

## Literature Study of Riba In Banking

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### ABSTRACT

The purpose of this article is to understand the history of banks usury and banks usury. From the results of the literature conducted, it seems that there are three opinions on the question of whether a bank's interest is usury. Second, it accepts interest because it is not equivalent to the usury prohibited by Islamic law. Third, bank interest is haram, but it is acceptable because there is no way around it. Muslim scholars and scholars still disagree on the following bank interest laws: Abu Zafra, Abu Ala Al Maudi Abdullah Al Arabi, and Yusuf Kardawa said that interest on traditional banks is included in the nasty Nassia class banned by Islam. Ulama's fatwa on the ban on bank interest was actually established at the Islamic Research Conference, attended by 150 prominent scholars, at the second conference in Cairo, Egypt, in May 1965. Since then, various international and domestic ulama forums have issued fatwas banning bank interest.



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### INTRODUCTION

Islamic Shariah is a way of life for mankind, created to lead people to happiness in the world and in the Hereafter (Farah) by implementing various requirements contained in the Quran and Sunnah. For Muslims, the guidelines for conducting their activities are drawn from the Quran, which is the absolute truth, the Sunnah of the Prophet Muhammad. It serves to explain the contents of the Quran. The Quran and the Hadith of the Prophet have many verses encouraging people to engage in economic activities. However, in today's modern world, in everyday activities, there are trade bans that are common among people and usury. The topic of usury is one of the most complex issues in human daily life, including the discussion of religious texts.

The Prophet Hadith discusses all aspects of human life, including the issue of usury. Nonetheless, no single religion has legalized the practice of usury. The term usury is very similar to the term buy and sell, except that the buying and selling itself is legal, but usury is prohibited, as explained in the Qur'an. So don't be surprised if there are semantic or interpretation dynamics associated with usurers and their perpetrators. The existence of

religious texts contrasts with the current economic controversy, where the circumstances and conditions differ at the time of the publication of religious books (the time of the Prophets and Companions). With the advancement of the current era, banks are one of the most important things for people to do buying and selling transactions both online and offline. However, in any bank, whether the customer is conscious of it or not, there is a willful or unconscious interest in the ownership of the customer funds that the bank offers. Therefore, when we talk about banks, we cannot separate them from the debate and disagreement over interest, which some scholars see as usury prohibited in the Qur'an. Since bank interest is a modern study on the Fiqih Muamallah and is not mentioned in the original texts of the Qur'an and Hadis, this has become a point of contention and disagreement among modern Muslim scholars and illegal.

Serious debate about whether bank interest is usury has been going on for a long time and is still hotly debated, causing controversy even among Muslims themselves. There is absolutely no discussion of linking interest with usury. Because banking institutions were not seen in the classical period. Therefore, the debate about the position of usury bank rates is not very interesting to study. Therefore, this article discusses usury in banks based on the surveys and studies that have been conducted, which are summarized and discussed in this article.

## **METHOD**

This study used a library search with a systematic literature review (SLR) approach. Data sources are taken from journal articles indexed using International Standard Serial Numbers (ISSN) and nationally recognized journals (Sinta) published on the Internet using E-ISSN codes will be Systematic literature review (SLR) is the process of identifying, evaluating, and interpreting all available research with the aim of providing an answer to a specific research question (Kitchenham, Mendes, & Travassos 2006). The data collection process begins with 1) observations made by visiting the website <https://www.google.co.id/>.

2) Enter the keyword "usury bank" in the search form. 3) The researcher then reads some of the citations used as research material and draws conclusions from them. Data collection in this study included written texts such as Library Studies, i.e. Banking, Islamic Banking and Riba Bank, Islamic Economics, Web Browsing, Variable Periodicals, and books on subjects relevant to this study or Information retrieval techniques from softcopy were utilized.

