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Qard Al-Hasan: The Concept of Helping In Al-Rahnu Financing And Its Practice In Maidam

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ABSTRACT: *Qard al-Hasan is a charitable loan agreement. Al-Rahnu institutions still practice the Qard al-Hasan contract, but the issue is, not all al-Rahnu institutions apply 100% welfare loans. This article has two research questions; i) how is the concept of helping each other in the matter of debt according to Islam? and ii) how is the concept of Qard al-Hasan applied by al-Rahnu in the Terengganu Council of Islamic Religion and Malay Custom (MAIDAM)? This article adopts secondary data collection methods through document review to obtain relevant information. The findings showed that the loan through the Qard al-Hasan contract could not generate any profit as it is a voluntarily process on the basis of helping. Al-Rahnu MAIDAM uses the Qard al-Hasan contract and does not deviate from the Islamic path. Although al-Rahnu MAIDAM operates at a small profit, the Qard al-Hasan contract is still applied for charitable purposes, which is to help the community to obtain cash by taking only a small amount of fee charge for safekeeping.*

Keywords: Qard al-Hasan, al-Rahnu, Helping each other, MAIDAM, Debt

1. Introduction

Al-Rahnu in Malaysia uses the *Qard al-Hasan* contract, which is a welfare loan. *Qard al-Hasan* is an interest-free loan, in which the borrower is only required to pay the principal amount but is also able to pay a larger amount voluntarily in remembrance of its services (Barjoyai Bardai, 2011). The concept of *Qard al-Hasan* adopted in al-Rahnu is to lend money without interest (Shamsiah Mohamad & Safinar Salleh, 2008). Similarly, Sharifah Faigah Syed Alwi (2004) stated that the principle of *Qard al-Hasan* is a welfare-based loan where the borrower only has to repay his debt based on the amount borrowed without any additional fees. The *Qard al-Hasan* contract is also known as a social or welfare contract as it provides welfare to the community by not charging any additional funding. The *Qard al-Hasan* contract is also perceived to be the most accurate contract as no profit is generated on each loan.

According to Islamic law, *Qard al-Hasan* contract is permitted but, on the condition, that no interest is promised to the lender. For *Qard al-Hasan* contracts, all forms of interest earned by the lender that are promised or not promised but usually given, can be considered riba and illegal in Sharia (Norwajia Umi Ismail, 2015.)

In fact, the *Qard al-Hasan* has been adopted by the Malay community over the years[1] as there has been mutual help among relatives, friends and neighbours, especially in issues related to loan. At that time, the community used various methods such as the practices of borrowing money and kutu funds[2] and continued to this day, especially by local communities and departments in their respective workplaces (Mohd Nasir Ibrahim, 2009). Thus, this attitude of mutual trust and help is part of the *Qard al-Hasan* pact which has unknowingly existed in the society for a long time.

The question is, how is the concept of helping each other in the matter of debt according to the true Islamic perspective? How is the concept of *Qard al-Hasan* applied by al-Rahnu in MAIDAM? To answer both questions, this article has adopted secondary data collection methods through document review to obtain relevant information from sources such as theses, dissertations, journals, papers, project reports, papers and brochures and analysed using content analysis methods.

2. The Concept Of Helping In Debt According To Islam

Qard al-Hasan contract can fulfil the moral obligation to society by helping the poor in need. This is especially true for communities that need financial assistance and quick funds for education, health and livelihood. *Qard al-Hasan* is an important mechanism in helping to develop the underprivileged Muslim community (Norajila Che Man et al., 2015). Help in the form of loans is also very much demanded by the Prophet SAW himself as stated in the Hadith narrated by Ibn Majah which means;

From Ibn Mas'ud Rasulullah SAW said: *"When a Muslim gives a loan twice to another it is counted as a onetime charity".*[3] This hadith explains about the great reward to the person who give loans to the needy. According to Zaharuddin Abd Rahman (2008), Islam emphasizes the principle of helping and cooperating among human beings in meeting their needs. Likewise, this *Qard al-Hasan* contract can form a compassionate society which helps each other. This is in line with the Islamic teachings for Muslims to help each other in matters of goodness. Moreover, in the *Qard al-Hasan* contract, there is a prohibition for the al-Rahnu institutions to take any additional charges on the services provided. Allah SWT says in surah al-Maidah, verse 2 which means;*"...and cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in penalty"*.

