【Symposium】

The Originality of *Qard* and its Implication on the Loan Theory: Does Intention Matter?

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Introduction

Islamic Jurisprudence comprises *Usul al-Fiqh* and *Fiqh*. *Usul al-Fiqh*, the bases or roots of Islamic Law, expound the methods by which *Fiqh* is derived from their sources. In this view, *Usul al-Fiqh* is the methodology and *Fiqh* is the product. *Usul al-Fiqh* covers the primary sources of Islamic Law, the Qur'an and Sunnah and what are the methods of deduction of law from the Qur'an and the Sunnah. *Usul al-Fiqh* develops together with *Fiqh*, as *Usul al-Fiqh* is the collection of principles pertaining to the methodology for the extraction of *Fiqh*. The concept of *Usul al-Fiqh* is comparable to adhering to a methodology when conducting a scientific experiment. Similarly, adhering to a methodology in deriving *Fiqh* (rulings) is referred to as *Usul al-Fiqh*. This methodology provides a way for jurists to derive Islamic rulings from the legislative sources in Islam.

In Islam, *Fiqh* can be devided into 4 categories: (i) *Fiqh al-'Ibadat*: The rules of ritual purification (*taharah*), prayer (*solat*), pilgrimage (*hajj*), fasting (*sawm*), almsgiving (*zakat*), *jihad* and some other forms of worship are dealt with under this heading. (ii) *Fiqh al-Mu'amalat*: it cover with commercial transactions and property such as contracts, business organisation, security of debts and insolvency, pre-emption, gifts, bequests and *waqf*. (iii) *Fiqh al-Munakahat*: it deals with marriage, divorce, inheritance, guardianship and related matters. (iv) *Fiqh al-Jinayat*: it deals with

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criminal offences like unlawful sexual intercourse (*zina*), theft and others.

Fiqh Muamalat covers all the contract of Islamic Finance such as *Musyarakah*, *Mudarabah*, *Murabahah*, Tawaruq, *Ijarah*, *Wadiah* and etc. *Qard Hasan* is one of them which means a kind of gratuitous loan that can help the fellow Muslim brothers who need money, especially in times of need. Thus, *qard* enhances brotherhood among the Muslims. The main objectives of *qard* are: To help the needy fellow people, to establish better relationship among poor and the rich, the mobilization of wealth among all people in the society, to perform a good deed that is encouraged and appreciated by the Allah Almighty and His messenger, to strengthen the national economy, to facilitate the poor to create new jobs market and business ventures by using their merits, skills and expertise, to establish a caring society, to eradicate unemployment problem from the society, it can remove social and economical discrimination from the society, and obviously there is a great reward in the Hereafter for giving *qard al-hasan*. Hundreds of verses of the Qur'an deal with the spending of money, trade, social class, charity and other forms of economic transactions. While there are six places in the Qur'an that mention on *Qard al-Hasan.*

The purpose of this paper is to discuss the spirit *(ruhiyyah) and* originality of *qard* that will affect the purpose of giving loan. This discussion enables us to re-visit the loan theory, and also to determine what are the factors that triggered behavior of loan repayment. The remaining discussion of this paper will be divided into four sections. Section two will discuss *qard* from the original sources and the views of several scholars and the current practices. Section three will describe the Theory of Planned Behavior and Ethical Philosophy by al-Ghazali. The conclusion will be presented in section four.

I　An Insight into the Theoretical Foundation of *Qard*

1. What is *Qard Hasan* (Benevolent Loan) ?

In Islam, the principle of *Qard al-Hasan* is a mechanism for welfare and not for purposes of business transactions. It is a loan that is free from usury, and given to charitable causes. The borrower is only required to repay the amount borrowed. (Ahsan 2007) *Al-Qard* in Arabic or *al-Qat`u* means the deduction. It is called *qard*, as it cut a certain portion of property lender. *Hasan* is also the Arabic word, which comes from grace. *Ihsan* means loving others. *Qard al-Hasan* is a loan which is returned at the end

of the agreed period without any interest or share in profit or loss.

