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Redefining Riba: Influencing Shariah Investing

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ABSTRACT

Islamic finance has adopted the view that Riba may be defined as financial interest or usury only. However, historical Islamic texts advise that Riba has not been completely defined, and the texts contribute to the process of defining Riba. This article uses evidence from Islamic literature to redefine Riba and to chart a new path for investing. The Islamic texts were searched, and the applicable texts were codified to redefine Riba as any income earned contrary to Islamic belief. This, in turn, enabled us to design a tool, which we call Islamic Utility, to screen investment assets. While this study focuses on investments, the definition will serve for all types of Riba. We use South African data to discuss our case, but the thinking can be generalised worldwide.

ملخص

طالما اعتبرت المالية الإسلامية أن الربا يمكن تعريفه بوصفه فائدة مالية أو مراباة فقط. إلا أن النصوص الإسلامية التراثية تشير إلى أنه ليس هناك تعريف جامع مانع للربا، والنصوص تساهم في عملية تعريف الربا. ويعتمد هذا المقال أدلة من التراث الإسلامي لإعادة تعريف الربا ورسم مسار جديد للاستثمار. فقد أجري بحث في النصوص الإسلامية، وتم تدوين النصوص المعتمدة لإعادة تعريف الربا بوصفه أي دخل متحصل عليه خلافا لما تمليه العقيدة الإسلامية. وهذا مكننا من تصميم أداة، سميناها "المنفعة الإسلامية(Islamic Utility) "، لفحص الأصول الاستثمارية. رغم أن هذه الدراسة تركز على الاستثمارات، إلا أن التعريف ينطبق على جميع أنواع الربا. واستخدمنا بيانات خاصة بجنوب أفريقيا لمناقشة حالتنا، لكن من الممكن تعميم هذا المفهوم في جميع أنحاء العالم.

RÉSUMÉ

La finance islamique a adopté le point de vue selon lequel le Riba peut être défini comme l'intérêt financier ou l'usure uniquement. Cependant, les textes

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islamiques historiques indiquent que le Riba n'a pas été complètement défini, et les textes contribuent au processus de définition du Riba. Cet article s'appuie sur la littérature islamique pour redéfinir le Riba et tracer une nouvelle voie pour l'investissement. Les textes islamiques ont été recherchés et les textes applicables ont été codifiés pour redéfinir le Riba comme tout revenu gagné contrairement aux croyances islamiques. Cela nous a permis de concevoir un outil, que nous appelons l'utilité islamique, pour sélectionner les actifs d'investissement. Bien que cette étude se concentre sur les investissements, la définition s'applique à tous les types de Riba. Nous utilisons des données sud-africaines pour discuter de notre cas, mais le raisonnement peut être généralisé à l'échelle mondiale.

Keywords: Shariah; investments; Islamic science; Riba; Islamic Utility; screening

JEL Classification: G11; G15; G18; G41; Z12

1. Introduction

Riba is an Islamic concept that forbids business behaviour that is islamically unethical. Historically, Riba was not completely defined and has been translated to mean financial interest or usury. The main body of knowledge uses this definition when examining Islamic finance. However, what makes our research different is that we reconsider the completeness of this definition by using historical texts and business practice to redefine Riba. We then use South African investment data in the various asset groups to explain how to use our new definition in investment practice. However, we argue that the definition has relevance in the entire financial industry. The historical texts advise that different rules may apply in different countries. By drawing on the differences in how different countries may treat Riba, this paper offers investors, regulators, policymakers and researchers a basis for rethinking the definition of Riba and how it influences Muslims’ participation in the global economy.

Shariah investing is a topical subject of discussion (Alam, Akbar, Shahriar, & Elahi, 2017; Hussein, 2004; Ibrahim, 2015; Imad & bin Osman, 2017). The critical issue is that Muslims cannot use (earn or pay) interest, and investments must be Islamically ethical.

Islam advises a moderate approach to personal well-being and communal affairs. There are various levels of denounced actions, from disliked to forbidden, leading to a spectrum of moral choices when making decisions. For example, smoking is disliked because of its effect on people's health. However, depending on the circumstances, Muslims are not sinning if they smoke. In contrast, alcohol and gambling are forbidden regardless of the circumstances. Hence, questions arise about how a moderate religion may forbid some actions. While it is not explicit in the Quraan or Hadith (the primary Islamic religious texts), we suggest that the outcomes dictate the severity of the denouncement. For example, while smoking is bad for one's health, it does not induce an intoxicated state like alcohol does. Intoxication is far more detrimental to the community. Therefore, by forbidding such a practice, Islam attempts to remove any potential societal hazard.

A similar case can be made for drug abuse. Drug use is not explicitly forbidden in Islamic texts. Narcotics or cannabis would be banned using analogous reasoning. However, cannabis is an interesting example since it may be recommended for medical purposes. Islamic jurists' views may, therefore, change to allow for the use of cannabis for medical purposes.

Similar conclusions were made by Farooq (2006) when discussing Islamic law and the interpretation of Hadith. The author emphasised that the judiciary should adopt a moderate approach based on the authentic Islamic bodies of knowledge when considering ethical and reasonable topical issues.

Current Shariah investment uses a list-based two-stage screening method[3]. While the rule-based list offers some understanding, it does little justice to the spirit of Islam. Thus, we propose that Islamic reasoning must be applied to add depth to the rule-based criteria.

Moderate Islam needs to consider the purpose of prohibitions more deeply when deciding on social tolerance. Any change in rulings would require careful consideration, an understanding of circumstances and Shariah guidance. At the same time, when applying jurisprudence, we must follow Islamic principles in practice. The same can be said of dealing with Riba.

Currently, the industry defines Riba as interest or usury. When the Prophet Muhammad (pbuh) revealed that alcohol was banned, Riba was

[3] Yasaar (2019) refers to their screening model used in South Africa. Our conceptual two-stage interpretation is drawn from their website literature.

simultaneously banned. To Muslims, this purposeful alignment expresses the level of prohibition. The revelation emphasises that any amount of Riba is forbidden, just as any alcohol consumption is banned. We argue that this links the two; Riba is more than interest, because Riba is linked to other socially disruptive practices.

If we consider the etymology of Riba, defining Riba as only interest is incomplete. Riba can be translated into English as “grow, expand or inflate” (Ahmad & Hassan, 2007) and “interest” (Farooq, 2009). Ali comments: “When we come to the definition of usury, there is room for difference of opinion. Hadhrat’ Umar, according to Ibn Kathar, felt some difficulty in the matter, as the Apostle left the world before the details of the question were settled” (Ali (1993). However, in his farewell sermon, the Prophet emphasised that he had delivered the complete message (Farooq, 2018). The fact that Riba was not wholly defined is not an oversight. It is left to us to review.

In secular countries, until recently, conventional investments were the only options available to Muslims. Hence, Islamic scholars allowed Muslims to use conventional products under the premise that it was out of necessity (Isa, 2016). The rule is that use should be temporary whilst viable alternatives are sought. Therefore, interest is temporarily permitted in certain circumstances (Vadillo, 2006). However, the circumstances can change because Riba differs in different countries (al-Bukhari, 2011b), making Yasaar’s list-like screening overly simplistic.

The ambiguity stems from authenticated historical literature where Umar (ra) expressed his concern based on business activities in his lifetime. The provenance of Islamic teachings is based on the character of the narrators. Umar (ra) was the second Caliph of Islam, so his Islamic character is considered exemplary. His comments about Riba were made just after the Prophet (pbuh) passed away, implying no temporal change in understanding. Thus, Umar’s (ra) statement is the earliest reference indicating that Riba is not entirely defined. In the modern era, scholars maintain that Riba is still not completely defined (Shafi & Taqī ‘U̲smānī, 1997).

