



Exploring the Concept of Debt from the Perspective of the Objectives of the *Shariah*

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ABSTRACT

Debt is now considered a norm in everyone's life. In Malaysia, the robust expansion of loans to the household sector has led to rising household debts. The objective of this paper is to explore the concept of debt in Islam from the perspective of the objectives of the *Shariah* (*Maqasid Shariah*). This study employs the qualitative methodology utilizing an in-depth interview with selected informants representing experts in the *Shariah*. The findings indicate that from the goals and objectives of the *Shariah* point of view, the rules for incurring debt differ according to specific circumstances. Debt should only be incurred for the purpose of necessity (*daruriyyat*) where the absence of debt might bring harm to the person in need. In general, acquiring debt for the purpose of complementary benefits (*hajiyyat*) and embellishment (*tahsiniyyat*) are still allowed but is not encouraged¹.

Keywords: Debt, Islam, The Objectives of the *Shariah*

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1. INTRODUCTION

Incurrence of debt has become a norm in our daily life. Every household would inevitably be involved in some form of debt depending on the needs of the individual. In Malaysia, the continuous increase in household debt over the years is no longer limited to meeting the basic needs of life (Abidin et al., 2013). The availability of various types of debt financing in the market enable households to acquire basic necessities such as house and vehicle as well as fulfill the education requirements (Sabri, 2014). It should be noted that Islam does not prohibit debt which has become a necessity, especially in a consumerist society in these modern times (Buang, 2009).

However, according to Othman and Sipon (2014), Islam highly discourages heavy use of debt. It is considered to have a serious and direct effect on a Muslim's belief or conviction for it could lead to harmful consequences. It is found that people with higher religious

social norms are likely to have lower financial debt (Sipon et al., 2014). Moraru (2012) also observed that religious young people, that is, those who consider themselves as religious, pray regularly and regard religion as important part of their daily life are more debt averse compared to non-religious young people. This might be due to the fact that religious people who live in accordance to their religious beliefs feel uncomfortable if they are not able to repay their debts. Therefore, they would rather avoid incurring debts knowing that they might face difficulties in repaying them.

Nevertheless, debt which is incurred in accordance with the *Shariah* is permissible and justified (Bakri, 2011). Hence, people who are in need are allowed and encouraged to take loans without guilt. In fact, it is the responsibility of the lenders to extend loans to assist those in need. Islam permits its believers to cater for all levels of benefits and interests for the betterment of life. However, Islam has imposed certain limitations and constraints concerning the use of debts for acquisition of luxury goods and maximization

of satisfaction. In reality, however, a disturbing trend in Malaysia today is the increasingly high percentage of financing for luxury spending (Hatta and Dien, 2014).

Sulaiman (2009) observes that some people are generally forced into debt or taking loans to enjoy a more comfortable standard of living by having basic needs such as vehicles, appliances, furniture and other complementary items. Likewise, others acquire debt for the purpose of doing business or expanding their business empire. Under these circumstances, acquiring debt is not forbidden (Sulaiman, 2009). Nevertheless, the amount of debt acquired must be proportional to the quantum of income earned from which the individual has to repay the debt and have sufficient balance to maintain a reasonable lifestyle. However, Sulaiman (2009) further asserted that debt should not become a habit and must be avoided due to the adverse effects on one's life such as hardships, anxieties and stress which eventually could disrupt the family institution as well as weaken the ties of brotherhood and friendship.

Mokhtar and Ismail (2013) claimed that Islamic banks and financiers play an important role in making available funds without *riba* to the Muslims. However, they argued that the debt provided by Islamic financial institutions was not solely driven by necessity and complementary benefits needs. There are also individuals who incur debt for the purpose of embellishment while others use debt as a means to accumulate wealth (Mokhtar and Ismail, 2013). Therefore, it is crucial to understand how the use of debt could be applied in achieving the goals and objectives of the *Shariah*.

Hence, the objective of this paper is to explore the concept of debt from the perspective of the objectives of the *Shariah*. Accordingly, this paper is divided into five parts. The first part is the introduction to the paper, followed by an explanation on the review of literature and research methodology in the second and third parts, respectively. The fourth part of this paper discusses the results of the study, while the final part is the conclusion.

2. LITERATURE REVIEW

2.1. Definitions and Basic Concept of Debt in Islam

The definition of debt according to Islam could be viewed from several aspects. According to Imam Shafie, debt is the transfer of the use of a property by the owner to another person (Zuhaily, 2002). The borrower must return the property in the same condition as before or replace it with goods of equal value to the borrowed property. Maliki scholars defined debt as a valuable property provided by the creditor to the borrower, solely for the benefits that arise from the property (Zuhaily, 2002). Creditors obtain periodically parts of the property that are repaid by the borrower according to the amount of liabilities.

