

PROHIBITION OF RIBA VIEWED FROM AN ISLAMIC MACROECONOMIC PERSPECTIVE

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Abstrak: Makna dasar larangan riba menurut Islam adalah untuk menghindari kezaliman dan kezaliman dalam segala bentuk perekonomian. Kebijakan moneter dalam Islam menitikberatkan pada pola pengaturan untuk memperkecil kesenjangan jumlah uang antara sektor moneter dan sektor riil dengan menghilangkan transaksi dan produk di pasar keuangan yang tidak didasarkan pada produktivitas di sektor riil. Peningkatan produktivitas di sektor riil dapat mendorong arus uang dalam perekonomian (*velocity of money*). Oleh karena itu, perhatian para pembuat kebijakan moneter tidak hanya terfokus pada konsep jumlah uang beredar, apalagi suku bunga yang tinggi. Melainkan pada peredaran aliran darah (uang) dalam perekonomian. Penelitian ini merupakan penelitian kualitatif dengan pendekatan penelitian kepustakaan. Peneliti menggunakan dan mengambil data dari jurnal, artikel, website resmi dan buku, kemudian melakukan analisis sesuai dengan metodologi penelitian yang ada. Hasil penelitiannya adalah semakin tinggi tingkat suku bunga, semakin besar kemungkinan arus investasi tidak terbendung. Hal ini dapat diibaratkan sebuah bendungan, semakin tinggi dinding bendungan maka semakin besar aliran air yang dibendung. Bunga memang menimbulkan jarak antara sektor keuangan dengan sektor barang dan jasa, akibatnya kondisi moneter tidak mencerminkan kondisi sektor riil dan sebaliknya, kondisi sektor riil juga tidak mencerminkan kondisi moneter. Sehingga pendapatan per kapita juga terpengaruh, yang dalam bahasa lain kesejahteraan masyarakat juga terpengaruh.

Kata Kunci: Larangan Riba; Bunga; Ekonomi Makro Islam.

Abstract: The basic meaning of prohibiting riba according to Islam is to avoid tyranny and injustice in all forms of the economy. Monetary policy in Islam focuses on regulatory patterns to minimize the gap in the amount of money between the monetary sector and the real sector by eliminating transactions and products in financial markets that are not based on productivity in the real sector. Increased productivity in the real sector can encourage the flow of money in the economy (*velocity of money*). Therefore, the attention of monetary policy makers does not only focus on the concept of money supply, let alone high interest rates. But on the circulation of blood flow (money) in the economy. This research is a qualitative research with a library research approach. The researcher uses and retrieves data from journals, articles, official websites and books, then conducts an analysis according to the existing research methodology. The results of his research are that the higher the interest rate, the greater the possibility of unstoppable investment flows. This can be likened to a dam, the higher the dam wall, the greater the dammed water flow. Interest indeed creates a distance between the financial sector

and the goods and services sector, as a result the monetary conditions do not reflect the real sector and vice versa, the real sector conditions also do not reflect the monetary conditions. So that per capita income is also affected, which in other languages is that the welfare of the community is also affected.

Keywords: *Prohibition of Riba; Interest; Islamic Macroeconomics.*

Introduction

According to Islam, the main purpose of prohibiting riba is to eliminate all tyranny and injustice in all forms of economic activity. Meanwhile, riba in the context of interest is essentially the application of certain additions to lower class debtors, who should be assisted (helped) not exploited and not forced to provide positive results (profit). This is not in accordance with Islamic principles which are very tolerant (caring) for the lower classes, so that these groups are not targeted by the upper class. Why is that? Because Islamic economic education prioritizes social responsibility, humanity, and eliminates tyranny and injustice that has a negative impact on poverty.¹

According to Andrew Sheng (a banker, academic, economic observer and writer from Malaysia, in a YouTube channel he says that “risk can only be managed with trust, that is Islamic finance, because it is based on equity. And when interest rates become zero, that is Islamic finance (when interest rates are all zero, and as long as you do things ethically based on sharia). I’m not a Muslim, but I realize that Islamic finance is about ethics and about risk. So, it’s about risk sharing, not about risk transfer”.²

Viewed from there, it shows that the Islamic financial system is very objective in solving macroeconomic problems. In a macroeconomic study itself, the heart of the economy is the financial sector, especially (monetary) banking. The Islamic monetary system focuses on enforcing regulations to reduce the money supply gap that separates the monetary sector from the real economy by limiting transactions and goods sold in money exchange markets that are not driven by real economic productivity. Increased productivity in the real estate sector can lead to increased currency volatility (velocity of money). Therefore, the attention of policy makers is not only focused on the concept of money supply, but also high interest rates. However, considerations of currency values (or the velocity of money) in real economic

¹ Umami Kalsum, “Riba Dan Bunga Bank Dalam Islam (Analisis Hukum Dan Dampaknya Terhadap Perekonomian Umat),” *Jurnal Al-’Adl* 7, no. 2 (2014): 67–83, U Kalsum - Al-’Adl, 2014 - ejournal.iainkendari.ac.id.

