imam Mosque Noordwijk

Syrian, 55 years old.

Studied at al-Azhar, in the Netherlands since 2012.

Imam mosque Leiden, Al-hijra.

Moroccan, 34 years old.

PhD at Moroccan university, in the Netherlands since 2016.

Employee Royal Dutch Shell

Saudi national, 37 years old

Studied geology in Saudi Arabia, traditional religious education, in the Netherlands since 2013

Syrian refugee

Syrian, 35 years old

Studied at al-Azhar, in the Netherlands since 2014

Teacher at Dutch College

Turkish/Dutch, 49 years old

Studied in Turkey, Ankara university, religious studies.

Teacher at Dutch college

Moroccan, 59 years old

Studied in Morocco, the Netherlands, pedagogic.