

Reviving The Turāṣ of Islamic Law: An Uṣūl al-Fiqh Review for Time Value of Money Concept

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Abstract: The concept of the time value of money (TVM) is a foundational element in conventional finance, yet its application within Islamic law remains a subject of conceptual and normative debate. This study aims to reassess the notion of TVM through the lens of turāṣ in Islamic legal theory (*Uṣūl al-Fiqh*), with particular focus on the perspectives of the four major Sunni schools (*Ḥanafī*, *Mālikī*, *Syāfi'ī*, and *Ḥanbalī*). Employing a normative-legal approach and a library-based research method, this article explores how classical jurists differentiate between the permissibility of time-related value in credit-based sales contracts and its prohibition in loan-based transactions involving *riba*. The findings suggest that Islamic law recognizes time value only within a limited scope, embedded in the price of goods in deferred sales, but rejects the monetization of time as a stand-alone commodity in loan arrangements. Foundational legal juridical principles derived from *Uṣūl al-Fiqh* and the objectives of Islamic law (*maqāṣid aṣy-sharī'ah*), such as justice, property preservation, and benevolence, provide the ethical and juridical basis for this distinction. The study concludes that TVM is *Sharī'ah*-compliant only when applied within the framework of real economic transactions, not in exploitative financial mechanisms. This research remains limited to conceptual legal analysis and does not assess practical applications in the Islamic finance industry. Future studies are encouraged to explore TVM implementation in contemporary Islamic financial products and its relevance to international standards and regulatory frameworks.

Keywords: Time Value of Money; *Fiqh Mu'āmalāt*; Riba; Islamic Legal Theory; *Uṣūl Al-Fiqh*; *Maqāṣid Aṣy-Sharī'ah*.

Abstrak: Konsep nilai waktu uang (TVM) merupakan unsur dasar dalam keuangan konvensional, namun penerapan konsep ini dalam hukum Islam masih menjadi subjek perdebatan konseptual dan normatif. Penelitian ini bertujuan untuk mengevaluasi kembali konsep TVM melalui perspektif turāṣ dalam teori hukum Islam (*Uṣūl al-Fiqh*), dengan fokus khusus pada pandangan empat mazhab Sunni utama (*Ḥanafī*, *Mālikī*, *Syāfi'ī*, dan *Ḥanbalī*). Dengan menggunakan pendekatan

normatif-hukum dan metode penelitian berbasis perpustakaan, artikel ini mengeksplorasi bagaimana ulama klasik membedakan antara kelayakan nilai waktu dalam kontrak penjualan kredit dan larangan nilai waktu dalam transaksi pinjaman yang melibatkan riba. Temuan menunjukkan bahwa hukum Islam mengakui nilai waktu hanya dalam lingkup terbatas, tertanam dalam harga barang dalam penjualan tertunda, namun menolak monetisasi waktu sebagai komoditas mandiri dalam perjanjian pinjaman. Prinsip-prinsip hukum dasar yang berasal dari *Uṡūl al-Fiqh* dan tujuan hukum Islam (*maqāṡid asy-sharī'ah*), seperti keadilan, pelestarian harta, dan kebaikan, memberikan dasar etis dan hukum untuk pembedaan ini. Studi ini menyimpulkan bahwa TVM hanya sesuai dengan Syariah jika diterapkan dalam kerangka transaksi ekonomi nyata, bukan dalam mekanisme keuangan yang eksploitatif. Penelitian ini masih terbatas pada analisis hukum konseptual dan tidak mengevaluasi penerapan praktisnya dalam industri keuangan Islam. Studi-studi di masa depan didorong untuk mengeksplorasi implementasi TVM dalam produk keuangan Islam kontemporer dan relevansinya dengan standar internasional dan kerangka regulasi.

Kata kunci: Nilai Waktu Uang; Fikih Muamalat; Riba; Hukum Islam; Usul Fikih; *Maqāṡid Asy-Syarī'ah*.

Introduction

The concept of the time value of money (TVM) is a fundamental principle in modern financial theory. It posits that a sum of money held today is more valuable than the same amount in the future due to its potential to generate additional income through investment or other productive activities.¹ In conventional financial systems, this principle is systematically applied through the interest mechanism, borrowers are required to repay more than the principal as compensation for the time value extended by the lender.² While this practice may be considered economically rational within a capitalist paradigm, it raises normative and ethical objections in the framework of Islamic law. Islamic finance strictly rejects any interest-based system that is binding and exploitative, particularly in debt transactions, because it is viewed as violating the principles of justice and causing harm to one of the contracting parties. This prohibition is not only rooted in explicit scriptural injunctions but also in Islamic moral and social principles, which regard financial transactions as a form of mutual assistance (*ta'awun*), not exploitation.³

¹ Jean Paul Mpakaniye-Ines-Ruhengeri, "Time Value of Money," *SSRN Electronic Journal*, 2014, <https://doi.org/10.2139/ssrn.2539519>.

² Athaya Zendania and Kartika Setyani, "Time Value of Money Dan Economic Value of Time," *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan* 5, no. 5 (December 25, 2022): 2419–26, <https://doi.org/10.32670/fairvalue.v5i5.2487>.

³ Abu Umar Faruq Ahmad and M. Kabir Hassan, "The Time Value of Money Concept in Islamic Finance," *SSRN Electronic Journal*, 2006, <https://doi.org/10.2139/ssrn.3263783>; Shamim A. Siddiqui, "Riba, Time Value of Money and Discounting," in *Handbook on Islam and Economic Life*, ed. M. Kabir Hassan and Mervyn K. Lewis (Edward Elgar Publishing, 2014), <https://doi.org/10.4337/9781783479825.00012>.

Nevertheless, an essential question arises: does the Islamic rejection of *riba* (usury) imply a total denial of the time value of money, or is it merely a rejection of its exploitative application? In practice, contemporary Islamic finance has developed various instruments that recognize the economic role of time in transactions, while avoiding the element of interest. One such instrument is *bay' al-mu'ajjal*, a deferred sale agreement in which the credit price of an item is higher than its cash price. The price difference is understood to represent the commercial value of the goods influenced by time, not as compensation for a delay in the form of a loan. This practice has been widely accepted by *fuqahā'* (Islamic jurists) and serves as a clear example of how time value can be acknowledged in Islamic financial systems, as long as it does not violate the prohibition of *riba*.⁴ Several Muslim scholars also draw a firm distinction between the “economic value of time”, which is acceptable, and the “time value of money” as defined in conventional finance, which is perceived to be inseparable from *riba*. This semantic distinction reflects the earnest efforts of Muslim scholars to construct financial concepts that are better aligned with *Maqāṣid asy-Syari'ah*, the higher objectives of Islamic law that emphasize justice, transparency, and social welfare.⁵

Furthermore, the debate on the time value of money in Islam is not limited to the domain of *Fiqh Mu'āmalāt* or it can be termed Islamic commercial jurisprudence. Islamic commercial jurisprudence, it also extends into accounting and valuation theory. The application of present value methods, used to calculate the current worth of future cash flows, has become a topic of concern in Islamic financial discourse.⁶ Scholars such as Hamza and Jedidia (2017) and Siddiqui (2018) argue that this method can be acceptable as long as it avoids any explicit elements of interest and remains ethically grounded in its valuation assumptions.⁷ In Islamic financial products such as *takaful* (Islamic cooperative insurance), the principle of time value has been adopted with necessary adjustments to ensure compliance with Islamic legal principles. As cited by Baehaqi et al. (2020), this view is also supported by prominent scholars such as Ibn 'Āsyūr, who emphasized the primacy of moral and social dimensions in Islamic legal reasoning, above mere procedural adherence.⁸

Interestingly, the classical Islamic scholarly tradition contains numerous implicit references to how Muslim jurists understood time in relation to monetary value. In the *turāṣ* literatures of *fiqh* (Islamic jurisprudence), particularly within the Ḥanafī school, there is

⁴ 'Alā'a al-Dīn Abū Bakr bin Mas'ūd Al-Kasānī, *Badā'iu al-Ṣanā'ī Fi Tartibi al-Syarā'ī*, 2nd ed. (Beirut: Dār al-Kutub al-Ilmiyyah, 1986), 317. Abū Ishāq Ibrāhīm bin 'Alī Al-Syirāzī, *Al-Mubaḥḥab Fi Fiqh al-Imām al-Syāfi'ī*, vol. 3 (Damaskus: Dār al-Qalām, 1996), 184.

⁵ Muhamad Ulul Albab Musaffa, et al. “Study the Philosophy of Islamic Law in Determination Percentage of Zakat Mal”. *Az-Zarqa: Jurnal Hukum Bisnis Islam*, vol. 14, no. 1, June 2022, pp. 19-40, <https://doi.org/10.14421/azzarqa.v14i1.2589>.

⁶ Hichem Hamza and Khoutem Ben Jedidia, “Money Time Value and Time Preference in Islamic Perspective,” *Turkish Journal of Islamic Economics* 4, no. 2 (August 15, 2017): 19–35, <https://doi.org/10.26414/tujise.2017.4.2.19-35>; Flavia Cortelezzi and Alessandro Ferrari, eds., *Contemporary Issues in Islamic Law, Economics and Finance: A Multidisciplinary Approach*, Routledge-Giappichelli Studies in Religion, Law and Economics in the Mediterranean Space (Abingdon, Oxon ; New York, NY: Routledge, 2023).

⁷ Siddiqui, “Riba, Time Value of Money and Discounting.”

⁸ Ahmad Baehaqi, M. Nur A. Birton, and Fahmi Ali Hudaefi, “Time Value of Money in Islamic Accounting Practice: A Critical Analysis from Maqāṣid asy-Syari'ah,” *Journal of Islamic Accounting and Business Research* 11, no. 10 (December 6, 2020): 2035–52, <https://doi.org/10.1108/JIABR-09-2018-0155>.

extensive discussion on the status of *fulūs* (copper coins) and the impact of currency value fluctuations on the validity of contracts. The tri-metallic monetary system of the time, which included the circulation of gold dinar, silver dirham, and copper *fulūs*, posed real challenges in maintaining value stability.⁹ Scholars responded to these conditions with highly contextual and realistic approaches, although they did not yet formulate a theory of the time value of money in the modern sense.

