



The Qur'anic Concept of Charity as Model Approach to Resolve Contemporary Economic Challenges of Usury

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Abstract

Usury (riba) remains an important component of contemporary economic systems, including secular, liberal, and religious economic orders. Although interest-based transactions facilitate economic activities, they may also create unequal relationships and expose financially vulnerable individuals and organizations to exploitation. Despite regulatory efforts to control predatory financial practices, economic inequality, wealth concentration, and the vulnerability of disadvantaged groups remain significant concerns. This study employs a qualitative research approach using library research, qualitative content analysis, and descriptive-comparative analysis. Primary data consist of relevant Qur'anic verses, selected Hadith, and authoritative Islamic scholarly literature concerning riba, charity, zakat, sadaqah, trade, lending, justice, wealth distribution, poverty, and social responsibility. The prohibition of riba seeks to prevent exploitative financial relationships, while zakat, sadaqah, and other forms of charity provide mechanisms for supporting disadvantaged groups and encouraging the circulation of wealth. These principles distinguish the Qur'anic approach from economic systems that may prioritize individual freedom, market efficiency, or material equality as dominant objectives. The Qur'anic framework presents an integrated justice-oriented economic model that combines ethical transactions, social responsibility, charity, and equitable wealth distribution. Its emphasis on justice, compassion, and protection of vulnerable groups provides a potentially universal ethical framework for addressing economic exploitation, poverty, and inequality across diverse contemporary societies.

INTRODUCTION

The Qur'anic Deen is precisely all about Principles of Virtuous Living. It includes all tenets defining behaviour pattern reflected across various transactions-just transactions during communication, economic interaction, sociological behaviour as well as sincere and submissive approach to god almighty (Choiriyah et al., 2020). In this article, the author is confined to elaborate and analyse contemporary practices of Business Transactions especially Trading of Goods & Services and Finance Money Capitals (Suharto, 2018).

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The modern day business transactions may broadly be classified as under: Trading governed by sole motives of profit making (applicable to Products and Services) and Finance (Financial Market based on earnings gained by Lending and Borrowing of Money Capitals). The highly exploiting and predatory business approach of Lending and Borrowing of Money Capitals governed by Interests is called Usury (Shah, 2020). The usury (Riba) is associated with the transaction business of Money Capitals. The Riba (commonly referred as sood) means increase or addition on debt and it refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan. The salient features of Financial business approach of Money Capitals are: It does not generate any Real Value during transaction. No inherent utility. It works mere as means facilitating transaction. It does not create any value on its own. It does not fulfil needs of individuals and organizations on its own. Money Capitals whether currencies composed of Noble Metals (e.g. silver coins, gold asharfi etc.) or Paper Money do not create any Real Value to Society. The currencies especially Paper Money is subject to manipulation by state agencies independent of factors affecting commodity market. It does not contribute to GDP and hence no direct impact on prosperity and wellbeing of society (Čihák & Hesse, 2010).

The salient features of the business approach of Trading are as under: It is related exclusively to business transaction (Purchasing and Selling) of Goods and Services. Goods & Services have Real Utility. It has potentials to fulfil economic needs of the Society on its own. It is inseparable parts of GDP. It contributes significantly to Prosperity and Wellbeing of Society (Eyerici, 2021). The different aspects of the two business practices are compared amid analyses as under:

Parameter	Trading	Usury	Charity
Item Broad Category	Tradable Commodities [2:275]	Non-tradable commodities [2:275]	Tradable and Non-tradable Commodities [14:31]
Item Class	Consumer Goods & Services [2:275]	Finance i.e. Money [2:275]	Both [Goods & Services and Finance] [2:280]
Scope	Restricted to Business Transaction of Non-financial Items [Trading Activity] [2:275]	Restricted to transaction of Financial Services [Lending of Loans/Debt extended as source to Funding] [2:275]	Unrestricted. Applicable to both class of items [35:29], [32:16], [14:31]
Operation Mode	Sales and Purchasing	Money Lending	Giving Freely with in return or no repayment [30:39], [73:20], [64:16]
Parties involved	Supplier [Manufacturer/Trader] and Consumer [Purchaser]	Lender and Borrower	Giver and Receiver of Benefits
Ultimate Beneficiary	Both [Supplier & Consumer]	Lender	Receiver [2:273]
Gross Domestic Product (GDP)	It contributes positively and leads directly to increase in GDP	No Contribution to GDP	It indirectly increases GDP through Charity Contributions building Skills, Promoting Trades and Restricting Unjust Practices of Business Transaction

