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Semantic Interpretation of Riba In The Qur'an And Its Contemporary Financial Implications

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Abstract

This paper explores the Qur'anic prohibition of riba and its relevance to modern interest-based financial systems. Using a semantic approach and drawing on both classical and contemporary exegesis, the discussion covers the reasons for the revelation of verses on riba, the semantic interpretation of riba according to Toshihiko Izutsu, and the scholarly debate on the term *adhāfān muḥā'afah* in QS. Āli 'Imrān [3]:130. The study reveals that the prohibition of riba is not limited to compounded interest but is rooted in its inherent injustice and exploitative nature. Scholars differ on whether all forms of interest qualify as riba or only certain types, yet they agree that exploitative riba is categorically forbidden. Beyond its moral implications, riba has systemic effects on the global economy, contributing to financial crises, economic inequality, inflation, and debt

traps in developing countries. As a viable alternative, Islamic finance promotes shari'ah-compliant contracts rooted in real-sector activities, offering a more equitable and stable system. This study concludes that the Qur'anic prohibition of riba integrates spiritual, social, and economic dimensions.

Keywords: riba, bank interest, *Adhāfan Muḍhā'afah*, financial crisis, Toshihiko Izutsu

Abstrak

Paper ini mengkaji larangan riba dalam Al-Qur'an dan relevansinya terhadap praktik bunga dalam sistem keuangan modern. Dengan pendekatan semantic serta kajian tafsir klasik serta kontemporer, pembahasan dimulai dari sebab turunnya ayat-ayat riba, makna semantik riba menurut Toshihiko Izutsu, hingga perbedaan penafsiran terhadap istilah *adhāfan muḍhā'afah* dalam QS. Āli 'Imrān [3]:130. Studi ini menunjukkan bahwa larangan riba tidak hanya dilandasi oleh bentuknya yang berlipat ganda, tetapi juga oleh nilai ketidakadilan dan eksploitasi yang terkandung di dalamnya. Para ulama berbeda pendapat apakah semua bentuk bunga termasuk riba atau hanya bunga dalam kadar tertentu. Namun demikian, seluruh ulama sepakat bahwa riba yang bersifat merugikan dan menindas adalah haram. Selain sebagai larangan moral, riba juga berdampak sistemik terhadap perekonomian global, termasuk krisis keuangan, ketimpangan ekonomi, inflasi, hingga jeratan utang negara berkembang. Sebagai alternatif, sistem keuangan Islam menawarkan akad-akad syariah berbasis sektor riil yang lebih adil dan stabil. Penelitian ini menyimpulkan bahwa pelarangan riba dalam Al-Qur'an memiliki dimensi spiritual, sosial, dan ekonomi yang saling terintegrasi.

Kata Kunci: riba, bunga bank, *Adhāfan Muḍhā'afah*, Krisis Keuangan, Toshihiko Izutsu

Introduction

Riba (usury) is understood as an addition in value given without any equivalent return or compensation. (Araby (al), 1957) The Qur'an outlines a progressive prohibition of riba. The first stage discusses its lack of benefit (Qur'an, al-Rum [30]:39). This is followed by a prohibition of riba and harsh criticism of the Jews who practiced it (QS. al-Nisa' [4]:161). The Qur'an specifically forbids riba, as stated in the phrase *adhāfan muḍhā'afan* (QS. Ali Imran [3]:130), and ultimately prohibits all forms of riba (QS. al-Baqarah [2]:275–281).

Bank interest, the price for borrowing in the financial and banking industry, is the interest rate applied over a specific period. Interest rates guide a country's economic activity, influencing bank cash flows, inflation, investment, and currency fluctuations. On the other hand, the interest-based system promotes money creation through debt.

Banks create money by issuing loans with interest. The problem arises when the total debt (principal + interest) exceeds the amount of money in circulation, because interest itself is not created within the system. This creates systemic pressure and triggers a race to acquire new money to pay off the interest, which can ultimately lead to a liquidity crisis. (Chambers, 2022) Additionally, crises may also occur due to weaknesses in the economic system that allow financial and banking institutions to gamble and speculate in financial markets. (Edi Suandi, 2012) Many global monetary crises are closely related to interest rate fluctuations, uncontrolled debt burdens, and speculative and non-transparent derivative instruments. These three elements reinforce one another and become the main triggers of instability in the modern financial system. (Hamidi, M. Luthfi, 2012)

This paper aims to examine whether the Qur'anic prohibition of *riba* (usury) is related to the practice of interest rates in modern financial institutions. On one hand, bank interest is known to be one of the contributing factors to instability within the global financial system. Accordingly, the central question posed is whether the Qur'anic prohibition of *riba* directly correlates with the negative economic impacts of bank interest.