Without a sound definition, evaluating business activity becomes difficult. As a result, it is difficult to screen investment opportunities. We therefore challenge the current rule-based screening system, proposing that it does not capture the Islamic spirit of social well-being. We offer a comprehensive argument for subjective screening that allows Shariah investors to draw on their faith when screening. We start by redefining Riba and use our new definition to overcome the rule-based failings.

This paper aims to redefine Riba and show that it provides investors with opportunities to invest in diverse industries that serve Muslim needs. The paper contributes to the body of knowledge by improving our understanding of Riba and its presence in Islamic business practice. We offer tools like Islamic Utility and the three-stage screening model to help investors further understand the implications of our definition. We argue that this comprehensive review of Shariah investing offers diverse investment opportunities and further study in Islamic business practice.

The paper is structured slightly differently from the usual format. Section 2 introduces and compares the Islamic science of interpretation with the codification research method. In section 3, we codify the data into themes that explain aspects of Riba and redefine Riba. Section 4 introduces the practical concept of Islamic Utility as a tool that helps to establish whether an investment opportunity is permissible in Islam and is devoid of Riba. Since these are new concepts, in section 5 we discuss how to use them to screen investment options in all asset classes. We conclude in section 6 with a summary of our findings, their implications for the industry, and recommendations for future study.

2. Background and methods

Investment literature has normalised accepting Riba as interest. Until now, there has been a dearth of literature discussing the definition. Therefore, for interpretation, we used material drawn from the Quraan,[4] with verses taken from the website (https://quran.com/). The website offers Arabic and several English translations. Similarly, Hadith were extracted from the website (https://sunnah.com/). All six recognised Hadith libraries are available. The website has other notable libraries like Malik's Muwatta. All available translations of the Quraan and Hadith were reviewed to enhance our understanding.

[4] There is a single accepted Quraan. There are seven Arabic dialects of the Quraan, attributed to the seven main tribes that existed around the time of the birth of Islam. However, the wording and meaning are the same.

Muslims believe that Shariah law developed from these divine sources. Fiqh is the Arabic equivalent of jurisprudence and focuses on defining law based on the Quraan and Hadith sciences of interpretation. The process is thorough: even the narrator's Islamic character is examined (Aa-isha, 2005). With the progress of civilisation since the sixth century, there are bound to be scenarios not considered by established Shariah law. There are no direct rulings for these new scenarios. Scholars therefore apply analogous reasoning (Qiyas) to provide a rule. Qiyas is based on interpreting the Quraan and Hadith according to the defined Islamic science of interpretation to arrive at an application for modern society (Al-Omar & Haq, 1996; Hasan, 1994). Interpretation is epistemological, using established Islamic scientific analysis (Tafsir in Arabic) of the Quraan and supported by universally recognised Hadith libraries (Hasan, 1994).

The sciences are collated into rules that scholars must consider when interpreting the historical texts. For example, scholars need to be aware of the nature of the Quranic verse or Hadith. Some are authoritative instructions, while others are viewed as guidance. The verses and Hadith support each other, and the date of revelation must be noted. One of the last verses that was revealed banned Riba. This does not mean that it was the last advice that the Prophet (saw) gave. He gave additional advice in the form of Hadith. Hence, Hadith's advice applies to interpreting Riba further.[5]

Farooq (2006) successfully conducted a study using algorithms to search for related Hadith across the collections. His findings provide a platform for the keyword search method that we used. We searched for the keywords (Riba, interest, trade, investment, usury and credit) using the website's internal search engines. Thirty Quraanic verses and 174 Hadith were found. In line with the Islamic sciences of interpretation, we codified the Quraanic verses and Hadith identifying common themes in the Hadith. Codification involves arranging data according to rules and a system reinforced by density and frequency in the data being coded (Elliott, 2018). The Islamic sciences are rule-based, and the data is numerous. For example, 44 Hadith relate to fair trade and investment. Hence, we interpreted the advice given in the 44 Hadith and derived one theme to define Riba. Other themes were derived from the same Hadith group and

[5] Appendices A.1 and A.2 list the 13 rules of Quraanic interpretation and the 41 rules of Hadith interpretation, respectively.

still more from other groups. We found eight themes that we use to redefine Riba. These interpretations are discussed at length in the next section. One example of Hadith of each theme is given in the section to make reading and referencing the interpretation easier.

To conclude, at a high level, the Quraanic themes were the forbidding of interest, a prohibition on trading in impermissible goods, and the need for contractual obligations. The Hadith-based themes mirrored the Quraan and increased the context with substance and example. The search yielded relevant results and gave a large set of (Quraan and Hadith) data, providing a comprehensive thematic view. Hence, the interpretation made in this study could be considered robust.

3. Redefining Riba – theory and discussion

As far as we could establish, there is a dearth of literature discussing the definition of Riba at the level that we did. Hence, we have deviated from the usual academic article format and combined the literature review with the theoretical discussion in this section.

Current investment instrument complexity stretches beyond the business activity of sixth-century CE Saudi Arabia. Hence, the subject requires deep thought and interpretation. The central prohibition is on interest and usury, commonly called Riba. However, the historical texts show that the prohibited Riba was not wholly defined (Ali, 1993; Farooq, 2009). What is established is that there are two types of Riba. The first relates to Riba, as defined in the Quraan, and the second refers to Riba, as explained in Hadith by the Prophet Muhammad (pbuh). Defining Riba today is topical and complicated because it was not wholly defined in the original theology. The complications stem from the fact that Arabic is a complex language, and meaning is lost when Arabic is translated into other languages (Saeed & Fareh, 2006) and from the diverse global financial landscape where the historical texts advise that Riba can be different in countries.

To apply interpretation (Tafsir) and analogical reasoning (Qiyas), one must have an in-depth knowledge of Islamic jurisprudence and know the rules of Quraan and Hadith science ("Quraan Made Easy: Under The Supervision of Mufti Afzal Hoosen Elias," 2005). For the purposes of this study, we collectively refer to Tafsir and Qiyas as Islamic interpretation.[6] We discuss the historical texts and develop our definition based on these rules.

The Quraan contains general guidance around Riba and trade. The Quraan forbids Riba as interest in its most basic form and prescribes fair trade. However, the Quraan does not explain what constitutes fair trade. The lack of detail regarding fair trade may be attributed to the undefined Riba that Umar (ra) pondered. Therefore, we grouped Hadith into themes to supplement what the Quraan says about Riba. Some themes had more Hadith than others. This does not mean that one theme is more important than the other but that some themes were discussed more often. Since we are discussing Islamic theology derived from Islamic sources, one Hadith example for each theme is presented here for easy reference. This is followed by a discussion on how the theme applies to define Riba.

The first theme, captured in at least 44 Hadith, relates to legitimate trade and investment. The codification in this theme revolved around legitimate trade, equal value exchanges and the risks of transacting in credit. Similar narrations were found in all the recognised libraries and Malik's Muwatta. The theme refers to the importance of maintaining equal quantities of identical goods.

> *Jami` at-Tirmidhi, Book 14, Hadith 41:*
>
> *Narrated Nafi':*
>
> *Ibn 'Umar and I went to Abu Sa'eed, and he narrated to us: the Messenger of Allah (pbuh) said – and I heard him with these [two] ears: Do not sell gold for gold except kind for kind, nor silver for silver except kind for kind, do not exchange more of one than the other and do not sell what is not present from them for what is present.*
>
> *[Abu 'Eisa said:] There are narrations on this topic from Abu Bakr, 'Umar, 'Uthman, Abu Hurairah, Hisham bin 'Amir, Al-*

[6] We reviewed several sources about the Islamic sciences and compiled the rules as represented in Appendix A.