² Gita Wirjawan, “Mereka Yang Berhutang, Kita Yang Tumbang - Andrew Sheng | Endgame #104 (Luminaries)” (Indonesia, 2022), https://www.youtube.com/watch?v=zK_XV7XbYoI&t=4495s.

transactions must also be focused.³ Stability in the value of money is inseparable from the goal of openness and sincerity in interconnections with humans. This is explained in the Qur'an in QS. Al-An'am : 152, meaning: "And complete the measure and the balance fairly".⁴

Increasing people's welfare in an equitable and fair manner is essentially a goal of economic development. Income per capita is an indicator of the level of people's welfare, because it is able to describe in real terms the success of economic development and the level of people's prosperity.⁵ Income per capita is usually seen from GDP per capita, where the content is the total economic value of a country divided by the number of inhabitants. So, if the GDP per capita of a country is higher, the country's welfare level is said to be high. Conversely, if the GDP per capita of a country is lower, then the level of welfare is said to be still low.

After looking at the macroeconomic indicators from the foundation/heart of the economy to its output, this research will analyze it based on official international data, so that the purpose of this research will be seen, namely the impact of riba from an Islamic macroeconomic perspective. However, the limitation is that researchers do not discuss riba normatively, because there have been many previous studies that have reviewed it legally (where some say that interest is riba and some say interest is not part of riba, but apart from that they agree that riba is haram). Therefore, the focus of this research is to discuss the wisdom from the prohibition of riba which is mentioned by some circles, then it is analyzed based on an Islamic macroeconomic approach. And what is also interesting about this research is that there is very little previous research that discusses riba, especially in the context of the impact of interest using numerical data from several countries, so that this research can be an objective comparison in the analysis of Islamic macroeconomic approaches.

Literature Review

Riba

In terms of etymology, riba can be interpreted as excess, addition, or increase. The definition of riba literally means addition, expansion, or growth. Meanwhile, seen from the origin of the word riba, the meaning is obtained, namely having an object that is increasing (objects increasing). In terms of terminology, riba is referred to as addition to assets owned,

³ Erni Yusnita Siregar, "Kerangka Kerja Kebijakan Moneter Dalam Islam," *Jurnal Al-Iqtishad* 2, no. 17 (2021): 163–75.

⁴ Siti Aisyah and Siti Nurmala, "Aktualisasi Kebijakan Moneter Islam dalam Permasalahan Makro Ekonomi Islam," *Jurnal Syariah* 7, no. 2 (2019): 49–64.

⁵ Rahma Saiyed, "Pengendalian Inflasi, Moneter, Dan Fiskal Dalam Perspektif Ekonomi Makro Islam," *Jurnal Ilmiah Bongaya (JIB)* 5, no. 1 (2021): 42–49, <https://doi.org/10.36908/esha.v6i2.209>.

which are obtained from every transaction, whether it is a transaction involving debts, purchases or sales, or the exchange of any obstacles that can threaten/harm one party.⁶ Linguistically, riba cannot be separated from its wisdom, Quraish Shihab argues that if we only know this meaning linguistically, then the reasoning used by riba at the time of the Prophet could be justified. At that time they said as revealed in the Qur'an, that buying and selling is tantamount to riba (QS. Al-Baqarah [2] : 275), Allah answered them emphatically that "Allah justifies buying and selling and forbids riba". This assertion was put forward by Him without explicitly mentioning the reasons, but it can be said that of course there is a reason or wisdom so that riba is prohibited and buying and selling is permitted.⁷

The wisdom behind the prohibition of riba, according to Qardhawi, is a mutually beneficial relationship between those who have capital and those who run a business, as well as responsibility for risks and their consequences. The principle of justice in Islam is not in favor of one party, but both are in a balanced position. In contrast to conventional economic theory, the concept of riba in Islam can be explained by the economic growth of this concept. Economically, the prohibition of riba is more of an effort to optimize the flow of investment by maximizing the possibility of investment through the prohibition of interest. Because, the higher the interest rate, the greater the possibility of unstoppable investment flows. This can be likened to a dam. The higher the dam wall, the greater the dammed water flow.⁸

Interest Rate

Interest rate is a discounted unit of measurement or expense for the use of funds or other terms for payment of a service. The increase in interest rates (interest) due to a decrease in investment. As an alternative, when interest rates decrease, investment will increase because there is likely to be a decrease in investment costs.⁹

Circulation of Money

The money supply is the total value of money in the hands of the public. The money supply in a narrow sense (narrow money) is the money supply consisting of currency and demand deposits. Technically, the money supply is money that is actually in the hands of the

⁶ Binti Nur Aisyah et al., "Riba Prohibition In Banking: Impact In The Prosperity of Welfare In The Covid-19 Period," *Jurnal Imara* 4, no. 1 (2020): 1–10.

