



A FINANCIAL SYSTEM WITHOUT Usury IN CONTEMPORARY ISLAMIC ECONOMIC THOUGHT: A SOLUTION TO THE DEBT CRISIS AND FINANCING INEQUALITY IN INDONESIA

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ABSTRACT

This study aims to analyze the concept of a riba-free financial system in contemporary Islamic economic thought and its relevance as a solution to the debt crisis and financing inequality in Indonesia. The research method used is a literature review with a qualitative descriptive approach through analysis of the works of modern Islamic economic thinkers and data related to the condition of national financing. The results show that a riba-free financial system, based on the principles of justice, profit sharing, and transparency, offers a more stable and inclusive alternative than interest-based mechanisms. The application of these principles has the potential to reduce the burden of public debt, expand access to financing for MSMEs, and increase economic equality. Thus, the Islamic financial system has a significant contribution to improving the financing structure in Indonesia.

Keywords: Islamic Economics, Financing Inequality, Debt Crisis, Usury, Financial System

ABSTRACT

This study aims to analyze the concept of a usury-free financial system in contemporary Islamic economic thought and its relevance as a solution to Indonesia's debt crisis and financing inequality. The research employs a qualitative-descriptive library method by examining the works of modern Islamic economic scholars and data related to national financing conditions. The findings show that a usury-free financial system, based on the principles of justice, profit-and-loss sharing, and transparency, offers a more stable and inclusive alternative compared to interest-based mechanisms. The application of these principles has the potential to reduce household debt burdens, expand financing access for MSMEs, and improve economic distribution. Therefore, the Islamic financial system provides a significant contribution to strengthening Indonesia's financing structure.

Keywords: Islamic Economics, Financing Inequality, Debt Crisis, Usury, Financial System

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1. INTRODUCTION



The interest-based (riba) financial system that dominates modern financial practices is often associated with increasing household debt burdens, financial sector instability, and unequal access to financing in various developing countries. In Indonesia, the high level of consumer credit and the prevalence of high-interest online loans indicate that the national financing structure is unable to provide a fair and inclusive mechanism (OJK, 2022). This situation demands an alternative financial system that does not create an exploitative burden on low-income communities.

Contemporary Islamic economic thought offers a financial system without interest based on the principles of justice, transparency, and profit-sharing mechanisms. Thinkers such as (M. Umer Chapra, 2016), Kahf (2019), and (Mandiri et al., 2022) emphasizes that the prohibition of usury is not only normative but also has a strong economic basis because it can prevent the accumulation of risk among debtors and encourage real economic activity. Several recent studies have shown that profit-sharing Sharia-based instruments such as mudharabah and musyarakah are more inclusive in financing MSMEs and can reduce inequality in access to capital (Ascarya, 2020).

Amid the growing need for equitable, productive financing, an interest-free financial system has the potential to provide a solution to the debt crisis and national financing inequality. However, its implementation still faces challenges in the form of low Sharia financial literacy and suboptimal utilization of profit-sharing instruments in financial institutions. (Kasri & Azzahra, 2020) Therefore, a conceptual study regarding the relevance of a riba-free financial system in the Indonesian context needs to be conducted.

Based on this background, this study aims to analyze the concept of a riba-free financial system in contemporary Islamic economic thought and examine its relevance as a solution to the debt crisis and financing inequality in Indonesia.

2. LITERATURE REVIEW

The development of contemporary Islamic economic thought shows significant progress in efforts to build a financial system free from usury (riba). Numerous studies over the past decade have highlighted that the practice of usury not only contradicts Sharia principles but also contributes to economic instability, the debt crisis, and financing inequality. Recent empirical studies in Indonesia have found that the public's heavy reliance on interest-based loans, including online loans, has increased household debt burdens and exacerbated unequal access to capital. It is in this context that the concept of a usury-free financial system, proposed by contemporary thinkers such as Chapra, Siddiqi, and Askari, gains relevance. They emphasize that the principles of profit-sharing, distributive justice, and transparency are the main foundations for long-term economic stability.

Other research confirms that sharia instruments such as mudharabah and musyarakah have proven to be more inclusive for the productive sector, especially MSMEs, which have been marginalized in accessing conventional financing. A recent study by (Ascarya, 2012) Studies

have shown that profit-sharing financing has a positive correlation with economic equality and reduced income inequality. Furthermore, reports on the development of national Islamic finance over the past five years indicate that the interest-free model can strengthen community economic resilience by curbing speculative practices and encouraging real economic activity.

