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USURY IN THE MODERN ERA: A REVIEW OF QUR'ANIC VERSES AND HADITH

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Abstract

The prohibition of usury is one of the basic teachings in Islam which is emphasized both in the Qur'an and hadith. In modern times, the practice of usury is increasingly widespread, especially through conventional financial institutions and online loan services (pinjol) that offer convenience but are often accompanied by high interest rates. This article aims to examine the law of usury according to the arguments in the Qur'an and hadith and explore its relevance to contemporary economic challenges. The discussion begins with an explanation of the definition of usury, followed by an analysis of the verses of the Qur'an and hadith that explicitly prohibit the practice, as well as the wisdom behind the prohibition of usury. The article also reviews various forms of usury that appear in modern forms, such as online loans, credit cards, and conventional banking systems. Through this study, it is hoped that it can increase understanding of the importance of implementing a sharia-based economic system that is fairer and brings blessings to Muslims.

***Keywords**: Usury, Islamic Economics, Modern Era, Al-Qur'an, Hadith*

A. Introduction

For Muslims, Islamic law (fiqh) is very important because its rules cover all aspects of Muslim life. As a result, what is referred to as Islamic law is actually more accurately thought of as the entire religious system of Islam. Muslims' most fundamental religious beliefs and attitudes are always associated with any discussion of Islamic law. Islam does not encourage people to prioritize wealth and possessions as the main goal in their lives. Moreover, Islam does not encourage them to neglect wealth, which can be a very important and much-needed tool for obtaining the various pleasures and conveniences of life as a gift from Allah (Hidayatullah, Arsal, and Efendi 2024). All aspects of human life, including muamallah activities, namely economic and social, have been regulated by Islam for the benefit and welfare of Muslims in particular. A lifestyle that emphasizes pleasure is very common and materialistic living behavior is very prominent in modern society. The impact of today's wide openness of information is one of the factors that influence this (Sandi, Abubakar, and Mahfudz 2024) .

Sociological factors in a person's life encourage them to buy goods and services that are less or even unnecessary and consume too much or waste, known as consumptive behavior (Melinda, Lesawengen, and Waani 2021). People who tend to be consumptive often look for instant and easy ways by utilizing pinjol services. An understanding of usury is becoming increasingly important in the consumptive behavior of modern society, especially when it comes to the use of online loans, which widely offer convenience but often charge high interest rates. This method essentially constitutes riba, which is prohibited by Islam as it involves paying extra beyond the principal of the debt for no legitimate reason. If people do not understand the principles of Shariah, they are likely to engage in unauthorized transactions, which can be detrimental to the overall economy and themselves.

While in Islam the imposition of interest on money loans is prohibited, referred to in the verse of the Qur'an the practice of usury is haram because it does not only harm one person, but can collapse the economy which can harm all citizens. Along with the times and challenges in the global financial system, the practice of Islamic finance continues to experience dynamics. In applying the principles of Islamic finance appropriately, guidance is needed from experts and scholars who understand Islamic financial law deeply and contextually. Therefore, this study aims to provide a wiser and deeper understanding of the meaning of usury based on the verses of the Qur'an and the Prophet Muhammad's hadith and review its relevance in financial practices in the modern era. This research is expected to be useful to add to the treasury of Islamic knowledge and contextual understanding of the prohibition of usury, so that Muslims can apply the principles of Islamic finance more precisely and fairly in the midst of global economic dynamics.

B. Research Methods

This research uses the library research method. This research has special characteristics, namely interacting directly with written sources that are already available, not through field observations or eyewitness interviews. The data used comes entirely from existing literature, whether in the form of books, scientific articles, or other documents that are already available in libraries or in digital form. Thus, this research relies on ready-made secondary data, which is then analyzed and interpreted in accordance with the focus of the study.