This table provides a comparative analysis of three core financial paradigms in Islamic economics Trading, Usury, and Charity evaluating them across various

operational parameters and Qur'anic references. Trading operates through sales and purchasing of tradable consumer goods and services (Al-Baqarah 2:275), directly driving positive economic growth and increasing GDP by benefiting both suppliers and consumers in the real economy. In contrast, Usury relies on money-lending practices involving non-tradable financial instruments and loans; it primarily enriches the lender alone without generating actual value or contributing directly to GDP. Meanwhile, Charity encompasses freely giving both financial resources and goods/services without expecting repayment (Ar-Rum 30:39), aiming solely to support the receiver (Al-Baqarah 2:273). Though non-commercial, charity indirectly boosts GDP by enhancing skills, promoting fair trade, and mitigating exploitative market practices. Ultimately, the framework highlights how Islamic principles favor productive commerce and altruistic distribution over speculative debt-based financial returns.

METHODS

This study employs a qualitative approach using a library research design and qualitative content analysis, combined with a descriptive-comparative approach (Bin-Nashwan et al., 2021). This research design was chosen because the objects of study consist of concepts, principles, and arguments found in textual sources, specifically regarding usury, zakat, charity, economic justice, wealth distribution, poverty, and contemporary economic systems (Suprayitno, 2020). The study aims to gain an in-depth understanding of how the Qur'an establishes principles of justice in economic relations and how these principles can be compared with the economic characteristics of capitalism, socialism, and interest-based financial systems. Qualitative content analysis is used to systematically identify, categorize, and interpret the meanings contained in the documents, both at the level of explicit meaning and at the level of deeper or implicit meaning (Mardoni et al., 2025).

The research data consists of primary and secondary data. Primary data includes verses from the Qur'an related to usury, zakat, charity, trade, debt, justice ('adl), wealth distribution, poverty, and social responsibility (Efendi et al., 2023). The primary data is further supported by relevant hadiths as well as authoritative exegetical and jurisprudential literature that explains Islamic economic concepts. Secondary data was obtained from academic books, articles in reputable journals, theses and dissertations, research reports, documents from economic and financial institutions, and literature on capitalism, socialism, interest-based financial systems, economic inequality, poverty, and income distribution (Sulastri et al., 2024). Sources were selected using a purposive approach, based on relevance, academic authority, publisher credibility, and their connection to the research questions. The library research approach allows the researcher to collect and reconstruct ideas from various scientific sources in a contextual manner (Arzam et al., 2023).

Data collection was conducted through a literature review. The researcher identified, selected, critically read, and documented sources relevant to the research focus. Qur'anic verses, hadiths, exegeses, and economic literature were classified based on major themes, such as usury, justice, exploitation, zakat, charity, wealth distribution, poverty, ownership, profit, and the protection of vulnerable groups (Warmi et al., 2025). Each piece of data was then placed in an analytical matrix to facilitate the processes of categorization, interpretation, and comparison. Data analysis was conducted using systematic qualitative content analysis through several stages: data reduction, categorization, interpretation, comparative analysis, and drawing conclusions (Fauzi et al., 2023).

RESULT AND DISCUSSION

Usury commonly associated in Islamic discourse with *riba*, has historically been regarded as one of the most serious ethical problems in economic relations. At its core, the problem of usury concerns the transformation of another person's financial vulnerability into an opportunity for private gain. When individuals or institutions possess surplus financial resources while others experience urgent economic needs, an unequal relationship may emerge between the provider of capital and the person seeking it. If the lender is able to impose excessive or unjustified financial charges because the borrower has limited alternatives, the transaction can become an instrument of exploitation rather than a mutually beneficial economic exchange. From this perspective, the ethical problem of usury is not simply the existence of financial return but the possibility that economic power may be used to obtain disproportionate benefits from those who are already vulnerable (Asutay, 2025).

The pursuit of wealth is an important feature of economic activity, and profit itself cannot necessarily be regarded as immoral. Individuals and institutions require incentives to invest, produce goods, provide services, create employment, and undertake economic risks. However, the unrestricted pursuit of financial gain can become problematic when the desire for accumulation overrides considerations of fairness, human dignity, and social welfare. Economic superiority can provide wealthy individuals or institutions with greater bargaining power, while people facing poverty, illness, unemployment, indebtedness, disability, old age, or other difficult circumstances may have little capacity to negotiate the terms of a financial transaction. Under such conditions, the need for immediate financial assistance can compel borrowers to accept conditions that they would not voluntarily choose under circumstances of genuine economic freedom (Asutay & Yilmaz, 2025).

