

Analysis of Community Understanding of Interest (Riba) and Its Influence on Borrowing Interest in Non-Bank Financial Institutions in Padang Bindu Village, Pasemah Air Keruh District, Empat Lawang Regency

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Abstract

This study aims to examine public understanding of interest (riba) and its influence on the intention to borrow from non-bank financial institutions in Padang Bindu Village. This research employs a qualitative method with a phenomenological approach. Data collection techniques include interviews, observations, and documentation involving informants consisting of community members who have taken loans and representatives of non-bank financial institutions. Data analysis uses the Miles and Huberman model, including data reduction, data display, and conclusion drawing.

The results indicate that the community generally understands that riba refers to an additional charge in loans prohibited in Islam; however, this understanding remains general and not in-depth. Furthermore, such understanding does not significantly influence people's interest in borrowing. This is mainly due to urgent economic needs, ease of loan procedures, and social environmental influences. Additionally, some community members perceive that small amounts of interest are still acceptable. Thus, public understanding of riba has not fully influenced their financial decision-making behavior.

Keywords: Understanding, Riba, Borrowing Interest, Non-Bank Financial Institutions

INTRODUCTION

Rapid technological development accompanied by increasing economic needs has driven the growth of financial institutions, both bank and non-bank. In Indonesia, non-bank financial institutions such as cooperatives, financing companies, and financial technology

(fintech) services are increasingly popular due to their accessibility, fast processes, and relatively simple requirements. This condition provides alternative solutions, especially for rural communities with limited access to formal banking services.

However, this convenience raises issues from the perspective of Islamic economics, particularly regarding interest-based loan practices often associated with *riba*. In Islam, *riba* refers to any additional charge in loan transactions and is strictly prohibited due to its unjust nature. This prohibition is explicitly stated in the Qur'an, particularly in Surah Al-Baqarah verse 275. Additionally, the Indonesian Council of Ulama (DSN-MUI) fatwa (2004) confirms that bank interest falls under *riba* and is prohibited.

An interesting phenomenon occurs in Padang Bindu Village. Despite strong religious values, many residents still engage in interest-based borrowing through non-bank institutions such as cooperatives. Loan amounts typically range from IDR 500,000 to over IDR 1,000,000, with interest rates reaching approximately 20%. This practice falls under *riba nasi'ah*, which arises due to delayed payment.

Although some residents are aware that interest constitutes *riba*, borrowing practices persist due to urgent economic needs, ease of access, and limited availability of Islamic financial institutions. Additionally, some believe that small interest amounts are tolerable. This indicates a gap between normative understanding and actual economic behavior.

Theoretically, religious understanding should influence economic behavior. However, in reality, economic decisions are often driven by pragmatic considerations. Previous studies show mixed results—some indicate that understanding *riba* encourages the use of Islamic financial services, while others show no significant influence under economic pressure.

Therefore, this study aims to analyze the level of public understanding of *riba* and its influence on borrowing interest in non-bank financial institutions.

LITERATURE REVIEW

1. Understanding

Understanding is an individual's ability to grasp the meaning of information and interpret and explain it logically. Understanding is not limited to the process of remembering, but also includes the ability to process information into meaningful knowledge. According to Ngalm Purwanto, understanding is characterized by a person's ability to re-explain a concept in their own words. Meanwhile, Benjamin Bloom views understanding as the ability to interpret and classify information into higher cognitive structures.

From a communication psychology perspective, Jalaluddin Rakhmat explains that understanding is formed through the processes of attention, information reception, and meaning processing. In the context of Islamic economics, understanding (al-fahm) is not only related to the cognitive aspect but also encompasses an individual's ability to grasp the sharia values underlying a concept, including understanding usury and its implications for economic life.

Conceptually, understanding is influenced by several main elements: stimulus, attention, cognition, and affect. Stimulus is the stimulus an individual receives, both from the environment and from within. Attention is the initial stage in the meaning-making process, followed by the cognitive aspect related to knowledge and experience, and the affective aspect related to the individual's emotions and attitudes toward an object.