> *Bara', Zaid bin Arqam, Fadalah bin 'Ubaid, Abu Bakrah, Ibn 'Umar, Abu Ad-Darda', and Bilal.*
>
> *[He said:] The Hadith of Abu Sa'eed, from the Prophet (pbuh) [about Riba], is a Hasan Sahih Hadith.*
>
> *This is acted upon according to the people of knowledge among the Companions of the Prophet (pbuh) and others, except for what has been related from Ibn 'Abbas. He did not see any harm in exchanging gold for gold or silver for silver, more for less, when it is done hand in hand, and he said: "Riba' is only in credit." Similarly, it has been related from some of his companions. It has been related that Ibn 'Abbas changed his opinion when Abu Sa'eed narrated it to him from the Prophet (pbuh). The first view is more correct.*
>
> *And this is acted upon according to the people of knowledge [among the Companions of the Prophet (pbuh) and others]. It is the view of Sufyan Ath-Thawri, Ibn Al-Mubarak, Ash-Shafi'i, Ahmad, and Ishaq. It has been reported that Ibn Al-Mubarak said: "There is no difference over exchange" (at-Tirmidhi, 2013b).*

This Hadith explains two of the most common themes found in the literature. The first is trading on the spot in equal amounts, while the second emphasises the risks of trading on credit. Credit is described here as starting a trade now and completing it later, where the agreement is reached now, and goods or funds are exchanged later under the same agreement.

There seems to be an issue in the fourth paragraph, where the narrator says that funds may be exchanged in unequal amounts and that Riba only exists in credit. Other Hadith in the theme do not report that part. Reading through the Hadith shows that the narrator is of the view that the unequal exchange is recorded in a solitary manner, and the passage notes that it is rejected in general practice. Therefore, it should be treated differently from the first part of the Hadith.

The Hadith gives practical examples of the interpretive complexities. We could not find much discussion of this Hadith. However, it appears that the first part of the Hadith refers to trading on the spot to remove any elements of credit and the associated time-value of money for which interest is charged. Other Hadith in the theme add that inherent ambiguity in a trade must be settled before the parties part ways. When this thinking is applied to investing, it stands to reason that Muslims cannot invest with funds sourced from interest-bearing loans.

Furthermore, the theme advises that all agreements must be made upfront and should not change. In other words, Shariah does not recognise the time-value of money. By extension, in the modern environment, it makes sense that if Muslims cannot earn interest, they cannot invest in any business that earns interest. Hence, under Shariah, any company earning interest or fees from interest-based activity would earn Riba.

According to this theme's guidance, futures trading is forbidden because the Hadith states that one cannot trade with what is not present. Other versions of this Hadith provide that there is Riba in delayed transactions. This observation forbids fixed-price futures trading. The Hadith implies that something can happen between now and the future that affects the trade; hence, futures trading is prohibited. Other similar Hadith add commodities to the precious metals "on the spot" example. The Hadith add that traders must sell an item of a certain quality and buy the other item of a different quality in separate transactions. Forcing sales instead of swops implies that goods of varying quality are not linked in price but rather by demand. It means that there could be unfair earnings if items of different quality are evaluated against each other. In investments, risky assets are often swopped. This theme advises against the practice. Since the various Hadith in the group mention different goods, the underlying guidance is that the list of what is traded is not exhaustive. Hence, investors need to consider all goods in the same way.

Shariah screening can be applied to investing in companies or other asset types from this theme. Companies that deal in credit, swops or futures should be excluded. Similarly, investors need to heed this advice to prevent earning or paying Riba when investing in different asset classes like precious materials and other commodities.

The next theme, with 28 Hadith, forbids Riba and trade in alcohol.[7] A typical record of the Hadith is:

> *Sahih al-Bukhari, Book 8, Hadith 107*
>
> *Narrated `Aisha:*
>
> *When the verses of Surat "Al-Baqara" about the usury (Riba) were revealed, the Prophet (pbuh) went to the mosque and recited them in front of the people and then banned the trade of alcohol (an-Nasa'i, 2011).*

This verse explicitly bans Riba. When making this revelation to the community, the Prophet (pbuh) banned trade in alcohol as well. At first glance, the two may appear to be disparate. However, since Muslims believe that the Prophet (pbuh) was given a complete understanding of revelation, his sermon joining the two cannot be coincidental. Therefore, one can interpret that any earnings from trade in alcohol are forbidden, and the relationship between Riba and trade in alcohol contributes to defining Riba. By extension, banning trade in alcohol implies that any form of investment in the alcohol industry is forbidden. A notable exception to this ruling would be where alcohol is used for medicinal purposes. With careful screening, investors may consider investing in pharmaceutical companies. Like the first theme, the theme only gives examples of banned goods and services. Hence, we think that investors should analyse the company's business activity and determine if it may serve Muslim needs.

The next theme adds to the interpretation, with comprehensive Hadith reporting seven forbidden practices.

> *Muslim, Book 1, Hadith 168:*
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> *It is reported on the authority of Abu Huraira that the Messenger of Allah (pbuh) observed:*
>
> *Avoid the seven noxious things. It was said (by the hearers): What are they, Messenger of Allah? He (the Holy Prophet)*

[7] Riba is forbidden in a verse of the Quraan (verse 2:278), while alcohol is forbidden in a narrated Hadith.

> *replied: Associating anything with Allah, magic, killing of one whom God has declared inviolate without a just cause, consuming the property of an orphan, and consuming of usury, turning back when the army advances, and slandering chaste women who are believers, but unwary (Muslim, 2011a).*

Nineteen similar Hadith were found. Again, it appears that disparate (noxious) items are grouped together. Advice about squandering orphans' property or earning interest applies directly to finance and investment, while others could be associated with investments, for example, slandering companies to reduce value. This Hadith adds to the definition of Riba in several ways.

The Hadith clarifies that Muslims cannot use funds without permission. While this Hadith refers to orphans, numerous Hadith extend this advice to funds under someone’s trust. Hence, if a bank earns income using funds held in trust, the bank accumulates Riba. Riba is quoted in the Hadith as noxious; thus, parallels can be made with other noxious practices. Any investment earnings using impermissible funds earn Riba, and such companies should be excluded when screened.

The theme enunciates the severity of earning or paying usury by including it with forbidden practices. It is common in Islam to draw principles together in this way. This Hadith starts with the fundamental ideology of what it means to be Muslim (monotheism) and follows with the grievous weight of the noxious practices by associating the six other items with polytheism in the same Hadith. Further, the Hadith groups the use of forbidden funds and usury together while mentioning them separately and distinctly. One way to interpret this is by noting the cautionary language and tone. This language adds to the philosophy of interpreting Riba as more than merely interest but as gains that Islam perceives to have been improperly made.

Other versions of this Hadith add that trustees may use orphans’ funds for administration costs (like salaries). This observation allows the paying for professional services (like fund managers’ fees). Fund managers and trustees may draw salaries from the fund. Hence, investors may invest in companies that earn income from administration and consulting.

The next most common theme, with 17 found, is about transacting and recording Riba-based transactions.

> *Jami` at-Tirmidhi, Book 13, Hadith 3:*
>
> *Ibn Mas'ud narrated:*
>
> *The Messenger of Allah (pbuh) cursed the one who consumed Riba, and the one who charged it, those who witnessed it, and the one who recorded it.*
>
> *He said: There are narrations on this topic from 'Umar, 'Ali, Jabir [and Abu Juhaifah].*
>
> *The Hadith of 'Abdullah (bin Mas'ud) is a Hasan Sahih Hadith (at-Tirmidhi, 2013c).*

Other versions of the Hadith include the person who paid Riba. The Hadith expresses the complete nature of abstention from Riba, where any party involved is equally warned. In terms of investment strategies, any fund manager dealing in conventional credit, trade, swops, futures, hedge or derivative trading should be careful.