C. Discussion

1. The Relevance of Usury Prohibition in the Modern Era

Etymologically, usury comes from the Arabic ziyadah which means "addition." In Arabic, any form of addition is called usury. The term is sometimes also expressed with other lafazes, such as rama', as once expressed by Umar bin Al-Khattab, and rubbiyah in the Prophet's hadith. In terminology, usury refers to the addition required in exchange transactions. Some scholars associate usury with the hadith that reads, "Every loan that brings benefit is usury," but the sanad of this hadith is considered weak so it is not used as the main legal basis. The majority of scholars also do not use it as a definition of usury because it does not cover all forms of usury and the benefits of loans that are not always classified as usury.

History records that the practice of usury has existed since 2500 BC in Ancient Egypt, Greece and Rome. In Ancient Greece, usury had even developed in various forms. However, figures such as Plato and Aristotle opposed it. Plato considered usury as a source of social conflict, while Aristotle argued that usury was a misuse of money that should only function as a medium of exchange, not for profit, so it was considered unfair (Taufiq 2021).

Changes in the definition of usury from the time of the Prophet Muhammad ﷺ to the modern era have influenced the perspective and legal stipulations related to usury in people's lives. Today, usury is often understood as the practice of taking interest or profit that is exploitative and unfair in financial transactions. To avoid such practices, the Islamic financial system offers various alternative instruments such as musharakah, mudharabah, murabahah, istisna, ijarah, and others, which are designed to be in accordance with sharia principles. Understanding the differences in the concept of usury between the prophetic era and the present is crucial in applying the principles of Islamic finance correctly. With the right understanding, Muslims can carry out their financial activities based on the values of justice, mutual responsibility, and avoid the practice of usury, which is prohibited in Islamic teachings (Saiddaeni 2023) .

The prohibition of usury in the era of flat money is becoming increasingly clear. During the time of Prophet Muhammad ﷺ, economic activities generally involved the exchange of goods or transactions with precious metal-based currencies such as gold and silver, which had a stable intrinsic value. In contrast, in the modern era, the financial system uses paper money, whose value depends on the decisions of state authorities and is no longer supported by physical value. This situation opens up greater opportunities for exploitation through the interest mechanism, because the value of the currency can fluctuate due to inflation or changes in monetary policy, without any guarantee of fairness in the exchange of value between parties.

In the modern era of conventional banking systems, the main source of profit for banks usually comes from interest paid by borrowing customers. However, in the context of Islamic finance, the practice of usury is expressly prohibited. The Qur'an, as the holy book of Muslims, explicitly prohibits usury and highlights its negative impacts. Scholars also agree that usury is haram, so it becomes the legal basis in Islamic economics to prohibit the practice and encourage the implementation of sharia-based financial systems. Islamic principles emphasize fairness, risk sharing, and more inclusive economic empowerment. As an alternative solution, Islamic banks use schemes such as profit sharing (mudharabah) or sale and purchase transactions (murabahah) in their operations (Rahmi et al. 2024).

From an economic perspective, interest is often seen as a driver of growth as it incentivizes lenders to earn a return on the capital they spend. However, on the other hand, interest can also be a heavy burden for borrowers, especially when interest rates are high or volatile. The practice of usury itself brings various impacts, including enlarging economic disparities and increasing the potential for financial instability, especially if it is not closely monitored.

Usury creates injustice in economic relations, where creditors often dominate, while debtors are trapped under the burden of debt. This inequality widens the social and economic gap and triggers discontent in the community. In addition, usury is one of the contributing factors to the economic crisis. Many individuals and families find it difficult to get out of high-interest debt, leading to deteriorating mental health due to financial stress. Research shows that those trapped in debt are more prone to social problems, such as increased crime rates and economic offenses (Efendi et al. 2024).

Islamic economic thinking on usury shows the negative effects of usury practices on financial stability, such as inflation, economic crises, and unequal distribution of wealth. In contrast, Islamic economics offers justice-based solutions through systems that share risks and profits, such as fair trade transactions and mudharabah and musyarakah contracts. Both ideas have the potential to create a more stable and sustainable financial system,

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prevent exploitation, promote inclusive economic growth, and encourage a more equitable distribution of wealth (Fitri et al. 2025) .

