

Usury in Online Loans and Pay Later: From Historical Perspective to Its Contextualization on Modern Practice

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Abstract: The enthusiasm of the Muslim community in Indonesia for various fintech products, especially Peer-to-Peer Lending (Online Loans and Pay Later), remains substantial. Non-Sharia-based Online Loans and Pay Later have been deemed haram (forbidden) by MUI, while the availability of Sharia-compliant services in Online Loans and Pay Later is limited. Fatwas regarding online loans and Pay Later refer to the prohibition of usury due to the presence of "usury" (additional charges in loan repayment). Usury, considered as interest, is the primary reason for the prohibition of these products. However, there is no comprehensive and multi-perspective interpretation of the meaning of usury. There are aspects that need to be uncovered in the interpretation of the meaning of usury to aid in understanding the contextualization of usury in the contemporary era, by reexamining the interpretation of usury through the historical perspective and the trading traditions of Arab society in the early Islamic era. This research aims to reveal another side in the process of prohibiting usury through verses from the Quran and use it to draw contextualization in the practice of transactions through the mechanisms of online loans and Pay Later in the present time. This study is a qualitative literature review with primary data based on the legal basis of the prohibition of usury from the verses of the Quran, along with various opinions of Muslim scholars on the process. Using a Quranic - historical approach, this research finds that the prohibition of usury did not occur abruptly and always involves the knowledge and experience of the Arab Muslim community in the early Islamic era. The contextualization of the prohibition of usury through historical investigation and trading traditions shows that the prohibition of online loans and Pay Later cannot solely be attributed to the existence of interest rates in loans but should emphasize the exploitation of basic human needs by service providers. The study also asserts that transactions considered to involve usury should not be based solely on the presence of interest rates but on the exploitative

mechanisms targeting basic human needs and the economic well-being of the community.

Keywords: Usury, Legal Reasoning, Asbabun Nuzul, Trading Tradition.

Abstrak: Animo masyarakat muslim Indonesia dalam menggunakan berbagai produk fintech, terutama P2P Lending (Pinjaman Online dan Pay Later), masih cukup tinggi. Pinjaman Online dan Pay Later yang tidak berbasis syariah telah dinyatakan haram oleh MUI, sedangkan penyedia layanan syariah dalam Pinjaman Online dan Pay Later sangat sedikit. Fatwa-fatwa tentang pinjaman online dan Pay Later merujuk pada keharaman riba karena keberadaan buka (tambahan dalam pengembalian pinjaman). Bunga yang dianggap riba adalah alasan utama pengharaman produk-produk tersebut. Namun, tidak ada interpretasi makna riba yang disampaikan secara komprehensif dan multi perspektif. Ada sisi yang perlu diungkap dalam interpretasi makna riba guna membantu memahami kontekstualitas riba di masa modern sekarang ini, dengan membaca ulang interpretasi riba melalui sisi historis dan tradisi perdagangan masyarakat Arab di era awal Islam. Penelitian ini bertujuan untuk mengungkapkan sisi lain dalam proses pelarangan riba melalui ayat-ayat Al-Qur'an, dan menggunakannya untuk menarik kontekstualisasi dalam praktik transaksi melalui mekanisme pinjaman online dan Pay Later di masa kini. Penelitian ini adalah penelitian pustaka kualitatif dengan data utama dasar hukum pelarangan riba dari Ayat Al-Qur'an, beserta berbagai pendapat sarjana muslim tentang proses tersebut. Dengan menggunakan pendekatan *Qur'anic*-historis, penelitian ini menemukan bahwa pelarangan riba tidak terjadi secara tiba-tiba dan selalu melibatkan pengetahuan dan pengalaman masyarakat muslim Arab di era awal Islam. Kontekstualisasi pelarangan riba melalui investigasi historis dan tradisi perdagangan menunjukkan bahwa pelarangan pinjaman online dan Pay Later tidak bisa semata-mata karena keberadaan suku bunga dalam pinjaman, namun seharusnya menitikberatkan pada aspek eksploitasi kebutuhan dasar manusia oleh para penyedia layanan. Penelitian ini juga menyatakan bahwa praktik transaksi yang dianggap mengandung riba sewajarnya tidak berpijak pada ada-tidaknya suku bunga, namun pada mekanisme eksploitatif terhadap kebutuhan dasar manusia dan kesejahteraan ekonomi masyarakat.

Kata Kunci: Usury, Dasar Hukum, *Asbabun Nuzul*, Tradisi Perdagangan.

Introduction

The phenomenon of online loans constitutes a distinct facet within the Indonesian economy, predominantly inhabited by followers of Islam. Online loans, as decreed by the Indonesian Ulema Council (Majelis Ulama Indonesia or MUI), are deemed impermissible due to their involvement with usury. Nevertheless, in practice, online loans continue to garner considerable interest among the Muslim populace in Indonesia. According to data from katadata.com and the official website of the Financial Services Authority (Otoritas Jasa Keuangan or OJK), funds disbursed through online loans amount to approximately 20 trillion Indonesian rupiahs, with a

user base of 10.93 million accounts.¹ Given the Muslim population in Indonesia, constituting 86% of the total populace, a substantial number of Muslims in Indonesia are inclined towards utilizing online loans to meet various financial needs.

During the initial phase of the Islamic economic campaign in Indonesia, the MUI was initially perceived as capable of supporting the creation of an Islamic economic ecosystem that aimed to counter the conventional banking interest system prevalent in Indonesia. This was especially evident through the issuance of a fatwa in 2004 declaring the prohibition of interest (usury) in Fatwa no. 1. However, particularly concerning the phenomenon of online loans, the MUI's fatwa declaring them impermissible appears to have had an insignificant impact on the Muslim community in Indonesia.² In fact, in recent years, illegal online loans in Indonesia—those lacking operational permits from the OJK—have continued to attract interest from the Muslim population. The rising usage of online loans correlates with various social issues stemming from the online loan phenomenon, including the exploitation of personal data, harassment through contacts/relationships of online loan users, job terminations, divorces, and even cases of suicide. These aspects must be duly noted in the context of the online loan phenomenon in Indonesia.³

In the practical domain, the Indonesian Ulema Council (Majelis Ulama Indonesia or MUI) can only issue recommendations to the government and muslim society in Indonesia.⁴ However, these recommendations have proven ineffective in curbing the usage of online loan products in Indonesia. Surprisingly, the MUI's fatwa declaring the impermissibility of non-Sharia online loan products, the prohibition of Pay Later, and the limited enthusiasm for Sharia-compliant online loan products

¹ Otoritas Jasa Keuangan OJK, “STATISTIK P2P Lending September 2023,” Statistika (Indonesia: Otoritas Jasa Keuangan (OJK) Republik Indonesia, 2023), <https://ojk.go.id/id/kanal/iknb/data-dan-statistik/fintech/Pages/Statistik-P2P-Lending-Periode-September-2023.aspx>.