Qard al-Hasan is a noble act because of non-profit material returns. It is highly encouraged in Islam because it can help people in need from being oppressed by the borrower. It aims to foster love, brotherhood and unity. According to Farooq (2007), in financing *Qard al-Hasan*, an additional amount that is required is prohibited. However, the borrower can pay more if not specified in the contract. While there are some differences of opinion on some issues regarding the implementation of this principle such as the issue of management costs, early repayment according to demand of creditors, the need for guarantors and others.

There is little difference between Islamic banks all over the countries in the use of this principle. Faisal Islamic Bank of Egypt provides a courtesy loan interest *(Qard al-Hasan)* free of charge to holders of investment accounts and current accounts, in accordance with conditions set by the board of directors. Banks also lend to any other person under specified conditions.

Instead, the Jordan Islamic Bank law provides loans for productive courtesy in various fields to enable the borrower to start an independent life or to increase their income and living standards.

In Iran's banking sector, they allocate a portion of their resources (i.e., from other alternative sources) to the interest-free loans *Qard al-Hasan*. These loans can be given to small producers, entrepreneurs, farmers and consumers in need. Iranian banks are allowed to impose a minimum service charge to cover the costs of administering this fund.

In Pakistan, *Qard al-Hasan* is included in the mode of loans financing and the distinctiveness of this loan is, there is no service fee charged on *Qard al-Hasan* and *Qard al-Hasan* operations performed on each bank's headquarters and branch offices are not allowed to extend loans given on compassionate grounds. However, this loan to be repaid, if and when the borrower can afford to pay.

While, financing of *Qard al-Hasan* in Indonesia was conducted by Microfinance Institutions of Baitul Mal Wat Tamwil (BMT) and executed in Pakistan by Al-Akhawat and Islamic Relief in Kosovo (Widiyanto 2011).

In Malaysia, *Qard al-Hasan* application is account at the small percentage. *Qard al-Hassan* is given to poor people especially in microfinance institution as it aim to provide credit to poor people.

2. Qard from the Original Sources

In Islam, since interest is prohibited, a new view of Islamic loan theory needs to be discussed. In discussing *qard,* several studies, among others include Farooq (2008), Atia (n.d), Mirakhor and Iqbal (2007) refer to several verses in the Holy Qur'an. They refer to the following verses, i.e., Chapter al-Baqarah: verse 245, Chapter al-Maidah: verse 12, Chapter Al-Hadid: verse 11 and 18, Chapter al-Taghabun: verse 17 and Chapter al-Muzammil: verse 20. In those studies, they refer to the verses and also al-hadith as to define, and validate the approval of *qard*. In this section, we will use the interpretation of those verses in achieving similar objectives.

The theoretical foundations from these sources, later, were expanded by many scholars such as Tabari, Ibnu Kathir, al-Suyuti, al-Qurtubi, al-Baidhowi and al-Jalalyn (Az-Zahabi, 2000). The practices have been reported during Prophet's time, the reign of the eighteenth Abbasid Caliph Muqtadir (908 A.D. to 932 A.D.), in the period of 300 AH to 333 AH that was ruled by four Abbasid Caliphs, Muqtadir, Qahir, Radi and Muttaqi and also in the early fourth century A.H.[5] During this period, lending was given without charge.

In a conventional way, a similar model (known as benevolent loan) had been introduced in France since the early 14th century. In Netherlands, it was also introduced in the 14th century (G.L. 1963). The aim was intended as a gift of aid or money for the war and later it was intended to serve as an aid to other persons or an aid in place of a parliamentary subsidy (G.L, 1963). However, due to the industrialization era in the 17th century, it created business-minded people . Therefore, the facility, later led to the owner of the property (such gold and later known as fiat money) being rewarded with interest rate, as was introduced in Netherlands in the 12th century. Here, the money was lent with interest.