## **RESULT AND DISCUSSION**

### **Bank Interest as Riba**

Muslim pupils and pupils nonetheless have variations of opinion approximately the regulation of financial institution hobby including: Abu Zahrah, Abu ala alMaududi Abdullah alArabi and Yusuf Qardhawa stated that traditional financial institution hobby is protected withinside the magnificence of usury Nasiah that's prohibited with the aid of using Islam. in order that Muslims are prohibited from wearing out muamalah sports and carrying out transactions with banks that use the hobby machine in diverse transactions carried out, until this takes place in an emergency in order that there's rukhsah or relief. Meanwhile, Yusuf Qardhawi's view is that withinside the case stated above, he does now no longer understand the time period emergency in order that there's no such issue as rukhsah, so he firmly believes that transactions with traditional banks (hobby machine) are similar to usury. There are 3 reviews at the query of whether or not financial institution hobby is similar to usury, namely: First, financial institution hobby is usury and consequently taken into consideration haram; Second, permit hobby due to the fact it's miles taken into consideration now no longer similar to usury that's forbidden with the aid of using Islamic regulation; and Third, financial institution hobby is haram however due to the fact there's no manner out to keep away from it, it's miles allowed. Yusuf Qardhawi's opinion is corroborated by AlSyirbashi's opinion, according to him that the conventional bank interest earned by someone who keeps money in the bank is usury without seeing the amount

of interest earned. Islam is strict and its name is Haram. It's haram, even if it doesn't interest you much. But by force, religion allows us to borrow money from banks at interest. Most scholars agree that bank interest is usury and therefore haram. Various international Ulama forums have taken decisions in the form of fatwas banning bank interest. In Islam, the law against usury (Jari) is prohibited by Allah SWT and Muhammad SAW. Similar to bank interest rates, the bank (traditional bank) interest rate system in day-to-day operations tends to resemble or be identified with usury. That is, the payment from both the customer side and the side or bank doubles his. It is clear that in Islam itself the law of obligation should be the same. Therefore, the amount owed to the borrower must be repaid in the same amount to the person who provided the debt or loan. This statement is consistent with the opinion of Shaykh Sholih bin Ghonim As Sadlan, who said that a Saudi Arabian Mufti named Shaykh Muhammad bin Ibrahim rahimahullah said that loans with a specific surcharge (interest) given by banks were both loan sharks (Romdhoni, Tho'in, and Wahyudi 2012). "[Banks] call it quad [debt], but it is not quad in nature. Borrowing is useful, you should do good. Trading is purely for charity. It is for borrowing money, and it will be exchanged after a while. The interest of the bank itself is the profit from lending and borrowing. So the so-called bank interest that arises from borrowing and saving is usury because it arises from the valuation (of the liability). Profits from loans and deposits can therefore be called usury" (Al Fiqh, p. 398, Dar Blancia 1st ed., 1424 H ed.).

### **Comparison of Bank Interest With Riba**

The prohibition on bank interest has been widely debated and is the result of the opinions of various conferences, scientific seminars, and decisions of various Islamic and non-Muslim world research institutions. In fact, according to al-Qaradhwai, the interest that depositors put into banks is usury, which is prohibited as it is all the additional charges required for the principal asset. That is, what a man receives, in addition to most of his wealth, without engaging in any commercial enterprise and without working hard, is usury. The way al-Qaradawi was organized within the Muslim Brotherhood, he participated at the level of Da'wah and learned from its success in influencing his thinking about the economic ecosystem. Al-Qaradhwai's economic thinking was influenced by the same Da'wah movement as his teachers, namely Hassan Al-Bannah, Al-Ghazali, and Syayid sabiq, known as the Muslim Brotherhood. The Muslim Brotherhood Movement is a movement calling on Muslims to return to the teachings of the Quran and Sunnah. The spirit of preaching (gira) by the Muslim Brotherhood organization prompted al-Qaradhwai to change the mindset of Muslims, especially in the economic field, and return to the Qur'an and Sunnah. The debate over bank interest rates never ends. This has led to different views of scholars on banking interests: neorevivalist and modernist groups. NeoRevivalism is a movement that seeks to relate the teachings of Islam to modern life and to demonstrate and prove the power of Islam in the eyes of the world, especially the Western world. This new revival movement tends to understand usury in a literal light, and is therefore considered textual. This movement emerged in his 20th century and is a continuation of the 19th century Islamic revival movement. The emergence of this movement as a result of secular waves attacking Islam. Focusing on several important issues for Islam, particularly the westernization that struck Islam, the movement sought to empower itself by making Islam a way of life and rejecting textual interpretations aiming. Increase the characteristics of the revivalime group are:

1. Giving full priority (kaffah) to the Qur'an and Sunnah, regulating all life without being bothered by new interpretations that take account of circumstances and interests.
2. The function of ijtihad is only performed for very specific problems not mentioned in the text.
3. There is no passage in the Qur'an or Sunnah that needs reinterpretation or revision. Drawing on this movement, neo-revivalist views on flowers such as Maududi, Sayyid Quttub and

Yusuf Qaradhawi are inseparable from these characteristics.