² Fatihani Baso and Ayu Kholifah, “Islamic Law Review on Default and Unlawful Acts in Online Lending Practices,” *Wealth: Journal of Islamic Banking and Finance* 1, no. 1 (June 30, 2022): 1–15, <https://doi.org/10.24090/wealth.v1i1.7000>.

³ Mabsuti Mabsuti and Robby Nurtresna, “PERLINDUNGAN HUKUM TERHADAP KONSUMEN PINJAMAN OLINe DALAM SISTEM HUKUM INDONESIA,” *Bureaucracy Journal: Indonesia Journal of Law and Social-Political Governance* 2, no. 1 (April 30, 2022): 235–43, <https://doi.org/10.53363/bureau.v2i1.90>; Jeremy Zefanya Yaka Arvante, “Dampak Permasalahan Pinjaman Online Dan Perlindungan Hukum Bagi Konsumen Pinjaman Online,” *Ikatan Penulis Mahasiswa Hukum Indonesia Law Journal* 2, no. 1 (February 2, 2022): 73–87, <https://doi.org/10.15294/ipmhi.v2i1.53736>.

⁴ Ansori Ansori, “Position of Fatwa in Islamic Law: The Effectiveness of MUI, NU, and Muhammadiyah Fatwas,” *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 22, no. 1 (July 29, 2022): 53–72, <https://doi.org/10.18326/ijtihad.v22i1.53-72>; Pradana Pradana Boy Ztf, *Fatwa in Indonesia: An Analysis of Dominant Legal Ideas and Mode of Thought of Fatwa-Making Agencies and Their Implications in the Post-New Order Period* (Amsterdam University Press, 2017), <https://doi.org/10.5117/9789462981850>.

indicate a secularization trend in the application of religious law in Indonesia.⁵ This suggests that the Muslim community in Indonesia tends to separate religious precepts when seeking fresh funds to fulfill diverse needs. Despite the MUI's fatwas and recommendations against using online loan and Pay Later products deemed as impermissible, the Indonesian populace continues to engage with these financial instruments.

The MUI bases its legal arguments for prohibiting online loan products and Pay Later on Quranic verses denouncing usury, along with the opinions of Muslim scholars who have prohibited usury.⁶ Online loans and Pay Later are considered to involve usury because of the interest when payback the loans.⁷ The utilization of verses on the prohibition of usury has hitherto been grounded in linguistic considerations, neglecting the contextual interpretation within historical and trading traditions regarding the prohibition of usury in these verses.⁸ The interpretation of usury in the Islamic Jurisprudence discipline always commences with a linguistic discussion of the term, with the Arabic root word "*riba*" stemming from "*rabā – yarbu*," signifying "to grow and increase." In Fiqh, usury is defined as an indefinite increment (in accordance with Fiqh stipulations) in a transaction or as a consequence of delaying the exchange of traded goods.⁹ In the interpretation of Quranic verses, usury can be understood as an increment exploiting the needs of one party involved in the transaction.¹⁰ The interpretation of the term usury in the Quran as the foundation for its prohibition should acknowledge that the understanding of usury contains local knowledge within the Arab society's tradition to comprehend the legal

⁵ Amtricia Ananda, "ANALISIS HUKUM ISLAM TERHADAP PINJAMAN UANG ELEKTRONIK SHOPEE PAYLATER PADA MARKETPLACE SHOPEE" 5 (2022); Ayman Abdalmajeed Alsmadi et al., "Adoption of Islamic Fintech in Lending Services through Prediction of Behavioural Intention," *Kybernetes*, February 28, 2023, <https://doi.org/10.1108/K-10-2022-1362>.

⁶ DSN MUI, "Fatwa DSN MUI 117/DSN-MUI/II/2018 Tentang Layanan Pembiayaan Berbasis Teknologi Informasi Berdasarkan Prinsip Syariah" (DSN MUI, 2018), <https://drive.google.com/file/d/1qCu2X6MTIFnYqK22eMx7uFL53AXBT9Vo/view?usp=sharing>.

⁷ MUI; MUI Jawa Timur, "Fatwa Hukum Transaksi Digital Dengan Sistem Paylater Nomor: 04 Tahun 2022" (Majelis Ulama Indonesia Provinsi Jawa Timur, 2022), <https://muijatim.or.id/wp-content/uploads/2022/09/Fatwa-No.4-Tahun-2022-tentang-transaksi-digital-menggunakan-Paylater.pdf>.

⁸ Karina Septiani, Ifa Hanifia Senjiati, and Asep Ramdan Hidayat, "Implementasi Produk Uang Elektronik (E-Money) di Bank Syariah Mandiri Ditinjau Berdasarkan Fatwa DSN-MUI No : 116/DSNMUI/ IX/2017 tentang Uang Elektronik Syariah," *Prosiding Hukum Ekonomi Syariah* 4, no. 2 (2018): 523–29.

⁹ Wahbah Al-Zuhaili, *Al-Fiqh al-Islami Wa Adillatuhu*, vol. 8, 5 (Damsyik: Dār Al-Fikr, 1985); Muḥammad Ibn al-Qāsim al-Gāzī, *Fathḥ al-Qarib al-Mujib fī Syarḥ AlFāz at-Taqrīb au al-Qaul al-Mukhtār fī Syarḥ Gayat al-Iḥtiṣār* (Dar Ibn Hazm, 2005). 164

¹⁰ Muhammad Quraish Shihab, "Tafsir Al-Mishbāḥ : Pesan, Kesan, Dan Keserasian al-Qur'an Juz 1," in *Tafsir Al-Mishbah Pesan, Kesan Dan Keserasian Al-Qur'an* (Jakarta: Lentera Hati, 2002). 593

context within the Quran. Language, when spoken by a specific community, is inseparable from local knowledge and traditions that have evolved.¹¹ Moreover, the prohibition of usury in the Quran addresses pre-existing practices among the Arab community, subsequently deemed impermissible, aligning with the Quran's role as an agent of cultural change by prohibiting practices and traditions that are detrimental and do not contribute to the well-being of humanity.¹²

The recontextualization of the meaning of usury in the modern era, particularly in the age of digital transactions and industry, necessitates a lengthy journey. Various approaches and perspectives are required to provide a contextualization of usury practices that have been clearly prohibited. For instance, the conventional banking interest, not unequivocally classified as usury, as indicated by the fatwa of the Egyptian state authorities.¹³ This interpretation is essential to reinforce the evidence that practices deemed to involve usury – subsequently prohibited – should not be evaluated solely in normative terms: right or wrong; deserving of reward or sin. The MUI's fatwas on bank interest, the impermissibility of online loans, and the prohibition of Pay Later, without a thorough anthropological understanding of their legal rationale, may result in these fatwas becoming mere legal monuments with negligible impact on the behavior of the Muslim community in Indonesia.

