

REVIEW OF RIBA AND ITS IMPACT IN THE ISLAMIC META ECONOMY

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Abstract

The study of riba has always been a hot topic of discussion in Islamic economics. Riba means ziyadah (extra) from an etymological (linguistic) perspective. If interpreted in terminology (the term) Riba means taking additional capital (capital) for free (HM. Syafi'I Antonio, 1992,10). In general, usury is the addition of debt. This means: any addition to debt, whether quality or quantity, whether a lot or a little, is included in usury which is forbidden. The effect of usury is very large and has serious consequences for the economy, state, nation and society in general, or in other words, if usury has become that is established and crystallized so strongly, then this system is the influence of usury from usury. the economic system is very dangerous for the economy. Therefore, the existence of zakat is very necessary because the purpose of Islam in mandating zakat is to encourage people to always try to invest their money and not hoard it. Through an understanding of investment from an Islamic point of view, which encourages people to always try to work and do business in real terms to fulfill their life needs, return to Allah SWT and the manifestation of their existence as caliphs on earth.

Keywords: Riba, Meta of Islamic Economics, Impact.

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INTRODUCTION

Islamic economics emphasizes ethical values originating from the Al-Qur'an and Al-Hadith (Purnamasari, 2014). Islamic economics places more emphasis on justice, eliminating all forms of oppression by other parties, thereby creating inequality (Purnamasari, 2013). Therefore, Islamic economics does not only emphasize aspects of individual interests, but also social or societal aspects (Rahman, 2012). So every individual still has room to develop optimally, but on the other hand there are also limitations, so that their economic activities do not harm others (Minhaji, 1999). This banking institution that operates based on Islamic Sharia principles experienced very rapid development when the Islamic Development Bank (IDB) was established in 1975 with the aim of encouraging economic growth and social welfare in member countries

and improving the Muslim community (Badruzaman, 2019); (Budisantoso & Triandaru, 2005). The rapid development of Islamic banking institutions in Indonesia is marked by the emergence of sharia-based banks, both commercial banks and BPRs, because Islamic banks have several characteristics in common (Abdul Karim, 2010). One of its main characteristics is the concept that is directed at togetherness. It is this cohesion that makes Islamic banking appear as an alternative to the interest system (developed by conventional banks) which has the nuances of usury where *riba* is prohibited in Islam while buying and selling is permitted (Anshari, 2018). *Riba* is not only a problem within the Muslim community, many non-Muslim groups also take usury seriously (Karim, 2018).

The main difference between Islamic banking and conventional banking is the prohibition of usury (interest) in Islamic banking (Rivai et al., 2013). To avoid paying and receiving interest or interest, Islamic Banks use several mechanisms in their financing, including the mechanism of buying and selling based on margin (*al-bay*) and profit and loss sharing and profitable investment (Sumitro, 1997). Islam is a religion with comprehensive teachings covering all aspects of life, including economic development and banking as its driving force. In Islam, humans are Allah's caliphs on earth and at the same time "abd Allah SWT". Therefore, Allah also sent His Messenger to guide His servants to provide everything that humans need, including faith, morals and sharia. The elements of faith and morality are fixed and do not change, even though there are differences in place and time. The components of sharia are constantly changing according to the needs of the *ummah* and the level of civilization where the messenger was sent. Rasulullah SAW revealed this fact in a hadith which means: "I and the other Messengers are like cousins, their shari'ah are different (many) but the religion (*aqidah*) is one (namely monotheism of Allah).

Islamic law is not only comprehensive, but also universal. These special qualities are absolutely necessary because no other Sharia will fix them. Comprehensive means covering all aspects of life, both ritual (worship) and social (*mamalah*). Worship is needed to maintain obedience and harmonization of *Hablum Minallah* and to constantly remind humans of their responsibilities as caliphs on earth (QS. Al-Baqarah: 30). Universal means broad/general/common and can be applied anytime, anywhere to the end. This universality is especially evident in the *Muamalah* area. The internal nature of *Muamalah* is made possible because in Islam, for example, there is *thawabit wa mutaqqoyyirat*, in the basic principles of economics there is a prohibition of usury, the principle of profit sharing, the principle of profit-taking, coercion, *zakat* and others.