This problem becomes particularly significant in lending relationships. Money possesses a distinctive characteristic because it can function simultaneously as a medium of exchange, a store of value, and a means of acquiring productive assets. When money is lent, the borrower may use it for consumption, emergency needs, investment, business activities, education, healthcare, housing, or other purposes. The lender, however, may seek a predetermined financial return irrespective of whether the borrower succeeds or fails in using the borrowed capital. This creates an important ethical distinction between the sharing of economic risk and the transfer of risk primarily to the borrower (Meerangani, 2019).

The amount initially provided by the lender is ordinarily described as the principal or loan capital. When an additional amount is required above the principal as a condition of repayment, the additional amount is generally understood as interest. In modern financial systems, interest may be calculated according to the principal, the duration of the loan, and an agreed interest rate. Depending on the contractual structure, the amount payable may increase over time. In conventional finance, interest is generally justified through several economic arguments, including the opportunity cost of capital, compensation for risk, preference for present consumption, inflation, administrative costs, and the expected return on alternative investments. Consequently, interest in contemporary economic theory cannot simply be reduced to an arbitrary demand for additional money (Qanita, 2024).

Nevertheless, the ethical concern becomes stronger when the financial return is imposed upon borrowers who are in severe economic distress and possess insufficient bargaining power. In such circumstances, the relationship between lender and borrower may become structurally unequal. The borrower may need money immediately, whereas the lender possesses the capacity to wait. The borrower therefore bears the pressure of time and necessity, while the lender may possess the power to determine or influence the financial conditions of the transaction. This

asymmetry can become particularly harmful when charges accumulate rapidly, when repayment obligations become excessive, or when failure to repay produces additional financial penalties (Amalia, 2015).

Contemporary financial institutions generally operate within legal and regulatory frameworks. Central banks, financial regulators, consumer-protection authorities, and other governmental institutions may establish rules concerning interest rates, disclosure, lending practices, capital requirements, and protection against predatory financial practices. Such regulation is intended to prevent excessive exploitation and maintain stability within the financial system. Nevertheless, the existence of regulation does not automatically eliminate the possibility of economic injustice. Financial products can remain complex and difficult for ordinary borrowers to understand, while vulnerable individuals may continue to accept unfavorable conditions because of urgent financial needs (Al-Bawwab, 2023).

The problem can become even more pronounced in informal lending relationships. Individuals possessing substantial financial resources may lend money outside formal financial institutions, sometimes without effective regulatory oversight. In situations where the borrower is desperate, the lender may exploit that vulnerability by imposing extremely high charges, demanding collateral disproportionate to the loan, or continuously increasing the amount owed. Such practices are commonly associated with the concept of usury in its strongest sense. The distinguishing feature is therefore not merely that additional money is demanded, but that the financial return becomes excessive, oppressive, or exploitative in relation to the circumstances of the borrower (Ayuniyyah et al., 2018).

From an Islamic perspective, this issue must be considered within the broader Qur'anic conception of economic morality. The Qur'an does not reject economic activity, trade, private ownership, or legitimate profit. On the contrary, commercial exchange is recognized as an important component of social and economic life. The fundamental distinction is between legitimate trade and *riba*. Qur'anic discourse establishes a moral boundary between permissible commercial exchange and forms of financial gain that are considered unjust. The prohibition of *riba* therefore needs to be understood within the wider objectives of establishing justice, protecting human dignity, preventing exploitation, and maintaining balanced economic relationships (Aziz & Mohamad, 2016).

Trade and lending differ fundamentally in their economic structure. In trade, a person purchases or produces goods or provides services and subsequently exchanges them for an agreed price. The seller normally assumes commercial risks associated with acquiring, producing, storing, transporting, and marketing the goods. Profit is therefore connected to economic activity and the exchange of goods or services. In a lending relationship, by contrast, the lender may provide money with an expectation of receiving more money at a predetermined rate. The ethical question consequently concerns whether the additional financial return is justified by productive activity, risk-sharing, or genuine economic contribution, or whether it represents a claim to additional wealth merely because financial resources have been temporarily transferred to someone in need (Siswantoro, 2022a).

The Qur'anic prohibition of *riba* is consequently connected to a broader moral vision in which wealth should not become a mechanism of domination. Wealth is permitted, but its possession carries social and ethical responsibilities. Economic freedom is not understood as an unlimited right to pursue profit regardless of consequences. Rather, individual economic activity exists within a moral framework that recognizes the rights and dignity of other members of society. This principle

becomes particularly important when economic transactions involve individuals who lack sufficient resources to protect themselves.