The prohibition of usury, as a reality recorded in the Quran, cannot be normatively understood and defined without comprehending the factors surrounding this reality. According to Sheikh Ali Jum'ah, understanding the elements that shape the reality of usury prohibition serves as a bridge to achieving contextualization and interpretation of the term usury (*riba*) in the modern era. Understanding reality, as per 'Ali Jum'ah – a prominent modern muslim scholar and former *Mufti* of Egypt-, goes beyond merely observing “what happens.” It involves deciphering the elements constituting that reality.¹⁴ One such element that shaped the reality of usury prohibition in the past is the trading tradition within the socio-economic structure of Arab society. The interpretation of the prohibition of usury verses has often involved separating the local understanding of usury in Arab society from a theological interpretation, as elucidated by Muzhaffar.¹⁵ According to

¹¹ Muhammad Quraish Shihab, *Wawasan al-Quran: tafsir tematik atas pelbagai persoalan umat*, Cet. 1 (Bandung: Mizan, 2013), 318.

¹² Ali Sodiqin, “Antropologi Hukum sebagai Pendekatan dalam Penelitian Hukum Islam,” *Al-Manahij: Jurnal Kajian Hukum Islam* 7, no. 1 (2013): 115–26, <https://doi.org/10.24090/mnh.v7i1.581>; Ali Sodiqin, *ANTROPOLOGI AL-QUR'AN Model Dialektika Wabyn dan Budaya* (Yogyakarta: Arruzz Media, 2008).

¹³ Muḥammad Sayyid Ṭanṭāwī, “Fatwā - Bayānu Ḥukmi Fawā'idul Bunūk,” Article, Dārul Ifṭā' Al-Miṣriyyah, February 12, 1996, <https://www.dar-alifta.org/ar/fatawa/17321/بيان-حكم-فوائد-البنوك>.

¹⁴ 'Alī Ġum'a Muḥammad, *aṭ-Ṭariq ila 't-turāt al-islami: muqaddimat ma'rifiya wa-madaḥil manbaḡiya*, Ṭab'a 1 (al-Ġiza: Nahḍat Miṣr, 2004). 36-38.

¹⁵ Ahmad Muzhaffar, “USURY DALAM AL-QURAN: SEBUAH KAJIAN ANTROPOLOGIS” 3 (2015).

Muzhaffar, the prohibition of usury is a theological prohibition aimed at encouraging Muslim communities of that time to engage in better socio-economic practices.¹⁶ Muzhaffar's reading only extends to a historical and social reading of the Quranic verses regarding the prohibition of usury. This reading needs to be fortified with arguments concerning local knowledge and traditions in the socio-economic context, as local knowledge significantly influences legal practices. For instance, scholars of the Hanafi school resolve trade disputes by considering the trading customs of the surrounding community as arbiters.¹⁷ Similarly, to appropriately contextualize usury in the present day, one must scrutinize the contextual knowledge and traditions of Arab society in socio-economic fields. Thus, the interpretation should not be purely normative,¹⁸ conflicting with the opinions of medieval Muslim scholars in an era lacking institutions like banks, and where trading traditions were less complex than the contemporary period. Rereading through such an approach is expected to shed light on the urgency and purpose of Sharia in prohibiting usury during that period.¹⁹

This study poses a fundamental question about how the legal provisions regarding usury in various MUI fatwas can be reinterpreted using a historical and trading tradition perspective from the early days of Islam. This question is deemed sufficient to lead to a reevaluation of the legal provisions and practices related to usury in Indonesia, aiming to contextualize them within the context of the Indonesian Muslim society without compromising the validity of religious texts as legal sources. This research is qualitative, utilizing a descriptive-analytical methods to investigate the other side of usury prohibition verses in its historical contexts by reading the early Arab-muslim's trading tradition. The data sources for this study are the Quranic verses mentioned in three MUI fatwas forming the primary basis for the prohibition argumentation in various practices deemed to involve usury: Fatwa No. 1 of 2004 on Interest (*Faidah*); the results of the Ulama Commission Fatwa Assembly of Indonesia in 2021 on the Law of Online Loans; and the MUI East Java Fatwa on Transactions with the Pay Later System. The study also aims to strengthen the argument that the interpretation of Quranic verses regarding the prohibition of usury

¹⁶ Muzhaffar.

¹⁷ A. Udovitch, "Islamic Law and the Social Context of Exchange in the Medieval Middle East," *History and Anthropology* 1, no. 2 (February 1985): 445–65, <https://doi.org/10.1080/02757206.1985.9960751>.

¹⁸ Ulinnuha Saifullah, "Commodity Hoarding (Ihtikar) in Surah Al-Hashr: Exploring Historical Roots and Reassessing Interpretative Perspectives," *Az-Zarqa: Jurnal Hukum Bisnis Islam* 15, no. 1 (June 2023): 43–61.

¹⁹ Landy T. Abdurrahman, "Pendekatan Maqāṣid Al-Syarī'ah Kontemporer Dalam Perilaku Ekonomi," *An-Nawa: Jurnal Studi Islam* 1, no. 1 (December 16, 2019), <https://doi.org/10.37758/annawa.v1i2.139>; Muhamad Ulul Albab Musaffa et al., "Study the Philosophy of Islamic Law in Determination Percentage of Zakat Mal," *Az-Zarqa: Jurnal Hukum Bisnis Islam* 14, no. 1 (June 29, 2022): 19, <https://doi.org/10.14421/azzarqa.v14i1.2589>.

must be approached through various perspectives to generate more practical legal outcomes within the Indonesian Muslim community.²⁰

The historical approach by revisiting the trading traditions from early Islam's societies to verses prohibiting usury falls under the category of an anthropological approach to law. This necessitates several analytical tools, including the theory of *Ulumul Qur'an* from the *Makkiyyah – Madaniyyah* perspective and the study of *Asbabun Nuzul*. The historical analysis from *Ulumul Qur'an* is employed to read and emphasize that the Quran responds to and functions to rectify traditions in Arab society, specifically in the socio-economic context. Additionally, the study introduces an analysis of the trading traditions of Arab society in the early Islamic era to understand the context of usury prohibition closely related to local knowledge and to grasp the objectives being pursued in the prohibition of usury.