The discussion in this paper is structured around three main topics: First, a historical analysis of the prohibition of *riba* through a socio-cultural approach. This study is considered essential, as the reasons behind the Qur'anic prohibition of *riba*, when examined from a linguistic framework, are closely linked to the cultural and historical context of Arab society at the time of revelation. Language, as an integral element of human culture, reflects the worldview of the society that uses it. Therefore, the authors analyze the verses related to *riba* using multidisciplinary approach that focuses on the relationship between text and historical context to find relevant meaning of the text. (Fatah, 2023) From a linguistic perspective, the Qur'anic text represents the cultural construction of the society in which the revelation emerged (Gusmian, 2002).

Second, a semantic study of the term *riba* in the Qur'an. Each verse concerning *riba* is viewed as a representation of thought articulated through language structure. Thus, the semantic analysis involves examining linguistic components, including syntagmatic and paradigmatic relations, to uncover the deeper meaning of the term

within the Qur'anic linguistic context. Third, a semantic exploration of the Qur'anic worldview. In its etymological sense, semantics investigates meanings that transcend the level of individual words, encompassing all meaningful entities within a linguistic system. Referring to the thought of Toshihiko Izutsu, semantics functions to uncover the structure of meaning of key concepts within a language, which in turn reflects the cultural worldview underlying it (Izutsu, 1964).

Theoretical Review

The Interpretation of Riba in Islamic Thought

In linguistic terms, *riba* means “increase” or “excess.” More broadly, it refers to growth and expansion (Saeed, 2004). In Arab tradition, *riba* often referred to an extra payment charged for delaying debt repayment, as expressed in the phrase: “Pay your debt now, or I’ll give you more time—but you must pay me more in return.” According to al-Razi (1999), the word *riba* simply means “addition.” This is illustrated by the phrase *rabā al-shay’ yarbū* (something grows), or *arbā al-rajul* (a man engages in *riba*). This meaning is also supported by the Qur’anic verse (QS. al-Hajj [22]:5), which says: “...the earth comes to life and swells...”—referring to the increased fertility of the land. In line with al-Razi, al-Shabuni also describes *riba* as a clear increase. Likewise, al-Jurjani, in his book *al-Ta’rifat*, defines *riba* in linguistic terms as *ziyādah*, meaning “something that grows or adds up.” Quraish Shihab explains that *riba* means “excess” or “surplus.” If we stick to this linguistic interpretation, it helps us understand the argument used by those who opposed the Prophet Muhammad (peace be upon him) when the Qur’an states, “Trade is just like *riba*” (QS. al-Baqarah [2]:275). In response, God declares in the same verse, “Allah has permitted trade and forbidden *riba*.” This statement was made without a detailed explanation of the reasoning behind it, even though the prohibition of *riba* and the permissibility of trade should ideally be justified. (Quraish Shihab, 1998)

The root word ر ب و (r-b-w), from which the term *riba* is derived, appears in the Qur’an around twenty times, including in the following verses: Ali ‘Imran (3:130); al-Baqarah (2:265, 275, 276, 278); al-Nisa’ (4:161); ar-Ra’d (13:17); an-Nahl (16:92); al-Isra’ (17:24); al-Hajj (22:5); al-Mu’minun (23:50); ash-Shu’ara’ (26:18); ar-Rum (30:39); Fussilat (41:39); and al-Haqqah (69:10). Out of all these verses, the term *riba* is

mentioned explicitly eight times, namely in al-Baqarah (2:275, 276, 278); Ali 'Imran (3:130); al-Nisa' (4:161); and ar-Rum (30:39). The use of the root *riba* in the Qur'an reflects a variety of meanings depending on the context. For instance: Growth is mentioned in QS. al-Hajj (22:5), Fertility or enrichment in QS. al-Baqarah (2:276) and ar-Rum (30:39), Development or increase in QS. ar-Ra'd (13:17), Nurturing or care in QS. al-Isra' (17:24) and ash-Shu'ara' (26:18), Expansion or abundance in QS. an-Nahl (16:92), And reference to elevated places in QS. al-Baqarah (2:265) and al-Mu'minun (23:50). In general, the various uses of this root word in the Qur'an express a central idea: a tendency toward increase, growth, or improvement, whether in a physical or metaphorical sense. (al-Iṣfahānī, 2008)