The prohibition of usury in the modern era has also driven innovations in the Islamic finance sector, such as the development of sukuk (Islamic bonds), the establishment of Islamic banks, and the emergence of sharia-based fintech platforms. These innovations prove that the modern financial system can continue to develop without having to ignore the basic values of Islam. Thus, understanding the prohibition of usury is not only important in order to preserve religious teachings, but is also part of an active effort to build a more just, inclusive and sustainable global economic system.

2. Review of Usury in Qur'anic Verses

The issue of financial transactions has attracted more attention in the Quran. In many verses, the Quran states how good transactions should be and hinges on the element of fairness. Riba is a topic that explains some of the further discussions in the case of financial transactions. The Qur'an has been revealed to stop usurious trade practices, including the exploitation of some pre-Islamic groups. In particular those who equated buying and selling with usury (Jayadi 2023).

اَلَّذِيْنَ يَأْكُلُوْنَ الرِّبٰوا لَا يَقُوْمُوْنَ اِلَّا كَمَا يَقُوْمُ الَّذِيْ يَتَخَبَّطُهُ الشَّيْطٰنُ مِنَ الْمَسِّۗ ذٰلِكَ بِاَنَّهُمْ قَالُوْٓا اِنَّمَا الْبَيْعُ مِثْلُ الرِّبٰواۘ وَاَحَلَّ اللّٰهُ الْبَيْعَ وَحَرَّمَ الرِّبٰواۗ فَمَنْ جَاۤءَهٗ مَوْعِظَةٌ مِّنْ رَّبِّهٖ فَانْتَهٰى فَلَهٗ مَا سَلَفَۗ وَاَمْرُهٗٓ اِلَى اللّٰهِۗ وَمَنْ عَادَ فَاُولٰۤىِٕكَ اَصْحٰبُ النَّارِۚ هُمْ فِيْهَا خٰلِدُوْنَ

"Those who consume interest will stand ˹on Judgment Day˺ like those driven to madness by Satan's touch. That is because they say, "Trade is no different than interest." But Allah has permitted trading and forbidden interest. Whoever refrains after having received warning from their Lord may keep their previous gains, and their case is left to Allah. As for those who persist, it is they who will be the residents of the Fire. They will be there forever."

In the Qur'an Surah Al-Baqarah verse 275, Allah SWT explains the condition of those who eat usury, namely those who make transactions by taking excess over capital from people in need, by exploiting or utilizing these needs. They are described as unable to stand normally, but like people possessed by demons due to insanity. This situation reflects their lives of anxiety, confusion and uncertainty, as their hearts and minds are always obsessed with materialism and the desire to increase their wealth. In this world, they live in inner turmoil, and in the hereafter, they will be resurrected staggering, disoriented, and receiving a painful punishment.

Allah reveals that this is due to their mistaken view of equating usury with buying and selling, on the grounds that they both generate profit. In fact, in substance, buying and selling is different from usury: buying and selling brings benefits to both parties fairly, while usury only benefits one party at the expense of the other. Allah has justified buying and selling and forbidden usury. For those who received a warning from Allah and then stopped practicing usury, the wealth that had been obtained before the revelation of the prohibition remains theirs and their affairs are returned to Allah. However, for those who continue to practice usury after the prohibition, Allah determines that they are residents of hell who will remain in it.

The prohibition of usury described in the Qur'an and hadith has become increasingly relevant in modern times, especially with the rapid development of conventional financial systems and online lending practices that often charge high interest rates. Usury now appears in various forms, both overt such as interest on loans, and more hidden such as administrative fees or fines that burden debtors. This phenomenon illustrates exploitation similar to that described in the commentary, where people who need money are trapped in ever-increasing debt, while the lender makes huge profits without regard for the debtor's circumstances. Allah says in the Qur'an Surah Ali 'Imran: Verse 130

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْا لَا تَأْكُلُوا الرِّبٰوٓا اَضْعَافًا مُّضٰعَفَةً ۖ وَّاتَّقُوا اللّٰهَ لَعَلَّكُمْ تُفْلِحُوْنَۚ

"O believers! Do not consume interest, multiplying it many times over. And be mindful of Allah, so you may prosper."

