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## The prohibition of usury and its impact on savings, poverty, unemployment and gross domestic product

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### Abstract

In today's world, the element of interest or "usury" cannot be separated from economic activities and is one of the factors of fluctuations and business cycles and an obstacle to economic development especially in third-world countries. There is no difference in Islamic law between usury and interest and there is no difference of opinion among Muslims that usury is prohibited in both the Quran and Sunnah. There are several reasons for the prohibition of usury in the Quran, namely Surah Ar-Rum, Surah An-Nisa, Surah Al-Imran, and Surah Al-Baqarah. Usury causes various evils such as moral, social, and economic evils. However, there are still those who disagree that even if interest is prohibited in Islam, non-usury banking institutions are not viable in the present world. An economic system without interest cannot be imagined. This research has focused on the criticism of usury and the potential effects of usury on poverty, unemployment, GDP, and savings. To summarize the concept of the prohibition of usury and its impact on poverty, unemployment, GDP, and savings, the researcher relied on the inductive-deductive approach. Therefore, this research recommends that an economy free of usury can positively affect the economy.

**Keyword:** Usury, savings, poverty, GDP, unemployment

### 1. Introduction

Riba is an Arabic word translated as "usury" or "interest" and refers to unequal exchanges or charges on borrowing that can result in the payment of interest (Van Houdt & Monsalve, 2022) <sup>[16]</sup>. The concept of Riba has attracted intense attention and has been studied by philosophers, religious scholars, legislators, administrators, and economists in relation to almost all its economic, social, ethical, and religious aspects (Tumiwa, *et al.*, 2022) <sup>[15]</sup>. This is because the traditional transaction theory considers Riba to be the backbone of the economy, while the Islamic transaction theory declares Riba to be destructive to the economy (Walsh, 2024) <sup>[17]</sup> and Islam prohibits the receipt or payment of interest on any form of lending or borrowing including but not limited to: bank account, loans taken for purchasing real estate, etc. (Tumiwa, *et al.*, 2022) <sup>[15]</sup>.

Islam has forbidden usury because of its harmful impact on people's personal, social and economic lives, and it is considered dishonest, disrespectful, uncharitable, unjust and a source of many evils (Eyerci, 2021). Accordingly, Levitin (2024) <sup>[5]</sup> classified the destructive element of usury as follows; (1) It is harmful to the borrower, the society and the economy in which he operates as the borrower pays interest to the lender regardless of the profit or loss in the economic activity for which he borrowed the money. If the profit of the business is less than the interest payment, or if there is a loss, the borrower still needs to pay the interest and may go out of business. (2) The lender is paid a fixed amount of interest. If the business is very good, the interest amount remains the same, so the lender cannot benefit from the high profits. (3) The allocation of resources in the interest-based system is inefficient because it is linked to the creditworthiness of the borrower and any collateral the borrower can provide rather than the productivity of the economic activity or the skills of the borrower.

Another toxic element of usury was highlighted by former Nigerian President Olusegun Obasanjo at the G8 Summit in August 2000, as reported by (Hoffmann *et al.*, 2021) <sup>[4]</sup>, who said: "All we borrowed until 1985 or 1986 was about \$5 billion, and we have paid about \$16 billion, and yet we are still told that we owe about \$28 billion.

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This \$28 billion came about because of unfair interest rates to foreign creditors. If you ask me what is the worst thing in the world? I would say it is compound interest.” Islam as a religion has a solution to all problems including usury and its related issues because it covers all aspects of human life. Islam is not only a faith of worship, but also a complete system that governs all rules, values, obligations, ethics and practices to ensure integrity and justice among human beings (Hoffmann *et al.*, 2021)<sup>[4]</sup>.

### 1.1 Importance research

The research gains its importance from the following considerations:

- The importance of the subject itself that the study examines, which is savings, poverty, unemployment, and the gross domestic product and the impact of usury on them.
- The research is related to a widespread phenomenon related to the lived reality.
- Clarifying the approach of the Holy Quran in treating usurious transactions and their economic effects on the individual, society, and the nation as a whole.