Al-Shabuni (1980) explains that *riba* is a form of additional value charged by a lender in return for the extra time granted to the borrower. Meanwhile, Al-Jurjani defines *riba* as a type of imbalanced gain in a contract, where one party benefits unfairly. Abdurrahman al-Jaziri, in *Fiqh al-Madhāhib al-Arba'ah*, describes *riba* as occurring when there is a difference in value between two exchanged commodities without equal compensation. In the Shafi'i school, *riba* is understood as a transaction involving an unspecified increase, without clarity on the amount or duration at the time the contract is made. Several scholars, especially Badruddin al-'Ayni, share a similar view, emphasizing that the core idea of *riba* is an addition. According to Islamic law (*sharia*), *riba* refers to an excess over the principal amount without legitimate economic activity. (Al-'Ayni, vol. V, 1310) Imam Sarakhsi of the Hanafi school explains *riba* as an increase that is legally unjustified in a commercial transaction, where no reciprocal compensation (*iwadh*) is involved. According to Zaid bin Aslam, *riba al-jahiliyyah*—a pre-Islamic form of usury—refers to a situation where a creditor demands, “Pay now, or pay more later.” (Al-Qurthubi, 1967) When asked about *riba*, Imam Ahmad ibn Hanbal answered: “*Riba* occurs when a person owes a debt and is asked to repay it or pay an additional amount. If he is unable to repay, he must bear the extra cost (in the form of interest) during the extended period.”

According to the semantic approach developed by Toshihiko Izutsu, terms related to specific financial practices in Islamic tradition have a core meaning that points to increase or escalation in value. From this basic meaning, two types of semantic relationships can be identified. First, on the linear (syntagmatic) level, the term is linked

to ideas such as an unjust increase in value, unequal surplus, domination in exchange, and unbalanced giving. Second, on the associative (paradigmatic) level, the term is connected to concepts representing spiritual wrongdoing, and it stands in contrast to ideas like lawful trade, charitable spending, and sincere donations. Therefore, the meaning of the term goes beyond a simple financial prohibition—it also touches on broader moral and spiritual dimensions. The interpretation of this meaning depends heavily on the context in which the term is used. Even before the rise of Qur'anic teachings, society already had a fairly consistent understanding of the term, viewing it as a type of economic interaction that caused injustice. Awareness of the negative impact of such practices was already deeply rooted in people's way of thinking at the time. (Khusnaniati, 2018)

During the time when revelation was being delivered, discussions around financial practices that involved elements of unfairness underwent shifts in meaning and variation in terminology. In the Meccan period of the Prophet's mission, the concept was more focused on strengthening moral values and introducing the basic principles of religion to a society that was still general in its understanding and not yet governed by detailed laws. However, in the Medinan period, after the Prophet's migration, the discussion began to move into the legal domain, with more specific regulations and an explicit prohibition of such practices. In later developments, after the Qur'an was completed, scholars of tafsir reintroduced the term using expressions similar to those found in the original revelations. Yet, the understanding of the concept began to shift. It was no longer viewed solely as a forbidden economic practice, but also as a moral issue—linked to spiritual consequences for violating principles of justice. Although the meaning of the term has evolved over time according to its historical context, its impact remains strong in public consciousness. In general, people still see it as a form of economic interaction that burdens one party unfairly. However, as the forms of implementation have become more complex, these are often used as loopholes to ignore the prohibition and overlook the essential values that should be upheld. (Luthfi Hamidi, 2009)

Method

This study is a qualitative research using a library research approach, which involves analyzing various relevant written sources to obtain data and information concerning the concept and practice of riba from the perspectives of the Qur'an and classical Islamic scholars (George, 2008). This research does not involve field data collection; instead, it focuses on the analysis of written documents such as tafsir (Qur'anic exegesis), books of Islamic jurisprudence (*fiqh*), Arabic lexical dictionaries, and modern academic literature. The following approaches are used in this study: Semantic Approach: To trace the meaning of the word riba in the Qur'an, focusing on its root and the contextual changes in meaning across different verses. Normative-Theological Approach: To explore the legal and moral aspects of the prohibition of riba as derived from religious texts and classical tafsir. Historical-Critical Approach: To understand the evolution of the concept of riba from the time of revelation to contemporary thought (Moleong, 2009).

Data Sources of research as follow Primary Sources: The Qur'an, classical tafsir works (e.g., al-Razi, al-Qurtubi, al-Zamakhshari), books of fiqh (e.g., al-Jaziri, al-Sarakhsi), and semantic dictionaries (e.g., al-Isfahani's al-Mufradāt). Secondary Sources: Academic journals, Qur'anic semantic studies (e.g., Toshihiko Izutsu), and modern Islamic scholarship (e.g., Quraish Shihab, Luthfi Hamidi, Khusnaniati). Data Collection Techniques as follow, document analysis by gathering data from relevant texts and documents, both printed and digital. Source Criticism: Evaluating the authenticity and relevance of each text used in the study (Sugiyono, 2009). Data Analysis Techniques is content analysis: To examine the meanings, messages, and ideas contained in the texts. Comparative Analysis: To compare the views of different scholars and schools of Islamic law. Semantic Analysis: To explore how the meaning of the root word رِبَا (r-b-w) shifts across various Qur'anic contexts (Krippendorff, 2018).

