

REVEALING THE EXISTENCE OF MONEYLENDERS IN TRADING ACTIVITIES AT PARUNG MARKET BASED ON ISLAMIC ECONOMIC PRINCIPLES

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ABSTRACT

Moneylenders are likened to needs sought by traders in Parung Market as a last resort to provide capital loans. On the other hand, they are equated with moneylenders who are detrimental to traders as service users. However, on the moneylender side, it harms traders by charging high interest, which makes it a burden for traders because they have to share profits with moneylenders. This study focuses on the existence of moneylenders in trading activities at Pasar Parung and analyzes it with an Islamic economic approach. This qualitative research uses interviews, observation, and documentation data collection methods. The research results show that loan sharks at Parung Market have been going on for five years since 2013. The need for capital and the absence of a financial institution is why it exists. The mechanism for accounts receivable by loan sharks is straightforward. Applying for a loan is simple, going through a lengthy procedure. Debt repayments are made in daily instalments for four months / 120 days, with the number of instalments equal to the total loan plus 20% interest divided by 120 days. The mechanism of debt and credit carried out by moneylenders in Islam is included in usury nasi'ah. The practice of loan sharks at Parung Market violates the principles of justice, the principles of ta'awun, and the principles of mashlahah. Moneylenders practice assisting traders in meeting their material needs. However, the spiritual needs of traders are not satisfied, so the income earned does not receive the blessings of Allah.

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1. INTRODUCTION

A market is a meeting place for sellers and buyers characterized by transactions or direct bargaining between sellers and buyers, which we usually call traditional markets. However, the growth of traditional markets can be faster because there are many modern markets with good management, complete products sold, and many sources of capital, as well as traditional markets in Bogor Regency, namely the Parung market. Merchants must have a strategy to attract consumers to buy their wares. Pasar Parung is a critical economic sector for most of the population around the area. Nevertheless, on the other hand, conditions of uncertain price stability can trigger losses for traders and cause trading profits to stop. Another problem that is no less important is the business development of Parung Market traders constrained by business capital problems. Capital occupies an important position in the process of economic development as well

as in job creation. In addition to increasing production, employment will also increase if capital goods such as buildings and machinery are used for various production processes[1]

However, it is undeniable that many traders are constrained in seeking additional capital. Many can even contact the bank to apply for a loan capital because they must meet the requirements to obtain a capital loan). From these conditions, traders try to find easy and fast solutions to increase their capital. One of the easy and fast ways is through credit loans from loan sharks, which require additional profits in loan capital which we know as interest which is categorized as usury which is haram[2]. Moneylenders are likened to needs sought by traders in Parung Market as a last resort to provide capital loans.

On the other hand, they are equated with moneylenders who are detrimental to traders as service users. Moneylenders are people who borrow money or capital. Moneylenders are an activity in which someone lends money with multiple interest rates to exceed the principal debt if the instalments are late. Most traders ignore how much interest 20-40% of the money owes. And generally, moneylenders in traditional markets charge fees made daily and monthly) determined by the loan shark. They are only interested in the ease of borrowing capital on easy terms rather than making it difficult for traders. They find it easier to seek loans from financial institutions or banks[3]. Moneylender practices in Parung Market are easy to find. People who have excess capital make it a profitable business opportunity. In addition, in the practice of moneylenders, the loan process is carried out directly without going through lengthy administrative procedures, such as in formal financial institutions. Well, this is what attracts people to use loan shark services. His presence has also helped people who need capital and cash; *"The believing men and believing women are allies of one another. They enjoy what is right and forbid what is wrong and establish prayer and give zakah and obey Allah and His Messenger. Those - Allah will have mercy upon them. Indeed, Allah is Exalted in Might and Wise"* [al-Taubah 9:71].

Based on the verse above, Allah commands us to help each other by doing good and preventing evil. Nevertheless, loan sharks make money their main commodity and interest, which is prohibited in Islam. Funds lent to customers will be returned with additional interest previously agreed between the moneylender and the customer who becomes a trader at Parung market. The traders hope that the funds from moneylenders will help them meet their capital needs. So that it will be able to improve the standard of living, but in fact, the positive impact of loan sharks is only temporary. Traders have an additional burden. In addition to meeting their daily needs, they also have to set aside their income to pay loan instalments from loan sharks. When running a business, profits are uncertain and sometimes even lost. However, moneylenders ignore this. The customer still has to pay the loan. Customers still have to pay their loans[4].