### 1.2 Research objectives

- Identify the meanings of usury and the difference between usury and interest.
- Deriving jurisprudential and economic rulings by presenting the Quranic verses related to usury.
- Explaining the negative effects of usury through the Quranic verses and the sayings of ancient and modern scholars on the prohibition of usury.

### 1.3 Research Methodology

The nature of the research and its objectives require the use of the inductive and deductive approaches, so that the researcher studies the verses that describe the prohibition of usury and its legislative progression, then the effects of unemployment, savings, poverty, and the gross domestic product of usury. Before that, the concept of usury was defined in language and terminology, unemployment, savings, poverty, and the gross domestic product in language and terminology, and evidence of the prohibition of usury in the Qur'an, Sunnah, and consensus, and finally the conclusion, which includes the most important results and recommendations.

## 2. Theoretical framework

### 2.1 concept usury in language and terminology

- **Definition of usury in language:** Usury in language: is the increase, i.e. more in number. It is said: ((So-and-so increased over so-and-so if he increased over him), and the origin of usury is the increase, either in the same thing, or its equivalent, such as a dirham for two dirhams, and usury is also applied to every forbidden sale)
- **Definition of usury in Sharia:** Usury in Sharia: is the increase in specific things, and the increase in debt in exchange for a term in general. It was said: that it is the increase in the sale of two things in which usury occurs, and it is applied to two things: it is called usury of excess, and usury of delay.
- **Usury in terminology:** Usury is lending money at an

interest rate that is considered unreasonably high or higher than the rate permitted by law. Usury first became common in England during the reign of King Henry VIII and was originally related to imposing any amount of interest on borrowed money. Over time it has evolved to mean charging excess interest, but in some religions and parts of the world charging any interest is illegal.

Since lending was initially done between individuals and small groups, unlike the modern banking system used today, it was considered necessary to set strict social standards for the terms of lending.

In particular, Judaism, Christianity, and Islam (the three Abrahamic religions) take a very strong stance against usury. Several passages in the Old Testament condemn the practice of usury, especially when lending to less wealthy individuals who do not have access to safer means of financing. In the Jewish community, this led to the establishment of the rule of lending money at interest only to strangers.

The Old Testament's condemnation of usury also led to the Christian tradition against money lending. Some Christians believed that those who lend should not expect anything in return. The Protestant Reformation in the 16th century led to the distinction between usury (charging high interest rates) and the more acceptable lending of money at low interest rates. Islam, on the other hand, has not historically made this distinction, but charging interest is not permitted in the religion.

### 2.2 Usury among the Jews and in the pre-Islamic era

- **Usury among the Jews:** There is no doubt that the Jews had many tricks and falsehoods with which they used to trick and deceive their prophets, peace and blessings be upon them. Among those false tricks was their trickery to eat usury, which God forbade them from and prohibited for them. As it came in Surat An-Nisa, verse 160, and Imam Al-Hafiz Ibn Kathir, may Allah have mercy on him, said: ((Allah has forbidden them - meaning the Jews - from usury, so they took it, took it, and deceived it with various tricks and types of doubts, and ate people's money unjustly.)) The Jews have diverted the text prohibiting usury, as they limited the prohibition to dealings between Jews. As for the Jew's dealings with non-Jews with usury, they made it permissible and there is nothing wrong with it. (Baharuddin *et al.*, 2023)<sup>[3]</sup>

One of their rabbis, whose name is Rab, says: When a Christian needs a dirham, the Jew must seize it from every side, and add excessive usury to excessive usury, until he exhausts him and is unable to pay him unless he gives up his property, or until the money and interest equal the property of the Christian. Then the Jew rises up against his debtor - his creditor - and with the help of the ruler seizes his property.) It is clear from the words of Allah Almighty that Allah has forbidden usury in the Torah to the Jews, so they disobeyed Allah's command. They deceived, distorted, and changed, and they considered that the prohibition only applies to Jews, but with others it is not prohibited according to their false claim. Therefore, God condemned them in His Noble Book, as I explained earlier. (Prabowo *et*

