

The Theory of Riba Justice in Banking Practice Sharia Economy Perspective

Ananto Triwibowo¹,

Vivi Ayunda²

^{1,2}Institut Agama Islam Negeri (IAIN) Metro Lampung, Indonesia

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Abstract

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This study is a study that will discuss how the Islamic economic view is related to the interest system that exists in banking, whether it is included in the prohibited usury or the permitted usury. There are many theories that have emerged trying to find justification related to the permissibility of the interest system in banking practice, some of which are abstinence, opportunity cost, inflation, the absolute productivity of capital, and the assumption that interest is a reward that arises from rent. These theories emerged as an attempt to validate that it was justified for borrowers of money to give extra money when returning to those who lent money. Regardless of whether the borrower of money gets a profit or loss as a result of an additional that must be returned. This research is a qualitative research that uses a literature review approach by reviewing various kinds of literature related to the discussion of interest in banking and usury. Sharia Economics exists as an answer to the existing interest problems in banking. In Islamic Economics, bank interest is included in the category of usury which is prohibited in Islam, seen from various perspectives, both according to the rules written in the Qur'an and Hadith, as well as in terms of social, economic and benefits impacts

□ Address Correspondence:

E-mail : ¹ anantotriwibowo@metrouniv.ac.id

² viviayunda83@gmail.com

1. Introduction

Islam is a religion revealed by Allah through His messenger Prophet Muhammad SAW. As the religion of Allah, Islam is the perfect religion to regulate all affairs of human life. Therefore, no other religions can match the position of Islam. Islam is a way of life. Islam is not only about morals, but also about every aspect of life, from bathroom issues to state laws. There are many concepts in Islam, and we can know their meanings and teachings (Adi Warman Karim 2010).

One thing that is also considered in Islam is the concept of economics. Islam regulates and recommends Muslims to always fulfill their needs in the right way that does not have a negative impact on others. Islam wants economic activity not only to gain benefits in the world, but also to provide blessings so that broad *maslahah* is achieved and leads to *falah*, namely prosperity in the world and the hereafter as the goal of economic activity in Islam.

To achieve this, Islam has provided guidelines for Muslims in the form of the Qur'an and Hadith. Both are the main guidelines as provision in carrying out economic activities. In the Qur'an and Hadith there are rules, both in the form of recommendations and prohibitions that can be applied in economic activities carried out by Muslims. This includes the prohibition of usury in the practice of buying and selling or lending activities in economic activities.

Riba is known as a term that is closely related to economic activities that often occur in the midst of society. The prohibition of usury is one of the main pillars in Sharia economics, apart from the distribution of income in the form of *zakat*, *infaq*, *alms* and *waqf* and also the prohibition of the practice of *maisir*, *gharar* and things that lead to falsehood in economic practice (Ascarya 2008). In essence, the prohibition of usury is about eradicating injustice and applying it fairly in the economy. The abolition of usury in Islamic economics can be

understood as the abolition of usury that occurs in the practice of buying and selling transactions and the practice of accounts payable. In this context, various speculative transactions that contain elements of *gharar* must be prohibited. Likewise with the addition of usury *nasi'ah* which must be completely removed from the economy.

In the economic practice carried out by the general public, it is still often found that usury practices are carried out either by buying or selling or borrowing. There are various reasons put forward by them related to the practice of usury that is carried out, both because of the pursuit of profit, mutual help, urgent circumstances, mutual pleasure, and various other reasons. These reasons serve as the basis for people's justification for the permissibility of practicing usury in the midst of their economic activities.

The practice of usury that occurs in the banking world is no exception by applying the interest system. The existence of an interest system that is applied to the banking world, both on deposit, savings, and loan products as a way to gain profits for banks or for customers has led to the emergence of theories which say that bank interest is allowed and cannot be equated with interest that is prohibited in the banking sector. Islam. These theories emerged as a method of justifying that interest should exist and be paid by anyone who gets a bank loan facility as a form of responsibility and has become a habit in the conventional economic system (Timorita Yulianti 2002).