Currently, Darurah allows investments in companies that use interest-bearing loans for funding. Darurah is an Islamic instrument that allows Muslims to use prohibited means for a short time while seeking Islamic alternatives. In this case, debt (cheaper than equity) is integral to companies' competitive and liquidity strategies. Islamic scholars have allowed this in different ways worldwide, allowing some debt-to-equity percentages. Investors may consider the rationale behind the inclusion to decide if the company uses Riba. This is explained in detail in section 5.6.

In terms of permissible assets, this varies from one country to the next. Weapons may not be sold in Malaysia. Similarly, insurance may or may not be Islamically acceptable in different countries. Hence, investing in the weapons industry or anything insurance-related depends on the circumstances. This leads to the theme of permissibility. The theme is collectively represented by 12 Hadith that describe what goods are permissible. A relevant Hadith from the group is:

Jami` at-Tirmidhi, Book 14, Hadith 13:

Narrated Ibn 'Abbas:

The Prophet (pbuh) died while his armour was pawned for twenty sa' (sa' is a unit of measure like kilogram) of food that he got for his family. (at-Tirmidhi, 2013a).

This Hadith raises two issues about trade. First, trade in armour or weapons is not forbidden as interpreted in the literature. Hence, investors can apply subjective thinking when deciding on goods like weapons or services like armed security. Secondly, the trading instrument used here is pawning. It shows that trade is not limited to sales only. As with other Hadith, neither the list of goods nor the types of trade are exhaustive. Hence, permissible goods and trade instruments must be considered for each country. Thus, Islamically permissible trading, swapping, or futures could be viable investment instruments. The key takeout from the discussion is that the Hadith groups permissible types of goods and trade instruments together. Hence, the kind of good and the nature of the agreement must be permissible simultaneously.

The last few themes of Hadith advise on actual trading. The most prominent theme with 11 Hadith refers to separating two trades. The Hadith instructs that swopping goods of different qualities is not allowed.

Muslim, Book 22, Number 122:

Abd Sa'id reported:

Bilal (Allah be pleased with him) came with fine-quality dates. Allah's Messenger (□) said to him: From where (you have brought them)? Bilal said: We had inferior quality dates, and I exchanged two sa's (of inferior quality) with one sa' (of fine quality) as food for Allah's Apostle (□), whereupon Allah's Messenger (□) said: Woe! It is, in fact, usury; therefore, don't do that. But when you intend to buy dates (of superior quality), sell (the inferior quality) in a separate bargain and then buy (the superior quality). And in the Hadith transmitted by Ibn Sahl, there is no mention of "whereupon" (Muslim, 2011c).

Debtor books with debtors of different quality are often traded. The Hadith above prohibits this practice, albeit in a different, more straightforward example. When interpreting this in a complex financial environment, each debtor book should be evaluated separately and tested individually rather than swopped in the market. This Hadith theme is supported by another, which prohibits the trade of receipts only.

> *Muslim, Book 21, Hadith 48:*
>
> *Abu Huraira (Allah be pleased with him) is reported to have said to Marwan: Have you made lawful the transactions involving Interest? Thereupon, Marwan said: "I have not done that". Thereupon, Abu Huraira (Allah be pleased with him) said: "You have made lawful the transactions with the help of documents only, whereas Allah's Messenger (may peace be upon him) forbade the transaction of food grains until full possession is taken of them". Marwan then addressed the people and forbade them to enter into such transactions (as are done with the help of documents). Sulaiman said: "I saw the sentinels snatching (these documents) from the people" (Muslim, 2011b).*

This record occurred after the death of the Prophet (pbuh), and it is presented here as it shows Islamic interpretation based on Hadith. Traders swopped notes (documents) of goods held in storage without evaluating the quality of the goods and taking ownership of the goods. Islamic scholars referred to the Prophet's (pbuh) advice in correcting the mistake.

The event advises on two issues that apply to investing. The first issue is that the event prohibits day-trading since, in modern equity investing, share certificates (as proof of ownership) are only issued overnight. If traders day-trade, they effectively buy and sell shares before taking ownership. Moreover, the documents mentioned in the event refer to notes advising ownership of some goods of unknown quality. A share certificate is proof of ownership of a part of a large organisation. In this case, once the certificate is issued, ownership is implied. The quality of the organisation is assessed at the screening stage. Therefore, when applying the Islamic interpretation to share investing, investors must approve of the asset quality and have proof of ownership before selling the asset.

Inherently, this Hadith also unequivocally prohibits short selling, which allows investors to sell borrowed shares.

The second issue is where the Hadith applies to commodities investing or companies that deal in commodities. On a global scale, investors cannot review the quality of the commodities first-hand. Different commodity markets approach quality assurance and ownership differently. Investors must evaluate how quality assessment is performed and how ownership is transferred. This is discussed in section 5.4.

The last theme recorded with at least seven Hadith explains the importance of transparent and honest dealing. This theme provides an Islamic interpretation involving Hadith that offers different advice but the same theme. The first group of Hadith within the theme refers to honesty.

> *Bukhari (800CE c), Volume 3, Book 48, Number 841:*
>
> *Narrated 'Abdullah bin Abu Aufa: 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 Aufa added, "Such person as described above is a treacherous Riba-eater (i.e. eater of usury)" (al-Bukhari, 2011a).*

The Hadith advises on the trader's character when trading. The discussion can be expanded in the modern environment to exclude collusion, price-fixing and false financial reporting. Other Hadith in the group advise that all contractual issues must be resolved before a trade can continue (an-Nasa'i, 2011a; 2011b). The theme translates to investing in several ways. While actual meetings may not always be possible, investors must undertake to understand the nature (honesty and transparency) of the organisation. For our study, we used Stock Exchange News Service (SENS) data and company annual financial statements to provide this data.

In conclusion, the collection of Hadith grouped into themes in this section describes Riba as more than just interest. While undefined, Riba seems to be associated with any earnings that Shariah will not approve of. Therefore, interest-free investments do not automatically equate to Shariah-based investing. Further, Shariah investing has become fairly rule-based (Alam et al., 2017; Islam & Rahman, 2017; Kholvadia, 2017; Masih, Kamil, & Bacha, 2018). However, we have shown that investing is about taking an ethical stance. Hence, we posit that subjectively evaluating a company in terms of Shariah removes Riba.

Ultimately, we find that the definition of Riba is broader than financial interest. Any income generated as interest, obtained via speculative assumptions, any incomplete or non-transparent agreements, non-Islamic business activity, or trade of receipts, will be regarded as Riba. Hence, Riba can be defined as any income contrary to Islamic belief, where the nature of subjectivity introduced means that Muslims must become cognisant of Islamic permissibility.

The following sections develop Riba further based on the investment environment. Next, we discuss and define Islamic Utility as a tool for screening assets.

4. Redefining Riba – theory and discussion

Utility theory is one's preference for adding assets to investment portfolios to increase returns while minimising risk (Fishburn, 1968). The same holds for Islamic investors. However, with Riba, the asset choice changes. "Money has no intrinsic utility. It cannot be utilised for fulfilling human need directly. It can only be used for acquiring some goods or service." (Taqī 'Usmānī, 2005: 112). While this quote refers to money only, it expresses the philosophy of fulfilling human needs. In Islam, money should not be used for any Islamically prohibited goods or services (like alcohol) since they do not fulfil a Muslim's needs. Hence, they have no utility.

Muslims' Islamic beliefs or social choices will guide their preferences. In line with this thinking, any industry that does not fulfil Muslims' needs has no utility. Therefore, it follows that if the goods or services have no utility, organisations supplying these goods and services have no utility for Shariah investors.

