

THE EQUATION OF RIBA AND INTEREST

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Abstract: Riba is a part of economic activity that has been developing since the era of jahiliyah until now. This interest-based lending and borrowing system is very beneficial for capital owners and on the other hand has plunged the poor into destitution. Therefore, Islam prohibits the practice of riba and fosters the shadaqah tradition so that no one is persecuted due to riba. The issue of the similarity between the practice of riba and usury which is forbidden in the Qur'an and the hadith is difficult to refute when viewed from the size of the harm it causes. However, the understanding of the Muslim community towards the concept of riba and its equality is not evenly distributed, so that many Muslims still converge with conventional banks that use the interest system in all aspects of their lives, including in collecting funds for the pilgrimage. Therefore, the author will describe the meaning of riba, the types of practice in today's life by using an approach and analysis of the sources of Islamic teachings.

Keywords: interest, Islam, riba

Abstrak: Riba merupakan sebagian dari kegiatan ekonomi yang telah berkembang sejak zaman jahiliyah hingga sekarang. Sistem pinjam meminjam yang berlandaskan bunga ini sangat menguntungkan kaum pemilik modal dan di sisi lain telah menjerumuskan kaum dhufa pada kemelaratan. Oleh karena itu, Islam melarang praktik riba dan menumbuhkan tradisi shadaqah agar tidak ada yang teraniaya akibat riba. Persoalan tentang kesamaan antara praktik bunga dengan riba yang diharamkan dalam Al Qur'an dan hadits sulit dibantah bila ditinjau dari besar kecilnya mudharat yang ditimbulkannya. Namun pemahaman masyarakat muslim terhadap konsep riba dan persamaannya belumlah merata sehingga masih banyak umat Islam bermuamalah dengan bank konvensional yang memakai sistem bunga dalam segala aspek kehidupannya, termasuk dalam pengumpulan dana ibadah haji. Oleh karena itu, penulis akan memaparkan pengertian riba, jenis-jenis praktiknya dalam kehidupan sekarang dengan menggunakan pendekatan dan analisis terhadap sumber-sumber ajaran Islam.

Kata Kunci: bunga, Islam, riba

Introduction

In today's life, Muslims can hardly avoid associating with institutions that use the interest system in all aspects of their lives, including their religious life, especially in economic life. It is also undeniable that our country cannot be separated from conventional banks which are oriented towards international banks and of course use interest rates in various transactions, and until now there are still many differences of opinion among Muslim scholars regarding the prohibition and halalness of riba itself. Riba is a part of economic activity that has been developing since the era of jahiliyah until now. Public life has been shackled by an economic system that allows the practice of interest. This interest-based lending and borrowing system is very beneficial for the owners of capital and on the other hand has plunged the poor into destitution, this is strongly opposed or prohibited by Islamic teachings described in the Al-Quran and Al-Hadith.

At this time some people still consider (conventional) banks as a solution to help solve their economic problems but in fact, banks do not help people who need them but instead choke them or harm them with the interest system. So that from this problem, a bank labeled as Islam emerged, there was no interest practice but only a profit sharing system.

Definition of Riba

There are several opinions in explaining riba, but in general there is a common thread which confirms that riba is an additional taking, both in buying and selling transactions and borrowing and lending in vanity or against the principle of muamalah in Islam (Antonio, 2003). According to Rafiq

(2004), *riba* is a habit in the economic tradition of the jahiliyah community. Therefore, the prohibition is carried out gradually, because it has become an ingrained habit. Therefore, the term and perception of *riba* is so alive in the Islamic world, that it seems as if the doctrine of *riba* is uniquely Islamic. People often forget that the law prohibiting *riba*, as stated by an American Muslim, Cyril Glasse as quoted by Dawam Raharjo, is not enforced in any modern Islamic country. Meanwhile, not many know that in the Christian world for a millennium, usury was forbidden in the view of theologians, scholars and according to the laws. However, this practice was difficult to eradicate, so that the various authorities were forced to make arrangements and restrictions on the money-making business (Raharjo, 2002).

