

Money in Islamic Economics¹

Ausaf Ahmad*

Like fire, wheel and zero, money is one of the most important inventions ever carried out by mankind². It has made important contributions to the evolution of human civilization but history of its own development is shrouded in the clouds of mystery and little knowledge, if not ignorance. Probably, it came into being at the very dawn of civilization. If it is not as old as the Man himself, then, it came into being very soon after men organized themselves into a society so much so that it is difficult, if not altogether impossible, to imagine an organized society without money.³

It is probably impossible to tell who invented money and how. Presumably, it was not the work of any single individual. It might have evolved over long periods of time, modified by human experience and reformed by usage. Money was necessitated to overcome the difficulties encountered in barter system of exchange, which in one form or the other, may still be found in farfetched Asian and African villages.⁴

Thinking about monetary issues started early in the Islamic history in the light of guidance of Quranic teachings and the Sunnah of the Holy Prophet (S.A.W.). It was also in the nature of things as Makkah, in the seventh century A.D., was emerging as an important center of international trade⁵, although no coinage used to take place in Makkah itself during the time of the Prophet (S.A.W.).⁶

Money in the *Quran* and *Sunnah*

It is well known that the word *money* has not been mentioned specifically in the *Quran*. The word mentioned in the *Quran* is *māl*⁷ which encompasses all worldly possessions, mainly

* Former Head, Special Assignments, Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia.

economic assets and all kinds of material wealth. It does not preclude liquid money as we know it. The usual connotation of *mā* may be considered more general.⁸ The word *mā* has been used in the *Quran* frequently in relation to wealth and its various manifestations, for instance, verses 10: 88, 26:88,104:2; 90:6, 2:177, 2:264, 2:188, 9:24, 30:39 mention the word *mal* in its varying meanings⁹. The *Quran* mentions gold and silver (Arabic: *dhahab* and *fiddah*) in the verses (3:14) and (9:34). Since gold and silver were used as money for a long time through human history and were still in use at the time of the Revelation, one may assert that *Quran* by the use of these words intends to mention money¹⁰. A more specific reference to money is found in the verse 18:19 which says, "Now Send Ye then one of you with this money of yours to the town..." The word used in Arabic text is *waraq* which is commonly used for silver coins. It may be argued that the injunction against *riba* (2: 278- 279), though, this injunction is general enough to be applied both to a monetized as well as a non-monetized economy but may be considered to be more relevant and meaningful in case of a monetized society where giving and taking a loan appears as a monetary phenomenon, and is prevalent not only as a social practice required by need, but also as an economic activity yielding some income. Several verses in the *Quran* implicitly recognize the existence of a monetized economy. The Quranic scholars have presented evidence that giving and taking commercial loans (on interest) was a standard commercial practice in Makkah, which had emerged as an important center of international trade as it lay on an important international trade route.¹¹

Similarly, verse 2: 282 commands believers to write down the transaction "when they deal with each other in transactions involving future in a period of time". This is also an implicit recognition of existence of a monetized economy as the sum lent and sum borrowed (which are, in the absence of 'interest', by

definition equal), shall be expressed in money terms. If these magnitudes are expressed in money terms only then no issue of quality variation would arise. If a loan is given, say one kilogram of dates that is to be returned after a month. Recording this transaction on paper may not eliminate all disputes as the lender might plead that he had given better quality dates and the borrower is not returning the dates of the same quality. Thus, one may conclude that writing of the transaction offers a way out only if the sum lent, borrowed and returned, is indicated in terms of money. The *Quran* also uses some other expressions such as *qintar* (treasures) and *kanz* (hoardings) to denote worldly possessions, which also include money.¹² In some cases, *Quran* explicitly mentions some kind of money such as *dinar*, a single silver coin (3:75) and *dirham*, a small silver coin. The verse (18:19) uses yet another expression *awraq*. The verse says: *Now send ye then one of you with this money (coins) of yours in the town...*" (18:19). The contextual reference in this verse and in many other verses as well, has been made in such a way, that obvious reference appears to be money and nothing else. For instance, consider the following verses:

Do not squander [your money] extravagantly, Spendthrifts are the Devil's brethren and Satan has always been ungrateful towards his Lord. [17: 26]

They will ask you about what they should spend [on others]. Say: Any money¹³ you contribute should be (first) spent on your parents, close relatives, orphans, the needy and the wayfarers. [2:215]

The contextual reference in these verses is ¹⁴so strong that many translators have unhesitatingly translated it as money.