⁷ Hisam Ahyani, Dian Permama, and Agus Yosep Abduloh, "Dialog Pemikiran Tentang Norma Riba , Bunga Bank , Dan Bagi Hasil Di Kalangan Ulama," *KORDINAT* 19, no. 2 (2020).

⁸ Dudi Badruzaman, "Riba Dalam Perspektif Keuangan Islam," *Al Amwal* 1, no. 2 (2019): 49–69.

⁹ Gusti Agung Ayu Ratih Meita Sari and I Gde Kajeng Baskara, "Pengaruh Pertumbuhan Ekonomi, Suku Bunga, Dan Nilai Tukar Terhadap Investasi Asing Langsung di Indonesia," *E-Jurnal Manajemen Unud* 7, no. 7 (2018): 4002–30.

public. Developments in the money supply reflect developments in the economy. A growing and developing economy causes the money supply to also increase. If the economy is getting more advanced, the portion of the use of currency (paper money and metal) is getting smaller, replaced by demand deposits. The economy is getting more advanced, the composition of M1 in the money supply is getting smaller because the portion of quasi-money is getting bigger. The money supply in a broad sense is also called economic liquidity or M2 and in a narrow sense is abbreviated as M1. According to Bank Indonesia, money supply is defined in a narrow sense (M1) and in a broad sense (M2). M1 includes currency held by the public and demand deposits (current accounts denominated in Rupiah), while M2 includes M1, quasi money and securities issued by the monetary system owned by the domestic private sector with remaining maturities of up to one year.¹⁰

Real Sector Investment

Investment is an economic activity that aims to gain profits in the future, investment is useful for company activities in supporting capabilities in the production process. Investments are made in order to maintain tools and production goods in a company. According to classical economic thought, investment is a function of interest rates, when high interest rates reduce investor interest in investing in the real sector (such as companies). Investment takes place when the profit to be generated by investors is greater than the interest rate that must be paid.¹¹

Growth

Economic growth is caused by the increasing ability of a country to meet the economic needs of its citizens. To increase this capability, we need organization, technological advances, and ideological commitment. A healthy economy will certainly make investors more eager to invest in the country concerned. Gross Domestic Product (GDP) is a measure of the amount of goods and services produced by a country in one year. In accordance with this explanation, that GDP can be used as a useful medium for public discourse about how people should live, how GDP growth affects the standard of living of the general public.¹²

Welfare

To realize the welfare of an Islamic society, Imam Al-Ghazali strictly prohibits the practice of riba in economic practices, regardless of this being something that is strictly

¹⁰ Desy Tri Anggarini, "Analisa Jumlah Uang Beredar Di Indonesia Tahun 2005-2014," *MONETER* 3, no. 2 (2016): 161–69.

¹¹ Keken Yusmarti and Syamsul Amar, "Pengaruh Inflasi, Suku Bunga Dan Sektor-Sektor Ekonomi Terhadap Investasi Domestik Di Indonesia," *JKEP: Jurnal Kajian Ekonomi Dan Pembangunan* 2, no. 3 (2020): 31–36.

¹² Sari and Baskara, "Pengaruh Pertumbuhan Ekonomi, Suku Bunga, Dan Nilai Tukar Terhadap Investasi Asing Langsung Di Indonesia."

prohibited by religion, Imam Al-Ghazali considers that riba will result in the practice of economic exploitation and will result in injustice in carrying out economic activity. He also stated that the additional price of the principal price or what we usually call interest on someone's debts or receivables, is also the same as betraying the main function of money, namely to measure the value of the object of exchange. And if the amount of goods to be received is more than the amount of money exchanged, there will be a change in the standard value of money.¹³

Income Per Capita

In a research journal by Nurlaila Hanum and Sari Sarlia with the title "Pengaruh Pendapatan Perkapita Terhadap Konsumsi Di Provinsi Aceh", per capita income is a measure of the average income per person or individual in a country or region. Per capita income is obtained through a comparison of the results of the national income of a country in the previous year with the total population in that year.¹⁴

Research Methods

This study uses a qualitative method that aims to understand various concepts introduced during the review process using library research methods. Library Research in this journal uses secondary data types obtained from articles, websites, previous journals and reference books which cover topics related to the study theme.¹⁵ Then, the table data used in this study is data obtained from the official World Bank website, displaying 11 selected countries from 2011 to 2020. This table is useful for comparisons between countries in terms of annual interest rates, annual money circulation, and GDP per capita. In addition to table data, image data is also presented which is useful for visualizing the discussion so that it can be easily understood by readers. Furthermore, these data are analyzed with each other so that they are in accordance with the study on the research theme.