However, recent practice shows that *qard hasan* has been used as a commercial facility (with some returns) in financial transactions. For example, in Malaysia, it has been practised in business activities and it becomes the business model as witnessed in the operations of pawnbroking (via *Ar-Rahnu* scheme), Amanah Ikhtiar Malaysia (an Islamic microfinance institution) and Microcredit Scheme Selangor (SKIMSEL - one of Islamic microfinance institution). Other countries such as Iran, Indonesia, Pakistan, Bangladesh, Vietnam and others also introduce the same

[5] Siddiqi, Muhammad Nejatullah, "Public Borrowing in early Islamic History: A Review of Some Resources", in *Third International Conference on Islamic Economics*, (Kuala Lumpur, 1992). AH as after *hijrah*.

business model.

Originally, the owner in *qard* transactions is allowed to lend the property. It raises the following related questions. What types of property that can be lent? There must also be reason(s) for lending. What are they? How could we say that lending must have a purpose? Since, the *qard* is meant for lending, would it bring any monetary rewards? If not, what are the incentives for the owner? The above questions have motivated us to explain the loan theory and the relationship between the lender and borrower; especially in searching the factors of repayment behavior.

In interpreting these verses, we will adopt the Quranic commentaries[6] by al-Tabari, Ibnu Kathir and al-Suyuti who used the form of *al-tafsir bi al-ma'thur*[7] specifically using the method of *al-tahlili*.[8] We also add some Quranic commentaries by al-Qurtubi, al-Baidhowi and al-Jalalyn that use the form of *tafsir bi al-ra'y*[9] and also the *al-tahlili* method. We also add some Quranic commentary by al-Zuhaily in his book *al-Munir* that combines the form of *al-tafsir bi al-ma'thur* and *tafsir bi al-ra'y* using *al-tahlili* and *semi thematic* methods.[10] The word *qard* (loan)s appears in several verses in the Holy Qur'an. One of the intrepetation from the Chapter Al-Baqarah, verse 245, mentions that Allah decrees:

"Who is it that (will) grant Allah a goodly (sincere) loan so that He will repay him many

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[6] Al-zahabi, Muhammad Hussain, *al-tafsir wal-mufassirun*, (Qaherah: Maktabah Wahbah, 2000), vol 1, pp.105-257.

[7] *Tafsir bi al-Ma'tsur* is interpreted based on the *Sahih* collection that is interpreting the Qur'an with the Qur'an, the Sunnah with Qur'an because it serves as clarifying the Qur'an, with the word of Companions because they were most in the know of the Qur'an, or the words of great *tabi'in* because they generally receive from his companions.

[8] *Tahlili* means the interpretation is done verse by verse and then sequentially letter by letter from beginning to end according to the order of the Qur'an. It explains vocabulary and wording, which are required to clarify the meaning, the intended target and content of a sentence, namely the elements *i"jaz, balaghah* and the beauty of the arrangement of sentences, explain what can be taken from the text that is the law of *fiqh*, evidence *syar'i,* meaning in language, the norms of morality and so forth.

[9] *Tafsir bi al-ra'y*: This interpretation enlarges the role of ijtihad in comparison with the use *of tafsir bi al-Ma'tsur*. With the help of Arabic knowledge, *qiraah* knowledge, the knowledge of Al-Qur'an, hadith and Science of Hadith, *ushul fiqh* and other sciences, mufassir will be using their *ijtihad* ability to explain the meaning of the text and expand it to support the development of knowledge.

[10] *Semi thematic* (method of *al-maudhu`i*) because he interprets the Qur'an from al-Fatihah letter by letter until an-Nas and put the themes in each study according to the contents of the verse, as in the interpretation of the letter al-Baqarah, verse one through five, he gave the theme attributes of believer and the reward of the righteous.

times over? And (remember) it is Allah who decreases and increases (sustenance), and to Him you shall all return."

The reasons on why the verse 245 of al-Baqarah was revealed, [11] was due to the story of Abu al-Dahdah. Abu al-Dahdah al-Ansari said: O Messenger of Allah, does Allah want a loan from us? He replied: "Yes, O Abu Dahdah." He said, "Give me your hand, O Messenger of Allah: Then he held the hand of Prophet (*s.a.w*) and said: "I lend to the Lord my garden which there is six hundred palm trees, his wife and family. "Then Abu al-Dahdah went into his garden and he called: "O Umm al-Dahdah!" She replied: "Yes", Abu al-Dahdah, said: "Since I have lent to Allah, so let us leave this garden".[12] The interpretation form the verses have led us to describe several topics, which are the purpose of loan, purpose of reward, default risk and repayment of debt.