They emphasize formal legal aspects when considering usurers. In other words, all bank interest is usury, which is forbidden. They discussed the usury fraud in more detail, but this fraud was used as a pretext to ban interest in banks in general.

1. Qur'an statements must be interpreted literally, regardless of what existed in pre-Islamic times.
2. The Quran says that only the main money is taken. I have no other choice. Neo- revivalism's view of profit, including usury, is based on the Quranic passage "waintubtum falakum ru'su amwalikum." The term "ru'su amwalikum" is defined as the loan amount. Therefore, they consider any amount in excess of the main loan as usury.

In addition to neo-revivalist groups, modernist groups such as Muhammad Assad, including modernists Fazlur Rahman, Said An-Najar, and Muhammad Sayyid Tantawi have eliminated formal legal aspects to bank interests. emphasizes the moral dimension of understanding Based on the explanation, the reason for banning usury, according to modernists, appears to be that it contains an element of exploitation, violence against the poor, rather than an element of interest. Modernists look at bank interest instead of usury for the following reasons.

1. When there is an emergency or emergency in economic life.
2. There is a difference between consumer credit and consumer credit.
3. There is a difference between usury and bank interest (interest).
4. Presence of inflation economics in the economic mechanism. This allows the losses incurred by creditors due to inflation to be offset by higher interest rates.

Deviating from the modernist movement, Muhammad Sayyid Thantawi argues that bank interest is not part of the prohibited usury. are known not to set interest rates in advance unless they have gone through market share research. Similarly, the profit determination must also refer to the current economic framework and conditions such as business diversity, quality and profit. The main right, however, is that the bank must act as a party facilitating it and as a party conducting transactions with the bank in question, subject to central bank rules and guidelines. Setting bank interest rates in advance today benefits investors and banks. From an investor's perspective, it has the advantage of being aware of some of the rights being acquired. According to Tantawi, determining the first profit (interest) is not usury. Because it has nothing to do with matters of faith and worship. The prepayment decision is the same as for Silka Mudarabah. Bank is undecided. If she doesn't analyze the economy at this point, it's interest rates, and there's no text prohibiting presetting interest rates.

### **History of Riba in Banking**

Judaism, Christianity, and Islam believe that creditors, by definition, control more capital deposits than they need and that debtors lack funds to meet their basic needs. It is highly unfair and immoral for the debtors, the poor, to have to repay the borrowed capital while adding interest to the property of their creditors. It encourages people living in poverty to help the poor with interest-free loans rather than gifts. Note also that while the religious statements are the same, they are not identical. Jewish tradition generally forbids flowers. However, they are allowed to pay interest on loans to other non-Jews (Warde 2010). Like Judaism and Islam, Christian traditions encourage creditors to write off part of their loans to the poor. In this Christian tradition there is something known as "Antidora". This is a voluntary and unreasonable gift from the debtor to the creditor as an expression of gratitude for the loan from the creditor. Unlike traditional interest, this is not an obligation, the amount is fixed or predetermined, but voluntary and the amount is at the discretion of the debtor. Christianity, like

Islam, has the principle of cleansing unearned income. In medieval Christianity, it was common for believers to reduce their debts "by giving alms, calling it therepayment of illegally earned money." No." Very necessary, but very disgusting. They consciously act as public sinners like prostitutes. Hell unless they repent and replace all cursed prizes. Story. House, Jacques Le Goff describes the discovery of the concept of purgatory in the late 12th century and its interesting connection to black money. "The birth of the Purgatory concept is the beginning of banking," he said. The transformation of the economy has created new financial needs and intensified the debate about usury in general (Lopez 1979).