The etymological definition of usury (language) means *ziyadah* (additional amount). Meanwhile, the terminology (term) usury means taking excess assets (capital) from waste (HM. Syafi'I Antonio, 2010). In general, usury is an increase in debt. That means: any additional debt, whether qualitative or quantitative, whether large or small, is counted as usury, which is prohibited. This is based on the Word of Allah in Surah An-Nisa': 29. What is meant by vanity in this paragraph is taking additional capital without any compensation justified by sharia law (HM. Syafi'I Antonio, 2010). Broadly speaking, there are two kinds of usury, namely debt usury and buying and selling usury:

1. *Riba* payables are divided into two parts, namely:
 - a. *Riba Qardh*, namely interest or certain excess (*muqtaridh*) requested by the debtor.
 - b. *Riba Jahiliyah* ie. interest is paid higher than the principal amount because the borrower is unable to repay the debt at the agreed time.

2. Riba buying and selling is also divided into two parts, namely:
 - a. Riba Fadhl, namely the exchange of similar goods with different levels or portions, where the goods exchanged include usury goods.
 - b. Riba Nasi'ah, namely the suspension of sending or receiving ribawi goods and other ribawi goods.

RESEARCH METHODS

The data collection method here uses a secondary data approach, namely through research on literature obtained from journals or supporting articles. According to (Afifuddin & Saebani, 2012), a literature review as a background review is an important tool because literary works are very useful and very helpful in providing context and meaning in ongoing writing, and through this literature review the researcher can make it clear and the reader knowing why what is to be studied is a question that really should be studied, both in terms of the subject to be studied and in whatever setting, and in terms of the relationship between the study and other related research.

RESULT AND DISCUSSION

A. Prohibition of Riba according to Islamic thought.

Muslims do not have to accept any use. The prohibition is to prevent Muslims from committing usury and the prohibition is based on what is said in the Al-Qur'an and Al-Hadith namely (Harun, 2015):

1. Stages of the Prohibition of Riba in the Qur'an.
 - a. Rejecting the notion that usury loans will help people in need to draw closer to Allah SWT or Taqarrub (Q.S. Ar-Rum: 39) means "And no matter how much usury (additional) you give to increase one's wealth, usury is do not contribute to the side of Allah SWT, then (those who do it) are those who increase (reward).
 - b. Riba is described as an evil thing and a harsh response to Jews who take usury (Q.S. An-Nisa': 160-161) meaning: "Because of the tyranny of the Jews, We have forbidden good (previously halal) them, and because they prevent (mankind) from going astray from Allah's way. And because they eat usury, even though it is actually forbidden for them, and because they eat people's property in the wrong way. We have prepared a painful doom for those who disbelieve among them (Ministry of Religious Affairs, 79/80: 150).
 - c. Riba is prohibited, compounded by several additions (Q.S. Ali Imran: 130) meaning "O you who believe, do not eat much and fear Allah so that you will be blessed." (Ministry of Religion of the Republic of Indonesia, 79/80:97).
 - d. The verse of usury expressly prohibits any excess taken from a loan. (Q.S. Al Baqarah 278-279) means "O you who believe, fear Allah and leave the rest of usury (which has not been confiscated) if you are believers. So if not (leave the rest of usury), know that Allah and His Messenger will fight you. And if you repent (usury), your wealth is yours, you will not be mistreated and will not be persecuted." (Ministry of Religion RI, 79/80:69-70).
2. The prohibition of usury in the hadith

There are several hadiths that prohibit usury as some hadiths which mean:

 - a. Aun bin Abi Juhaifah narrated: "My father bought a boy who worked as a funeral service, then my father destroyed the boy's equipment. I asked dad why he did that? My father replied that Rasulullah SAW forbade accepting the price

of dogs and blood and he also forbade embalming, receiving and giving usury and he criticized imagers (HR Bukhari).