¹³ Hadi, S., & Nasution, A. I. Studi Komparasi Pemikiran Al-Ghazali dan Ibnu Taimiyah Tentang Konsep Harta dalam Perspektif Islam. *Journal of Islamic Economics and Business*, (2021) 1(1)..

¹⁴ Nurlaila Hanum and Sari Sarlia, "Pengaruh Pendapatan Perkapita Terhadap Konsumsi di Provinsi Aceh," *JURNAL SAMUDRA EKONOMIKA* 3, no. 1 (2019): 84–92.

¹⁵ Tefur Rochman, "Nilai Nilai Instrumental Ekonomi Islam Dalam Kesejahteraan Masyarakat Ditengah Covid 19," *Indonesian Community Development Journal* 1, no. 1 (2020): 35–47.

Results and Discussion

Macroeconomic Analysis

In macroeconomics (or some call it economics macro) one of the most important things in controlling an economy in each country is the interest rate. The size of the percentage of interest rates is an important foundation for the running of a country's economy. In the theory of Paul Samuelson and William D. Nordhaus in their book entitled *Macroeconomics*, it is explained that monetary expansion affects economic activity. In this context, lowering interest rates will encourage the business world to increase spending on purchasing factories, equipment and supplies (read: circulation of money in the real sector), which means that lower interest rates will result in increased spending in all sectors of the economy.¹⁶ Here's a picture:

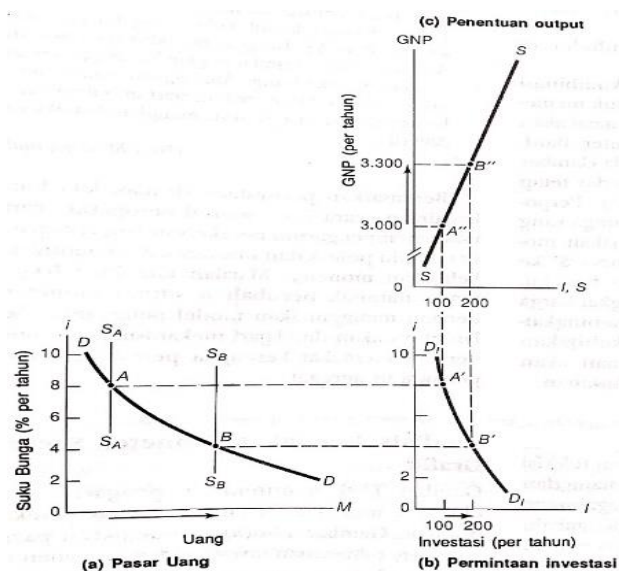


Figure 1

Source: *Makroekonomi, Edisi Keempat belas, Page 246.*¹⁷

Judging from the figure, an increase in the money supply from S_A to S_B will lower interest rates from A to B which in turn increases investment from A' to B' , so that through a multiplier mechanism (read: velocity of money in the real sector), and the output namely the increase in GNP (read: or GDP) from A'' to B'' .¹⁸ That is, interest rates are the most important

¹⁶ Paul A. Samuelson and William D. Nordhaus, *Makroekonomi, Edisi Keempat belas*, ed. Yati Sumiharti, Terjemahan (Penerbit Erlangga, 1992).

¹⁷ Samuelson and Nordhaus.

¹⁸ Samuelson and Nordhaus.

root in the economic growth of each country, because in general interest rates are one of the significant causes of the result of determining economic growth output such as GDP.

In the interest rate study, researchers took 11 countries to compare their interest rates in 2011-2020. The reason the researcher chose 11 countries was because he wanted to compare Indonesia's position with neighboring countries (regional/regional), then with representatives of international countries which the researcher chose as a comparison, namely a developed country which is also a superpower called the United States (US/USA) and the State of Israel whose technological progress growing so fast. Researchers took the United States and Israel also for reasons of the majority religion, with the position of the State of Indonesia as the majority of its citizens being Muslim. Then, the religion of the majority of United States citizens is Christianity, because more than 63 percent of US citizens identify themselves as followers of Christianity, where Protestant Christians make up the majority with a percentage of around 43 percent of the data, followed by Catholics with 19 percent and Mormons with around 2 percent. (based on Aggregated Random-Digit Dial Surveys 2019-2020).¹⁹ After that, Judaism was the most widely followed Abrahamic religion by the people of Israel. About 74.2% of Israel's population are Jews, who make up the majority of the population. With almost four percent of the population migrating, Judaism became the dominant religion in Israel.²⁰ However, due to the limited data that researchers obtained from websites, there are several countries whose annual interest rate data cannot be completed, but can still be used with reference to the annual average obtained, along with the data:

¹⁹ Lutfan Faizi, "Agama Warga Negara Amerika Serikat Dan Persentasenya," *Sindonews.Com*, June 9, 2022, <https://international.sindonews.com/read/793175/45/agama-warga-negara-amerika-serikat-dan-persentasenya-1654762004?showpage=all>.