Furthermore, understanding is also influenced by various factors, including literacy levels, religious values, social environment, personal experiences, and access to information and education. In the context of a society's economy, economic needs are often the dominant variable that can influence how individuals understand and respond to a concept, including usury.

2. The Concept of Interest (Riba) in Islamic Economics

Riba literally means additional or excess, while the term refers to an additional fee required in a loan transaction or exchange of goods without any equivalent compensation. In Islamic economic literature, riba is understood as a practice that contains elements of injustice because it provides a one-sided advantage to the lender.

According to Yusuf al-Qaradawi, interest in the modern financial system falls under the category of riba and is therefore prohibited. A similar view is expressed by Hasan, who states that any additional fee required in a loan transaction is a prohibited form of riba.

In practice, riba can be classified into several main types:

- a. Riba Fadl, which is an additional fee in the exchange of goods of the same type that are not equal.
- b. Riba Nasi'ah, which is an additional fee arising from a delay in payment in a loan transaction.
- c. Riba Yad, which is a delay in handover in a transaction that should be carried out in cash.

- d. Riba Qardh, which is an additional fee required from the start in a loan transaction.

Among these types, riba nasi'ah is the most common form found in modern financial practices, including in interest-bearing lending systems at non-bank financial institutions.

The prohibition of riba is affirmed in various sources of Islamic teachings, including in Surah Al-Baqarah, verse 275, which affirms that Allah permits trade and prohibits usury. Furthermore, the Indonesian Ulema Council, through a fatwa issued by the National Sharia Council (2004), also determined that interest in the conventional financial system falls under the category of riba.

From a socio-economic perspective, the practice of riba can have various negative impacts, such as unequal distribution of wealth, weakened purchasing power, and increased economic burdens on low-income groups. Al-Ghazali explained that riba is a form of injustice because it provides profit without commensurate effort or risk, thus violating the principle of justice in transactions.

3. Interest in Economic Behavior

Interest is an individual's tendency to perform an action, influenced by perceived benefits, needs, and believed values. From an Islamic economic perspective, interest is not only based on rational-economic considerations but is also influenced by moral values and Sharia principles.

According to M. Syafi'i Antonio, interest in economic activity arises when an individual believes that an action provides benefits and does not conflict with Sharia principles. This indicates that religious aspects play a significant role in shaping a person's economic preferences.

Furthermore, Yusuf al-Qaradawi stated that the level of understanding of Islamic law will influence a person's tendency to engage in transactions. Individuals who understand a practice as permissible (halal) will tend to have a higher interest, whereas if it is understood as forbidden (haram), this interest will decrease.

According to Abdul Mannan, interest is also influenced by needs and socioeconomic conditions. Meanwhile, M. Umer Chapra emphasized that a Muslim's economic behavior is the result of the interaction between material interests and spiritual values. Thus, interest is not only determined by economic gain but also by its alignment with ethical and religious values.

RESEARCH METHODOLOGY

1. Research Type and Approach

This research uses a qualitative, descriptive approach. This approach was chosen to gain a deeper understanding of social phenomena occurring in society, particularly regarding understandings of usury (riba) and the interest in borrowing from non-bank financial institutions.

A qualitative approach allows researchers to explore the meanings, perceptions, and subjective experiences of the community from their own perspectives. Specifically, this study uses a phenomenological approach to examine how individuals interpret the concept of usury and how this understanding influences their economic behavior in their daily lives.

2. Research Location and Timeline

This research was conducted in Padang Bindu Village, Pasemah Air Keruh District, Empat Lawang Regency, South Sumatra Province. The location was selected based on the dominant practice of lending by non-bank financial institutions, particularly cooperatives, which use interest in loan transactions.

