

## Critical Study of Bank Interest Using Double Movement Hermeneutics from the Perspective of Fazlur Rahman

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### ABSTRACT

This study discusses the practice of bank interest using the double movement hermeneutic approach developed by Fazlur Rahman. This approach consists of two main stages: first, reconstructing the social and historical context in which the verses on usury were revealed to understand the moral and sociological background of the prohibition; second, updating the universal moral values contained in the verses to make them relevant to modern life and economic system. This study uses a qualitative method with an in-depth literature study approach to the works of Fazlur Rahman, academic literature, and verses of the Qur'an related to usury. The results of the study show that bank interest cannot be classified as usury unless it contains elements of injustice and exploitation. In a modern profit-oriented financial system, interest is seen as a form of compensation for the risk and service of using funds. This insight has global relevance as the contemporary Islamic financial system continues to face challenges in bridging Shari'ah principles with the realities of the modern economy.

**Keywords:** hermeneutics of the qur'an, fazlur rahman, double movement, bank interest, usury

### INTRODUCTION

The Al-Qur'an was revealed to the Prophet Muhammad in Arabic.<sup>1</sup> The Al-Qur'an is documented in text form to maintain its authenticity over a long period of time. The presentation of the Al-Qur'an in Arabic corresponds to the

<sup>1</sup>Nazik O'mar Balula, Mohsen Rashwan, and Shrief Abdou, "Automatic Speech Recognition (ASR) Systems for Learning Arabic Language and Al-Quran Recitation: A Review," *International Journal of Computer Science and Mobile Computing* 10, no. 7 (2021): 91-100.

language mastered by the Prophet Muhammad during the period of revelation.<sup>2</sup> However, the message in the Al-Qur'an is not only limited to Arabs, but is for all humans on earth without limitations in time and space.<sup>3</sup> The diversity of social spaces on earth gives rise to varied customs and customs. This diversity also lies in language. Language diversity can lead to different interpretations of a text. As a result of the risks of misunderstanding in interpreting a text, a study called hermeneutics emerged. Hermeneutics is not only limited to the meaning of texts. Observation of an event, followed by analysis and drawing conclusions is part of the general hermeneutics stage. Including drawing conclusions from the text of the Al-Qur'an to obtain its true meaning is part of hermeneutical studies.<sup>4</sup>

Hermeneutics was developed by several experts over time to provide the most appropriate interpretation of an event or incident that has been documented in text form.<sup>5</sup> Islamic studies experts such as Fazlur Rahman carry out hermeneutical studies to get the best meaning from the text of the Al-Qur'an. Rahman studies the Al-Qur'an with a modified hermeneutical concept in a model which is popularly called double movement.<sup>6</sup> Various verses of the Al-Qur'an were analyzed for their truth using double movement to obtain the truth of the Al-Qur'an in accordance with the principles of truth across time and space. Rahman emphasizes analysis using contextual principles in order to obtain a meaning of the Qur'an that is more adaptable to changes in each era.<sup>7</sup> This contextual principle also helps the Qur'an from the narrow meaning paradigm carried out by certain groups. Among Rahman's contextual hermeneutical studies of the Qur'an is regarding attitudes towards bank interest.

Bank interest is still being debated by several fiqh and economic experts. Although a certain group of experts say that the legal debate over bank charges is over, it is haram.<sup>8</sup> This one-sided conclusion needs to be re-analyzed with a comparative perspective so as to provide a more moderate view adapted to the contextual situation. Rahman's double movement method will strengthen the attitude towards bank interest in the case study of bank interest in this paper.

<sup>2</sup> Zoheir Ali Esmail, "The Role of Eloquence in the Inimitability of the Qur'an," *Journal of Shi'a Islamic Studies* 16, no. 3 (2023): 227–239.

<sup>3</sup> Muhammad Erdy, "The Origins, Theories, and Linguistic Development of the Qur'an," *Jurnal Kajian Islam* 2, no. 1 (2025): 13–22.

<sup>4</sup> Lesley Dibley et al., "Doing Hermeneutic Phenomenological Research: A Practical Guide" (2020).