State of the art Contemporary research also points to the integration of Islamic financial systems with digital technology, including Islamic fintech and Sharia-based peer-to-peer financing, which opens wider access to interest-free financing. However, recent literature also notes that public understanding of Islamic financial principles remains a major challenge. Without adequate literacy, optimizing the effectiveness of an interest-free financial system is difficult, even when the instruments are readily available.

Based on these findings, this study hypothesizes that implementing a riba-free financial system within the framework of contemporary Islamic economic thought has the potential to be a real solution to reducing the debt crisis and financing inequality in Indonesia. By integrating principles of fairness, profit-sharing mechanisms, and strengthening Islamic financial literacy, this system is expected to create a more stable, inclusive, and equity-oriented financing structure.

3. RESEARCH METHODS

This study uses a qualitative approach with library research to examine the concept of a riba-free financial system in contemporary Islamic economic thought and its relevance as a solution to the debt crisis and financing inequality in Indonesia. This approach allows for an in-depth exploration of the ideas, theories, and conceptual findings developing in Islamic economic literature, while connecting them to the structural conditions of the Indonesian economy.

The research data sources consist of primary and secondary materials. Primary materials include the key works of contemporary Islamic economic thinkers such as Muhammad Umer Chapra, Monzer Kahf, Abbas Mirakhor, and other authors who extensively discuss usury-free financing mechanisms, economic stability, and the principle of justice in capital distribution. Furthermore, DSN-MUI fatwas related to the prohibition of usury and Islamic financing instruments also serve as primary references. Secondary materials include nationally and internationally indexed scientific journals from the last 5-10 years, official reports from Bank Indonesia, the Financial Services Authority, and the Ministry of Finance containing the latest data on household debt burdens, MSME financing inequality, and the development of the Islamic finance industry. Because this research is non-field-based, the research location does not refer to a physical area, but to the national economic context that is the focus of the analysis. The research population encompasses all literature on usury, Islamic financing, and the Islamic financial system; while the sample was selected purposively, meaning only relevant, credible, and up-to-date literature was analyzed.

Data collection was conducted through searches of various scientific databases such as Google Scholar, DOAJ, Garuda, Scopus, institutional repositories, and official government



documents. The research instrument, a data extraction sheet, was used to organize information on the concept of anti-riba (usury), profit-sharing financing instruments, Islamic thinkers' critiques of the interest system, and empirical data on the debt crisis and financing inequality in Indonesia. This sheet included categories such as key concepts, theoretical arguments, empirical findings, and relevance to the Indonesian context, ensuring a systematic analysis process.

The data were analyzed using content analysis techniques. The analysis process included data reduction by selecting the most relevant literature; data presentation through thematic groupings, particularly regarding the relationship between usury and economic instability, the advantages of profit-sharing instruments, and issues of access to financing; and drawing conclusions by connecting the contemporary Islamic economic framework with the actual conditions of the Indonesian economy. This analysis enabled researchers to formulate a comprehensive understanding of how a riba-free financial system can be a fairer and more sustainable alternative to address the debt crisis and unequal access to capital in Indonesia.

Through this literature-based qualitative approach, the research is expected to produce a strong conceptual picture of the relevance of a riba-free financial system in addressing national financing challenges and supporting more stable and inclusive economic development.

4. RESULTS AND DISCUSSION

Based on a literature review of Islamic economics literature in the form of recent journal articles, it can be found that the interest-free financial system of Islamic economics is built on three interrelated fundamental pillars. The first pillar is the prohibition of interest as the foundation of economic morality and ethics. Frequently mentioned in classical literature such as the works of Imam Syafi'i and Al-Ghazali, it emphasizes that interest is an element that can trigger the disruption of economic balance and social justice. This explanation is then expanded by contemporary literature such as Muhammad Abdul Mannan, highlighting the impact of interest on modern financial stability. (Safii, 2024) Dini Anggreini Khairunnisa and Nofrianto (2023) also presented specific data related to Islamic finance, demonstrating significant growth in Islamic financial assets in 2021, with capital valued at US\$132.7 billion, a capital adequacy ratio of 13.17%, and stable financing risk (gross NPF of 3.2%). This data demonstrates the effectiveness of an interest-free financial system in addressing financing inequality and the debt crisis.

