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THE INFLATION AND POVERTY IN INDONESIA: CONSEQUENCE OF USURY?

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ABSTRACT

This research was conducted to analyze the influence and correlation of interest rates as one form of the implementation of usury practices on inflation and poverty in Indonesia. This study uses secondary data from the publication of the Central Statistics Agency (BPS) and Bank Indonesia for the period 2005-2018. This study uses Simple Linear Regression Analysis Techniques and Pearson Correlation Techniques. The results showed that interest rates as one form of the implementation of usury practices had an effect and had a positive and significant correlation to inflation in Indonesia. The practice of ribawi actually will bring a negative impact on the economy of the people in Indonesia in the form of an increase in the level of inflation in society. Measures of monetary policy intervention in maintaining price stability and inflation in society have not shown a positive impact. Also, the results of the study showed that interest rate policy also had a positive influence and correlation on the increase in the poverty depth index. That is, when interest rates are set to rise, the poverty depth index in the community also tends to go up or get worse. The findings of this study reinforce the legitimacy of the word of Allah Subhanahu Wa Ta'ala in the Qur'an and the Hadith related to the prohibition of usury practices that can lead to injustice, wrongdoing, and economic destruction of the people.

Keywords: Bank Interest; Usury; Usul Fiqh; Qiyâs; Maslahah

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INTRODUCTION

The fundamental essence of the prohibition of usury in Islam is to avoid injustice and tyranny in all forms of economic practice. While usury (interest) is essentially the imposition of an additional on the debtor, who should be helped and not exploited and forced so that the results of his business is always positive. The result is contrary to the principles of Islamic teachings that are very concerned with lower socio-economic groups so that these groups of rich people are not exploited (owners of funds). Why is that? Because the teachings of Islamic economics carry the mission of humanism, social order and reject the injustice and tyranny whose chains affect poverty.

The cause of the emergence of humanitarian problems, according to economists, lies in the economic system that does not care about the principles of equality, equity, does not prioritize humanity and religious values. One of the biggest obstacles to achieving equitable justice and at the same time, causing inequity is the application of the interest rate system.

The term usury equates with the expression of interest. The core meaning of the word "*riba*" lexically is to increase, enlarge, become more, grow, develop or increase (Kalsum, 2014). Stated interest is the remuneration for the use of funds in banking called interest. In the context of repayment/interest to depositors, the bank will lend funds in the form of a credit to the public who need additional business capital (not initial capital) for investment, working capital, or trade. For the business profits obtained by the debtor by using/using credit from the bank, the debtor shows commendable actions by providing a repayment/interest on the use of these funds to the bank concerned. The difference between the interest received by the bank from the debtor and the interest paid to the depositor of funds in the Bank that is the profit of the Bank; this is what is used to finance the bank's overall operations (Nurhadi, 2017).

In conventional bank practice, there are two types of interest: first, interest on deposits, namely interest given by banks as stimuli or repayments for customers who deposit their money in the bank, such as demand deposits, savings, or deposit interest. For banks, deposit interest is the purchase price. Second, loan interest, that is the interest charged to the borrowers or the price the borrower must pay to the bank, such as loan interest. For banks, the loan interest is the selling price. Savings interest and loan interest are the main components of cost and income factors for banks. Deposit interest is the cost of funds that must be incurred to the customer, while loan interest is the income received from the customer. The difference between the loan interest deducted by the deposit interest is the profit or profit received by the bank (Muslich, 2010).

Contemporary scholars such as Yusuf Qaradhawi, Mutawalli Sya'rawi, Abu Zahrah, and Muhammad al-Ghazali, and several forums of Islamic scholars such as Majma 'al-Fiqh al-Islamy, Majma' Fiqh Rabithah al-'Alam al-Islamy, and the Assembly of Islamic scholars Indonesian Ulema (MUI), states that bank interest is haraam, because it includes usury. Imam Ibn Qudamah said, "All debts that require must exaggerate (repayment) the law is haram without any difference (agreed to the ulama)" (Kalsum, 2014). Ibnul Mundzir conveyed another statement, "Ulama agrees that if the person giving the debt requires the debtor to give an additional gift or gift, then a debt transaction is made with the agreement, then taking the additional status is usury" (Kalsum, 2014). In practice, all credit applications at the bank, some provisions must pay a percentage of interest per month. This kind of practice is usury. We certainly cannot get information about bank interest in classic books, because at that time there was no bank. However, we can get that from the statement of contemporary scholars who have met banks in his day. One of their agreements was stated in the book Ahkam al-Mal al-Haram, through the "Congress of Majma 'al-Buhuts al-Islamiyah" in Cairo, 1965, to the highest conference in Mecca, which was attended by more than 300 significant scholars, stipulating that all bank interest is haram. "(Kalsum, 2014).