Result and Discussion

The Stages of Riba Prohibition in the Qur'an

According to Quraish Shihab (1992), the term *riba* is mentioned eight times in the Qur'an, specifically in Surahs al-Baqarah, Āli 'Imrān, al-Nisā', and al-Rūm. Among these, Surah al-Rūm is categorized as a Makkiyah (Meccan) verse—revealed before the Prophet's migration to Madinah—while the others are Madaniyah (Medinan), revealed afterward. The verse in al-Rūm states:

"Whatever you give in riba to increase people's wealth does not increase with Allah. But whatever you give in zakah, seeking the pleasure of Allah—those are the ones who will receive manifold reward." (QS. al-Rūm [30]:39)

Al-Suyūṭī (1318 H), citing narrations from al-Bukhārī, Aḥmad, Ibn Mājah, Ibn Mardawayh, and al-Bayhaqī, affirms that the final revelations about *riba* came toward the end of the Prophet's mission. One of the decisive verses is:

"O you who believe! Fear Allah and give up whatever remains due to you of riba, if you are truly believers." (QS. al-Baqarah [2]:278)

Al-Marāghī (1946) explains that the Qur'anic prohibition of *riba* resembles the four-stage prohibition of *khamr* (intoxicants). The process begins with a moral condemnation of the practice in al-Rūm [30]:39. The second stage appears in QS. al-Nisā' [4]:160–161

"Because of the wrongdoing of the Jews, We made unlawful for them certain good foods which had been lawful... and for their taking of riba, although they were forbidden from it..."

This verse denounces the Jews' involvement in *riba*, despite their awareness of its prohibition. The third stage introduces a more explicit prohibition but with a specific limitation—*riba* that is doubled and multiplied (*adh'āfan muḍā'afah*), as found in:

"O you who believe! Do not consume riba, doubled and multiplied. And fear Allah so that you may succeed." (QS. Āli 'Imrān [3]:130)

Although this verse is firm in tone, scholars such as al-Shābūnī argue that the prohibition remains partial, targeting excessive and exploitative forms of *riba* (*riba fāḥish*). This corresponds to the second stage in the prohibition of *khamr*, in which the Qur'an acknowledges both harm and benefit but emphasizes the greater harm:

"They ask you about wine and gambling. Say, 'There is great sin in both, and some benefit for people. But the sin is greater than the benefit...'" (QS. al-Baqarah [2]:219)

In the fourth and final stage, *riba* is categorically and absolutely prohibited. Allah declares:

"If you do not give up riba, then be informed of a war against you from Allah and His Messenger. But if you repent, you may keep your principal. Do not wrong others, nor be wronged." (QS. al-Baqarah [2]:279)

This verse is comprehensive (*kullī*) and definitive (*qaṭʿī*), eliminating all forms of *riba*, regardless of scale or context. Al-Shābūnī likens this to the fourth and final stage in the prohibition of *khamr*, when Allah explicitly declares:

"O you who believe! Intoxicants, gambling, idols, and divining arrows are abominations of Satan's handiwork. So avoid them so that you may succeed." (QS. al-Mā'idah [5]:90)

In conclusion, the Qur'anic treatment of *riba* unfolds in stages—beginning with moral critique, progressing to historical references, then partial prohibition, and finally reaching a total and unambiguous ban. This gradual method mirrors the Qur'an's approach to prohibiting *khamr*, demonstrating a strategic progression aimed at transforming societal norms while preserving clarity and divine intent.

The Circumstances of Revelation (Asbāb al-Nuzūl) of the Verses on Riba

Understanding the context of revelation (*asbāb al-nuzūl*) behind the verses that prohibit *riba* is essential for a foundational comprehension of the Qur'anic discourse on this topic. Interpreting the concept of *riba* requires knowledge of the circumstances that led to its prohibition. Numerous historical reports describe the socio-economic background of these verses, particularly Surah al-Baqarah [2]:275–279 and Āli 'Imrān [3]:130–131. Some Qur'anic commentators, including al-Ṭabarī, explain that the revelation of Surah al-Baqarah, particularly verse 275, is linked to a lending practice involving 'Abbās ibn 'Abd al-Muṭṭalib—the Prophet Muhammad's uncle—and Khālīd ibn al-Walīd. They had reportedly entered into lending agreements with members of the Thaḳīf tribe from the clan of Banū 'Amr, accumulating considerable wealth through such transactions before the advent of Islam.