Etymologically, the word *riba* comes from Arabic, literally means "*al-ziyadah*" (تزايد) which means "addition" (al Juzairi, 1978). The same understanding is contained in the dictionary of al-Munawwir that *riba* means additional, excess (Al Munawwir, 1997). In The Big Indonesian Dictionary-KBBI, the word *riba* briefly means the release of money, loan sharks, interest, rent (Depdiknas, 2002). According to terminology, the word *riba* is formulated differently according to the emphasis of each approach. This is not different from the definition of law in western legal science, there is no agreement among experts about what is law? Approximately 200 years ago Immanuel Kant once wrote the following:

"Noch suchen die Juristen eine Definition zu ihrem Begriffi von Recht" (Still legal scholars looking for a definition of law).

Likewise, the definition of *riba* according to *syara* is still a dispute among Fiqh or Islamic jurisprudence expert, according to their respective definitions according to the reasons for determining their haram (Hadi, 1993).

However, as a guideline, it is very important to disclose the definition even though not all but one or two are still better than not, including:

1. According to Abdurrahman al-Juzairi, *riba* is the additional value on one of the two similar items which are exchanged without any compensation for the additional.
2. According to Sayyid Sabiq, *riba* is an addition to capital, whether the addition is a little or a lot.
3. According to Maulana Muhammad Ali, *riba* is an addition to the loan principal.

From these three definitions it can be concluded that usury is an excess or addition without any compensation or reward.

Defenition of Interest

In a dictionary it is stated that interest is a charge for a financial loan usually a percentage of the amount loaned. Interest is the dependence on loan money which is usually expressed as a percentage of the money lent. Other income states interest, which is the amount of money paid or calculated for the use of capital. This amount, for example, is expressed as a level or percentage of capital related to it, which is called the capital interest rate (Muhammad, 2006).

Meanwhile, according to the Majelis Ulama Indonesia (MUI) Fatwa concerning Interest (interest/*fa'idah*), it is an additional charge imposed in a money loan transaction (*al-qardh*) which is calculated from the principal of the loan without considering the utilization/principal proceeds, based on the maturity date, calculated with certainty in advance, and generally based on percentage (Muhammad, 2006).

Equation of Riba and Interest

Similarity of the elements which are owned between interest, which is carried out in the development of the capitalist economy and embraced by the layers of the world community, and *riba* which has been developed and inherited from the ignorance era, results in the legal effect of prohibiting interest in the Qur'an, which is haram. The prohibition of interest is due to the similarity between *illat* (cause) and *riba*, namely the addition.

Interest fulfills the criteria of usury which is forbidden by Allah, as stated by Ibn al-'araby in the ahkam al Qur'an. Etymologically *riba* is addition, what is meant by *Riba* in the al-Qur'an is any addition that is

not there for him the additional is a reward/compensation. Ar-Raghib al-Isfahani in al-Mufradat fie Gharib al Qur'an state that:

“Riba is an addition to capital”.

Issues that arise regarding whether bank interest is the same as Riba? The answer to the problem of this sub-topic will be more detailed if it is returned to the view that there is a similarity between the practice of interest and riba which is forbidden in the Qur'an and the hadith of this similarity is difficult to deny, especially since the application of the interest system in banking is more disadvantaged than the benefits. The benefits of the interest system that are categorized as riba include:

1. Accumulating funds for his own benefit;
2. Interest is a cost concept that is transferred to the next insurer;
3. Channeling only to those who can;
4. The ultimate insurer is society;
5. Streamlining economic stability and investment policies;
6. There is an endless gap.

The above practices will not work if Muslims do not apply Istiqamah to the concept of profit-sharing or Islamic banking. Therefore, the presence of Islamic banks in the national economic arena is very important. In other words, the relevance of Islamic banks to Indonesia's developing economy is very high and far higher than conventional banks. So that the growth and development of Syari'ah Bank in Indonesia, in order to minimize the practice of riba, should not be merely emotional in nature but more rational and conceptual in nature to assist development efforts. This is because a significant number of Islamic banks which are well operationalized will be able to support efforts for high economic growth, equity and development and its results, as well as stable economic stability (Muhammad, 2006).

