

AN INTEREST-FREE ECONOMY: ADDRESSING THE CHALLENGES OF THE TIMES AMID THE RISE OF ONLINE LENDING AND HIGH INTEREST RATES

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Received : 01 May 2023

Revised : 14 May 2023

Accepted : 29 May 2023

Published : 30 June 2023

DOI : <https://doi.org/10.54443/ihert.v5i1.468>

Link Publish : <https://proceeding.uneconference.org/index.php/IHERT>

Abstract

The widespread emergence of high-interest online lending (commonly known as pinjol in Indonesia) has raised significant economic, social, and spiritual concerns within society. Conventional financial systems, which are fundamentally based on interest (riba), are increasingly seen as contributors to economic injustice, social disparity, and structural exploitation, particularly among vulnerable groups. This paper examines the Islamic economic system as a comprehensive and value-based alternative to build a riba-free economy that is just, inclusive, and sustainable. Using a qualitative-descriptive approach, the study explores core Islamic principles such as ‘adl (justice), amanah (trust), maslahah (public welfare), and the prohibition of riba, positioning them as essential foundations for responding to the contemporary financial crisis driven by consumerism and digital debt traps. Furthermore, the research analyzes the mechanisms of pinjol operations, the socio-economic impacts on low-income communities, and proposes practical strategies to strengthen Sharia-compliant financial systems through technological innovation and financial literacy campaigns. The findings suggest that the implementation of a riba-free economic model is not only feasible but urgently necessary in today’s digital era. By reorienting financial behavior toward ethical and spiritually conscious values, the Islamic economic system offers a transformative framework capable of addressing the root causes of financial injustice and promoting holistic well-being

Keywords: *Riba, Online Lending, Islamic Economics, Economic Justice, Sharia Financial Literacy.*

1. INTRODUCTION

The advancement of digital technology has undoubtedly brought unprecedented convenience to financial transactions. However, it has also introduced new challenges—one of the most concerning being the rise of high-interest online lending platforms (pinjol), which have entrapped countless individuals, particularly in lower-income communities, in cycles of debt and financial distress. These platforms often operate with minimal transparency and exploit regulatory loopholes, aggressively targeting vulnerable users with enticing offers, only to impose exorbitant interest rates and harsh repayment terms. Within this context, the conventional economic system is increasingly criticized for its failure to provide financial justice and protection, especially for the marginalized. At the heart of this failure lies the acceptance—and institutionalization—of riba (interest), a practice Islam unequivocally condemns. As outlined in Surah Al-Baqarah (2:275–279), riba is not only unjust but spiritually destructive, enriching a few while oppressing many. It fosters inequality, destabilizes communities, and contradicts the principles of ethical wealth distribution. In contrast, the Islamic economic system emerges as a systemic and spiritually grounded alternative. It is more than just a financial framework—it is a value-based paradigm rooted in divine principles such as justice (‘adl), trustworthiness (amanah), and the pursuit of public welfare (maslahah). By rejecting interest and emphasizing equitable, transparent, and accountable economic practices, the Islamic economy aims to restore balance and dignity in financial interactions. In an era marked by widespread financial exploitation and ethical decline, especially in the fintech sector, it is imperative to revisit and reconstruct economic systems based

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on Islamic values. A riba-free economy does not merely address the technical dimensions of financial injustice—it offers a transformative path toward ethical, inclusive, and spiritually fulfilling development for all members of society.



2. RESEARCH METHODS

This study adopts a **qualitative approach** using **descriptive-analytical methods** to examine the conceptual and practical dimensions of interest-based financial systems and compare them with Islamic economic alternatives. The qualitative method is chosen for its strength in exploring normative frameworks, value systems, and ethical implications, especially those rooted in Islamic jurisprudence and financial practices. Data for this study are primarily collected through **literature review** of scholarly articles, classical Islamic sources (such as fiqh muamalah), as well as **regulatory documents** issued by financial authorities including the Otoritas Jasa Keuangan (OJK) and the Dewan Syariah Nasional–Majelis Ulama Indonesia (DSN-MUI). Additionally, empirical reports, media publications, and recent studies that highlight the **socio-economic impacts of digital lending (pinjol)** on communities particularly those with low income are incorporated to enhance the contextual relevance of the analysis.

The method also includes a **comparative analytical framework** to identify the distinctions between riba-based economic systems, which often promote profit maximization without ethical boundaries, and Sharia-based models that prioritize fairness (‘adl), trust (amanah), and public welfare (maslahah). The objective is to critically assess how the Islamic economic system can offer a just and sustainable alternative in response to exploitative financial practices, especially in the rapidly evolving digital finance landscape. In order to support this comparative analysis, the study also examines **case examples** of Sharia-compliant financial institutions, digital fintech platforms operating under Islamic principles, and community-based microfinance models (qardhul hasan, zakat-based financing, and Islamic cooperatives). These examples are evaluated to demonstrate both the **applicability and challenges** of implementing riba-free financial systems in a modern, technology-driven environment. Overall, this methodology provides a robust foundation to explore how Islamic economics can function not only as a theoretical ideal but also as a **practical solution** for the growing financial and ethical crisis brought about by conventional high-interest lending systems.