Hanafis scholars also has a similar view, that is, debt is a special contract where a product is given for the use of the borrower by the creditor and it has to be repaid in the equivalent value (Zuhaily, 2002). Imam Hanbali also explained that debt could be recognized as a contract made by the creditors, which involves an agreement to transfer the property to the borrower with the borrower's promise to return it (Zuhaily, 2002).

Generally, the main feature of the practice of borrowing in Islam is based on the concept of *ta'awun* (mutual cooperation), which is mutual help to assist a person in need (Sulaiman, 2009). In other words, loans serve to strengthen the relationship between the borrower and lender. Zuhaily (2002) defined loan literally as cutting-off a portion, which means that the person who is extending the loan gives a part of his property to the borrower. Apart from that, a loan is also known as *salaf* which means an advance that refers to the amount of the loan extended to the borrower with an expectation of repayment in the future (Zuhaily, 2002). Haqqi (2009) mentioned that in the contract of loan or *qard*, the borrower acquires an absolute right of property on the things lent and comes under an engagement to return an equal quantity of things of the same kind.

2.2. History of Debt

According to Bakri (2011), debt is justified and is in accordance with Islamic law. People who are in need are allowed to incur debt (Bakri, 2011). The history of debt in Islam is mentioned in the Quran in Surah Al-Baqarah verse 245:

Who is there among you who will lend to Allah a good loan that He may return it after multiplying it manifold? Allah alone can decrease and increase (wealth) and to Him you shall all return.

(Surah Al-Baqarah 1:245)

Maududi (1972) stated that "good loan" in this verse refers to the loan which is lent without any personal gain or interest but is given with the sole intention to please Allah. Thus, Islam encourages Muslims to give debt to those who are in need. This good deed will be duly rewarded by Allah.

The history of debt during the times of the Prophet pbuh is evident in the various hadith related to debt. The Prophet pbuh was also unable to fulfill his needs during his days which required him to borrow from others (Mushlih and Shawi, 2008). Mushlih and Shawi (2008) stated that this is clear from the hadith narrated by Abu Hurairah r.a. in Sahih al-Bukhari; 2390, Book 43, Hadith 6:

A man demanded his debts from Allah's Messenger (pbuh) in such a rude manner that the companions of the Prophet intended to harm him, but the Prophet (pbuh) said, "Leave him, no doubt, for he (the creditor) has the right to demand it (harshly). Buy a camel and give it to him." They said, "The camel that is available is older than the camel he demands." The Prophet (pbuh) said, "Buy it and give it to him, for the best among you are those who repay their debts handsomely."

The history of debt in Islam is also narrated in another hadith by Jabir bin Abdullah in Sahih al-Bukhari 2394, Book 43, Hadith 10 (Mushlih and Shawi, 2008). The hadith stated that:

"I went to the Prophet (pbuh) while he was in the Mosque. After the Prophet (pbuh) told me to pray two rakaat, he repaid me the debt he owed me and gave me an extra amount."

Based on this hadith, it shows that the Prophet pbuh himself also acquired debt to meet his needs. He even stated that the best among people is the one who repays his debt more than the principal amount borrowed. Zuhaily (2002) pointed out that in the hadith

narrated by Ibnu Mas'ud it was mentioned that the Prophet (pbuh) said: "Every two loans extended by a Muslim to another count as one charitable payment." This hadith has also been narrated by Ibn Majah and Ibn Hibban in his Sahih, as well as Al-Bayhaqi in Al-Shawkhani (Vol. 5. p. 229) (Zuhaily, 2002).

According to Zuhaily (2002), there is also another hadith recited by Ibn Majah and Al-Bayhaqi on the authority of Anas ibn Malik, and by Al-Tabarani and Al-Bayhaqi in similar wordings on the authority of Umamah (r.a); Al-Haythami (Vol. 4. p. 126). It is narrated on the authority of Anas that the Messenger of Allah (pbuh) said:

"On the day I ascended to heaven, I saw writing on the door of paradise that read: "Every charity is rewarded 10-fold, and every loan is rewarded 18-times." I said: "O Jibril, why is a loan rewarded more than charity?" He said: "Because a person may ask for charity when he does not need it, but the borrower only borrows in cases of dire need."

These two hadiths show that Islam encourages Muslims to give out loans. Bakri (2011) explained that Allah swt regards the act of giving out loans as charity. This is because people usually incur debt due to desperate needs. Thus, Muslims are encouraged to give loans in order to ease the borrowers' hardships.