Similarly, many Traditions of the Prophet (S.A.W.) ask the believers to conduct their transactions in the following manner:

C → M → C

First convert the commodity into money (sell) and then convert the money into commodity (buy). Following tradition of the Prophet (S.A.W.) may be cited in testimony:

The Prophet of Allah (S.A.W.) had appointed a person as administrator in Khyber. He presented himself with some dates. The Prophet (S.A.W.) asked, "Are all the dates from Khyber of the same quality? The administrator said: "By God, No. I purchased one *saa'* of these (picked up) dates by giving two *saa'* (of collected dates)". The Prophet (pbuh) said, "Do not do it (in future). First sell the (collected dates) for coins, then, purchase picked up good quality dates (with these *dirhams*).¹⁵

A little reflection would reveal that the Prophet (S.A.W.) encouraged the monetized transaction and discouraged the barter transaction to ensure justice to both parties involved in the transaction. A transaction based on simple barter is not advisable as there is a strong possibility that it may not ensure a measure of value and cause serious damage (loss) at least to one party of the transaction (buyer or seller) is bound to lose. There are many Traditions of this kind which disallow exchange of one good by the same good. Most of these Traditions are cited in support of prohibition of *riba al fadl*. However, some recent authors consider that these Traditions, in fact, discourage a barter transaction which is a form of *bay' al fasid* (invalid transaction).¹⁶ These traditions may be taken as prudential guidance.

Compared to this, monetary process in a modern economy may be explained with the help of following simple diagram:



In the modern industrial civilization one starts with the initial position of having money, convert it to commodities (production) and then again convert commodities into money (trade) with the result that $M^* > M$. This is what leads to concentration of money in a few hands. In order to overcome this

situation, Islam has suggested certain institutional measures, which may be looked into the chapter dealing with economic inequalities. In what follows we deal with the ideas of a few Islamic thinkers on the subject of money.

Ghazali on Money

Ghazali¹⁷ (1058-1111) is one of the great Islamic thinkers who expressed his views on various functions of Money. Ghazali was perceptive enough to realize the role of money as a medium of exchange.¹⁸ He also recognized that money came into existence to facilitate the lives of the people and to overcome the difficulties of the barter system of exchange. He anticipated most of the difficulties of the barter system, when he says:

Some times a person needs a thing which he does not possess. Some other time a person possesses a thing which he does not need. For instance, a person may have some saffron, but at this point of time he needs a camel to ride and not saffron. Now, if there was a person who possessed a camel but does not need it. Instead, he needs saffron. Then, exchange between these two persons can solve the problem. However, a measure of standard of value is required to accomplish this (exchange). Obviously, the owner of the camel would never like to give up his possession (a full camel) in exchange of a little amount of saffron. There is no commonality between these two.¹⁹

Ghazali was aware of difficulties the barter system encounters because of lack of double coincidence of wants. He also had quite a clear idea of various functions of money as he does mention the functions of money as medium of exchange, as a measure of value and as a standard of value. However, he did not specifically mention the store of value function of money²⁰ although it may be argued that it is implicit in his writings as well as in his reasoning. The precious metals (gold and silver) have performed two functions for a long time. They were used to make coins. Second, the riches were held in Gold and Silver. Hence, Store of value function is implicit there. They are demanded and

stored simply because value (wealth) is stored in them. Ghazali has drawn our attention to the disastrous consequences of hoarding of money which remains a distinct possibility wherever and whenever metallic standards are in vogue. He repeatedly reiterates that money i.e. the *dinar* and *dirham*, made of gold and silver respectively at that time, and is meant for circulation and not for hoarding. Al Ghazali argues that Quranic injunction against the hoarding of Gold and Silver (Surah 9 Verse 34) is directed against such hoarding. However, it must be recognized that holding gold and silver in smaller quantities is to take advantage of the store of value. The application of hoarding clause (*kanz*) may be invoked only beyond a certain minimum. This still holds good that any medium of exchange should not be hoarded. Ghazali was also cognizant of limitations of a bimetallic standard. During the time of Ghazali, bimetallic standard was prevailing as *dinar*, made of Gold and *dirham* (plural: *dirahim*) made of silver, were in circulation. Ghazali exhibits a rare understanding of economic issues involved in the explanation of *riba*. He holds that it is permissible to exchange *dinar* with *dirahim* with the difference in weights. However, this kind of transaction is permissible only when it is carried out on the spot and hand to hand. In this context, Ghazali writes:

If someone asks the reason why is it that one form of money is permitted to be exchanged with the other kind of money (i.e. Changing *dinars* to *dirahim* with the difference in quantity and changing *dirhams* with *dirhams* without any difference in the quantity), then it must be known that these two metals are different from each other and these may be different as medium of exchange also. It may be easier to conduct a transaction in any one kind of money. For example, *dirham* may be more suitable than the *dinars* to make small payments. Now if a person needs to convert his *dinars* into *dirhams* to conduct a small transaction, but such conversion was prohibited, such a person would face a great

deal of inconvenience. This will hinder the function of money as a medium of exchange. (This is the rationale of permitting the exchange of *dinars* with *dirhams*.) As for the issue of exchanging *dirhams* with *dirhams* is concerned, it has not been prohibited as no rational persons or a trader would be interested in this kind of exchange. It is a pointless act. It is like first throwing a coin on the ground and picking it again. Which rational person would waste his time in a senseless act like this? An exchange between *dirham* and another *dirham* is possible if at least one of the coins is made of a better quality metal. However, the condition of equality in weight of both coins would make such an exchange impossible as the person holding the better quality *dirham* would not agree to it. However, he may agree to this exchange if he is offered more of the lower quality *dirham* (in exchange of a given quantity of better quality *dirham*). However, such variation in quantity is not permissible either. It has been ordained that good quality and better quality coins shall be equal (in value). Reason is that variation in quality is noticed in those goods which are required for their intrinsic value. A concern for variation in quality of the goods which are not required for their intrinsic value is also pointless. There is no doubt that if a person issues different kinds of coins by mixing different kinds of metals, he commits an excess. He should not do it.²¹

Thus, Ghazali emerges as one of the foremost Islamic thinkers having done some original thinking on matters related to money. As observed earlier, some of his ideas remain valid till today. He deserves his rightful place in the history of economic thought.

Ibn Taimiyah on Money

Ibn Taimiyah (1263-1328) was born and raised in times of great turmoil and political upheavals. Despite this, he rose to become a towering figure in Islamic scholarship. He was a great jurist and legal expert. He was also a great teacher and prolific writer. His economic ideas are spread over many of his works such as *Al Hisbah fil Islam*, (Public Duty in Islam) ` and *al Siyasa al*

Shahr'iyah fi islah al Rai wa Raiyyah (Public Policy for reforming Public Opinion and the Society).

Although Ibn Taimiyah was basically a jurist and many of his ideas are stated in his rulings (*fatawah*). Even then, his economic ideas were not restrictive. Commenting on this, Siddiqi writes;

"Ibn Taimiyah's vision of economic affairs is very clear. All economic activities are permissible except those prohibited by the *Shari'ah*. Within the limits set by the *Shari'ah* prohibitions, men know better what is good for them and they are free to make transactions, enter into contracts and conduct their worldly affairs in a just and fair manner, observing the standards of fairness set by the '*urf* and *adah*, i.e., conventions and customs"²²

Ibn Taimiyah was in favor of a bigger role for the State in the economy and advocated stricter regulation and control of individual economic state by the State to achieve larger social goals. We must study Ibn Taimiyah's ideas on money within these broad parameters.