Another narration mentions that Banū 'Amr ibn 'Umayr ibn 'Awf engaged in riba-based dealings with the Banū Mughīrah. When the debt matured, a representative was sent to collect payment from Banū Mughīrah, but they initially refused to settle the debt. This situation was brought to the Prophet's attention, and he responded by saying: "Forgive them, or they will face severe punishment from Allah." Regarding the prohibition mentioned in Āli 'Imrān [3]:130–131, al-Ṭabarī and others narrate from 'Aṭā' that both Banū Thaḳīf and Banū Mughīrah were known for their moneylending activities. A representative from Banū Thaḳīf once demanded repayment with the condition that, if the debt was not paid immediately, an extension would be granted only if the borrower agreed to pay more. (Rasyid Riḍā, Tafsīr al-Manār, vol. IV)

Mujāhid reported that, during the pre-Islamic period (*Jāhiliyyah*), if someone owed a debt, the borrower would propose, "Increase the amount, and I will extend the payment." The creditor would then allow more time. Other sources show that in pre-Islamic Arab society, it was common for debt payments to be doubled or increased based on the length of the deferment. Borrowers were often forced to repay the principal amount along with an additional charge that grew depending on how long they delayed repayment. The longer the delay, the greater the extra amount demanded, and this became a condition for further deferment.

The Historical Background of Riba Verses

According to Abdullah Saeed (2004), before explicitly addressing the prohibition of riba, the Qur'an had already condemned other forms of social injustice and sinful behavior. These prohibitions had significant impacts on the socio-economic practices of the Meccan society, which often caused harm and exploitation. The Qur'an called on the people of Mecca to support the poor and orphans, warning those who neglected prayer and ignored the needs of the vulnerable that they would face the torment of Hell. Furthermore, it emphasized that the poor have a rightful share in the wealth of the rich (Qur'an, al-Ma'ārij [70]: 24–25), and that punishment would befall those who failed to assist the needy (Qur'an, al-Ḥāqqah [69]: 34).

The allocation of resources to support the poor is a recurring principle throughout the Qur'an. The foundation of Islamic ethics was reinforced by its call to

voluntarily share wealth through gifts and charity. If direct giving fails to address the need, then interest-free lending—*qardh al-ḥasan* (a benevolent loan given out of goodwill)—is encouraged as an alternative (QS, al-Baqarah [2]: 245). This type of loan is intended to provide relief, not to exploit. The Qur'an clearly frames *qardh al-ḥasan* as a transaction based on sincerity and moral responsibility, where the recipient is typically someone in genuine need (al-Mā'idah [5]:12; al-Ḥadīd [57]:11; al-Kahf [18]; al-Taghābun [64]:17).

The Qur'an also instills ethical principles concerning the repayment of loans. It emphasizes fairness by encouraging repayment of the exact principal without additional burden. Moreover, it encourages creditors to offer ease—or even full forgiveness—of debts, especially if they have the financial capacity to do so. This is clearly reflected in the verse: “But if the debtor is in hardship, then let there be postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew.” (QS. al-Baqarah [2]: 280). Overall, the Qur'anic message shows deep concern for the vulnerable, highlighting the importance of meeting their financial needs without exacerbating their struggles. These guidelines suggest that financial assistance, including loans, was meant to fulfill basic human necessities—not to become a tool for oppression. This ethical and humanitarian emphasis resonates with the *Tafsir Amali* (applied exegesis) paradigm, which shifts the interpretive framework from a purely theocentric approach to an anthropocentric one. By centering human welfare, dignity, and social justice as core objectives of Qur'anic interpretation, this paradigm underscores that the prohibition of *riba* and the call for equitable financial conduct are not merely theological directives but practical responses to human suffering and socio-economic realities. (Fatah and Karim, 2021)

The Meaning of Riba in Toshihiko Izutsu's Semantic Analysis

First, the Basic Meaning: In Izutsu's semantic approach, the word *riba* (ربا) lexically derives from the root ر ب و (r-b-w), which means “to increase,” “to rise,” or “to grow.” This meaning is morally neutral and does not yet carry any legal or ethical connotations. Second, the Relational Meaning: According to Izutsu, the meaning of a Qur'anic term is shaped by its syntagmatic and paradigmatic relations—that is, by how the word is used in connection with other words. Syntagmatic Relations: In the Qur'an,

riba is often associated with words such as البيع (*al-bayʿ*, commerce), الزكاة (*zakaʿat*), and الشيطان (Satan). These associations suggest that riba is linked to exploitation and injustice. Paradigmatic Relations: Riba stands in opposition to concepts like zakat, ṣadaqah (voluntary charity with spiritual value), and fair commercial transactions.