Result and Discussion

Prohibition of usury-related transactions in MUI's Fatwas

The discourse on the interpretation of usury in Indonesia is inseparable from various fatwas issued by the National Sharia Council of the Indonesian Ulama Council, considered the center for fatwa studies to be practiced in Indonesia. While it is a reality that MUI DSN fatwas or provincial-level MUI fatwas do not always have a tangible impact, being adhered to by every Indonesian Muslim,²¹ the discourse on the interpretation of usury in various MUI fatwas revolves around at least three fatwas based on verses prohibiting usury. These three fatwas are:

Firstly, MUI Fatwa No. 1 of 2004 on Interest (*Faidah*). This fatwa declares that interest (*faidah*) is forbidden, and all forms of transactions involving interest are also prohibited. The foundation for the fatwa's decision is drawn from the Quranic verse Ali Imran: 130.²² Secondly, the decision of the Ulama Commission Fatwa Assembly of Indonesia VII in 2021. In this decision, the Fatwa Commission determines that online loans are a form of transaction involving usury and are forbidden. This fatwa

²⁰ Lawrence Rosen, *The Anthropology of Justice: Law as Culture in Islamic Society*, The Lewis Henry Morgan Lectures 1985 (Cambridge; New York: Cambridge University Press, 1989); Sodiqin, "Antropologi Hukum sebagai Pendekatan dalam Penelitian Hukum Islam"; Dedi Mahyudi, "PENDEKATAN ANTROPOLOGI DAN SOSIOLOGI DALAM STUDI ISLAM," n.d.

²¹ Syafiq Hasyim, "New Contestation in Interpreting Religious Texts: Fatwa, Tafsir, And Shariah," in *The New Santri: Challenges to Traditional Religious Authority in Indonesia* (Singapore: ISEAS Publishing (Institute of Southeast Asian Studies), 2020). 61

²² Majelis Ulama Indonesia MUI, "Fatwa MUI No 1 Tahun 2004 tentang Bunga (Interest-Faidah)" (MUI, January 24, 2004). 425

bases its decision on several verses prohibiting usury, namely Al-Baqarah: 275, An-Nisa: 160, and Ar-Rum: 39.²³

Thirdly, The East Java MUI's Fatwa No. 04 of 2022 on Digital Transactions with the Pay Later System. This fatwa states that transactions using the Pay Later mechanism with a debt-credit contract are forbidden. It brings various verses regarding the prohibition of usury: Al-Baqarah: 275, Ali Imran: 130, in the context of the prohibition of consuming usury; Ar-Rum: 39 about usury that does not bring genuine benefit; and An-Nisa: 160-161 concerning the usurious practices of the Jews. The four mentioned verses are sequentially listed in the MUI East Java fatwa on Pay Later.²⁴

The common thread among these three fatwas is that their decisions are based on verses prohibiting usury. Additionally, the interpretations of usury presented in these fatwas are purely normative. All three fatwas provide normative definitions of usury and use verses prohibiting usury as their primary basis. However, in the review of opinions from scholars and experts as considerations for decision-making, there is no mention of any interpretation of the meaning of usury in the contemporary era. For example, in the decision of the Ulama Commission Fatwa Assembly of Indonesia VII, which prohibits online loans, the elaboration of various opinions from scholars emphasizes the obligation to repay for those who can afford to pay debts and urges easing payments for those facing difficulties. The classical paradigm of debt-credit as a mutual assistance concept seems to overlook the fact that online loans operate as businesses seeking profit rather than purely altruistic assistance. Furthermore, considering the structure of presenting fatwas, always commencing with Quranic verses as the legal foundation, there should be an interpretation of the main discussion in the law. In the methodology of Islamic legal exploration, interpretations should encompass linguistic meaning (etymology), terminological meaning, Sharia meaning (meaning in Islamic jurisprudence terms), and customary meaning.²⁵

The discourse on usury in the aforementioned fatwas does not touch upon various other perspectives inherent in the law. Sheikh Ali Jum'ah, the Mufti of Egypt from 2003 to 2013, states that legal reality is never detached from four elements: actors, events, space, and time.²⁶ The actors encompassed in the legal discourse are never separated from traditions and local knowledge that shape and produce

²³ Majelis Ulama Indonesia MUI, "HASIL IJTIMA ULAMA KOMISI FATWA SE-INDONESIA VII TAHUN 2021" (Sekretariat Komisi Fatwa Majelis Ulama Indonesia, November 2021).

²⁴ Jawa Timur, "Fatwa Hukum Transaksi Digital Dengan Sistem Paylater Nomor: 04 Tahun 2022."

²⁵ 'Ali Jum'ah, *At-Tariq ilā At-Turaṣ Al-Islamī*, 4 ed. (Nahḍat Miṣr, 2009), hlm 102.

²⁶ Jum'ah, hlm. 107.

knowledge. In this case, it involves the production of knowledge and traditions regarding transactions and trade.

Asbābun Nuzūl: Understanding the Historical Context

There are four instances in which the Quran explicitly prohibits usury: Q.S. Ar-Rum (30:39), Q.S. An-Nisa (4:160-161), Q.S. Ali Imran (3:130), and Q.S. Al-Baqarah (2:275-280).²⁷ Although there are numerous opinions among Muslim scholars regarding the reasons for the revelation of the prohibition of usury, these four instances are considered the strongest and most logical, given the traceable historical narratives related to the prohibition of usury.²⁸ *Asbabun Nuzul*, as a foundational narrative,²⁹ serves as a primary argument for the majority of Muslim scholars to then concur on the prohibition of usury. According to Jalāluddīn As-Suyūṭī, the verse on the prohibition of usury in Q.S. Al-Baqarah is the last verse revealed to Prophet Muhammad PBUH As mentioned by scholars in the field of Islamic jurisprudence (Fuqahā'), the legal basis for the prohibition of usury is derived not only from the Quran and hadith but also from consensus (Ijmā') starting from the time of the Prophet's Companions to subsequent generations of scholars.³⁰

Q.S. Ar-Rum (30:39) is the first verse agreed upon by many Muslim scholars as the starting point for the prohibition of usury, condemning the usurious practices prevalent in the socio-economic traditions of pre-Islamic Arab society that persisted until the advent of Islamic law through the Quran and Prophet Muhammad SAW as agents of cultural assimilation.³¹ The usury mentioned and deemed futile in this verse is the giving of gifts with the expectation of receiving a disproportionately larger return.

“Whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in zakat, desiring the countenance of Allah – those are the multipliers.” (Q.S. Ar-Rum: 39)

In this verse, the Arab society had a tradition of giving gifts of wealth with the expectation of receiving a multiplied return for the giver, which contradicted the

²⁷ Aḥmad Mustafā Al-Marāghī, *Tafsīr Al-Marāghī*, 1st ed. (Cairo: Mustafā Al-Ḥalabī, 1946); Riza Taufiqi Majid, “Usury dalam Al-Qur’an (Studi Pemikiran Fazlurrahman dan Abdullah Saeed),” *Muslim Heritage* 5, no. 1 (June 25, 2020): 61–86, <https://doi.org/10.21154/muslimheritage.v5i1.1989>.

²⁸ Burhanudin Harahap and Tastaftiyān Risfandy, “Islamic Organization and the Perception of Usury (Usury) and Conventional Banks Among Muslims: Evidence From Indonesia,” *SAGE Open* 12, no. 2 (April 2022): 215824402210979, <https://doi.org/10.1177/21582440221097931>.