<sup>5</sup> Andreas Köstenberger, *Invitation to Biblical Interpretation: Exploring the Hermeneutical Triad of History, Literature, and Theology* (Kregel Publications, 2021).

<sup>6</sup> Assa'idi Sa'dullah, "Religious Education Curriculum in Indonesian Islamic University in the Digital Age: Incepting Thematic Alquran of Fadlur Rahman," *Journal of Social Studies Education Research* 12, no. 3 (2021): 294–311.

<sup>7</sup> Fazlur Rahman, "Riba and Interest," *Islamic Research Institute, International Islamic University, Islamabad* 3, no. 1 (1964): 1–43.

<sup>8</sup> Chamim Tohari, "The Difference Opinions Analysis on Conventional Bank Interest Law According to Ushul Fiqh," *Jurnal Ilmiah Al-Syir'ah* 17, no. 1 (2019): 1–18.

An analysis of bank interest attitudes in the contemporary era accompanied by Rahman's strong support for the double movement concept is the distinguishing element of this article from the previous article. Several searches of previous writings were limited to analysis of the double movement and Rahman's biography in general.<sup>9</sup> Several articles with a closer study theme are limited to Rahman's interpretation of bank interest in general.<sup>10</sup> However, once again this article delivers a more detailed opinion regarding bank interest and uses Rahman's hermeneutical thinking as support.

The results of this article provide a view of bank interest using contextual principles. These results are expected to enrich the views of a "narrow" group regarding the prohibition of bank interest which is claimed to have reached final agreement. The approach from the riba verses of the Al-Qur'an which are contextualized with bank interest is one of the analysis materials in this paper. Strengthened by Rahman's hermeneutical thinking, this article is expected to provide a moderate view in responding to bank interest in the contemporary era.

## METHOD

This study employs a qualitative approach using the library research method, focusing on an in-depth examination of texts and thoughts relevant to the issue under investigation.<sup>11</sup> The qualitative approach is chosen because the primary objective of this research is to deeply understand the meaning and interpretative dynamics of the concept of bank interest within the framework of the double movement hermeneutics developed by Fazlur Rahman. This approach enables the researcher to explore meaning contextually and comprehensively, taking into account the social and historical background, as well as the ethical and normative values underlying the texts.

The library research method is utilized as the main technique for data collection, considering that the focus of the study is on the thoughts of a prominent scholar and the interpretation of both classical and contemporary texts.<sup>12</sup> Data are gathered through a thorough review of highly relevant sources, including Fazlur Rahman's works that elaborate on the concept of

<sup>9</sup> Rifki Ahda Sumantri, "Hermeneutika Al-Quran An Fazlur Rahman Metode Tafsir Double Movement," *Komunika: Jurnal Dakwah dan Komunikasi* 7, no. 1 (2013); Muhammad Yusuf, Anwar Sadat, and others, "Fazlur Rahman's Double Movement and Its Contribution to the Development of Religious Moderation," *International Journal of Islamic Studies \& Humanities* 4, no. 1 (2021).

<sup>10</sup> Ambo Dalle Bohari and Syarifudin Syarifudin, "Comparative Thought Ian A Fazlur Rahman and M. Syafii Amtonio about Bunga Bank," *JESI (Jurnal Ekonomi Syariah Indonesia)* 10, no. 1 (2020): 62–68; Fazlur Rahman, "Rib{\}=a} and Interest," *Islamic Studies* 3, no. 1 (1964): 1–43; Wan Ikhwanul Fazli, "The Role Of Economic Institutions According To Fazlur Rahman," *Rusydiah: Jurnal Pemikiran Islam* 2, no. 2 (2021): 173–199; Abd Rozaq, "Qur'anic Hermeneutics and Its Applications by Fazlur Rahman," *International Journal of Islamicate Social Studies* 1, no. 2 (2023): 121–131.

<sup>11</sup> Sugiyono, *Metode Penelitian Kuantitatif Kualitatif Dan R&D* (Bandung: Alfabeta, 2012).

