

Islamic Perspective of Household Debt Management: An In-Depth Study

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Abstract

The use of debt in personal life has become crucial in modern times. Nowadays, people prefer to incur debt to fulfill their needs, wants, and demands. However, it is important to have sufficient knowledge and literacy in debt management unless it might be a cause of financial failure. In Malaysia, the tremendous growth of loans and debt-based products has led to a rise in household indebtedness. It seems Malaysian households are suffering from a lack of knowledge about debt and its management. Hence, the aim of the study is to explore the Islamic point of view regarding the management of debt. This study employs a qualitative approach, utilizing in-depth interviews with a group of Shariah scholars. The selection of these scholars follows a snowball sampling technique, ensuring a comprehensive and insightful exploration of this research topic. The findings of the study expose that the rulings on debt and its settlement in Islam vary according to particular circumstances. In general, there is no harm to incur debt as it valid (halal). However, debt should only be used to fulfill necessities, as the absence of it might cause damage to the debtor. On the other side, Islam encourages people to become creditors by giving interest free loans (qard-e-hasan). Moreover, it inspires the creditors to extend the debt repayment period in case of debtors' inability to pay back the debt within the specific period to ensure social and economic welfare. Thus, the study contributes to improving the knowledge and literacy of the Malaysians about debt and its treatment, ultimately improving their financial behaviors.



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1.0 Introduction

In recent years, the issue of household debt has become a global concern, influencing economic landscapes and individual financial well-being across various nations. As economies evolve and financial systems undergo transformations, the management of household debt has emerged as a critical aspect of economic stability. Many developed nations, for instance, have experienced significant fluctuations in household debt levels over the past decades, with implications for both macroeconomic stability and individual financial resilience. In Malaysia, the consistent increase in household debt over the years is no longer primarily directed towards fulfilling essential life needs (Biplob & Abdullah, 2022). Depending on the demands, almost every household in Malaysia is significantly involved in some type of debt. The accessibility of various types of debt financing in the market enables households to meet their needs and demands, like house, car, and educational requirements (Yunchao et al., 2020). Over the past two decades, as Malaysia continues to be a global hub for Islamic banking and finance, an in-depth exploration of household debt management from an Islamic perspective becomes crucial for understanding the intricacies of financial decision-making and ethical considerations within the nation's unique socio-economic framework. The household debt in Malaysia has experienced a significant and rapid rise. Since 1997, household debt has surged, growing more than ten times its initial amount. The economy has experienced an average annual growth of 11.4% in household debt to reach RM1.098 trillion at the end of March 2021 (Cheah, 2022). Following this pattern, household debt has escalated from 43.7% to 74.7% of the total GDP between 1997 and 2020. Therefore, the household debt of Malaysia has surpassed the commercial debt for the first time since 2004 (Malaysia National Bank, 2021). The government and Malaysian credit counseling agency (AKPK) have taken several actions to change how households behave financially so that they can effectively manage their financial matters, including their debt (Aziz & Kassim, 2020). Numerous studies recommend enhancing Islamic financial literacy in Malaysia. This is because Islam being a comprehensive religion provides guidance and principles in all aspects of human life including debt management (Biplob & Abdullah 2022; Wan Ahmad et al., 2022). Islam strongly opposes excessive use of debt in any condition and encourages people to live within their means. Nevertheless, obtaining a loan is not deemed unethical, especially in situations where necessities are lacking, but the practice of usury is strictly prohibited. Indeed, it is the responsibility of affluent Muslims to assist those who are in need. Islam permits its adherents to pursue various interests and hobbies that enhance their quality of life. Nevertheless, it puts some restrictions and limitations on using the debt for luxuries (Zakiya & Firdaus, 2022; Lestari & Silvy, 2022). However, it is a worrying fact that the proportion of household financing for luxury consumption has been growing in recent times in the Malaysian economy (Yunchao et al. 2020). Hence, the objective of this paper is to delve into the principles of debt management in Islam, to provide valuable guidance for Malaysian households.

2.0 Review of Literature

2.1 Understanding the Concept of Debt

As per Husin et al. (2020), the prevalence of debt among Muslims has evolved from the concept of "ta'awun" (mutual cooperation), signifying the act of assisting one another in times of need. Creditors must relieve the burden of those who are needed in order to obtain a special recompense from Allah SWT. In this context, the Prophet Muhammad (SWS) stated:

"Whoever alleviates the hardship of a fellow believer in this world, Allah will alleviate their hardships on the Day of Resurrection. Allah will make life easier for them in both this world and the Hereafter when they assist someone in distress" (Muslim, 2699).