However, Islam also seriously cautions against the harmful consequences of debt. This is evident in another hadith explained by Hajar and Al-Asqalani (1997, as cited in Hatta and Dien, 2014) which is narrated by Jabir who said:

"A man died and we washed him, enshrouded him, and embalmed him. The Prophet (peace be upon him) came to us to perform janazah prayer. We asked him: Are you going to perform janazah prayer? He then took small step and asked: Is with him a debt? We answered: Two dinar, then he turned away. Abu Qatadah was then willing to bear the debt. And the Prophet immediately performed the janazah prayer. Then 1 day the Prophet asked Abu Qatadah concerning the two dinar and he responded that the debt had been paid. The Prophet then said: Now his skin is relieved."

Narrated by Ahmad bin Muhammad bin Hanbal bin Hilal al-Shaybani, Musnad Ahmad (Beirut: Muassasa al-Risala, 1420H, Vol. 30. p. 58).

Hajar and Al-Asqalani (1997) provides a clarification of the hadith by stating that this hadith reveals the difficulty arising from the use of debt, and thus cautions from being in debt unless absolutely necessary. Therefore, debt should be taken only if necessary and the debtor must strive hard to repay it. The culture of being in debt is strictly forbidden in Islam since it only could be incurred for meeting a particular purpose (Sobian and Rahman, 2010).

2.3. Debt from the Perspective of the Goals and Objectives of the *Shariah*

The objectives of the *Shariah* essentially reflect the broad and comprehensive understanding of the objectives of the ruling of *Shariah* revealed for the benefit of mankind (Auda, 2007). The ruling is revealed from Allah swt. The *Maqasid Shariah*, an Arabic

term, is a combination of two words, that is, *Maqasid* or goals and objectives and *Shariah*. *Maqasid* could be defined as the objective, aim or intention while *Shariah* is the law of Islam. Thus, the objectives of the *Shariah* is the objective of the implementation of *hukm* or command (Naim, 2003).

The *Maqasid Shariah* is translated as the objectives of *Shariah* (Laldin and Furqani, 2013). It is considered by Laldin and Furqani (2013) as the broad framework governing the financial sphere that provides guidelines and directions to ensure the realization of *maslahah* or benefit and the prevention of *mafsadah* or harm in all financial transactions. Laldin and Furqani (2013) further clarify that the objectives of *Shariah* remain theoretical until they are applied and brought into the realm of reality.

The objectives of the *Shariah* is classified into two main categories, namely the general or *Maqasid al-amm*, the specific or *Maqasid al-khassah*. Ashur (2013) defined the general objective as the deeper meaning and inner aspects of wisdom by the Lawgiver in all or most of the areas and circumstances of legislation. It is mainly concerned with the public affairs of Muslims and lays out specific rules and laws to regulate civil and social dealings. It also refers to the attainment of what is good and beneficial, which is *maslahah* (benefit/interest) and prevention of the evil and harmful that is *mafsadah* (Ashur, 2013). On the other hand, specific *Maqasid* or *Maqasid al-khassah* is an objective of the *Shariah* which governs a few groups of certain laws such as family laws. Some examples are the prohibition of causing harm or danger to women, preventive element in punishment and abolishing scam in wealth management (Azhari and Chik, 2011).

Naim (2003) stated that the implementation of an action in a way that is contrary to Islamic law with the excuse of meeting the objective of *Shariah* is rejected. It should be highlighted that the ultimate goal is to perform these actions in a manner guided by Islamic law. Therefore, it is important to achieve the objectives of *Shariah* in a manner that is in accordance with the Islamic law.

According to Dusuki and Bouheraoua (2011), Islamic scholars such as Al-Shatibi divided the general objectives of *Shariah* into three sub categories, which are the *daruriyyat* or basic needs (necessity), the *hajiyyat* or comforts (complementary benefits) and the embellishments or *tahsiniyyat* (luxuries). Dusuki and Bouheraoua (2011) further defined necessity as the elements in life that individuals are dependent upon. Human life would be incomplete if these aspects are not fulfilled. It comprises the fundamental aspects outlined in the objectives of *Shariah*, which are protection of religion, life, intellect, lineage (honor) and property. The welfare of the individuals and the society at large is established through the preservation of these elements. Necessity has become a key requirement for human life in this world and the hereafter. Complementary benefits refer to those things that are required by humans to provide comfort and harmony in life as well as to avoid hardships that result in trouble and short life span (Dusuki and Bouheraoua, 2011). The absence of this would not disrupt an individual's life if the aspect of necessity has been fulfilled. Complementary benefits, in other words, focuses on the desire to restore and improve human life. It also

reflects the objective of removing hardships and enhancing an individual's life.