These contrasts show that riba represents a deviation from ethical economic behavior. Third, Theological Meaning and Qur'anic Worldview: From the Qur'anic perspective, riba is not merely a harmful financial practice—it disrupts the moral and social order. Riba is prohibited because it generates inequality, oppression, and greed. Izutsu asserts that in the Qur'an, the meaning of key terms is not purely linguistic but deeply embedded in Islamic moral values. (Derhana Bulan, 2019) Toshihiko Izutsu's semantic method has made a significant contribution to Qur'anic studies by uncovering the deeper meanings of key terms through their internal relations and contextual use within the text. His approach allows for a more structured and objective interpretation of the Qur'an, helping to reveal the integrated ethical framework within the Islamic worldview. (Anis Ro Hidayah and Alfiatul Hasanah, 2018)

Scholarly Debates on the Meaning of Adhāfan Muḍhāʿafah

The true meaning of riba has long been a subject of scholarly disagreement since the early days of Islam. Even Caliph ʿUmar ibn al-Khaṭṭāb once expressed his regret that the Prophet passed away before fully elaborating on the concept of riba (Algaoud, Latifa. 2003). The Qur'an unequivocally condemns riba in all its forms. In Surah al-Baqarah (2:279), Allah affirms that if one sincerely repents and abandons riba, they are entitled only to the principal amount without any excess. This verse stresses justice in financial transactions and forbids unjust enrichment. As a result, the majority of scholars maintain that riba encompasses not only explicit riba but also modern interest in all its forms.

However, some modern scholars argue that only specific types of riba are prohibited. The term riba appears eight times across four Qur'anic chapters, three of which were revealed after the Prophet's migration to Medina (Madani), and one during his Meccan period (Makki). The Makkan verse (al-Rūm 30:39), although using the term riba, is understood by most scholars not to refer to the forbidden form but to an act of

giving with the expectation of a future return. The main site of scholarly contention lies in Surah Āli ‘Imrān (3:130–131) and al-Baqarah (2:275–279), especially regarding the expression *adhāfan muḍā‘afah* (compounded interest). Scholars have proposed two main interpretations: One group argues that this phrase simply describes the common practice of pre-Islamic Arabs and does not serve as a legal condition for the prohibition of *riba*. Another group insists that the "compounding" element is a criterion that qualifies the prohibition. Muḥammad Rashīd Riḍā maintained that the *riba* condemned by the Qur’an refers specifically to excessive or compounded interest, where debt would multiply upon deferment—a common practice in Jāhiliyyah. Al-Qur’an denounced this mentality in verses such as:

“And if someone is in hardship, then let there be postponement until [a time of] ease. But if you give [from it] as charity, it is better for you, if you only knew.” (QS.al-Baqarah[2]:280)

Muhammad ‘Abduh (d. 1905) also believed that not all interest is forbidden. According to him, only interest that is repeatedly compounded upon deferment—known as *adhāfan muḍā‘afah*—was prohibited. An initial increase might be tolerated, but further increases upon extended deferment were not. (Saeed, 2004) In Tafsīr al-Manār, Riḍā explains that *al-ribā* in Qur’an 2:275 refers to compounded interest, echoing its usage in 3:130. This view is based on three arguments: Lexical repetition of *al-ribā* indicates that the meaning remains consistent across both verses. Unqualified prohibition in 2:275 supports the conditional phrase in 3:130. The Qur’anic discourse consistently juxtaposes *riba* with *ṣadaqah*, *infāq*, and *ẓulm* (oppression), implying ethical and moral violations. Ibn Qayyim and ‘Abd al-Razzāq al-Sanhūrī likewise supported this view, suggesting that only compounded interest (*riba muḍā‘afah*) is categorically forbidden, while minimal interest may be tolerated based on contextual analysis of pre-Islamic practices narrated in Tafsīr al-Ṭabarī. Al-Ṭabarī describes scenarios in which creditors would demand increased payments in return for deferment—this, he explains, is the *riba* Allah forbade.

Contrary to this view, another group of scholars maintains that *adhāfan muḍā‘afah* in 3:130 merely illustrates a prevalent practice, not a limitation. Thus, the prohibition in 2:275–279 is comprehensive and absolute, encompassing all forms of excess over the principal, regardless of the amount or structure—fixed, variable, or

compound. Al-Jaṣṣāṣ (d. 370 AH), a Ḥanafī jurist, asserted that Qur'an 2:275–279 forbids all forms of riba. Similarly, al-Qurṭubī (d. 671 AH) held that *adhāfan muḍā'afah* reveals the brutality of riba al-nasī'ah (deferred interest) but does not imply permissibility of smaller increases. Al-Shawkānī aligned with this view, rejecting any restriction based on the amount of interest.