al.,2021)<sup>[10]</sup>

- **Usury in the Age of Ignorance:** Usury was widespread in the era of ignorance, and they considered it one of the great profits - in their opinion - that brought them huge sums of money. Imam al-Tabari - may God have mercy on him - narrated in his interpretation on the authority of Mujahid that he said: ((In the Age of Ignorance, a man would have a debt to another man, and he would say: You have such and such, and delay it for me, so he would delay it for him.)) Most of what the Age of Ignorance used to do was that when the due date of the debt came, the one who owed it would say to the one who owed it: Will you pay it or give me more? If he did not pay it, he would add an amount to the money he owed, and he would delay the due date for him for a while. Usury in the Age of Ignorance was also in doubling, and in age as well. If a man had a debt over another, he would come to him when the due date came, and say to him: Will you pay me or give me more? If he had something to pay, he would pay it, otherwise, he would transfer it to the age above his age from those livestock that were a debt to him. If he had a daughter, Makhadh, he made it a one-year-old female camel in the second year, and if he came to him in the second year and he was unable to pay it, he made it a one-year-old female camel in the third year, then he came to him at the end of the term and made it a two-year-old female camel, then a four-year-old female camel, and so on until the debtor accumulates huge amounts of money. And in the prices he comes to him, if he does not have it, he doubles it in the following year, and if he does not have it in the following year, he doubles it again, so if it was one hundred, he made it two hundred until the next year, and if he does not have anything next year, he makes it four hundred, he doubles it for him every year or pays it, so this is the saying of Allah the Almighty: O you who believe, do not consume usury, doubled and multiplied, and fear Allah that you may be successful.) (Şimşek,2023)<sup>[14]</sup>

Usury in the pre-Islamic era was considered - as I mentioned earlier - as one of the profits that the owner of the money obtains, and he does not care about the harm to his brother, whether he profited, lost, became poor, or something else. The important thing is that he gets a lot of money, even if it leads to the destruction of others. This is only because of the ugliness of the actions of the Jahiliyyah the corruption of their morals, and the change in their nature that Allah created them with. They are in a society in which chaos, vices, and disrespect for others have spread. The young do not respect the old, the rich do not sympathize with the poor, and the old do not have mercy on the young. People are blind in their drunkenness. What is regrettable is that usury was not limited to the era of the first Jahiliyyah only, but it has spread in societies that claim to be Muslims and claim to implement the rulings of Allah Almighty on Allah's earth...! Every Muslim must implement the commands of Allah and execute His rulings. As for those who deal with usury and claim to be Muslims, we say to them after we advise them and warn them against this great crime: They have returned to what the first Jahiliyyah was like before the revelation of the Holy Quran, and even

before the mission of the Prophet Muhammad - may Allah's prayers and peace be upon him. (Şimşek,2023)<sup>[14]</sup>

### 2.3 The difference between usury and interest.

"Historically, interest and usury have always been treated as one thing. The term interest was not used as an alternative to usury until the post-Christian and post-Renaissance period in European history to get rid of religious and moral prohibition.

Historically, all world religions including Christianity were against charging interest on the principal amount of money borrowed and considered it immoral, illegal, unfair and exploitative of the borrower. However, with the passage of time and the development of trade and commerce, especially in Europe, the influence of the Christian Church's position regarding charging interest on the amount of money borrowed was undermined. We also see a change in the definition of the term interest from the previous version. According to the Encyclopedia Britannica:

"In ancient English law, taking any compensation whatever was called usury. But with the expansion of trade in the thirteenth century, the demand for credit increased, which necessitated a modification in the definition of the term. Usury then applied to exorbitant or unfair interest rates. In 1545, England set a legal maximum for interest; any amount above the maximum was usury. Most states in the United States and most other Western countries later followed the practice of fixing a legal ceiling on the interest rate."

It was the expansion of trade and commerce that required credit and secondly the churchmen themselves also became owners of large properties and wealth which persuaded them to redefine and reinterpret the laws relating to the term interest.<sup>16</sup> Thus interest and usury were distinguished. Charging a high rate of interest beyond the legally fixed ceiling was called usury and was considered illegal. The Oxford Dictionary defines usury as the practice of lending money at exorbitant interest, especially at an interest higher than that permitted by law. The question now is, what is an exorbitant rate of interest that can be called usury and what mechanism can be adopted to fix it? An exorbitant rate of interest today may not be an exorbitant rate of interest tomorrow or a reasonable rate of interest today may not be a reasonable rate tomorrow or in the near future. Therefore, we see a wide range of variations in the rate of interest from 10 percent to 300 percent. It is almost impossible to distinguish between usury and interest. According to Chapra: "The rate of interest, if determined by the market, is "Riba is either high or low in a country depending on the demand and supply of loanable funds, the nature and extent of risk, and the rate of inflation. Therefore, if interest is acceptable, its market-determined rate must also be acceptable regardless of whether it is high or low. Usury cannot be condemned."(Schiffman,2024)<sup>[12]</sup>