Allah SWT commands human beings to help each other to do good and be pious by abandoning evil and not to help commit sins (Tafsir Ibn Katsir, 1988). According to Didin Hafidhuddin (2001) in tafsir al-Hijri, the main content in this surah is related to

[1] Pawning has become a common practice among Malays (Muslims) since generations privately and at small-scale. At that time, this practice was often handled by people who could afford it to people who needed immediate cash (Zurina Abdul Khalid, 1995).

[2] Kutu fund is a type of game involving cash carried out by a group of people who contribute their respective financial funds at a certain amount and the same rate on monthly basis. After the money is collected, it will be given to the recipients selected based on draw or vote. Each member who contributes money will receive the kutu funds according to the rotation system every month.

[3] From this verse of the Qur'an, it shows that giving a debt to a person is more important than giving alms (sadaqah). The reward of giving debt is superior than giving alms. However, the borrower should be really in need (Abdul Basit Hodari, Tamat Sarmidi & Norlida Hanim Mohd Salleh, 2014).

ta'awun[4], which is to help in doing good deeds and piety. This includes building the Islamic brotherhood, which is the willingness to help each other, either in fulfilling the life needs or in struggle, but not in committing sin and enmity.

Based on this verse of the Qur'an, Allah SWT commands human beings to help each other in performing good deeds and forbid them in committing sins and evil. Among them are helping the community in need of property assistance, facilitating one's affairs which Allah SWT will also provide convenience to that person either in this world or in the hereafter. In fact, it is obligatory on a person to help in matters involving debts of a person in distress. Allah SWT says in surah al-Baqarah, verse 280 which means;

"And if (the debtor) is in distress (if he will not be able to pay his debt), then let there be postponement until he is in ease. And for you to remit (it) as alms is better for you if you knew."

Based on this verse, Tafsir by Ibn Katsir (1999) explained that Allah SWT commands patience in dealing with people who are in difficulty and unable to pay debts. Then, Allah SWT advocates the creditor to eliminate the debt, and promises many benefits and rewards. It is better for the creditor to not taken out the principal of the loan as a whole and free the debtor from his obligation to pay the debt.

This verse clarifies that if a person lends his property to a debtor and the debtor is in distress, then it is forbidden on him to demand debt payment and the creditor is obliged to wait until the debtor is able to pay. This verse also states that if the debtor encounters hardships, he can be given a reasonable period of time to settle his debt. Nevertheless, in Islam, there is a greater reward from Allah SWT if the creditor considers the debt as welfare if the debtor encounters hardships (Amini Amir Abdullah, 2011). This shows the attitudes of providing convenience and tolerance[5] that exist in Islamic financial affairs as required in Islamic teachings. According to the Hadith by Bukhari narrated by Jabir bin Abdullah r.a, the Prophet SAW said[6]:

"May Allah have mercy on a man who is tolerant when selling, buying, and seeking repayment."

Thus, the *Qard al-Hasan* contract allows loans with good intentions, which is to encourage mutual help between borrowers and lenders. The concept of help and assistance is also one of the wisdoms gained through the pawning activities carried out.

3. Application Of Al-Rahnu In Maidam

MAIDAM established al-Rahnu on 23 January 1992 which was previously known as Muassasah Gadaian Islam Terengganu (MGIT). The goal of MGIT establishment at that

[4] *Ta'awun* requires the involvement of two parties in performing works together and reciprocally. *Ta'awun* does not exist if the work is performed by only one party, while the other party only desire for benefits without offering any helps. In this case, there must be a willingness to give each other and fill each other's shortcomings (Didin Hafidhuddin, 2001). In the context of this study, al-Rahnu is an Islamic financing which involves help between two parties, namely debtor and creditor.

[5] The attitude of tolerance in financial matters is highly blessed by Allah SWT, whether when selling or buying something when in debt. The attitude of tolerance when in debt is to give deferment to individuals who have difficulty paying the debt by giving an additional period and giving deferment to the owner of the goods who agrees to hand over the goods within a certain period of time (Muhammad Rawwas Qal'ahji, 2005).

[6] Hadith Narrated by Bukhari in Sahih Bukhari, (Chapter of People Who is Tolerant), Hadith Number 306.

time was to free the Muslims in Terengganu from usury which was monopolized by conventional pawnshops.

Based on the study conducted, al-Rahnu MAIDAM applied *Qard al-Hasan* contract in its operations. Although it is profit-oriented by charging fee for safekeeping to its customers, it is still based on welfare. In addition, Al-Rahnu MAIDAM still implements the concept of *tabarru'*[7], which is also based on welfare as it does not charge safekeeping fee for mortgages worth RM2,000 and below. Table 1 shows the safekeeping fee rates charged by al-Rahnu MAIDAM.