This article situates itself within the broader intellectual tradition of *turās*, understood not merely as a legacy of classical thought, but as a dynamic repository of interpretive tools, ethical frameworks, and juridical reasoning.¹⁰ Drawing from the perspective articulated by Alī Juma, *turās* is central to reaffirming the intellectual and religious authority of the ‘*ulamā*’ in shaping normative discourses in contemporary Muslim societies.¹¹ Meanwhile, Fehmi Jedaan highlights the need to approach *turās* with a critical rationalism that integrates its internal diversity and methodological richness.¹² It is this multidimensional understanding of *turās* that informs the present study’s effort to revisit the concept of the time value of money through the lens of classical Islamic law. Contemporary literature often grapples with reconciling Islamic finance with the fiat monetary system, including proposals to reintroduce commodity-backed currencies to safeguard against inflation and seigniorage, which are often seen as detrimental to public welfare.¹³ Yet, much of this discourse remains confined to technical compatibility. What remains underexplored is the deeper philosophical and jurisprudential foundation that classical scholars laid concerning time and value.

It is within this context that the present article seeks to fill a significant research gap by constructing a conceptual framework for the time value of money from the perspective of classical Islamic legal theory (*Uṣūl al-Fiqh*). Drawing from *turās* as not merely a body of rulings but as a juridical tradition of interpretive principles and ethical reasoning, this study explores the extent to which classical legal methodology can guide contemporary financial evaluation. The analysis traces the positions of jurists from the four major Sunni schools, Ḥanafī, Mālikī, Syāfi‘ī, and Ḥanbalī, on the limits and legitimacy of time valuation across various contractual forms (‘*uqūd*’). These historical perspectives offer a strong *uṣūlī*-normative foundation to distinguish between time-based practices recognized by Sharī‘ah and those falling under the category of *riba* (usury). Emphasis on the principles of *al-‘adl* (justice) and *al-iḥsān* (benevolence) in financial dealings forms an integral part of this methodology, as

⁹ Muḥammad Amīn Ibn ‘Ābidīn, *Tanbīh Al-Ruqūd ‘Alā Masā’il al-Nuqūd* (Suria: Maṭba‘ah Ma‘ārif Wilāyah Sūriah, 1883), 2:64.

¹⁰ Ahmad Yani Anshori and Landy T. Abdurahman, “History of the Development of Madhab, Fiqh and Ushul Fiqh,” *SAMARAH: Jurnal Hukum Keluarga Dan Hukum Islam* 9, no. 1 (March 2025): 273–98, <https://doi.org/10.22373/sjhk.v9i1.25355>.

¹¹ ‘Alī Jum‘ah, *Aṭ-Ṭarīq ilā At-Turās Al-Islamī*, 4th ed. (Nahḍat Miṣr, 2009).

¹² Mary Elston, “Becoming Turāth: The Islamic Tradition in the Modern Period,” *Die Welt Des Islams* 63, no. 4 (December 29, 2022): 441–73, <https://doi.org/10.1163/15700607-20220026>.

¹³ Adam Abdullah, “An Islamic Monetary Theory of Value and Equation of Exchange: Evidence from Egypt (696–1517),” *Humanomics* 32, no. 2 (May 9, 2016): 121–50, <https://doi.org/10.1108/H-12-2015-0090>; Azmi Omar, Muhamad Abduh, and Raditya Sukmana, *Fundamentals of Islamic Money and Capital Markets* (Singapore: John Wiley, 2013), <https://doi.org/10.1002/9781119198963>; Ahamed Kameel, Mydin Meera, and Moussa Larbani, “Seigniorage of Fiat Money and the Maqasid al-Shari‘ah: The Compatibility of the Gold Dinar with the Maqasid,” *Humanomics* 22, no. 2 (April 1, 2006): 84–97, <https://doi.org/10.1108/08288660610669383>.

both principles represent key dimensions of *Maqāṣid aṣy-Syari'ah*, the higher objectives of Islamic law that are essential in legal assessment.

In line with this objective, the research is directed toward answering the central question: How is the concept of the time value of money understood within the framework of classical Islamic jurisprudence, and how can this understanding be employed to critique interest-based practices in the conventional financial system? The significance of this study lies not only in its theoretical contribution, by rearticulating classical *fiqh* discourse using structured *uṣūlī* reasoning, but also in its practical implications, particularly for the development of *Shari'ah*-compliant financial instruments that are anchored in ethical and legal integrity.

The discourse on the time value of money cannot be separated from global dynamics that shape monetary policy, financial instruments, and the ways in which Muslim communities engage with the dominant economic system.¹⁴ On one hand, Muslims live within a global financial order that relies heavily on interest-bearing mechanisms and mathematical models of time-based value. On the other hand, there remains a normative commitment to uphold Islamic principles in economic life.¹⁵ This tension often leads to ambiguity in implementation and even *taqallub al-qiyam* or a distortion of values where certain practices may appear *Shari'ah*-compliant in form but imitate conventional logic in substance.¹⁶

At this point, the *Maqāṣid aṣy-Syari'ah* framework plays a critical role. Rather than merely evaluating formal contract structures, the *maqāṣid* approach interrogates whether the moral, social, and economic purposes intended by Islamic law have been achieved.¹⁷ Recognition of time as an economic factor is permissible when it contributes to justice, serves the public interest (*maṣlahah*), and avoids harm to weaker parties. By placing the time value of money within the framework of *uṣūl al-fiqh* and *maqāṣid*, Islamic legal theory provides more than a prohibition of usury, it offers a normative roadmap for the ethical valuation of time in economic relations.¹⁸ In this sense, the article is both reflective, drawing upon classical legal heritage (*turāṣ*) and prospective, contributing to the methodological advancement of Islamic financial thought in modern contexts. It is hoped that the resulting conceptual

¹⁴ Zendania and Setyani, "Time Value of Money Dan Economic Value of Time."

¹⁵ Hamza and Jedidia, "Money Time Value and Time Preference in Islamic Perspective"; Mohamed Fairouz Abdul Khir, "The Concept of the Time Value of Money : A Shari'Ah Viewpoint," *The International Journal of Excellence in Islamic Banking and Finance* 3, no. 2 (2013): 1–15, <https://doi.org/10.12816/0001426>; Fetria Eka Yudiana, "DIMENSI WAKTU DALAM ANALISIS TIME VALUE OF MONEY DAN ECONOMIC VALUE OF TIME," *Muqtasid: Jurnal Ekonomi Dan Perbankan Syariah* 4, no. 1 (June 1, 2013): 131, <https://doi.org/10.18326/muqtasid.v4i1.131-143>.

¹⁶ Noel J. Coulson, *Conflicts and Tensions in Islamic Jurisprudence*, Reprint ed (Kuala Lumpur: The other press, 2007); Landy Trisna Abdurrahman, "Conflict in Islamic Jurisprudence: Noel J. Coulson's Historical Approach and His Contribution to the Study of Islamic Law," *JIL: Journal of Islamic Law* 3, no. 1 (2022): 74–93, <https://doi.org/10.24260/jil.v3i1.495>.

¹⁷ Abdul Majid An-Najār, *Maqāṣid Aṣy-Syari'ah bi Ab'adin Jadidin* (Darul Gharb Al-Islamiy, 2008); Mohammad Fauzan Ni'ami and Bustamin Bustamin, "MAQĀṢID AL-SYARĪAH DALAM TINJAUAN PEMIKIRAN IBNU 'ĀSYŪR DAN JASSER AUDA," *JURIS (Jurnal Ilmiab Syariah)* 20, no. 1 (June 21, 2021): 91, <https://doi.org/10.31958/juris.v20i1.3257>.

¹⁸ Baehaqi, Birton, and Hudaefi, "Time Value of Money in Islamic Accounting Practice."

framework will be both faithful to the classical tradition and robust enough to engage the demands of contemporary Islamic finance.

To address this research problem, the study adopts a normative-judicial approach grounded in *Uṣūl al-Fiqh*, focusing on a close textual reading of classical Islamic legal sources and relevant contemporary literature. The research method is library-based, involving the analysis of foundational *fiqh* texts from the four Sunni schools, as well as contributions from modern scholarship. The data are examined using a qualitative, descriptive-analytical, and comparative-thematic approach, evaluating legal reasoning structures, inter-school differences, and their relevance to contemporary financial systems. This study aims to develop a coherent, evidence-based framework that not only demarcates the boundary between halal and haram in the application of time value, but also articulates the *uṣūlī* vision of a just, sustainable, and Shari'ah-compliant financial system.

Result and Discussion

Turāṣ Perspectives on Time Value of Money

Islamic economic thought that recorded in *turāṣ* literatures generally recognizes the concept of the time value of money (TVM), but with a critical emphasis: time is not to be treated as an independent commodity that can be bought or sold for cash, as this may lead to the prohibited practice of *riba* (usury). Islamic legal tradition draws a clear distinction between value added due to time in deferred sales contracts (*al-bay' al-mu'ajjal*), which is permitted by the *jumbūr al-'ulamā'* (majority of scholars), and value added due to time in loan contracts, which is unanimously prohibited (*ijmā'*). This view aligns with the position of Rafiq Yunus al-Masri, an Islamic economist from Egypt, who argues that while Islamic economics acknowledges the presence of a time value in loan contracts (*qard*), such value must not be compensated financially; rather, the lender is to be rewarded spiritually by Allah.¹⁹ This principle is grounded in the notion of *al-iḥsān* (benevolence) in lending, which encourages the lender to act beyond the demands of contractual justice. Therefore, the borrower must not be burdened with any financial gain claimed by the lender as compensation for the time delay. As a consequence of this principle, any form of financial compensation for time in loan agreements is considered *riba* and is strictly forbidden, unlike in sales contracts that involve deferred payment,²⁰ the four major Sunni legal schools, Ḥanafī, Mālikī, Syāfi'ī, and Ḥanbalī, are unanimous in prohibiting any additional payment in pure lending transactions, as such additions constitute the essence of *riba nasi'ah* (usury arising from time delays).²¹ In

¹⁹ Rafiq Yūnus Al-Masrī, *Al-Riba Wa al-Ḥasm al-Zamānī Fi al-Iqtīṣād al-Islāmī* (Damaskus: Dār al-Maktabī, 2000), 13. Rafiq Yūnus Al-Masrī, *Al-Jāmi' Fi Usūl-al-Riba* (Damaskus: Dār al-Qalām, 2001), 327. Rafiq Yūnus Al-Masrī dan Muḥammad Riyād al-Abrasy, *Al-Riba Wa al-Fai'dah: Dirāsah Iqtīṣādīyah Muqāranah* (Beirut: Dār al-Fikr, 1999), 23.

²⁰ Al-Masrī, *Al-Jāmi' Fi Usūl-al-Riba*, 327.

²¹ Al-Muzanī, *Mukhtaṣar Al-Muḥāḥiḍīn Dan al-Umm* (Beirut: Dār al-Ma'rīfah, 1973), 327. Syams al-Dīn Abī 'Abdillāh Muḥammad bin Abī Bakr Ibn Qayyim al-Jawziyyah, *Iḡāṣatu Al-Lahfān Fi Maṣāyidi al-Shayṭān* (Beirut: Dār al-Fikr, 2003), 11. Muḥammad Amīn Ibn 'Ābidīn, *Radd Al-Mukhtār 'ala Dur al-Mukhtār Wa Sharḥ Tanwīr al-Abṣār* (Beirut: Dār al-Fikr, 1995), 384. Ibn Qayyim al-Jawziyyah, *Iḡāṣatu Al-Lahfān Fi Maṣāyidi al-Shayṭān*, 14.