As for embellishment, it is a situation that leads towards betterment in life (Kamali, 2002). It denotes the interests, the realization of which results in improvement and attainment of that which is desirable. Thus, embellishment includes customs and good manners, keeping clear of filth and bad attitudes as well as performing the recommended practices of worship (Kamali, 2002). However, individuals should not focus only on embellishment as it would lead to undesirable problems in life caused by the neglect of things that are necessary. Nevertheless, it is encouraged to adhere to complementary benefits and embellishment for the proper maintenance of necessity (Dusuki and Bouheraoua, 2011). Razali and Zakaria (2015) asserted that the need to incur debt to fulfill the basic needs of life is one way of achieving the objectives of the *Shariah* as it aims to maintain public interest. Individuals should refer to the level of needs stated in the objectives of *Shariah* namely, necessity, complementary benefits and embellishment when making decisions to incur debt (Razali and Zakaria, 2015).

Imam Al-Ghazali divided and ranked the order of needs as necessities, complementary benefits and embellishment as one of the dimensions under the objectives of the *Shariah* framework (Auda, 2007). Based on the current scenario, among the main objectives of most consumers in incurring debt are for acquiring luxuries and satisfaction of wants (Hatta and Dien, 2014). Khan (1995) as cited in Hatta and Dien (2014) further highlighted the unanimous view among the classical and contemporary scholars that excessive use of debts, credits and loans is deemed as not fulfilling the purpose and principles of *Shariah*. Similarly, Zuhaily (1991) as cited in Hatta and Dien (2014) also asserted that debts or loans are only permissible for those who are in real need.

3. RESEARCH METHODOLOGY

This study employed a qualitative approach to achieve its objective. In-depth interviews were conducted with four informants who were selected based on their expertise and educational background. Two informants were from the Kedah Islamic Religious Affair Department, one from the *Shariah* Court, Kedah while the fourth one is a *Shariah* expert who is also an academician.

The informants for this study were chosen based on their expertise in the area of the research study. They were selected on the basis of their knowledge and understanding of the subject matter being examined. According to Creswell and Clark (2004), a phenomenological study involves a long interview with up to 10 people. In contrast, Mason (2012) argued that having a smaller number of interviews that are creatively and interpretively analyzed is acceptable. Similarly, Patton and Cochran (2002) pointed out that the sample size for qualitative research is typically small. The interviews were conducted with four informants as the point of saturation has been achieved. This is in line with Patton and Cochran (2002) who stated that one-way of identifying the number of informants needed is to continue interviewing until nothing new is derived from the data analyzed.

Purposive sampling techniques are also referred to as nonprobability sampling or purposeful sampling (Teddlie and Yu, 2007). The type of purposive sampling used in this research is snowball sampling. The sample constituted cases of interest from sampling people who know people that generally have similar characteristics who, in turn know people, also with similar characteristics (Palinkas et al., 2013).

According to Creswell (2007), various forms of interview designs could be developed utilizing a qualitative investigational perspective to obtain dense, rich data. In particular, Turner (2010) asserted that developing an interview protocol is one of the most crucial components of the interview design. This study used a standardized open-ended interview. Accordingly, the terms of the wording of the interview protocol were structured based on the research questions and the research objectives. Informants were asked identical questions which were deliberately worded so that responses are open-ended (Gall et al., 2003). This open-endedness allows the participants to provide as much detailed information as they desire and it also allows the researcher to ask probing questions as a means of follow-up.

The interview protocol developed was further reviewed by academic experts to ensure that the guideline questions used in the interview are able to address the research questions. More importantly, reviewing the guideline questions ensures the clarity and continuous flow in the structure and framework of the questions. According to Miles et al. (2014), the instrument's validity and reliability in qualitative research depend largely on the skills of the researcher. Creswell and Miller (2000) suggested that validity is affected by the researcher's perception of validity in the study and the choice of paradigm assumption. On the other hand, Patton (1997) stated that the validity lies in the extent to which an instrument looks as if it measures what it is intended to measure. Therefore, a pilot study was conducted to enable the researcher to validate the interview questions. This is done through a few review and discussion sessions with selected academicians to verify the extent to which the interview questions are able to provide appropriate answers to achieve the objectives of the research.

Data collection was done through face-to-face interviews with the informants. The informants were chosen based on their expertise in the area of the research study. Knowledge and understanding of the subject matter, that is, *Shariah*, particularly the objectives of the *Shariah*, formed the basis of selection of the informants.