Just as investors can consider goods and services, they can also consider business activity. Islamic investment standards focus on eliminating speculative investing, minimising interest-based credit, and restricting goods and services to those who comply with Shariah (Nazeer Ahmed Jhaveri & Co, 2019). These standards provide a list of screening rules that are easily applied. Our investigation found that the Hadith themes add to these standards, including an investor's subjectivity. Hence, while only some business activity is described in the themes, the thinking behind the prohibition allows investors to consider their environment and other business activities when screening. Therefore, goods, services and business activity need to be reviewed.

Moreover, Islamic acceptability changes depending on the asset's class.[8] Ordinarily, intraday trading is forbidden. Traders may use their discretion when the quality of perishable goods is essential, and intraday trading may be acceptable. Furthermore, the themes emphasise that trustworthiness is paramount. The current screening rules do not fully explore this, whereas our study considered trust and further evaluated business activity according to Islamic understanding. Hence, we propose that if investors determine that assets meet the above criteria, they can view them as having Islamic Utility.

To conclude, we distinguished between utility and Islamic Utility in line with Islamic belief and an understanding of the Quraan, Hadith and Riba. We used utility theory to draw out a practical tool to screen assets. The discussion leads us to define Islamic Utility as utility earned by engaging in Islamically permissible business activity. Conversely, income earned from prohibited goods or business activities has no Islamic Utility.

Business activity needs to be interpreted differently in each asset class. Therefore, in section 5, Riba and Islamic Utility issues are discussed in each asset class, developing a deeper understanding of Riba and Islamic Utility in a portfolio screening.

5. Redefining Riba – theory and discussion

This section discusses Riba in the asset classes and determines when assets have Islamic Utility. The historical texts advise that different

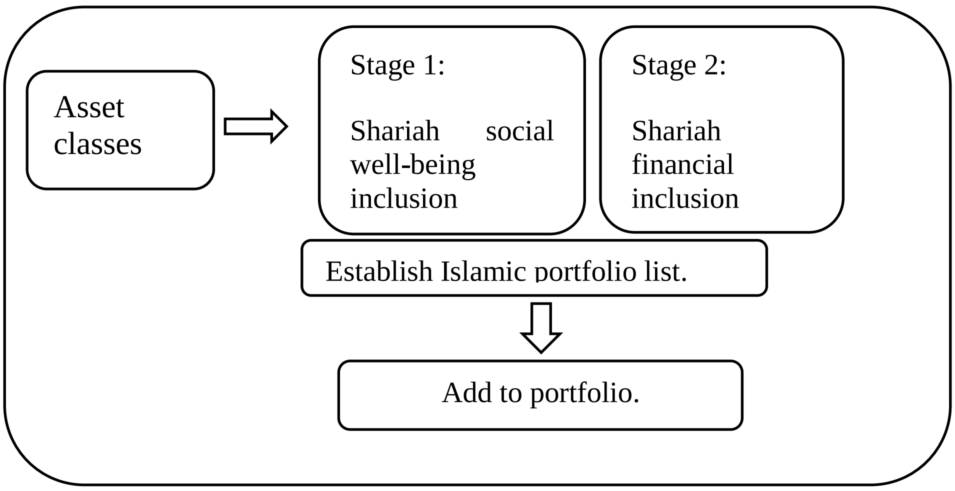
[8] The classes are cash, equities, bonds, real estate, commodities and precious materials.

financial transactions are applicable in different countries. Specifically, where the use of Riba is widespread, this thinking carries forward to modern investing and screening assets for portfolios. The section draws on Islamic theology, advice and our new definitions to explain how they can be applied to each asset class.

The data for the asset classes are drawn from South African entities which describe South African business practices. The data source is the entities' websites, audited financial reports and the Johannesburg Stock Exchange news data. In the cash assets class, the discussion can easily be transferred to other countries since cash either incurs interest or is used as a medium of exchange. In the other classes, different countries' laws may require additional interpretation. Hence, data pertinent to that country should be sorted. Where applicable in our discussion, the thinking is generalised to provide a global context and a basis for research in other countries and scenarios. Hence, we suggest that this study has international use.

Currently, asset screening is contextually applied via a two-stage investment screening model. Figure 1 conceptualises the two-stage process adapted from Yasaar (2019), a Shariah investments analysis company. Their first stage is qualitative, evaluating the permissibility, while the second is quantitative, evaluating financial business activity. If the assets pass the rules, they may be added to investment portfolios.

Figure 1: Conceptual framework of the current two-stage screening process



Source: University of the Witwatersrand, Performance Evaluation of Shariah Investments in South Africa: 2022 Doctoral dissertation

The two-stage model does not adequately address Riba and Islamic Utility. Hence, this section concludes with a three-stage proposal developed to address the shortfalls.

As with the previous sections, we combine the literature and findings into a single discussion.

5.1. Cash

As established in the literature, interest has no Islamic Utility. Hence, there is no Islamic Utility in holding cash. Instead, cash may be used to acquire goods and services in other asset classes (Taqī ‘Usmānī, 2005: 112) or in foreign exchange trading (Omar & Jones, 2015), provided it is spot-traded (Obaidullah, 2015) and free of Riba. Hence, these two factors are considered fundamental for Islamic Utility in South Africa.

Theologians have confirmed that cryptocurrencies are permissible (Abdeldayem, Al Dulaimi, & Al Dulaimi, 2021; Abubakar, Ogunbado, & Saidi, 2018; Grassa, 2015). Shariah requires that cryptocurrencies be asset-backed and fully reserved (Abdeldayem et al., 2021; Abubakar et al., 2018). Trade and foreign exchange trading are generally homogeneous worldwide. However, investors should review their countries’ regulations (Reddy & Lawack, 2019) before investing in this class.

5.2. Bonds (Sukuk)

At the time of writing this article, there were no examples of retail bond issues in South Africa. However, South African laws were amended to accommodate Islamic bonds (Republic of South Africa, 2014). They are designed to pay profit-based coupons and must be asset-backed to have Islamic Utility. Internationally, Islamic bonds are becoming the standard asset securitisation model (Ahmed, 2010). They exhibit the same criteria where they must have an Islamic social purpose and not incur Riba (Azmat, Skully, & Brown, 2014). Researchers may find suitable data to review bonds in other countries.

5.3. Real estate

Investing in real estate involves two scenarios. Investors can purchase properties or buy shares in a real estate company (Hasan & Sulaiman, 2016). To assess Islamic Utility, investors must determine if they are taking a speculative position on a property or investing for rental income and capital growth. Generally, if properties are traded, managers must reasonably request a fair price and be transparent about the assets' issues. Similarly, properties must be maintained in terms of the agreement if rented. If the asset managers fail to stick to the contract terms, the income would have no Islamic Utility. The South African industry is reasonably transparent and regulated. Similar cases may be made in other countries.

Stokvels are a type of special-purpose vehicle common in South Africa (Matuku & Kaseke, 2014). While unregulated, they could be an Islamically acceptable social investment opportunity. Research in this area is localised under the name stokvel. However, the structures are not localised and may be available in other countries. There are opportunities to research stokvel alternatives as asset-based instruments in other countries.

5.4. Commodities

Commodities fall into perishable and non-perishable categories (Pasternack, 2008). Islam prescribes that when dealing with commodities, the quality must be known (Taqī 'Us̱mānī, 2005). Shariah-based commodity trading is not common in South Africa. Hence, we look at the global practice. Modern commodity trading platforms are similar worldwide and generally have Islamic Utility (Kamali, 2007).