Among the emerging theories are abstinence or the desire of the owner of money or property to refrain from using the money they have in the present, equating money with goods that can be rented, causing those who borrow and use the money to pay rent from the money borrowed. There is also an opportunity cost theory, namely the assumption that the borrower of money will use the money to be

used as capital within a certain period of time, so there is a need for additional refunds with the assumption that there is an advantage while using the money as capital (Syafiq Mahmada 2006). And there are many other theories that exist as material for justifying the interest system in banking practice. Islamic economics is present as a solution to the existence of a capitalist and socialist economic system that cannot answer the existing economic problems. Although scientifically sharia economics is still included in the new economics family, in fact sharia economics emerged when Islam existed, which means that economic practices using the sharia economic system have been carried out since the first, especially since the time of Rasulullah Muhammad either when he became an apostle or he was the leader of the government of the city of Mecca and Medina at that time (LP3I 2008).

In practice, sharia economics prohibits economic activities that can cause losses, such as the prohibition of economic practices containing elements of mayshir, gharrar, and usury, as well as paying attention to the principle of prudence in all forms of economic action. The purpose of this prohibition is to maintain the common good, namely the achievement of shared blessings and benefits, so as not to cause economic activities that can harm each other or lead to dhaliman in it.

Economic activities, including the practice of banking in the view of Islamic economics, are included in the category of worship that is muamalah. Which means that all forms of activity can be carried out as long as there are no arguments or texts that prohibit and provide benefits to society in general without causing damage or injustice (Ascarya 2008). This means that although banks are given the freedom to carry out their activities, there are some limitations that cannot be passed as a consequence of the existence of the main Islamic rules that are sourced from the Qur'an and Hadith.

Based on the background above, the researcher aims to examine the theory of justification for usury in banking practices from a sharia economic perspective. So it is hoped that it will be clear whether these theories can justify the existence of an interest system in banks as a form of usury that is allowed by Islam or even bank interest including from usury which is prohibited in Islam from a sharia economic point of view.

2. Theoretical Foundation

Riba

According to Muhammad Abduh, usury is an addition that is requested by the owner of an item from the borrower of his property (money) because the borrower delays the promise of payment for a predetermined period of time. Badruddin al- Ayni said that the main principle of the existence of usury is the addition of the principal, according to syara' usury is the addition of principal assets without any real business transactions (Ru'fah Abdullah 2011). Riba can be categorized into two groups, namely usury in terms of accounts payable and usury in terms of buying and selling. Riba qard, namely the existence of benefits or advantages that are determined as a condition for the repayment of loans made by people who give debts to people who are in debt. While usury of ignorance is said to be payment of debts that are more than the principal as a result of delays in paying debts from a predetermined time (Nailufarh 2008).

In Islam, usury is categorized as a practice that is forbidden and can lead to major sins. The prohibition related to usury is explained in several good texts in the hadith. Historically, the prohibition of usury has been implemented in four stages (Ascarya 2008).

First, the prohibition of usury emerged as an answer to the assumption that usury is actually a concept of helping those in need. Even though in Islam itself

there is zakat alms waqf as an instrument in the distribution of income and not the concept of usury . *Second*, who eat up the wealth of usury with a harsh recompense, as mentioned in the Qur'an Surah An-Nisa verses 160 and 161. *Third*, usury is associated with a doubled addition that makes it forbidden. *Fourth*, and lastly, Allah gives firmness and clarity on the prohibition of usury with the addition taken from the loan as stated in the letter Al-Baqarah verse 275, 278-279. (Ascarya 2008)

The existence of stages of the prohibition of usury in Islam clearly shows that in fact the practice of usury is a practice that has been carried out since ancient times, so a process is needed to change this habit which is then given an explanation and firmness about the prohibition of usury both in the practice of buying and selling and lending and borrowing practices. In addition, the prohibition of usury is also emphasized by the many hadiths that prohibit the practice of usury in economic activities, because it can harm and cause harm in it.

Banking

Banking is a financial institution that manages and offers a variety of products in it, either in the form of savings or loans. In Indonesia, banks have an important role in running the country's economy, including to suppress the circulation of money in a country with the interest facilities implemented by the government.