²⁰ Almas Taqiyya/Litbang MPI, "Agama Warga Negara Israel Dan Persentasenya," *Sindonews.Com*, June 2, 2022, <https://international.sindonews.com/read/786463/43/agama-warga-negara-israel-dan-persentasenya-1654157161?showpage=all>.

Table 1
Real Interest Rate (%)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
China	-1,4	3,6	3,8	4,5	4,4	2,9	0,1	0,8	3,0	3,8	2,6
Vietnam	-3,7	4,0	6,1	4,8	9,0	5,0	2,6	3,8	5,7	5,9	4,3
USA	1,1	1,4	1,5	1,4	2,2	2,5	2,2	2,5	3,4	2,3	2,0
Singapore	4,2	4,9	5,8	5,6	2,2	4,9	2,4	1,8	5,6	8,5	4,6
Philippines	2,6	3,6	3,6	2,4	6,3	4,3	3,2	2,3	6,4	..	3,9
Japan	3,2	2,2	1,7	-0,5	-0,9	0,6	1,1	..	..	..	1,0
Israel	..	..	2,6	3,3	0,9	2,8	3,5	2,6	1,6	2,4	2,5
Indonesia	4,6	7,8	6,4	6,8	8,3	9,2	6,5	6,5	8,6	10,0	7,5
India	1,3	2,5	3,9	6,7	7,6	6,2	5,3	5,4	6,9	3,4	4,9
Malaysia	-0,5	3,7	4,5	2,1	3,3	2,8	0,8	4,3	4,8	4,8	3,1
Thailand	1,3	3,2	3,2	3,5	4,0	1,8	2,5	2,7	3,1	4,7	3,0

Source: World Bank²¹ (processed)

It can be seen that the position of the State of Indonesia in the comparison of the 11 countries that the researchers chose, the average interest rate of the State of Indonesia occupies the highest position, namely 7.5%, while the State of Japan occupies the lowest position, namely 1.0%, the average interest rate in 2011 -2020, but this cannot be justified in absolute terms, because in 2018-2020 (in the last 3 years) researchers did not get data on Japan's annual interest rate. However, it cannot be denied that Japan has relatively low interest rates from 2011-2017, close to 0, followed by the USA (United States) with an average interest rate in 2011-2020 of 2.0%. After that there is the State of Israel whose figure is 2.5% (although in 2011-2012 researchers did not get the data). Then followed by China with an average interest rate in 2011-2020 of 2.6%. In the regional area, countries with an average interest rate of 3% are the Philippines (although in 2020 researchers did not get the data), Malaysia and Thailand. Then the average interest rate is around 4%, namely Vietnam, Singapore and India. While Indonesia is very far from 0%, the average interest rate in 2011-2020 is 7.5%.

In the theory of Paul Samuelson and William D. Nordhaus, the most significant effect of money is when interest rates fall, investment will increase (can also be interpreted as an increase in money supply).²² Money circulation data is taken for the same year, namely 2011-2020 and the same countries as well, along with the data:

²¹ "World Bank Open Data," 09-16-2022, accessed November 18, 2022, <https://data.worldbank.org/>.

²² Samuelson and Nordhaus, *Makroekonomi, Edisi Keempatbelas*.

Table 2
Broad Money (% Of GDP)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Avrg
China	174,5	180,9	186,6	190,9	202,1	207,7	201,4	195,0	197,9	211,9	194,9
USA	87,3	87,9	88,7	89,5	89,0	90,0	90,5	89,4	93,0	5	91,7
Singapore	126,2	128,9	128,9	128,4	122,9	127,6	122,4	118,5	123,5	150,3	127,8
Japan	225,2	228,8	233,0	235,0	233,4	239,6	244,0	248,3	252,4	281,2	242,1
Indonesia	36,7	38,4	39,1	39,5	39,5	40,4	39,9	38,8	38,8	44,7	39,6
Israel	77,5	77,6	79,0	84,3	83,8	84,4	85,1	84,5	86,0	3	84,9
Malaysia	133,9	136,8	140,1	137,1	132,8	128,6	122,5	125,1	122,9	137,6	131,7
Thailand	119,9	121,1	124,4	127,0	127,7	125,4	124,0	122,8	123,4	..	124,0
Vietnam	78,4	84,8	93,8	7	2	6	5	6	7	0	2
India	78,8	76,9	78,2	77,9	78,0	74,5	74,1	74,1	77,1	87,9	77,8
Philippines	57,4	56,3	66,8	68,6	70,9	74,1	75,4	74,5	76,6	90,5	71,1