Surah Ali Imran verse 130 is the first verse that confirms the prohibition of usury. The explanation of the prohibition of usury is then reinforced in Surah Al-Baqarah verses 275, 276, and 278. The usury referred to in this verse is riba nasī'ah, also known as usury of ignorance, which was a common practice before the advent of Islam. At that time, if a borrower could not repay his debt at the agreed time, the creditor offered a deferment on the condition that the amount of the debt was increased. This caused the debt to multiply over time. Ibn Jarir explained that Allah SWT admonished the believers not to repeat this practice after they embraced Islam and accepted His guidance. Ar-Rāzī added that the practice of usury multiplies when the debt that was originally a small amount continues to swell due to delays in payment accompanied by a large additional amount.

In addition to usury nasī'ah, Islam also prohibits usury faḍal, which is the excess in the exchange of similar goods but different in quality or quantity, such as exchanging 1 liter of high quality rice for 1½ liters of low quality rice. The prohibition of usury of faḍal is affirmed in the traditions of the Prophet Muhammad and applies to transactions of certain goods, such as gold, silver, and staple foods. Riba has an adverse impact on social justice and the welfare of society, Allah SWT commands Muslims to stay away from usury, maintain piety, and strive to live a life full of blessings in this world and salvation in the hereafter. In verse 130, Allah SWT forbids believers to eat usury. Adherence to this command will bring good fortune to a person. In the next verse, Allah SWT confirms the prohibition with a threat to anyone who violates it (Boga 2023) . In surah An-Nisa 161

وَّاَخْذِهِمُ الرِّبٰوا وَقَدْ نُهُوْا عَنْهُ وَاَكْلِهِمْ اَمْوَالَ النَّاسِ بِالْبَاطِلِۗ وَاَعْتَدْنَا لِلْكٰفِرِيْنَ مِنْهُمْ عَذَابًا اَلِيْمًا

"Taking interest despite its prohibition, and consuming people's wealth unjustly. We have prepared for the disbelievers among them a painful punishment."

Surah An-Nisa verse 161 confirms that not all People of the Book fall into despicable behavior such as the practice of usury, even though they have previously been prohibited from doing so. Among them, there is a group that still holds fast to the truth, has a deep religious understanding, and believes wholeheartedly in the Qur'an revealed to the Prophet Muhammad SAW and to the books brought by the prophets before him. They follow the teachings of Islam sincerely and sincerely, without distinguishing between one apostle and another, so that their faith is intact and perfect. According to a narration from Ibn Abbas, this verse was revealed in regard to a group of Jews such as Abdullah bin Salam and his companions who consciously embraced Islam. They not only believed, but also performed the five daily prayers, paid zakat, and adhered to the teachings of Allah and His messengers. Their level of faith and Islam was so high that Allah SWT promised a great reward in return for their sincerity and sincerity in religion. Through this verse, Allah teaches that a person's worth in His sight is not determined by his background or origin, but rather by the sincerity of his faith and good deeds. Islam opens the way for anyone who seeks the truth earnestly and does good deeds sincerely, making His mercy and reward open to all who hold to the true faith.

3. Usury in the Hadiths of Prophet Muhammad

Scholars agree that usury is forbidden as stated in Surah Al-Baqarah verse 275. However, the prohibition of usury in the Qur'an is not done directly, but through stages, similar to the process of forbidding alcohol. This gradual prohibition of usury is also explained in several other verses, such as Surah An-Nisa verse 161, Surah Ar-Rum verse 39, and Surah Ali Imran verse 130. The 275th verse of Surah Al-Baqarah is the final confirmation that usury is different from buying and selling. Although both are profit-making, buying and selling is permissible (halal), while usury is strictly forbidden in Islam.