4. RESULTS AND DISCUSSION

4.1. Definitions and Basic Concept of Debt in Islam

Based on the primary data collected, the following are the definitions and basic concepts of debt in Islam. The informants are respectively coded as I1, I2, I3 and I4 to facilitate understanding.

Various definitions of debt have been proposed by Islamic scholars. Most of the informants concurred that the definition of debt as put forth by the classical Islamic scholars is still applicable in

this modern times. According to informant I1, loans should be extended without any commercial value attached:

Debt in Islam means that we take a loan from someone or we lend money to someone without reward or no commercial value... The debtor cannot ask for profit from people but the reward is from Allah.

Looking from another perspective, I1 proposed a definition of debt as the burden that the debtors need to bear as they have to repay the full amount of the debt. This could be inferred from his statement below:

The one who borrows the property bears the burden of the debt incurred. If he cannot repay until the time of his death, his soul will be suspended between the earth and the sky. It means that his soul will be in suspension until his relatives help in resolving his debt, then the soul rises to the sky. Islam tells us to refrain from debts if possible and the prophet also taught us to seek solace in prayers "Allahumma inni a'uzubika minal hammi wal Hazan, wal 'ajzi wal kasal, wal jubni wal bukhl, wa a'uzubika min ghalabatid-dayni wa qahri-rijal." Ghalabatid-dayni means the unpaid debts and we should ask Allah for protection. Thus, in Islam debt is something that should be avoided if possible, but giving loans and credit is encouraged.

The contemporary Islamic scholar Zuhaily (2002) defined debt literally in the Arabic term, which is *al-qard*. Informant I2 relates the definition of debt with the common circumstances where the lender usually extends the loan only to people that he knows. He stated that:

Debt which is known by the term al-qard means cutting off the property and handing over to the debtor because it is a piece of property of the person who gave it...debt in Islam is given in the form of love to those who will use it and will return it at a time that has been agreed upon. This means those who borrow from people are in need of it. If he does not need it and is not desperate, he will not borrow. So, people lend out of compassion. That is why if someone is going to lend us, it will be for the people they know only. And if we were to borrow from the bank, we need to fill in many forms. This loan is for the purpose of love but will be reinstated, which means it will be repaid.

On the other hand, informant I3 defined debt as a liability to the borrower as the borrower has to pay back the property or the amount borrowed to the lender in the future. I3 further stated that the property involved in the debt has to have value. If the property does not have any value, then it cannot be considered as a loan to the borrower. This could be inferred from his statement below:

Debt is the liability of a person when he is given something valuable from others in the hope that it will be given back. The purpose of the loan is more towards helping people thus there is no fixed period for the repayment. It is an act by the lender of the valuable property. In terms of definition, Mal or property is of two kinds, that is, mal mutaqawwam and mal ghairu mutaqawwam which means the valuable and valueless property. In the case of loans, for it to be valid or not depends on the value of the debt. So, if we give an

object that has no value as a loan, for example, we give an excrement or just a stick of wood that does not have value to the debtor, it is not counted as a debt. Debt is a thing of value given to someone and hopefully that debt or the item will be returned or repaid.

Similarly, informant I4 defines debt in relation to the value of the property being loaned to the borrower. Specifically, the value of the property depends on the needs of the borrower and not the lender. He said:

Debt in a simple word is a person that gives something which is valuable to those who ask and those who asked for it must repay. This is in contrast to charity where we give these properties to people who do not even ask for it. And when I said to give something of value, it means it is of worth to the person whose is requesting for it. It means that is what he needs and only he knows whether something is valuable or not for him.

Islam encourages us to always help each other in righteousness. This is based on verse 2 of Surah Al-Maidah in Holy Quran, which states:

O ye who believe! Violate not the sanctity of the symbols of Allah, nor of the sacred month, nor of the animals brought for sacrifice, nor the garlands that mark out such animals, nor the people resorting to the sacred house, seeking of the bounty and good pleasure of their Lord. But when ye are clear of the sacred precincts and of pilgrim garb, ye may hunt and let not the hatred of some people in (once) shutting you out of the Sacred Mosque lead you to transgression (and hostility on your part). Help ye one another in righteousness and piety, but help ye not one another in sin and rancour: Fear Allah for Allah is strict in punishment.

(Surah Al-Maidah: 2, Translated by Ali, n.d.)