### 2.4 Islam's position on usury

Many texts from the Qur'an and Sunnah have warned against usury; and since the Book of Allah and the Sunnah of His Messenger - may Allah's prayers and peace be upon him - are the two pure sources, whoever takes them and follows what is stated in them, will succeed and prosper, and whoever turns away from them will have a difficult life, and will be resurrected blind on the Day of Resurrection.

We will hear some of what has been stated regarding usury from the texts of the Qur'an and Sunnah, and Allah is the source of help, and upon Him we rely. Verses from 270 to 281 have made clear the criminalization of usury, and in the verse, On the authority of Samurah bin Jundub - may Allah be pleased with him - who said: The Prophet - may Allah bless him and grant him peace - said: ((Last night I saw two men who came to me and took me out to a holy land. We set off until we came to a river of blood in which there was a man standing, and in the middle of the river there was a man with stones in front of him. The man in the river approached, and when he wanted to get out, the man would throw a stone in his mouth, and he would be returned to where he was. So whenever he came to get out, he would throw a stone in his mouth and it would return to where it was. So I said: What is this? He said: The one I saw in the river is the one who consumes usury.)) On the authority of Abu Hurairah - may Allah be pleased with him - on the authority of the Prophet - may Allah bless him and grant him peace - who said: ((Avoid the seven deadly sins.)) They said: O Messenger of Allah, what are they? He said: ((Associating partners with Allah, magic, killing a soul that Allah has forbidden except for a just cause, consuming usury, consuming the wealth of an orphan, turning away on the day of battle, and accusing chaste, unaware, believing women.)) On the authority of Ibn Mas'ud - may Allah be pleased with him - on the authority of the Prophet - May God's prayers and peace be upon him - he said: ((No one commits more usury except that the result of his affair is to be less)) On the authority of Salman bin Amr, on the authority of his father, he said: I heard the Messenger of God - may God's prayers and peace be upon him - during the Farewell Pilgrimage say: ((Beware, all usury from the usury of the Age of Ignorance is abolished. You have your capital, you do not wrong and you are not wronged. Beware, all blood from the blood of the Age of Ignorance is abolished, and the first blood that I abolish is the blood of Al-Harith bin Abdul Muttalib. He was breastfed by Banu Laith and Hudhayl killed him. He said: O God, have I conveyed the message? They said: Yes, three times. He said: O God, bear witness three times. In this hadith, what Islam has acquired of the rulings of the Age of Ignorance, it will be met with rejection and denunciation, and that if the disbeliever commits usury in his disbelief and then does not collect the money until he converts to Islam, then he will take his capital and remove the usury. As for what has passed of their rulings, Islam will meet it with forgiveness and will not interfere with them in what has passed, and God has forgiven what has passed, so Islam wipes out what came before it of sins. On the authority of Abu Hurairah - may Allah be pleased with him - on the authority of the Prophet - may Allah's prayers and peace be upon him - who said: ((A time will come upon the people when a person will not care how he takes his money, whether it is from lawful or unlawful means.)) The Prophet - may Allah's prayers and peace be upon him - informed us of this as a warning against the temptation of money. It is one of the signs of his prophethood - may Allah's prayers and peace be upon him - because he informed us of matters that did not exist in his time, and the reason for the blame is from the aspect of balancing between the two matters. Otherwise, taking money from lawful means is not blameworthy in and of