In addition to the Qur'an, the Prophet Muhammad's traditions are also the main source in determining sharia law, including regarding the prohibition of usury. These hadiths reinforce the provisions in the Qur'an, as well as provide further details about the forms of usury and its adverse effects on individuals and society. Therefore, the discussion of usury not only relies on the Qur'anic arguments, but also must pay attention to the words of the Prophet Muhammad and examine more deeply the traditions about usury, with the aim of reaffirming the prohibition of usury and the urgency of avoiding it in social life, as has been established in Islamic teachings. Hadith of the Prophet regarding usury in the book of Sahih Muslim Number 2995

صحيح مسلم ٢٩٩٥: حَدَّثَنَا مُحَمَّدُ بْنُ الصَّبَّاحِ وَزُهَيْرُ بْنُ حَرْبٍ وَعُثْمَانُ بْنُ أَبِي شَيْبَةَ قَالُوا حَدَّثَنَا هُشَيْمٌ أَخْبَرَنَا أَبُو الزُّبَيْرِ عَنْ جَابِرٍ قَالَ لَعَنَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ آكِلَ الرِّبَا وَمُؤْكِلَهُ وَكَاتِبَهُ وَشَاهِدَيْهِ وَقَالَ هُمْ سَوَاءٌ

Shahih Muslim 2995: Muhammad ibn Shabah and Zuhair ibn Harb and Uthman ibn Abu Shibah narrated to us: Husayim narrated to us Abu Az Zubayr from Jabir, who said: “The Messenger of Allah (blessings and peace of Allah be upon him) cursed the usurer, the one who orders usury, the scribe and the witnesses.” He said: “They are all the same.”

The explanation (syarah) and meaning of the hadith about usury shows that the Prophet SAW prayed to Allah SWT to keep the usury perpetrators away from His mercy. This hadith is a strong basis that emphasizes the prohibition of usury and the magnitude of sin for anyone involved in it. According to Yusuf Qardhawi, the perpetrator of usury is the lender who lends his money on the condition of receiving a return greater than the principal loan. This kind of person, Qardhawi explained, deserves the curse of Allah SWT and also the curse of all humans. However, in Islamic law, sins related to usury are not only charged to usury eaters. Islam also considers other parties involved sinful, including people who owe and agree to pay more than the principal loan, because without the cooperation of both parties, the practice of usury would not be possible.

Yusuf Qardhawi also explained that the author of the usury transaction and the two witnesses involved also got a sin. The usury writer is the one who records the interest-bearing loan transaction, while the usury witnesses are those who witness the usury agreement. Both of them are cursed for helping to carry out the haraam act. If they deliberately and knowingly know that the transaction contains usury, then the sin of that act still befalls them.

D. Conclusions

As affirmed in several verses of the Qur'an and reinforced by the hadith of the Prophet Muhammad, usury is one of the practices explicitly prohibited in Islam. This prohibition is not only related to matters of worship, but also demonstrates Islam's concern for social justice and the economic stability of society. The practice of usury is no longer just in its conventional form in the modern world, but has evolved into more complex and hidden systems, such as interest on online loans, credit cards, and interest-based banking systems. These mechanisms often leave people trapped in a cycle of debt from which it is difficult to escape, creating social inequality and long-lasting financial stress.

In this context, Islamic teachings on the prohibition of usury become increasingly important as moral guidelines and laws that can protect people from financial injustice. Shariah-based financial systems such as mudharabah, musyarakah, and murabahah, which prioritize the principles of fairness, transparency, and reasonable risk sharing, provide a prudent alternative. These methods not only avoid usury, but also result in a more just, stable and profitable economic system for all parties. So it is very important for every Muslim to have a deep, comprehensive and contextual understanding of the concept of usury and its effects. With this understanding, they are expected to avoid the practice of transactions that are against the Shariah and help build a more just, sustainable and blessed economic order in people's lives.

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