<sup>12</sup> Alison Jane Pickard, *Research Methods in Information* (Facet publishing, 2013).

double movement hermeneutics, academic literature on Qur'anic hermeneutics, scholarly articles discussing the legal discourse on bank interest and usury (riba), as well as Qur'anic verses that serve as normative foundations in the debate over interest practices. The selection of literature is conducted purposively, based on its relevance to the research topic and its contribution to a critical understanding of bank interest within the framework of the contemporary economic system.

For data analysis, a descriptive-analytical approach is employed. The initial stage involves identifying and elaborating on Fazlur Rahman's interpretation of Qur'anic verses concerning riba, which serve as the normative foundation for understanding the practice of interest. Rahman's thought is analyzed through the two stages of movement that constitute the core of his double movement method. The first movement entails an exploration of the socio-historical context in which the verses on riba were revealed, aiming to uncover the social circumstances that underlie the prohibition of usury. At this stage, interpretation is directed toward understanding the moral and social objectives of the text, rather than focusing solely on its formal wording. The second movement involves actualizing the moral values and ethical principles embedded in those verses within the context of modern society, particularly in the profit-oriented financial system, such as conventional banking. In this context, the researcher does not merely examine whether bank interest is textually identical to riba, but also assesses whether such practices embody elements of injustice or exploitation, as criticized in the Qur'anic injunctions on riba.

## RESULT AND DISCUSSION

### **Bank Interest in Fazlur Rahman's Double Movement Hermeneutical Study**

Fazlur Rahman is one of the leading Islamic thinkers in the contemporary era. Rahman was born on September 21, 1919 in the Hazara region of Pakistan. Rahman memorized the Al-Qur'an at the age of 10 and was raised in a Hanafi madhab family. Little Rahman lived in a traditional Muslim environment which generally provided narrow religious dogma. Rahman's competency in Islamic studies was studied during his bachelor's and master's studies at Punjab University. Rahman developed more in-depth Islamic studies while continuing his doctoral education at Oxford University, England. He has taught at Durhan University and McGill University. Rahman's academic career peaked as a professor at Chicago University. This title made Rahman very optimal in developing the double movement concept in interpreting the Al-Qur'an contextually.<sup>13</sup>

Rahman's double movement thinking is part of a series of developments in hermeneutical studies from time to time. Etymologically, hermeneutics is a term

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<sup>13</sup> Mumtaz Ahmad, "Professor Fazlur Rahman (1332-1408 AH / 1919-1988 AC)," *American Journal Of Islam and Society* 5, no. 1 (1988): 1-2.

from Ancient Greek in the form of the word hermeneuin.<sup>14</sup> This word has the meaning of interpreting, interpreting, translating, or providing understanding.<sup>15</sup> If we trace it further, the word hermeneuin is a development of the word hermes. The ancient Greeks believed in the god Hermes or the god of knowledge. The meaning is a god who conveys knowledge to humans. Furthermore, the word hermeneutics is often adopted by socio-religious thinkers in studying a particular meaning of an event or phenomenon. Hermeneutics is not only limited to interpreting the surface of the text, but goes deeper in exploring meaning.<sup>16</sup> Therefore, an interpreter must have strong language skills and cultural insight when conducting hermeneutic studies.<sup>17</sup>

The double movement method developed by Rahman has become a very popular study among scholars who study the Islamic field.<sup>18</sup> The results of Rahman's interpretation of the Al-Quran emphasize a rationality approach that is adapted to contextual phenomena.<sup>19</sup> The double movement method has a construct that differentiates the Qur'an from its formal legal side from its moral ideal aspect.<sup>20</sup> If analyzed more deeply, this theory is a combination of traditional Muslim interpretive methods with contemporary (western) hermeneutic models.

The word double movement that Rahman means is an interpretation method that is carried out in two movements.<sup>21</sup> The first step is to withdraw the current phenomenon to the time when the Al-Qur'an was revealed, then proceed to the second step, namely to recall the understanding of the Al-Qur'an from that time to the present.<sup>22</sup> In the first movement, Rahman emphasized the meaning of the verses of the Al-Qur'an by examining the social-historical situation at the time the verses of the Al-Qur'an were revealed.<sup>23</sup> The statements in the Al-Qur'an are considered as answers to historical social problems at that time. In the first step, you will find specific answers regarding the meaning of a verse. This answer

<sup>14</sup> Richard E. Palmer, *Hermeneutics; Interpretation Theory in Schleirmacher, Dilthey, Heidegger and Gadamer* (Evanston: Northwestern University Press, 1967).