The application of interest rates as an indirect screening mechanism in the economic system fails to function. Some Islamic economists analyze such matters as Muslehuddin (Muslehuddin, 1992), Siddiqi (Siddiqi, 1997), and Chapra (Chapra, 1996), which states that an economy that bases on interest rates will cause a misallocation of resources which in turn will lead to economic instability. Enzler, Conrad, and Johnson (Enzler, W., & Lewis, 1981) reinforce the above statement as quoted by Chapra, by finding evidence that misallocation of the capital stock has occurred in the United States, a country that relies heavily on interest rates as a tool for doing the indirect screening mechanism. The misallocation of funds caused by interest rates affects the achievement of economic goals in the country, namely the fulfillment of basic needs, optimum economic growth, equitable distribution of income, and economic stability. As a result, justice cannot create without eliminating the interest system as a form of the practice of usury from economic habitats.

Riba is technically according to the *fuqaha* interpreted as taking additional assets from essential assets or capital in vanity both in accounts receivable debt and sale and purchase (Al-Qurtubi, 1981). Vanity, in this case, is an act of injustice (*zalim*) or silence accepting injustice. The extra taking of vanity will lead to tyranny among economic agents. Thus the essence of the prohibition of usury is the elimination of injustice and the enforcement of justice in the economy.

In the Qur'an and the Hadith, there are many propositions about the prohibition of usury in the religion of Islam. Among these, *Allah Subhanahu wa Ta'ala said* (meaning), "People who eat (take) usury, can not stand but like the establishment of people who are possessed by demons because of (pressure) madness. Their situation is like that because they say (opinion) that buying and selling are the same as usury. Though Allah has justified the sale and purchase and forbid usury, those who have reached the prohibition from their Lord, then continue to stop (from taking usury), then for him what he has taken first (before the prohibition comes); and his affairs (it is up to) Allah. People who return (taking usury), then that person is the inhabitants of hell, they are eternal in it. "(QS. Al-Baqarah: 275). Ibn Kathir *rahimahullah* said when explaining the above verse, "That is, they do not stand (resurrected) from their graves on the Day of Judgment except as those who are possessed and possessed by demons." (Kalsum, 2014).

In the social aspect, according to Chapra (Chapra, 1996), interest damages social justice. Chapra stated that interest rates tend to be "misleading" prices and reflect discrimination between rich and poor (Siddiqi, 1997). The rich are more likely to get credit because not everyone can afford to pay the interest rate on loans, and only those who can pay debts and interest have access to banks, and this is where discrimination occurs in channeling funds and access discrimination (Chapra, 1996). So that the rich get exclusive privileges to mobilize funds, and hence it influences the economy and politics. The concentration of wealth in a handful of people or groups is what causes them to get more productive, and this is not because they are more skilled or because of their intelligence, but they get it from the results of the interest system. With this wealth, they have the power, and with that power, they have a more significant opportunity (Siddiqi, 1997). For this reason, banks tend to be the center of control of the capitalists and the wealthiest and most potent capitalists operating through banks. This situation occurs in all countries, both in developed countries and in developing countries, and in Muslim countries too (Chapra, 1996).

The strengthened and proven by Yunus (2017) through his empirical research has succeeded in exposing the falsity of capitalism that is discriminatory against the poor, as seen in banking practices ranging from local banks to international banks. However, if analyzed, the actual loan interest is charged to the public as the last guarantor because interest is a cost concept, meaning that if the creditor is an entrepreneur or producer, all interest costs will be charged as production costs resulting in an increase in employee wages or can reduce the quality of goods produced (Perwataatmadja, 1996). So as long as the market absorbs the prices of goods and services, the losers are the ordinary people, and the beneficiaries are entrepreneurs, traders, banks and depositors. Even though the most exploited are weak so that the gap between rich and poor will continue to deepen (Lewis & Algaoud, 2007).

