

Enhancing Public Awareness of the Prohibition of Riba Transactions: Collaborative Education Project with Al-Hidayah Study Group in Ngasem Village, Central Java

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ABSTRACT

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The lack of information among the community regarding guidelines for avoiding riba transactions has become an urgent issue, mainly due to its contradiction with Islamic principles. This project, conducted in collaboration with the local community, specifically the Al-Hidayah Study Group in Ngasem Village, Colomadu District, Karanganyar Regency, Central Java, aims to address this challenge. The target audience for this project comprises 50 participants who will undergo a pre-test to assess their basic understanding of riba transactions, followed by a post-test to measure changes in their comprehension after the educational activities. The primary objective of this project is to enhance the public's knowledge about the prohibition of riba transactions and its consequences in both the economic and societal contexts. Through educational activities, participants will learn about alternative financial practices aligned with Islamic teachings and grasp the significance of avoiding riba in their daily lives. The project's success will be determined by evaluating the changes in participants' knowledge and attitudes towards riba transactions before and after the educational interventions.

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1. Introduction

Usury transactions are a form of financial practice contrary to Islamic principles. The term riba comes from Arabic, which means "addition," "multiplication," or "increase." In general, riba is an increase or profit derived from borrowing money or assets at an unfair or unfair interest rate or price.

In the Qur'an, the usury transaction is considered a great sin and a very undesirable act. In Surah Al-Baqarah verses 278-279, Allah Almighty. Declares: "For if you do it not, then know that you are at war with God and His Apostle. However, if you repent, you shall be entitled to [the return of] your principal. You will do no wrong, and neither will you be wronged."

In Islam, usury transactions are forbidden because they negatively impact the economy and society[1]. The practice of usury can trigger significant social injustice and inequality because it allows the rich to take advantage of the poor. In addition, usury can trigger uncontrollable debt due to interest that continues to accrue over time and lead to bankruptcy [2].

Therefore, people must understand how important it is to avoid usury transactions in their daily lives[3]. However, unfortunately, many people still do not understand the importance of staying away from usury and still often conduct usury transactions.

The Indonesian Ulema Council (MUI) has issued a fatwa on usury in Indonesia. The fatwa states that riba is forbidden in Islam and usury perpetrators should be sanctioned. Therefore, people need to understand and implement this MUI fatwa in their daily lives. Riba is a financial transaction that is prohibited in Islam because it is considered detrimental to one of the parties to the transaction. However, many still need to understand usury and its adverse effects on the economy and social life of the community. In addition, in the digital era like today, many people conduct financial transactions online or using credit cards, thus further expanding the possibility of usury transactions [4].

Therefore, it is necessary to conduct counseling and socialization about the prohibition of riba transactions in Islam so that people understand and avoid the practice of riba in daily life. This counseling aims to increase public awareness about the adverse effects of riba on the economy and social life of the community and provide alternative solutions by Islamic Sharia principles in conducting financial transactions[5].

In addition, counseling and socialization are also necessary, considering the need for more public information about the prohibition of riba and the lack of understanding of Islamic financial transactions. This causes people to easily fall into the practice of usury without realizing its adverse effects. With this counseling and socialization, it is hoped that the public will be more concerned about financial transaction practices in accordance with Islamic Sharia principles and be able to make the right decisions in conducting financial transactions[6].

In addition, socialization and counseling on the prohibition of usury transactions are also essential to support government programs in encouraging sustainable and equitable economic growth. Indonesia has great potential to develop the Islamic economic sector as a country with a majority Muslim population. In this sector, prohibiting usury is one of the main principles that must be upheld. Therefore, this counseling and socialization is expected to encourage sustainable and equitable sharia economic growth in Indonesia.

In the global context, the Islamic economic sector is also growing and has excellent potential in the world economy. In such a situation, Indonesia, as a country with a majority Muslim population, has a great opportunity to become a significant player in the development of the Islamic economy. However, to become a significant player in this sector, Indonesia must strengthen public understanding of Islamic economic principles, including the prohibition of usury. Therefore, counseling and socialization on the prohibition of riba transactions can also help Indonesia strengthen its position in the global Islamic economic sector [7]–[9].

The community's need for counseling on the prohibition of usury transactions is critical, especially for people who still do not understand the dangers of riba and its adverse effects on their finances and lives. Some of the situation analyses that can be identified related to the community's need for counseling on the prohibition of usury transactions include:

1. **Low Understanding of Riba:** Many people still need to understand the concept of usury, its types, and its adverse effects on finance. This is due to the need for more accurate information and understanding about usury, so they tend to fall into the practice of usury without realizing its adverse effects.
2. **Technology Development:** In today's digital era, financial transactions are increasingly easy to do online without the need to go through complicated procedures. However, this also allows irresponsible parties to conduct usury transactions illegally. Therefore, the need for usury counseling is becoming increasingly important to avoid the practice of riba in the digital age.
3. **Community Economic Conditions:** The unstable economic conditions of society can make people tend to look for easy ways to earn money, including through usury practices. Therefore, it is necessary to conduct counseling so that people can understand that the practice of usury will not solve their financial problems instead it will make things worse.

4. **Limited Access to Information:** Many people need more access to information regarding the prohibition of usury transactions and its impact, especially for people in rural or remote areas that are difficult to reach by extension workers or financial institutions.

