HAIDARABAD'S CONTRIBUTION TO ISLAMIC ECONOMIC THOUGHT AND PRACTICE

BY

MUHAMMAD HAMIDULLAH
Paris

It seems that like many other arts and crafts, the statecraft also enriches itself by continuous practice and hereditary traditions of generations. At least this is how I explain to myself the contribution of a comparatively small and out of the way country, like Haidarābād to Islamic thought and practice. The reader will himself judge the value and extent of these novelties in a field of considerable importance to a country, viz. economics. It is to recall that since the Khiljite dynasty of over six hundred years ago, Haidarābād has continuously known Islamic rule. Dynasties changed and wars came, yet its independence was always preserved, until 1948.

I do not propose to study the history of economic institutions of this region for the six hundred odd years of its existence, although planned economy and even a kind of socialisation of the time of the Khiljite dynasty provide, for instance, interesting reading. I shall deal only with the conditions I have myself lived, since the course of World War I (1914).

Nationalization of Paper Currency

The reader will forgive me an anecdote here, which will nevertheless vivify to him the conditions of that far off land, in the South of the Sub-Himalayan continent:

We had a washerman, who used to bring on a donkey our linen and other clothes. As small children, his arrival was a real amusement to us: we used to “feed” the amiable donkey with sheets of waste paper. World War I was raging, and our government decided to issue paper money in the form of currency notes. My mother, a purdah-lady, gave me one day the necessary amount in the new paper money to be paid to the washerman. This individual, on receiving the bits of paper in beautiful colour-printing, and thinking that I was afraid of approaching the donkey, asked me: “Master, is it for feeding the donkey?” When I explained that it was money, he returned it and demanded metallic coins, saying that notes had no
value to him. By the way, he continued to render us service for many more years, and later when sometimes we gave him silver coins of the rupees, the old man with his old donkey used to say: 'Master, can't you give me notes? They are lighter to carry and easier to conceal.'

It was the shortage of silver which had induced the Haidarābād government to have recourse to paper money, yet unlike so many of the Western countries of the epoch, we did not confer the privilege of issuing currency notes on a private bank, property of a few moneyed capitalists, but reserved the right to the government, to the nation. The finance minister signed these notes and promised to pay the bearer on demand, from any of the state treasuries, the amount indicated on the notes as face value. This state of affairs continued until the invasion of 1948. I presume, Haidarābād was the first Muslim country to issue currency notes on the basis of nationalization: both risks and benefits going to the government. Since that time it is more and more in vogue, and even England has deemed it meeter since after the second world war to nationalize the Bank of England which has the privilege of issuing currency notes.

**Interest-free Lending Banks**

It is common place that Islam has forbidden interest. It is as well-known that practically all Muslim governments to-day tolerate, under stress of the Western impact with its enterprises of global dimensions, transactions based on interest. Nevertheless the antipathy of the Muslim commoners to even receive interest persists to a very considerable degree. It is evident that mere prohibition of interest does not suffice to eradicate it, if provisions are not made to organize institutions for interest-free lending on a nation-wide scale. I do not require to make more than a passing remark to the Qur'ānic ordre (9:61), enjoining the Muslim government to earmark in its annual revenues a certain percentage for aiding the heavily indebted among the well-to-do (ghārimin), order which led to the establishment, among others, of institutions for interest-free loans to the needy. When governments forget to do their duties, it falls to the lot of private citizens to organize self-help. And this is also what happened in Haidarābād.

In 1891 the first known step was taken. A certain Mu'ayyid al-Ikhwān society was founded by a leading mystic of the city, Sayyid 'Umar Qādirī. In fact his friends and disciples used to deposit with