Source: World Bank²³ (processed)

It can be seen that Japan has relatively low interest rates (close to 0) in the previous table, the effect on money circulation (money supply) in 2011-2020 in Japan is 242.1% of GDP, then China, which also has an average interest rate relatively low, the average money circulation is 194.9% of GDP. America has an average money supply of 91.7% of GDP. State of Israel 84.9% of GDP. Then the countries whose average value is above 100% are Malaysia with 131.7% of GDP, Israel 127.8% of GDP, Thailand 124.0% of GDP, and Vietnam 111.2% of GDP. While the average value of money circulation from 2011-2020 was below 100%, namely India 77.8% of GDP, the Philippines 71.1% of GDP, and the least was Indonesia with 39.6% of GDP.

This shows that Indonesia has the highest interest rates out of 11 countries in 2011-2020, it has an impact on the average money circulation in 2011-2020 in Indonesia, which can then be said to be “dry money supply” (lack of money supply circulating). So, from there it can be seen in more detail the impact on the Gross Domestic Product (GDP) of the 11 countries in the same year (2011-2020), along with the data:

²³ “World Bank Open Data.”

Table 3
GDP (current US\$)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
China	8E+12	9E+12	1E+13	1E+13	1E+13	1E+13	1E+13	1E+13	1E+13	1E+13	1E+13
Indonesia	9E+11	9E+11	9E+11	9E+11	9E+11	9E+11	1E+12	1E+12	1E+12	1E+12	1E+12
India	2E+12	2E+12	2E+12	2E+12	2E+12	2E+12	3E+12	3E+12	3E+12	3E+12	2E+12
Israel	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	4E+11	4E+11	4E+11	4E+11	3E+11
Japan	6E+12	6E+12	5E+12	5E+12	4E+12	5E+12	5E+12	5E+12	5E+12	5E+12	5E+12
Malaysia	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	4E+11	4E+11	3E+11	3E+11
Philippines	2E+11	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	4E+11	4E+11	3E+11
Singapore	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11	4E+11	4E+11	3E+11	3E+11
Thailand	4E+11	4E+11	4E+11	4E+11	4E+11	4E+11	5E+11	5E+11	5E+11	5E+11	4E+11
USA	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13	2E+13
Vietnam	2E+11	2E+11	2E+11	2E+11	2E+11	3E+11	3E+11	3E+11	3E+11	3E+11	3E+11

Source: World Bank²⁴ (processed)

Of the 11 countries in 2011-2020 that occupy the highest position in average GDP, namely the United States with an average GDP value of \$20 trillion, followed by China with an average GDP of \$10 trillion, Japan \$5 trillion, State of India \$2 trillion, State of Indonesia \$1 trillion. Then the remaining countries are at an average number of hundreds of billions of dollars, where the country that occupies the lowest average GDP is Vietnam with a figure of \$300 billion or if the rounding is reduced to \$260 billion. When viewed only through GDP, it is difficult to get a figure for the distribution of wealth in a country, which is caused by differences in the number of inhabitants/population in each country. Therefore, to see in more detail the distribution of wealth, you can see the GDP per capita table for 11 countries in 2011-2020 below:

Table 4
GDP per capita (current US\$)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
China	5614,4	6300,6	7020,3	7636,1	8016,4	8094,4	8817,0	9905,3	10143,8	10408,7	8195,7
Indonesia	3643,0	3694,4	3623,9	3491,6	3331,7	3562,8	3837,6	3893,9	4135,2	3870,6	3708,5
India	1458,1	1443,9	1449,6	1573,9	1605,6	1732,6	1980,7	1998,3	2072,2	1933,1	1724,8
Israel	33775,5	32667,6	36499,5	37847,6	35808,4	37330,3	40774,1	42063,5	43951,2	44177,6	38489,5
Japan	48760,1	49145,3	40898,6	38475,4	34960,6	39375,5	38834,1	39727,1	40458,0	39918,2	41055,3
Malaysia	10399,4	10817,4	10970,1	11319,1	9955,2	9817,8	10259,3	11380,1	11432,8	10412,3	10676,4
Philippines	2450,7	2694,3	2871,4	2959,6	3001,0	3073,7	3123,2	3252,1	3485,3	3301,2	3021,3
Singapore	53890,4	55546,5	56967,4	57562,5	55646,6	56860,4	61150,7	66859,3	65831,2	60729,5	59104,5
Thailand	5492,1	5860,6	6168,3	5951,9	5840,1	5993,3	6593,8	7298,9	7814,4	7158,8	6417,2
USA	50066,0	51784,4	53291,1	55123,8	56762,7	57866,7	59914,8	62805,3	65094,8	63027,7	57573,7
Vietnam	1942,1	2178,0	2354,9	2545,4	2581,6	2745,6	2974,1	3230,9	3425,1	3526,3	2750,4

Source: World Bank²⁵ (processed)

²⁴ "World Bank Open Data."

