

In the Name of Allah, the Most Merciful, the Most Beneficent

*And those who deny their Lord's revelations will suffer the 'worst' torment of agonizing pain" (Quran:45:11)
“.. Do not defraud in measuring scales” (Quran:55:8)*

Riba & Fiat Currency - Brief

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<https://SalaamOne.com/Riba> , [G Doc](#) , <https://bit.ly/QuranOnRiba> (اردو)

Introduction

Riba is an Arabic word that means “to increase” or “to exceed” and is commonly used in reference to unequal exchanges or charges and fees for borrowing. The riba or usury or interest is unjust, exploitative gain, and such practice is forbidden under Sharia. Precious metal coins, precious stones, livestock, animals, salt, shells, spices and beads were used prior to the introduction of paper currency. It is important to note that the exchange of goods of unequal quantities or qualities, exchanging dates of inferior quality with superior quality is not permissible as it is considered Riba. There is a grave misunderstanding in defining Riba in this era of fiat (paper) currency monetary system in which loss of value of capital (paper currency) due to inflationary and other tendencies is a common phenomenon among poor, corrupt and mismanaged countries. Hence compensation to the loss of value of original principal capital (currency) is in line with Quranic commands of fairness, balance in measures and justice, calling it Riba, interest or profit is misnomer, unfair and unjust. The unambiguous commands of Allah (Quran; [2:279](#), [6:152](#), [4:135](#)), have been blatantly negated, which must immediately be obeyed before the wrath of Allah falls. Neither special expertise, religious background nor PhD is required to comprehend this simple issue, made thorny, just commonsense is sufficient. Allah says: *Indeed the worst kind of all beasts in the sight of Allah are the people that are deaf and dumb, and do not understand. (Quran 8:22).*

Objective

The main focus of this abridged research is on the so called profit/ interest paid by National Saving Schemes. It is misnomer to call it **Riba** in open defiance of Command verses of Quran; [2:279](#), [6:152](#) & [4:135](#). The Islamic Banking is a good step and with the passage of time it will improve. The conclusions of this study may also be applied to the banking and financial sectors after due deliberations.

Earning the pleasure of Allah through His obedience and by removing the false **guilt of perpetual sin** among innocent public is need of the hour.

Paper Currency Value

Fiat money is a government-issued currency that is not backed by a commodity such as gold. Most modern paper currencies, such as the U.S. dollar, are fiat currencies. One danger of fiat money is that governments can print too much of it, resulting in hyperinflation. The paper currency is just a piece of paper with no intrinsic value like precious metals or diamonds etc, while for day to day transactions it is convenient but in transactions of longer duration its ‘real value’ has to be determined. Allah says:

وَأِنْ تَابْتُمْ فَلَكُمْ رُغُوسٌ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ (البقره ۲۷۹)

“.. But if you repent, you shall have your principal original capital (رُغُوسٌ أَمْوَالِكُمْ). Oppress none and no one will oppress you (Quran; 2:279)

The person who repents and stops taking usury/ riba/ interest, then he has the right to get his **principal original capital**. By not taking Riba/ usury he is not oppressing the other, he is also not to be oppressed by any loss in value to his original **principal capital**.

The Principal Original Capital (رأس المال)

Principal original capital refers to the initial amount of wealth (رأس المال) that an individual or organization invests in a business or project or the amount deposited in a bank or institution without any deduction or interest. It is very important to understand the principal original capital value or worth in paper currency context. If a person deposits ten gold coins, weighing 100 grams 24 karats each, it is the **Original Capital?** . After some years, if the bank returns the same numbers, ten coins, weighing 100 grams but poor quality, 18 karats gold coins, can it be called **Original Capital?** (رأس المال)? **The one who says 'Yes', is devoid of commonsense, its futile to waste time and energies on those whose harts have been sealed due to their stubbornness.**

Those who disagree and contemplate that; ten coins of 100 grams of “18 karats gold coins” are of inferior quality, the **Original Capital?** (رأس المال) comprised 100 grams “24 karats gold coins”, calling 18 karat equal to 24 karat and saying that since the number of coins being returned is ten, hence it is equal to **Original Capital** (رأس المال), is **cheating, plundering , fraud and injustice**, which is being practiced here with paper currency, being exposed here.

Allah says: “do not defraud in measuring scales” (Quran: 55:8)

It must be remembered that even exchange of dates of inferior quality with superior quality is not permissible being Riba.

The Quranic principle of equality (in all respects i.e. numbers, quality and value) of **Original Capital** (رأس المال) with the capital being returned is to be ensured. Some methodology has to be found to ensure that the depositor does not suffer any loss as it will be unjust and against command of Allah (**Quran: 55:8**)

In the context of paper currency this **cheating and fraud** is covered up, concealed by so-called scholars under the above analogy. The paper currency notes have some value written on them by the State Bank which keeps depreciating with the passage of time in 3rd world countries due to corrupt rulers, bad governance and poor monetary policy. The actual value or worth of note of Rupee can be found in relation to the standard international unit, SDR or Islamic Dinar of Islamic Development bank, which should be used at the time of deposit and return of **Original Capital?** (رأس المال). It is blatant violation of Command of Allah, that:

“.. But if you repent, you shall have your principal original capital (رُءُوسُ أَمْوَالِكُمْ). Oppress none and no one will oppress you (Quran: 2:279)

Not only the **“principal original capital (رُءُوسُ أَمْوَالِكُمْ)”** has been decreased but oppression (zulm) is also being done with the depositor.

Determining the Value of Original Capital (رأس المال)

It may be kept in mind that when gold and silver coins were used as currency, the weight and purity of the coin determine its value or worth. Though the paper currency is generally measured in numbers but its “real worth or value” can only be measured in relation with the prevalent international standard currency measurement units (SDR/Islamic Dinar/ US \$), the number or weight will always give inaccurate results, though counting notes in numbers is the common practice in day to day dealings, being practical and convenient. Like contract writing is not required in day to day dealings (Quran; 2:182) for convenience.