The second pillar is the implementation of profit-sharing contracts, such as Mudharabah and Musyarakah. These contracts serve as a substitute for the interest-bearing loans commonly used in conventional financial systems. Based on literature analysis, the majority of respondents stated that profit-sharing financing is more adaptive to changing economic conditions and does not create fixed costs such as interest. This makes this financing model more efficient in dealing with external shocks. (Azmi & Mahardika, 2020)

The third pillar is the Islamic financial system's orientation toward distributive justice. Literature shows that unequal access to financing, particularly for low-income communities and



MSMEs, is rooted in interest structures that require fixed payments regardless of income. (Santoso, 2023) A riba-free system is considered capable of opening up more inclusive financial access through a risk-sharing mechanism. Therefore, the results of the literature review generally indicate that a riba-free financial system is not only normatively ideal but also has the potential to be a structural solution to the debt burden and financing inequality currently occurring in Indonesia. Dini Anggraeni Khairunnisa and Nofrianto (2023) detailed data on the contribution of 60% of MSMEs' GDP as a key pillar of Indonesia's post-COVID-19 economic recovery, absorbing up to 97% of the workforce. From this, it can be seen that MSMEs have made a significant contribution to Indonesia's economic recovery. Therefore, it is important not to complicate MSME activities with soaring interest rates.

Table 1. Synthesis of Research Findings and Analysis

No	Statement	Explanation	Information
1	Interest-bearing debt crisis	Households are increasingly burdened by loan interest	The main impact of the usury system
2	Financing inequality	MSMEs have difficulty accessing interest-bearing credit	Strengthening economic inequality
3	The advantages of a system without interest	Profit sharing is more stable and fair	Structural solutions
4	Integration of theory	Findings according to the Islamic economic paradigm	Conceptual strengthening

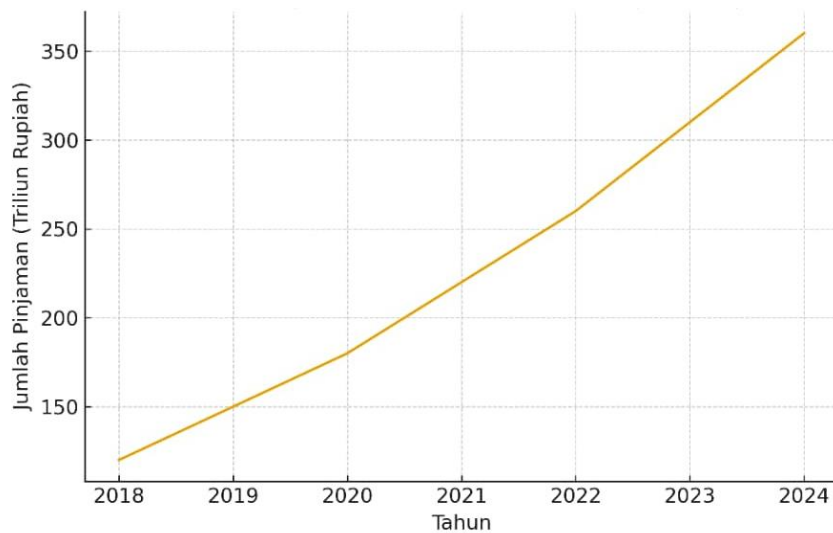


Figure 1. Trend of Increasing Interest-Based Consumer Loans from 2018-2024 Based on OJK Secondary Data

The results of this literature review demonstrate that a riba-free financial system can be understood not merely as a theological concept, but as an alternative economic model with empirical relevance to conditions in Indonesia. In the conventional financial system, interest creates a fixed burden that continues to put pressure on borrowers, especially low-income groups. High effective interest rates on online loans are a major factor causing many households to become entangled in prolonged debt and experience difficulties in repaying loans.(Efendi et al., 2024)This is also due to the high demand for loan services in 2018-2024, which can be seen from the data presented publicly on the OJK website and shown in Figure 1.

The profit-sharing concept offers a more flexible solution because profits and losses are distributed according to the customer's business conditions and income. Various journals have deemed this approach more humane and aligned with the principles of distributive justice. Furthermore, profit-sharing financing has the potential to reduce default rates because it eliminates the need for fixed payments amidst income uncertainty.