Al-Shābūnī explicitly refuted the notion that only compounded riba is forbidden. He stated that: The compounded interest clause was pedagogical, targeting pre-Islamic audiences. Islamic consensus (ijmā') affirms the prohibition of riba in all quantities. Since even a small excess can escalate, the principle of *sadd al-dharā'i'* (blocking means to harm) applies. Quraish Shihab also rejected the idea that small or limited riba is permissible. He emphasized that the continuation of verse 2:279 not only instructs Muslims to avoid all remnants of riba, but also warns that defiance constitutes an open declaration of war against Allah and His Messenger:

“But if you repent, you may retain your principal—thus, you do no wrong, nor are you wronged.” (QS.al-Baqarah[2]:279)

At its core, the debate on riba revolves around this principle, serving as a foundation for evaluating modern lending practices (Saeed, 2004). This debate over *adhāfan muḍā'afah* becomes particularly significant in analyzing debt-based financing in contemporary banking. One position argues that conventional banks, even those charging “modest” or “non-compounded” interest, do not fall under the Qur'anic definition of riba. The opposing view asserts that any form of interest is prohibited, thus necessitating the establishment of interest-free (Islamic) financial institutions. This paper supports the view that *adhāfan muḍā'afah* illustrates a specific pre-Islamic practice intrinsically tied to riba. Consequently, any imposition of interest on principal—no matter how small—if capable of growing over time, falls under riba. Conventional banking has institutionalized this mechanism, often disadvantaging borrowers through compounding structures. Similarly, if Islamic banking operates superficially—failing to uphold principles of *ta'āwun* (cooperation), justice, and equitable risk-sharing—it risks replicating the same injustices riba was meant to eliminate.

Interpreting the Phrase Lā Tazlimūna wa Lā Tuzlamūna in the Riba Verse

The phrase *lā tazlimūna wa lā tuzlamūna* (لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ), found in Surah al-Baqarah [2]:279, is pivotal in understanding the ethical foundation of the Qur'anic prohibition of *riba*. Literally translated as “so that you do not wrong others and you are not wronged,” this phrase encapsulates the Qur'an's vision of justice and mutual fairness in economic transactions. In the context of *riba*, the phrase serves as a divine injunction to avoid any form of exploitation. It warns both creditors and debtors: creditors must not take advantage of the debtor by demanding unjust increases beyond the principal, while debtors must also fulfill their obligations and not wrong the lender by withholding repayment unjustly. Thus, the command represents a moral equilibrium—one in which neither party inflicts harm nor suffers from injustice. This highlights the Qur'an's broader economic philosophy, which upholds justice (*‘adl*) and rejects all forms of economic oppression (*ẓulm*). The phrase underscores that the prohibition of *riba* is not merely a legal or financial regulation, but a moral and spiritual stance against any imbalance or coercion in socio-economic relations.

Contemporary Muslim scholars hold differing views on whether the *riba* prohibited in the Qur'an also applies to interest charged by modern banks. This disagreement appears to stem from a central issue: whether to focus on the reason behind the prohibition of *riba*—particularly its element of injustice—or to adhere strictly to the legal definition of *riba* in Islamic jurisprudence. Modernist thinkers generally align with the first perspective, while neo-revivalist scholars prefer the second. Modern intellectuals such as Fazlur Rahman (1964), Muhammad Asad (1984), Sa'id al-Najjar (1989), and Abd al-Mun'im al-Namir (1989) often prioritize the moral dimension of the prohibition on *riba*, relegating its legal form, as interpreted by many classical jurists, to a secondary status. Some argue that the Qur'anic prohibition is justified by the phrase *lā tazlimūna wa lā tuzlamūna* (“do not oppress, and do not be oppressed”). They also refer to classical scholars such as al-Razi, Ibn al-Qayyim, and Ibn Taymiyyah to support this view. These scholars contend that the essence of the prohibition lies in the exploitation of the poor, rather than the concept of interest. What is condemned is any form of wealth accumulation that exploits the suffering of others.

Many writers following this line of thought tend to support certain forms of interest in conventional banking, while opposing others. (Saeed, 2004)

On the other hand, neo-revivalist scholars emphasize the fiqh-based legal concept of *riba* and argue that the Qur'an should be read literally, independent of pre-Islamic commercial customs. According to this view, *riba* must be interpreted strictly based on the Qur'anic injunction to return only the principal amount of a loan, thus prohibiting lenders from claiming any excess over the original sum. The prohibition of interest in financial matters necessitates the development of alternative institutional instruments, such as Islamic banking, which adopts profit-and-loss-sharing principles (*mudarabah* and *musharakah*) and other contract-based investment structures in accordance with sharia. Within the framework of Islamic commercial law, all forms of partnership and business entities are founded upon capital contribution and shared risk in the pursuit of profit. *Mudhārabah* and *musyārahah* are two of the most applicable instruments in profit-sharing schemes within Islamic finance practices.