²⁵ "World Bank Open Data."

The country of Singapore out of 11 countries in 2011-2020 occupies the highest position in the average GDP per capita, namely 59104.5 US dollars due to the relatively small population of Singapore, followed by the United States 57573.7 US dollars, then Japan, namely 41055.3 US dollars, then Israel 38489.5 US dollars, and Malaysia 10676.4 US dollars. Meanwhile, countries in the regional region whose average GDP per capita in 2011-2020 was below 10,000 US dollars were China, which was 8195.7 US dollars due to the large population of China, then below that was Thailand, which was 6417.2 US dollars. Then those whose numbers are below 5,000 US dollars are Indonesia, namely 3,708.5 US dollars, the Philippines 3,021.3 US dollars, Vietnam 2,750.4 US dollars and India 1,724.8 US dollars (with information that Indonesia and India have a relatively large population).

If it is correlated in the previous table regarding the circulation of money in 11 countries in 2011-2020 with the relation of the table now discussed regarding per capita GDP from the same 11 countries and in the same year. So, it appears that a relatively small money circulation will result in small economic growth, so that per capita GDP or average income per person is also relatively small (although there is a slight bias regarding differences population in each country). So, from there, it can be seen that macroeconomics is becoming problematic, so that it becomes a vicious circle of poverty. Here's a picture:

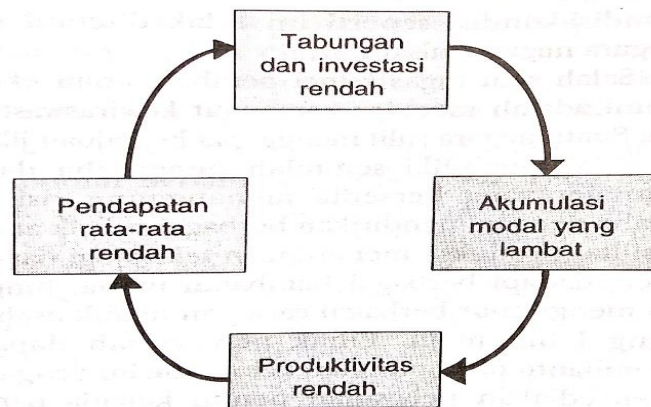


Figure 2
Vicious Circle in Developing Countries
(Source: *Makroekonomi, Edisi Keempatbelas, Page 440.*²⁶)

Low income causes low savings rates, low savings rates hinder capital growth, then if capital is lacking it does not allow increased productivity, and finally low productivity results in

²⁶ Samuelson and Nordhaus, *Makroekonomi, Edisi Keempatbelas*.

low income. At the same time, poverty will also have an impact on that context, this situation will hinder the adaptation of the latest technology that has developed so advanced.²⁷

Islamic Macroeconomic Analysis

The issue of bank interest has so far sparked pros and cons among Muslims, especially in Indonesia. Several Islamic organizations in Indonesia do not declare bank interest halal. But on the other hand, some also say that bank interest is permissible with the argument that there are benefits. There are people who are of the view that the Qur'an only prohibits riba in the form of interest (compound interest) and conventional banks that practice interest do not include riba. However, there are also scholars who say that bank interest is riba. As explained by Allah SWT. In his words Q.S. Al-Baqarah [2] : 278²⁸, meaning: "O you who believe, fear Allah and leave the rest of riba (which has not been collected) if you are believers".²⁹

The limitations of this study are that the researcher does not examine the issue of interest (or some people call riba) normatively, but the researcher wants to focus on the study from the side of wisdom behind the prohibition of riba in Islam, as explained in QS. Al-Baqarah [2] : 275: "Allah justifies buying and selling and forbids riba". So if some Islamic circles state that interest is riba, it turns out that in terms of macroeconomics by calculating interest rates, money circulation and GDP per capita. Interest rates have a tremendous impact, in the sense that they have an important role in human economic well-being in the current era.

According to Qardhawi, the wisdom behind riba is the realization of a strong equality between those who use capital and those who own businesses, as well as assessing risks and their consequences in a way that is full of feelings of responsibility. The principle of justice in Islam is not in favor of one party. However, both are in a balanced position. This is different from conventional economic theory, the concept of riba in Islam can be explained by the economic growth of the concept. Economically, the prohibition of riba is more of an effort to optimize the flow of investment by maximizing the possibility of investment through the prohibition of interest. The higher the interest rate, the greater the chance of unstoppable investment flows. This can be likened to a dam. The higher the dam wall, the greater the dammed water flow.³⁰

²⁷ Samuelson and Nordhaus.