The hadith clearly explains the benefits of easing the hardship of others through financial support like loans and donations. Nevertheless, creditors must ensure that the debtor's purpose for obtaining a debt or loan does not contravene Islamic law. It is imperative that debt contracts adhere to Islamic legal principles (Rahim et al., 2021). In this context, an individual incurs a debt when they owe someone else money or have other obligations to fulfill in the future. Linguistically, the concept of debt can be described as the transfer of tangible assets from one individual to another, with the mutual expectation that the recipient will repay it within a specified timeframe (Rahim et al., 2021). Within the context of Islam, the concept of debt can be examined from several perspectives. Imam Shafie elucidates debt as a contractual arrangement in which one party entrusts the use of property to another party. The recipient of the property is obliged to either return the property in the same condition as received or provide a substitute of equivalent value for the borrowed property (Uddin & Ahmad, 2020; Rambe & Zahara, 2023). According to the Maliki school of thought, debt can be considered as a valuable property given for the benefits it derives by the creditor to the debtor (Issoufou & Abdullah, 2019). Likewise, scholars from the Hanafi and Hanbali schools of thought define debt as a distinct contractual arrangement initiated by the creditor. This arrangement entails an agreement to transfer property or goods to the debtor with the commitment that they must be returned with equivalent value (Zainol et al., 2016).

2.2 Historical Context of Debt

In the Islamic context, debt is regarded as an activity undertaken to seek the advantages and benefits of life. It is mainly incurred to ensure prosperity in this world and hereafter (Yunus & Muslimin, 2020). Nonetheless, guidance on the subject of debt is provided in the Quran, where Allah (SWT) states:

"Who among you will offer Allah a generous loan, which He will multiply manifold? Allah is the One who reduces and increases wealth, and to Him, you will all be returned" (Al Quran, 2: 245).

According to Maududi (1972), the concept of 'good loan' in this verse means a loan without any interest and given only for the sake of Allah. This means Allah SWT encourage wealthy people to give out interest-free loan to the needy so that they can overcome their financial striving (Zainol et al, 2016). The incurrence of debt was a common practice in the time of the prophet Muhammad (SWS) (Rahim et al., 2021). This is evident in the Sahih al-Bukhari hadith, as narrated by Abu Hurairah (may Allah be pleased with him), where he reported that:

When a man approached the Prophet Muhammad (peace be upon him) disrespectfully, his companions were ready to respond with aggression. However, the Prophet (peace be upon him) intervened, saying, "Leave him be, as he (the creditor) has the right to demand his debt forcefully." He instructed them to purchase a camel and offer it to the creditor. They replied, "The available camel is older than the one he is demanding." The Prophet (peace be upon him) advised, "Purchase it and give it to him, for the best among you are those who graciously fulfill their debts" (Bukhari, 2390).

According to Zainol et al. (2016), another Hadith provides a historical account of debt. Jabir Bin Abdullah reported this narration. "I visited Prophet Muhammad (SWS) in the Mosque, and after advising me to perform two rak`at of prayer, he promptly settled the debt he owed me and even provided an additional sum" (Bukhari, 2394). This indicates that even Prophet Muhammad (ﷺ) occasionally found it necessary to incur debt for his requirements. Furthermore, he emphasized that the noblest individuals are those who not only repay their debts but also go beyond the borrowed amount. Consequently, Islam permits the acquisition of debt. Additionally, lending money is encouraged in specific circumstances, as highlighted by Anas

Ibn Malik (may Allah be pleased with him) when he reported the saying of the Messenger of Allah:

"On the day of my ascension to heaven, I encountered an inscription on the gates of paradise, which read: 'Every act of charity is recompensed tenfold, and every loan is rewarded eighteen fold.' I inquired, 'O Jibril, why is a loan granted a greater reward than charity?' Jibril responded, 'Because someone may seek charity without genuine necessity, whereas a borrower turns to a loan only in times of dire need.'" (Ibn Majah, 2431).

The aforementioned Hadith highlights the encouragement for people to extend loans, as reported by Bakri (2011). In Islam, providing a loan is considered an act of charity, primarily because individuals often incur debt to address pressing necessities. Therefore, Muslims are strongly encouraged to offer financial assistance through lending, thereby alleviating the burdens of borrowers.