itself, and Allah knows best.) On the authority of Abu Juhayfah on the authority of his father - may Allah be pleased with him - that the Messenger of Allah - may Allah's prayers and peace be upon him - ((forbade the price of blood, the price of a dog, and the earnings of a female slave, and he cursed the tattoo artist and the one who gets tattooed, the one who consumes usury and the one who pays it, and he cursed the photographer.)) On the authority of Abdullah bin Masoud - may Allah be pleased with him - on the authority of the Prophet - may Allah's prayers and peace be upon him - who said: ((Usury has seventy-three forms, the easiest of which is like. It was narrated on the authority of Abdullah bin Hanzalah, who was washed by the angels, that he said: The Messenger of Allah, may Allah bless him and grant him peace, said: "A dirham of usury that a man consumes knowingly is worse than thirty-six acts of fornication." On the authority of Ibn Abbas, may Allah be pleased with them both, he said: The Messenger of Allah, may Allah bless him and grant him peace, forbade buying fruit until it is eaten, and he said: "If fornication and usury appear in a village, then they have made the punishment of Allah permissible for themselves."

### **3.Theoretical foundations (of unemployment, poverty, savings, and GDP)**

#### **3.1 concept of unemployment**

Unemployment generally means that some of the economic resources available in society are not fully or optimally exploited. If we focus on unemployment in the labor market in particular, unemployment in the labor market means that there is a part of the community members who are willing and able to work and are looking for a job opportunity and do not find it. It thus means that there is a part of the labor force in society that does not work despite its desire to obtain a job opportunity. The labor force means all members of society who are able to work within the limits of the working age. Estimates of the labor force are obtained by obtaining estimates of the population in the community and excluding the following categories: Picchio & Ubaldi, 2024)<sup>[9]</sup>

- Individuals under working age (less than 15 years).
- Individuals over working age (over 60 years).
- Individuals within working age who are unable to work, and they are the disabled whose disability does not allow them to perform any work.
- Individuals within working age who are not willing to work for a wage, such as housewives, students, and conscripts for military service.

The issue of unemployment at the present time constitutes a large proportion of the danger facing most countries, regardless of their levels and economic, political and social systems. Unemployment is no longer a problem of the developed countries only. Perhaps the worst feature of the economic crisis facing the rich, developed and developing countries alike, but the most prominent of them is the large size and expansion of the unemployment problem, i.e. the continuous increase in the number of individuals who are able to work and want to work and who are looking for work but do not find an opportunity to work. Picchio & Ubaldi, 2024)<sup>[9]</sup>

The problem of unemployment also gains its seriousness

from several considerations, the most important of which are: Morrish, & Medina-Lara, 2021<sup>[7]</sup>

- Unemployment represents an unexploited part of the productive energy of society, and thus it can be translated into wasted energies that society loses.
- The element of work differs from other elements of production in its human nature, as the worker feels frustrated if he does not find a role for himself in the wheel of production.
- Work aims to achieve material well-being for the human being.
- Unemployment has economic, political and social effects on any society, whether it is an advanced or backward society, and it also represents a major threat to the political stability and social cohesion of any town. There is nothing more dangerous than the existence of large numbers of unemployed people, except that a large percentage of these unemployed people are educated, and this is one of the characteristics of the unemployment problem at the present time, as unemployment is widespread among the educated, or at least it is more evident among them.

Unemployment is known as one of the concepts that has taken on great importance in contemporary societies in terms of research and analysis. Therefore, the topic of unemployment has captured the attention of social and economic researchers as a topic that imposes itself permanently and urgently on the international scene. Therefore, there is hardly a specialized scientific journal related to economics and sociology that does not address the topic of unemployment in representation. The researcher sees unemployment as the forced idleness (stoppage) of a part of the general force in a society, despite the ability and desire of workers to work and produce. Unemployment is usually measured by what is called the unemployment rate, which is the percentage of unemployed (unemployed) from the labor force to the total labor force (Morrish, & Medina-Lara, 2021)<sup>[7]</sup>