<sup>15</sup> Edi. dkk Mulyono, *Belajar Hermeneutika* (IRCiSod.. ISBN 978-602-255-013-6, 2012).

<sup>16</sup> Anthony Giddens, "Hermeneutics and Social Theory. In: Profiles and Critiques in Social Theory. Contemporary Social Theory," in *Profiles and Critiques in Social Theory* (London: Palgrave, London., 1989), 1-17.

<sup>17</sup> Ilyas Supena, *Bersahabat Dengan Makna Melalui Hermeneutika* (Yogyakarta: Idea Press, 2018).

<sup>18</sup> Farid Panjwani, "Fazlur Rahman and the Search for Authentic Islamic Education: A Critical Appreciation," *Curriculum inquiry* 42, no. 1 (2012): 33-55.

<sup>19</sup> Nasitotul Janah and Irham Nugroho, "Fazlur Rahman's Thoughts of Double Movement in the Context of TheDevelopment of Unity of Sciences," *Jurnal Tarbiyatuna* 13, no. 1 (2022): 63-81.

<sup>20</sup> Kharis Nugroho, Muhammad Zawil Kiram, and Didik Andriawan, "The Influence Of Hermeneutics In Double Movement Theory (Critical Analysis Of Fazlurrahman's Interpretation Methodology)," *QiST: Journal of Quran and Tafsir Studies* 2, no. 3 (2023): 275-289.

<sup>21</sup> Yuniarti Amalia Wahdah, "Hermeneutika Double Movement Fazlur Rahman Dalam Studi Hadits," *Al Fawatih : Jurnal Kajian Al Qur'an dan Hadits* 2, no. 2 (2021): 30-43.

<sup>22</sup> Edi Hermanto, "Implementasi Teori Tafsir Gerak Ganda Fazlur Rahman Pada Buku Ajar Al-Qur'an Dan Hadist," *An-Nida'* 41, no. 1 (2018): 31-49.

<sup>23</sup> Rozaq, "Qur'anic Hermeneutics and Its Applications by Fazlur Rahman."

contains a statement that has a general social moral purpose which is then generalized to the current social context.<sup>24</sup> One of Rahman's works that is important enough to be used as a reference is the analysis of bank interest rates in the current context.

Bank interest law is still a matter of debate in certain circles in the contemporary era. Differences in viewpoints in interpreting bank interest are the source of the debate that has emerged. Several figures interpret bank interest as part of usury, referring to several verses of the Al-Qur'an. Some sources say that the riba verse was revealed in four stages. These four verses respectively are: a) Surah Ar-Rum verse 39; b) Surah An-Nisa' verses 160-161; c) Surah Al-Imran verse 130; and d) Surah Al-Baqarah verses 278-279. <sup>25</sup>

Surah Ar-rum verse 39 explains that usury is in the form of giving which does not imply any reward. Or in other words, usury is a gift to someone not to achieve Allah's approval. This is different from zakat which has the implication of getting approval from Allah SWT so that the reward is multiplied <sup>26</sup>. The issue of usury in Surah An-Nisa' verses 160-161 arises because many Jews consume usury, even though they know that usury is prohibited. Many Jews carry out the practice of usurious money lending even though it is forbidden to stay away from it. <sup>27</sup>

The explanation of the third stage of usury is in Surah Al-Imron verse 130. When the Muslims lost the battle of Uhud, many of them started hoarding wealth by means of usury (multiplying debt). This activity was a habit of the Quraish jahiliyah which they then imitated. To respond to this, Surah Al-Imron verse 130 came down to stop the practice of usury.<sup>28</sup> Finally, Surah al-Baqarah 278-279 makes it clear that taking advantage from the person in debt, while the person in debt is experiencing difficulties, Allah will punish the person in debt to be put in hell. Therefore, Allah ordered to give leeway when paying or converting the debt into alms. The moral message conveyed in this verse is clear that kadzaliman (exploitation) is prohibited because of usury (double addition) if the party in debt experiences difficulties.