This means that Muslims should help each other when in need. All four informants agreed that the basic concept of debt in Islam falls under the concept of mutual cooperation (*ta'awun*) which means helping each other. I1 stated that the needs of everyone differ from one another and we cannot have everything in life. He believes that debt, which is allowed in Islam, is a blessing from Allah as he said: *"Debt is used to help fellow Muslims or fellow human beings to fulfill their wishes. This is based on the concept of helping or mutual cooperation."*

I2 also emphasized that the basic concept of debt is to help one another. He said: *"Debt is allowed in Islam. This is because there is a connection of debt with a verse in the Qur'an that mentioned the word mutual cooperation, which means mutual help."*

Accordingly, I3 gives an example that shows how debt is considered as a *mutual cooperation*. He stated: *"In my opinion, the basic concept of debt is more to mutual cooperation...we can see it for example, Qard Hasan as one form of debt that is based on good faith."*

I4 also believes that providing loans is one of the ways to help those in need as he said:

It is basically through providing loans that we can help the person in need and if we are able to do so, we have fulfilled what Allah suggested, that is helping our neighbour. But it does not mean the person incurring the debt is in disgrace as the person is in trouble. If we can, we must help people in trouble.

Therefore, it could be concluded that extending a loan is an action of giving something of value to someone who is in need. It is based on the concept of mutual cooperation, that is, helping each other, particularly those in need.

4.2. History of Debt

Debt has been in existence since the beginning of mankind. It has been the nature of humans to continuously seek support from others due to their inability to undertake things on their own. All the informants stated that debt has been a norm since the beginning of human history. They also mentioned that incurring debt has been in practice during the times of the prophet Muhammad pbuh.

This is evident from the various hadiths that dealt with debt. I1 gave an example when he said:

The Prophet also incurred debt. When the Prophet died, he owed a sack of grain to a Jew. He had pledged his armor as collateral. This meant that if he could not pay back then the Jew will keep his armor. This indicates that the debt will be settled. However, Saidina Ali went to repay the debt and take back the armor. It shows that if the Prophet also could not avoid debt, let alone us as a normal human being. However, the level of debt has to be controlled and there must be discipline in debt culture.

According to I2:

During the time of the prophet there were people who also acquired debt. This can be seen through the hadith of the Prophet. There are many hadiths relating to this, for example the hadith narrated by Muslim, Al Hakim and Ahmad, a martyr will be forgiven for all his sins except his debt. Basically, a martyr will go to heaven but if he has not paid his debt, unfortunately he is prevented from going to heaven. From this hadith it could be seen that debt was prevalent during the time of the Prophet.

Although I3 referred to a different hadith, it still has the same statement regarding the history of debt. He said:

If we look at the hadith of the Prophet we can see that Prophet Muhammad said that: "I saw on the night journey a door to Paradise on which the following was written: Charity is repaid tenfold, and a loan 18-fold. I said: O Jibril, how can a loan be more meritorious than charity? He replied: Because one asking for charity may still have some resources left, while the borrower does not borrow unless his basic needs are not fulfilled." This was narrated by Ibn Maajah. So those who owe are more desperate to get these loans compared to people who ask for alms. Perhaps, people who ask for alms, we do not know whether they were really desperate for the money given. But for the one who is requesting for loan, he is in a desperate situation.

Nevertheless, I4 argued that as debt is related to the relationship between humans, it falls under *muamalat* or man-to-man relations. He stated that although debt was prevalent from the beginning of mankind, with the advent of Islam, debt became more organized to ensure justice for all human beings. He said:

We must understand that debt falls under the muamalat which covers the relationship between man and man. So, in terms of this, the history of debt is long and we cannot determine when it began. This is because it already was customary for man to borrow. However, with the advent of Islam, the existence of debt was recognized and the Islamic law outlined the ways of incurring debt so that injustice does not occur. Further, the longest verse in Surah Al-Baqarah is related to debt. This means in Islam all things are governed by the Islamic Muamalat or man-to-man relations. Prophet also incurred debt and repaid it more than the amount due. So this shows that, debt has existed since the time of the prophet and Islam laid out the concept of debt in an organized manner.

To sum up, the history of debt could be traced to the beginning of human history. Debt has been used in *muamalat* or man-to-man relations to facilitate human dealings. The advent of Islam has brought a more organized concept of debt to ensure justice for all parties involved in the transaction.