Geographically, this village is located in a hilly area with relatively limited access to formal banking institutions. This condition makes non-bank financial institutions the community's primary alternative for meeting financial needs. The research was conducted from January 2026 until completion.

3. Research Subjects and Informants

The informants in this study were selected using a purposive sampling technique, which involves deliberately selecting informants based on specific criteria relevant to the research objectives.

The informants in this study included:

- a. Residents who have or are currently taking out loans from non-bank financial institutions.
- b. Residents who have not taken out loans due to religious reasons.
- c. Managers or officers of non-bank financial institutions (cooperatives) in Padang Bindu Village.

The selection of informants was based on the consideration that they have direct experience and understanding of the phenomenon being studied, thus being able to provide in-depth and relevant information.

4. Data Sources

This study used two types of data sources:

- a. Primary data, which is data obtained directly from informants through interviews and observations. This data includes information regarding the community's understanding of usury (riba) and their reasons for taking out or avoiding loans.
- b. Secondary data, which is supporting data obtained from documents, village archives, statistical reports, and literature relevant to the research. This data is used to strengthen and complement the research findings.

5. Data Collection Techniques

Data collection techniques in this study were conducted using several methods, namely:

- a. In-depth interviews

Interviews were conducted directly with informants using open-ended questions to explore their understanding, experiences, and reasons regarding lending practices and perceptions of usury.

- b. Observations

Observations were conducted to observe social conditions, economic activities, and lending practices within the research environment.

- c. Documentation

Documentation was used to collect supporting data in the form of village archives, statistical records, and other documents relevant to the research.

6. Data Analysis Techniques

The data analysis in this study used the interactive model proposed by Matthew B. Miles and A. Michael Huberman. The analysis process was carried out continuously from the initial data collection to the drawing of conclusions, through the following stages:

- a. Data reduction, which is the process of selecting, simplifying, and focusing data relevant to the research objectives.
- b. Data presentation, which is organizing the data into a descriptive narrative form for easy understanding.
- c. Conclusion drawing, which is formulating the main findings based on the results of the data analysis.

The analysis was conducted inductively, drawing conclusions based on empirical data found in the field.

7. Data Validity Testing

To ensure data validity, this study used a triangulation technique, which compares data obtained from various sources and methods. Triangulation was carried out through:

- a. Source triangulation, by comparing information from various informants.
- b. Method triangulation, by comparing the results of interviews, observations, and documentation.

This technique aims to increase the validity and credibility of the research results so that they can be scientifically accounted for.

8. General Description of Research Subjects

Padang Bindu Village is a rural area with social characteristics that still uphold family and religious values. The majority of residents work as farmers and small business owners, with relatively unstable incomes.

Limited access to formal banking institutions and pressing economic needs lead residents to tend to choose non-bank financial institutions as a source of financing. This situation makes the village a relevant research location to examine the relationship between religious understanding and community economic behavior.

RESULTS AND DISCUSSION

1. Community Understanding of the Concept of Riba

The research results indicate that the understanding of the concept of riba among the people of Padang Bindu Village remains at a normative level and has not yet developed into an understanding that is applicable in economic practice. The majority of informants know that riba is an additional element in loan transactions that is prohibited in Islam, but are unable to identify the form of riba in their daily lending practices.

This finding indicates a gap between conceptual knowledge and practical implementation (knowledge-practice gap). Empirically, the community lacks the analytical skills to distinguish between an interest-based financial system and a system that complies with Sharia principles. This is reinforced by observational and documentary data, which show that people continue to borrow despite additional payments in the installment system.

Furthermore, a distorted understanding of riba was found, namely the assumption that small amounts of interest are tolerable as long as they are not burdensome. This perception indicates a relativization of the law on riba, which, from

an Islamic economic perspective, is unacceptable because *riba* is determined by the existence of additional elements, not the size of the additional element.

From a behavioral perspective, this study also found a value-behavior gap, where people are aware of the prohibition on usury but still engage in interest-based loans. This is primarily influenced by pressing economic needs. Therefore, religious values have not been fully internalized in people's economic decision-making.