2.3 Debt Discouragement

As a part of debt management, Biplob & Abdullah (2019) reported that Islam discourages debt. This is so that the debtor feels relaxed and free from any kind of undue pressure. It is also a duty that Allah SWT does not absolve because it is the creditor's right. However, it is a noble deed to provide free loans and act compassionately toward the poor to meet their basic needs. Similarly, Zainol et al, (2016) described that the incurrence of debt is acceptable in Islam. But, it should be evaded because it has a detrimental effect on the debtor's behavior. Moreover, utilizing debt to fulfill desires and luxuries is regarded as a sign of ineffective financial management. According to Sipon & Othman (2014), the use of heavy debt has been discouraged in Islam. This is related to the fact that it may lead to harmful consequences. Moreover, the use of debt for luxuries has a direct effect on Muslim's beliefs and convictions. Thus, Muslims should avoid it (Khatijah et al., 2013). The prophet himself used to make supplications to Allah SWT to escape debt (Khatijah et al., 2013). Aisha (may Allah be pleased with her) has narrated that Allah's Messenger (ﷺ) used to supplicate in his prayers, saying, "O Allah, I seek refuge with you from all sins and from falling into debt" (Bukhari, 2397).

2.4 Debt Settlement

Moreover, paying back debt within a set time frame is compulsory in Islam. When a debtor is unable to repay a debt, it can lead to feelings of shame and resentment, potentially straining the relationship between the debtor and the creditor. A person with strong moral values should always uphold his word, as it reflects his attitude and character. If the debtor passes away, Islam demands the debtor's heir to settle the debt (Rahim et al., 2021). Therefore, it is imperative to settle debt while the debtor is still alive as the prophet Muhammad SWS said:

"Whoever departs from this world without carrying the burden of three things—arrogance, wrongful seizure of wealth, and outstanding debt - will find their entry into Paradise" (Ibn Majah, 2412).

Furthermore, in cases where a debtor passes away without settling the debt during his lifetime, the outstanding debt must be resolved using the assets he left behind before the distribution of inheritance to the debtor's heirs (Ahmad-Razimi, 2016). Despite the obligation to repay debts, Islam provides flexibility to borrowers. In this context, Allah SWT states:

"And if the debtor is facing financial hardship, grant him an extension until their situation improves. But if you waive the debt as an act of charity, it is even better for you if you comprehend the wisdom in it" (Al-Quran 2: 280).

The mentioned verse emphasizes that creditors should be willing to grant debtors an extension when they are in dire financial straits, allowing them time to repay when their financial situation improves (Bensaid et al., 2013). Furthermore, Allah SWT consistently advises

showing generosity by forgiving debts either in full or in part, as it is seen as an act of philanthropy. This concept is elucidated in Surah Al-Baqarah, where Allah SWT states:

"If you consistently pardon those debts for the debtors, it is to your advantage, and you shall receive a great reward in the future" (Al-Quran, 2: 280).

Furthermore, debtors should behave properly and repay the creditors within the time. This can be works as a sign of appreciation and gratitude (Soekapdjo, 2018). On the other hand, creditors should bring flexibility in collecting the debt especially when the debtor is in difficulty (Langley, 2009).

3.0 Research Methodology

To achieve the objective, the study used a qualitative approach. This is due to the fact that the target population of the study was small. Therefore, the adoption of mix mode and a quantitative approach was quite challenging. In this study, five individuals were selected as informants based on their educational qualifications and expertise. Among them, five were Sharia scholars affiliated with ISRA, recognized for their academic achievements. Creswell & Clark (2004) emphasized that conducting a phenomenological study typically involves conducting in-depth interviews with approximately 10 informants. Conversely, Mason (2012) contended that a smaller number of interviews, when approached with creative and interpretive analysis, can still yield valid results and be considered acceptable in phenomenological research. In a similar vein, Patton & Cochran (2002) asserted that qualitative research often involves relatively small and modest sample sizes. Hence, the study interviewed five informants, as the point of data saturation was reached through these interviews. This is based on the principle that one way to determine the necessary number of informants is to continue conducting interviews until the data analysis no longer yields new information (Patton & Cochran, 2002).