4.3. Debt from the Perspective of the Objectives of the *Shariah*

According to the literature, the objectives of the *Shariah* is broadly classified into general and specific objectives. With regards to debt, all informants agreed that debt could be incurred to achieve the objective of *Shariah*, that is, to utilize it for the benefit of mankind. However, the general objective of the *Shariah*, which is to decide on the permissibility of debt, it depends on the purpose of incurring the debt and is categorized as necessity, complementary benefits or embellishment. I1 stated that even though debt is allowed in Islam, we are not encouraged to take it excessively as debt is only to be incurred to fulfill basic needs or necessity. He said:

In terms of requirements, debt is not necessarily to be used in necessity but also in situations such as complementary benefits and embellishment. As an example, if a person or children and wife would have starved as they do not have any food to eat the debt will be deemed as necessity. Complementary benefits are debt taken for the purpose of buying a car or other things. As for embellishment, it is when we borrow money to buy accessories such as a second home or another car. In all the three categories, debt is allowed. But, in terms of the debt position, there are debts that are encouraged and discouraged. Asking for loans is allowed but it is not encouraged. Islam does not punish, but guides and educates the society as to the types of debt that could be incurred. Borrowing for the purpose of embellishment is allowed but it is not recommended and should be controlled.

Further, I2 was of the view that there is a need to ensure that debt is acquired based on its priority. He also concurred that the rules of debt might change according to the situation of the individuals. He said:

In Islam, we must give priority to the basic needs first, food, shelter and clothing. All this is to help us in worship. When these basic necessities have been fulfilled, then we go for comfort. Same goes for debt. It should be incurred in the order of priority. Although it is allowed in Islam, one is not encouraged to have excessive debts. The ability to repay also should be taken into consideration. However, in some cases, the rules of debt changes according to the situation. If someone is really in difficulty and in need of the money to support his family, it becomes compulsory for him to take loans.

I3 explained how debt is compulsory in each aspect of the goals and objectives of the *Shariah* that falls under the necessity category. He further stressed on the importance of knowing the priorities when incurring the debt:

*In relation to debt, it does not just focus on *hifzu mal* or preservation of wealth. Its scope is wider. For example, in situations of necessity when we are desperate, such as having sick children, there is high cost of treatment or we are very hungry and there is no other source of income, we have to obtain loans. At that time, we want to preserve the lives or *hifzu nafs*. In certain circumstances, we might incur debt for the purpose of protecting the religion or *hifzu din*. An example is when we wish to protect the faith of a person, such as court case on child custody. To protect the faith of the child from the non-Muslims, we are forced into debt because we have no money to pay the legal costs. The scope of the goals and objectives of the *Shariah* with regard to debt is wide and not just confined to the protection of property. Under necessity, debt is allowed.*

*If we look at debt for the purpose of complementary benefits, it emphasizes more on the fact that if we do not comply then it would lead to trouble. However, it does not affect our lives directly. Therefore, we need to understand from the point of *aulawiyat* or our priorities. We must understand the position of our priorities, be it from the necessity, complementary benefits or embellishment aspects. If we do not understand, then we would be highly in debt.*

Nevertheless, I4 stated that individuals have different needs and the priority lies with the individual himself. However, he also stressed the need for the individual to look at his ability to repay the debt. He said:

*In whatever Allah's commands, it must be aimed at protection of the five aspects, whether to protect all or any of them. As an example in the case of debt, the debtor is forced to endure the things he cannot afford. If there is no channel for debt, a desperate person will do anything. He will steal and it will threaten the property. He will also be able to kill, and this will be life-threatening. He can also drink alcohol to forget the problem and this will disturb the mind. And this will lead to more adverse effects, such as social problems and threaten the off-springs. Thus, debt is important in the context of the goals and objectives of the *Shariah* as it is a necessity. As for need, it is subjective depending on the individual. The individual's needs vary therefore the debt incurred is also for different purposes and necessities. One important thing to look at is the ability to repay the debt.*

Therefore, it is up to the individual to determine whether it is appropriate to incur debt based on his own circumstances in light of the goals and objectives of the *Shariah*. An equally important consideration is the ability to repay the debt.

4.4. Important Guidelines in Islam Regarding Debt

Based on the primary data collected, informants have outlined a few important guidelines that need to be taken into consideration regarding debt. Most of the informants stressed on the need to adhere to the guidelines when dealing with debt transactions as outlined in verse 282 of Surah Al-Baqarah:

O ye who believe! When ye deal with each other in transactions involving future obligations in a fixed period of time reduce them to writing. Let a scribe write down faithfully as between the parties: Let not the scribe refuse to write as Allah has taught him so let him write. Let him who incurs the liability dictate but let him fear his Lord Allah and not diminish aught of what he owes. If the party liable is mentally deficient or weak or unable himself to dictate let his guardian dictate faithfully. And get two witnesses out of your own men and if there are not two men then a man and two women such as ye choose for witnesses so that if one of them errs the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce to writing (your contract) for a future period whether it be small or big: It is just in the sight of Allah more suitable as evidence and more convenient to prevent doubts among yourselves; but if it be a transaction which ye carry out on the spot among yourselves there is no blame on you if ye reduce it not to writing. But take witnesses whenever ye make a commercial contract and let neither scribe nor witness suffer harm. If ye do (such harm) it would be wickedness in you. So fear Allah; for it is Allah that teaches you. And Allah is well acquainted with all things.

