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## THE PROHIBITION OF RIBA (USURY) IN THE FAREWELL SERMON: ECONOMIC JUSTICE IN THE EARLY ISLAMIC STATE

**Muhammad Mudasir Nawaz**

Assistant Professor, Department of Muslim History, University of Sindh Jamshoro, Pakistan

Email: [mudasir.mughal@usindh.edu.pk](mailto:mudasir.mughal@usindh.edu.pk)

**Farzana Solangi**

Lecturer, Department of Muslim History, University of Sindh, Pakistan

Email: [farzana.samad.solangi@gmail.com](mailto:farzana.samad.solangi@gmail.com)

**Dr Humera Naz**

Associate Professor, University of Karachi, Karachi

Email: [dnaz@uok.edu.pk](mailto:dnaz@uok.edu.pk)



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## Abstract

The point of this research article is that the banning of Riba (usury) in the Farewell Sermon was the conclusive pillar in building economic justice in the early Islamic state. Beyond a moral injunction, it examines this declaration as a revolutionary state policy that has destroyed systematically the exploitative pre-Islamic debt economy. The paper follows the progressive revelation of Quran on Riba to the strategic and absolute abolishment of Sermon. It puts this prohibition as part of a wider economic system, in cooperation with Zakat and encouraging of ethical trade to create risk-sharing, wealth circulation, and social solidarity. The article concludes that this intervention created a new paradigm of an economy, which is based on equity and divine justice that opposed tyrannical financial systems.

**KEYWORDS:** Prohibition of Riba in Islam, Economic Reforms of the Farewell Sermon, Riba and the Islamic Economic System, From Usury to Economic Justice, Theological Foundations of Islamic Finance.

## 1-Introduction: (An Ultimate Economic Order Proclamation)

Arafat plains saw a historic event in the 10th year of the Hijrah, when Prophet Muhammad (PBUH) addressed a huge number of his followers in his Farewell Pilgrimage. It was a miracle of a meeting in a witness of the unification of the emerging Muslim community that would give birth to a powerful and all-embracing sermon that would define the ethical and legal pillars on which Islamic society would be built upon in the long term.<sup>1</sup> One of its most eloquent pronouncements, the declaration of the sacrosanctity of life, property, honor, was the baroque and unabashed prohibition of Riba (usury) in Prophet (PBUH).<sup>2</sup> The intentionality with which this particular economic practice was underlined at the time of the most triumphant moments in spiritual and political life is raised to acute questioning: what was the reason the final abolition of Riba was considered one of the foundations of the just society he was building?

This article has argued that the Farewell Sermon ban on Riba was much more than a moral injunction; that it was a strategic and unquestioned and state level measure that codified the fundamental tenet of economic justice. It was a kind of the climax of a revelatory process and the last element of the entire system of dismantling in a systematic way the pre-Islamic Arabian economy of exploitation and debt (Jahiliyyah).<sup>3</sup> This new order was to be based on the Islamic ideals of equity (Adl), collective risk and the righteous flow of money that would directly

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substitute an order of exploitation and concentration of wealth.<sup>4</sup> To support such a thesis, this work is going to examine the totalitarian mechanics and social implications of Riba al-Jahiliyyah first. It will then follow the gradual revelation of the Quran on the issue of usury which formed the ideological basis in its ultimate elimination. The analysis of the proclamation in the framework of the Farewell Sermon will be detailed further and its strategic value identified. Lastly, the paper shall discuss how this prohibition has been integrated with other major fiscal and social reforms especially Zakat to demonstrate how the economic vision that was set to be coherent and whole was made in the early Islamic state.

## **2-The Pre-Islamic Background:**

The revolutionary character of its ban can only be properly comprehended by first knowing what was the special and sudden cruel mechanics of Riba al-Jahiliyyah, which was the type of usury that had penetrated pre-Islamic Arabian society. This was not simply the interest paid on borrowings but rather a financial predatory mechanism of wealth transfer among the weak to the strong systematically. It was mostly done through issuing a loan where a lender would lend money on the condition that the borrower would pay the lender the principal at the end of the loan. In case of default of the borrower the debt was doubled and this would contribute more debt-servitude which could hardly be paid and this was almost exponential leading to uncontrollable debt.<sup>5</sup> This was practiced with the approval of existing tribal customs and the debt would be increased by doubles as it defaulted; and then again the debt would be increased by doubles and so on, and it was almost impossible to pay the debt.