3. DISCUSSION

3.1. Riba and Its Impact in the Digital Era

Riba (interest) is not merely an individual financial issue it has far-reaching structural consequences that perpetuate economic inequality and systemic exploitation. In the digital era, the proliferation of high-interest online lending platforms (**pinjol**) has become a pressing concern. These platforms often offer easy and fast access to loans, targeting economically vulnerable communities, but impose excessive interest rates that lead borrowers into long-term debt traps. The ripple effects of **riba**-based lending include rising household debt, psychological stress, broken families, and decreased social mobility. From the Islamic economic perspective, such practices are not only harmful but categorically unjust (**zalim**), and thus, strictly prohibited. Islam views **riba** as a mechanism that enriches the wealthy at the expense of the poor, violating the core values of social justice and mutual benefit. The Qur'an explicitly condemns **riba** in multiple verses (e.g., Surah Al-Baqarah: 275–279), equating it to a form of warfare against God and His Messenger. In this light, **riba** is more than an economic problem it is a spiritual and ethical crisis that demands systemic reform.

3.2. Islamic Economic Principles as a Solution

Islamic economics offers a value-based solution to the **riba** crisis through its foundational principles, which are designed to ensure fairness, mutual cooperation, and societal welfare. Some of the core principles include:

- **Prohibition of Riba:** Islam strictly forbids any form of interest-based transaction that results in unjust enrichment. All financial dealings must be free from elements of exploitation and excessive uncertainty (**gharar**).
- **Maslahah (Public Welfare):** All economic activities must aim to serve the common good. The concept of **maslahah** ensures that financial systems prioritize the well-being of the community and prevent harm.
- **Amanah (Trust) and 'Adl (Justice):** Ethical responsibility and justice must be at the heart of every transaction. Financial institutions and individuals alike are required to uphold honesty, fairness, and transparency in dealings.
- **Hisbah (Moral Oversight):** Inspired by historical Islamic governance, **hisbah** refers to a regulatory mechanism that oversees market practices, ensures compliance with ethical norms, and protects consumers from fraud and exploitation. In modern terms, this function aligns with financial regulatory bodies that enforce Sharia compliance.

These principles are not merely theoretical—they are intended to shape institutional structures and guide financial behavior at all levels of the economy.

3.3. Islamic Financial Literacy and Innovation

A critical component of implementing a **riba**-free economic model is enhancing **Islamic financial literacy**, particularly among the younger generation and tech-savvy digital users. Despite the growth of Islamic finance, a significant portion of the Muslim population remains unaware of Sharia-compliant financial products and services. This knowledge gap often leads consumers to engage in conventional lending out of necessity or ignorance. Therefore, it is essential to intensify **education and awareness campaigns** that explain the harms of **riba** and the benefits of Islamic finance. This includes integrating Islamic economics into school curricula, organizing community outreach programs, and promoting responsible financial behavior based on Islamic values. In parallel, there must be an expansion and strengthening of **Sharia-compliant financial technologies (Islamic fintech)**. Innovative platforms such as **peer-to-peer lending**, **crowdfunding** based on **mudharabah** or **wakalah**, and digital **zakat** and **qardhul hasan** services can provide ethical alternatives to conventional **pinjol**. By leveraging technology, these platforms can offer transparency, low risk, and equitable financing for small businesses and individuals, especially in underserved communities. Ultimately, the combination of **strong Islamic financial literacy** and **digital innovation** holds the potential to dismantle the dominance of exploitative lending systems and replace them with inclusive, equitable, and spiritually grounded financial solutions.

4. CONCLUSION

The emergence and rapid growth of high-interest online lending services (**pinjol**) pose a significant threat

to the economic stability and well-being of society, particularly among low-income and financially uneducated populations. These digital debt traps exploit economic vulnerability and create long-term financial dependency, often leading to social disintegration, mental health issues, and spiritual emptiness. Islam, through its comprehensive prohibition of *riba* and the promotion of justice, transparency, and social welfare in all financial dealings, offers not only a spiritual guidance but also a practical economic solution to these challenges. The Islamic economic system is uniquely positioned to address the root causes of financial exploitation by fostering a value-driven model that prioritizes ethical finance, equitable wealth distribution, and community empowerment. However, the transformation toward a *riba*-free economy cannot be achieved in isolation. It requires **collaborative efforts** from multiple stakeholders, including government policymakers, Sharia-compliant financial institutions, educational institutions, community leaders, and the general public. Governments must create supportive regulatory frameworks, while Islamic financial institutions must innovate and expand accessible, technology-driven solutions that align with Sharia principles.

Equally important is the **promotion of Islamic financial literacy**, especially among youth and digital users, to empower them with knowledge and ethical awareness in managing their finances. When combined with modern financial technologies and strengthened moral consciousness, Islamic economics has the potential to guide societies away from exploitative financial systems and toward a more just, inclusive, and spiritually fulfilling economic future. In conclusion, building a ***riba*-free economy** is not merely a religious aspiration; it is an urgent socio-economic imperative. With the right vision, commitment, and integration of ethical principles into financial practices, the Islamic economic system can serve as a transformative force in confronting the digital debt crisis and achieving true economic prosperity grounded in divine values.

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