3. The Purpose of Loan

As discussed from several verses and al-Hadiths, people need something to continue life, such as food, housing, transport and etc. However, with the lack of property or money, they are not able to get these basic needs and also other necessities. Therefore, they are required to buy something on credit and sometimes give something as a mortgage to get money. The practice takes place since the time of Prophet Muhammad (*s.a.w*).

For example, narrated by Jabir bin `Abdullah in Sahih al-Bukhari,' while I was in the company of the Prophet in one of his *Ghazawat* (war), he asked, "What is wrong with your camel? Will you sell it?" I replied in the affirmative and sold it to him. When he reached Medina, I took the camel to him in the morning and he paid me its price'.[13] Narrated by al-A`mash in Sahih al-Bukhari, 'When we were with Ibrahim, we talked about mortgaging in deals of *Salam*. Ibrahim narrated from Aswad that 'Aisha had said, "The Prophet bought some foodstuff on credit from a Jew and mortgaged an

[11] As noted from Said bin Mansur, Ibn Sa`d, al-Bazzar, Ibn Jarir, Ibn al-Munzir, Ibn Abi Hatim and al-Hakim al-Tirmizi, in several *al-usul*, and al-Tabrani, al-Baihaqi in discussing the topic of al-Iman, from Ibn Mas`ud.

[12] al-Suyuti, *Dar al-Manthur fi al-tafsir al-ma'thur,* (Beirut: Dar al-Kutub al-Ilmiah, 2000) vol.1, p.554.

[13] Sahih al-Bukhari, Quoted in Al-Kutub al-Sittah, Bukhory, Muslim, Abu Dawud, An-Nasa'I, Ibnu Majah, At-Tirmizi, Ibnu Majah, Ahmad, (Riyadh: Dar al-Salam, 1999) Hadith no.570 (Buy something on credit).

iron armor to him." '[14]

4. Purpose of Reward

The act of Abu al-Dahdah was recognized by the Prophet (pbuh) who said great reward for Abu Dahdah in paradise when he contributed his land as a charity in the path of Allah in Chapter al-Hadid, verse 11. There are various interpretations from at-Tabari, al-Baidhowi and al-Jalalyn. From At-Tabari, he interprets *Qard al-Hasan* as anyone who makes spending in the cause of Allah in this world, to achieve the blessing from Allah, and Allah will reward more on what you have given (loan) to Him, such as spending in the way of Allah. Allah will reward one with seven hundred.[15] From al-Baidhowi, "Whoever lend to Allah a good loan, meaning that who spends his money in the process hope of compensate, it is like someone who lends and spends the money sincerely, and give the best property in his best sides."[16]

Al-Jalalayn commented, "Who is it that will lend God, by spending his wealth in the way of God, a goodly loan, by virtue of his expending it towards God's sake, so that He may multiply it for him, from tenfold up to more than seven hundredfold - as stated in chapter al-Baqarah, verse 261, and [so that] there may be for him, in addition to the multiplied [reward], a generous reward, coupled with satisfaction and prosperity".[17] Meanwhile, in Chapter al-Hadid: 18. From Tafsir al-Jalalyn, the verse means "Indeed men who give voluntary alms and women who give voluntary alms and [those of them] who have lent God a goodly loan 'it will be multiplied namely, their loan [will be multiplied], for them and they will have a generous reward".[18] In Chapter al-Taghabun, verse 17, from al-Jalalyn, he said that if you lend God a good loan, by giving voluntary alms out of the goodness of [your] hearts, He will multiply it for you, from tenfold up to seven hundredfold or more for each one - this [loan] being the giving of voluntary alms out of the goodness of the heart - and He will forgive you, whatever He will, and God is Appreciative, rewarding of obedience,

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[14] Ibid, p.571 (mortgage).