Further, markets rate the quality of perishable goods before they are traded (Pasternack, 2008). Hence, commodity investors know the quality beforehand. Since perishable commodities degrade, they may be day-traded to preserve their quality. Other than that, perishables and non-perishables are treated the same: the buyer owns the goods with the associated costs and risks. According to the redefined Riba, the quality of goods and ownership are central themes, so current practice aligns with Islamic Utility.

Global investors may use independent quality analysts and remote storerooms in the trades. Hence, transparent quality assessment and transfer of ownership are assured. Goods purchased are stored under the investor's name, making the investor liable for costs. This simulates ownership as efficiently as possible while preserving quality and preventing trade by receipts.

Commodity trading must have Islamic Utility since Muslims consume these commodities. Regarding practicality and moderation, the current model maintains quality and shows a transfer of ownership. If not, Muslim consumers would be prohibited from consuming such goods.

However, commodities futures contracts are prohibited in their standard form. They are considered debt-for-debt contracts where sellers do not take possession (Kamali, 2007). Islam recognises that sellers may need upfront surety in some cases. As a result, Islamic futures trading was devised to comply with Shariah (Kamali, 2007). These futures require that the commodity must be in existence or in production and have an expected delivery date (Kamali, 2007; Taqī ‘U<u>s</u>mānī, 2005). Since Islam prohibits contractual agreements for goods that do not exist, the parties enter into an Islamic commercial promise (Taqī ‘U<u>s</u>mānī, 2005). This promise is considered binding. Unlike general agreements, the promise does not enforce penalties. It is based on a Muslim’s commitment to fulfil the promise or to have acceptable reasons for breaking it.

The specific requirements outlined above give commodity trading Islamic Utility. The global practice is generally acceptable, and should investors consider commodities in their portfolio, these guidelines should be considered. The literature and the current two-stage screening process do not explicitly discuss commodity trading. Hence, there appears to be a gap in the model that our discussion addresses. We formalise this into the three-stage model.

5.5. Precious materials

Precious materials may be held for their intrinsic value. They are unlike other commodities that have utility value. For example, the Islamic gold dinar is an asset class in Muslim countries like Malaysia (Meera & Larbani, 2004). Practice shows that gold may be held in physical form, equity or as backing for cryptocurrencies (Abdeldayem et al., 2021; Agha et al., 2015; Meera & Larbani, 2004). Islam treats all precious materials in the same way. There are parallels throughout the world. For example, in South Africa, investors can buy coins or gold-backed funds. The coins have denominated weights, and the accounts have structured fee models. The current two-stage screening appears to accommodate investing in precious materials. Hence, they have Islamic Utility.

5.6. Equities

Equities are the most sophisticated class of assets as far as screening is concerned. They are generally subject to the two-stage Yasaar screening. In the first stage, the nature of the business must be socially permissible in Islam (Masih et al., 2018). This requirement rules out most financial and entertainment industries, all alcohol industries and Islamically unlawful animal-based industries (Alam et al., 2017). The literature does not discuss unique scenarios within these rules. In each of the examples above, there could be exceptions.

For example, South Africa has a robust, permissible animal-based and medical industry. These examples describe scenarios where the two-stage screening would reject the equities without considering the social purpose. Investors considering equities in these industries will have to decide permissibility based on their beliefs rather than the two-stage method. Identifying social responsibility is subjective, and investors need only consider what is within a company's control (Masih et al., 2018). Corporate social responsibility has become a company's cause (Lindgreen & Swaen, 2010). This article generally expands corporate social responsibility to constitute social well-being. For example, an alcohol company could have a responsible drinking campaign as their corporate social responsibility. However, Islam holistically looks at social well-being and prohibits drinking alcohol. Hence, while there may be an overlap, we are distinguishing the difference so that subjectivity in this regard adopts the Islamic perspective.

While the prohibition on some industries is clear-cut, others may be open to interpretation. Waris, Hassan, Abbas, Mohsin, and Waqar (2018) write that weapons trade is illegal in Shariah. It appears that Waris et al. generalised their findings from their Malaysian example. However, the historical text cites the Prophet pawning his armour. Hence, investors should view the weapons trader's business activity and consider the company's responsibility when selling weapons.

Similarly, the Islamic Utility of goods like medicinal alcohol or tobacco may be individually assessed. Based on such examples, establishing the Islamic Utility of equities, where no formal ruling exists, is complex. Some investors may consider some equities as Riba, while others may not. It comes down to personal subjectivity.

Investors may also consider how a company raises capital. While the company's business activity may be Islamically permissible, it may receive funding from impermissible sources. Secular banks often have Islamic finance partnerships, funding them through their conventional fractional reserve business. In this scenario, using two-stage screening, it appears that investors cannot invest in these companies (Masih et al., 2018; Taqī 'Usmānī, 2005). However, the service rendered may support social well-being, and the core business may be Islamically permissible even though the primary source of capital is not. Therefore, investors may want to support the business by treating funding sources as Darurah. The company's goal could be to reach a stage where it would not need the impermissible funds; hence, investors support it. Therefore, they may have Islamic Utility. Current literature has not discussed this.

So far, in this discussion, it has become evident that there is a third subjective stage, which fills a gap in the first stage of rule-based screening that we suggest.

The second stage involves financial evaluation. Islam mandates that businesses may not participate in high-percentage interest-bearing transactions. Modern debt or equity business activity makes this extremely difficult. Islamic jurists applied Islamic interpretation in these scenarios to specify financial conditions under which investment is permissible (Alam et al., 2017; Ashraf & Khawaja, 2016; Ho, 2015; Rizaldy & Ahmed, 2018; Waris et al., 2018). The primary screening consideration is a debt-equity ratio of less than 33%. However, this and other financial screening is different globally.

There are various methods of financial screening, including AAOIFI, IFSB, IFA, Al-Meezan, MSCI, FTSE, DJ and S&P, to name a few (Ashraf & Khawaja, 2016; Nazeer Ahmed Jhaveri & Co, 2019; Waris et al., 2018). Further, many countries set standards like specifying illiquid assets or market share-related ratios (Waris et al., 2018). Financial ratios are based on the book value of total assets or the market value of equity, where the percentage ranges from 33% to 50% (Ashraf & Khawaja, 2016). In Shariah, anything under 33% is deemed trivial, hence the allowance (Mohamed, 2014). Some countries allow 5% for income generated from prohibited business activity, and others allow 20% variance for extraordinary circumstances (Ho, 2015). We found it helpful to accommodate delays in financial reporting. Investors can consider business activity like this to determine Islamic Utility.

For example, in the data collected, the asset and wealth management company Anchor Group Ltd primarily offered finance instead of asset management (Khan, 2020). Hence, the company was excluded as having a high-interest income. Similar scenarios appeared in many other companies. For each, we interpreted the data and subjectively decided if we should keep the company. By doing so, we extended the current two-stage screening into a three-stage screening, where we subjectively interrogated the first two stages.

Several scenarios became evident in our investigation. The first scenario related to real estate companies that owned shopping centres with tenants that sold prohibited goods. In many cases, tenant details and rentals were not published. However, the annual reports showed that these companies have large property portfolios with a diverse tenant base, implying that the percentage of tenants conducting prohibited business could be small. Hence, investors may review their portfolio size and determine if they have Islamic Utility.

The second scenario involved companies as subsidiaries of other companies. Investors may consider the company itself or as part of a group where the group's business activity is considered. We found that holding companies often funded subsidiaries and decided to consider the group. An example in the data describes the thinking behind three-stage screening. Imbalie Beauty Ltd.'s business includes products and a manicure service (Dream Nails) (Auditors, 2020). The annual reports showed that Dream Nails (Islamically prohibited) accounted for most of the earnings; hence, Imbalie Beauty was excluded. This type of thinking was applied to all the data.