Table 1: Safekeeping fee rate by Al-Rahnu MAIDAM

Value of goods	Monthly safekeeping fee rate per RM100 value of goods
First RM2,000 and below	Free
RM2,001 to RM10,000	RM0.75
RM10,001 and above	RM0.80

Based on Table 1, the concept of *tabarru*' which is financing without any fees can be seen in the al-Rahnu MAIDAM operation when free services are provided for pawned goods worth RM2,000 and below. The implementation of the mortgage in MAIDAM which applies the *Qard al-Hasan* contract encourages its customers to give consolation or gifts (*hibah*) to them when settling debts, but this is not included in the agreement or conditions of the contract (Noor Saliza Zainal & Zulkafli Mohd. Yusof, 2008).

In addition, MAIDAM also practices *hibah* contract (sadaqah) or acceptance of gifts as a sign of appreciation for the services provided to customers. Through the *hibah* contract, after the customers pay the safekeeping fees and the overall financing, the staff at the MAIDAM front desk will ask the customer about *hibah*[8] whether the customers would like to give a small contribution to MAIDAM. This is on the customers' will without any coercion. If the customer agrees, then the *hibah* contract will be performed. Typically, customers will give *hibah* as encouragement and gratitude to MAIDAM for the services provided. The amount of *hibah* to be given is up to the customer.

According to Abu Ishaq Ibrahim Ali and Yusuf Al-Fairuzabadi (2002), a person has the right to perform a *hibah* contract if an item becomes his property and the *hibah* contract must be observed. If the *hibah* contract is made without the consent of the owner, then the contract is invalid. Narrated by Asma' binti Abu Bakar r.a in Hadith

[7] The *tabarru'* contract is based on welfare to help individuals with hardships. Through *tabarru'* contract, the attitude of helping in society can be formed (Abdul Basit Hodari, Tamat Sarmidi & Norlida Hanim Mohd Salleh, 2014). Islamic scholars also do not deny that al-Rahnu is a *tabarru'* contract, which is a non-profit welfare contract through collateral. In current operation, al-Rahnu profited from the safekeeping of goods, but it is still considered a *Qard al-Hasan* or *tabarru*' contract. This is because the safekeeping of goods in al-Rahnu is an expense for keeping the pawned goods according to the actual rate without taking profit. Lending or debt by the creditor is also a welfare as giving an item from the debtor to the creditor as security for the debt is also a welfare (Asmadi Mohamed Naim, 2002).

[8] *Hibah* is the gift of property by the giver to the recipient while he is alive without expecting anything in return (Nor Aini Ali, 2005).

Bukhari[9], Rasulullah SAW once said: *"Do not withhold your money, (for if you did so) Allah would with-hold His blessings from you".*

This hadith recommends that Muslims always give alms, do good, maintain friendship and brotherhood, and spread goodness. Furthermore, this Hadith indicates that *hibah* is also permissible in Islam and can be applied by al-Rahnu. Thus, the concept of *hibah* implemented by al-Rahnu MAIDAM is based on the rules set by Islam.

The implementation of the *Qard al-Hasan* money lending service scheme has been applied by al-Rahnu and likewise in MAIDAM. This is with the initiative to alleviate the burden of those who are desperate and plagued in the financial crisis (Norajila Che Man, 2016). Al-Rahnu financing with welfare contract or *Qard al-Hasan* can also improve the living standards of potential groups, especially those involved in small and medium industries.

4. Conclusion

Overall, the most important thing in *Qard al-Hasan* contract is that it is free from usury or additional payments that are not accepted by both parties. The *Qard al-Hasan* contract is different from interest-free loans which the practice of buying and selling does not contain *Qard al-Hasan* elements but is still bound by an agreement that pressures consumers by imposing interest rates or additional charges (Mohd Nasir Ibrahim, 2009). Therefore, the activity of borrowing and lending through the *Qard al-Hasan* contract cannot generate any profit as it is a process that is perform voluntarily on the basis of helping. This is because *Qard al-Hasan* contract is based on the concept of helping each other in matters of debt.

This study also found that al-Rahnu MAIDAM still uses the *Qard al-Hasan* contract and does not deviate from the Sharia path. Although al-Rahnu MAIDAM operates with a small profit, the *Qard al-Hasan* contract is still applied with the aim of welfare, which is to help the community obtain cash with only a small safekeeping fee. Thus, future studies can be carried out in-depth to examine the implementation of *Qard al-Hasan* contracts in other al-Rahnu institutions such as Ar-Rahnu YaPEIM, al-Rahnu operated by cooperatives or al-Rahnu in Islamic banking institutions in Malaysia.

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