Ibn Taimiyah did not add anything new to what al Ghazali had already said about the nature and definition of money. However, he seems to have similar views about money being a medium of exchange and a measure of value. Ibn Taimiyah's further ideas were probably strongly influenced by the events of his times. During that period, the Mamlook Sultans of Egypt used to import copper, increase coinage of what was then known as *fuloos*, (Copper coins of smaller denominations which were in currency along with Gold *dinar* and silver *dirham*), and make money in process by reducing the value of *fuloos*. Ibn Taimiyah, who had some vague notion of the relationship between the value of money, general price level and its supply which were later formalized as Quantity Theory of money, vehemently condemned it and interpreted it as "trading in money." Islahi has given a rather long quotation highlighting this episode, which is worth repeating here:

Ibn Taimiyah asks a ruler, “not to start business in money by purchasing copper and minting coins and thus doing business with them. Neither should he invalidate the money in the people’s possession and mint other kinds of coins. Rather, he should mint coins of real value without aiming at any profit by doing so, and while keeping in view the general public interest (*al maslahah al amah*), he should pay the salary of workers from the public treasury (*bait al mal*). It could be said without much fear of contradiction that trading in money means opening a big door of injustice for the people and of devouring their wealth by false pretences.²³

Islahi also holds that Ibn Taimiyah had anticipated Grasham’s law (“bad money drives good money out of circulation”) much before Grasham did it.²⁴

Ibn Khaldun on Money

‘Abd al Rahman ibn Mohammad ibn Khaldun (1332-1406) was born in Tunis in 1332. He is also called Hadrami as his ancestors emigrated from Hadarmaut in Yemen. Ibn Khaldun grew to become one of the great scholars in history, if not the greatest. He was a great historian, a jurist, an economist as well as a sociologist. His *magnum opus Kitabal ‘Ibar* (universal history) runs into seven volumes.

But the work for which Ibn Khaldun is famous all over the world is his *Muqaddimah* (1377), which was written as an introductory volume to his encyclopedic work on history of Muslim ruling families, *Kitabal ‘Ibar*. Ibn Khaldun propounded a theory of rise and fall of civilizations. He assigned economic factors a central role in his scheme of social change. However, his contribution to this area is quite limited although he anticipated many of the ideas and concepts which became the corner stone of modern economics such as theory of value, concepts of demand and supply, business cycles, division of labour and a host of others. It is on the strength of this work that Ibn Khaldun has come to be recognized as the First Social Scientist, in the exact sense of the

word. The *Muqaddimah* contains the ideas pertaining to most social sciences, history, economics, public administration, sociology, anthropology and much else. More than any thing else, it is his methodology which makes Ibn Khaldun relevant to our times. He used a positivist rationalist methodology for the investigation of the subject matter he was handling. In those times, positive rationalist methodology was mostly used in empirical sciences for the investigation of natural phenomena. The scholars used a legalistic normative methodology, deeply rooted in religious and moral sciences for the investigation of social phenomena. The use of this methodology in social issues was an innovation of Ibn Khaldun which makes him more important than any social scientist of his times.

Like his many illustrious predecessors, Ibn Khaldun also has a very clear understanding of the functions of money. He discusses it in terms of precious metals, gold and silver which were used as money. Ibn Khaldun recognized three most important functions of money as "medium of exchange," "measure of value of all commodities" and "store of treasure". Due to the very nature of the issues he was handling, Ibn Khaldun concentrated more on aggregate and macro variables. Hence, money was no exception. He recognized that a ruler needs money to rule, to win allies, corrupt rivals, to maintain an army, to build forts etc. From thereon, he diverts his attention to mobilizing of revenue and the character of public expenditure which play a crucial role in the rise and fall of civilizations.

Ibn Khaldun also defines another novel concept "Gross Earnings" which is left after meeting one's expenditures and livelihood. It is akin to contemporary concept of savings. Ibn Khaldun measures gross savings in terms of possession of gold and silver in the public treasury. With extravagance, the gross savings, gold and silver decline and lead to economic (and eventually political and military) decay of the dynasty.

Ibn Khaldun also had some vague notion of quantity theory of money, the role of money in circulation of goods and periods of inflation and deflation. However, his ideas may be regarded as rudimentary and not as sophisticated as prevailing in the present times.