Islamic law, time itself is not classified as *māl* (property or wealth) that can be sold independently.

Nevertheless, classical jurists recognized that time could influence the pricing of goods in deferred sale transactions. In such cases, delayed payment (*al-'ajal*) may justify a higher price, provided that a single price is agreed upon at the beginning of the contract to avoid ambiguity or dual pricing. This view is documented across all four Sunni schools of law. Ibn 'Ābidīn of the Ḥanafī school affirmed that an increase in price is permissible when it results from a deferred payment arrangement.²² Ibn Taymiyyah, a prominent figure from the Ḥanbalī school,²³ alongside al-Syarbīnī of the Syāfi'ī school, similarly emphasized that the delay in payment is accounted for within the total price in credit-based sales.²⁴ Al-Dāsūqī, a scholar from the Mālikī school, added that in a *murābahah* (cost-plus sale) contract, the seller is obliged to disclose the deferral period before the transaction takes place, as the time extension forms part of the value they receive.²⁵ The shared reasoning among these fuqahā' reflects a consensus that time holds economic value in the context of legitimate sales, particularly when distinguishing between cash and credit pricing. However, this time-based value is understood to be inherent in the product or service sold, and not a standalone form of compensation akin to interest. In this regard, Islamic law draws a clear boundary: the time value of money is acceptable when embedded in the structure of a valid sale, but any financial gain derived solely from the passage of time in lending agreements is considered *riba*, and thus prohibited. Although the core framework is unanimously accepted across the schools, each madhhab applies the concept of time value with subtle nuances, especially in cases concerning currency depreciation or price fluctuations over time.

The Ḥanafī school tends to adopt a nominalist approach, meaning that debts must be repaid in the same nominal value and currency as originally contracted, regardless of changes in value or purchasing power over time.²⁶ Scholars such as Ibn 'Ābidīn argued that monetary debts should be settled with the same type and quantity of currency agreed upon at the time of contract, so long as the currency remains in circulation. This applies even in cases of inflation or deflation. The views of Abū Ḥanīfah and his student Abū Yūsuf also support this approach in relation to debts involving pure gold or silver, emphasizing the obligation to return items of the same type, such as coins of the same denomination, while disregarding shifts in market value. As a result, the Ḥanafī school does not consider a decline in currency value as a valid reason to demand additional payment. Time, therefore, is not priced in debt contracts, in line with the school's strict anti-*riba* stance.²⁷

Mauḡiq al-Dīn Abū Muḡammad 'Abd bin Aḡmad bin Qudāmah al-Maqdisī Ibn Qudāmah, *Al-Muḡnī* (Beirut: Dār al-Fikr, 1994), 189.

²² Ibn 'Ābidīn, *Radd Al-Mukḡḡār 'ala Dur al-Mukḡḡār Wa Sharḡ Tanwīr al-Abṡār*, 361.

²³ Ibn Taymiyyah, *Fatāwā Al-Imām Ibn Taymiyyah Fī al-Mu'āmalāt Wa Aḡkām al-Māl* (Kairo: Dār al-Salām, 2005), 504.

²⁴ Muḡammad al-Khaḡḡib Al-Syarbīnī, *Muḡnī Al-Muḡḡāj Ilā al-Ma'rīḡah al-Ma'āni Alfāḡ al-Minhāj* (Beirut: Dār al-Fikr, 2003), 107.

²⁵ Al-Syarbīnī, 107. Muḡammad bin Aḡmad bin 'Arafah Al-Dasūqī, *Ḥashīyah Al-Dasūqī* (Beirut: Dār al-Kutub al-'Ilmiyyah, 1996), 266. Al-Kasānī, *Badā'ī' al-ṡanā'ī Fī Tartībī al-Syarā'ī*, 466.

²⁶ Ibn 'Ābidīn, *Radd Al-Mukḡḡār 'ala Dur al-Mukḡḡār Wa Sharḡ Tanwīr al-Abṡār*, 361.

²⁷ Ibn 'Ābidīn, *Tanbīḡ Al-Raḡḡūd 'Alā Masā'il al-Nuḡūd*, 2:62.

The Syāfi'ī school generally aligns with the Ḥanafī position in this regard. Syāfi'ī scholars maintain that loans must be repaid in the same item or currency that was borrowed, following the principle of *al-miṡl* for fungible goods.²⁸ No reference is made to any alternative value standard other than the original currency used in the transaction. Even if the currency is later cancelled or replaced by government authorities, the Syāfi'ī position requires repayment using the original currency, regardless of any increase or decrease in value.²⁹ Only if the original currency is entirely unavailable, such as being withdrawn from circulation without a direct equivalent, may a substitute be determined based on the exchange rate at the time of repayment. This position underscores the Syāfi'ī commitment to fulfilling contracts according to their nominal terms rather than adjusting for real value. Accordingly, the school rejects any debt adjustment based on time-related value fluctuations, viewing all potential gains or losses from such fluctuations as risks mutually accepted under the original agreement.

The Mālikī school, on the other hand, gives greater attention to real value justice in certain situations, although it still explicitly forbids deriving financial gain from time in debt contracts. Generally, Mālikī scholars hold that debts should be repaid at an equivalent value when a fundamental change in currency occurs.³⁰ For example, some Mālikī opinions state that if a currency (such as the dirham or dinar) becomes obsolete and is replaced, then repayment must be based on the value (often in gold) of the canceled currency. The majority of Mālikī jurists affirm that obligations should be repaid with an equivalent amount in the replacement currency in order to preserve justice and prevent undue harm to one of the parties. Imām Mālik himself offered a case example: if someone incurs a debt of ten dirhams in a sales contract with a specific exchange rate (e.g., twenty dirhams to one dinar), it would be permissible to repay with half a dinar, even if its actual value exceeds or falls short of ten dirhams at the time of repayment. This demonstrates a degree of flexibility in repaying commercial debts with other currencies of equivalent value, acknowledging time-related value shifts and currency exchange variations.

However, Imām Mālik stressed that if the debt arises from a loan (*qarḍ*), the debtor must return exactly the same amount originally borrowed, without any addition or reduction.³¹ In other words, no gain or loss should be intentionally realized due to the passage of time in a pure loan arrangement. The Mālikī position reflects an implicit recognition of time value in the context of currency changes, while remaining cautious to avoid any form of *riba*. The school's distinction between sales-related debts and loan-based debts highlights a careful effort to ensure that time is not exploited as a vehicle for unilateral financial gain. Furthermore, Mālikī scholars such as Ibn Rushd rejected the opinion that obliges repayment using a new government-issued currency if it differs from the original contract, as such enforcement is seen as violating both the principle of justice and the underlying evidences

²⁸ Syams al-Dīn Muḥammad bin Abī al-'Abbās Aḥmad bin Ḥamzah bin Syihāb al-Dīn Al-Ramlī, *Nihāyah Al-Mubtāj Ilā Syarḥ al-Minhāj* (Mesir: Maktabah wa Maṡba'ah Muṡtafā al-Bābī al-Ḥalbī, 1959), 3:399.

²⁹ Muḥammad bin Idrīs Al-Syāfi'ī, *Al-Um*, 2nd ed. (Beirut: Dār al-Fikr, 1983), 3:89.

³⁰ Al-Rahūnī, *Ḥāsyiah Al-Rahūnī 'alā al-Zarqānī Li Mukhtaṡar Khalīl* (Beirut: Dār al-Fikr, 1978), 5:118.

³¹ Abū al-Walīd Muḥammad bin Aḥmad bin Rusyd Al-Qurṡubī, *Al-Bayān Wa al-Taḥṡīl*, 2nd ed. (Beirut: Dār al-Magrib al-Islāmī, 1988), 6:487.

(*dalīl*) of Islamic law.³² The prevailing principle within the Mālikī school is to honor the terms of the original agreement, while ensuring that no party suffers unfair loss due to changes in currency value. If the original currency is discontinued or disrupted, its equivalent value at the time of default or disappearance is taken into account.³³

The Ḥanbalī school similarly requires that debts involving fungible items be repaid in kind (*miṣl*), and in value (*qimah*) when the item in question has no equivalent or is damaged or lost. Ibn Qudāmah, a prominent scholar of the Ḥanbalī school, explained that if a borrowed amount of money is measured by number (i.e., nominally), it should be repaid in the same numerical amount; and if it is measured by weight, such as gold or silver, then repayment must be made in equal weight. This rule applies regardless of whether the market value of the item increases, decreases, or remains stable, meaning that fluctuations in value do not affect the obligation to repay the originally agreed amount.³⁴ Thus, in principle, the Ḥanbalī position aligns with the nominalism of the Ḥanafī and Syāfi'ī schools under normal conditions. However, the Ḥanbalī school provides exceptions in extraordinary circumstances involving the legality of currency. If the currency borrowed is no longer recognized (for instance, if it has been withdrawn from circulation by the state) at the time of repayment, the creditor is not obliged to accept that now-defunct currency. In such cases, the debtor must repay an equivalent value based on the original debt, provided that the exchange does not lead to *riba faḍl* (usury due to inequality in exchange between similar items).³⁵ In other words, Ḥanbalī jurists allow repayment in a different but equivalent currency if the original has lost its value or has been prohibited, in order to protect the creditor's rights without violating the prohibition of *riba*. Conversely, if the original currency is still legally recognized, the creditor must accept repayment in that currency, and the debtor is obligated to repay the exact nominal amount agreed upon in the contract. This approach demonstrates a balance between nominal contractual certainty and corrective justice in response to changing monetary realities over time. In substance, the Ḥanbalī and Mālikī schools appear more responsive to the economic dimension of time, such as changes in currency value, whereas the Ḥanafī and Syāfi'ī schools remain formally committed to the original terms of the agreement, unless exceptional circumstances arise.

In addition to these doctrinal distinctions, Islamic legal discourse on the time value of money also addresses the controversial issue of early repayment discounts, known as *ḍa' wa ta' ajjal*.³⁶ This refers to cases in which a creditor agrees to reduce the total amount of debt if the debtor is willing to make an early repayment, prior to the agreed-upon maturity date.

³² Abū al-Walīd Muḥammad bin Aḥmad bin Rusyd Al-Qurṭubī, *Fatawā Ibn Rusyd*, 1st ed. (Beirut: Dār al-Magrib al-Islāmī, 1987), 540–41.