This addition is the one Then, in the opinion of some scholars, it is the same as the practice of bank interest in today's modern financial system. . Meanwhile, the critical view regarding the link between bank interest and usury in Fazlur Rahman's study was when he was asked to provide an assessment regarding the budget submission by the Pakistani government to the National Assembly in

<sup>24</sup> Muhammad Fahmi, "Pendidikan Islam Perspektif Fazlur Rahman," *Journal of Islamic Education Studioes* 2, no. 2 (2014).

<sup>25</sup> Abdul Ghofur, "Konsep Riba Dalam Al Quran," *Economica : Jurnal Ekonomi Islam* 7, no. 1 (2016): 1-26.

<sup>26</sup> Abd al-Azhim Jalal Abu Zayd, *Fiqh Al-Riba Dirasah Muqaranah Wa Syamilah Li Tathbaqat Al Mu'ashirah*, Bayrut: Mu'assasah Al-Risalah (Bayrut, 2004).

<sup>27</sup> Mujar Ibnu Syarif, "Konsep Riba Dalam Alquran Dan Literatur Fikih," *Al-Iqtishad* 3, no. 2 (2011): 293-312.

<sup>28</sup> Ibid.

1962.<sup>29</sup> The budget submission was considered to contain elements of usury which was contrary to the Al-Quran. Rahman tries to provide an analysis of how the financial system can run without interest or zero percent interest. However, when it was applied to the economy at that time, the country would be committing suicide because the financial system was running so complex that there was a need for interest rates in it.<sup>30</sup> Seeing such a phenomenon, Rahman is of the opinion that interest or debt service is reasonable if applied within controlled limits. The meaning of control is that it does not multiply, giving rise to elements of exploitation of the borrower.

In addressing this issue, Rahman, through the double movement method, sought to gain a deeper understanding of the Qur'anic verses on *riba*, one of which is manifested in the form of interest.<sup>31</sup> In discussing the four key verses related to *riba*, Rahman elaborates on the historical and social context in which these revelations occurred. Generally, these verses were revealed in response to the widespread practice of moneylenders exploiting individuals in financial distress by charging excessive interest on loans.

Rahman emphasizes that interest involving elements of exploitation constitutes an act of injustice. This injustice is the core reason *riba* is prohibited in the Qur'an. Linguistically, *riba* refers to an addition or excess. However, this addition is interpreted as one that lacks mutual consent between the parties involved in the transaction. Such dissatisfaction typically arises from coercive conditions that lead to unfair treatment. Nonetheless, not all forms of excess imply injustice. If the additional value is mutually agreed upon as compensation for a legitimate service or assistance provided, it may be considered reasonable and thus permissible.

### **Analysis of Bank Interest in the Modern Financial System**

Bank interest in the modern financial system is a service provided by the borrower to the lender.<sup>32</sup> Or in other conditions, interest is also given by financial institutions to customers on a number of "deposit" funds which can be used by the financial institution for productive activities.<sup>33</sup> This service arises because of the opportunity costs that must be borne by the lender if he does not provide a loan to the borrower. The opportunity cost in question is the opportunity to get more value if the loaned funds are invested in other sectors. The high and low

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<sup>29</sup> Izzud-Din Pal, "Pakistan and the Question of Riba," *Middle Eastern Studies* 30, no. 1 (1994): 64–78.

<sup>30</sup> Fazlur Rahman, "Riba and Interest."

<sup>31</sup> Amhar Rasyid, "Some Qur'anic Legal Texts in the Context of Fazlur Rahman's Hermeneutical Method" (1994).

<sup>32</sup> Nigina Djurakulovna Sharipova and Sabina Djakhongirovna Asadova, "The Role of Banks in the Modern Monetary System," *Procedia of Theoretical and Applied Sciences* 6 (2023): 55–62.