Negative Impact of Riba and Interest in Economics

One of the economic impacts of riba is the inflatory effect caused by interest as a cost of money. This is because one of the elements of pricing is the interest rate. Higher the interest rate, the higher the price that will be fixed on an item. Another impact is debt. With the low level of borrower acceptance and high interest costs, it will make the borrower never get out of dependence, especially if the interest on the debt is accrued. The most obvious example is the debt of developing countries to developed countries. Although they are called soft loans, meaning low interest rates, in the end the debtor countries have to go into debt again to pay the interest and principal. As a result, there was a continuous debt. This explains the process of structural poverty that afflicts more than half of the world's people (Antonio, 2001).

Riba is an unfair income. The riba taker uses his money to order others to do business and returns. For example, twenty-five percent more than the amount owed him. The problem is, who can guarantee that the business that person runs will get a profit of more than twenty-five percent? Everyone, especially religious ones, knows that no one can be sure what will happen tomorrow or the day after tomorrow. Anyone knows that trying has two possibilities: success or failure. By determining, people have ensured that the business they manage is sure to profit (Antonio, 2001).

In modern life like today, Muslims can hardly avoid themselves from joining conventional banks, which use the interest system in all aspects of their lives, including their religious life. For example; Hajj in Indonesia, Muslims must use the services of a bank. Without bank services, Indonesia's economy would not be as smooth and advanced as it is today.

Ulama and Muslim scholars still disagree on the law regarding conventional banking and the law of bank interest. Their differences of opinion as concluded by Masjfuk Zuhdi are as follows:

- a. Opinion of Sheikh Abu Zahrah, Professor at the Faculty of Law at Cairo University, Abul A'la Al-Maududi (Pakistan), Muhammad Abdullah Al-Arabi, legal advisor at the Cairo Islamic Congress, and others, stated that bank interest includes riba *nasi'ah* which is forbidden by Islam. Therefore, Muslims should not partner with a bank that uses an interest system, unless in an emergency or compulsion.

They expect the emergence of an Islamic bank that does not use an interest system at all (Syafe'i, 2004).

- b. The opinion of A. Hasan, the founder and leader of the Bangil Islamic Boarding School was that bank interest, like in Indonesia, is not forbidden *riba* because it is not double as stated in the Al Imran verse 130 (Hassan, 2003).
- c. Tarjih Muhammadiyah in Sidoarjo, East Java in 1968 decided that the bank interest given by state banks to their customers, and vice versa, included *syubhat* or *mutasyabihat*, meaning that it was unclear whether it was halal or haram. In accordance with the guidance of the hadith, Muslims must be careful in facing problems that are still *syubhat*. Therefore, if you are in a state of necessity or in a state of urge, it means that it is an urgent/important need, then it is permissible to stay with the bank with a modest interest system (Zuhdi, 1997).

According to Mustafa Ahmad Az-Zarqa, Professor of Islamic Law and Civil Law at the University of Syria, the banking system that we accept today is an inevitable reality. Therefore, Muslims may join conventional banks for consideration in an emergency and are temporary. This is because Muslims must try to find a way out by establishing a bank without an interest system to save Muslims from the grip of a conventional bank (Syafe'i, 2004).

Conclusion

All wealth and property belong to Allah, humans have it only temporarily, solely as a mandate or gift from Allah. Humans use property based on their position as trustees and not as eternal owners. Because humans carry the mandate of managing the results of wealth in the world, then humans must be able to guarantee common welfare and be accountable to God. There are several opinions in explaining *riba*, but in general there is a common thread that confirms that usury is additional taking. *Riba* means additional value that is prohibited in lending and borrowing matters where one party feels heavy and loses. There are 4 *riba*, namely: *Riba Fadli*, *Riba Nasi'ah*, *Riba Qardh* and *Riba Yad*. The law of usury is haram.

Bank interest itself can be interpreted as a stipulation of the currency value by a bank that has a maturity/grace period, for which the bank then gives to the owner or withdraws from the borrower a fixed (additional) amount of interest of a few percent, such as five or ten percent. This bank interest includes *riba*, so bank interest is also prohibited in Islamic teachings. The difference between *riba* and interest (bank) is that *riba* is for consumptive loans, while interest/rent (banks) is for loans that are productive. However, in essence, both *riba* and interest/rent or the like are the same in practice, and also burdensome for the borrower.

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