This system had a more destructive social impact, which virtually reduced it to an informal but brutal debtor-prison. There is the risk of an individual losing family resources such as livestock and land due to failure to pay a debt, and in the process, subjecting whole lineages to poverty. Worst still, free people and their families might be taken captive to pay the debt leaving them without their social status and independence.<sup>6</sup> This practice was widespread even in the elite as evidenced by historical records including that of the mighty Qurayshi financier, Al-Abbas ibn Abdul-Muttalib, an uncle of the Prophet. The cycle of debts, which constantly enslaved the poor, guaranteed the stable economic subordination of that group of people and hardened the strict system of classes, when the poor were crushed in the hands of a small number of creditor families.

This usurping system was in sharp contrast to the standards of just trade (Bay'). Whereas trade concerned material risk, entrepreneurial activity and the possibility of making a profit as well

as a loss, Riba was designed to give the lender a fixed risk-free profit. It generated wealth not as a result of productive contribution, investment or the creation of real value, but simply as a result of the passing of time and the financial suffering of the borrower(3).<sup>7</sup> This ethical difference would subsequently be emphasized in the Quran itself, when it is mentioned that, "But Allah has allowed trade and has forbidden Riba,".<sup>8</sup> a difference between a win-win and an extractive, predatory exchange.

Therefore, the Meccan power structure was built on the Riba-based economy. It was a major tool used by the elite of Quraysh, who owned trade routes and religious pilgrimage to Kaaba to achieve their economic and social dominance.<sup>9</sup> It was not only an economic reform, the ban on Riba, but the direct radical attack on this developed socio-economic hierarchy. It hit the core of the power base of the Meccan oligarchy to the extent of clearing out an economy of exploitation with a new system of justice and a refreshing risk, thus destroying the systemic injustice that was supporting the age of ignorance.

### **3-The Phased Prohibition: (A Legislative Wisdom Study)**

Conclusion of Riba in the Farewell Sermon was not a decree by itself, but the final stage in a series of slow and carefully planned legislative work divinely planned. This gradual method, through the Meccan and Medinan, illustrates an extreme wisdom in training a society which was inextricably involved in usury for a radical economic restructuring.

This was established at the early meccan time when revelations were directed against the underlying disease of morality and not the particular economic transaction. This is a crucial verse of this century, which says:

وَمَا آتَيْتُمْ مِّن رِّبَا لِّيَرْبُو فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُو عِنْدَ اللَّهِ وَمَا آتَيْتُم مِّن زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ<sup>10</sup>

“That which ye lend out in usury so that it may increase in the property of other men has no increase with Allah; but that which ye lend out in charity with the purpose of seeking the Countenance of Allah it is they who will increase manifold.”

This is not a direct statement in Surah Ar-Rum that makes Riba illegal. It does, rather, an important psychological, spiritual operation, namely, it establishes a strong bondage between usury, on the one hand, and what is, in the presence of God, rightful increase, on the other, and another, stronger bondage between charity, on the one hand, and truly blessed growth, on the other hand. It shifted the perception of the community in regard to wealth, creating a moral

conscience that emphasized selfless giving over selfish acquisition and making the ultimate preparations toward the eventual legal injunction.

The revelations became legislative and more direct after the founding of the Muslim community in Medina. In Surah Ali Imran there was a definite and official ban:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً. وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ

"O thou who believes! Eat not usury doubled and multiplied, but have fear of Allah that thou may be successful. <sup>11</sup>

This verse specifically aimed at the worst and most obnoxious type of pre-Islamic usury, which was doubling of the debt in case of default. But the final and most general legal and theological difference was found in the Surah Al-Baqarah. In this verse, the person has created an absolute dichotomy:

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

"But Allah has allowed trade and has forbidden Riba." <sup>12</sup>

Such a statement is not merely a ban; it develops an alternative ethical paradigm of any economic activity. Quranically, by contrasting the permissibility of trade with that of Riba, a productive risk sharing economy (Bay) and a riskless exploitative economy (Riba), the latter is seen as a war on God and His Messenger. <sup>13</sup>

as Allah says:

فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ. وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ. لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ

"But fail to do this (if you persist in Riba ), then listen to the declaration of war from Allah and His Messenger. And if you repent, you are entitled to your original capital. Then you will not be wrongdoers, nor will you be wronged."

This gradual revelation is wisdom with many dimensions. Riba was not just another popular practice, it was the foundation of the wealth of the Meccan elite and an extremely accepted tradition. The out-right ban would have had a drastic social and economic consequence and would have been met with more opposition. This incremental strategy enabled the community to internalize the underlying ethics in the first place. It allowed Muslims time to un-scramble their financial situation, find halal options, and themselves affect the epiphany of the divinity inherent in the law. This approach focuses on the Quranic goal of achieving long and deeply rooted reform, both in faith and practice, as opposed to providing a punitive law. It was this

cautious preparations that enabled the community to be ready in the final and ultimate abolition at Arafat.