<sup>33</sup> Tri Wahyu Rejekiningsih, Akhmad Syakir Kurnia, and F X Sugiyanto, "Analysis of Efficiency of Intermediation Functions from Financial Institutions and Consumer Surplus of Funds in Indonesia," *International Journal of Economics and Finance Studies* 14, no. 1 (2022): 377–408.

interest rates depend on the financial markets at that time.<sup>34</sup> If demand for funds tends to increase, then interest rates will usually increase relatively. Conversely, interest rates will tend to be lowered when demand for loan funds is relatively low.<sup>35</sup>

The modern financial system cannot be separated from the value of services (interest) applied by financial institutions. The profit-oriented basis of financial institutions forces interest to be charged in every lending and borrowing transaction.<sup>36</sup> An example in this case is a commercial bank where the main income comes from services (interest) on the funds lent. Commercial banks determine certain interest rates to obtain income, where part of the income is used for operational purposes and the remainder is used for operational purposes profit or loss.<sup>37</sup>

From another perspective, referring to Fazlur Rahman's opinion which states that bank interest can be zero percent or non-existent, the analysis can be explained as follows. Starting with an explanation of money which has the essence of being a medium of exchange for goods or services.<sup>38</sup> In an economy, what occurs is the exchange of goods and services between people.<sup>39</sup> This exchange is due to human limitations in producing goods and services that are needed or desired in life. In the past, exchange used the term barter, namely the exchange of goods and services directly between the transacting parties. Barter then disappeared, because there was difficulty in finding parties who could barter according to their needs. Then, a medium of exchange emerged that was agreed upon by certain parties to facilitate economic transactions.<sup>40</sup>

In its development, this medium of exchange changes according to the agreement of certain communities in order to facilitate economic transactions.<sup>41</sup> Money was once in the form of animal skins, salt, silver, gold, currency, until now it is digital.<sup>42</sup> The transformation of the form of money is solely due to people's desire to make transactions more quickly. In the past, anyone could create money

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<sup>34</sup> Andita Novianti and Nicodemus Simu, "Kebijakan Hutang, Kebijakan Dividen, Dan Profitabilitas, Serta Dampaknya Terhadap Investment Opportunity Set (IOS)," *Jurnal Manajemen Teori dan Terapan* 1 (2016): 1-11.

<sup>35</sup> James Vickery, "How and Why Do Small Firms Manage Interest Rate Risk?," *Journal of financial economics* 87, no. 2 (2008): 446-470.

<sup>36</sup> Ephraim W Chirwa and Montfort Mlachila, "Financial Reforms and Interest Rate Spreads in the Commercial Banking System in Malawi," *IMF Staff papers* 51, no. 1 (2004): 96-122.

<sup>37</sup> Carlo Altavilla, Miguel Boucinha, and José-Luis Peydró, "Monetary Policy and Bank Profitability in a Low Interest Rate Environment," *Economic policy* 33, no. 96 (2018): 531-586.

<sup>38</sup> W Stanley Jevons, "Money and the Mechanism of Exchange," in *General Equilibrium Models of Monetary Economies* (Elsevier, 1989), 55-65.

<sup>39</sup> Neil J Smelser, "A Comparative View of Exchange Systems" (University of Chicago Press, 1959).

<sup>40</sup> Ni Luh Gede Ari Luwihadi and Sudarsana Arka, "Determinan Jumlah Uang Beredar Dan Tingkat Inflasi Di Indonesia Periode 1984-2014," *E-Jurnal Ekonomi Pembangunan Universitas Udayana* 6, no. 4 (2017): 165365.

<sup>41</sup> Bill Maurer, "The Anthropology of Money," *Annu. Rev. Anthropol.* 35 (2006): 15-36.

<sup>42</sup> Geri Achmadi, *Mengenal Seluk Beluk Uang* (Yudhistira Ghalia Indonesia, 2007).

because there was no institution that regulated it. Because it can be produced by any party, the value of money can rise and fall according to the growth rate of production of the money itself.<sup>43</sup> In the modern era, of course this is very worrying if the production of money is left to chance without any legal institutions controlling it. Therefore, in the modern financial system a central bank was formed which functions, among other things, as a controller of money circulation.