The prohibition of interest (usury) was repeatedly emphasized in medieval Europe. The Council of Reims (1069) and the Council of Lateran II (1139) refused to denounce usury. Lateran Council III (1179) excommunicated usury, and Lateran Council IV (1215) allowed Jews to practice usury. The Council of Lyon (1274) reiterated that refusal, emphasizing that it was the first to officially recognize the absolution of sins through purgatory. From the 13th century to his 14th century, the arguments of religious scholars and jurists were aimed at realizing truth in society. Like Lateranus III, the Council of Lyon II of 1274 declared that Christians who received flowers would be excommunicated. In 1311, the Council of Vienna declared secular laws that did not prohibit interest to be void, and anyone who opposed them was a heretic and deserved the punishment he deserved. In the fifteenth century and his sixteenth century, increasing attention was given to the issue of legalizing new financial practices and institutions (Heilbroner and Milberg 2012). The ulama fatwa, which bans bank interest, was actually introduced at the Second Conference on Islamic Studies in Cairo, Egypt, in May 1965, attended by 150 eminent scholars. Since then, various international and national Ulama forums have issued fatwas banning interest from banks. Examples of decisions of the International Islamic Organization (Ascarya 2011):

1. Al-Azhar Council for Islamic Studies, Cairo at the DSI al-Azhar conference in Muharram 1385 H/May 1965 AD which decided that "interest in all forms of loans is usury which is forbidden".
2. Decision of the Second Islamic Bank Congress, Kuwait, 1403 H/1983 M.
3. Majma' al-Fiqh al-Islami, Organization of the Islamic Conference, in decision No. 10 Majma' Islamic Fiqh Council, at the 2nd OIC Conference in Jeddah, Saudi Arabia on 10- 16 Rabi' al-Tsani 1406 H/22-28 December 1985, which decided that "all additional and interest on loans due and the customer is not able to pay it, as well as the addition (or interest) on the loan and the beginning of the agreement are two images of usury which is forbidden by Shari'ah.
4. Rabithah al-'Alam al-Islami, in Decree No. 6 The 6th session was held in Mecca 12-19 Rajab 1406 H, which decided that "the prevailing bank interest in conventional banking is usury which is forbidden". Answer of the al-Azhar Fatwa Commission on 28 February 1988.

While the decisions of national Islamic institutions in Indonesia, among others (Ascarya 2011):

1. Muhammadiyah in Lajnah Tarji Year 1968 in Sidoarjo, decided that "the law on government bank interest is mutasyabihat
2. Nahdhatul Ulama in Lajnah Bashul Masa'il, Bandar Lampung National Conference in 1992 issued a Fatwa on bank interest by accommodating three decisions, namely bank interest is haram, halal and doubtful.
3. The Indonesian Ulema Council at the Alim Ulama Workshop in Cisarua in 1991 decided that: bank interest is the same as usury, bank interest is not the same as usury, and bank interest is syubhat.
4. PP Muhammadiyah, Fatwa of the Muhammadiyah Tarjih Council No. 8 in June 2006 announced at the National Working Meeting and Business Gathering Muhammadiyah



Economic Council 19-21 August 2006 decided that bank interest is haram.

5. Lajnah Ulama The Indonesian Fatwa Commission, the Indonesian Ulema Council at the MUI Silatnas on December 16, 2003 decided that "bank interest is the same as usury".

## CONCLUSION

There are three opinions on whether bank interest rates are high. First, banks are considered haram because they are usurers. Second, interest is acceptable because it is not equated with usury, which is prohibited by Islamic law. Third, bank interest is haram, but acceptable because there is no way around it. Abu Zafra, Abu Ala al-Maudi Abdullah Al-Arabi and Yusuf Kardawa said traditional banking interest is included in the class of evil Nasir forbidden by Islam rice field. As a result, Muslims are prohibited from engaging in Muamara activities in various transactions or with banks using the interest rate system, except in cases of Luxor or emergency relief. The bans on bank interest has been well debated and is the result of various conferences, scientific seminars and decisions of various research institutions in the Islamic and non-Muslim world. According to Alcaladawi, the interest that savers receive from banks is usury, which is prohibited as it handles the extra charges necessary for primary wealth. In other words, what a man takes without working hard on top of most of his wealth, without running a commercial business, is usury. The ulama fatwa banning bank interest was actually issued at the Second Conference on Islamic Studies in Cairo, Egypt, May 1965, attended by 150 eminent scholars. I was. Since then, various national and international Ulama forums have issued fatwas banning bank interest.

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