Along with the times, banking growth is also growing. Currently, many banking institutions have been established, both under the government and privately owned banking institutions. The existence of competition between banks places them to continue to innovate in creating products that can attract the interest of customers. Although the original function of banking is as an institution that mediates or brings together those who have excess

funds with those who need funds (Irwin Ananta 2013).

Among the banking products currently offered are divided into savings products, loan products and service products. Savings products can be in the form of demand deposits, savings, and also deposits. Meanwhile, loan products can be in the form of business loans, consumer loans, and multi-purpose loans. Banking service products offer various kinds of facilities to customers in the form of easy payments such as insurance, electricity subscriptions, telephone, internet and others. Usually later the bank will name each of these products with different names as an effort to attract consumers (Fatriani 2018).

In the implementation of banking operations, as a form of income and profits received by the bank, the bank applies an interest system to the products owned either in the form of deposits or loans. There are three methods of calculating interest on savings products, namely based on the lowest balance, average balance and daily balance. While on loan or credit products, there are also three methods of calculating interest, namely the effective system, flat system, and annuity system (Irwin Ananta 2013). Where each of these methods has a different application of interest rates and calculations.

Sharia Economics

There are many opinions of Muslim scholars and Islamic leaders who interpret the meaning of Islamic economics or Islamic economics. However, broadly speaking, these definitions emphasize the fulfillment of human needs by using existing resources in accordance with the principles that exist in Islam, and has the goal of achieving human welfare both in the world and in the hereafter, which in this case is called the the concept of Falah (S. Pradja 2012).

Falah is assumed to be the main goal of human life, which of course requires a process that is not easy. In sharia economics, it is stipulated that all forms of economic activity carried out by humans, both production, consumption and distribution must be in accordance with and not violate the existing Islamic rules, whether derived from the Qur'an, Hadith, and Ijma' of the scholars.

The practice of sharia economic activities is included in worship that is muamalah which is permissible as long as there are no texts that prohibit it. This means that in the implementation of sharia economic practices, of course, there are limitations that cannot be carried out. This includes several prohibitive principles that may also be violated, such as the prohibition of mayshir, gharrar, and usury. These prohibitions are implemented as a form of effort to avoid the existence of tyrannical practices that can cause harm to others. Whereas in sharia economics, the main principle is the creation of maslahah, namely the value of benefits plus blessings. The more people who feel the problem, the bigger the problem (LP3EI 2008).

3. Research Method

The research method used in this study is a qualitative method using a literature review approach. The approach is taken by relegating data sources related to the discussion both from books and other written sources, such as scientific journals, research reports and the like (Afifudin and Beni Ahmad Saebi 2009).

The data sources used in this study are primary and secondary data sources. Primary data sources are taken from various opinions and works of experts related to usury and interest. While secondary data is taken from scientific works, both journals and articles that discuss usury in banking or related to the discussion of this research.

The data analysis technique was applied by analyzing the books used in the writing of this research. Data that has gone through the analysis process is then presented using a deductive method that departs from general theory to reach conclusions. Qualitative content analysis techniques are also used in this study. In this content analysis, all data analyzed is in the form of text, in this case writings related to research.

4. Research Results and Discussion

Although Islamic law has determined that usury is something that is prohibited in Islam because there have been many explanations sourced from the Qur'an and Hadith as well as ijma on the ulama', it turns out that there are different views of the scholars regarding interest in banking practice, whether it is included in the prohibited definition of usury (Saeful 2021). The difference in view is then divided into two, namely a pragmatic view and a conservative view.

According to the pragmatic view, the real interest system in banking is not included in the prohibited usury. The basis of this view is that what is prohibited in Islam is the existence of usury, namely the multiplication of loans with multiplied profits based on the Qur'an Surah Ali Imran/3: 130. And also there is not a single hadith that mentions the existence of. In this view, the interest system in banking is still allowed as long as there are no elements that are doubled, and will be prohibited as long as there is an element of return with an additional multiple of the principal, as for example the interest carried out by loan sharks or loan sharks (Sjahdeini 2014). Some of the figures behind this view are Muhammad Abduh, Rashid Rida, Mahmud Shaltut, Abdul Wahab Khallaf, and Ibrahim Z. al-Badawi.