(Surah Al-Baqarah: 282; Translated by Ali, n.d.)

According to this verse, there are a few requirements to be fulfilled when dealing with debt transactions. It includes written documentation and also the presence of a witness during the transaction. I1 added that there is also a need for the individual to control his desire. This is because as humans, it is common to have desires for many things. However, this desire should be controlled by adhering to what has been recommended in Islam:

*First is to educate the heart. The prophet said the original cause of a matter is heart. If the heart desires a lot of things than it will cause a lot of debt. So, the key is to become *zuhud* and restrain oneself...look at our ability and act in moderation. For example, with a salary of RMI,000 a month, a small car is adequate. If we have more income, it does not matter if we want to use luxury cars. We must act according to our own ability.*

Apart from that, I1 also stressed on the need to have good financial planning in managing debt. He said:

We must have good financial management. Debt should not be taken for the purpose of having big feast, or to own a big car. If possible the debt must be based on the priorities, is controlled and centered on the debtor's ability to pay. This is called a balanced debt.

Meanwhile, I2 emphasized that every debt must be repaid. He also stated that an individual should know how to identify his needs and know the priorities. He said:

The debt must be repaid. If not, the deeds done will not be accepted. Third, there is a different need for each individual. Therefore, the individual must know how to prioritize.

I3 indicated that the individual should be aware of his own capability to ensure that the debt taken is not excessive as it could eventually lead to over-indebtedness. He also mentioned that the debtor should have a strong determination to repay the debt under any circumstance:

We have to look back on our own ability to pay. This is because the debt must be repaid no matter what. Hence, when we feel that it is outside our ability to repay this will bring harm to ourselves. We must have a strong determination to repay the debt even if we cannot afford to pay it back today. In many circumstances, the debtor indeed intended from the beginning to not repay the debt.

I4 pointed out that if the debtor has a strong determination to pay but still could not pay the debt, he could ask for a better way to settle the debt from the lender. This could be either through extending the repayment period, reducing the amount of debt or by writing off the debt. He said:

Debtors in Islam should have an earnest determination to pay off debts or have a strong intention to do so. This is important because if the debtor has a strong intention to pay the debt and suddenly he dies, Allah will help him...he also must try his best to repay the debt and is encouraged to give more than the amount due. If he cannot, he can ask for an extension of time, seek reduction in the amount of debt or request to write off the debt if he is unable to repay. However, this is subject to the consent of the lender.

In conclusion, debt contracts should be dealt with in accordance with the guidelines given in the *Al-Quran*. However, the individual also must have the initiative to avoid incurring excessive debts that could cause harm in the future. He should assess his own purpose in incurring the debt and also his ability to make repayments.

5. CONCLUSION

Islam permits debt as it brings benefits to individuals as well as facilitates the fulfillment of their needs. Debt should be incurred based on the needs of the individual and not for the sake of gaining luxuries without taking into consideration the potential adverse effects.

It should be highlighted that the basic concept of allowing debt to be incurred in Islam is to help each other as stipulated in the mutual cooperation. However, Islam forbids the taking of usury where the lender is taking advantage of the desperate situation of the debtor. Debt should be limited for the purpose of fulfilling the individual's needs and not for the sake of wealth accumulation. Since debt activity falls under *muamalat* or man-to-man relations which governs the social interactions among humans, its history could be traced to even before the advent of Islam. With the onset

of Islam, debt has become more organized. Moreover, Islam also has brought justice to both the lender and debtor by outlining the guidelines for conducting debt transactions.

From the objectives of the *Shariah* point of view, the rule of taking debt might change according to the situation. In some cases, debt is not encouraged even though it is allowed. Apart from that, the debtors also should only incur debt for the purpose of necessity where the absence of debt could cause potential harm to the debtor. Despite that, acquiring debt for the purpose of complementary benefits and embellishment are still allowed but not encouraged. However, if the debtor has the ability to make the repayments, there are no restrictions but the debt should not be excessive. Besides that, Islam also has given a few guidelines for managing debt. Among the guidelines are to follow the requirements listed in *Al-Quran*, look at the capability of the individual to repay the debt and control the desires of individual by prioritising the needs. Therefore, the issue of managing the debt could be addressed by adhering to these guidelines.

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