Al-Maqrizi on Money

Al Maqrizi (1364-1441) was named Taqiuddin Ahmad bin Ali al- Maqrizi. His major work *Iqathat al Ummah bi kashf al Gummah*. (Getting the nation out of dark clouds) was completed in 1405 when Egypt under Mamluk rulers was passing through a period of successive famines. This situation was aggravated by economic and monetary policies of Mamluk kings. It is also known as *Tarikh maja't al Misr* (history of famines in Egypt). Maqrizi carried out a historical analysis of famines in Egypt comparing the famines of earlier periods with those during his own period. He came to the conclusion that famines in the earlier period were caused by the natural factors such as paucity of rainfall, drastic reduction in the supplies of food grains, Spread of epidemics which were beyond the human control but the inflation caused due to famines during the Mamluk period were the result of *wrong* monetary policies. During the Mamluk period gold and silver were removed from the prominent position they had occupied as major forms of money throughout history in several countries. This position was given to copper coins (*fulus*). The Mamluk kings did not stop here. They over indulged in the coinage of copper coins. Al Maqrizi suspects it to be the main cause behind the spiral of rising prices. It is here that one finds the rudiments of the Quantity Theory of Money suggesting the direct causation between the supply of money and the rate of inflation.

Al Maqrizi severely criticized the monetary policies adopted in his times, for instance, coinage of copper *fulus*, cessation of coinage of gold and silver and adoption of copper *dirham* as unit of currency. He thought that all these would have

destabilizing effect on the economy. Like many thinkers of his times, he also considered gold and silver as being the natural choice for being used as money. His argument is mainly historical. He cites the previous examples and argues that gold and silver have served many societies through the times immemorial, as money and that too without any problem. Hence, there is no case for abandoning them. Since, copper coin was made unit of account and legal tender the traders from outside brought in copper to make coins and took away gold and silver. This led to flight of precious metals. It could also be interpreted as operation of Gresham's law which says bad money drives good money out of circulation. Al Maqrizi believed that a return to gold and silver coinage could restore stability in the economy. He considered gold and silver as only choice available for standard of value. To him, it made sense on economic and rational grounds as well as on *Shari'ah* grounds. Hence, he pleaded for a restriction on supply of money in terms of copper *fulus* and expected that a return back to gold standard would succeed in restoring stability to the economy.

Money in Modern Islamic Economics

We have surveyed above the views of some Muslim scholars about money. These scholars made their contributions when Europe was in the dark ages from the seventh century A.C. to the 14th century A.C. After the decline of Greek and Roman Civilizations, Europe did not make any contribution to the progress of human thought. European scholars consider this period as a black hole of history, as dark age etc. In fact, there was no black hole in the history of human thought. The center of intellectual activity had merely shifted from the West to the East. When Europe was languishing in the dark ages, Muslim world was beaming with intellectual activity. Its scholars were writing treatises on new subjects, introducing new hypotheses and debating new ideas. Its universities were saturated with the

students and teachers. It was making useful contributions to the march of humanity on the path of progress and development. Unfortunately, all this came to a grinding halt. History took a full circle again and the Islamic world took a downturn, a little before the emergence of colonialism in the West, which not only reinforced but accelerated the declining trends. Intellectual activities in the Islamic East were at their lowest ebb during this period. However, after the era of colonialism came to an end, there has been a renewed desire in the Muslim countries to reorganize their social and economic activities in accordance with their social and cultural heritage. The emergence of Islamic economics, banking and finance must be seen within an over all framework. Due to predominance of interest based activities in the modern financial system and in view of prohibition of *riba* in Islam, the desire to reorganize the monetary and financial activities has been prominent.

Meaning, Relevance and Forms of *riba*

The first and foremost difficulty in this connection is the definition and interpretation of Islamic injunction against *riba*²⁵. How does it apply to our day to day activities? Is the interest charged by modern commercial banks included in *riba* or not? What are various forms of *riba* present in the modern financial system? There is not much agreement on these issues in the present - day Muslim countries. Hence, much of the initial efforts were devoted to theoretical underpinnings of these concepts and finding their practicable and feasible solutions.