Meanwhile, according to a conservative view, bank interest whether it is interest or usury is included in

the category of usury which is prohibited in Islam. Whether the addition is small or multiplied, as long as there is an additional return from the principal, it is included in the definition of usury which is prohibited. This opinion assumes that a little or a lot of additions are not a condition whether usury is allowed or not. This opinion is supported by the previous fuqaha, such as Abu Hanifah, Malik, Syafi'i and Ahmad Bin Hambal (Sjahdeini 2014).

The differences that occur in giving an opinion about whether bank interest is included in usury which is prohibited or allowed in Islam, seems to provide an opportunity for the emergence of a theory of justification for usury in banking. Among these theories is abstinence or the desire of the owner of money or property to refrain from using the money they have in the present, equating money with goods that can be rented, causing those who borrow and use the money to pay rent from the money borrowed. There is also an opportunity cost theory, namely the assumption that the borrower of money will use the money to be used as capital within a certain period of time, so there is a need for additional refunds with the assumption that there is an advantage while using the money as capital (Syafiq Mahmada 2006).

A bank is a financial institution that manages funds deposited by customers. So it can be concluded that some of the money in the bank is funds owned by customers in the form of deposits. Funds in the bank can not just be left alone. To be able to provide benefits for customers who deposit funds in the bank in the form of deposits, the bank will provide additional interest in the form of interest. Likewise, to earn profits and meet operational needs, banks apply an interest system to customers who apply for loan credit from the bank. So basically all forms of money circulation in banking will always intersect with the interest system. The following are some of the theories used by banks in legalizing interest (Sudarsono 2008).

Abstinence theory, this theory assumes interest is due to money lent to someone causing lenders to refrain from their needs and desires to use the money they have to fulfill the borrower's wishes. So there is a sacrifice to delay using. The money demands compensation in the form of interest. In addition, the sacrifice of time is considered to have a price along with the period of use of capital to gain profits (Syafiq Mahmada 2006).

Opportunity cost theory, according to this theory, the existence of a loan causes people who provide loans to refrain from using the money they currently have. In the term of the loan, the person who borrows funds is assumed to use the borrowed money as capital in carrying out activities business and make a profit. So there is an assumption that people who provide loans are entitled to receive and enjoy these benefits. According to this theory, the longer the term of the loan, the greater the profit.

Interest As a Lease Theory, this theory equates money as like goods such as land mobile homes where when using these items from other people it is necessary to have funds in the form of rent in return.

Inflation theory, this theory believes in the future there will be a tendency to decrease the value of money due to inflation. Inflation in this view is believed to be something that will definitely happen in every sector of the economy in every country. Where if the situation occurs then the value of the currency will decrease and there will be an increase in prices in each sector. So that the addition of interest in the loan system is something that can be accepted as compensation for inflation.

Sharia economics also has other views related to the theory of justification for usury in banking. For the abstinence theory, which causes someone to get interest from delaying the use of money owned by lending it to someone else. In Islam, the existence of

sacrifices or delays in consumption cannot be used as illat or legal arguments. Because it could be that the money sacrificed to be lent was only money that was not used by him or because of the excess money he had, so there was absolutely no element of sacrifice or delay in it. So that the basis of the existence of a money loan can be different from one person to another (Timorita Yulianti 2002). In one of the fiqh proposals written by Wahbah Zuhaili, it is stated that one of the requirements for legal *illat* (legal argumentation) is a clear, *zahir*, fixed/consistent nature.

In the opportunity cost theory, people who borrow funds are assumed to be used as capital to run a business and will get profits, so people who lend money are also entitled to receive profits in the form of interest. What then becomes the question is whether every business carried out by the person who borrows will always benefit from the business being carried out, then what if it turns out that the opposite is true, namely a loss. It's not that people who borrow money will find it difficult because they have to go bankrupt in their business and also have to bear interest.