#### 4- Final and Definitive Proclamation: (The Farewell Sermon)

The Farewell Sermon, which was held in the 10th year of Hijrah, was the climax of the power of Prophet Muhammad (PBUH) and his mission. By that moment, the Muslim community had ceased to be a persecuted community in Mecca to the powerful and united political force in Medina with influence spread all over the Arabian Peninsula. This sermon was given at an event known as the Hajj, which in itself represented the unity of the tribes under the banner of Islam, and spoke to a huge audience of the representatives of almost all tribes in Arabia.<sup>14</sup> It is important to have this context: this was not a religious lesson on a personal level, but a legislative speech on behalf of the whole mass political body of the newly established Islamic state, proclaiming the ultimate and absolute principles by which society was to be composed. In this monumental speech, there was the proclamation of Riba that was stated with conclusiveness. The Prophet (PBUH) said,

أَلَا إِنَّ كُلَّ شَيْءٍ مِنْ أَمْرِ الْجَاهِلِيَّةِ تَحْتَ قَدَمَيَّ مَوْضُوعٌ ..... وَرِبَا الْجَاهِلِيَّةِ مَوْضُوعٌ وَأَوَّلُ رِبَا أَضَعُهُ رِيبَانَا رِيبَا  
عَبَّاسِ بْنِ عَبْدِ الْمُطَّلِبِ فَإِنَّهُ مَوْضُوعٌ كُلُّهُ،<sup>15</sup>

“Everything pertaining to the pre Islamic period has been put under my feet ..... The usury of the pre-Islamic period is abolished and the first of usury I abolish is our usury, the usury of Abbas bin Abd Al Muttalib for it is all abolished.”

This specific definition has a hidden symbolic and practical meaning which echoed throughout the community. The term all Riba of the Jahiliyyah did not simply forbid a financial transaction; that was only symbolic, it represented the abolishment of a whole generation of injustice, oppression and a morally corrupt economic system. It was the last separation with the Age of Ignorance and its value system.

Moreover, the strategic statement, the first Riba I abolish is our Riba was a political genius and law-making statement. The Prophet (PBUH) proved to be the most unbiased person by publicly setting aside the usury that was owed by himself to his own mighty uncle and setting a clear precedent that would not be challenged at all. This gesture of leading through example had nullified any possible excuse of exemption of the Qurayshi elite, who had been the main

beneficiaries of the pre-pre-existing usury system. It gave a clear indication that there was no person however his status or position with the leadership was not exempt of this divine law. Lastly, the dramatic conclusion, It is abolished completely, was the finishing touch to the case. This language could not be seen as ambiguous, or with any loopholes or gradual phasing; this was an outright, unconditional, and absolute ban on all kinds of pre-Islamic usury.

This declaration in the Farewell Sermon was successful in elevating the ban on Riba out of personal morality and slow action within the context of a gradual transformation, into the field of a legal obligation and state policy. Although sinfulness of Riba was already a fact in the Quranic verses, it is this declaration by the head of state as the lawgiver, that made it a constitutional law of the Islamic state.<sup>16</sup> It changed the ban which was a personal religious duty into a societal duty and obligation shared by the community and the governing body to enforce. This was when the full implementation of economic justice as a non-negotiable principle on the Islamic social order occurred such that the new state would be established on an economic basis free of the exploitative practices of the past.

### **5- Just Economy Construction:** (Prohibition of Riba in a Broadened Perspective)

The Riba ban although monumental was not a decree in itself. It was like the main pillar to a complete Islamic economic framework to be carefully created to collaborate with other institutions to create a fair and just society. The idea of this structure was to use a hybrid approach of negative prohibition with positive injunctions to develop the self-reinforcing cycle of economic justice.

The most important equivalent to the prohibition of Riba was Zakat institution. Supposing Riba is a process of systematically robbing the poor and giving the riches to the wealthy, then Zakat is a Godly-inspired Rama which functions the other way round. Zakat as an obligatory tax of savings and certain assets at 2.5 percent serves as a solid redistributive instrument to keep supplying the wealth of the rich into the hands of the poor and needy.<sup>17</sup> This forced turnover of money, is the guarantee of a minimum of social welfare, of a demand within the economy, of an augmentation of purchasing power by the lower classes, of a guard against the dangerous accumulation of capital which Riba advocates. The voluntary charity (Sadaqah) is also, an additional support to the system and results in a culture of social responsibility that is in stark contrast to individualism of a usurious economy.

Moreover, Islam did not simply prohibit the exploitative pattern of Riba, it offered a better variant by encouraging ethical business (Bay') and profit and loss sharing joint-stock.