Riba and Its Impact on Financial Crises

Riba is often considered one of the major contributing factors to economic crises. According to Agustianto, interest-based lending forms the cornerstone of the capitalist economic structure. The Qur'an does not address this issue merely from a microeconomic or individual perspective, but rather examines it within a broader macroeconomic framework, emphasizing its detrimental impact on national economic stability. In a capitalist system, interest rates set by financial institutions function as a central tool in regulating monetary activity, affecting nearly every aspect of the economy—from domestic transactions across various sectors to international trade activities. He argues that the *riba*-based economic system poses serious risks to the global economy. First, it has triggered recurring financial crises since the 1930s. (Hamidi, M. Luthfi. 2012)

Second, it exacerbates global economic inequality, concentrating wealth in the hands of a few while marginalizing the poor. Third, interest rates affect the real sector: their increase suppresses investment and production, which in turn leads to higher unemployment. Fourth, economic theories suggest that interest rates significantly

contribute to inflation, directly weakening people's purchasing power. Fifth, *riba* practices have trapped many developing countries in a persistent debt cycle (the “debt trap”), making it difficult for them to pay even the interest, let alone the principal. Sixth, in Indonesia, interest payments—both from government bonds and Bank Indonesia Certificates—continue to burden the national budget (APBN), contributing to the recurring budget deficit.

The banking crisis has become more complex—not only due to interest-based practices but also because of banks' involvement in speculative activities. Ideally, banks should prioritize financing small and medium-sized enterprises (SMEs), which are key drivers of employment. However, according to Joseph Stiglitz, banks in the U.S. and many other countries tend to focus more on pursuing high profits through speculative derivative instruments that resemble gambling. (Hamidi, M. Luthfi, 2012)

To replace *riba* (interest) and elements of uncertainty (*maisir*) in financial institutions based on Islamic principles, various sharia-compliant contracts are used in both fund mobilization and financing. These include profit-sharing contracts such as *muḍārabah* and *mushārah*, trading contracts like *murābahah*, purchase contracts like *salam* and *istisnā'*, and leasing contracts such as *ijārah*, among others. These contracts not only serve as symbolic alternatives to the interest-based system but also play a vital role in supporting overall economic stability and growth. The replacement of *riba*-based instruments with these contracts is grounded in principles aligned with Islamic economic values. These contracts are fundamentally underlying transactions, involving real goods or the real sector. Through this mechanism, it is expected that money circulation aligns with real economic activity, creating a balance between monetary flows and goods/services. Such policy harmonization is crucial for maintaining national economic stability, controlling inflation, and avoiding overvalued market conditions that lack strong fundamentals. An imbalance between monetary growth and real sector expansion can lead to inflation and economic bubbles which, when burst, may cause financial crises.

The profit-sharing financing models of *mushārah* and *muḍārabah* require that collected funds be allocated to productive economic activities, since returns for both investor and entrepreneur only arise from real business ventures. Similarly, *murābahah*

ideally involves the buying and selling of tangible goods. This type of transaction supports production, job creation, and promotes entrepreneurship. In contrast, lending without a link to the real sector risks being channeled into unproductive or speculative activities. The societal impact of riba is also evident in psychological studies. A 2015 survey by the American Psychological Association (APA) revealed that 72% of Americans experience stress due to financial issues—a condition considered normal given the central role money plays in human life. Another survey by Credit Sesame (2020) on debt found that 79% of respondents reported negative psychological effects, including anxiety (49%), shame (46%), anger (30%), and confusion (16%). Only a small fraction (8%) reported positive feelings, such as pride, happiness, empowerment, or general well-being, while 13% felt no emotional impact. These surveys illustrate that financial problems—particularly debt—have a profound psychological effect across generations, with overwhelmingly negative consequences. In reality, the Qur'an presents trade (*bay'*) as a lawful and viable alternative to riba. Thus, the core objective of Islamic contracts is to ensure equilibrium between the monetary and real sectors. Over-reliance on the monetary sector risks inflation and economic bubbles, which—if they burst—can precipitate a financial crisis.

Conclusion

Based on the previous explanation, it can be concluded that Islamic jurists unanimously agree that the practice of riba is prohibited, with its foundation firmly rooted in several explicit and systematically arranged Qur'anic verses—particularly Surah Āli 'Imrān (3):130 and Surah al-Baqarah (2):275–281. However, there are varying interpretations regarding the term *adh'āfan muḍā'afah* in Surah Āli 'Imrān. The prohibition of riba even appeared earlier than the prohibition of other immoral behaviors that also negatively affect social life. In addition, the Qur'an explicitly promotes care and concern for vulnerable groups, such as the poor and orphans, within the framework of social responsibility. The prohibition of riba in the Qur'an is inseparable from the aim of maintaining business order and economic justice. A riba-based economic system tends to disregard real-sector transactions, thereby triggering economic inequality, in which capital owners are continuously favored while business actors remain in weak positions. At the macroeconomic level, the practice of riba leads

to a decline in investment, an increase in unemployment, and pushes developing countries into inescapable debt traps.

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