³³ Ibnu Qudāmah, *Al-Mughnī*, vol. 3 (Riyad: Dār 'Alīmul Kutub, n.d.), 387.

³⁴ Ibn Qudāmah, *Al-Mughnī*, 4:365. Abū Ishāq Burhān al-Dīn Ibrāhīm bin Muḥammad bin 'Abdullāh bin Muḥammad Ibn Mufliḥ, *Al-Mubḍī' Syarḥ al-Muqni'* (Beirut: Dār al-Kutūb al-'Ilmiyyah, 1997), 2:164. Maṣṣūr bin Yūnus bin Idrīs Al-Bahūtī, *Kasyāf Al-Qinā' 'alā Matan al-Iqnā'* (Beirut-Lubnan: Dār al-Fikr, 1982), 3:301. Majd al-Dīn Abū al-Barakāt 'Abd al-Salām bin 'Abdullāh bin al-Khuḍri Ibn Taimiyah, *Al-Muḥarrar Fī al-Fiḥḥ 'alā Maḥabī al-Imām Aḥmad Bin Ḥanbal*, 1st ed. (Beirut: Dār al-Kutub al-'Ilmiyyah, 1999), 2:216.

³⁵ Maṣṣūr bin Yūnus bin Idrīs al-Bahūtī, *Sbarḥ Muntahā Al-Irādāt*, vol. 2 (Beirut: Dār al-Fikr, 1996), 2:226.

³⁶ Ibn Qayyim al-Jawziyyah, *Iḡāṣatu Al-Lahfān Fī Maṣayidi al-Shayṭān*, 11.

The central question is whether this payment for faster time constitutes a lawful exchange. The majority of scholars from the four schools prohibit the practice of *ḍa' wa ta'ajjal*, arguing that it is analogous to *riba nasi'ah* (interest due to deferment), albeit in reverse. In both scenarios, there is an exchange of money for time, which effectively commodifies time, something that Islamic law expressly forbids. The analogy is framed as follows; agreeing to “reduce the debt if paid earlier” is conceptually similar to “increase the debt if payment is delayed,” and both are seen as placing a financial price on time. Therefore, based on sound analogy (*qiyās ṣaḥiḥ*), such arrangements are deemed impermissible. The underlying Sharī'ah principle is consistent: time must not be treated as an independent object of profit or exchange. Despite this mainstream position, there is disagreement (*khilāf*) among jurists concerning the validity of *ḍa' wa ta'ajjal*. Some *fuqahā'* consider it permissible on the grounds that it differs contextually from pre-Islamic usurious practices. In this case, the debtor benefits from a reduced liability without any prior condition of interest, and the contract is viewed as a form of *ṣulḥ* (mutual reconciliation or settlement) that is mutually advantageous. Supporters of this view refer to hadiths, including narrations from Ibn 'Abbās, which suggest that such practices were known and not condemned in the Prophet's time.³⁷ Ibn Rushd al-Jadd, a Mālikī scholar, explains that the root of disagreement in this matter lies in the method of legal derivation (*istinbāt*). The *jumhūr* employ *qiyās ash-shabah* (analogical reasoning based on similarity) to equate *ḍa' wa ta'ajjal* with *riba nasi'ah*, while the minority opinion focuses more on textual evidence (*dalīl naqlī*), giving greater weight to hadiths rather than analogies.³⁸ Although the official stance of all four schools tends toward prohibition (as a preventative measure against potential *riba*), the existence of alternative views, especially those of Ibn Taymiyyah and Ibn Qayyim al-Jawziyyah of the Ḥanbalī school, demonstrates the flexibility of the discourse when interpreting the time value of money. These scholars question whether every exchange involving time and money is inherently forbidden, or whether some forms may be tolerated if they are not exploitative and do not violate explicit texts. Ultimately, this divergence of opinions enriches the conceptual understanding of time value in Islamic finance: while the value of time is acknowledged, its monetization is strictly regulated and highly constrained.³⁹

The following table summarizes the views of the four major Sunni schools of Islamic jurisprudence regarding the concept of the time value of money across several key aspects:

³⁷ Syams al-Dīn Abī 'Abdillāh Muḥammad bin Abī Bakr Ibn Qayyim al-Jawziyyah, *I'lām al-Muwaqqi'īn 'an Rabb al-Ālamīn* (Beirut: Dār Al-Kutub Al-'Ilmiyah, 1991), 442. Zafar Aḥmad al-'Uṡmānī al-Tahānawī, *Ilā' al-Sunan* (Beirut: Dār Al-Kutub Al-'Ilmiyah, 1997), 407. Abū 'Umar Yūsuf Ibn 'Abdullāh Ibn Muḥammad Ibn 'Abd al-Barr, *Al-Istiḥkār* (Kairo: Maktabah al-Ṣaqāfah al-Dīniyyah, 1993), 262. al-Shawkānī, *Al-Sayl al-Jarrār al-Mutadaffiq 'Ala Hadāiq al-Aṡbār* (Beirut: Dār al-Kutub al-'Ilmiyyah, n.d.), 149. Ibn Qudāmah, *Al-Mughnī*, 189.

³⁸ Al-Qurṭubī, *Fatāwā Ibn Rusyd*, 540–41.

³⁹ Ibn Qayyim al-Jawziyyah, *Iḡaṡatu Al-Lahfān Fī Maṡayidi al-Shayṡan*, 13.

Aspect	Ḥanafī School	Mālikī School	Shāfi'ī School	Ḥanbalī School
Time-Based Compensation in Loans (Qard)	No additions permitted; monetary loans must be repaid in the exact nominal amount (riba al-nasī'ah is categorically forbidden).	No additions allowed, the principal must be fully repaid. Any profit from the passage of time constitutes riba and is prohibited.	No increase allowed; the borrower must return the same amount and type of currency as initially borrowed. Profiting from time in loans is strictly prohibited.	No additions allowed in lending, loans must be repaid in equivalent items (<i>mithl</i>) of the same quantity/weight. Any increase due to time is considered riba and is impermissible.
Deferred Pricing in Sales Contracts	Recognized and permitted, credit prices may exceed cash prices due to time, as long as agreed upon clearly from the beginning (e.g., Ibn 'Ābidīn allows price increases due to deferral).	Recognized and permitted, additional price (<i>al-z̄yādah</i>) in deferred sales is lawful if explicitly stated at the time of contract. Time is considered part of the price (e.g., al-Dāsūqī requires disclosure of the deferral period).	Recognized and permitted, differences between cash and deferred prices are valid as long as a single final price is agreed. Shāfi'ī scholars accept compensation for deferment as long as it does not involve two separate contracts.	Recognized and permitted, higher prices for delayed payments are allowed. Ibn Taymiyyah notes that deferral may be compensated through price, as part of a lawful sale and not considered riba.
Currency Devaluation / Inflation	Strict nominalism, monetary debts must be repaid in the same type and amount of currency, without adjustment for value changes. Price fluctuations do not affect contractual obligations.	Value equivalence, if the original currency is discontinued or changed, repayment must reflect an equivalent value (e.g., gold value or replacement currency) to uphold justice. Sale-related debts may be settled in equivalent forms (e.g., 10 dirhams paid as ½ dinar), but loan debts must be repaid exactly.	Nominalism, repayment refers strictly to the currency used in the original transaction, regardless of depreciation or appreciation. Only if the currency is no longer in circulation may an equivalent value be determined at the time of repayment.	<i>Miṡl</i> and <i>Qimah</i> , loans are generally repaid in equivalent items (<i>mithl</i>), even if market value changes. If the original currency is banned or unavailable, an equivalent value at the time of the contract may be used to fulfill the creditor's right (without involving riba). If the loaned item has no substitute, repayment is based on market value (<i>qimah</i>).

<p>Early Repayment Discount (Ḍa' wa Ta'ajjal)</p>	<p>Prohibited. Considered analogous to <i>riba al-nasī'ah</i> (selling time); the majority of Ḥanafī scholars prohibit “discount-for-early-payment” schemes to close potential loopholes for <i>riba</i>.</p>	<p>Prohibited by the majority of Mālikī scholars, based on analogy to <i>riba</i>. However, minority views within the school allow it if done voluntarily without prior stipulation, citing <i>maṣlahah</i> and certain ḥadīth.</p>	<p>Prohibited. Shāfi'ī scholars reject <i>Ḍa' wa ta'ajjal</i> based on <i>qiyās</i>, equating it to impermissible benefit from deferred time in loans. The official position leaves no room for exception.</p>	<p>Officially prohibited by the classical Ḥanbalī school as a disguised transaction on time. However, Ibn Taymiyyah and Ibn Qayyim permit <i>Ḍa' wa ta'ajjal</i> as a form of <i>ṣulḥ</i> (amicable settlement) that benefits the debtor, not as <i>riba</i>. This view diverges from the <i>jumbūr</i> (majority).</p>
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Table 1: Comparative views of the four Sunni schools on the time value of money across various contractual contexts.

As illustrated above, all four legal schools unanimously prohibit the direct exploitation of time for financial gain in lending transactions, while allowing indirect recognition of time value within pricing mechanisms of lawful sales. Each school offers complementary reasoning, from strict nominalist interpretations to considerations of value-based justice, collectively forming a coherent conceptual foundation for understanding the time value of money within the framework of Islamic law.

The Validity of the Time Value of Money in Sale Contracts (Murābahah, Bay' bi al-Taqsīt, and Bay' atāni fi Bay' ah)

Islamic jurists have legitimately recognized the time value of money in various forms of deferred sale contracts. *Murābahah*, as a prime example, refers to a cost-plus sale agreement in which goods are sold at a marked-up price, with payment made in installments or deferred over time.⁴⁰ In a *murābahah* contract, it is permissible for the seller to set a higher price than the cash price, as a way to account for the delayed payment granted to the buyer. As long as all contractual requirements are fulfilled, such as clear disclosure of the cost price and profit margin, mutual consent at the outset, and a specified payment term, the added margin for deferred payment is considered valid and not classified as *riba*. The *jumbūr al-'ulamā'* (majority of scholars) permit deferred sales (*bay' bi al-'ajal*) that involve a price increase as compensation for time, on the basis that time contributes value in determining the price of goods.⁴¹ This legitimizes *murābahah* as well as other forms of credit sales such as *bay' bi al-*

⁴⁰ Al-Syarbīnī, *Muḡni Al-Muhtāj Ilā al-Ma'rifaḥ al-Ma'ani Alfāz al-Minhāj*, 107. Al-Dasūqī, *Ḥashiyah Al-Dasūqī*, 266. Al-Kasānī, *Badā'ū al-Ṣanā'ī Fi Tartībī al-Syarā'ī*, 466.

