The 6th Global Islamic Marketing Conference (GIMAC) Concludes in Istanbul, Turkey

FAAIF CEO Camille Paldi discusses the definition and implications of Riba in Istanbul, Turkey.

ISTANBUL, TURKEY, May 6, 2015 /EINPresswire.com/ -- FAAIF participates in the 6th Global Islamic Marketing Conference (GIMAC) sponsored by Qatar University, Erciyes University, and Istanbul University in Istanbul, Turkey. FAAIF CEO Camille Paldi explained the concept of riba or interest and its implications and how finance without interest has benefits for everyone. Paldi clarified that in fact Thomas Jefferson read and was influenced by the Qu'ran and that perhaps the framers of the US Constitution took the concept that each state shall issue currency in silver and gold from the Qu'ran.

In Islam, it is permissible to trade money for commodity, commodity for commodity, however, not money for money as this produces riba (interest). Riba (interest) is in fact just a form of gharar (uncertainty). The Shari'ah allows for transactions where both counter-values are transacted at the time of the dealing or one counter-value now and one in the future, however, not both counter-values in the future.

Since in interest financing, one counter-value is certain, the interest on the loan, and one counter-value is uncertain, the yield from investing the loan by the creditor, interest-finance is in fact an extreme case of gharar (uncertainty). Saadallah says that in the case of riba (interest), the "variance in certitude between the two counter-values, the interest on the one hand and the opportunity cost on the other, constitutes the essence of the injustice of imposing interest on loans."

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> *Camille Silla Paldi*

Saadallah states that an often-cited reason for the Qu'ranic ban on interest is to "forestall injustice, since increasing the amount is in return of the time-term." Islam does not recognize the time value of money as time cannot be the sole consideration for an excess amount claimed in an exchange. Saadaallah says the excess amount must be claimed against an asset or commodity and not time as this would result in a money-money transaction. Usmani explains "Time of payment may act as an ancillary factor to determine the price of a commodity, but it cannot act as an exclusive basis for and the sole consideration of an excess claimed in exchange of money for money." Commodity-commodity and money-commodity transactions are allowed, however, not money-money transactions as this may result in (riba) interest. According to Usmani "Interest-based financing does not necessarily create real assets, therefore, the supply of money through the loans advanced by the financial institutions does not normally match with the real goods and services produced in the society, because the supply is increased, and sometimes multiplied without creating real assets in the same quantity." Usmani explains that "This gap between the supply of money and production of real assets creates or fuels inflation." In contrast, Usmani says "Since financing in an Islamic system is backed by assets, it is always matched with corresponding goods and services."

According to al Zuhayli, "Riba is a surplus of commodity without counter-value in commutative transaction of property for property." The intent of such a transaction is a surplus of commodities. Therefore, the definition of riba includes both credit riba and invalid sales, since postponement in either of the indemnities is a legal surplus without perceivable material recompense, the delay usually due to an increase in compensation. Furthermore, Usmani says that "Any excess claimed in a credit transaction (of money exchange of money) is against nothing but time."

There are two types of riba forbidden in Islam, credit and surplus riba. "Credit riba is taken against a delay in settlement of a due debt, regardless whether the debt be that of goods sold or a loan." Therefore, "Credit riba occurs due to their inclusion of an increase in one of the two exchanged goods without any counter-value. The impermissibility of exchanging equal amounts is due to the resulting increase in value. Zuhayli explains that this is because neither of the contracting parties would usually accept to postpone the receiving of the payment save if there were some benefit by increase in the value thereby. Credit riba represents a violation of the 'hand to hand' rule when one or both counter-values of a transaction are postponed to a future date (of goods of same genus). Riba of delay or credit riba prohibits sale of commodities in the future even if the counter- values are equal.

Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt, like for like and equal for equal, payment being made hand to hand. If these classes differ, then sell as you wish if payment is made hand to hand.

The six goods mentioned in this hadith are ribawi goods. Violation of "same for same" can lead to riba of excess or surplus riba and not fulfilling "hand to hand" (i.e. spot transaction) would constitute riba of delay or credit riba. If there is exchange among the same specie of ribawi goods, it has to be done on the spot and should be of equal quantities. If the quantities exchanged differ, even in spot transactions, then it will constitute riba of excess or surplus riba. Rules of riba of excess also prohibit exchange of dissimilar quantities of a genus with different qualities (such as exchanging) one unit of high quality dates with two units of low quality dates.

Zuhayli explains that "This type of riba is forbidden in order to prevent it being used as a pretext to committing credit riba, such that a person sells gold, for example, on credit, then pays back in silver more than the equivalent of what he had taken in gold." To avoid riba, the commodity has to be exchanged with some other genus and then traded with the desired commodity (high quality dates with wheat or silver and then wheat or silver with low quality dates). Camille Paldi can be contacted at camille@faaif.com.

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