In sharia economics, the concept of lost profit sharing is used, in which the profits and losses will be felt by both parties. In the process of capital in the practice of sharia economics there are the terms *mudharabah* and *musharaka*. This practice does not at all use the concept of interest but the concept of profit sharing. If there is a profit or a loss, it will be jointly borne if the owner of the capital will suffer a loss in the form of capital while the person running the business will suffer a loss in the form of energy, time and thought. So that in this process, neither party feels disadvantaged.

The justification of interest as a result of inflation, where there is a decrease in the value of the currency due to the passage of time is also not justified in Islamic economics. What then becomes

a question is what if the opposite is true for inflation, namely deflation. In another study, it was said that actually inflation was the result of the application of interest itself (Kalsum 2014).

The concept that views interest as compensation for the rent of money. This opinion is opposed by most Muslim scholars and scholars. According to them, the term rent for money is irrelevant because rent is used only for goods that are taken advantage of without losing their ownership rights (Kalsum 2014).

In addition, money cannot be equated with goods, so money cannot be rented out. If you pay attention to the theories of justification for interest in conventional banking, it adheres to the concept of Time Value of money. This concept explains that money that exists today will be more valuable than in the future. For example, ten thousand dollars today will be more valuable than ten thousand in the next five years (Dawn 2021).

This will cause compensation for any sacrifices for anyone who delays using the money they currently have to be used by others. This concept views money as having a function as a medium of exchange, as a unit of account, as a hoarder of wealth. In addition, money also has another function, namely as a commodity. so that money can be traded and even rented. There is a formula used in this theory where money growth is taken from the current money which is then multiplied by the interest rate and the current time.

In Sharia economics, the view of the theory of time value of money cannot be justified. Islam offers the concept of economic value of time. This concept means that time has economic value, but money has no time value. the concept of economic value of time can be interpreted to maximize the value of a capital at a certain time period. There is a basic difference in the calculation between the two, where

the time value of money principle is the value of money based on time is interest, while the economic value of time is the ratio based on the economic value of time. Islamic economics assumes that money is not a commodity tool and also a hoarder of wealth, but Islam considers money only as a medium of exchange in the process of a transaction.

From the existence of the two concepts above, it is clear that the concept of time value of money can lead to the emergence of interest as compensation for the money and time sacrificed. Meanwhile, in the concept of economic value of time, offered by Islamic economics does not at all consider that money is something that has time. So there is no system of additions or interest in money as a result of time delays. To be clear about the difference between the two are as follows.

Differentiator	Time Value Of Money	Economic Value of Time
Draft	Money has time value	Time has economic value
Calculation	Interst/Usury	Ratio
Purpose of Maximizing	Maximizing Usefulness	Maslahah Maximizing
Sharia Compliance	Not Compliant	Compliant

Table. 1. differences in time value of money and economic value of time (dawn 2021)

5. Conclusion

After doing research on the theory of justification of riba in the practice of banking from the perspective of Islamic economics, several conclusions can be drawn as follows:

1. Riba is something that is forbidden in Islam based on the consensus of the various texts that exist both from the Qur'an, Hadith, scholars.

The prohibition of usury in Islam was revealed in four stages showing that in fact the practice of usury is a practice that has been carried out since ancient times, so a process is needed to change this habit which is then given an explanation and firmness about the prohibition of usury both in the practice of buying and selling and lending and borrowing practices.

2. There is still a debate among Muslim scholars about the view that bank interest is included in the type of usury that is prohibited or allowed. This difference gives rise to a pragmatic view which argues that interest which is considered as interest is permissible as long as it does not take double profits (usury) and conservatives who argue that interest, whether small or large, is still prohibited in Islam, and there are no exceptions.
3. The existing debate has also given rise to theories justifying usury by conventional experts, these theories are abstinence, equating money with goods that can be rented, the opportunity cost theory and also the inflation theory. These theories adhere to the concept of time value of money which states that there is a relationship between time and money.
4. There is not a single Islamic economic perspective that supports or justifies the theories of usury in banking. Not only seen from regulations derived from the Qur'an and Hadith, viewed from other perspectives such as economics and historically banking interest have a negative impact on the economy.
5. As a substitute and solution, Sharia economics has the concept of economic value of time . Sharia economics only sees money as a medium of exchange.

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