2. METHOD

2.1 Jenis and Data Source

This research is a combination of library research and field research[5]. Field research aims to study the background, current status, and environmental interactions in a social unit such as an individual, group, institution, or community with a qualitative approach. Qualitative research, namely research that intends to understand what phenomena are experienced by research subjects. For example, behaviour, perception, motivation, action, etc., holistically and through descriptions in the form of words and language, in natural contexts and by utilizing various descriptive natural methods[6]. Descriptive analysis aims to accurately describe individual characteristics, conditions, symptoms, or certain groups, or to determine whether there is a relationship between a symptom, to determine the spread of a symptom, or to determine whether there is a relationship between a symptom or to determine whether there is a relationship[7].

This research provides an overview of the research results by describing the data obtained in the field. Qualitative research produces descriptive data in the form of written words from people, phenomena, events, social activities, attitudes, beliefs, perceptions and thoughts of people individually or in groups [8]. In essence, this study describes the factual conditions obtained from processing qualitative data through interviews and observations of traders in the Parung market for two months. The first step a researcher must take to study is to determine the approach. An approach is a perspective or paradigm in a science that is used to understand something[9].

The approach here describes the perspective used in discussing the object of research. The approaches used are: (a) Theological approach, namely the approach used to analyze legal provisions originating from the Al-Qur'an and hadith regarding issues related to the legal status of capital loans from

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loan sharks using an exciting system, (b) Juridical approach, namely studying the legal status of interest-bearing loans originating from the legal aspect and (c) the sociological approach, namely the social approach to look at a symptom from the social aspect to find out the factors that cause traders in the Parung market to borrow business capital from loan sharks.

This study used two types of data sources: (a) Primary data sources are data obtained directly from informants closely related to the problem to be studied. Sourced from field studies in the form of information originating from traders at Parung Market, and (b) Secondary data sources, namely indirect data sources from informants or additional data used in the form of documentaries originating from books that discuss legal issues. Regarding loans with interesting systems, research results, journals, magazines, print media, and other documents related to this research. In this case, all the sources of media information above support the researcher's work[10]. Methods of data collection are done through observation, interviews, and documentation. In qualitative research, the instrument or research tool is the researcher himself. As a human instrument, the researcher determines the research focus, selects information as a data source, collects data, assesses data quality, analyzes data, and interprets and makes conclusions based on findings[11]. Observation guidelines are tools used to collect data in the research process. An interview guide is a tool in the form of a list of questions used in data collection. Documentation data are direct written records of events, assessment instruments, and photos of activities at the research time.

2.2 Analysis Method

The data analysis process is continuously carried out through three stages: data reduction, data presentation and drawing conclusions or data verification: Data reduction is the process of collecting data which is sorted, classified, and focused on data simplification. Therefore, the data taken is data related to the problem under study. This study only discusses capital distribution from moneylenders to traders in the Parung Market. Presentation of data, namely the presentation of data that has been filtered and compiled as a whole in the form of a descriptive narrative. In presenting the data, an interpretation is made of the results of the data found so that the conclusions formulated are more objective. Drawing conclusions or data verification is formulating conclusions after the reduction stage and presenting data inductively to answer the problem formulation. The three streams of data analysis activities are interrelated in concluding the final results of the researchers.

3. RESULT AND DISCUSSION

3.1 Description of Parung Market

Parung Market in Parung District, Bogor Regency, West Java. This area is famous as a link between Bogor City, Depok City, Tangerang City, South Tangerang City and Jabodetabek. The Parung Market can potentially have more than 1000 units, as many as 384 units in 2020 and an increase of 10% in mid-2022. Pasar Parung has an area of approximately 16,038 m² with several traders of approximately 1600 people. This potential circulation of money in the Parung Market will almost touch Rp. 3.2 billion per day. In addition, there are indications of funding schemes from business capital carried out by traders.