The value of paper currency is determined by the monetary authority, typically the state Bank or a government agency. The value of paper currency is not tied to the weight or value of a precious metal like gold or silver, but rather to a complex set of economic factors such as inflation, interest rates, and overall economic performance. Central banks and government agencies use various mechanisms to control the value of paper currency, such as setting interest rates (actually compensation for loss of value due to inflation), adjusting the money supply, and engaging in currency intervention in international markets. The value of paper currency can also be affected by other factors, such as political instability, international trade, and the overall demand for a particular currency. In general, the value of a currency is measured relative to other currencies basket in the global market (SDR/Islamic Dinar), and fluctuations in exchange rates can have significant impacts on international trade, investment, and economic growth.

Although it is a common practice in day-to-day business within a country to count notes in numbers. However, for the deposits, just counting currency notes to determine the value will not be fair because the value (purchasing power) of currency might have changed.

The paper note is a useless piece of paper because the paper has no intrinsic value (the gold dinar has its own value). The printed value on 'note' describes its value, which fluctuates, depreciates due to inflation, overprinting and other factors.

One can't determine the exact or true weight of an item with a nonstandard measuring instrument which is changing in value/ weight, i.e if authorities check measuring weights in shops and find that on the weight it is written 5 Kg (5000 grams), but actually it weighs 4995 grams, less by 5 grams, it is called fraud, the shopkeeper will be arrested and punished by court for cheating. Similarly if a currency note of Rs.5000 was deposited in the bank a year earlier, and is returned as a currency note on which Rs.5000 is written but its worth or value (purchasing power) is Rs.4995, is it not cheating , fraud like above example?

Riba (increase in original value) is not allowed, as Allah has prevented any increase or decrease in the original capital of depositor/ investor: "you shall have your capital; neither shall you make (the debtor) suffer loss, nor shall you be made to suffer loss". (Quran 2;279). **Original value** of the capital has been promised to be kept safe, therefore, the real value of the "currency note" will be determined with reference to standard unit so that there is no reduction in the value of the "currency note", no loss.

Islamic Dinar: IDB (Islamic Development Bank) uses its Islamic Dinar (Islamic Development Bank) which is equal to 1SDR (Special Drawing Right) by the IMF in its transactions.

A Comparison: Consider a period of 15 years (2008-2023), in August 2008, one SDR was equal to Rs.84.26. In April 2023, 1 SDR, equal to Rs. 378. Hence total depreciation in the value of Rs in 15 years 347.18%, or 23% annually. The top NSC returns fluctuated between 9 to 11.04%, just once reaching 16.80%. Hence roughly on the average, the returns have been around 12%, which is about half (50%) of Rs. annual average Depreciation of 23%. On the other hand, the security of the value of original capital is guaranteed by Allah ([Quran 2:279](#)). Any deviation to the Command of Allah is disobedience.

How can it be called Riba or Interest or Profit?

The depositor is at a net loss of about 11% per annum (23-12=11) in real terms, the average 12% paid by NSC is not profit but partial compensation of just 50% of loss/ depreciation of value of Rs since 2008.

Conclusion

The in depth study based on the Quran and fiat currency system, reveals that the returns by the National Saving Schemes do not fall into the category of Riba. This is open defiance of Commands of Allah in Quran; 2:279, 6:152 & 4:135, which must immediately be stopped. Riba is Haraam and declaration of war with Allah and His Messenger ﷺ, a Muslim can ill afford. The removal of this false **guilt of perpetual sin** among the innocent public and employees of National Savings, financial institutions and banks is the need of the hour, hence; following actions may be undertaken by all concerned within their power, resources, ability and authority:

1. Information campaign explaining the relevant Quranic verses to create awareness among financial institutions, banks, public and scholars about this anomaly be undertaken to change the mindset. It will help to remove their misgivings, the people will come forward and deposit their savings for some compensation for depreciation in the value of their capital without any guilt. The educated scholars and Ulema will be able to issue positive Fatwas after comprehending the issue.
2. The issue may also be pursued through legal channels, even if it takes decades.

ALLAH's promise will be fulfilled:

“you do no wrong (لَا تَظْلِمُونَ وَلَا تُظَلَّمُونَ) (by taking usury), nor are you wronged (by reducing value of your principal)” [\(Quran 2:279\)](#);

O you who believe! Stand out firmly for justice (Quran 4:135)

Maintain equality in your dealings by the means of measurement and balance. (Quran;6:152)

“He bestows wisdom upon anyone He wills, and he who is given wisdom is in fact given great wealth, but only those who have common sense learn lessons from these things. [\(Quran 2:269\)](#)

We will make the rejecters of Our revelations suffer in hell fire (Quran 4:56)

2. Full research is available at links below:

For further study:

<ul style="list-style-type: none"> • https://SalaamOne.com/Riba • https://bit.ly/Riba-Research • https://www.facebook.com/IslamiRevival 	<ul style="list-style-type: none"> • https://bit.ly/QuranOnRiba (اردو) • https://bit.ly/AhkamAlQauran • https://bit.ly/Hadith-Basics
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The Author

Brig Aftab Ahmad Khan (r), a freelance writer, researcher, and blogger, holds Masters in Political Science, Business Admin, Strategic Studies, spent over two decades in exploration of The Holy Quran & other Scriptures. He has been writing regularly for “The Defence Journal” since 2006. Over 50 ebooks His work has been accessed by Millions also available in over 50 ebooks at <https://SalaamOne.com/About> Email: Tejdeed@gmail.com