In-depth studies aim to achieve a thorough understanding of a phenomenon, and snowball sampling can contribute to the richness and depth of information gathered. Participants who are referred by others may have unique insights or experiences related to the research topic, providing a nuanced understanding that may not be obtained through more structured or random sampling methods. The study has used snowball sampling technique to select samples from target people. In in-depth studies, researchers may be interested in exploring the perspectives and experiences of individuals within specific, often hard-to-reach or hidden populations. Snowball sampling is particularly useful in such cases, as initial participants can refer the researcher to others who share similar characteristics or experiences. This method allows researchers to tap into networks that might be inaccessible through traditional sampling techniques. Creswell & Tashakkori (2007) stated that researchers use various forms of interview designs in qualitative studies to get rich and dense data. According to Kallio et al. (2016), one of the important aspects of interview design is creating an interview protocol. Taking this into account, we utilized an open-ended and standardized interview format in this study. Consequently, the terminology and language employed in the interview protocol were meticulously crafted to align with the research questions and objectives. Identical questions that were purposefully designed to allow for open-ended responses were put to the informants (Brenner, 2012). This flexibility empowers the researcher to freely provide as much specific information as they wish, while also affording the researcher the opportunity to delve deeper by asking probing questions for a more profound understanding. The interview protocol was enhanced through a review by an academic expert. This step aimed to ensure that the guideline questions used in the interview sessions effectively addressed the research questions. This review is essential because it ensures that the structure and flow of the questions are clear and coherent.

4.0 Findings and Discussions

4.1 Understanding the Concept of Debt

To facilitate comprehension, we will categorize the informants as I1, I2, I3, I4, and I5 before delving into the discussion of the concept of debt in Islam based on our primary data analysis. Nonetheless, the study's findings reveal that a majority of the informants align with the perspectives of classical Islamic scholars concerning debt. According to informant I1,

In Islam, the concept of debt means taking a loan from someone or lending money to them without expecting anything in return. The debt incurred is like a burden to the person who borrows the asset, if a person remains unable to repay the debt until his passing, his soul will linger in a state of uncertainty between the earth and the sky.

Similarly, another informant (I3) stated that:

Debt is a situation when someone receives something valuable from someone else in the expectation that it will be returned with equivalent value after a certain period. Since the debt is primarily intended to aid people, there should not be a repayment deadline.

From the answers to I1 and I3, it is clear that debt means giving a loan to someone without expecting anything in return. This means a loan must have the same value. This discovery aligns with previous research findings, as observed in studies like those conducted by Zainol et al. (2016) and Uddin & Ahmad (2020). These studies have also reported the principle that the recipient of an item must either replace it with an equivalent item or return it to the sender in its original condition. On the contrary, I3 asserts that there should be no specific deadline for loan repayment, as the underlying intention behind lending is to assist others. Furthermore, I1 underscores the significance of debt repayment, viewing it as a type of obligation that Allah SWT does not forgive unless the creditors themselves pardon it.

4.2 Historical Context of Debt

According to the consensus among the informants, the concept of debt has been an integral part of human existence since ancient times. Humans, inherently interdependent, have always sought assistance from one another. In the era of Prophet Muhammad (SWS), the practice of using debt was indeed prevalent, as confirmed by I2, who mentioned:

There were some people during the prophet's time who incurred debt. This is supported by numerous Hadiths on the matter. For instance, a well-known Hadith narrated by both Muslims and Hakim states that a martyr's sins and transgressions will be forgiven, with the notable exception being any outstanding debts. This Hadith serves as evidence that the practice of debt existed during the era of Prophet Muhammad (SWS).

Furthermore, I3 pointed out that there is substantial evidence indicating that the practice of debt was widespread in the Arabian Peninsula during the time of the Prophet, to the extent that even Prophet Muhammad (SWS) himself incurred debt. As he mentioned:

"Debt was also incurred by the prophet Muhammad (SWS). The prophet owed a grain sack debt to a Jew when he passed away. His armor had been given as security; the Jew would keep it if he was unable to pay it back, according to this. This underscores the significance of settling debts. In another context, Ali (may Allah be pleased with him) undertook a journey to repay a debt and recover armor. This episode serves as a poignant reminder that even Prophet Muhammad was not immune to the experience of indebtedness. However, there must be discipline in incurring debt, and it should be controlled.

Nonetheless, I4 asserted that debt primarily pertains to interpersonal relationships between individuals, as it falls within the realm of muamalat, or transactions and dealings among people. While the practice of debt has existed since the dawn of human civilization, it became more structured and organized with the advent of Islam, aiming to establish justice for all individuals.

It's important to acknowledge that debt is an integral component of muamalat, or interpersonal transactions and dealings. This means it is related to the man-to-man connection. If you talk about the history of the debt, its beginning is unknown. However, the existence of debt was acknowledged with the rise of Islam in the Arab world. Nevertheless, Islamic law shows us the procedures for debt and its management to overcome injustice. For example, the longest verse of Surah al-Baqarah discusses debt. Furthermore, Prophet Muhammad SWS took on debt but paid it back. This signifies that the practice of debt has endured since the era of the Prophet.