3.2 The Existence of Moneylenders in Trading Activities at Parung Market

Moneylenders are jobs that are not much different from banks or non-bank financial institutions such as Savings and Loans Cooperatives (KSP), Rural Credit Banks (BPR) and Commercial Banks, and the difference lies in their business status. Meanwhile, Pawnshops, KSP, Rural Banks and Commercial Banks are legal entities whose rules and policies. Therefore, the practice of moneylenders who provide interest to their customers contains elements of usury. The essence of the prohibition of usury in Islam is the rejection of additional financial risks regulated in money or capital transactions or buying and selling, which are only distinguished by one party. At the same time, the other is guaranteed a profit. The interest on loans of money for productive and consumptive purposes with high or low-interest rates and in the long or short term. The practice of loan sharks in the Parung Market is still widespread due to the excellent opportunity for loan sharks to run this moneylender business. However, urgent conditions forced them to practice loan sharks.

Economic factors and the lack of financial institutions that work directly in the field are the main reasons traders in the Parung market use loan sharks. Research shows that the moneylender loan mechanism is easy without complicated procedures and conditions, and collateral is only needed depending on the loan amount needed by the customer. This is the factor that traders choose moneylenders over Islamic financial institutions. Thus, the community also benefits from loan sharks because they can help with capital relatively quickly and are not complicated and time-consuming[12]. Traders take loans

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from loan sharks because of; *first*, Capital Requirements. Moneylenders act as a source of capital for entrepreneurs. Capital is an essential factor in setting up a business. Without capital, the business will not run. In practice, loan sharks provide more loans to traders because traders are considered productive businesses and can generate daily income. This will undoubtedly affect the smooth process of loan payments. Traders generally use loan funds from moneylenders as initial capital and ongoing capital injections. Loans from loan sharks are all initial or additional capital to start a business. Not only at the beginning of setting up a business, traders still use capital from loan sharks to this day. For traders, borrowing money from moneylenders is the only way to overcome their need for capital. Therefore, the existence of moneylenders is considered to have been able to meet the capital needs of traders. With capital from loan sharks, traders hope to get additional income. There was an increase in capital loans from the initial establishment of the business to current loans.

The Second. Borrower Debt Mechanism Money. The moneylender loan mechanism at Parung Market has an easy and fast way without a lengthy administrative process. Moneylenders use money as their principal capital, which is then lent to people in need on condition that there is an additional percentage of the principal loan. Based on the results of interviews with moneylenders and traders who are their customers, the following is an overview of the mechanism for providing loans and credit from moneylenders in the Parung Market. The existence of moneylenders as a quick fulfilment of cash needs is considered to be able to provide benefits to the community. The average loan shark's customers are traders, where traders need business capital and additional capital. Submitting a debt differs from banking institutions' procedures, without complicated procedures, prolonged administration and free of administration fees. In carrying out their business, moneylenders provide all the facilities—traders who will owe enough to come to the loan house. Please submit a request for the money needed. The moneylender provides the amount needed and then records it in a particular book belonging to the moneylender without asking for collateral. A fast and easy process is an advantage for loan sharks compared to banking institutions. This applies to merchants and everyone who wants to use their services. It is seen that Moneylenders rely heavily on the principle of trust in their contracts. There is no guarantee of value as a precaution when merchants and other customers experience lousy credit. This is because traders who become customers are neighbours who live and live in the same neighbourhood. A strong sense of mutual trust between neighbours facilitates the accounts payable process between moneylenders and traders who are their customers. The debt payment mechanism is carried out monthly instalments for 4 (four) months, and one month in the moneylender's calendar is 30 days. So, the merchant pays the loan instalments for 120 days. The payment process can be done by taking the ball; moneylenders visit the merchant's house, who is a customer to collect or vice versa, and merchants with personal awareness come to the moneylender's house to pay their debt instalments. The interest from each loan is 20%.