²⁹ A. Rippin, “The Function of Asbāb Al-Nuzūl in Qur’ānic Exegesis,” *Bulletin of the School of Oriental and African Studies* 51, no. 1 (February 1988): 1–20, <https://doi.org/10.1017/S0041977X00020188>.

³⁰ Zakariyyā Muḥammad Al-Anṣārī, *Faiḥul Wabab Syarḥ Minhajut Ṭulab Beirut* (Beirut: Dārul Kutub Al-Ilmiyyah, 1998), 276.

³¹ Sodiqin, *ANTROPOLOGI AL-QUR’AN Model Dialektika Wahyu dan Budaya*. 6.

intended spirit of such generosity. Usury in this context is also interpreted as the act of demanding additional gifts by creditors, which were often substantial and uncertain, and had to be given by the debtor.³² The practice of giving gifts was a tradition in pre-Islamic Arab society, and it served as a form of diplomacy between Arab clans in various situations, particularly in fostering good relations among clans.³³ The tradition of giving gifts was later accommodated by Prophet Muhammad SAW but with the condition of not expecting any reciprocation, as later codified in Islamic jurisprudence under the regulations of Gift (*Al-Hadāyah*) and Donation (*Al-Hibbah*) in various fiqh literature. While acknowledging this, the tradition of giving gifts legitimized by the behavior of Prophet Muhammad had specific objectives, such as diplomatic purposes and reconciling conflicts.³⁴

Among the four stages of the prohibition of usury, only this verse is considered by scholars to fall into the category of Makkiyah verses – Quranic verses revealed in Makkah, before the Hijrah event.³⁵ The city of Makkah, primarily controlled by the Quraysh tribe, had its own trading traditions. According to historical records, a significant portion of the Quraysh tribe members were traders due to their strategic advantage in controlling the city of Makkah, which served as a trade route and pilgrimage destination for idol-worshipping pilgrims from the Bedouin tribes.³⁶ In this initial stage of prohibition, the Quran merely presents the negative aspects of usury, involving the addition of reciprocal gifts in the practices prevalent during that time.

The second stage of the prohibition of usury is marked by the revelation of Q.S. An-Nisa (4:160-161). This verse condemns the actions of the Jewish community for violating the prohibition of usury. The verse also juxtaposes the practice of gaining profit through usury with the unlawful appropriation of wealth, as per Jewish law.

“For the wrongdoing of the Jews, We made unlawful for them [certain] good foods which had been lawful to them, and for their averting from the way of Allah many [people], and [for] their taking of usury while they had been forbidden from it, and their consuming of the people's wealth unjustly. And We have prepared for the disbelievers among them a painful punishment” (Q.S. An-Nisa: 160-161)

Sheikh Mutawalli Sha'rawi, a renowned Egyptian Quranic commentator, provides insights into these two verses, emphasizing that the divine condemnation towards the Jews who transgressed by engaging in usurious practices prohibited for

³² Muzhaffar, “USURY DALAM AL-QURAN: SEBUAH KAJIAN ANTROPOLOGIS.” 112.

³³ Philip K. Hitti, *History of The Arabs from the Earliest Times to The Present*, 10. ed., 15th reprint, MacMillan international college editions (Houndmills London: MacMillan, 1993), hlm. 79.

³⁴ Hitti. 80.

³⁵ Al-Marāghī, *Tafsir Al-Maraghi*, As-Suyūfī, *Al-Itqan*, hlm. 36.

³⁶ Hitti, *History of The Arabs from the Earliest Times to The Present*; Marshall G. S. Hodgson, *The Venture of Islam, Volume 1: The Classical Age of Islam* (Chicago: The University of Chicago Press, 2009). 513.

them. These verses narrate that despite the permissible aspects within Jewish practices, especially in trade and property transactions, many Jews resorted to usury for quick profits without equitable effort. The reproach in both verses towards Jews practicing usury stems from their prioritizing the forbidden over the permitted in their trade and property transactions. Hence, the practice of usury in these verses is equated with wrongfully seizing others' property (such as theft or deceit). The prohibition of usury in these verses falls into the category of not only religious Sharia prohibition among Jews (as an act of obedience to God) but also a prohibition arising from human nature and disposition.³⁷ Sheikh Sha'rawi's argument on the prohibition of usury among Jews, followed by their reproach, cannot be divorced from the conditions, knowledge, and local practices prevalent in Jewish trade.

The third stage involves the revelation of the verse in Q.S. Ali Imran (3:130). In this verse, Allah prohibits believers from consuming usury, warning against its multiplication.

“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful. And fear the Fire, which has been prepared for the disbelievers.”

The doubled usury is interpreted by Aṭ-Ṭabari as Jahiliyah usury, the usury system practiced by pre-Islamic Arabs. In this system, two parties engaged in debt transactions would defer the debt's repayment with the condition that the returned amount would be multiplied. Jahiliyah usury could also involve multiplying the age of animals used as collateral. For instance, a debt for a one-year-old camel would be repaid with a two-year-old camel. This interpretation aligns with the historical context (asbabun nuzul) of Q.S. Ali Imran: 130, which involves a debt dispute between the Bani Tsaqif and Bani Mughirah. When the debt became due, Bani Mughirah, as the creditor, offered Bani Tsaqif, the debtor, the option to settle the debt or defer it with the condition of multiplication.³⁸

Contrasting views emerge from contemporary scholars like the two distinguished Comparative Jurisprudence professors from Al-Azhar University in Cairo, Ali Ahmad Mar'a and Al-Mursi Abdul Aziz Al-Samahi. They argue that Jahiliyah usury is not a singular form but encompasses any form of additional charge resulting from deferred debt. Pre-Islamic Arab society was not isolated; they engaged in transactions with various nations and religions such as Persians, Romans, Christians, and Jews. The transaction models were diverse and often involved usury.³⁹

The final stage, serving as the primary basis for the absolute prohibition of usury in various forms and practices, is the revelation of verses in Q.S. Al-Baqarah (2:275-

³⁷ Muhammad Mutawalli Al-Sya'rāwī, *Tafsīr al-Sya'rāwī* (Kairo: Maktabah Al-Ushrah, 1998), hlm. 2808 - 2812.

³⁸ Abū Ja'far Muhammad bin Aṭ-Ṭabarī, *Tafsīr Aṭ-Ṭabarī* (Cairo: Dar Hijr, 2001). 101.

³⁹ 'Alī Ahmad Mar'ā and Al-Mursī 'Abdul 'Azīz As-Samāhī, *Quṭūf Min Al-Uqūd Fi Al-Fiqhi Wa Al-Islāmī* (Cairo: Maktabah Al-Azhar, 2009). 109.

280). These verses were revealed after Allah mentioned the virtues of those who provide sustenance, pay zakat, and engage in charitable giving.