Macro, although it seems that the interest expense does not harm traders, producers, or entrepreneurs because the costs can shift, but as a result, on a broader scale, the shift in the cost burden is one of the drivers of inflation (cost-push inflation). Bank Indonesia ("Statistics: BI 7-day (Reverse) Repo Rate," 2019) defines inflation with the tendency of prices to increase generally and continuously. An increase in the price of one or two items alone cannot call inflation unless the increase extends (or results in an increase) to other goods. According to Baumol, William J. and Alan S. Blinder (Baumol & Alan, 1988), as well as by Tarmizi (Tirmizi, 2015), inflation is an economic condition that is characterized by rapid price increases that have an impact on the declining purchasing power of a currency. The leading cause of inflation is usury because producers who get capital from interest-bearing loans will undoubtedly add the interest that must be paid to the debtor into the price of their goods. So the selling price of goods produced is equal to the cost of production plus interest.

Furthermore, the inflation rate that occurs is used as a reference to determine higher interest savings. And so on so that then there is a continuous transfer of wealth from ordinary people who are less able to the more capable. As a result, in the long run, there will be a gap between the rich and the poor. Interest rates also tend to be exploitative, predatory and intimidating in economic activities so that the interest system inhibits and distorts economic growth. The phenomenon of the above scheme, actually proves that the application of the interest system is the root of all problems that occur and is considered the most damaging to the just economic order and speculative behavior in conventional economics will naturally disrupt the course of economic development itself (Stiglitz, 2006).

Based on the explanation above, it is interesting to conduct empirical testing then, is it true that interest rates as a form of usury application in the economy have an influence, or positively correlated to the level of inflation and poverty in Indonesia. This research conducted by taking a case study of Indonesia considering that this country is a country with a majority Muslim population in the world. Therefore, this study conducted to analyze the influence and correlation of interest rates on inflation and poverty in Indonesia. The research hypothesis that will be tested and proven based on theoretical studies and literature reviews that have present previously is that: 1) interest rates as a form of implementation of usury practices are thought to have an effect and are positively correlated with inflation; and 2) interest rates as a form of usury implementation are thought to have an effect and are positively correlated with poverty. Several previous studies have examined the impact of interest rates and economic factors on inflation and prices in Indonesia such as the research of Perlambang (2010), Sutawijaya & Zulfahmi (2012), Mahendra (2016), and Larasati & Amri (2017), all of them are studies from a conventional perspective. This research is a study that uses the perspective of Sharia (Islamic economics), which is still rarely found in previous studies.

RESEARCH METHODS

To provide an overview of the relationship and development of interest rates, inflation, and poverty in Indonesia, the data used in this study are secondary data from the publication of the Central Statistics Agency (BPS) and Bank Indonesia for the period 2005-2018. The main variables used in this study are adjusted to the research analysis model, namely: (i) Bank Indonesia Interest Rates in the form of the BI Rate as a proxy for usury practices; (ii) Annual Inflation Rate as a proxy for inflation; and (iii) Poverty Depth Index (P1) as a proxy for poverty. The achieve of research objectives; this study uses quantitative research methods in the form of Simple Linear Regression and Pearson Correlation techniques. The Simple Linear Regression Equation Model of the research is formulated as follows (Sugiono, 2017):

$$Y = a + bX$$

Where:

Y : inflation, poverty (dependent variable)
X : interest rate (free variable)
a : Constants
b : Regression coefficient (magnitude of influence)

As for the *Pearson* Correlation Technique, the formula used is as follows (Sugiono, 2017):

$$r = \frac{n\sum XY - \left(\sum X\right)\left(\sum Y\right)}{\sqrt{\left(n\sum (X)^2 - (\sum X)^2\right)\left(n\sum (Y)^2 - (\sum Y)^2\right)}}$$

Where:

r : correlation value between variables
n : number of samples
x : interest rate (free variable)
y : inflation, poverty (dependent variable)

