



BAHRA

BAHRA, a term meaning “share,” “gain,” or “profit,” used within the economic context of Islamic Iran to mean “return on investment or production.” This holds true for the various uses of the term: (1) as a fiscal term meaning “tithe,” or as “economic rent”, especially in agricultural relationship, and (2) as “interest.”

Bahra as a fiscal and agricultural term. *Bahra* as a technical fiscal term has been in use since Mongol times in the same sense as the terms *moqāsema* or *karāj*, which meant land tax or more specifically the government’s share of crop (Petrushevskii, p. 724). This is also brought out by the use of the term *bahra* as a synonym of *māl wa motawajjehāt*, probably meaning land tax(es) (ibid.). The use of the terms *bahra-ye mazrū’āt* or *bahra-ye maḥṣūlāt wa ertefā’āt* (share of the crop; share of the harvest and usufruct) was frequent as well (Naḳjavānī, I, pp. 198, 332; II, p. 140). As opposed to the government’s share, for which we also find the use of the term *bahra-ye dīvānī*, there existed the term *bahra-ye mālekāna* or the landlord’s share. The term *bahra* also occurred with a diminutive ending *bahrača* (Papazyan, pp. 195, 226, 295; Naḳjavānī, I/2, p. 372). In a document relating to the Jalayerid period it is stated that the tax-collectors (*motašarref*) had to take twenty percent of the crop yield (*dah do*), in some provinces, while in others they had to take twenty-five percent (*čahār yak*; Naḳjavānī, II, p. 140). The last term survived in the form of *čerek* in Azarbaijan where it was still used as late as the beginning of the twentieth century (Alizade, p. 239). The term *bahra* was still in use in early Safavid times in a fiscal sense. In Qajar times, however, the term appears to



have lost its specificity. We find the term *bahra-ye amlāk* used in some parts of ‘Erāq-e ‘Ajam to denote villages that have become ruined and do not pay taxes anymore (FO 60/144, Sheil to Palmerston, 29/1/1849, app., unfoliated). In the Caucasus area the term *bahragāna* was used to denote a system of sharecropping, in which the peasants participated as a community. As such it was a variation of the *bonīča* system. The *bahrakār* system was followed in the rich agricultural lands, while on less favorable lands the *yārikār* system prevailed, each characterized by a special tax rate (Bournoutian, pp. 118, 119, 128). In general, however, in Qajar times the term occurred more frequently as *bahra-ye mālekāna* to denote the landlord’s share of the crop (Lambton, p. 140).

Bahra as interest. The term *bahra* meaning interest is a recent innovation. Prior to the 1930s the word was not applied in this sense. For example, in a basic textbook like Moṣṭafā Fāteḥ’s *Pūl wa bānkdarī*, *bahra* implies profit (pp. 230, 232) while the term *rebḥ* is used to denote interest. It is only in the 1940s that economic textbooks and essays drop the traditional term *rebḥ* and take up *bahra* to refer to interest (see for example Ḳosrowpūr, pp. 98, 100). In that sense the term *bahra* is a fixed or predetermined return on the use of money.

As such it is synonymous with the religious technical term *rebā* or usury which, according to various Koranic verses, is forbidden in Islam. Notwithstanding the latter usage *bahra* is not always used as a synonym for *rebā*. This is clearly demonstrated for example in the 1979 Constitution of the Islamic Republic of Iran (articles 43.1.5 and 49).

Lending and borrowing at interest (*bahra*) are topics separate from, but related to, [banking](#). While non-bank loans (e.g., from and to bazaar merchants) are an important feature in Iranian finance, this article will focus on the policies and practices of banks because they can be more easily observed, are more readily controlled by the government, and have been the subject of government regulations.

The leaders of the Islamic Republic have universally understood the Koranic ban on *rebā* as applying to all kinds of interests, that is, to any return earned on a transaction in which the capital provided by the lender was not at stake. The exegesis on the ban on interest has focused on the professed goals of Islam of social justice and appropriate income and wealth distribution. The widely-cited work by Moḥammad-Bāqer Ṣadr, *Eqteṣādonā* (pp. 626-27), argues that income should come from contributions to production of direct and indirect



labor and money-lending makes no such contribution. Sayyed Maḥmūd Ṭāleqānī, (pp. 170-85) makes the same point, but goes on to suggest that interest is evil primarily because it encourages the unbridled pursuit of material wealth to the exclusion of other goals. (See also M.-B. Ṣadr's *Bank al-lā rabawī fi'l-Eslām*.) The collective work *The Philosophy of Islam* emphasizes instead that interest "is grave injustice" that "makes the rich, richer and the poor, poorer" (p. 627).

Under the Islamic Republic, interest policy has not been a major issue of discussion nor an area in which change has been rapid. The 1979 constitution contains only two passing references to interest. Interest charges were replaced in 1981 by service fees which amounted to much the same thing. The interest-free banking law *Qanūn-e 'amalīyāt-e bānkī-e bedūn-e bahra*, introduced in March, 1982, and passed on August 30, 1983, was relatively uncontroversial, unlike some other economic issues that sparked much debate in the Majles and disagreement between the Majles and Šūrā-ye Negahbān (Council of Guardians). Establishment of new interest-free accounts was permitted through March 21, 1984, and existing accounts did not have to be converted to an interest-free basis until March 21, 1985.

The interest-free system has features similar to the previous banking system. Under a *fatwā* (religious ruling) permitting lending at interest between father and son, the Central Bank (Bānk-e Markazī-e Īrān) continues to charge interest to the government, which is by far the largest borrower in the country. Under the regulations set by the Central Bank of the Islamic Republic (Bānk-e Markazī-e Jomhūrī-e Eslāmī), all banks pay depositors the same rate of return, which in 1982 was 7.2 percent for short-term deposits and 9.0 percent for long-term, compared to the old system's rates of 7.0 and 8.5 percent. Since no bank can increase the rate paid to its depositors in order to attract more funds, the economic incentive for the bank managers is to assure security rather than to seek out more profitable use for the bank's funds. As a result, funds tend, under the new system as under the old, to be directed toward more established enterprises rather than to new ventures.

The interest-free system also has major new features. Rather than making loans at interest, banks use their funds primarily for capital participation (*možāraba*), partnership (*mošāraka*), or installment sales (*ejāra*), as well as for some interest-free loans on which the service charge is 2.5 percent. The returns earned by banks are closely governed by Central Bank regulations, which has led to statements that the new system is much like interest-charging



banking. Interest-free banking in Iran is not entirely the same as in other countries, much as interest-charging systems differ among countries. Descriptions of interest-free finance based on experience elsewhere—e.g., Pakistan, Sudan, Bangladesh, Egypt, Denmark, or Luxemburg—should not be assumed to apply fully to Iran.

See also [banking, islamic](#).

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