Shari'ah Position on Currency Notes

Naturally, currency occupies a central position in any monetary system. In the early period, the coins consisted of gold and silver. The *dinar* was made of gold and *dirham* was made of silver. Some of the Muslim countries were on gold standard, some on silver standard and some on bi-metallic standard. Both of these

metals (gold and silver) were considered to be precious for a long time in history as they had some intrinsic value. Hence, the position on paper money that despite the statement by the Central Bank of the country, currency notes are not instruments of debt which could be paid back. Instead, they have taken the position of Gold and Silver (Paper money, in *Fiqh Terminology*, in this respect are *Thaman Haqiqi*). Hence, exchange of currency notes with the currency notes of the same country must be hand to hand, on the spot and without any increase or decrease. Similarly, the currencies of two different countries or two different commodities and the rate at which they must be exchanged (price of one currency in terms of the other) or exchange rate may be determined by mutual agreement within the market forces.²⁶

Functions of Money

Islamic economics recognized the functions of money as a medium of exchange and as standard of value ever since monetary issues occupied a position of prominence in this subject. However, the store of value function did not receive much attention in Islamic economics as value is supposed to be created by some real economic activity such as production or trade involving real factors of production. Furthermore, it is also recognized that Islam prohibits speculation. Hence it does not allow creation of spurious value by sheer speculation or using money alone.

Motives for Holding Money

Accordingly, the transaction demand for money and precautionary demand for money have also been recognized for long. The long quotation from Ghazali cited earlier that he was aware of demand for money on these accounts. A Persian moral philosopher and teacher Sa'di says, "Money is not God, but by God, it raises Man's position, it helps him (in times of need) and fulfils his wants". It may be argued that fulfillment of wants refers to transaction demand and helping oneself as well as others and

refers to precautionary demand of money. However, one does not find any reference to speculative demand for money. One can not deny this fact that money commands demand over real resources. Many modern economists may not differ with that position as speculative motive is known to increase the instability of the system.

Credit Creation

The modern commercial banks exercise a great deal of power on the economy because of their power to create credit, which gives them power to fly and to mobilize resources.

The interested reader may wonder whether commercial banks under the Islamic system may enjoy the same position of power or not? The answer to this depends on whether Islamic banks also create credit or not. The issue has been a subject of debate amongst the Islamic economists and banker. While one group argues that issue of credit creation in the Islamic economy is not a significant one, since all Islamic financial techniques are directly or indirectly related with the productive process. Hence, the supply of credit is directly linked with the productive requirements of the economy. The credit generated by the economy always leads to an increase in the real production. Any increase in the quantum of credit, under such circumstances cannot be inflationary at the outset.

The other group of economists argues that power of the banking system to create credit has nothing to do with its nature. The banking system draws its power to create new credit from the fractional reserve system. So long, fractional reserve system is intact, the banking system would have power to create credit. In order to curb inflation and cure other diseases of the monetary system, this group favours a hundred percent reserve requirement. So, this proposal cuts the wings of the commercial banking system which is no more capable of creating credit. If implemented the proposal would reduce the commercial banks to

safe valets and nothing more. All money would become high powered money and could be created only by the central bank. Where is the reality between these two extremes? It looks plausible that probably reality lies somewhere in the middle. The power of commercial banks to create new deposits hinges on two facts: (i) fractional reserve system and (ii) the fact that a new deposit never leaves the banking system. When a commercial bank advances a loan from the money deposited with it, it comes back to one bank or the other in the form of a new deposit. Thus, the money really never leaves the banking system. Thus, the power to create credit is not with any single bank. It is vested in the banking system as a whole. Therefore, it may be deduced that so long fractional reserve system is there, the banking system would continue to have the power to create credit many times. However, under Islamic banking system, the commercial banks' power to create credit shall be substantially reduced because financing techniques are directly related to the productive capacity. The aggregate productive capacity of the economy would impose a limit on the credit creation in Islamic banking system. It may result in strengthening of inflationary trends if credit creation is allowed beyond this limit.