[15] al-Tabari, *Jami` al-Bayan fi Takwil al-Quran*, (Beirut:Dar al-Kutub al-Ilmiah, 1992) vol.11, p.675.

[16] al-Baidhowi, *Tafsir al-Baidhowi al-Musamma bi Anwar al-Tanzil wa al-asrar al-takwil*, (Beirut: Dar al kutub al-Ilmiah, 2003) vol 2, p.468.

[17]Abd al-Qadir al-Jailani, *Tafsir al-Jalalyn*. (Beirut: Al-Markaz al-Raisi Istanbul, 2009) vol.6, p.11.

[18] Ibid., p.16.

forbearing, in refraining from [always] punishing disobedience.[19] And in Chapter al-Muzammil, verse 20, from al-Baidhowi, {And lent Allah a good loan} wants up in all other expenditures in the ways of good things, or by performing Zakat in the best way, and seeking the promise of reward.[20]

From a hadith, it was narrated from Isla'il bin Ibrahim bin 'Abdullah bin Abi Rabi'ah, from his father, that his grandfather said: "'The Prophet borrowed forty thousand from me, then some wealth came to him, and he paid me back and said: 'May Allah bless your family and your wealth for you: the reward for lending is praise and repayment' " (Hadith Hasan) [21]

There is the supplication (*dua'*) from the prophet (*s.a.w*) that Allah will forgive his sin until he reached the city of Madinah. It was narrated that Jabir bin 'Abdullah said: "I was with the Prophet (*s.a.w*) on a military campaign, and he said to me: 'Will you sell this camel of yours for a Dinar?' I said: 'O Messenger of Allah, it is yours when I get to Al-Madinah.' He said: 'Then sell it for two Dinar, may Allah forgive you.' And he kept increasing the price for me, saying: 'May Allah forgive you,' each time, until the amount reached twenty Dinar. When I came to Al-Madinah, I took hold of the camel's head and brought it to the Prophet (*s.a.w*) and he said: 'O Bilal, give him twenty Dinar from the spoils of war.' And he said: 'Take your camel away and go to your people with it.'" (Hadith Sahih)[22]

5. Default Risk

In certain cases, the borrower could not repay the principal. How could this be solved? From a hadith, I heard Abu Umamah Al-Bahil say: "I heard the Messenger of Allah (pbuh) say: "The guarantor is responsible and the debt must be repaid" (Hadith Hasan) [23]

Narrated by Jabir bin 'Abdullah, 'My father was martyred on the day (of the battle) of Uhud, and he was in debt. His creditors demanded their rights persistently. I went to the Prophet (and informed him about it). He told them to take the fruits of my

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[19] Ibid., vol.6, p.106.

[20] Supra Note 28 at p.539-540.

[21] Sunan al-Nasai, *Book of transaction*. Quoted in Al-Kutub al-Sittah, Bukhory, Muslim, Abu Dawud, An-Nasa'I, Ibnu Majah, At-Tirmizi, Ibnu Majah, Ahmad, (Riyadh: Dar al-Salam, 1999).Hadith no.4687.

[22] Sunan Ibnu Majah, *Book of tijarah* .Quoted in Al-Kutub al-Sittah, Bukhory, Muslim, Abu Dawud, An-Nasa'I, Ibnu Majah, At-Tirmizi, Ibnu Majah, Ahmad, (Riyadh: Dar al-Salam, 1999).Hadith no.2205, vol.3.

[23] Ibid., Vol.3, Book 15, Hadith 2405.

garden and exempt my father from the debts but they refused to do so. So, the Prophet did not give them my garden and told me that he would come to me the next morning. He came to us early in the morning and wandered among the date palms and invoked Allah to bless their fruits. I then plucked the dates and paid the creditors, and there remained some of the dates for us.'[24] It shows that debts must be paid.