⁴¹ Al-Kasānī, *Badā'ū al-Ṣanā'ī Fi Tartībī al-Syarā'ī*, 317. Al-Syirāzī, *Al-Mubaḥḥab Fi Fiqh al-Imām al-Syāfi'ī*, 3:184. Ibn Muflīḥ, *Al-Mubḍī' Syarḥ al-Muḡni'*, 198. 'Abdullah bin Muḥammad Al-'Amrānī, *Al-Manfa'Ab Fi al-Qard: Dirāsah Ta'Siliyyah Taṭbaqīyyah* (Kairo: Dār Ibn al-Jawzī, 2003), 179. Ibn Qayyim al-Jawziyyah, *Iḡāṡatu Al-Lahfān Fi Maṣayidi al-Shayṭān*, 398.

taqṣīṭ (installment sales), even though the total amount paid by the buyer exceeds the cash price. The price increase in such contracts is treated as an integral component of the agreed sale price, and not as interest on money.⁴² In practice, classical scholars imposed cautionary conditions to ensure that any increase in price due to time remains within the bounds of fairness. For instance, if a seller acquires goods on credit and then resells them via *murābahah*, the seller must disclose to the second buyer that a deferred payment was involved in the initial procurement. Failure to inform the second buyer about the *al-'ajal* (deferred term) would render the transaction *gharar* (uncertain), since the buyer is unaware that the listed price already includes a time-based compensation. Such a situation is classified by scholars as deceptive trade.⁴³ On the other hand, if both the cash and deferred prices are clearly stated and agreed upon at the outset, then selling goods on credit at a higher price is permissible and does not fall into *gharar* or *riba*. As a result, practices like *murābahah* and *bay' bi al-taqṣīṭ* are viewed as being in harmony with the principle of *al-'adl* (justice), because both parties receive their due rights proportionally, the buyer benefits from extended payment time, while the seller receives a justified price for that flexibility.⁴⁴

The discussion of *Bay' atāni fī Bay' atin* (two sales in one transaction) further reinforces this principle. The Prophet Muhammad (SAW) prohibited “two sales in one contract,” which jurists have interpreted, among other meanings, as a prohibition against offering dual pricing (cash and credit) within a single negotiation without a clear commitment.⁴⁵ For example, if a seller offers a product for “Rp100 million in cash or Rp120 million on installments,” and the two parties separate without confirming which option they agree upon, this constitutes *bay' atāni fī bay' ah*, which is forbidden due to the ambiguity in pricing. However, jurists agree that if one of the two pricing options is clearly chosen at the time of contract, such as agreeing to purchase the item on credit for Rp120 million, then the transaction is valid.⁴⁶ This interpretation demonstrates that the price difference between cash and credit payments is acknowledged and justified in Islam, as long as the contract terms are clearly defined from the outset. In other words, selling a product at a higher price on credit than in cash does not constitute *riba*, provided that the price and payment period are mutually agreed upon. Based on these arguments, the concept of the time value of money in sales contracts receives full legitimacy within Islamic jurisprudence. Deferred sales or installment-based agreements that stipulate a higher total price are considered valid, as the additional amount reflects the seller's compensation for waiting, not interest. All *ẓiyādah* (profits) arising from deferred payments

⁴² Ibn 'Ābidīn, *Radd Al-Mukhṭār 'ala Dur al-Mukhṭār Wa Sharḥ Tanwīr al-Abṣār*, 361.

⁴³ Azharsyah Ibrahim and Abdul Jalil Salam, “A Comparative Analysis of DSN-MUI Fatwas Regarding Murabahah Contract and the Real Context Application (A Study at Islamic Banking in Aceh),” *Samarah: Jurnal Hukum Keluarga Dan Hukum Islam* 5, no. 1 (June 30, 2021): 372, <https://doi.org/10.22373/sjhk.v5i1.8845>.

⁴⁴ Sulaimān Al-Turkī, *Bay' al-Taqṣīṭ Wa Ahkāmuhū* (Riyadh: Dār Ishbilyā, 2003), 228.

⁴⁵ Syaraf al-Ḥaq Muḥammad Asyraf Al-Ṣiddīqī, *'Awn al-Ma'būd Syarḥ Sunan Abi Dāwūd* (Kairo: Dār al-Hadīṣ, 2001), 180.

⁴⁶ This example is an elaboration by al-Ṣiddīqī, who provides a concise explanation by quoting Ibn al-Rif'ah: “The prohibition of conducting two sales within a single agreement arises from ambiguity on the part of the buyer. However, if the buyer explicitly states, ‘I accept the transaction at the price of 2,500 in cash and at the price of 5,000 on a deferred basis,’ then the sale is valid.” Al-Ṣiddīqī, 180.

are deemed to be inherent in the object of sale, not independent financial gains.⁴⁷ As long as the terms, price clarity, payment duration, and mutual consent, are met, such contracts operate within the domain of equitable commercial exchange (*mu'āwadhāt*), and not interest-bearing loans. This legal validation is precisely what distinguishes *murābahah* or *bay' bi al-taqṣīt* from *riba*-based practices, although both account for time, the former is anchored in legitimate trade, while the latter involves monetizing time and money independently, which is strictly prohibited.

The Prohibited Boundaries: Time Value of Money in Loan Contracts (Qarḍ and Ḍa' wa Ta'ajjal)

Unlike in the context of sale transactions, loan contracts (*qarḍ*) in Islamic law place the time value of money under strict limitations. The fundamental principle agreed upon by Islamic jurists is that any material benefit stipulated as a condition in a loan constitutes *riba*, which is categorically prohibited.⁴⁸ A well-known classical juridical principles states, “*kullu qarḍin jarra manfa'atan fabuwa riba*”, every loan that yields a benefit (to the lender) is *riba*. Accordingly, time in a loan contract may not be monetized through an increase in the repayment amount. The lender is not allowed to require any form of compensation for the delay granted to the borrower; the only recognized “return” is the reward from Allah SWT for the act of kindness. The implication of this principle is that conventional loan interest clearly falls under the category of *riba nasi'ah*, which is unanimously prohibited (*ijmā'*). Any additional payment resulting solely from the extension of repayment time is viewed as a form of exploitation, condemned in the Qur'an as “consuming the wealth of others unjustly.”⁴⁹

Scholars from all four Sunni schools have consistently forbidden any form of stipulated addition to the principal in *qarḍ* contracts. Time may not be treated as a commodity subject to trade in lending arrangements. In fact, the majority of *fuqahā'* (jurists) consider *qarḍ* to be an inherently non-fixed-term contract, meaning the lender has the right to request repayment at any time (i.e., it is *hāl*, or immediately due). This view aims to prevent the emergence of an implicit time value that could unjustly favor one party without a legitimate basis of mutual exchange. According to the logic of the *jumbūr* (majority), if money is lent for a fixed period (*mu'ajjal*), it potentially creates an imbalance by granting a benefit to the borrower ‘time’ without any reciprocal right for the lender, which could imply an unjust gain. Nonetheless, some scholars, particularly from the Mālikī school, argue that this understanding should be relaxed for the sake of public benefit (*maṣlahah*). Imām Mālik opines that stipulating a repayment term in a loan is not only permissible but is more consistent with the spirit of *qarḍ* as a benevolent contract (*tabarru'*). In his view, creditors should not demand repayment before the agreed-upon time, allowing borrowers the opportunity to utilize the funds for productive purposes. Forcing early repayment when a

⁴⁷ Abdul Mughits, “Problematika Produksi Di Indonesia dan Solusinya (Suatu Tinjauan Etika Bisnis Islam)”. *Az-Zarqa': Jurnal Hukum Bisnis Islam*, vol. 4, no. 2, Sept. 2012, pp. 231-56, <https://doi.org/10.14421/aqsyb319>.

⁴⁸ Al-Kasānī, *Badāi'u al-Ṣanāi'i Fi Tartibi al-Syarā'i*, 317. Al-Syīrāzī, *Al-Muhāḍḍab Fi Fiqh al-Imām al-Syāfi'i*, 3:184. Ibn Muflīḥ, *Al-Mubdī' Syarḥ al-Muqni'*, 198.

⁴⁹ Ibn Qudāmah, *Al-Muḡnī*, 387.

term has already been agreed upon is, according to Imām Mālik, a form of injustice (*ẓulm*) and contradicts the principle of *al-iḥsān* (benevolence) that should govern lending contracts.⁵⁰ This position suggests that Islam does acknowledge the existence of “time value” in the sense of granting repayment deferral as a form of leniency, but it strictly forbids lenders from capitalizing on this time value. In the realm of debt, time is a space for benevolence, not a means for profit.

Additionally, the practice of *Ḍa' wa Ta'ajjal* offers a compelling illustration of Islamic law's boundaries regarding the time value of money in debt. This term refers to an arrangement in which the creditor agrees to reduce the debt (*ḍa'*) if the debtor repays earlier than the due date (*ta'ajjal*). On the surface, this appears beneficial to the debtor, who pays less, and imposes no extra burden. Some have therefore argued that such an agreement should be permissible. However, the *jumbūr al-'ulama'* prohibit *ḍa' wa ta'ajjal* when it is stipulated as a clause within the original loan contract. The prohibition is based on analogy with pre-Islamic *riba jahiliyyah*, but in reverse form. If *riba nasi'ah* involves “more time = more money,” then *ḍa' wa ta'ajjal* is “less money = earlier payment.” Both mechanisms involve a direct exchange between time and wealth, and thus fall under the same legal ruling. The underlying principle of *Shari'ah* is that time cannot be used as a tradable asset, even if it leads to a reduction in the principal. Hence, even a discount offered in return for early repayment is deemed to open the door to *riba* if it is a contractual condition. That said, there is a minority opinion, including scholars such as Ibn Qayyim al-Jawziyyah and several contemporary jurists, that re-evaluates the strict prohibition of *ḍa' wa ta'ajjal*. These scholars point to a narration from Ibn 'Abbās, which appears to suggest permissibility under certain conditions. They argue that the analogy used by the majority may be inaccurate, as the case is not fully identical to classical *riba nasi'ah*. However, those who allow this practice emphasize that any debt reduction must not be part of the original contract, but rather a voluntary gesture made later.⁵¹ For instance, if a debtor repays early without any prior agreement, and the creditor then offers a discount as a sign of goodwill, this is considered ethically praiseworthy (*iḥsān*) and not *riba*. This model is also applied in modern Islamic finance under the term “rebate,” provided it is non-binding and unconditionally offered.

The aforementioned boundaries emphasize that the time value of money in loan contracts is acknowledged only insofar as it reflects a period of leniency granted to the borrower, and not as a financial component that may be claimed by the lender. All forms of material compensation for time in lending, whether in the form of interest due to delayed repayment or penalties imposed for early settlement, are classified either as *riba* or as mechanisms that lead to *riba*, and are therefore prohibited under Islamic law. A clear line is drawn, in debt-based transactions, time is a domain of *iḥsān* (benevolence) and empathy, not a commodity to be traded for worldly gain.⁵²

⁵⁰ Abū Ḥāmid Muḥammad bin Muḥammad Al-Gazālī, *Iḥyā' Ulūm al-Dīn* (Maroko: Dār al-Rasyād al-Ḥadīṡah-Dār al-Baiḍā', 1993), 147.