The persistence of interest-based financial arrangements across different political and economic systems demonstrates that the problem cannot be attributed exclusively to one ideology. Capitalist economies generally emphasize private property, individual freedom, market exchange, competition, and the pursuit of profit. Socialist traditions, although historically critical of unrestricted private accumulation, have developed different approaches to ownership, redistribution, and economic organization. Yet both systems, in their diverse historical and contemporary forms, have had to confront questions concerning debt, financial power, wealth concentration, and the distribution of economic resources. The existence of different political structures does not automatically eliminate the ethical challenges associated with lending and economic inequality (Herianingrum et al., 2024).

The Qur'anic approach introduces justice as a central criterion through which economic relationships can be evaluated. Justice ('adl) implies that economic freedom must be exercised without violating the legitimate rights of others. It requires that the strong do not use their economic position to exploit the weak and that economic institutions contribute to the preservation of social welfare. From this perspective, the question is not simply whether an economic transaction is legally valid but whether its consequences and underlying relationship are consistent with fairness and justice (Bin-Nashwan et al., 2021).

This principle also explains the importance of charity in the Qur'anic economic framework. Charity is not merely an act of personal kindness or voluntary generosity. In Islamic economic thought, zakat, sadaqah, and other forms of assistance establish mechanisms through which individuals and communities can respond to poverty and economic vulnerability. They recognize that wealth has a social dimension and that members of society have responsibilities toward those who lack sufficient resources. Zakat occupies a particularly important position because it represents an institutionalized form of wealth redistribution. Unlike purely voluntary philanthropy, zakat is an obligatory form of giving for eligible Muslims who meet the relevant conditions. Its beneficiaries include categories of people who experience poverty, economic hardship, indebtedness, and other forms of vulnerability. In this sense, zakat can be understood as part of a broader social mechanism designed to ensure that wealth does not remain exclusively concentrated among those who already possess substantial resources (Nasution & Razali, 2021).

Sadaqah, meanwhile, represents a broader field of voluntary charitable activity. It may take the form of monetary assistance, food, clothing, services, support, or other beneficial acts. Its ethical significance lies in encouraging compassion and social solidarity beyond the minimum requirements of economic obligation. Together, obligatory and voluntary forms of charity contribute to a culture in which economic resources are understood not exclusively as instruments of individual accumulation but also as means of fulfilling social responsibility (Shahid et al., 2024).

The Qur'anic model therefore approaches poverty differently from an exclusively debt-based solution. A person facing financial hardship may require assistance rather than another financial obligation that increases their indebtedness. If an individual who lacks sufficient resources is repeatedly required to borrow at increasing cost, temporary hardship can develop into long-term indebtedness. Charity, benevolent lending, and social assistance provide alternative mechanisms through which immediate needs can be addressed without necessarily transferring additional financial burdens to the person already experiencing hardship (Siswantoro, 2022b).

This approach has particular relevance for vulnerable groups. Elderly people, persons with disabilities, economically disadvantaged families, unemployed individuals, and socially marginalized communities may possess fewer opportunities to generate income or negotiate financial contracts. A justice-oriented economic system must therefore consider not only aggregate economic growth but also the distribution of opportunities and protection available to those who are structurally disadvantaged. Economic growth that leaves vulnerable populations increasingly exposed to exploitation cannot, from this perspective, be regarded as sufficient evidence of social progress (Suprayitno, 2020). The relationship between charity and wealth distribution is consequently central to the Qur'anic economic vision. Wealth is not condemned simply because it is wealth. Prosperity can support human development when acquired and used responsibly. The ethical problem arises when wealth becomes concentrated in ways that produce domination, deprivation, or exclusion. Charity provides one mechanism through which resources can circulate from those possessing greater economic capacity toward those experiencing genuine need. Such circulation can reduce extreme deprivation while strengthening social bonds.

The Qur'anic economic framework can therefore be distinguished from both unrestricted individualism and absolute economic collectivism. It recognizes private ownership and legitimate commercial activity while simultaneously imposing moral obligations upon wealth. Individual freedom is preserved but placed within the boundaries of justice. Social welfare is encouraged without necessarily abolishing individual property rights. Profit is permitted when connected to legitimate economic activity, but exploitation and unjust enrichment are condemned. In this sense, the framework seeks a balance between economic freedom, social responsibility, and distributive justice. The contrast with capitalism and socialism is therefore primarily normative rather than merely institutional. Capitalism has historically emphasized freedom, private property, competition, and voluntary exchange, while socialism has emphasized equality, collective welfare, and redistribution. The Qur'anic approach places justice at the center and treats freedom and equality as values that must be organized within a broader ethical order. Freedom without justice may permit exploitation, while equality without justice may produce forms of coercion or disregard for legitimate individual rights. Justice provides a criterion through which both freedom and equality can be evaluated (Sehrawat & Giri, 2016).