Credit cards

The credit cards have now become a way of life almost everywhere, so much so that a big departmental store in the New York City displayed a sign saying, "We do accept cash!" The first credit cards were issued by the business companies at the turn of the last century and were a means to capture more clients for them. So, by now, the credit cards have a history of more than hundred years. However, credit cards as we know them, made of plastic, issued by the banks and credit card companies and used as monetary substitutes came into existence mainly in the second half of the twentieth century. ²⁷The earlier cards functioned on a 'closed loop' system made up of the consumer, the merchant and

the issuer of the card. "In this structure, the issuer both authorizes and handles all aspects of the transaction and settles directly with both the consumer and the merchant."²⁸

The system in existence at present is an "open loop" type requiring interbank cooperation and funds transfer. In the beginning the card holders were to pay the outstanding charges by the end of every month. With the introduction of "Charge Cards" and more complicated models of credit in vogue, the clients are allowed to pay over time rather than at the end of every month. In the last 25 years, the numbers of credit card holders and the type of credit cards have grown exponentially. There are a number of cards in the market such as credit cards with reward programme, cash back card, reward point credit cards such as hotel and airline cards etc. These cards may differ in detail as for as privileges, services offered and prices charged are concerned. However, our point of reference shall be a standard card. Most of the credit cards in vogue are unsecured in the sense that the client is not required to put in a security deposit to prove that money can be repaid. Most of the cards also allow a small period during which if the money is paid, either no interest or a low interest is charged.

References and End Notes

¹ I am thankful to M.N. Siddiqi, Mohammed Umar Chapra, M. A, Mannan, Asad Zaman, Mohammed Umar Farooq, Monzer Kahf, Ridha Saadallah, Zubair Hasan, Abdul Azim Islahi, Rodney Wilson, Brain Krettele and an anonymous referee for comments on earlier draft. I am also thankful to M. Zeyaul Haque for linguistic improvement and editorial suggestions. I was not able to take all their suggestions and several sections were added after their reading of the draft. However, none of them is implicated in the remaining shortcomings and errors in any way.

² Technically fire is regarded as discovery and not an invention. But here we must recognize inventive genius of Man, which is underlying all discoveries and inventions.

³ Although the assertion that money is probably as old as Man himself appears to be speculative in nature, it does not appear to be very unreasonable. Even if one does not claim that Money came into existence with Prophet Adam's descent on the earth, the primitive nature of man can not be denied. This is not to claim that the state of barter remained with the mankind for a very short period. However, it can not be denied that due to its inherent difficulties, the barter system must not have lasted very long.

⁴ The difficulties encountered in the simple form of barter system, which necessitated money, are well known and are mostly discussed in any modern text on Money and Banking. In the modern times, more complex forms of barter have reappeared in the form of counter trade. For more information, see "Modern Barter" [www. Times.com/time/magazine/html](http://www.Times.com/time/magazine/html)

⁵ Thomas Arnold, *Legacy of Islam* " So the Hajj became not only a powerful factor in promoting the religious unity, but it also materially assisted in strengthening the ties of commerce between all Mohammedan countries..." p.81

⁶ The coins used in Makkah at that time came from the Eastern Roman Empire.

⁷ A modern Arabic English Dictionary (*Al -Mawrid*) gives following meanings of the this word: Money, possessions, estate, assets, capital,

funds, cattles, goods. Wealth, fortune, riches, Beirut: *Dar al ilm lil malayin* p. 939

⁸ Faruq Aziz,, " *Kiya riba sirf Qard tak Mahdood hai*" [Is the injunction against interest confined only to Borrowing] (in Urdu) *Mutaleeat Urdu Quarterly*, October 2006 p. 48

⁹ Through this text, the first number before the colon refers to the number of Chapter (*Surah*) in the Quran and the second number after the colon refers to the number of verse (*Ayah*) in that chapter.

¹⁰ Amongst those people who consider that Quranic mention of Gold and Silver means a reference to money, the most prominent is Yousuf al Qardawi, *Fiqh al Zakah* ,Vol 1. P.124 Urdu translation by Shams Peerzadeh, Bombay: Idarah Dawat al Quran p.183. This book has been rendered into English by Monzer Kahf and published from the Center of Research in Islamic Economics, King Abdul Aziz University, Jeddah. Saudi Arabia.