“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, ‘Trade is [just] like interest.’ But Allah has permitted trade and has forbidden interest...” (Q.S. Al-Baqarah: 275)

Al-Qurṭubī, in his commentary, notes that pre-Islamic Arab society equated usury with trade, both seen as gaining profit from the principal amount. However, Allah legalized trade and prohibited usury.⁴⁰ In another verse, Allah commands the deferral of debts until the debtor is capable of repayment. In verse 2:276, Allah compares usury with charity.

“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.” (Q.S. Al-Baqarah: 276)

Subsequently, in verse 2:278, Allah provides a solution for those already engaged in usurious practices.

“O you who have believed, fear Allah and give up what remains [due to you] of interest if you should be believers.” (Q.S. Al-Baqarah: 278)

Hadith expert Abu Ya'la in his Musnad states that these usury-related verses were revealed concerning Bani Amr bin 'Auf from Saqif and Bani Mughirah. These groups approached the Governor of Makkah, 'Attab bin Usaid, with Bani Mughirah, as creditors, objecting to paying past debts (before the revelation of usury verses) due to their desire to comply with usury laws. Meanwhile, Bani Amr bin 'Auf, as creditors, sought the settlement of their debt disputes. 'Attab then sent a letter to Prophet Muhammad in Madinah, resulting in the revelation of these verses, clarifying that only the principal amount should be repaid.⁴¹

Asbabun Nuzul (various opinions and narratives about the revelation of Quranic verses) should not only be seen in the specific context of the stories behind the revelation but also emphasizes a more comprehensive global context regarding the provisions revealed in the Quran.⁴² In the context of the prohibition of usury, the legal implications of usury being forbidden are general for Muslims in any time and place. To draw implications from the interpretations of the meaning of usury emerging among the Arab community, it is essential to understand the local contextual understanding of usury during its prohibition. Understanding the local

⁴⁰ Muhammad bin Ahmad Al-Anṣārī Al-Qurṭubī, *Jami' Li Abkamil Qur'an* (Cairo: Darul Kutub Al-Miṣriyyah, 1964), hlm 767.

⁴¹ Abū Ya'lā Al-Muṣṣilī, *Musnad Abū Ya'lā Al-Muṣṣilī* (Damascus: Dar al-Ma'mūn li At-Turāṣ, 1989). 47.

⁴² Abur Hamdi Usman, Ahmad Levi Fachrul Avivy, dan Mohd Farid Ravi Bin Abdullah, “Asbab Al-Nuzul and The Rules of Interpretation: Some Notes on M. Quraish Shihabâ's Views,” *JURNAL PENELITAN*, 1 Juli 2021, 55–66, <https://doi.org/10.28918/jupe.v18i1.3789>.

contextual understanding of usury at that time cannot be detached from the understanding and traditions of the Arab community regarding trade practices prevalent during that period.

Socio-Economic Traditions of Arab Society: A Discourse on Usury

The discourse surrounding usury in the tradition of Arab society is intricately connected to the socio-economic practices prevalent in 7th-century Arabia. This discussion cannot be divorced from the role of the city of Makkah as a converging point for trade routes and a destination for pilgrims in the pre-Islamic religious tradition.⁴³ Apart from Makkah, Yašrib (later renamed Madīnah) and Ṭāif also held significant positions in trade and the economic context of the Hijāz region.⁴⁴

The economic life of Bedouin tribes, initially centered around herding or, when settled in oases, agriculture, eventually became dependent on an extensive system of trade and plunder. Herding groups relied on agricultural communities for essential provisions, especially grains and dates, in addition to milk and camel meat. Distant trade routes facilitated the exchange of luxury goods such as wine or skilled female singers, desired by all tribes. Nomads engaged in trade between the Mediterranean and the South Sea regions. Those near trade routes provided camels for transportation, escorted traders, or engaged in commerce themselves. Others shared in the spoils through successful raiding. Surrounding cities, especially Makkah, became trade hubs, with dominating tribes or clans influencing policies within those cities.⁴⁵

The Quraysh tribe had long controlled the city of Makkah. Although Makkah was not a region producing trade commodities, its role as a convergence point for trade routes, the influx of idol-worshipping pilgrims, and the presence of the Zamzam well made it a bustling trade center. One of the commodities traded in Makkah was camels and sheep, commonly used as offerings by pilgrims visiting the city.⁴⁶ Other commodities, such as fruits (and agricultural produce), came from the Ṭāif and Madīnah regions, carried by pilgrims and traders passing through Makkah. The Quraysh tribe held the advantage in controlling trade in the Makkah region. One of the trade events they controlled was the Ukāz Market,⁴⁷ typically held in the months forbidden for warfare (Asyharul Ḥurum), especially in the months of Rajab and Ḥulqa'dah.⁴⁸

⁴³ Hitti, *History of The Arabs from the Earliest Times to The Present*. 230.

⁴⁴ Hodgson, *The Venture of Islam, Volume 1*. 515.

⁴⁵ Hitti, *History of The Arabs from the Earliest Times to The Present*. 234.

⁴⁶ Hitti. 250.

⁴⁷ Hitti, *History of The Arabs from the Earliest Times to The Present*, hlm. 282.

⁴⁸ Hitti; Haeruddin, "Karakteristik Sastra Arab pada Masa Pra-Islam," *NADY AL-ADAB* 12, no. 1 (February 2016): 36–50, <https://journal.unhas.ac.id/index.php/naa/article/view/3231>.

While Western scholars often depict Arab society as barbaric, the reality is that the Quraysh tribe, controlling Makkah, established rules across various fields to prevent conflicts detrimental to trade routes.⁴⁹ Admittedly, many Quraysh individuals engaged in trade practices favoring one party. Abdul Muṭallib, the grandfather of Prophet Muhammad, served as the guardian of Makkah and established various regulations,⁵⁰ some later incorporated into Islamic jurisprudence (*Fiqh*).⁵¹ However, some trading practices between the Quraysh, Arab Bedouins, and Makkah traders were later prohibited by the Prophet.

One of the significant economic initiatives instituted by Abdul-Muttalib was the establishment of *Khumus* on found treasures. *Khumus* represented one-fifth of the value of discovered treasures, paid to the authorities of Makkah (Quraysh tribe). This initiative helped fund part of the food and water supplies for Hajj pilgrims during the Jahiliyyah era, enhancing the living standards of the poorer segments of society.⁵² The *Khumus* provision on found treasures was later adapted by Prophet Muhammad as *Zakat Rikāz* (found hidden treasures) amounting to one-fifth of the discovered *Rikāz*.⁵³ This practice is recorded in authentic hadith and serves as the basis for Muslim scholars to determine the obligation of Zakat on discovered buried treasures.⁵⁴

With their advantageous position in the bustling city of Makkah, the Quraysh tribe also established regulations regarding money lending and, more significantly, devised new methods to impose interest. Additional charges in loans had been customary since earlier periods, and the Quraysh tribe sought to further develop and expand them. A new form of usury was applied to transactions: if a buyer couldn't make timely payments, they were required to pay double or even more. Ultimately, if unable to pay, they were taken as slaves in lieu of payment.⁵⁵

Despite trade flourishing among the Arabs before Islam, with various permanent and seasonal trade markets established along the South-North Trade Route, some types of transactions were surprising. According to Saeed Afghani, as quoted by Udovitch, these transactions were surprising because both sellers and

⁴⁹ Seyed Kazem Sadr, *The Economic System of the Early Islamic Period* (New York: Palgrave Macmillan US, 2016), <https://doi.org/10.1057/978-1-137-50733-4>.