The third scenario highlighted two issues related to holding companies listed on different stock exchange boards. The first is how the business activity of subsidiaries impacts holding companies. Even though they may not be a majority asset as a percentage, they could provide most of the earnings. Dream Nails is an example of a subsidiary providing most of the income. The second issue is that if investors choose to analyse Islamic Utility at the level of the holding company, permissible subsidiaries may be excluded along with the holding company. Hence, investors must consider how they treat the subsidiary subjectively, as it could impact their asset pool. We rationalised the more conservative approach of evaluating the entire organisation since the relationships between the companies affect each other. The thinking can be expanded to companies with a global footprint.

The fourth scenario was where companies collected funds over several years. Ordinarily, they would be excluded when the cash exceeded 33.3% of total assets. The data showed that the companies had Islamic Utility in one year and then lost it the following year. However, the reasons for accumulating the cash were investigated under the third stage. We found that some companies collected funds to acquire new assets, buy back shares, or manage liquidity to stabilise the company. The companies may have Islamic Utility in these cases.

A fifth scenario considered companies' social contribution. Investors might consider supporting these companies in such cases since it means supporting jobs or other social responsibilities. We took the view that if the business activity was permissible, their social contributions were acceptable, and they incurred less than 50% loans, the company would be included even if they failed the two-stage test. When analysing the data, it became apparent that the scenarios might change within a year, resulting in companies losing Islamic Utility for a short while during that financial year. However, business activity had returned to acceptable levels when the annual reports were viewed. Hence, Ho's (2015) 20% consideration is essential when considering Islamic Utility.

The scenarios are summarised in the table below.

Table 1: Summary of Stage Three screening scenarios

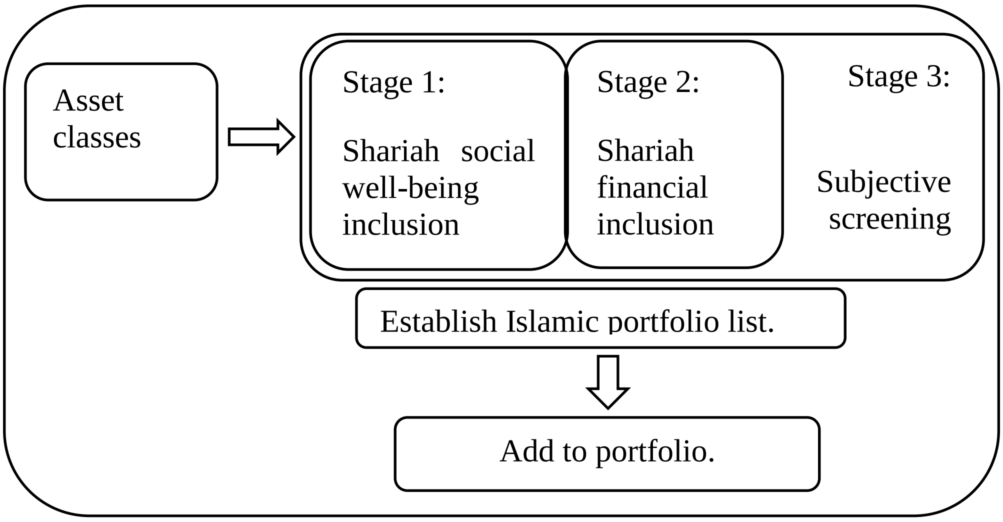
Scenario	Description	Subjective response
1	Companies with a small percentage of prohibited business activity. Regardless of whether the company is a whole or a subsidiary.	Several companies hold a small percentage of prohibitive assets in their portfolio. This case appeared the same as with other companies included in the SASI. A more in-depth investigation was considered into the percentages and the period for which these were held. Ho's (2015) consideration was adopted.

2	Subsidiaries whose prohibitive business activity constituted the majority of the group's earnings.	Subject to the screening in scenario 1, subsidiary companies whose asset value was low were included. However, they were excluded if their prohibitive business activity contributed the most earnings.
3	Considering Holding Companies business activity.	In several cases, the subsidiary itself had Islamic Utility. However, the subsidiary was excluded when the holding company failed the screening.
4	Companies building cash reserves.	The Yasaar screening process eliminates companies that are building cash reserves. However, employing Ho's (2015) consideration, the purpose of building cash reserves was considered. (Financial companies were already excluded before considering cash reserves.)
5	Religious consideration.	Religious consideration included softer issues like Islamic social acceptance and contribution to society, which aligned with Ho (2015).
Other observations	Annual financial reports, as opposed to quarterly rebalancing	Only audited annual financial reports were considered. In several cases, the only reliable information was the annual financial statements. Therefore, the benefit was given to the company during the rebalance exercises.

Source: University of the Witwatersrand, Performance Evaluation of Shariah Investments in South Africa: 2022 Doctoral dissertation

In conclusion, the two-stage screening appears to limit investor subjectivity and contradicts historical advice. There are Shariah guidelines that should be open to individuals' interpretations. The matter is further complicated by the nature of holding companies, where investors have several ways of viewing the companies' structures. Additionally, scholars have made some allowances in both stages due to the sophisticated modern environment. This creates a precedent for further personal allowances. Thus, personal subjective screening has Islamic Utility. Therefore, the current two-stage screening can be reinterpreted as a three-stage screening process where investors can consider Islamic Utility. As contextualised in Figure 2, the three-stage screening would be like the two-stage screening, except that the third stage would ask investors to review business activity.

Figure 1: Three-stage conceptual framework – establishing Islamic Utility.



Source: University of the Witwatersrand, Performance Evaluation of Shariah Investments in South Africa: 2022 Doctoral dissertation

6. Conclusion

In an attempt to improve investment opportunities for Muslims, we challenged the current definition of Riba. We cited historical texts to support our definition as more comprehensive and in keeping with the spirit of Islam. We formed themes that discussed different aspects of Riba to define Riba as any income contrary to Islamic belief. This necessitated using tools that allow investors to determine if an asset is permissible. Intrinsically, it implies adding utility. To determine if assets have utility in Islam, we scrutinised asset classes to ascertain if the business conducted itself well and if the outputs satisfied Muslim needs. Thus, we define

Islamic Utility as utility earned by engaging in Islamically permissible business activity.

We used Islamic Utility to investigate screening to replace the two-stage, rule-based screening. We found gaps in all six asset classes with two-stage screening. As an alternative, we offer investors a three-stage methodology that allows subjectivity to address the gaps. Case studies showed that some generally impermissible goods could be permissible because they add social value.

The study implies that current investment screening is simplistic and can limit investment options where the existing models do not cover all asset classes. The study took a theological approach to identify gaps in our definitions and discussed solutions for these gaps. Firstly, the study implies that Riba should be wholly reviewed in the Islamic finance industry, like insurance and lending, since investors may invest in these companies. Secondly, the findings imply that investment models designed in one country may not apply in others. Lastly, the three-stage model that we propose aligns with the spirit of Islam in promoting the support of Islamically ethical growth. Investors, regulators and academics need to review practices to create opportunities within a country and across borders; some countries may have Islamic laws, while others do not.

Hence, in conclusion, our discussion replaces the current investment norm with a model that comprehensively fulfils Muslim needs. Applying Riba and Islamic Utility correctly offers investors a broader asset pool. Since this is the first time that Riba is defined in this way, it provides research in many disciplines. Closest to our study, global cases should be reviewed with three-stage screening. Exploring further, other religious requirements may affect different business activity. Researchers may consider our definition of Riba in lending, business partnerships, insurance and retail. For example, agreements that force parties to use specific suppliers unnecessarily may incur Riba. Similarly, unrelated clauses in contracts may also imply Riba.

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Appendices

The Islamic interpretation guidelines are collated into two lists to assist Islamic interpretation (Surtee, 2011).