The Third, moneylenders' promotion and marketing techniques for loans. Promotions carried out by moneylenders are indeed exciting and routinely carried out almost every day and at any time. Many traders in Pasar Parung claim to borrow money from moneylenders because the promises made by moneylenders are attractive and clear. The style of promotion carried out by loan sharks is indeed more flexible when compared to Islamic financial institutions, which conflict with institutional rules and professional human resources. *The Fourth.* The Influence of Education and Religion The lack of education and minimal understanding of religion affect the level of dependence of traders on loan sharks. When they urgently need fast funds, they turn to moneylenders. Because the factor is very urgent, the issue of religious teachings can be abandoned. Almost all informants stated that using moneylenders felt their money was not a blessing. However, on average, they ignore it. In addition, most of the profits from the business are used to pay the loan interest, which is quite large and can reach 20%. This caused many merchants to dig to cover the hole to pay off their debts. In the end, the money earned is only used to pay instalments.

The instalment system implemented by moneylenders has become a habit for merchants to set aside part of their income to pay off debts. So traders get used to it and do not feel heavy. The daily instalment system will provide easily accessible communication and good relations between moneylenders and merchants when moneylenders who collect balls collect balls directly, or other traders or customers come to them. Direct billing is done by moneylenders every evening after the Asr prayer or before *Maghrib*. However, with all the convenience of the loan shark submission and payment process, they still face risks. It is undeniable that there are still traders who are in arrears. To overcome lousy credit risk, loan sharks provide additional payment terms without doubling the interest until the loan instalments are completed[13].

All conveniences are provided because loan sharks make decisions directly, unlike formal financial institutions, which must comply with procedures. The merchant will automatically pay the instalments in

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full without leaving any residue by continuing to provide loans even though there are remaining instalments from the previous loan. The risk of bad credit can be minimized. With all the conveniences loan sharks provide, traders will continue to use their services. In addition to facilitating the payment process, moneylenders also provide holiday allowances (THR) which are intended for their customers in the form of groceries such as sugar, syrup, oil and other necessities needed to welcome holidays with an amount that fits the loan. Moneylenders do not set a target customer that must be obtained because the more customers you get, the more profit you will get.

Conversely, profits will decrease if the number of customers decreases and the lender's capital turnover will run slowly because of the instalment system. From the description of the debt and credit mechanism carried out by the loan sharks above, traders must fulfil certain advantages. Therefore, it can be concluded that the practice of debt receivables carried out by loan sharks is a practice of *usury* ignorance. This can be seen from the additional interest on the loan principal that must be met. Traders, due to suspension of debt payments[14] [15].

3.3 The Existence of Moneylenders in Trading Activities at Parung Market Based on Islamic Economic Principles

Moneylenders are a profession that deals with usury which is prohibited in Islamic Economics. However, it is undeniable that the moneylender business is still growing amidst the trading activities at Parung Market. Act as a supplier of cash needs, both used as capital and to cover sudden and urgent needs. A contradiction that continues to grow in the majority of people who are Muslim but still use the services of loan sharks. Economic necessity is the reason for using moneylender services. Moneylenders in trading activities at Pasar Parung provide benefits for the economic life of traders. Acting as a non-formal financial institution that meets capital needs has an impact on increasing the income of retail traders[16]. However, the welfare of retail traders has not been achieved. In addition, the existence of moneylenders is considered to have violated the principles of Islamic economics; namely,

The First. The principle of justice. Money is a medium of exchange used for transactions. The medium of exchange means that other commodities are needed and exchanged for money according to the agreement between the parties. Refrain from becoming a commodity in transactions that can generate profits. The study results show that moneylenders make money their main commodity in running the receivables and receivables business at Pasar Parung. Money is used to earn profits without working hard. With this money, loan sharks run a business by lending money to retail traders and other customers by adding the amount of interest as profit to be earned[17]. There is an additional loan principal, namely usury. Moneylenders set the interest rate at the beginning of the transaction, indirectly forcing retail traders to agree on the amount[18]. Traders needing capital must agree to an agreement that impacts the number of dependents. Merchants must pay the principal and interest paid by moneylenders. As long as the business runs, the profit cannot be calculated with certainty and can even experience losses. Moneylenders with this business have exploited other people to reap huge profits.

On the one hand, moneylenders are just waiting for profits without working and without bearing the burden of losses. While on the other hand, traders must work hard to meet their needs and pay off their debts[19]. The practice of loan sharks at Pasar Parung violates the principle of justice, namely the realization of the ideal condition of moral truth about something, both regarding objects and people. The practice of usury is to make money the main commodity with additional interest as the profit. It violates the true nature of money, the medium of exchange. Exploiting others for profit without effort violates the truth of equality between people. This impacts the economic life of retail traders who, despite experiencing an increase in income, still depend on capital intake from loan sharks.