### 3.2 concept of saving

When an individual receives his income, it is not necessary to direct it entirely to spending on food, clothing and housing, but rather to set aside part of it in anticipation of circumstances, or as a precaution, or due to lack of need (Smith, 2008: 481), and this remaining part (unspent) is what is called (savings), so economists define saving as "the remaining part of income after consumption" or "the part of income that is not directed to consumption" and Schumpeter defined it as "setting aside part of income for the purpose of consumption or investment in the future" (Higgins, 1966: 35). From the above definitions, it is clear that saving is mathematically equal to income minus consumption or consumer spending, and accordingly, saving is that part of income that is not spent on consumer goods and services and is not allocated for hoarding (Lutfi, 1976: 327). Although hoarding shares with saving that both are part of income, they have avoided consumption, but the difference between them is that saving is directed to investment and is used in the production process directly by the saving individuals or by offering it in the capital market, so it is invested indirectly, and thus the saving individual obtains

additional income that he has achieved for him from the money he has saved. As for the hoarding process, it is limited to the individual keeping that unspent part of the income in the form of liquid money or other assets without obtaining interest or profit, whether for him or for society (Zaki, 1966: 41). When talking about hoarding, we find a difference between the traditional school and the modern school in their approach to the concept of saving. The traditionalists considered it synonymous with investment and said that everything saved is invested. This is due to their assumption that money is only a means of exchange, so this principle negates the principle of hoarding. Saving for them was only positive saving. As for Keynes, he criticized the traditionalists and pointed to the existence of the tendency to hoard and justified his interpretation with what is known as (liquidity preference) (Zahran, 1971: 107). Therefore, saving is an economic phenomenon whose concept has undergone continuous variation over time as a result of the diversity and difference of economic ideas. Therefore, we find many definitions that express it, but in the end we will accept that saving is an inevitable necessity for the capital formation that is used in the production process, and that it is necessary for financing, and thus it is necessary for satisfying future needs (Ismail, 1982: 37).

### 3.3 Poverty

Poverty is one of the major basic phenomena with economic, political, social and temporal dimensions and has economic contexts and is characterized by difficulty in defining accurately, as its causes cannot be fully determined. The phenomenon of poverty is characterized by intertwining and complexity and varies according to society and its degree of development. From an economic perspective, it is a decrease in the level of income and its insufficiency to live freely and dignifiedly. Relative poverty is considered the most comprehensive and expressive concept of the phenomenon of poverty. Economist Arthur Lewis\* expresses the phenomenon of poverty as the misuse of available resources and not a decrease in the level of income. Economists agree with Lewis on this concept, but he did not develop a plan to get rid of the phenomenon of poverty and considered this concept incomprehensive and cannot be relied upon, while Sen saw that poverty is a weakness in the individual and institutional societal capacity of a person resulting from several factors that lead to the failure to satisfy the material and social needs of individuals (Al-Adhari, Al-Dami, 2010: 24-25). Poverty remains one of the most prominent economic and social problems that society suffers from due to its negative effects such as injustice and ignorance at the individual level and its impact on economic development on the other hand. Poverty is considered one of the most important phenomena that developing countries seek to address. Expanding horizons within the framework of anti-poverty policy was the result of the development that occurred in the detailed vision of the aspects of poverty, especially during the last quarter of the last century (Al-Samarrai, 2016: 2). Poverty is represented by the amount of socially acceptable monetary amounts to obtain the minimum necessary for life in order to survive and maintain physical efficiency. We see that this definition explains the state of poverty as material deprivation that leads to the inability of individuals to

provide the basic needs for living (3 Squire, Ravi, 1990:). Poverty is defined as a decline in the level of education and health and the spread of the phenomenon of backwardness as a result of material deprivation and a decrease in basic needs of food and clothing. Deprivation of necessary and material goods is one of the main criteria for describing the phenomenon of poverty (Al-Najfi, Abdul Majeed, 2008: 40-41). The World Bank sees that the phenomenon of poverty is represented by the decline in the minimum wage below the level that guarantees the individual a free and dignified life in a society according to a specific period of time (World Bank, 1990: 41). Al-Faris' definition was consistent with the World Bank, as it defined it as "the inability to achieve a certain level of material living that represents the reasonable and acceptable minimum in a society in a specific period of time." (Al-Faris, 2001: 21), and it was defined as "some form of material deprivation, which is the basis of the necessary components of life, such as food, clothing, and shelter, along with a decline in health and educational status, and the inability to secure material security to confront emergency situations" (Baquer, 1996: 44).

We conclude from the trends of writers and researchers in defining the phenomenon of poverty that it is the inability of individuals to meet their basic needs of food, clothing and housing, as a result of the low level of wages they receive, which does not lead to achieving the minimum requirements for a free and dignified life, with a significant decline in the level of education, health services and other vital facilities.