⁵¹ Ibn Qayyim al-Jawziyyah, *Iḡāṡatu Al-Lahfān Fī Maṡāyidi al-Shayṡān*, 11. Ibn Qayyim al-Jawziyyah, *I'lam al-Muwaqqi'in 'an Rabb al-'Alāmin*, 441. Ibn Qayyim al-Jawziyyah, *Iḡāṡatu Al-Lahfān Fī Maṡāyidi al-Shayṡān*, 14.

⁵² Asmuni Mth, “Etika Ekonomi Prespektif Al-Maqāṡid”. *Az-Zarqa: Jurnal Hukum Bisnis Islam*, vol. 3, no. 2, July 2011, pp. 182-1, <https://doi.org/10.14421/6fey7p66>.

Underlying Juridical Principles (Qawā'id Fiqhiyyah) on the Time Value of Money

The theoretical framework of Islamic commercial law (*fiqh al-mu'āmalāt*) provides a number of juridical principles (*qawā'id fiqhiyyah*) that clarify when and why the time value of money may be accommodated, and when it must be restricted in order to prevent violations of the prohibition against *riba*. These principles distinguish between permissible profit derived from valid commercial transactions and prohibited gains stemming from exploitative financial arrangements.

One of the most relevant principles is **“al-kharāj bi al-ḍamān”** (entitlement to profit is conditioned upon bearing risk). This principle states that whoever assumes risk is entitled to the resulting gain.⁵³ In the context of deferred sales, such as *bay' mu'ajjal* or *murabahah*, the seller carries certain risks associated with outstanding receivables, including payment delays or potential default by the buyer.⁵⁴ Because the seller bears these risks until repayment is complete, they are entitled to a *kharāj* (profit) in the form of a higher price. In contrast, in *qard* (loan) contracts, the lender assumes no risk to the principal amount, which must be repaid in full. Therefore, deriving financial gain (i.e., interest) from a loan is not valid under Shari'ah.⁵⁵ This principle helps explain why profit is permitted in deferred sales due to assumed liability, but interest in lending is forbidden because it involves gain without bearing any financial risk.

Two other important principle is **“at-tābi' lā yufrad bi al-ḥukm”** (a subsidiary does not receive an independent ruling) and **“at-tābi' u tābi'un”** (the subsidiary follows the principal). These principles affirm that anything inherently connected to a principal element shares the same legal status.⁵⁶ When applied to the time value of money, they imply that deferred payment in a sale contract is not an independent element but is instead integrally attached to the object of sale. The price increase due to deferred payment is considered *tābi'* (an accessory) to the good being sold, and thus shares in its permissibility, assuming the sale itself is valid. No separate contract is needed to “sell time” because time, in and of itself, is not *māl* (property) and therefore not something that can be traded independently. This principle supports the view that the time value of money is embedded within the price structure of a sale, whereas in loan-based *riba*, the time-related increase is independent and clearly separable from the principal, making it impermissible. In summary, price increases due to time in sales are tolerated as part of the transaction, while similar increases in loans are impermissible because they stand as distinct contractual conditions.

⁵³ Jalāl al-Dīn 'Abd al-Raḥmān Al-Suyūṡī, *Al-Aṡyāb Wa al-Naṡā'ir Fi Qawā'id Wa Furū' Fiqh al-Syāfi'iyyah* (Beirut: Dār al-Kutūb al-'Ilmiyyah, 2001), 266.

⁵⁴ 'Abd al-Majīd Raj'āh Al-Jazā'irī, *Al-Qawā'id al-Fiqhiyyah al-Mustakbrajah Min Kitāb 'Ilām al-Muwaqqi'in* (Kairo: Dār al-Ibn al-Qayyim, 2001), 457.

⁵⁵ Al-Suyūṡī, *Al-Aṡyāb Wa al-Naṡā'ir Fi Qawā'id Wa Furū' Fiqh al-Syāfi'iyyah*, 295. Salah satu keadaan yang dapat menyebabkan penjual mengalami kerugian adalah ketika barang yang dijualnya (yang dibeli dari penjual lain) mengalami kerusakan. Dalam hal ini, penjual tersebut akan menghadapi risiko kepemilikan barang tersebut (*Ḍamān al-Milk*).

⁵⁶ Al-Suyūṡī, 295.

A third related principle is **“yughfar fi at-tābi‘ mā lā yughfar fi al-aṡl”**, meaning what is tolerated in the subsidiary is not tolerated in the principal.⁵⁷ This rule complements the previous juridical principle: an element that may be unlawful when treated independently can be excused when it is incidentally tied to something lawful. A price increase due to deferred payment may, in form, resemble *riba*, in that it represents a gain tied to time, but since it arises within a valid sale agreement, it is excused and not classified as *riba*. Conversely, when the same type of gain is the primary purpose of a transaction, as in interest on a loan, it is not excused and is unequivocally prohibited.

This set of *qawā‘id fiḡḡiyyah* reinforces a critical legal distinction between credit-based sales and interest-bearing loans. In credit sales, the time value is treated as a secondary, supportive element within a lawful trade. In contrast, in conventional loans, time becomes the object of trade itself, which contravenes the ethical and legal boundaries of Islamic finance. The application of the aforementioned *qawā‘id fiḡḡiyyah* provides a theoretical justification for why the time value of money can exist within the Islamic financial system without violating *Shari‘ah* principles. On one hand, these principles support the concept of time value in sale-based transactions, by affirming that, under Islamic legal reasoning, time-related compensation may be lawfully embedded within the price of a product. On the other hand, these same principles function as restrictions, by prohibiting any independent valuation of time that may lead to *riba*. A simple illustration of this distinction can be found in the sale of a commodity that includes additional features or benefits.

For example, selling a pregnant camel does not involve pricing the unborn calf separately; rather, the fetus is automatically included in the price of the mother based on the principle of *at-tabi‘*. Likewise, when selling a house in a strategic location, the price is naturally higher because it “follows” the value of the location and surrounding facilities, but those environmental benefits are not priced or sold separately. This analogy is directly relevant to deferred sales: the price is indeed higher due to the inclusion of time-related benefit (i.e., the payment term), yet this benefit is not treated as a separable item. Through these juridical principles, Islamic jurists have clearly defined the boundary: the time value of money is recognized in the Islamic economic system when it appears as an inherent component of a legitimate real-sector transaction, such as sale (*bay‘*), lease (*ijārah*), and similar contracts, but it is not recognized when time is treated as an independently traded object, as is the case in interest-based lending. This approach ensures that acknowledging the economic function of time does not undermine the justice of the transaction or create opportunities for financial exploitation. It preserves the ethical distinction between lawful trade and usurious gain, and

⁵⁷ Al-Suyūṡī, 266. Another legal juridical principle states: **“Yughṡafaru fi al-shay‘i ḡamnan mā lā yughṡafaru fiḡi qaṡṡan”** (“What is forgiven when implied is not forgiven when intended”), along with **“Yughṡafaru fi al-tawābi‘ ḡamnan mā lā yughṡafaru fi ḡhayriḡā”** (“What is excused in subsidiary matters when implied is not excused in others”). An applied example of this in the field of *mu‘āmalāt* (commercial transactions) is the case of *al-Bay‘ al-ḡimni* (implicit sale). In this type of sale, the absence of explicit *ijab* and *qabul* is excused due to the implicit nature of the transaction. In contrast, in *al-Bay‘ al-Mustaḡil* (independent sale), the absence of *ijab* and *qabul* is not excused and renders the transaction invalid.

ensures that time retains its role as a supportive element, not a commodified asset within Islamic finance.⁵⁸

A Critique of the Time Preference Concept in Conventional Economics

Conventional economics justifies the legitimacy of interest in lending by relying on the notion of positive time preference, the assumption that money in the present is more valuable than money in the future. This idea, advanced by economists such as Eugen von Böhm-Bawerk in his work *Positive Theory of Capital* (1890s), holds that since human beings naturally prioritize immediate needs over future ones, those who lend their money are entitled to receive a greater return over time.⁵⁹ This return is expressed as interest, which increases proportionally with the duration of the loan, and is often referred to as the “natural rate of interest.” The theory posits that the future value of a commodity or money must be enhanced to compensate for the temporal delay and presumed depreciation in value. In essence, this approach treats time as a universal economic commodity: time is money, and using money over a specific time period must be “paid for” with an additional monetary amount.⁶⁰

Contemporary Islamic economists and scholars have raised fundamental critiques of this concept. They do not deny the reality that human beings instinctively value money more in the present than in the future, a tendency also acknowledged in the Qur’an, as in Surah Al-Anbiyā’ (21:37), which states that “humankind was created hasty”.⁶¹ However, they reject the ethical conclusion that this natural inclination can serve as a moral justification for interest-based lending (*riḡa*). The critique centres on the key distinction that Islamic scholars draw between recognizing the economic reality of time preference and endorsing it as a legitimate basis for profit in loan contracts. Rafiq Yunus al-Mishri, a prominent Egyptian economist and *faqih*, explains that Islamic commercial law recognizes the existence of time value, even in lending contexts like *qard*. However, *Shari’ah* does not permit this time value to be monetized or converted into a financial gain for the lender. Any ‘loss of time’ experienced by the creditor due to lending their funds is compensated by spiritual reward from Allah, not by interest paid by the borrower.⁶² According to classical *fuqaha*, divine reward and blessings serve as the promised compensation for such benevolent acts, not worldly gain. This is consistent with the nature of *qard* as an act of *tabarru*’ (benevolence),

⁵⁸ Dr. Yūsuf Al-Qarḡāwī, *Dirāsah Fi Fiḡḡ Maqāṡid Al-Syarī’ah: Al-Jam’ Baina al-Nuṡūṡ al-Juṡi’Yyah Wa al-Maqāṡid al-Kullīyyah* (Kairo: Dār al-Syurūq, 2007), 10.

⁵⁹ Muhammad Akram Khan, “Time Value of Money Dalam Sheikh Ghazali Sheikh Abod et al. (Eds.),” vol. 2008 (Introduction to Islamic Economics and Finance, Kuala Lumpur: CERT Publications Sdn. Bhd, n.d.), 164.