6. Repayment of Debt

The borrower may pay the debt with an increase (it is also referred as 'paying debt handsomely') as it is not prescribed in the contract. The Prophet (pbuh) owed a camel of a certain age to a man who came to demand it back. The Prophet (pbuh) ordered his companions to give him. They looked for a camel of the same age, but found nothing but a camel one year older. The Prophet (pbuh) told them to give it to him. The man said, "You have paid me in full, and may Allah pay you in full." The Prophet (pbuh) said, "The best amongst you is he who pays his debts in the most handsome manner." [25]

II The Relationship between Intention and Repayment Loan Behavior

Religion and economy are interrelated. According to the contemporary rational choice approach as suggested by Lavric and Flere (2011)[26], people engage in religion predominantly because they expect to maximize their perceived rewards/cost ratio. In rational choice theories, individuals are seen as motivated by the wants or goals that express their preferences. They behave within a specific manner, given the constraints and on the basis of the information that they have about the conditions under which they are acting. The relationship between preferences and constraints can be seen in purely technical terms of the relationship whereby it is a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and think of the means for attaining these goals.

Rational choice theories hold that individuals must expect the outcomes of alternative courses of action and calculate those which will be best for them. Rational

[24] Supra Note 25 at vol.3, book 4, Hadith 580.
[25] Ibid., vol.3, Book 41, Hadith 578.
[26] Lavric M. and Flere S. (2011) "Intrinsic religious orientation and religious rewards: An empirical evaluation of two approaches to religious motivation", *Rationality and Society*, (23), pp.217-233.

individuals would choose the alternative that is likely to give them the greatest satisfaction (Heath, 1976: 3; Carling, 1992: 27; Coleman, 1973).[27] *Qard* is an action. By giving *qard*, the lender has two choices whether the loan he gives is based on benevolent loan or monetary rewards. The outcome is either a reward from Allah (which is unseen and postponed), or monetary reward such as interest in conventional view. However, the choices will be based on the satisfaction he will get. In Islam, how this reward will satisfy him is subject to the principles of ethical philosophy by al-Ghazzali which is; The end, Knowledge of God, Love of God, and The Vision of God in his book *Kīmyāyé Sa'ādat* (The Alchemy of Happiness).

Abū Ḥāmid Muḥammad ibn Muḥammad al-Ghazālī (1058–1111), known as Al-Ghazali or Algazel to the Western medieval world, was a Muslim theologian, jurist, philosopher, and mystic of Persian descent. Al-Ghazali contributed significantly to the development of a systematic view of Sufism and to its integration and acceptance in mainstream Islam. As a scholar of orthodox Islam, he belonged to the Shafi'i school of Islamic jurisprudence and to the Asharite school of theology. In Islamic logic, Al-Ghazali had an important influence on the use of logic in Islamic theology, as he was the first to apply the Avicennian system of temporal modal logic to Islamic theology. Al-Ghazali wrote more than 70 books on the sciences, Islamic philosophy and Sufism. Al-Ghazali wrote most of his works in Arabic and few in Persian. His most important Persian work is *Kīmyāyé Sa'ādat* (The Alchemy of Happiness). It is al-Ghazali's own Persian version of *Ihya'ul ulumuddin* (The Revival of Religious Sciences) in Arabic, but a shorter work. It is one of the outstanding works of 11th-century-Persian literature. The book was published several times in Tehran by the edition of Hussain Khadev-jam, a renowned Iranian scholar. It is translated to English, Arabic, Turkish, Urdu and other languages.

1. Theory of Planned Behavior

In Psychology, the theory of planned behavior link between beliefs and behavior. The concept was proposed by Icek Ajzen (1991) to improve on the predictive power of the theory of reasoned action by including perceived behavioral control. The theory states that attitude toward behavior, subjective norms, and perceived behavioral control, together shape an individual's behavioral intentions and behaviors. People can hold a

[27] Quoted from John Scott (2000) *Rational Choice Theory, From Understanding Contemporary Society: Theories of The Present*, Sage Publications.

great many beliefs about any given behavior, but they can attend to only a relatively small number at any given moment (Miller, 1956). The theory of planned behavior (TPB) which is extended from the theory of reasoned action has been used extensively to explain socially significant behaviors. Besides attitude and positive norms, Ajzen adds perceived behavioral control as another factor that influence someone intention to do certain behavior.