### 3.4 Gross Domestic Product

It is all the total added values acquired in the economic branches within the geographical borders of countries with the contribution and assistance of local and non-local production elements, i.e. it represents the total value of the total production of goods and services after we subtract the value of intermediate consumption or production requirements and supplies from it, and this means that (Al-Hasnawi, 2011, 188):

Gross Domestic Product = Total or Total Production - Production Requirements

Gross Domestic Product is defined as "the sum of the monetary values of all goods and services produced in their final form in the economy of a country during a specific period of time, usually a year. It is also defined as representing the value of all goods and services that can be produced within the geographical borders of the country by individuals of the country, whether they are local or non-local" (Sahnoon, 2010, 86).

Gross Domestic Product also tops the concepts of macroeconomics because it is the most comprehensive and widely used indicator in calculating the economic growth rate of the country. It is also defined as "all the market values of all goods and services that are in their final form and that are produced in the national economy during a specific period of time" (Sakhri, 2005, 2). The gross domestic product summarizes the returns that factors of production receive due to their participation in local production. The gross domestic product is considered an important economic standard that can be used for economic

analyses to set plans and development policies, as well as to know the current economic trends.

### 4. The impact of usury on savings, unemployment, poverty and GDP

According to classical economists, there is a reward for the amount of savings in the form of interest. The higher the interest rate, the higher the saving premium and vice versa. Then they tried to link saving to investment. They claimed that increasing savings means an increase in the volume of investment in a country. But they ignored that increasing the interest rate means an increase in the cost of investment, which will negatively affect the total investment in the country. Rather, there is a direct relationship between saving and people's income (1) because saving (2) and consumption (3) as well as induced investment (4) depend on income. If income increases, saving increases. Keynes also objected to classical economists and believed that increasing the interest rate would reduce investment and as a result the entire economy would be badly affected. (Allen & Prabowo, 2023)<sup>[10]</sup>.

If there is no interest, the volume of savings will be available for investment at zero cost, the investment rate will rise, and the economy will start on the basis of the two financing methods "participation and speculation". It is the investment rate that positively affects people's total income, which ultimately enhances people's ability to save more. This is how we can explain the huge increase in savings during the current century despite the sharp decline in interest rates. (Lubis *et al.*, 2022)<sup>[6]</sup>

Another negative impact of interest on the economy may be in the form of increased debt and debt service in the country concerned. It is generally agreed that foreign loans play a crucial role in the economic development of the recipient country. However, it must also be borne in mind that a loan taken by a poor country at a high rate (high interest rate) would increase the total loan amount and make it difficult to repay the debt installments. It is the repayment of foreign loans that poses some of the most difficult problems for poor countries such as Egypt. The debt service ratio is steadily increasing in terms of export revenues, GDP and total current expenditure of the country. By people turning away from investing their money in agricultural, industrial or commercial projects, because the depositor of money in banks got what he wanted without effort and got a guaranteed profit, this disrupts important energies and projects, and this leads to raising prices, because the money goes outside the country to collect high interest rates, so the society is deprived of this money, which leads to a deficit in the balance of payments, so imports rise and exports fall until interest impedes economic development. (Rafiq & Ahmed, 2022)<sup>[11]</sup>.

Interest increases the wealth of the rich and the poverty of the poor, meaning that it contributes to deepening the disparity in distribution, by transferring wealth from the poor to the rich and luxurious, and it also has an effect on increasing poverty as money is confined to a group of usurers who care about collecting the largest amount of profit by various means, which is why usury is called the trade of death. The world today is suffering from high prices, and the reason for this is due to the prevailing usurious system today, as financial institutions rely on

borrowing policies to ensure the return of money and interest, without considering the projects carried and their profitability, which leads to an increase in the prices of goods and services, and thus inflation occurs, as the usurer, with the high interest he imposes, forces the owners of goods and services to raise the prices of these goods and services, and this in turn will harm many members of society, especially those with fixed and specific cash incomes, such as workers, employees and owners of simple crafts. The rise in prices also leads to consumers refraining from buying those high-priced goods and services, which in turn will lead to the stagnation of many goods in warehouses and stores and the cessation of many service establishments from providing their services, which will give us a new problem, which is the emergence of unemployment among the members of society. This is a new economic scourge and a form of economic corruption due to usury, which we will shed light on in the following paragraph. (Nasir *et al.*,2021) <sup>[8]</sup>