- b. It was narrated by Ibn Umar Rasulullah SAW said: "Selling wheat for wheat is usury, unless it is done hand in hand and with the same amount. Similarly, buying and selling flour for flour is usury unless it is done with the same hand and with the same amount, and dates and dates is usury unless it is done with the same hand and with the same amount (HR Bukhari).
- c. Jabir said that Rasulullah SAW cursed the person who received usury, the person who paid for it and the person who registered it and the two witnesses then he said: "They are all the same" (HR Bukhari).
- d. Abu Hurairah narrated that Rasulullah SAW said: "Verily Allah is fair, because He does not allow four groups to enter heaven or receive guidance from Him (they are) drinkers of khamr, moneylenders, eaters of orphans, and people who are irresponsible or abandoned his parents.

B. The Effect of Riba on the National Economy.

When usury becomes an established system and crystallizes so strongly, this system has a negative impact on the economy as a whole. The effects of the Ribaw economic system are very detrimental to the economy (Kasdi, 2016). In a capitalist economy, interest is at the heart of the banking system. Therefore, without interest, the banking system is dead and the entire economy is paralyzed (Harahap, 2008); (Mannan, 1992). At the same time, Islam is a dynamic and progressive force, and it can be clearly shown that the Islamic concept of interest-free banking is better than modern banking (Lewis & Algaoud, 2003). At this level it can be said that the interest rate has nothing to do with the effect of saving volume. Islam strictly prohibits all forms of interest, however large and compelling the name (Riba) is given to it. In fact, there is no difference between interest and usury. The concrete picture of the classical and Keynesian interest rates can be seen as follows: Classical economists argue that interest rates and savings are interrelated. Therefore, the interest rate is one of the most important factors governing the rate of saving, the higher the interest rate, the higher the return on saving, ie. the higher the tendency to save, and vice versa.

Lord Keynes (expert in capitalist economics) rejected the above opinion. He doubted the effectiveness of interest rates on savings rates. It is explicitly shown that the actual saving rate depends on the investment level by the firm. High interest rates reduce the company's investment volume. As a result, commerce, commerce and industry as a whole was badly affected. As a result of this direct hit to the financial system, the total cash flow was reduced. But we can understand that saving depends on the amount of money people earn. If income per capita decreases, the volume of savings automatically also decreases. What Keynes said, that the interest rate had nothing to do with how it affects the saving rate, has actually been discovered by modern researchers. And Keynes basically recognized the concept of Islamic banking. So he suggested to the public to make money through business (investment). Therefore, investment determines the rate of saving.

Islam prohibits interest but encourages investment. In this case, one could argue that if interest is not paid on deposits, they prefer to let their savings sit idle in the form of accumulation. We argue that (in this case) zakat plays an important role, meaning that Islam punishes people who do not use their money by paying zakat, and this is related to the concept of money in Islam.

