



اَبُو رَسِيْدِيْ يٰسَيِّدُوْلَوَدِيْ يٰمَنَّا
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**ASSESSMENT: USURY (RIBA) IN THE FINANCIAL SYSTEM IN
MALAYSIA**

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STUDENT DECLARATION

بسم الله الرحمن الرحيم

We hereby acknowledge that in fact all the work in the preparation of this academic work is the result of our own efforts and works except as expressly stated.

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ABSTRACT

This paper examines the concept of usury in Islamic finance and its ethical implications. The purpose of this study is to explore various interpretations of riba (usury). Using literature review and case studies, this study analyzes various types of riba (usury) and their historical and cultural context. The study also examines the debate on usury including whether it refers to all forms of usury or just the interest charged on loans. This study also discusses the hot issue regarding usury. This study concludes with a proposal to eliminate usury in Islam and prevent usury from happening in life.

1.0 INTRODUCTION

In Islamic finance, the term "riba" refers to the outlawry of interest or usury. According to the (LAWAL, 2016) riba is an Arabic word which means increase or excess. It is a concept that has its roots in Islamic law, which prohibits the charging or paying of interest on loans. Riba is viewed as exploitative and unfair since it places a cost on the applicant while gaining the lender unfairly beneficial terms. Instead, Islamic banking places a strong emphasis on the distribution of profits and risks among the parties to a financial transaction.

Riba was prohibited by Islam because of its harmful effect on the personal, social, and economic life of people, it is also considered dishonorable, disrespectful, uncharitable, unjust and the source of many evils (Sidi Attahiru, n.d, 2022). Islamic finance provides an alternative to traditional finance by placing a strong emphasis on the distribution of rewards and risks among the participants to a financial transaction. In Islamic finance, profit and loss sharing, in which the lender shares in the gains or losses of the borrower's business, is the preferred method of financing.

Moreover, the defense of Riba or Usury is that money should only be obtained via the sale of goods and services, not by exercising control over the money supply. There is no fundamental value to money. Money has no intrinsic utility(LAWAL, 2016). Money has no importance other than as a medium of transaction. Since they produce wealth without value, such trades without accompanying services are considered usury. This view informs Islamic finance, resulting in the development of tools that follow Islamic standards.

The purpose of this research is to examine the concept of usury, or riba, in Islam, as well as the many forms of usury and its historical relevance. Along with examining contemporary problems in Islamic banking and finance, it will also examine Shariah and legal concerns associated with Islamic loans and home purchases in Malaysia. This research intends to continue the discussion on the current issue in Islamic banking and finance.

2.0 STUDY METHODOLOGY

The methodology of this study is to use the approach of library studies through the analysis of the full documentation. Authoritative reference sources such as PhD studies, Masters, journals, seminar papers, books have been selected as primary references. The documents used are from printed and electronic reference sources taken from authoritative websites such as ResearchGate, Google Scholar, digital library repositories and others.

While the search for reference sources is based on websites such as Berita Harian website, JAKIM, State Islamic Religious Council, Mufti blogs and Islamic scholars, magazines, journals, encyclopedias, newspapers, brochures, annual reports of departments and other blogs are also selected as secondary reference sources.