⁶⁰ Paul A. Samuelson, “Two Classics: Böhm-Bawerk’s *Positive Theory* and Fisher’s *Rate of Interest* Through Modern Prisms,” *Journal of the History of Economic Thought* 16, no. 2 (1994): 202–28, <https://doi.org/10.1017/S1053837200001954>; Robert J. Barro and David B. Gordon, “A Positive Theory of Monetary Policy in a Natural Rate Model,” *Credit and Capital Markets – Kredit Und Kapital* 52, no. 4 (October 1, 2019): 505–26, <https://doi.org/10.3790/ccm.52.4.505>.

⁶¹ Khan, “Time Value of Money Dalam Sheikh Ghazali Sheikh Abod et al. (Eds.),” 164.

⁶² Al-Masrī, *Al-Riba Wa al-Ḥasm al-Zamanī Fi al-Iqtīṡad al-Islāmī*, 13. Al-Masrī, *Al-Jāmi’ Fi Uṡūl-al-Riba*, 327. Rafiq Yūnus Al-Masrī dan Muḡammad Riyād al-Abrasy, *Al-Riba Wa al-Fai’dah: Dirāsah Iqtīṡādīyyah Muqāranah*, 23.

governed by the principle of *al-iḡṡān* (doing good beyond justice). Lending without interest is an act of *iḡṡān*, and should not be accompanied by demands for material profit.

Al-Mishri's critique emphasizes that the theory of time preference in conventional economics conflates descriptive reality with flawed ethical justification, arguing that just because people prefer immediacy does not mean that charging interest is morally sound. *Fiḡḡ al-Mu'āmalāt* acknowledges human tendencies, but regulates them through norms of justice and benevolence. Moreover, Muslim scholars argue that the time value of money is also recognized in Islam, but only within *Shari'ah*-compliant contexts. Al-Mishri highlights that Islam permits time-based valuation in credit sales, where price increases for deferred payment are considered valid (as previously discussed). This is supported by hadiths on *riba al-buyū'* (usury in trade), which allow for increased prices in deferred exchanges between dissimilar commodities.⁶³ For instance, exchanging wheat for gold on credit is permitted with a price differential, implying that one party pays more to account for the time delay. As long as the exchange does not involve identical *ribawī* items (interest-prone commodities) and adheres to *Shari'ah* conditions, such increases due to time are allowed.⁶⁴

This evidence shows that Islam does not deny the principle of time preference, but rather channels it into lawful contracts such as sales and investments, not into interest-bearing debt. In articulating this distinction, Rafiq al-Mishri introduces the terms *riba al-ḡarām* and *riba al-ḡalāl*. Though provocative, this terminology carries meaningful nuance, *riba al-ḡarām* refers to prohibited forms of gain, such as interest on loans or excess in the exchange of identical *ribawī* items. By contrast, *riba al-ḡalāl* refers to forms of extra benefit that may resemble *riba* but are actually permitted under *Shari'ah* due to contextual legitimacy. One example is when a borrower voluntarily repays more than the original amount, say, repaying Rp105,000 after borrowing Rp100,000, as a gesture of goodwill, without any prior agreement. Al-Mishri categorizes this as *riba al-ḡalāl*, since it is a voluntary addition and not contractually required. In such a case, the lender receives no divine reward, as the gesture originates from the borrower. Similarly, extra charges in credit sales involving *ribawī* and non-*ribawī* items may be considered *riba al-ḡalāl* within this framework, because the time-based increase is permitted due to the nature of the transaction. The purpose of using this terminology is to emphasize that not all forms of excess constitute unlawful *riba*. The legal context and contract type determine permissibility. Islam acknowledges the time value of money, but treats it differently depending on whether it appears in sales-based contracts or loan-based transactions.⁶⁵

Muslim scholars have also highlighted the social implications of applying the concept of time preference unconditionally within conventional finance. The interest-based system is seen as inherently prone to *ẓulm* (social injustice), as it allows lenders to obtain guaranteed profits without labor or risk, while burdening borrowers with ever-increasing debt

⁶³ Abū Bakr Muḡammad bin 'Abdullāh Ibn al-'Arabī, *Aḡkām Al-Qur'an* (Beirut: Dār al-Kutūb al-'Ilmiyyah, 2003), 523. Abū al-ḡusain Aḡmad Ibn Fāris Al-Razī, *ḡilyah Al-Fuḡahā'* (Beirut: Dār al-Kutūb al-'Ilmiyyah, 2000), 85. Al-Masrī, *Al-Riba Wa al-ḡasm al-Zamanī Fī al-Iḡtiṡād al-Islāmī*, 15.

⁶⁴ Al-Masrī, *Al-Riba Wa al-ḡasm al-Zamanī Fī al-Iḡtiṡād al-Islāmī*, 15.

⁶⁵ Al-Masrī, 13.

obligations due to compounding interest.⁶⁶ This arrangement stands in direct opposition to the *Maqāṡid al-Shari'ah*, which emphasize distributive justice and the prevention of economic oppression.⁶⁷ Therefore, from the perspective of Muslim scholars, the conventional theory of “pricing time” must be re-evaluated: while time indeed holds value, that value must not be freely commodified. It is natural for people to desire compensation for deferring gratification, but Islamic law stipulates that such compensation is only permissible within fair and balanced transactions, such as trade or profit-sharing investments, not in the form of interest on money.⁶⁸ Within this framework, Islamic jurists present a normative critique of the conventional time preference model, asserting that it fails to incorporate ethical and justice-based dimensions, which are considered foundational in the Islamic economic system. While conventional models treat time as a neutral economic variable, Islam views time valuation through the lens of moral responsibility, ensuring that value exchange does not come at the expense of the weak or disadvantaged.⁶⁹

Fundamental Differences Between the *Fiḡḡ al-Mu'āmalāt* and the Interest-Based Financial System

Based on the preceding discussion, it becomes evident that while the time value of money is acknowledged in both Islamic economic thought and conventional interest-based finance, there are essential differences in how the concept is applied and regulated within each system:

1. Embedded in Assets vs. Independent Commodification. In the Islamic economic framework, the economic value of time is inherently tied to real assets or productive activities. Time becomes part of the price of goods or services in real-sector transactions, such as deferred sales (*bay' mu'ajjal*), leasing (*ijārah*), or profit-sharing investments (*muḡārabah/mushārah*). Time is never treated as a stand-alone commodity. In contrast, the interest-based financial system treats time as a tradable entity, assigning it a monetary price. Interest on loans is essentially the ‘price’ of time itself.⁷⁰ As a result, in conventional finance, the increase in debt value occurs automatically and independently of any underlying good or service. In Islamic finance, no such scheme exists where a financial obligation grows solely due to the passage of time, without being linked to a real economic asset. Once a deferred price is agreed upon in a sale contract, it is fixed and may not increase further, even if the buyer delays payment beyond the agreed term. If payment is delayed, Islam strictly

⁶⁶ Mufti Shafi dan Mufti Muḡammad Taḡi Usmani, *The Issue of Interest* (Pakistan: Dārul-Ishaat, 1997), 135–136.

⁶⁷ Landy T. Abdurrahman, “Pendekatan Maqāṡid Al-Syari'ah Kontemporer Dalam Perilaku Ekonomi,” *An-Nawa : Jurnal Studi Islam* 1, no. 1 (December 16, 2019): 17–41, <https://doi.org/10.37758/annawa.v1i2.139>; Muhammad Shahrul Ifwat Ishak and Nur Syahirah Mohammad Nasir, “Maqasid Al-Shari'ah in Islamic Finance: Harmonizing Theory and Reality,” *The Journal of Muamalat and Islamic Finance Research*, June 1, 2021, 108–19, <https://doi.org/10.33102/jmifr.v18i1.334>.

⁶⁸ Baehaqi, Birton, and Hudaefi, “Time Value of Money in Islamic Accounting Practice”; Ayman Reda, *Prophecy, Piety, and Profits: A Conceptual and Comparative History of Islamic Economic Thought*, Palgrave Studies in Islamic Banking, Finance, and Economics (New York: Palgrave Macmillan, 2018), <https://doi.org/10.1057/978-1-137-56825-0>.

⁶⁹ Al-Masri, *Al-Ribā Wa al-ḡasm al-Zamani Fi al-Iḡtiṡād al-Islāmi*, 15.

⁷⁰ Nathalie Karagiannis, “Debt, Time, Creation: An Introduction,” *Social Science Information* 58, no. 3 (September 2019): 393–402, <https://doi.org/10.1177/0539018419868431>.

prohibits the imposition of monetary penalties, as this would constitute *riba*. Instead, the Qur'an, al-Baqarah [2]:280 encourages creditors to grant extensions or even forgive part of the debt.⁷¹ This sharply contrasts with conventional financial logic, which typically imposes late fees or additional interest as penalties for delay.⁷²

2. The Principle of *al-'Adl* vs. *al-Iḥsān*. Islamic teachings draw a clear distinction between the realms of business transactions (*mu'āwaḍāt*) and benevolent transactions (*tabarru'āt*). Business transactions are governed by the principle of justice (*al-'adl*), while benevolent transactions, such as loans, are guided by the principle of benevolence (*al-iḥsān*).⁷³ By contrast, in loan contracts, the consensus (*ijmā'*) of the *fuqahā'* dictates that the lender should act with *iḥsān*: offering a loan without seeking profit, and the borrower should demonstrate integrity by repaying it on time. The imposition of interest fundamentally violates the principle of *iḥsān*, transforming a charitable act into an exploitative commercial transaction.⁷⁴ By contrast, in loan contracts, the consensus (*ijmā'*) of the *fuqahā'* dictates that the lender should act with *iḥsān*: offering a loan without seeking profit, and the borrower should demonstrate integrity by repaying it on time. The imposition of interest fundamentally violates the principle of *iḥsān*, transforming a charitable act into an exploitative commercial transaction.⁷⁵ The interest-based financial system makes no such moral distinction between *al-'adl* and *al-iḥsān*; all loans are treated as profit opportunities, operating solely under a narrow economic version of justice: "If I give money, I must earn a return." However, in Islamic economics, a loan is not a commercial venture, it is an act of social generosity. This represents a fundamental ethical divergence between the two systems.⁷⁶
3. Risk- and Service-Based vs. Minimal Risk and "Money from Money". In the Islamic economic system, financial returns must always be accompanied by real risk-taking or productive contribution. Profit is earned either through trade, which involves the transfer of ownership and commercial service, or through profit-sharing investment schemes such as *mudārabah*, where business risks are jointly borne. Even price increases due to deferred payment in credit sales follow this logic: the seller assumes credit risk and delays the use of their capital, thus justifying the additional price.⁷⁷ In contrast, the interest-based system allows the lender to generate profit without bearing any business risk or providing any productive service beyond simply waiting. Interest generates "money from money" automatically, without corresponding

⁷¹ Mahmoud A. El-Gamal, *Islamic Finance: Law, Economics, and Practice* (Cambridge [UK] New York: Cambridge University Press, 2006); Siddiqui, "Riba, Time Value of Money and Discounting."