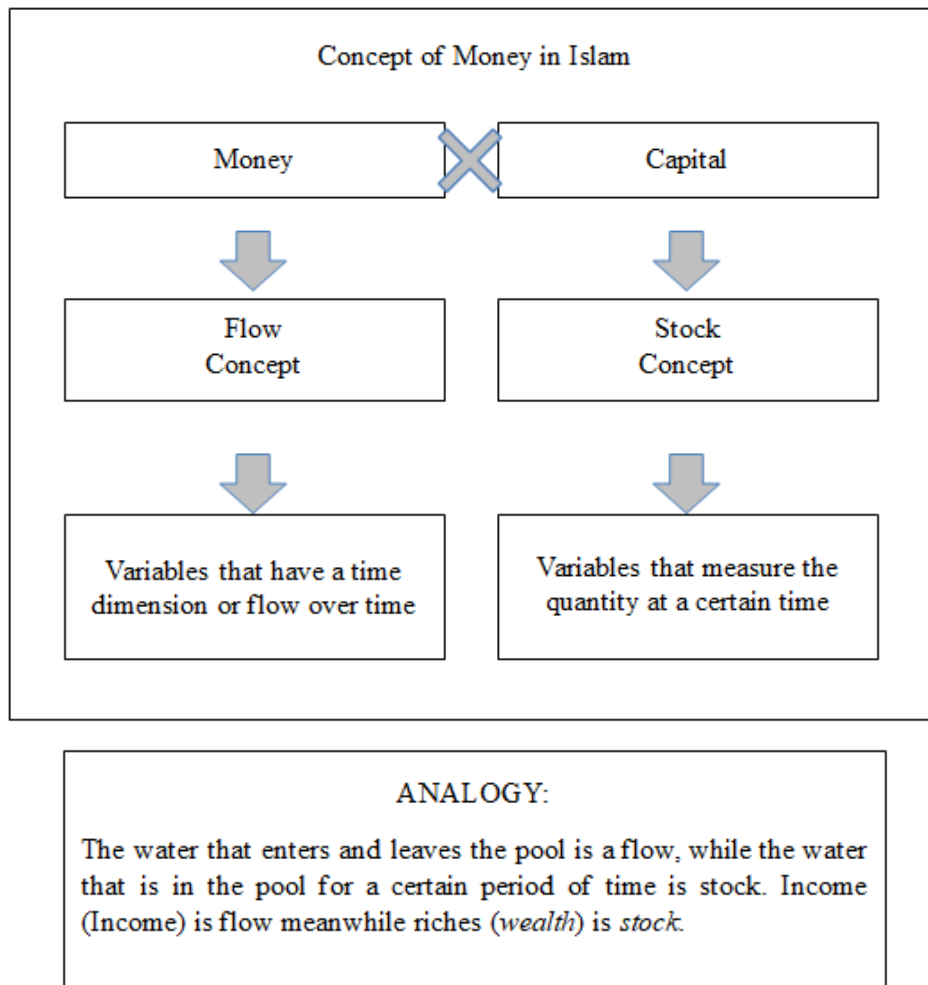


Figure 1. The concept of money in Islam

Zakat is a heavy blow to capitalism. Ironically, there is a misunderstanding about this zakat. Some of them regard it as personal charity whereas zakat is a mandatory tax on wealth savings. Zakat is an uncompromising enemy of hoarding, it discourages the tendency to accumulate idle resources and money and also provides a strong incentive to invest in idle stocks. This motivation is strengthened by the fact that Islam allows profits and business partners to share profits and losses.

To understand the difference between investing and lending money, it is necessary to look at the definitions and meanings they contain:

1. Investment is a risky business because it is associated with an element of uncertainty so that returns (results) are uncertain and not fixed. Operating and investing in a profitable business is an activity according to Islamic teachings.
2. Borrowing money is an activity or business that has a smaller risk, because the return is relatively certain and has a fixed interest rate. Borrowing money is an activity that is not in accordance with Islamic teachings (see Al-Qur'an Surah Luqman verse: 34, Surah Al-Baqarah: 275, Surah Ali Imran: 130 and Surah An-Nisa': 161).

From the explanation above, it can be said that saving in Islamic banks is included in the category of investment activities because the rate of return is uncertain and varies from time to time depending on the actual results of the bank's operations. as manager and mudharib.

Table 1. The difference between interest and profit sharing

Interest	Profit Sharing
The determination of the contract is made at the time of the contract with the guideline that it must always be profitable.	Determination of the amount of profit sharing risk is made at the time of the contract based on the possibility of profit and loss.
The percentage is based on the amount of money (capital) lent	The amount of profit sharing risk is based on the amount of profit earned.
Fixed interest payments as promised regardless of whether the project run by the customer makes a profit or a loss.	Profit sharing depends on the profit of the project being carried out, if it does not make a profit, then the loss will be shared.
The amount of interest payments does not increase even if the number of profits doubles.	The amount of profit sharing increases according to the increase in the amount of income.
The existence of flowers is doubted by all religions including Islam	There is no doubt about the results.