Another contributing factor is social embeddedness. Lending practices have become a collective habit passed down through social interactions, such as with family and neighbors. This condition causes people's economic behavior to tend to follow established norms, rather than solely based on rational or normative considerations.

Furthermore, structural aspects also play a significant role, particularly related to limited access to Sharia-compliant financial institutions. People prefer non-bank financial institutions due to their simple procedures, fast disbursement of funds, and easy requirements. This indicates that people's economic decisions are based more on practical aspects than religious considerations.

Thus, people's understanding of usury cannot be separated from the interaction of cognitive (knowledge), economic (needs), social (environment), and structural (access to institutions) factors. The lack of integration of these four aspects results in understanding usury remaining at the normative level.

2. The Influence of Understanding Usury on Loan Intention

The results of the study indicate that public understanding of usury does not significantly influence interest in borrowing from non-bank financial institutions. Although people know that usury is prohibited, it is not a primary factor in financial decision-making.

This finding demonstrates a disparity between religious knowledge and economic behavior, where religious knowledge does not automatically shape economic behavior. In the context of this study, borrowing decisions are more influenced by urgent economic needs (economic compulsion).

The need to cover daily expenses, education costs, and business capital are the dominant reasons driving people to continue borrowing. This suggests that under certain conditions, economic considerations outweigh normative religious values.

In addition to economic factors, the influence of the social environment also proved significant. The practice of borrowing has become a habit that is considered normal, thus forming a collective norm in society. From a behavioral theory

perspective, this condition is related to subjective norms, namely the tendency of individuals to follow the behavior of surrounding groups.

Furthermore, ease of access (accessibility) is a major determinant in increasing public interest. Non-bank financial institutions, such as savings and loan cooperatives, offer fast, simple, and straightforward procedures. This reflects the concept of bounded rationality, where individuals make decisions based on the convenience and limited information they have.

Low Islamic financial literacy is also a factor weakening the understanding of usury. The public generally does not understand the differences between Islamic and conventional financial systems, and therefore does not consider this aspect when choosing financial services.

From an institutional perspective, the lending system implemented by non-bank financial institutions uses a percentage-based (interest) mechanism, which has become accepted as common practice. This indicates the normalization of usury practices in society's economic life, so they are no longer viewed as problematic.

Overall, the results of this study confirm that public interest in borrowing is more influenced by:

- a. Economic needs
- b. Social environmental influences, and
- c. Ease of access to financial services than by an understanding of the concept of usury.

CONCLUSION

This study concludes that the Padang Bindu Village community's understanding of the concept of usury remains normative and has not yet developed into an understanding that is applicable to economic practice. Although the community is aware that usury is an additional form of borrowing prohibited by Islamic teachings, this understanding has not yet fostered critical thinking skills in identifying usury practices in the lending system used. Furthermore, a distortion of understanding was found in the form of tolerance for small amounts of interest, indicating that the prohibition of usury has not been optimally internalized in the community's economic life.

Furthermore, understanding of usury was shown to have no significant influence on the community's interest in borrowing from non-bank financial institutions. Borrowing decisions are more influenced by pressing economic needs, social influences, and ease of access and procedures for financial services. This condition reflects a value-behavior gap, namely a mismatch between religious knowledge and actual economic behavior.

From an institutional perspective, the applied lending system remains conventional, with an additional percentage mechanism. This system is accepted as normal practice because it is considered practical and appropriate to the community's needs, thus indicating the normalization of interest practices in the local economic system.

Overall, this research confirms that people's economic behavior is not solely determined by their level of religious understanding, but is more influenced by economic, social, and structural factors. Therefore, a comprehensive approach is needed through increasing practical Islamic financial literacy, strengthening access to Islamic financial institutions, and transforming the community's economic culture so that Islamic economic values can be effectively implemented in financial decision-making.

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