The Second. Ta'awun Principle. The principle of *Ta'awun* in human life is fundamental because it can create a sense of brotherhood and close bonds of friendship. So that when the principle of *Ta'awun* is used as the foundation of social life, a peaceful society will be created even though living with diversity. Not only that, *Ta'awun* can be a strong foundation for building a people's economy without social inequality between the rich and the poor by distributing wealth. Debt in Islam is implementing the *Ta'awun* principle because it contains elements of cooperation and compassion for fellow human beings. Giving loans to those in need is a good deed. The existence of these loans means that they have overcome the difficulties faced by others. It is even said that giving debt is better than giving alms. The borrower will try to pay off the debt following the agreed time agreement by giving debt. The effort is to prevent someone from being lazy, whereas Islam

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does not teach its people to be lazy. There are moneylenders in Parung Market who make debts and receivables to make a profit. For example, providing money loans to retail traders and other public members, which are then returned with the loan amount plus interest, where the payment process is carried out in instalments per day for four months. Moneylenders argue that they are in debt to help people in need. Helping people who need capital is just a classic excuse used by moneylenders to recruit their customers.

While the main reason behind debt transactions is still profitable, it is clear that credit transactions carried out by loan sharks are solely for profit and are only business oriented. Even though moneylenders claim to help relieve people in need. However, the main goal of moneylenders is to make a profit. If the loan shark is not profit-oriented, he must be able to provide loans without charging interest on each transaction. The principle of *Ta'awun* means cooperation, cooperation, and mutual guarantees, not just business and profit-oriented. In practice, moneylenders do not cooperate but only make one party work hard to repay the loan[20]. Moneylenders are not oriented towards helping, but making other people's difficulties a profitable business field for oneself is not justified in Islam. Islam calls for help among human beings;

"O you who have believed, do not violate the rites of Allah or [the sanctity of] the sacred month or [neglect the marking of] the sacrificial animals and garlanding [them] or [violate the safety of] those coming to the Sacred House seeking bounty from their Lord and [His] approval. But when you come out of ihram, then [you may] hunt. And do not let the hatred of a people for having obstructed you from al-Masjid al-Haram lead you to transgress. And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in penalty" [al-Maidah 5:2].

In verse above, it is clear that Allah commands us as His people to help each other and work together in goodness, not in things that violate His *Shari'a*. Even for retail traders who have money from loan sharks, capital has helped them overcome difficulties in setting up a business. However, what moneylenders are doing is usury which is not allowed in Islam. So by using usury practices carried out by moneylenders, retail traders have directly entered into collaborations violating the *Shari'a*. In addition, moneylenders do not guarantee the profits and losses that may occur in the retail merchants who are their customers. However, loan sharks have guaranteed the profit they get from each debt transaction by setting the amount of interest as profit. So it is proven that loan sharks have a selfish side as capitalist agents who think about their profits. In addition, loan sharks are only business and profit-oriented. This can be seen from interviews with moneylenders who only provide loans for free with additional interest. Debt has become a side business for loan sharks without having to work hard but being able to calculate the benefits they will get. The excess wealth owned by loan sharks that should be used to help others turns into an effort to enrich oneself by taking advantage of other people's weaknesses as opportunities. Thus, retail traders who need capital must face a new problem, namely, being in debt.

The Third. The Principle of Maslahah. Work is a human endeavor to fulfill primary, secondary and tertiary needs. Work can be a profession to earn income through wages, salaries or profits. Allah has ordered his people to work since the Prophet Adam. Islam gave work rules to the Prophet Muhammad that the order applies to everyone without discrimination. Working is a mandatory activity carried out by people in Parung District, where 75% of the population sells goods, and the rest are involved in industry, trade, private employees, government employees, carpentry and transportation. Men or husbands work not only in Parung District, but many women who act as housewives also help their husbands by opening small businesses in front of their house or running other businesses that do not interfere with their role. One of the businesses that still exists in Parung Regency is the moneylender.