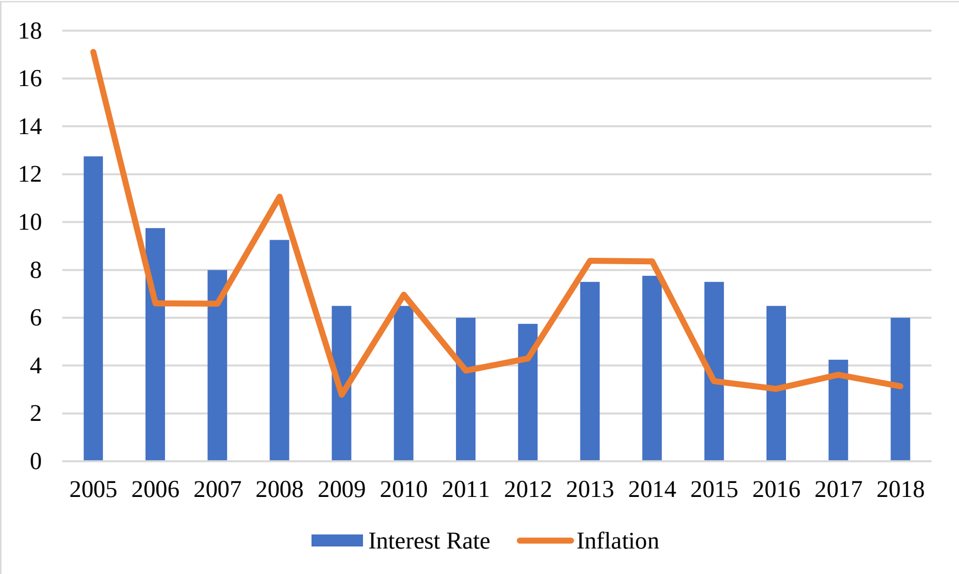
The correlation coefficient r shows the degree of correlation between the independent variable (X) and the dependent variable (Y). The coefficient value must be in the range -1 to +1 ($-1 < r \leq +1$), which results in several possibilities, namely: 1) a positive sign indicates a positive correlation between the variables tested, which means an increase will follow each increase and decrease in value X and decrease in Y; 2) a negative sign indicates a negative correlation between the variables tested, which means that any increase in the value of X will follow by a decrease in Y and vice versa. 3) If r = 0 or close to 0, then it shows a weak correlation or no correlation at all between the variables studied (Sugiyono, 2017). The criteria for the level of relationship or correlation according to Sugiyono (2014) are determined based on the value of r as follows: very low (0.00 - 0.199), low (0.20 - 0.399), moderate (0.40 - 0.599), strong (0.60 - 0.799), and very strong (0.80 - 1,000).

The significance test level of influence and relationships between variables, this study uses an alpha or significance level of 0.05. If the significance value of each variable is smaller than the alpha value (0.05), then the influence or relationship is considered significant or significant.

RESULTS AND DISCUSSION

Inflation and interest rates are interrelated; the rates often expressed in conventional macroeconomic theory. Inflation refers to the rate of increase in the price of goods and services. While interest rates in Indonesia refer to interest rates set by Bank Indonesia ("Statistics: BI 7-day (Reverse) Repo Rate," 2019) (BI Rate) and Bank Indonesia interest rates, Since August 19, 2016, the BI Rate has been replaced as a reference interest rate with the BI 7-Day Repo Rate. Visually the relationship between interest rates and inflation can be seen in Graph 1 below.

Graph 1. Interest Rates and Inflation 2005-2018



Source: Bank Indonesia (2019) and the Central Statistics Agency (2019)

Based on Graph 1 above, it could see that in the last 15 years, the movement of interest rates and inflation tends to continue to decline. At the end of December 2005, the interest rate (BI Rate) stood at 12.75%. This number continues to decline until it reaches 6.00% at the end of 2018 ago. While inflation, at the end of 2005, reached its highest point in the range of 17.11%, continued to fluctuate in the following years, and eventually fell to 3.13%. Visually, interest rate movements and inflation rates appear linear or in tune.

Bank Indonesia ("Statistics: BI 7-day (Reverse) Repo Rate," 2019) states that the ultimate goal of monetary policy is to maintain and maintain the stability of the rupiah, one of which is reflected in low and stable inflation rates. To achieve this goal, Bank Indonesia sets the policy rate (BI Rate) as the primary policy instrument to influence economic activity with the ultimate goal of achieving controlled inflation. However, the path or transmission from the decision of the BI Rate to the achievement of the inflation target is very complex and requires time (time lag).

The mechanism in which the BI Rate changes works to inflation affect often referred to as the monetary policy transmission mechanism. This mechanism illustrates the actions of Bank Indonesia through changes in monetary instruments and operational targets affecting various economic and financial variables before finally affecting the ultimate goal of inflation. This mechanism occurs through interactions between the Central Bank, the banking and financial sectors, and the real sector. Changes in the BI Rate affect inflation through various channels, including the interest rate channel, credit channel, exchange rate channel, asset price channel, and expectations channel.