⁵⁰ Albert Hourani, *A History of The Arab Peoples* (Cambridge, Mass: Belknap Press of Harvard University Press, 2002), hlm. 130 - 131.

⁵¹ Sadr, *The Economic System of the Early Islamic Period*, hlm. 81.

⁵² Sadr. 85.

⁵³ Al-Bukhārī Muḥammad bin Ismā'īl, *Ṣaḥīḥ Al-Bukhārī* (Beirut: Dār Ibn Kaṣīr, 2002), hlm. 365.

⁵⁴ Ibnu Ḥajar Al-‘Asqalānī, *Bulughul Marām* (Saudi Arabia: Dāruṣṣadiq, 2002); ‘Abdussalām ‘Alūsī, Ḥasan Sulayman An-Nūrī, dan ‘Alawī ‘Abbas Al-Malikī, *Ibānatul Aḥkām Syarḥ Bulughul Marām*, vol. 1 (Jeddah: Dārul ‘Ilmiyyah, 2018), hlm 405.

⁵⁵ Sa’id Al-Afghānī, *Aswāq Al-‘Arab Fī Al-Jahiliyyah Wa Al-Islām* (Damascus: Dārul Fikr, 1960). 67.

buyers could be deceived and suffer losses. The proliferation of such transactions among the Arabs indicated another sign of Jahiliyyah cultural dominance over them.⁵⁶ Therefore, all such transactions were prohibited and terminated by Islamic teachings through the command of Prophet Muhammad.

Trading practices forbidden by Prophet Muhammad include *Ar-Ramyu bil Hisāt* (throwing pebbles), a method of transaction involving paying for cloth with the price of one or two throws of a certain value. The cloth's purchase was determined by where the pebble landed.⁵⁷ *Munabaẓah*, similar to the previous type, involved the buyer and seller agreeing on the purchased item, and then a third party was thrown the pebble to buy it at a predetermined price. *Mulāmassah*, involved the buyer holding only a part of the sold cloth.⁵⁸ All three transaction methods were later prohibited by Islam. These transactions were related to basic human needs, such as clothing. The primary function of clothing as a fundamental human necessity is to protect the body and preserve human dignity. From an Islamic legal perspective, the obligation to cover one's aura is emphasized, even though there are many differences among Islamic jurisprudence scholars regarding the extent of the aura to be covered. However, the core of the teaching on covering the aura is concealing body parts that should not be exposed and protecting oneself from heat/cold. In the early days of Islam, cloth and clothing were not cheap commodities.⁵⁹ Thus, to encourage the coverage of the aura and protect the body as a fundamental human right, transactions involving ambiguity and potential harm to either party in cloth-related commodities were prohibited by Prophet Muhammad.

Mu'āwanah, purchasing plantation produce (such as grapes or dates, and/or other fruits traded widely among Arab communities) long before the harvest season. *Muẓābanah*, trading in plantation produce not yet fully ripe by estimating the yield to be harvested. *Muḥāqalah*, trading in agricultural produce (wheat - according to Arab traditions) similar to the *Muẓābanah* practice.⁶⁰ *Habl*, buying livestock still in the womb by estimating its gender to determine the price. *Muṣara'ah*, not fully milking an animal so that when sold, it appears to have a lot of milk. All five prohibited transaction practices are also related to basic food needs in Arab society. Arab communities that had settled in Yašrib or Tāif had a strong agrarian tradition, while nomadic Arabs typically relied on livestock. Transactions with ambiguity and the potential to harm either party, as mentioned above, were later prohibited by Prophet Muhammad. This prohibition is not only a theological one - a form of obedience to

⁵⁶ Udovitch, "Islamic Law and the Social Context of Exchange in the Medieval Middle East."

⁵⁷ Sadr, *The Economic System of the Early Islamic Period*. 89.

⁵⁸ Ahdi Ahdi and Hamdan Firmansyah, "Buy and Selling in the Perspective of Jahiliyyah and Islam a Comparison Study a Review of Sharia Economic History," *International Journal of Nusantara Islam* 8, no. 2 (December 12, 2021): 264–73, <https://doi.org/10.15575/ijni.v8i2.11987>.

⁵⁹ Al-Afghānī, *Aswāq Al-'Arab Fī Al-Jahiliyyah Wa Al-Islām*, Sadr, *The Economic System of the Early Islamic Period*.

⁶⁰ Sadr, *The Economic System of the Early Islamic Period*. 88.

God - but also an effort by Prophet Muhammad, along with Islamic teachings, to ensure the continued access of humanity to basic needs according to Arab society traditions (Ḥijāz).

Buy and sell transactions fundamentally involve an agreement between two or more individuals, binding themselves through an offer (*ijab*) and acceptance (*qabul*). For it to be considered valid under Islamic law, transactions must avoid any arrangement perceived as unjust enrichment. In other words, no party should gain profit without providing a balancing value. The core of unjust enrichment is the essence of the prohibition of usury in Islam.⁶¹ Any trace of it is categorically excluded from all transactions based on Islamic law. In the context of buying and selling and other contractual obligations, Islamic law emphasizes the importance of clarity regarding the object of the contract and the obligations of each party. Ignorance about these elements can lead to violations of the usury prohibition and various undesirable consequences.⁶²

The prohibition of usury and forms of sales lacking clarity and assurance of the fulfillment of the rights of both transacting parties also indicates the Quran's defense of basic human rights. In Bedouin Arab tradition, a bankrupt trader would be ostracized from the family (and tribe) and left to die of starvation. The presence of a bankrupt individual was considered a disgrace and reduced the family's food ration.⁶³ In such circumstances, the bankrupt person would become impoverished, potentially leading to death or survival by borrowing an amount of money with added interest (usury), and without a guarantee of being able to repay it. When unable to pay, they would end up as slaves - akin to the fate of someone unable to pay off their debt due to the exorbitant interest.⁶⁴ As for the *Mudārabah* practice, which also adds to the principal debt amount, it is permitted in practice because it provides room for the debtor (to trade), seeking profits and sharing them with the lender. In *Mudārabah* practice, the financial potential to keep moving forward remains open wide and not solely enriching one party. Hence, such practices are accommodated and allowed in Islamic law.

The trading traditions of Muslim Arab societies later intersected with the trading world beyond the Middle East. With the expansion of the Islamic world's domains,

⁶¹ Mahmood Ibrahim, "Social and Economic Conditions In Per-Islamic Mecca," *International Journal of Middle East Studies* 14, no. 3 (August 1982): 343–58, <https://doi.org/10.1017/S0020743800051977>.