The central bank in the modern financial system does not have an "absolute role" in controlling money circulation. Changes in the amount of money in circulation are more influenced by the activities of commercial banks through reserve requirement regulations. Reserve requirements are minimum mandatory reserves that commercial banks must place with the central bank in the form of demand deposits. Therefore, minimum mandatory reserves are commonly called minimum statutory reserves or abbreviated as GWM. The amount of GWM is a certain percentage of third party funds placed by the public in commercial banks.<sup>44</sup>

The "not absolute" role of the central bank in the modern financial system means that the existence of this institution is considered to have little influence in controlling the stability of the value of money. Even though money is a vital component in the economy, its circulation must be strictly regulated. Unlike the traditional pattern where money can be produced by any party. Money should not be traded like in the modern money market. Money is a vital commodity that must be "monopolized" by a credible institution. In this context, financial institutions should function not as profit-oriented institutions but as independent institutions that prioritize "social" functions in serving the need for money (as a medium of exchange) for the community.

If a financial institution exists only as an independent institution and is given absolute authority, then the creation and circulation of money can be carefully controlled. The financial institution, in this case, the central bank, can be used as the only financial institution (in a country's territory, for example). The creation of money (any type) can only be done by the central bank. To simplify services, central banks can have several branch offices in various points in the region. Or in the modern era, central banks can optimize digital applications to serve public financial liquidity. Then, the question arises, how does the central bank obtain operational funding? Operational funding can be done through the state budget, including operations in printing "money". Currently there is still a portion of the budget for printing currency (physical form) which costs quite a lot compared to creating other types of money such as demand deposits and quasi. The creation of demand deposits and quasi money does not require a lot of costs

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<sup>43</sup> Boediono, "Demand for Money in Indonesia," *Bulletin of Indonesian Economic Studies* 21, no. 2 (1985): 74–94.

<sup>44</sup> Ana Zahrotun Nihayah and Lathif Hanaifr Rifqi, "Variables Determining For Impairment On Productive Assets In Islamic Banks In Indonesia," *Journal of Islamic Finance and Banking* 2, no. 1 (2020): 1–16.

because they are digital (non-physical in form). If you look at long-term financial transaction patterns, the existence of currency will "extinct" and all payments will use money in digital or non-physical form (demand deposits and quasi among them). This, of course, can reduce the costs of producing money by the central bank.

The very low production costs of digital money will of course intrinsically reduce the value of the money itself compared to the nominal value which is measured in the value of goods and services. At this point, the intrinsic value of money compared to its face value can differ greatly. In other calculations, the central bank has actually made a "profit" from the difference in intrinsic value when there is an exchange between digital money and goods or services. This exchange can occur when there is a credit process in which the public provides collateral to the bank and the bank provides a certain amount of (digital) money to the public. Because of the advantages of banks, namely the difference in intrinsic value as has been explained, banks should no longer need to provide additional services (interest) in every credit (loan) given to the public. Thus, the concept of zero percent (no) interest can be applied if the financial function is only carried out by one independent institution (central bank) which is "non-profit oriented". This concept is of course very different from the current financial system, where the operational basis is "profit oriented". Even so, the concept of zero percent bank interest will be very difficult to realize considering the current financial system (based on profit oriented) which is so complex.

Nevertheless, Islamic banking normatively upholds financial principles that are in accordance with sharia values, such as justice, transparency, and profit sharing.<sup>45</sup> Instruments such as mudharabah and musyarakah were introduced to replace the interest mechanism which is considered to have the potential for exploitation. However, in practice, Islamic financial institutions cannot completely free themselves from the structure and logic of the conventional financial system. Many Islamic financing products still use conventional interest rate indicators as a reference in determining profit margins.<sup>46</sup> This phenomenon reflects the tension between the normative idealism of sharia and operational needs in a highly competitive global financial system. In this context, Fazlur Rahman's double-motion hermeneutic approach is relevant, because it offers an understanding of normative texts by considering the social, economic, and historical contexts that surround them. Rahman emphasized the importance of exploring universal moral values from the

<sup>45</sup> Mohammad Alhejaili, "Harmonising Derivatives with Shari'ah: Ethical Practices and Regulatory Insights," *International Journal of Islamic and Middle Eastern Finance and Management* (2025).