In the interest rate channel, changes in the BI Rate affect deposit rates and bank lending rates. If the economy is experiencing a downturn, Bank Indonesia can use an expansionary monetary policy through lowering interest rates to encourage economic activity. A decrease in the BI Rate reduces the lending rates so that the demand for credit from companies and households will increase. A reduction in lending rates will also reduce the cost of capital for companies to invest. The company will all increase consumption and investment activities so that economic activity becomes more vibrant, on the other hand, if inflationary pressure rises, Bank Indonesia responds by raising the BI Rate to put the brakes on economic activity too quickly, thereby reducing inflationary pressures.

USURY IMPACT STATISTICS JUSTIFICATION

To see the effect and relationship of interest rate determination as a form of implementation of usury practices on inflation. This study examines intervariable data with Linear Regression and Pearson Correlation Techniques. The results of the Simple Linear Regression Test and the Pearson Correlations are as shown in Table 1 and Table 2 below:

Table 1. Simple Linear Regression Test Results: Interest Rates and Inflation

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-5.798	2.187		-2.652	.021
	Interest Rates	1.637	.284	.857	5.762	.000

a. Dependent Variable: Inflasi

Source: Data Primer (processed)

Table 2. ***Pearson*** **Correlation Test Results: Interest Rates and Inflation**

Correlations			
		Suku_Bunga	Inflasi
Interest Rates	Pearson Correlation (r)	1	.857**
	Sig. (2-tailed)		.000
	N	14	14
Inflation	Pearson Correlation (r)	.857**	1
	Sig. (2-tailed)	.000	
	N	14	14
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Data Primer (Precessed)

Based on Table 1, the regression coefficient of the Interest Rate variable is 1.637 with a positive sign (+) indicating a positive influence, which means that if the interest rate rises by 1 percent, the inflation rate will also increase by 1,637 percent. Furthermore, to measure or see the level of significance (significance) influence, the value of Sig. Shows the number 0,000 (less than 0.05) This means that the variable interest rate as a form of usury practice has a significant influence on the inflation rate in Indonesia.

While the results of the correlation test in Table 2 above, the value of r (correlation between variables) of 0.857 with a positive sign (+) indicates a positive relationship or correlation with a powerful category between Interest Rates and Inflation. That is, when interest rates are set to rise, the level of inflation in society also tends to go up. Significance value (sig.), which shows 0,000 (less than 0.05), means that the correlation or relationship is significant. Based on the test results in Tables 1 and 2, it stated that the first hypothesis of this study was accepted.

This finding proves that the practice of *ribawi* actually will bring a negative impact on the economy of the people in Indonesia in the form of an increase in the level of inflation in society. This proof reinforces the legitimacy of the word of Allah *Subhanahu wa Ta'ala* in the Qur'an and the Hadith related to the ban. From an economic perspective, the prohibition of usury is caused at least four factors (Sadeq, 1989): first, the *ribawi* economic system creates injustice, where the capital owner will be able to profit without considering the results of the business carried out by the borrower. If the borrower of the fund does not make a profit or bankrupt his business, he still pays back the borrowed capital plus interest. Under these conditions, the borrower has gone bankrupt; borrower has fallen on the ladder again and not infrequently the application of interest instead of helping the business of creditors, actually adding to the problem for him.

Second, the *Ribawi* economic system is the leading cause of the imbalance between investors and borrowers. Large profits obtained by borrowers who usually consist of large industrial groups (conglomerates) are only required to pay capital loans plus interest in a relatively small amount compared with the profits they get. While savers in commercial banks

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consisting of people from the lower middle class do not get a balanced profit from the funds, they have deposited in the bank.

Third, the *Ribawi* economic system will hamper investment because of the higher the interest rate, the smaller the community's tendency to invest in the real sector. People are more likely to keep their money in a bank because of higher profits due to high-interest rates.