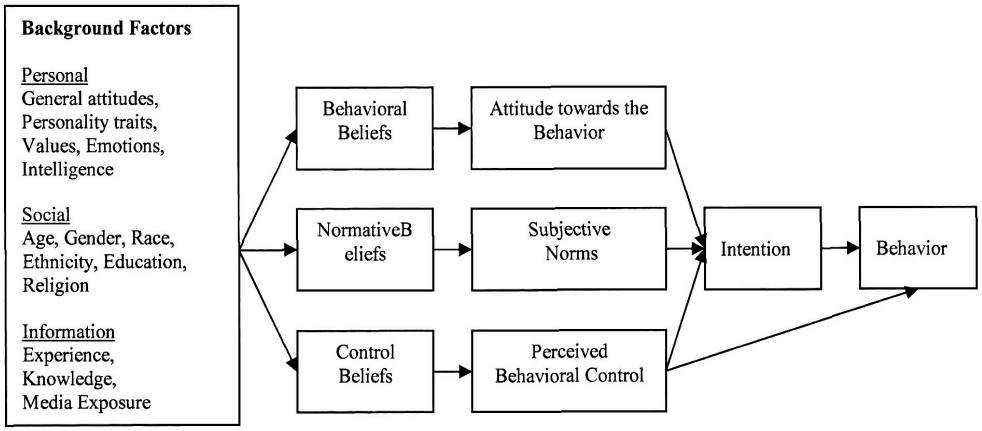


Figure 1: Theory of Planned Behaviour
Source: Ajzen (2005), p. 135

The Loan Theory from Islamic perspectives encourages its followers to practice good behavior. Basically the borrower will pay more as a symbol of renewed self-esteem, the obligation to pay the debt, (if not paid upon death, the soul will be suspended) and believers will pay off the debt.

Spiritually, the lender will lend only on the path of Allah. *Qard hasan* is given to people who cannot afford, and it is even better if the borrower cannot pay the loan and if the lender postpones and justifies the loan. The conventional view of lending is based on monetary reward. However, the *qard* is meant for lending. As discussed in section 2, it would bring reward and love of God to the owner because the action is done for the cause of God.

However, the action will only happen, if the owner knows the philosophy of both reward and *fisabilillah*. Therefore, the understanding of the ethical philosophy and metaphysical philosophies are crucial in explaining the loan theory from an Islamic perspective. By knowing this philosophy, it will affect the intention towards giving loan and also repayment of loan behavior. Therefore, we will explain the ethical philosophy of *qard*. The division of philosophy covers practical and theoretical foundations.

Qard is an action. By giving *qard*, the lender has two choices whether the loan

he gives is based on benevolent loan or monetary rewards. The outcome is either a reward from Allah (which is unseen and postponed), or monetary reward such as interest in conventional view. However, the choices will be based on the satisfaction he will get.

2. Ethical Philosophy by Al-Ghazzali

In Islam, how this reward will satisfy him is subject to the principles of ethical philosophy by al-Ghazzali which is; The end, Knowledge of God, Love of God, and The Vision of God.

a. The End

All individual activities are directed towards some end. By knowing that this world works only for a temporary period, one should know that the everlasting happiness lies in the next world. Thus, good deeds in this world will ensure the achievement of greatest happiness. By lending a property to someone, the borrower (who are in need) will be happy and lenders will also be happy, as they can anticipate the reward that will be granted by Allah later. According to Imam al-Ghazali, the Alchemy of Happiness or *as-Sa'ada al Haqiqia* by Imam al-Ghazali, clarifies that happiness is necessarily linked with the knowledge of God.

b. Knowledge of God

The perfect knowledge is only possessed by Allah. Knowledge about *qard* might lead us to know more of Allah's commands and see the beauty of His orders. Suffering in the next world will be experienced by an individual who has an excessive love for this world (having more wealth without helping others), for example loving the *mal* (wealth).

> "O believers! Indeed, many are the (Jewish) rabbis and the Christian (monks) who defraud men of their possessions and hinder (people) from Allah? Path (the religion of Islam). And (remember) those who hoard up gold and silver and do not spend it in the Path of Allah - proclaim to them a painful punishment".[28]

c. Love of God

Love of God is the supreme end of all individuals, in this world.