This business is run using accounts payable transactions and money as the main commodity. Setting up this business is very easy. Moneylenders provide money as capital and the main commodity without processing it into other commodities. Moneylenders act as founders as well as main actors in running this business. This is because this business is not an institution but an individual business without an organizational structure. The loan business at Pasar Market has provided benefits for traders who use their services. From the results of interviews with traders who are customers of moneylenders, they think that moneylenders' businesses have provided benefits both as a source of capital and in helping the economy. In essence, the benefits that are said to be *mursal* are all forms of goodness and benefit that have integral dimensions of the world and the hereafter, material and spiritual, as well as individual and social.

Economic activity is seen as fulfilling benefit if it fulfills two elements: obedience (*halal*) and benefit and brings goodness (*thayyib*) in all aspects integrally. Based on these two elements, it can be seen that moneylenders' businesses that use the usury mechanism in practice have violated the elements of *halal* and *thayyib*. Violating the elements of *halal*, Islam strictly prohibits usury[21]. Allah forbids His servants from practicing usury. Furthermore, it must be understood that the criterion for doubling is not a condition for the occurrence of usury (if the interest is multiplied then it is usury, but if it is small then it is not usury), but this is a general characteristic of the practice of interest on money at that time. Even though the interest taken by loan sharks at Parung Market is relatively small, namely 20% or 5% per month, it is still said that *riba* is forbidden in Islam and is undoubtedly a sin for those who do it.

Even the lightest sin for a usurer is the same as adultery with a biological mother. Violation of the *thayyib* element shows that the moneylender's business does not provide welfare for the community. Instead, it causes damage to the world and the hereafter. Worldly losses can be seen from the welfare of retail traders who do not increase. On the other hand, retail traders are increasingly dependent on moneylenders and cannot run their business independently. The loss caused by *ukhrawi* is that loan sharks have plunged retail traders into usury practices which are forbidden in Islam[22][23]. By participating in the practice of *usury*, the retailer has committed a sin in which the sin will be rewarded accordingly in the hereafter. The lightest sin of *usury* is the same as adultery with his mother. Islam has regulated all aspects of people's lives, including business. *Halal* and *thayyib* business in Islam is a business that provides benefits to the surrounding community. Borrowing business based on *usury* which is forbidden can become lawful if the basis is changed, by using a cooperative system based on profit sharing. In practice, loan sharks can be transferred using a *musyarakah* or *mudharabah* collaboration system where the loan becomes an investor wholly or provides part of the capital. Profits and losses are calculated together, if there is a profit it will be shared according to the agreement, and if there is a loss it will be shared according to the contract[24].

Humans, as economic beings, try to fulfil their basic needs, both primary, secondary and tertiary needs. By carrying out economic activities, humans hope to live in prosperity. The meaning of prosperity in Islam is not only the fulfilment of material needs but also the fulfilment of spiritual needs and includes both individual and social. Likewise, with the welfare of the world and the hereafter, human life does not only live in this world, but the deeds in this world will be a provision for the welfare of life in the afterlife. Therefore, interest in Islam must meet two indicators: the fulfilment of material and spiritual needs. In this study, indicators of meeting material needs eliminate hunger and fulfil human consumption needs. And indicators of meeting spiritual needs are worshipping God by not being involved in usury activities and calmness in living. The first indicator is the fulfilment of material needs. Material needs are visible, can be felt by the five senses and can be utilized for their benefit. Can meet material needs by relying on income.

4. CONCLUSION

The existence of loan sharks at Pasar Parung has been going on for five years since 2013. The need for capital and the absence of a financial institution is why it exists. The mechanism for accounts receivable by loan sharks is straightforward. The process of applying for a loan is simple and does without going through a lengthy procedure. Debt repayments are made in daily instalments for four months / 120 days, with the number of instalments equal to the total loan plus 20% interest divided by 120 days. The mechanism of debt and credit carried out by moneylenders in Islam is included in usury *nasi'ah*. The practice of loan sharks at Parung Market violates the principles of justice, the principles of *ta'awun* and the principles of *mashlahah*. Moneylenders practice assisting traders in meeting their material needs. However, the spiritual needs of traders are not met, so the income earned does not receive the blessings of God.

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