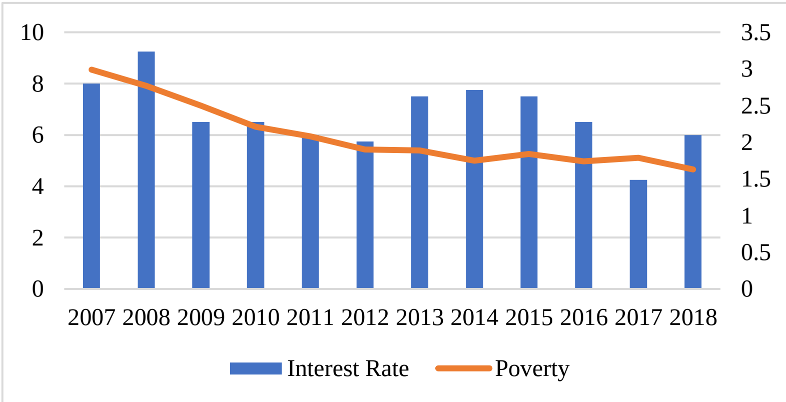
Fourth, interest is an additional cost of production. High production costs will lead to rising prices of goods (products). Rising price levels, in turn, will invite inflation as a result of weak public purchasing power.

(Ali, 2009) The leading cause of inflation is the interest itself, which has become part of the cost of production so that eventually becomes part of the price of products sold. A reduction in interest to zero percent will encourage increased investment and increase the supply of goods and services. The investment also becomes an element that can reduce price levels.

This empirical evidence also shows that efforts to intervene in monetary policy in the form of setting interest rates in order to maintain price stability and inflation in society have not shown a positive impact. The transmission of monetary policy through interest rates, in simple terms, tends to encourage an increase in the inflation rate in Indonesia.

Furthermore, the relationship between poverty and interest rates can be seen visually in Graph 2.

Graph 2. Interest Rates and Poverty in 2007-2018



Source: Bank Indonesia (2019) and the Central Statistics Agency (2019)

Based on Graph 2 above, it could see that in the last ten years, the movement of the level/ index of poverty depth tends to continue to decline. At the end of December 2007, Indonesia's poverty depth index was at 2.99%. This figure then continued to decline until it reached 1.63% in 2018 last. Visually, interest rate movements and the depth of poverty tend to appear linear or in rhythm.

To see the influence and relationship of interest rate determination as a form of implementation of usury practices on poverty, the results of the

Simple Linear Regression and Pearson Correlation test areas in Table 3 and Table 4 below.

Table 3. Simple Linear Regression Test Results: Interest Rates and Poverty

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.843	.624		1.351	.206
	Interest Rates	.184	.090	.541	2.032	.070
a. Dependent Variable: Poverty						

Source: Data Primer (processed)

Table 4. *Pearson* Correlation Test Results: Interest Rates and Poverty

Correlations			
		Suku_Bunga	Kemiskinan
Intersest Rates	Pearson Correlation	1	.541
	Sig. (2-tailed)		.070
	N	12	12
Poverty	Pearson Correlation	.541	1
	Sig. (2-tailed)	.070	
	N	12	12

Source: Data Primer (processed)

Based on Table 3, the regression coefficient of the Interest Rate variable is 0.184 with a positive sign (+) indicating a positive influence, which means that if the interest rate rises by 1 percent, the poverty depth index will also increase by 0.184 percent. Furthermore, to measure or see the level of significance (significance) influence, the value of Sig. Shows the number 0.07 (greater than 0.05) This means that the variable interest rate as a form of usury practice has no significant effect on the level of poverty depth in Indonesia.

While the correlation test results in Table 4, the value of r (correlation between variables) of 0.541 with a positive sign (+) indicates a positive relationship or correlation with the medium category between Interest Rates and Poverty. That is, when interest rates are set to rise, the poverty depth index in the community also tends to go up or get worse. Significance value (sig.) The value shows the number 0.07 (greater than 0.05) means that the correlation or relationship is not significant. Based on the test results in Tables 3 and 4, it stated that the second hypothesis of this study was accepted.

USURY AND SOCIO-ECONOMIC IMPLICATIONS

In his book, Meera (Meera, 2004) explains three consequences of the operation of the interest system: first, the interest system forces the economy to continue to grow, even though the factual conditions remain the same/constant. The interest system is a systematic risk shift so there is always injustice in it. When all market participants do not want to share the risks inherent in every business, there will undoubtedly be parties who are victims of the system. Meanwhile, the credit system dictates the market to misbehave. The initial determination of the interest rate provides a guarantee for the benefit of one party against future events that can not predict. Interest that is set both high and low will force the market to provide positive profits, while real productivity can be higher or lower than the cost of capital, so that the business can gain profits or suffer losses; second, it encourages fierce competition in the economy; and third, this system provides opportunities for the centralization of welfare in the hands of a handful of people, by imposing taxes on the majority. Even at the global level, the world economy is always in an unstable condition and inequality is deeper (Sakti, n.d.).