> "Verily, your Wali (Protector or Helper) is Allah, His Messenger, and the believers, - those who perform As-Salat (Iqamat-as-Salat), and give Zakat, and they bow

[28] Chapter al-Taubah, verse 34.

> down (submit themselves with obedience to Allah in prayer)."[29]

The proof that we love Allah is by following the commandment and abstaining ourselves from the forbidden.

d. The Vision of God

The phrase "the face of Allah", for example in the Holy Qur'an, Chapter 6:52; chapter 13:22, which occurs frequently in al-Qur'an was interpreted as the sight or vision of God which is the high end of an individual.

> And that which you give in gift (to others), in order that it may increase (your wealth by expecting to get a better one in return) from other people's property, has no increase with Allah, but that which you give in Zakat seeking Allah's Countenance than those, they shall have manifold increase."[30]

Thus, anyone who believes and loves Allah genuinely, will sincerely do not mind lending his property to someone, without bearing and holding any negative feelings. For example feeling doubtful about the period of payment, fearing the risk and etc. The alchemy of happiness by al-Ghazzali, may be briefly described as turning away from the world to God, and its constituents are as follows; i) The knowledge of self ii) The knowledge of God iii) The knowledge of this world as it really is and iv) The knowledge of the next world as it really is. However, different stages of individual faith will affect different degrees of acceptance on lending. Therefore, one's knowledge on *qard* and God is one step towards one's readiness to lend something they own to others. Therefore, philosophically, an individual must have strong principles when dealing with *qard*.

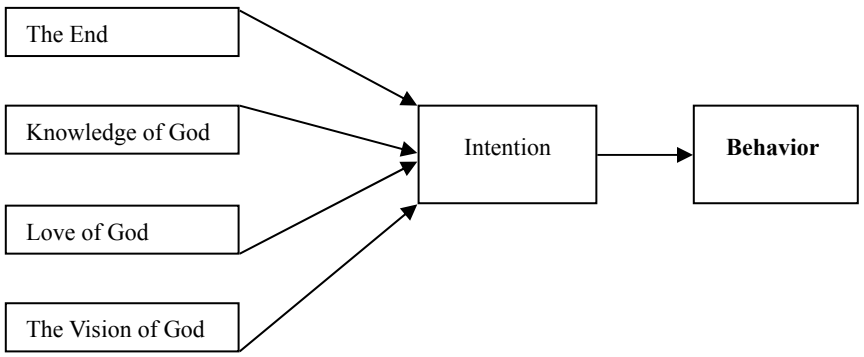


Figure 2: Ethical Philosophy by Al-Ghazali

[29] Chapter al-Maidah, verse 55.
[30] Chapter al-Rumm, verse 39.

III　Conclusion

The Theory of Planned Behavior link between beliefs and behavior. While by knowing the philosophy by Al-Ghazali, it will encourage motivation and intention to do something. Basically the borrower will pay more as a symbol of renewed self-esteem, the obligation to pay the debt, (if not paid upon death, the soul will be suspended) and believers will pay off the debt. The Loan Theory from Islamic perspectives encourages its followers to practice good behavior. The borrower will pay more because of the obligation to pay the debt, (if not paid upon death, the soul will be suspended) and those who believe so will pay off the debt.

Spiritually, the lender tends to agree to lend because of Allah. *Qard hasan* is given to people who cannot afford, and if the borrower cannot pay the loan and if the lender postpones and justifies the loan, it is better. The conventional view of lending is based on monetary reward. The *qard* is meant for lending. Lending would bring reward and love of God to the owner because the action is done for God's cause. However, the action will only happen, if the owner knows the philosophy of both reward and *fisabilillah*. Therefore, the understanding of ethical philosophy is crucial in explaining the loan theory from an Islamic perspective.

This paper has explored into the ethical philosophy of *qard*, where we have found that the love for Allah will encourage the act of giving *qard*. Reward thus, affects one's motivation to do something, especially if the reward is very much linked with the end of life, which is the Day of Judgement (hereafter) and it still affects one's belief despite being unseen.

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