⁷² Al-Masrī, *Al-Jamī' Fī Usul-al-Ribā*, 327.

⁷³ Al-Gazālī, *Iḥyā' Ulum al-Dīn*, 147.

⁷⁴ Al-Gazālī, 147.

⁷⁵ Ryan Calder, *The Paradox of Islamic Finance: How Shariah Scholars Reconcile Religion and Capitalism* (Princeton: Princeton University Press, 2024); Erhun Kula, "Is Contemporary Interest Rate in Conflict with Islamic Ethics?," *Kyklos* 61, no. 1 (February 2008): 45–64, <https://doi.org/10.1111/j.1467-6435.2008.00392.x>.

⁷⁶ Ibn al-'Arabī, *Aḥkām Al-Qur'an*, 523. Abū al-Ḥusain Aḥmad Ibn Fāris Al-Razī, *Ḥīyah Al-Fuqahā'* (Beirut: Dār al-Kutūb al-Ilmiyyah, 2000), 85. Al-Masrī, *Al-Ribā Wa al-Ḥasm al-Zamānī Fī al-Iqtiṣād al-Islāmī*, 15.

⁷⁷ Valentino Cattelan, "In the Name of God: Managing Risk in Islamic Finance," *SSRN Electronic Journal*, 2014, <https://doi.org/10.2139/ssrn.2477584>.

liability or contribution. From an Islamic economic perspective, this asymmetry is unjust. For example, conventional banks can demand fixed interest payments even if the borrower's business fails. Meanwhile, under Islamic contracts like *muḍārabah* or *bay'*, any loss is shared by the investor or seller, reflecting a true profit-and-loss sharing mechanism. This foundational difference makes the Islamic financial system more ethically sound and economically stabilizing, as it prevents wealth accumulation by one party at the expense of another.⁷⁸

4. Social Boundaries and *Maqāṡid al-Syari'ah*. Islamic economic mechanisms are designed so that the time value of money does not result in social injustice. The prohibition of *riba* serves to prevent the concentration of wealth in the hands of creditors and the oppression of indebted individuals, particularly the poor. In contrast, conventional economic systems tend to obscure these moral boundaries in favor of market efficiency. Theoretically, the "natural" interest rate proposed by Böhm-Bawerk is considered neutral, but in practice it has contributed to the emergence of exploitative financial institutions, such as loan sharks, predatory lending, and high-interest consumer debt traps.⁷⁹ Islamic economics anticipates these outcomes by imposing preventive legal and ethical safeguards. The time value of money is only allowed in clearly defined and limited contracts, such as sales or leases, and even then, subject to additional ethical constraints. These include the prohibition of excessive *gharar* (uncertainty), *ghabn fāḥiṡy* (gross price inequity), and the obligation to show leniency if the counterparty faces financial hardship.⁸⁰ The interest-based system, by contrast, does not inherently incorporate these moral safeguards. Its boundaries are typically limited to man-made regulations, such as consumer protection laws or debt restructuring policies, many of which are reactive and may fail to protect vulnerable debtors in time.
5. The final essential difference lies in the ultimate orientation of the two systems. The Islamic economic system is oriented toward long-term public welfare (*maṡlahah*) and spiritual well-being (*barakah*). Profit is permissible, but it must be pursued within a framework that preserves social harmony and remains compliant with divine law.⁸¹ The concept of time value in Islam is subordinated to the pursuit of *maqāṡid al-syari'ah*, including the preservation of justice and the prevention of injustice.⁸² Conversely, the conventional system is oriented toward economic growth and individual or institutional profit maximization as the primary goals. It assumes that

⁷⁸ Siti Mujiatun, "Analysis of the Modern Era's Financial and Islamic Economic Importance," *International Journal Of Economics Social And Technology* 1, no. 4 (December 20, 2022): 148–58, <https://doi.org/10.59086/ijest.v1i4.203>; Hameedah Muhammad, "Risk Mitigation and Financing Constraints: Towards the Development of Sustainable Islamic Microfinance Institutions in Bangladesh," *ISRA International Journal of Islamic Finance* 8, no. 2 (December 15, 2016): 137–43, <https://doi.org/10.55188/ijif.v8i2.233>; Waeibrorheem Waemustafa, "Theory of Gharar and Its Interpretation of Risk and Uncertainty from the Perspectives of Authentic Hadith and the Holy Quran: Review of Literature," 2016, 7762839 Bytes, <https://doi.org/10.6084/M9.FIGSHARE.4042998.V1>.

⁷⁹ Samuelson, "Two Classics."

⁸⁰ Omar, Muhamad Abduh, and Sukmana, *Fundamentals of Islamic Money and Capital Markets*.

⁸¹ Reda, *Prophecy, Piety, and Profits*.

⁸² Ifwat Ishak and Mohammad Nasir, "Maqasid Al-Shari'ah in Islamic Finance"; Baehaqi, Birton, and Hudaefi, "Time Value of Money in Islamic Accounting Practice."

market mechanisms will ensure equilibrium and fairness. As a result, practices based on the time value of money often continue even when they contradict the ethical standards of Islamic justice. The difference in teleological orientation underscores not only a contrast in methodology but also a fundamental divergence in worldview.

Aspect	Islamic Commercial Law (<i>Fiqh al-Mu'āmalāt</i>)	Conventional Interest-Based Financial System
1. Concept of Time Value of Money	Inseparably linked to real assets or productive activity. Applies to sales, leases, and profit-sharing. Debt obligations cannot increase solely due to the passage of time.	Time is treated as a commodity; interest is the “price” of time. Debt obligations increase automatically with time, irrespective of any underlying asset or productive activity.
2. Transactional Principles	Distinguishes <i>al-'adl</i> (justice) for commercial exchange (<i>mu'āwaḍāt</i>) and <i>al-iḥsān</i> (benevolence) for charitable contracts (<i>tabarru'āt</i>). Loans are social, not commercial.	No distinction between <i>'adl</i> and <i>iḥsān</i> . All loans are treated as business opportunities with an entitlement to return.
3. Source of Profit	Must come from real risk or productive effort (e.g., trade, leasing, profit-sharing). Return is proportionate to involvement and risk.	Money generates more money without services or risk. Creditors earn fixed interest even if the borrower suffers loss. No risk-sharing mechanism.
4. Social and Moral Boundaries	Strict regulations to uphold social justice and prevent wealth concentration. Prohibits <i>riba</i> , <i>gharar</i> , <i>ghabn</i> , and mandates compassion.	Limits are based on man-made regulations. No inherent moral boundary against exploitation. Market efficiency is the overriding justification.
5. Economic Objective	Oriented toward <i>barakah</i> (blessing), justice, and the <i>Maqāṡid al-Shari'ah</i> . Profit is pursued within the framework of Islamic values.	Aims at economic growth and profit maximization for individuals and institutions. Assumes market mechanisms will self-regulate equity.

Table 2: Comparative between Islamic Commercial Law and Conventional Financial System.

From the preceding comparison, it becomes clear that Islamic finance recognizes the time value of money in a conditional and proportional manner. The concept is acknowledged, but it is never left to operate without ethical and legal restraint. Any profit derived from the passage of time must be embedded within a lawful transaction that inherently involves responsibility, real economic risk, and moral balance. In contrast, the interest-based financial system institutionalizes the time value of money as an autonomous profit component. This element often defines the very structure of lending transactions, even when such transactions are completely detached from any involvement in the real economic

sector. This divergence illustrates a deeper philosophical difference between the two systems. Islamic finance views money primarily as a medium of exchange, and it treats time as a factor that must be accounted for within a moral framework grounded in justice and generosity. By comparison, conventional finance tends to commodify money and treats time as a standalone value that can be freely monetized and traded. This fundamental distinction helps explain why financial practices such as *murābahah*, although they may appear outwardly similar to conventional credit agreements, are in fact rooted in entirely different legal, ethical, and economic foundations. In the Islamic framework, the time value of money serves justice and public welfare, whereas in interest-based systems, it often becomes a vehicle for unbounded financial gain, frequently at the expense of equity and fairness.

Conclusion

The concept of the time value of money is an unavoidable element in modern economic transactions, particularly within global financial systems that rely on future value projections. While conventional economics embeds this principle through interest-based mechanisms, generating profit from the mere passage of time, Islamic law firmly rejects such an approach. This rejection stems not only from textual legal prohibitions but also from deeper foundational principles articulated within the tradition of *Uṣūl al-Fiqh* and *Maqāṣid al-Sharī'ah*, which emphasize justice, wealth protection, and social balance. This article reaffirms that Islam does not negate the economic significance of time; rather, it restricts its monetization in contracts of benevolence (such as *qard*) to avoid exploitation. Within the *turās* of Islamic jurisprudence, particularly in the four major Sunni schools, scholars consistently differentiate between lawful incorporation of time-based value in deferred sales (e.g., *bay' al-mu'ajjal*, *murābahah*) and the unlawful treatment of time as a commodity in lending contracts. In the former, price differentials based on payment terms are permitted when agreed upon transparently. In the latter, any increment due to time alone is categorized as *riba*, and therefore prohibited.

The theoretical foundation of these distinctions is deeply rooted in core *qawā'id uṣūliyyah*, such as *al-kharāj bi al-ḍamān* (profit follows liability), *at-tābi' lā yufrad bi al-ḥukm* (secondary elements follow the ruling of the primary), and *yughfar fī al-tābi' mā lā yughfar fī al-aṣl* (leniency is granted in secondary aspects, not in primary matters). These principles reflect how *Uṣūl al-Fiqh* offers a systematic method to evaluate the ethical and legal dimensions of economic contracts, ensuring that the time value embedded in a transaction does not override justice and public welfare. Viewed through this lens, Islamic finance does not deny the time value of money per se, but integrates it in a way that supports the moral economy envisioned by the Sharī'ah. This balance is achieved by recognizing the value of time only when it is inherently linked to real economic activity, not as an autonomous profit generator. Consequently, the Islamic financial model stands in principled contrast to interest-based systems, offering an alternative framework rooted in the intellectual richness of the *turās* and methodological rigor of *Uṣūl al-Fiqh*.

Nevertheless, this research remains a conceptual and normative inquiry and does not extend to empirical assessment within contemporary Islamic finance practice. Further studies are recommended to explore the actual application of these principles in modern Sharī'ah-compliant products, particularly in areas such as long-term leasing, sukuk structuring, and

valuation methods. A closer alignment between classical *uṣūl* and institutional frameworks such as AAOIFI and DSN-MUI could enrich this discourse. Ultimately, this article aspires to contribute to bridging the classical Islamic legal tradition (*turās*) with the practical and ethical challenges of global financial modernity.

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