⁶² Udovitch, "Islamic Law and the Social Context of Exchange in the Medieval Middle East." 91.

⁶³ Ibrahim, "Social and Economic Conditions In Per-Islamic Mecca." 349.

⁶⁴ Udovitch, "Islamic Law and the Social Context of Exchange in the Medieval Middle East." 92.

trading traditions increasingly intertwined with the outside world.⁶⁵ Trade became one of the ways to enter new territories while spreading Islamic teachings, including those that advocate fair trade, emphasizing not only profit and self-enrichment but also promoting ethical norms. Often, non-Arab communities were drawn to Islamic teachings through observing the fair-trading practices of Muslim Arab merchants.⁶⁶

Contemporary Financial Exploitation: A Contextualization on Usury Prohibiting

In the early Islamic period, the Arabian Peninsula served as a vibrant center for trade, where Arab communities engaged in diverse forms of commerce, including barter, debt transactions, and business partnerships.⁶⁷ The emergence of the prohibition of Usury (usury) within the context of these transactions posed ethical and economic challenges. Usury, referring to unfair or excessive profit from lending, was considered exploitative and detrimental to the economic well-being of society. The Quran explicitly emphasizes the prohibition of Usury in several verses, such as in Surah Al-Baqarah (2:275-279), condemning those involved in usurious practices and warning of serious consequences. This prohibition is understood as an effort to ensure economic justice and prevent the exploitation of vulnerable individuals.⁶⁸

In contemporary times, we encounter different forms of financial exploitation through online loans and present-day payment schemes. These modern financial practices are often targeted at individuals in urgent need of immediate funds. While these practices may not involve traditional interest rates, they can still generate substantial profits by applying additional fees, penalties, and high payment demands.

This exploitation arises due to several factors:

- Lack of transparency: Many online lending platforms do not provide clear information regarding the total loan costs. This lack of transparency can lead borrowers to misunderstand terms and conditions, potentially resulting in serious financial problems.
- High fees and penalties: Online loan service providers often impose high fees for late payments or loan term extensions. These additional costs can accumulate rapidly, trapping borrowers in a difficult-to-break cycle of debt.

⁶⁵ Ira M. Lapidus, *A History of Islamic Societies*, Third edition (New York: Cambridge University Press, 2014).

⁶⁶ ZIAUDDIN AHMED, "SOCIO ECONOMIC VALUES OF ISLAM, AND THEIR SIGNIFICANCE AND RELEVANCE TO THE PRESENT DAY WORLD," *Islamic Studies* 10, no. 4 (1971): 343–55.

⁶⁷ Sadr, *The Economic System of the Early Islamic Period*; Syed Nazim Ali, Wijdan Tariq, and Bahnaz Al-Quradaghi, eds., *The Edinburgh Companion to Shari'ah Governance in Islamic Finance* (Edinburgh: Edinburgh University Press, 2020). 58.

⁶⁸ Muhammad Quraish Shihab, "Tafsîr Al-Mishbâh : Pesan, Kesan, dan Keserasian al-Qur'an Juz 1," dalam *Tafsir Al-Mishbab Pesan, Kesan dan Keserasian Al-Qur'an* (Jakarta: Lentera Hati, 2002). 594.

- Easy access: Online loans are easily accessible through mobile devices and the internet, enabling individuals in urgent financial situations to obtain loans quickly. However, this convenience can also trigger impulsive decision-making.
- Targeting vulnerable groups: Online lenders often target individuals with poor credit records or those in immediate need of cash, exacerbating their financial issues.

Through the above context, it can be argued that the prohibition of online loans and present-day payment schemes within the framework of Islamic finance is not solely related to the existence of interest rates but is also a response to the exploitation of human vulnerability. These practices often result in significant financial difficulties and entrap individuals in an unavoidable debt cycle. The Islamic prohibition of usury initially aimed to maintain economic justice and prevent exploitation. In the modern context, it appears that online loans and present-day payment schemes share similarities with the exploitative nature of usury, beyond the mere presence of interest/additional fees in loans. This is because online loan and Pay Later service providers often target vulnerable individuals, lack transparency, and impose high fees. Therefore, the rejection of these practices in the context of contemporary Islamic economic law can be seen as a step toward protecting individual financial well-being and upholding the principles of economic justice embedded in the Arab trading tradition during the early Islamic era. However, it is essential to emphasize that such considerations exclude users of online loans and Pay Later who genuinely have adequate financial capabilities for transactions. These provisions aim to maintain the mechanisms of online loans and Pay Later while ensuring they contribute to the financial potential of the Muslim community in Indonesia, adhering to the principles of economic welfare and preventing the exploitation of basic human needs.

Conclusion

In conclusion, this research emphasizes the need for a multi-perspective understanding of Usury and the importance of integrating historical perspectives and trading traditions in contextualizing the prohibition of Usury. The study contributes to the ongoing dialogue regarding regulations and ethical considerations based on the philosophical foundation of prohibiting trading practices deemed to involve Usury, such as the use of online loans and Pay Later schemes. The prohibition of Usury fundamentally serves as protection for the basic human rights to be free from forms of exploitation concerning fundamental human needs and the economic well-being of society. The prohibition of Usury through the approach of the historical traditions and local knowledge of the Arab community in the early Islamic era ensures the rotation (potential) of the economy and resistance against economic practices that enslave and exploit needs. Contextualizing the prohibition of Usury in

the context of online loan and Pay Later mechanisms is not solely based on the presence of interest in loans but on exploitative elements for vulnerable individuals. This prohibition excludes individuals with sufficient financial capabilities to engage in the mechanisms of online loans and Pay Later. With such perspectives, it is hoped that the economic wheels and potential that can be driven through both mechanisms can continue without violating the prohibition of usury determined by religious texts, and the economic well-being of society is also preserved.

On the other hand, this research affirms that the philosophical basis of religious law regarding the prohibition of Usury is not merely a theological matter, but also considers traditions, local knowledge, and aims for the economic well-being of society. The study also affirms that determining regulations in the economic context is not sufficient from a normative-legal perspective alone but requires various approaches in establishing the laws of a transactional practice that has already been widely implemented in society. Collaboration between policymakers, Muslim scholars, and experts in each field is essential.

This research is limited to the historical aspect of the process of prohibiting usury in the verses of the Qur'an through the opinions of Muslim scholars and trading traditions in the early Islamic era. Further research is needed in the context of local trading traditions in Indonesia from the early days of Islam to the present to complement a comprehensive understanding of the local knowledge of Muslim communities subject to the prohibition of usury. Additionally, research is needed to contextualize the meaning of usury from other perspectives, such as the context of religious legal practices in Indonesia, to obtain Islamic legal practices that can advance society in general without compromising the sanctity of religious texts.

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