The world economy is what then creates a bubble economy (bubble economic), a condition that involves large financial transactions, but there is no content because it is not based on equivalent real transactions, because conventional economics treats money as a commodity, so what is called the financial market develops, especially in the monetary sector. This money market than developed with the emergence of the derivatives market, using the new instrument as the price of its products — transactions on the money market and the derivatives market not based on entirely real transaction motives. Even most of them contain speculative motives, so do not be surprised if developments in conventional monetary markets are spectacular. A prominent Western economist, Harrod (Harrod, 1873), recommends the abolition of interest to destroy capitalism. Not only that, with great admiration about the interest-free society (usury) in his work Towards a Dynamic Economics Harrod also clarified that, that profits must derive from service, perseverance, imagination, or with courage, but instead usury continues to grow from the accumulation of assets ultimately make the profit takers like parasites'. Harold also stated that a society without usury that would be the society of the future and the final answer to all that was raised by critics of capitalism.

The adverse effects of usury are also mentioned by Sayyid Maududi (Maudoodi, 1987) as ''cutting the roots of human love, brotherhood and feelings, damaging the welfare and happiness of human society, and that these actions have sacrificed the welfare of many other humans. No wonder that those who wrestle and interact with usury mean that they have publicly declared themselves to be opponents of God and His messengers and that they deserve to be fought by God and His messengers. Allah Ta'ala said (meaning), "O you who believe, fear Allah and leave the rest of usury (that has not collected) if you are a believer. So if we do not (leaving the rest of usury), then know that God and His apostles will fight you, and if you repent (from taking usury), then for you the principal of your treasure; you do not persecute nor are you persecuted. "(QS Al-Baqarah: 278-279).

Moreover, the practice of usury is one of the actions that can lead to destruction. The hadith narrated by Bukhari and Muslim, Rasulullah *Sallallahu 'Alayhi wa sallam* said (meaning), "Stay away from the seven things that destroy!" The companions asked, "What are these cases, O Messenger of Allah?" souls that are forbidden by Allah except in the right way, eat usury, eat the property of orphans, run away from the battlefield and accuse the believers of adultery." From the above verses and hadith, the question that arises then is: what benefits will gain for those who have pledged themselves as enemies of Allah, and will they achieve victory if they face Allah and His Messenger? Of course, the answer is that they will be crushed and despised before Allah the Exalted. The hadith and verse is the negative impact of the practice of usury, in the form of misery, poverty, and destruction because it has been against God, the Richest Essence, from whom all the sources of wealth and adequacy in life.

CONCLUSION

Based on the results of the analysis and discussion of the study, it can conclud that the Interest Rate as one form of the implementation of usury practices has an effect and has a positive and significant correlation to the inflation rate in Indonesia. This finding proves that the practice of *ribawi* actually will bring a negative impact on the economy of the people in Indonesia in the form of an increase in the level of inflation in society. Measures of monetary policy intervention in maintaining price stability and inflation in society have not shown a positive impact. The transmission of monetary policy through interest rates, in simple terms, tends to encourage an increase in the inflation rate in Indonesia. Besides, the results of the study also showed that interest rate policy also had a positive influence and correlation on the increase in the poverty depth index. That is, when interest rates are set to rise, the poverty depth index in the community also tends to go up or get worse. The findings of this study reinforce the legitimacy of the word of Allah *Subhanahu wa Ta'ala* in the Qur'an and the Hadith related to the prohibition of usury practices that can lead to injustice, wrongdoing, and economic destruction of the people. Therefore, the study provides recommendations that the elimination of usury should interpret as the elimination of all forms of economic practices that cause injustice or injustice. With such adverse consequences, the practice of usury should not only be understood and reduced to the problem of bank interest. For this reason, Muslim economists are experts who master both conventional and contemporary economics so that they can correct, improvise and be more resilient and capable of delivering Islamic economics towards achieving justice and the benefit of the people of the world and the hereafter.

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