<sup>46</sup> Shahid Mohammad Khan Ghauri, "Why Interest-Rate Cannot Benchmark for Islamic Financial Product Pricing?," *Benchmarking: An International Journal* 22, no. 7 (2015): 1417-1428; Muhammad Nouman et al., "Interest Rate Volatility and Financing of Islamic Banks," *Plos One* 17, no. 7 (2022): e0268906; Radiah Abdul Kader and Yap Kok Leong, "The Impact of Interest Rate Changes on Islamic Bank Financing," *International Review of Business Research Papers* 5, no. 3 (2009): 189-201.

Qur'an, such as justice and the prohibition of exploitation, rather than focusing on formal legal forms that are literalistic. Thus, the practice of interest that is carried out transparently, not oppressively, and within the framework of a voluntary agreement can be seen as not contradicting the moral principles of the Qur'an.

In line with this understanding, the conventional banking system operates within the framework of financial capitalism that places profit as the main goal, so that interest functions as compensation for the use of funds and risks.<sup>47</sup> Meanwhile, the Islamic banking system, although not completely free from market pressures, is ideally designed to encourage the distribution of justice, social sustainability, and inclusive economic participation. Through Rahman's approach, which emphasizes the actualization of moral values in the social order, Islamic financial practices must be directed so that they do not simply replace the terms (nomenclature) of conventional practices, but are also able to realize substantial transformations in principles and orientations. By looking at these two systems critically, Rahman's hermeneutic approach is able to bridge the gap between normative texts and social reality, and provide a conceptual basis for evaluating contemporary financial practices. Within this framework, bank interest is not always identical to usury as long as it does not contain elements of injustice and exploitation. Therefore, reinterpreting the concept of interest through a contextual Qur'anic ethical framework is an important step in formulating a financial system that is fairer, more adaptive, and in line with the *maqasid al-shari'ah*.

## CONCLUSION

The double-motion hermeneutic approach developed by Fazlur Rahman provides an important contribution to understanding the verses of the Qur'an contextually, especially on the issue of bank interest. Through two main stages, namely the reconstruction of the socio-historical context and the actualization of universal moral values, this approach offers a relevant methodological framework for reinterpreting the verses on usury in accordance with the dynamics of the modern economy.

The results of this study indicate that the practice of bank interest in a profit-oriented financial system cannot be automatically categorized as usury, as long as it does not contain elements of injustice and exploitation. This finding is important to respond to views in the literature that tend to absolutely prohibit bank interest without considering changes in the social and economic context. In addition, Rahman's approach has proven to be able to bridge the normative text of the Qur'an and the reality of contemporary Islamic banking practices,

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<sup>47</sup> Hyman P Minsky, *The Capitalist Development of the Economy and the Structure of Financial Institutions*, 1992; Costas Lapavitsas, "The Financialization of Capitalism: 'Profiting without Producing,'" *City* 17, no. 6 (2013): 792–805; Leon Wansleben, *The Rise of Central Banks: State Power in Financial Capitalism* (Harvard University Press, 2023).

which in reality still depend on the structure and indicators of the conventional system.

As a recommendation, policy makers in the Islamic financial sector need to consider an interpretative approach that is adaptive to social and economic changes so that the regulations that are formulated are not static or merely textual. In addition, Islamic financial institutions ideally encourage substantive innovation that is not only limited to replacing terms from conventional systems, but is also able to present financial products and mechanisms that truly reflect the values of *maqāṣid al-shari‘ah*, such as the principles of justice, public welfare, and social sustainability.

#### **Author's Contribution**

Ana Zahrotun Nihayah: Contribute to formulating research ideas, collecting data, processing data, and interpreting data

Musahadi: Contributing to writing systematics, research methods, analyzing interpretation results

Muhlis: Contribute to the language proofread

Lathif Hanafir Rifqi: Contributed to compiling a literature review

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The author declares that there is no conflict of interest.

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Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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