²⁸ Annisa Eka Rahayu and Nunung Nurhayati, "Telaah Kritis Pemikiran Abdul Mannan Tentang Riba Dan Bunga Bank," *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah* 6, no. 1 (2020): 47–68, <https://doi.org/10.36908/isbank.v6i1.131>.

²⁹ Kementerian Agama RI, "Quran Kemenag," accessed November 18, 2022, <https://quran.kemenag.go.id/>.

³⁰ Badruzaman, "Riba Dalam Perspektif Keuangan Islam."

According to Agustianto in his work entitled *Riba and the Meta of Islamic Economics* in 2010, explained that some of the impacts of riba from an economic perspective are:

- Generated economic crises everywhere throughout history, starting in 1930 until today, which resulted from fluctuations in interest rates, then opened opportunities for speculators to carry out speculative activities which could result in volatility in the country's economy,
- The disparity in the economic growth of the world community is constantly increasing, where the rich are getting richer and the poor are getting poorer. IMF data shows how this gap has occurred since 1965 until today,
- Interest rates also affect investment, production and trigger unemployment. The higher the interest rate, the lower the investment. If investment decreases, production also decreases. If production decreases, the unemployment rate will increase.³¹

If technically analyzed, for someone who has assets worth IDR 1 billion, he has two alternative choices, namely investment in bank deposits with an interest of 7 percent a year or investment in the goods and services sector which promises a return of 7 percent/year. So rationally, surely someone will choose deposit investment, because it provides more certainty of return and has been determined beforehand. However, investing in the goods and services sector is still full of risks and uncertainties. As a result, in general there is a rift between the financial sector and the goods and services industry, as a result of which monetary conditions do not reflect the real sector and conversely the condition of the real sector also does not reflect its monetary conditions.³² In fact, if examined, the level of investment in the real sector (goods and services) has a higher profit rate than the profit rate in investment deposits, because it is based on what is called buying and selling. However, if you look at the conditions that have already happened, it is not surprising that the value of the velocity of money in the market for goods and services (real sector) is smaller than the velocity of money in the financial market which is very "flooded" (lots of).

With the emergence of market imbalances, this creates an economic bubble, which is defined as a condition involving huge financial transactions, but in fact there is no content because they are not based on equal real transactions. On the other hand, interest rates continue to be exploitative, predatory and intimidate to economic activity so that the interest rate system

³¹ Mashuri, "Analisis Dampak Bunga Bank (Riba) Bagi Perekonomian Negara," *IQTISHADUNA: Jurnal Ilmiah Ekonomi Kita* 6, no. 1 (2017): 98–107.

³² Kalsum, "Riba Dan Bunga Bank Dalam Islam (Analisis Hukum Dan Dampaknya Terhadap Perekonomian Umat)."

weakens and distorts economic growth.³³ In contrast, the Islamic economic system does not recognize a dichotomy between the goods and services sector and the monetary sector. Because in Islamic economics, it is the profit-sharing system that is the heart of the monetary sector of the economy (that is, the heart of the economy does not use interest). Because, with a profit-sharing system, what is needed is the circulation of money or the speed of circulation of money itself.³⁴

Conclusion

As explained in QS. Al-Baqarah [2] : 275: “Allah justifies buying and selling and forbids riba”. So, if some Muslims say that interest is riba, it turns out that in terms of macroeconomics by calculating interest rates, money circulation and GDP per capita. Flowers have a tremendous impact, in the sense that they have an important role in human economic well-being in the current era.

Differences in economic theory, the concept of the prohibition of riba in Islam can be explained by its superiority economically compared to conventional economic concepts. Economically, the prohibition of riba is more of an effort to optimize the flow of investment by maximizing the possibility of investment through the prohibition of interest. The higher the interest rate, the greater the chance of unstoppable investment flows. This can be likened to a dam. The higher the dam wall, the greater the dammed water flow.

Interest indeed creates a distance between the financial sector and the goods and services sector, as a result of which monetary conditions do not reflect the real sector and vice versa, real sector conditions also do not reflect monetary conditions. In fact, if examined, the level of investment in the real sector (goods and services) has a higher profit rate than the profit rate in investment deposits, because it is based on what is called buying and selling. However, if you look at the conditions that have already happened, it is not surprising (not surprised) if the value of the velocity of money in the goods and services market (real sector) is smaller than the velocity of money in the money market (financial market) which is very “flooded” (lots of money/abundant).

³³ Hidayat, M. S., Sujianto, A. E., Faizin, M. A., Nurrohman, D., & Mashudi, M. (2023). Aktivitas Kewirausahaan dan Pertumbuhan Ekonomi: Analisis Data Panel Negara-Negara Eropa. *Al Qalam: Jurnal Ilmiah Keagamaan dan Kemasyarakatan*, 17(3), 1538-1556.

³⁴ Kalsum.

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