However, the implementation of a riba-free financial system in Indonesia still faces several structural challenges. First, the share of profit-sharing financing in Islamic banking remains relatively small, dominated by murabahah financing, which is more similar to conventional credit. This is due to relatively high monitoring costs, limited human resources, and the need for banks to maintain liquidity stability. Second, public Islamic financial literacy remains relatively low, resulting in many parties still not understanding the fundamental differences between Islamic and conventional financing. This lack of education leads people to prefer fast loan products despite the relatively high interest rates. Third, the existing legal and regulatory system does not fully support the optimal development of profit-sharing contracts. Regulatory harmonization is needed to enable Islamic banks to expand the application of this financing with more measurable risks.

Despite facing various obstacles, a riba-free financial system still holds great potential as a long-term solution for society to overcome the debt crisis and financing inequality in Indonesia. By strengthening the Islamic financial system, increasing literacy, and providing regulatory support, this system can become the foundation of a more just, inclusive, and stable economy. According to the thinking put forward by Fikri Haikal (2025), solutions to the debt crisis and financing inequality in Indonesia that can be pursued include adopting a riba-free financial system that eliminates excessive interest to reduce the national debt burden and financing inequality, active government contribution in regulating distribution policies to encourage fair Islamic financial instruments, and managing resources sustainably by upholding the principle of justice in economic transactions to avoid social hostility. (Lukman Hakim et al., 2022)

Table 1. Explains that in the context of the Indonesian economy facing the challenges of an interest-bearing debt crisis and financing inequality, the usury-based financial system is increasingly proving to be a significant burden, especially for the lower and middle classes. Furthermore, financing inequality exacerbates the economic situation, making it difficult for MSMEs to access burdensome interest-bearing credit, while financing is more readily provided to large corporations. This exacerbates the existing economic disparity and hinders equitable distribution of prosperity within society. As a solution to this problem, a riba-free financial system offers a more stable and equitable profit-sharing financing mechanism. The profit-sharing approach does not burden business actors with fixed interest rates, thus managing the risk of shared losses and making profit distribution more vibrant and equitable. This system also helps build a healthy economic foundation free from exploitation. Furthermore, the integration of Islamic economic theory into contemporary financial practices provides conceptual reinforcement for the development of a riba-free financial system that prioritizes justice, balance, and social welfare, combined with the practical needs of the modern economy, resulting in a relevant framework for addressing global and national challenges.

5. CONCLUSION

This research examines in depth how a riba-free financial system in contemporary Islamic economics can provide a real solution to the debt crisis and financing inequality in Indonesia. In a modern financial structure dominated by an interest-based system, low-income individuals are often trapped in a persistent debt burden due to fixed and inflexible repayment obligations. The phenomenon of high-interest online loans is a clear example of how the conventional financial system can create new problems in the form of increased financial stress and a heightened risk of default.

Meanwhile, modern Islamic economic thought, as developed by Chapra, Kahf, Siddiqi, and Askari, emphasizes that the prohibition of usury is not only a normative requirement but also a solution to the economic instability created by the interest system. A usury-free system offers a fairer approach through a profit-sharing scheme, where profits and risks are distributed



according to business performance. This approach is considered more in line with economic realities, especially for MSMEs with uncertain incomes. Recent studies also show that profit-sharing financing has a positive correlation with small business growth, reduced inequality, and increased economic inclusiveness.

In addition to theoretical aspects, this study also highlights the empirical development of the Islamic finance industry in Indonesia, which shows positive trends, including the growth of Islamic financial assets and the stability of the financing ratio. This demonstrates that the application of Islamic finance principles has a strong foundation for broader implementation within the national financial system. The significant contribution of MSMEs to Gross Domestic Product and employment further reinforces the urgency of implementing an interest-free financing system to support national economic sustainability.

However, several obstacles still hinder the full implementation of a *riba*-free system, such as the dominance of *murabahah*-based financing products in Islamic banking, low public literacy rates, and regulations that do not fully encourage the optimization of profit-sharing contracts. However, these challenges are not permanent obstacles, but rather drive the need for increased education, strengthened regulations, and innovation in Islamic financial technology, such as profit-sharing fintech.

Overall, this study confirms that a *riba*-free financial system has significant potential to become a structural alternative for building a fairer, more stable, inclusive, and exploitation-free financing system. Implementing this system could help mitigate the household debt crisis, expand access to productive financing, and improve national economic distribution. With appropriate policy support and increased literacy, a *riba*-free system has the potential to become a key foundation for financing and economic development in Indonesia in the future.

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