Systems of finance such as Mudarabah (a partnership in trustee form where one partner contributes the capital and the other partner provides labor and skills) and Musharakah (a full partnership where all the parties contribute capital and share in management and risk) were promoted.<sup>18</sup> These models are quite different in comparison to a loan based on Riba. Riba transaction is not subject to entrepreneurial risk since the lender is guaranteed a fixed amount of returns regardless of the success or failure of the borrower. Conversely, in Mudarabah and Musharakah, the financier and the entrepreneur enter into a partnership where both have the potential gain as well as the risk of loss. This brings them into harmony of interest, creates in them the spirit of cooperation rather than exploitation and gets finance directly connected with productive and real economic action.

The Quran also strongly discourages hoarding of wealth, and this philosophy of circulation is also strengthened by it (Kanz al-Mal). Quran is categorical in its warnings:

وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ

“And those who are a repository of gold and silver and use it not in the manner of Allah - give tidings to them of a miserable punishment”.<sup>19</sup>

Such injunction deters withdrawal of wealth out of the economy, and this hinders growth resulting to economic stagnation. The Islamic economic model is therefore proactive in promoting productive and ethical investment and circulation of capital, which makes wealth to have a social role and benefit the common good.

Lastly, the revolutionary Islamic laws of inheriting, which are also highlighted in the Farewell Sermon concerning the rights of the heirs, are very important in the long-term perspective.<sup>20</sup>

These laws ensure that wealth is not concentrated in the hands of only one family lineage since they compel the will of a deceased person to be distributed among a set of heirs. This methodical disaggregation of vast fortunes between generations serves as an automatic restraint upon the development of long-term dynastic wealth, and supplements the anti-usury policies and makes the economic system dynamic and socially mobile. Collectively these interrelated institutions, Zakat, ethical commerce, the hoarding prohibition and the laws of inheritance, created an integrated and strong system that changed the negative prohibition of Riba to the basis of a lively and fair economy.



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## 6-Early Islamic State and Enduring Legacy Implementation.

The constitutional taboo that had been proclaimed at Arafat was promptly operationalized by the Rashidun Caliphs who made it one of the non-negotiable foundations of statecraft. In his first address, Caliph Abu Bakr (RA) clearly stated that he was bound to enforce the already prohibited laws of Allah, such as Riba thus indicating its prominence in his rule.<sup>21</sup> His predecessor, Caliph Umar ibn al-Khattab (RA), showed strict execution. It is recorded in history that he would himself order the Muslim community to drive out of their ranks those who practiced Riba wickedness as well as the cancellation of usurious profits so that the law is not just a mere symbolic gesture but an actual benefit to the economy of the Muslim community.<sup>22</sup> This vigorous enforcement of the caliphate entrenched the anti-usury principle in the inner substance of the administrative and legal system of the early state and made an ideal of theology a functioning social one.

This principle was the foundation of classical Islamic economics, which developed into the generation of a complex commercial jurisprudence (Fiqh al-Muamalat). The 8th century jurists were careful to develop a legal ecosystem of risk-sharing (Al-Ghunm bil-Ghurm) and asset-backing to create a full range of formal, non-usurious financial instruments. Alliances such as Mudarabah and Musharakah as well as sale-based contracts such as Murabaha and Ijara became the common modes of financing trade, agriculture and industry across the Islamic world over the centuries.<sup>23</sup> This historical structure is a testament of the feasibility of a healthy, profit-seeking economy that is consciously present without the use of interest-related debt.

The even more modern applicability of this prohibition is becoming all the more topical. Following the recurring global financial crises, usually with the basis of predatory lending, speculative bubbles and unsustainable debt, the Islamic finance concept of tying finance to real assets and collective risk presents an attractive alternative paradigm.<sup>24</sup> Even with its challenges, the modern Islamic finance industry is an effort to institutionalize these principles with the view to promoting ethical banking that encourages financial inclusivity and discourages the type of leverage that causes instability in the economy. The ban on Riba is not a historical relic and this is the challenge perennial to traditional economic thinking in its effort to suggest an alternative vision of finance as an instrument of mutual prosperity as opposed to an instrument of extraction.

## Conclusion:

Conclusively, the ban of Riba in the Farewell Sermon was the ultimate climax of a Gods project of creating economic justice. It was a state-level move that was decisive, systematic, and dismantled an oppressive economy based on debts replacing it with a system based on the fundamental Islam doctrine of solidarity, shared risk, and wealth circulation. This legislation enshrined a vision of human dignity that is by its very nature irreconcilable with financial exploitation and provided an intellectual and moral heritage that still provides important lessons on how to build a more stable and fair world economy.

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