This is because interest creates a class of unemployed people who live on the efforts of others without doing any work by getting a fixed return on interest - by virtue of its control over money, and thus this reduces the demand for work and unemployment spreads then. Official statistics broadcast in Bonn, West Germany, stated that a record number of West German companies went bankrupt in 1982 due to the economic depression and stagnation, high interest rates and lack of investment capital. The institution of interest makes capitalists and the rich greedy and lazy as well. They make money easily by offering their extra money on the basis of interest while doing nothing tangible. They do not care whether the beneficiaries of the loans profit or lose. The entire burden falls on the borrower. He has to pay the lender the original amount of the loan plus a fixed percentage as a reward for his money. This makes the lender lazy and greedy and this is the attitude that hinders the process of development and progress. Islam is deeply concerned with the life of man in this world and the hereafter, and therefore Islam has completely forbidden interest. Islam encourages trade and profit rather than interest. The capitalist or lender becomes involved and interested in the borrower's or businessman's use of the funds from the very beginning. In this case, the businessman's experience and the capitalist's or lender's acumen combine, which ultimately benefits the entire society by increasing the total volume of production and employment in the country. (Rafiq & Ahmed, 2022) <sup>[11]</sup>.

### 5. The impact of usury on society

Usury has a wide range of negative effects on both the economy and society. These include: (Attahiru, 2022)

- **Exploitation and injustice:** Usury is a form of exploitation and injustice, as it forces borrowers to pay additional amounts on the principal of the debt without any real value in return.
- **Increased production costs:** The spread of usurious loans leads to higher production costs, which forces producers to raise the prices of goods and services, which exacerbates inflation.
- **Economic inequality:** Usury contributes to the concentration of wealth in the hands of a select few lenders, which widens the gap between the rich and the

poor, threatening social stability.

- **Financial and psychological pressures:** Borrowers endure enormous financial and psychological pressures due to the accumulation of debts and interest payments, which can lead to family disintegration and increased crime rates.
- **Inflationary cycle:** Usurious borrowing leads to an inflation of the money supply without a corresponding increase in real production, which contributes to price inflation and the erosion of the purchasing power of money.

### 6. Islamic Financial Solutions to Avoid Usury

The Islamic financial system offers fair and sustainable alternatives to usury, with the aim of achieving economic and social balance. These solutions include: (Sehabudin *et al.*,2024) <sup>[13]</sup>

- **Mudharabah:** The two parties share profits and losses according to pre-agreed ratios, which promotes cooperation and partnership rather than exploitation.
- **Musharakah:** One party provides capital while the other party contributes labor and expertise, and divides the resulting profits according to a pre-determined agreement, which encourages real investment and economic growth.
- **Ijarah:** Assets are leased for a specific period in return for a fixed fee, which provides a means of financing without resorting to usurious borrowing.
- **Deferred Sale:** The commodity or property is sold for a price paid in installments over specific periods, with an agreed profit margin, which enables individuals to own assets without relying on usurious loans.
- **Zakat:** Zakat contributes to the redistribution of wealth from the rich to the poor, which helps narrow the economic gap and achieve social solidarity.

### 7. Conclusion

The aims and objectives of Islamic business ethics are to eliminate injustice, inequality, negative economic growth and misuse of wealth in the society. Therefore, this study discusses and examines the impact of usury on some economic variables namely savings, unemployment, poverty and GDP. The significant positive relationship indicates that business transactions involving any form of usury are likely to lead to a higher level of economic devastation. Therefore, Muslims are expected to have knowledge of what constitutes usury and its consequences in order to avoid it for the betterment of the economy. The government and businessmen should cooperate in finding a solution to usury by blocking all avenues that may lead to usury as well as making Shariah-compliant businesses accessible to the society. The findings also indicate that to attract the reward of this world and the hereafter, people at all levels should fear Allah in managing their businesses. Furthermore, this study indicates the need for further research on the impact of usury on the global economy.

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