¹¹ A famous Islamic Scholar of our times, Abul 'Ala Mawdudi writes in his correspondence on the subject with Yaqoob Shah, former Auditor General of Pakistan, " Although it is difficult to provide documentary evidence from any book to the effect that "commercial loan" was practiced in Arabia during the period of ignorance (*jahiliyyah*). However, evidence is available to the effect that farmers in Medinah used to borrow from Jewish lenders on interest. The people of *Quraysh* who were basically a trading community used to borrow and lend on interest. There is no reason to believe that all these loans were to satisfy urgent personal needs." *Sood* (in Urdu). "Interest" New Delhi: Markazi Maktaba Islami Publishers, 2004 (originally published in 1960) p,159. In the second appendix of the same book, answering the questionnaire of the Islamic Cultural Academy (*Idara Thaqafah Islamiyah*) Mawdudi presents evidence that Makkah was on an important routes of international trade and commercial loan contracts involving interest were not unknown to them. Mawdudi, *ibid.* pp. 185-201

¹² I am thankful to my friend and colleague Mr. Ahsanul Haque for drawing my attention to this point.

¹³ T.B. Irving has used the word Money but it is not mentioned in the Quran. Abdullah Yousuf Ali's translation is more accurate which says,

"They ask thee What they should spend (the Charity) . Say: Whatever wealth ye spend that is good." Commenting upon this verse, Abdullah Yousuf Ali observes that "it may be property or money, it may be a helping hand, it may be advice, it may be a kind word, "Whatever ye do that is good" is charity." Abdullah Yousuf Ali, *The Holy Quran: English Translation of the Meaning and Commentary*, Medinah: King Fahd Holy Quran Printing Complex, p.90

¹⁴ T.B.Irving, Khurshid Ahmad, and M. Manazir Ahsan, *The Quran: Basic Teachings*, Leicester: The Islamic Foundation, 1979, p.190 and p.205

¹⁵ Bukhari, *Sahih al Bukhari, Kitabul Wakalah*, Also, Muslim, *kitab al musaqat* Vol. 2 p. 1215

¹⁶ Altaf Ahmad Azmi, " *Riba awr us ki haqeeqat'* [The riba and its reality] *Mutaleaat Urdu quarterly* Vol.2 No.2 April-June 2007 pp.29-48

¹⁷ Abu Hamid al Ghazali (1058-1111) was a famous Islamic jurist, theologian, mystic and philosopher of his times. Like most of the jurists of his times, Ghazali also reflected on the social issues of his times.

¹⁸ Al Ghazali conceived of *Dirham* and *Dinars* (precious metals, money) as one of the great creations of the Almighty God. They do not have any inherited merit in themselves. They are demanded by the people as they are useful in enabling the people to buy goods like food and clothing. Abdul Azeem Islahi, "Sood wa Zar Se Mutalliq Ghazali Ke Afkar" (Ghazali's though on Money and interest) *Mutaleaat Vo.2 No.1*

¹⁹ *ibid.* p. 56

²⁰ Islahi, *op.cit.* pp.58-59. The quotation is taken from Islahi who wrote his paper in Urdu. It has been rendered into English by the author of the present paper. Hence, he owns any errors he might have committed in translation.

²¹ Al Ghazali, *Ihya Uloom al Din* (The Revival of Religious Sciences,) The book of *Thanks*. Vol.4. P.92 Cf. Abdul Azim Islahi, "The Views of Imam Al Ghazali on Money and interest" (in Urdu) . Quarterly *Mutaleaat* Vol 1 No.1 pp.65-66. New Delhi: Institute of Objective Studies.

²² quoted by A.A. Islahi, *Economic Ideas of Ibn Taimiyah*, Leicester, The Islamic Foundation, 1988 p.141

²² *ibid* p. 143

²³ quoted by A.A. Islahi, *Economic Ideas of Ibn Taimiyah*, Leicester, The Islamic Foundation, 1988 p.141

²⁴ *ibid* p. 143

²⁵ Chapra, M. Umer *The Future of Economics: An Islamic Perspective* Leicester: The Islamic Foundation, 2000, particularly Chapter 7 pp. 253-303

²⁶ Mujahidul Islam Qasmi, (ed.) *Aham Fiqhi Faisley* (in Urdu), "Some Important Juridical Decisions, Delhi: Islamic Fiqh Academy of India, 1999 p.14

²⁷ <http://www.creditcards.com/credut-cards-history>

²⁸ *Ibid.*