The universal relevance of this principle does not necessarily depend upon a society adopting a particular political system. The concern with preventing exploitation, protecting vulnerable people, encouraging responsible economic behavior, and reducing unjust inequality can be relevant across different cultures, geographical settings, political institutions, and social traditions. Consequently, the Qur'anic economic approach can be examined not merely as a religious prescription for Muslims but also as a normative framework offering broader insights into the ethical organization of economic relationships. At the heart of this framework is the proposition that economic activity should serve human welfare rather than human beings becoming instruments of economic accumulation. Money is an important means of facilitating production, exchange, investment, and consumption, but it should not become an independent object of unlimited accumulation at the expense of social welfare. Economic institutions should therefore be evaluated according to how they affect human dignity, social stability, opportunity, and justice (Asutay, 2025).

The Qur'anic prohibition of *riba*, when considered together with *zakat*, *sadaqah*, benevolent assistance, legitimate trade, and principles of fairness, represents

an integrated ethical approach rather than an isolated prohibition. Its objective can be interpreted as establishing economic relationships in which wealth creation is accompanied by responsibility. It seeks to discourage financial practices that transform another person's hardship into excessive private gain while encouraging mechanisms through which wealth can support broader social development (Al-Bawwab, 2023).

Ultimately, the Qur'anic economic vision proposes that prosperity and justice should not be treated as competing objectives. A prosperous society should also be capable of protecting its weakest members. Economic development should therefore be measured not only by the volume of production, investment, or financial transactions but also by the extent to which people can live with dignity, access essential resources, participate in economic life, and remain protected from exploitation. In this context, charity becomes more than an individual act of generosity. It becomes an expression of social solidarity and an instrument through which economic resources can be redirected toward legitimate human needs. It can strengthen mutual trust, compassion, cooperation, and social cohesion. When combined with ethical trade, responsible ownership, and protection against exploitative financial practices, charity contributes to an economic environment in which wealth can circulate more broadly and social inequality can be reduced.

Thus, the Qur'anic approach to *riba* and charity can be understood as part of a comprehensive conception of economic justice. It does not reject wealth, trade, or legitimate profit; rather, it seeks to establish moral boundaries within which these activities should operate. Its central concern is that economic power should not be converted into a permanent instrument of exploitation. By combining the prohibition of unjust financial practices with mechanisms of redistribution and social responsibility, the Qur'anic framework offers a vision of economic life in which freedom is accompanied by responsibility, prosperity by compassion, and wealth by justice. Such a framework provides a significant basis for contemporary discussions concerning poverty, inequality, financial vulnerability, ethical finance, and the broader relationship between economic development and human well-being.

CONCLUSION

Usury (*riba*) represents a significant ethical challenge in economic relations because it may transform financial vulnerability into an opportunity for excessive private gain. Although contemporary economic systems regulate interest-based transactions through legal and financial institutions, the existence of regulation does not necessarily eliminate inequality, excessive indebtedness, wealth concentration, or the exploitation of economically vulnerable groups. The fundamental concern, therefore, lies not merely in financial returns but in whether economic transactions are conducted within the boundaries of fairness, justice, and social responsibility. The Qur'anic approach offers a distinctive framework by placing justice (*adl*) at the center of economic and social relations. The prohibition of *riba*, when considered together with legitimate trade, *zakat*, *sadaqah*, and other forms of social assistance, demonstrates an integrated economic ethic aimed at preventing exploitation while encouraging responsible wealth creation and distribution. Unlike approaches that emphasize freedom or equality as their principal economic values, the Qur'anic framework seeks to harmonize individual economic freedom, legitimate profit, social responsibility, and distributive justice. Charity occupies an important position within this framework because it provides material support for poor, marginalized, and disadvantaged members of society while facilitating the circulation of wealth. It can reduce economic vulnerability, strengthen social solidarity, and promote mutual trust and compassion. Consequently, the Qur'anic economic approach should not be understood simply as a prohibition of interest but as a broader system of ethical

economic relationships. The study concludes that justice-oriented economic practices, supported by responsible wealth management, charity, equitable distribution, and protection against exploitation, provide an important normative framework for addressing poverty and inequality. The Qur'anic model therefore offers relevant ethical principles for contemporary discussions on financial justice, social welfare, and inclusive economic development.

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Author Contribution

Kausar Ali, Syahidil Mubarik: Writing-Preparation of original manuscript, Conceptualization, Visualization, Methodology, Improve Language, Investigation.

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