Appendix A.1 Guidelines for Tafsir of Quraan

Elias et al. (2005) expand that Tafsir takes the following considerations when determining interpretations:

1. Philology of Arabic

As has been discussed, Arabic is considered a divine and complex language. There are many ways in which words and phrases are used. Tafsir looks at the subtle differences in the expressions used in the phrases.

2. Syntax

Guarding against quoting single verses, this science helps create the context in which the verses of the Quraan offer guidance. The whole passage is taken into consideration. For example, in the second story of the Quraan, the first passage on Riba/interest starts at verse 274 and ends at 281.

3. Etymology

Etymology is the study of the source and derivation of a word or conjunction to understand the word in the context of the verse.

A good example is the word cube. The Arabic word is Kabaah. Those familiar with Kabaah know it to be the black-shrouded building in Makkah. It is also the word for a cube (like a Rubik's cube). Hence, depending on the conversation, the word would be understood appropriately. Another example is Taariq, which means leader, direction, guidance, or to allow one to pass.

4. Derivatives of words

Words could be derived from different sources, so their meanings could differ.

5. Semantics

a) Semantics refers to understanding common phrases, figures of speech or metaphors derived from Arab culture.

6. Knowledge of rhetoric

This applies to understanding the way that the Arabic language is used. There is a cultural aspect to communicating in Arabic, as with any language.

7. Understanding the pronunciation

Even the pronunciations of words change their meanings. It is imperative to understand these subtle pronunciations when reading Arabic verses.

8. Understanding the fundamentals of faith

Some analogies are only explained by knowing the faith and careful explanation of how this understanding of faith explains the analogy.

9. Principles of Islamic jurisprudence

Understanding the principles used in Islamic law is essential to enable the correct result when making interpretations.

10. Knowledge of the commandments

Knowledge of the commandments refers to knowing which commandments have been annulled or changed. The knowledge includes knowing why something has happened if it was replaced, and which commandment replaced it.

11. Knowledge of Islamic jurisprudence

This science involves using established Islamic law when making interpretations.

12. Knowledge of Hadith

Refers to the knowledge of Hadith that explains specific verses of the Quraan.

13. Attaining the status of Wahabi

Wahabi is a person who is deemed as guided by Allah (not like the revelation Prophets received). Scholars must accept this person as a Wahabi and cannot claim this title.

Appendix A.2 Guidelines for Tafsir of Hadith

Hasan (1994) has listed the rules used to interpret Hadith. These rules are summarised as:

1. Knowledge of i'tibar ("consideration").

I'tibar is related to the interpretation of Hadith. There are Hadith that are recorded only once, additionally where there is reliable mutaba'ah ("follow-up") or where there are several reliable shawahid ("witnesses").

Hadith recorded once only are investigated where traditionalists search for other Hadith to strengthen support for the Hadith. Such research is termed i'tibar or consideration of Hadith. If a supporting narration is not found for a particular Hadith, it is declared far'd mutlaq (singular) or gharib.

For follow-up, when searching for the strength of a Hadith, if the method of reporting a Hadith was through an isnad (chain) of people, e.g.:

- Hammad b. Salamah, who cites his source as Ayyub.
- Ayyub in turn sites Ibn Sirin.
- Ibn Sirin sites Abu Hurairah.
- Abu Hurairah, who heard from or was instructed by the Prophet.

Then, the research would be done to ascertain whether another trustworthy reporter has narrated it from Ayyub; if so, it will be called mutaba'ah tammah (complete follow-up). Follow-up analysis is done where they work backwards from the closest narrator to the Prophet (saw), who, in this case, is Abu Hurairah.

If the investigation of other narrators from Ayyub does not give results, a reporter other than Ayyub narrating from Ibn Sirin would be sought. It will be called mutaba'ah qasirah (an incomplete follow-up) if found.

Mutaba'ah applies to the chain of narrators being similar and having some common root reporters, i.e. other reporters heard of the narration and reported it in a way that the name of the root reporter is stated. This differs from Hadith, which have the same meaning but may be reported through a completely different chain of narrators. These Hadith are called shawahid ("witnesses") Hadith.

2. Afrad (singular narrations) are considered differently.
3. The type of character (of the person) required is that of an acceptable reporter.
4. The way a Hadith is heard and the different ways of acquiring Hadith, e.g.:
   - We observed the Prophet.
   - The Prophet said.
   - We asked the Prophet who showed us.
5. How a Hadith is written, and (Arabic) punctuation used. This expands on the intended meaning, emphasising certain words or actions.
6. The way a Hadith is reported (rule 4 applies to the first/root narrator), e.g.:
   - I heard from someone who observed the Prophet.
   - I saw someone who acted on what the Prophet said.
   - Someone showed us what the Prophet showed them.

7. The manners or character of traditionalists and students of Hadith. This refers to the trustworthiness and social nature of the person (student).
8. Knowledge of a higher or lower chain of narrators (i.e. one with fewer or more reporters respectively).
9. Knowledge of difficult Arabic words.
10. Knowledge of abrogated (annulled or obsolete) Hadith.
11. Knowledge of altered Arabic words in a text or chain of narrators.
12. Knowledge of contradictory Hadith.
13. Knowledge of additions made to a chain of narrators (i.e., inserting an additional reporter's name).
14. Knowledge of Hadith that are defined as mursal, i.e. Hadith reported where the narration chain is not stated to speed up the narration.
15. Knowledge of the Companions of the Prophet.
16. Knowledge of the Successors to the Companions.
17. Knowledge of elders reporting from younger reporters.
18. Knowledge of reporters similar in age reporting from each other.
19. Knowledge of brothers and sisters among reporters.
20. Knowledge of fathers reporting from their sons.
21. Knowledge of sons reporting from their fathers.

22. Knowledge of cases where, e.g. two reporters report from the same authority, one in his early life and the other in his old age; in such cases, the dates of death of the two reporters will be significant.
23. Knowledge of such Shariah authority from whom only one person reported.
24. Knowledge of such reporters who are known by several other names and titles.
25. Knowledge of unique names amongst the Companions and the reporters in general.
26. Knowledge of names and by-names (kunyah).
27. Knowledge of by-names for reporters is known by their names only.
28. Knowledge of nicknames (alqab).
29. Knowledge of mu'talif and mukhtalif (names written similarly but pronounced differently), e.g. Kuraiz and Kariz.
30. Knowledge of muttafiq and muftariq (similar names but different identities), e.g. "Hanafi": there are two reporters who are called by this name; one because of his tribe Banu Hanifah; the other because of his attribution to a particular Madhhab (school of thought in jurisprudence – discussed later).
31. Names covering both the aforementioned types.

32. Names that look similar, but they differ because of the difference in their father's names, e.g. Yazid bin al-Aswad and al-Aswad bin Yazid.
33. Names attributed to people other than their fathers, e.g., Isma'il bin Umayyah; in this case, Umayyah is the mother's name.
34. Knowledge of such titles which have a meaning different from what they seem to be, e.g. Abu Mas'ud al-Badri, not because he witnessed the battle of Badr but because he came to live there; Mu'awiyah b. 'Abdul Karim al-Dall ("the one going astray"), not because of his beliefs but because he lost his way while travelling to Makkah; and 'Abdullah b. Muhammad al-Da'if ("the weak"), not because of his reliability in Hadith, but due to a weak physique.
35. Knowledge of ambiguous reporters by finding out their names.
36. Knowledge of the dates of birth and death of reporters.
37. Knowledge of trustworthy and weak reporters.
38. Knowledge of trustworthy reporters who became confused in their old age.
39. Knowledge of contemporaries in a certain period.
40. Knowledge of free slaves (mawali) amongst the reporters.
41. Knowledge of the homelands and hometowns of reporters.