C. Riba in the Meta of Islamic Economics

According to (Agustianto, 2009) in Riba and Meta Islamic Economics, the financial implications of usury are: First, the usury economic system throughout history (from 1930 to the present) has caused many financial crises. The Ribawi economic system has opened opportunities for speculators to speculate, which can cause economic instability in many countries. The Ribawi economic system is the main cause of currency (currency) instability in the country because money always moves from countries with low real interest rates to countries with higher real interest rates because speculators want to make big profits. . anywhere. Relatively high real interest rates. Efforts to make profits in this way are economically known as arbitrage. The real interest here is interest minus inflation. Second, in the Ribawi economic system, inequality in the world's economic growth continues to increase, so that the rich get richer and the poor get poorer. Third, interest rates also affect investment and production, creating unemployment. The higher the interest rate, the smaller the investment. When investment falls, so does production. When output falls, the unemployment rate rises. Fourth, economic theory teaches that interest rates increase inflation significantly. Inflation caused by interest is inflation caused by human activities. Islam hates this kind of inflation, as Dhiayuddin Ahmad writes in the Koran and Poverty Alleviation. Inflation reduces purchasing power or makes people poorer, all else being equal. Fifth, the Ribaw economic system also plunges developing countries into enormous debt, even to pay interest, let alone capital. Sixth, the effect of interest rates related to Indonesia is not only limited to but also has an impact on withdrawing APBN funds. Interest rates burden the state budget to pay interest on traditional bank bonds backed by the BLBI. In addition to bond interest, SBI also pays interest. This high interest payment causes the annual state budget to always be in deficit.

With these facts, God's word is true that the interest system does not grow the national economy, but instead destroys the joints of the people's economy, including the state, nation and society in general. So verse 41 continues: "Man's actions have caused so much destruction on land and at sea that we can have consequences for their behavior. I hope they return to the path of Allah. The context of this verse is actually related to the effect of the Ribawi monetary system which is maintained by the damage to the world economy and Indonesia in the current form of crisis is the result of the hands of people using practices that violate human values and justice. For centuries the world economic system was governed by one instrument. , interest (increasing interest rates), and during that time the world economy was never stable, even Irfing Cristol and Daniell Bell, in their book *The Collapse of Economics*, called it the "Big Four". Theory Wave". The financial collapse, which started with business schools until the collapse of the classical schools in 1930 or the so-called Great Depression. In fact, the fifth wave is happening, with the collapse of world financial markets and the collapse of large corporations, causing economic growth in developing countries. developed countries reached negative numbers.

In addition to the effects of usury mentioned above, there are other negative effects that do not directly affect the economy, but are only felt in the long term, namely:

1. Riba can encourage animosity between individuals and undermine social and family values.
2. To encourage laziness for people with capital that allows them to make a lot of money without a real business/industry.
3. Let's encourage people to accumulate assets in anticipation of rising interest rates.
4. Generate elitism and distance themselves from public life.
5. Make people forget their wealth obligations such as infaq, alms and zakat.
6. Encouraging the public to commit unjust acts and exploit other parties, both manufacturing and consumer credit.

Thus the moral economy of Islam, according to Joan Robinson requires three things for the economic system; He has rules, an ideology to justify and an individual conscience that makes him work hard to achieve goals. This is an ethical dimension that is often overlooked. This section examines the moral economy or ethical framework of Islam. The Islamic economic system, among others, emphasizes product, fairness and fairness in trade, and fair competition (QS. 17:35; 26:181).

CONCLUSION

Riba is a synonym for interest, namely ziyaaah, which means extra. Namely taking additional assets (capital) in vain, namely taking additional assets (capital) without compensation (compensation) which is justified by Islamic law. Islam forbids all forms of usury, both usury in the form of debt and usury in the form of buying and selling.

The practice of Islamic banks is different from conventional banks. Bank Syari'ah offers top-ups through interest-free profit sharing. Unlike traditional banks, they dare to determine the interest rate that the customer must pay from the contract, even if the bank will make a big profit or loss in the future, even if the customer does not switch to a predetermined interest rate.

The effect of usury is very large/widespread and has a major impact on the national economy, both the state, the nation and society as a whole or in other words, when usury has become an established system and crystallizes so strongly, then this one. the

economic system has a negative overall impact / The effect of the usury economic system is very detrimental to the economy. Therefore, the existence of zakat is very necessary because the purpose of Islam in mandating zakat is to encourage people to always try to invest their money and not hoard it. The notion of investment in an Islamic perspective encourages people to always try to work and do business to fulfill their life needs to devote themselves to Allah SWT and realize their existence on earth as caliphs.

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