From the four situation analyses above, the community's need for counseling on the prohibition of usury transactions is still critical, especially in increasing public understanding of the dangers of riba and its adverse effects on their finances and lives. Therefore, a more structured and systematic effort is needed to raise public awareness about the prohibition of riba and its halal alternatives under sharia.

2. Method

This community service aims to provide counseling on the prohibition of usury transactions in everyday life[10]. In Islam, Riba refers to seeking additional profits from loan or debt transactions by charging interest. The purpose of this service is to increase public understanding of the concept of usury, its impact, and alternative solutions that are by Sharia principles[11].

I. Introduction to Riba

In this section, we briefly explain the meaning of usury, including the definition of riba from an Islamic perspective. Riba is explained as the activity of taking additional benefits or profits on loans of money or goods, which is unfair and contrary to the teachings of the Islamic religion.

II. The Impact of Usury in Society

In this section, we provide an overview of the negative impacts of the practice of usury in society, both from an economic and social point of view. With this counseling, the public can better understand the risks and losses arising from involvement in usury transactions.

III. Reconciliation on the Prohibition of Riba in Islam

In this section, we provide a detailed explanation of the prohibition of riba in Islamic teachings, including quotations from the Quran and Hadith that declare usury haram. We also illustrate how riba contradicts Islam's principles of justice and balance.

IV. Permitted Sharia Transaction Alternatives

This section presents several alternatives to sharia transactions that the public can use as a substitute for usury transactions. Some examples presented include mudharabah, musharakah, and murabahah. The explanations and advantages of each of these alternatives are explained in detail.

V. Case Studies and Testimonials

This section presents several case studies and testimonies from individuals or community groups who have switched from riba transactions to sharia transactions. Through their testimony, the message about the benefits and successes of avoiding riba can further convince the public to adopt financial practices that are by Sharia principles.

3. Results and Discussion

Interest and profit sharing delineate fundamental distinctions within financial paradigms, particularly in investment and lending contexts[12]. Interest, serving as a form of compensation for the use of borrowed funds, typically manifests as a percentage of the principal amount and is disbursed at regular intervals, such as monthly or annually. This remuneration is bestowed upon creditors to mitigate the risks of loaning capital. For instance, when obtaining a \$10,000 loan from a financial institution at an annual interest rate of 5%, the borrower is obligated to pay \$500 in interest annually over the loan's duration. Conversely, profit sharing epitomizes collaborative financial arrangements, often prevalent in Islamic finance or entrepreneurial endeavors. In such arrangements, profits or business outcomes are apportioned between the investing party, known as the "modalist," and the party utilizing the capital, termed the "mudharib," by a predetermined agreement. For example, should an individual invest \$10,000 in a friend's restaurant venture, with an agreed-upon provision stipulating

a 30% share of the restaurant's total monthly profits, a monthly profit of \$5,000 would yield a \$1,500 profit share (30% of \$5,000) for the investor. This dichotomy underscores the divergent mechanisms through which financial returns are realized, reflecting the nuanced dynamics inherent in interest-based lending and profit-sharing arrangements.

Interest-based lending mechanisms, prevalent in conventional financial systems, operate on the premise of compensating lenders for assuming the inherent risks of extending loans[13]. In contrast, profit-sharing arrangements embody collaborative ventures where stakeholders mutually participate in the financial outcomes of endeavors, fostering a sense of shared responsibility and equitable distribution of gains. Moreover, while interest payments remain fixed and predetermined, contingent upon the loan agreement, profit-sharing structures offer flexibility and responsiveness to varying business performances, with returns fluctuating with project profitability[14], [15]. This distinction underscores the ethical considerations inherent in financial transactions, with interest-based models often criticized for fostering inequality and perpetuating wealth disparities. At the same time, profit-sharing frameworks align with principles of fairness and partnership, promoting shared prosperity and equitable wealth distribution. Understanding the nuances between interest and profit sharing is pivotal in navigating the complexities of modern financial landscapes and fostering ethical financial practices conducive to sustainable economic development and social equity[16].

Furthermore, the divergence between interest and profit sharing extends beyond mere financial mechanics to encompass broader ethical and societal implications. Interest-based lending, while facilitating access to capital, has been criticized for perpetuating a cycle of debt dependency, particularly among marginalized communities, and exacerbating socioeconomic disparities. In contrast, profit-sharing arrangements reflect cooperation and mutual benefit principles, aligning with Islamic finance principles of risk-sharing and equitable wealth distribution. Profit-sharing models promote economic inclusivity and resilience by prioritizing collaborative ventures over transactional relationships, fostering stronger social cohesion and community empowerment[17]. Moreover, in Islamic finance, profit-sharing structures uphold Sharia principles of justice and ethical conduct, ensuring financial transactions are conducted in a manner that prioritizes societal welfare and ethical integrity. Thus, while interest-based lending remains prevalent in mainstream financial systems, the growing prominence of profit-sharing mechanisms underscores a paradigm shift towards more equitable and sustainable financial practices, emblematic of a broader societal movement towards ethical finance and responsible capitalism[18].

4. Conclusion

Counseling and socialization efforts on the prohibition of riba transactions in Islam highlight the urgency of a deep understanding of riba and its negative impact on economic and social life. Although the MUI's fatwa on riba has been issued, many still need to understand it thoroughly, especially in the context of growing digital financial transactions. This effort not only aims to increase public awareness about the dangers of usury but also to support sustainable and fair Islamic economic growth, both locally and globally, as well as provide alternatives that are in accordance with Sharia principles in conducting financial transactions.

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