Therefore, debt has a lengthy and often uncharted history. The practice of debt can also be traced back to the lifetime of Prophet Muhammad (SWS). With the rise of Islam in the Arab world, the concept of debt and its practice have become more structured to ensure the fairness of debt-related transactions.

4.3 Debt Discouragement

In terms of discouraging debt, the majority of the informants have emphasized that while Islam permits the use of debt, individuals should refrain from relying on debt to sustain a lifestyle beyond their means. As an illustration, I2 explained the three categories of human needs, which encompass essentials (daruriyyat), conveniences (hajiyyat), and luxuries (tahsaniyyat). When it comes to the absence of necessities, people should resort to debt. However, debt is often unavoidable in circumstances related to conveniences and luxuries. As I2 relied on that:

Nowadays, debt can be used not just in instances of absolute necessities but also for comforts and embellishments. The use of debt in all three categories is accepted. Depending on the individual's situation, debt is either encouraged or discouraged. For instance, when necessities are lacking, incurring debt is not a source of shame. Conversely, obtaining a loan to indulge in luxuries and embellishments is strongly discouraged.

Moreover, the incurrence of debt should be in order of priority. For example, I3 stated that debt should be incurred according to its priority. This is because the ruling on debt might differ based on the situation of the debtor. As he replied:

"Islam teaches us to put basic needs first, including food, shelter, and clothing. This is because all these are required to help us in worship. We should turn to comfort once these necessities have been met. Debt is no longer different, and it should be incurred in descending order of importance. While it is permissible to incur debt, excessive debt is not recommended".

Without following the order of priority, the use of debt may lead to financial distress. Borrowing money for embellishment is permissible but should be avoided. This is because failing to pay back the debt on time may cause financial failure. Therefore, understanding these orders of priority and own financial ability is inevitable for the debtor. As I5 replied:

"If we consider debt from the view of complementary benefit or embellishment, it emphasizes the fact that the disability of paying back debt could lead to financial problems. Although it has no immediate impact on our lives, we should view things based on priorities. If we fail to understand the order of priorities, then there is a possibility that we might be highly in debt".

Thus, the incurrence of debt is permissible in Islam for all three categories including necessities, complementary benefits, and embellishment. However, debt should be considered

considering the level of priorities and financial ability of individuals. The excessive use of debt is highly discouraged, which is similar to the findings of Othman and Shipon (2014).

4.4 Debt Settlement

In the case of debt and its settlement, some guidelines have been exposed and are required to ease debt settlement. For example, a debt contract should have a written document and be executed in the presence of a witness. I1 emphasizes this issue as he replies:

For a debt contract, a few conditions must be met. First, it needs to have written records, second, it needs the presence of witnesses at the time of the transaction.

Moreover, Individuals should have control over their desires unless they fall into debt. This is because humans frequently have many desires. He answered that:

"The root of a matter starts in the heart, if there are many desires in the heart, it may cause excessive debt. Therefore, it is important to control the desire of the heart, consider financial ability, and live in moderation".

In the meantime, I2 emphasized the importance of repaying all debts punctually to ensure the creditor's satisfaction. In such situations, debtors should have the capacity to discern their capabilities and prioritize their needs to ensure timely repayment of debts.

"Debt is an obligation that is required to be paid within a specific time. If it is not, then the act will be invalid. To overcome this situation, an individual needs to know his abilities and set priorities.

Similarly, I3 emphasizes that an individual should be conscious of his capacity to make sure that the amount of debt incurred is not excessive. This is because excessive debt may lead to over-indebtedness. Additionally, the debtor must foster a determination to repay the obligation in any situation. As he answered:

"It is our responsibility to consider our capacity before incurring debt. This is related to the fact that the repayment of debt is obligatory in any circumstance. Therefore, when we believe that it is beyond our capacity to pay, we endanger ourselves. Debt is a kind of obligation, if we are unable to pay the obligation in full today, we must be steadfast in our resolve to do it. In many cases, the debtor intends not to pay back the debt from the beginning".

However, sometimes it happens that a debtor fails to pay back the debt due to having a valid reason. In that case, there are ways firstly; the creditor extends the period. Secondly, he may consider reducing the debt amount to facilitate repayment by the debtor, as highlighted by I5:

A Muslim who borrows money is expected to try utmost to pay off the debt and if possible make extra payment to appreciate. However, if he is unable to do so, he should request more time or even for the loan to be forgiven. However, it depends on the approval of the lender.

To summarize, the incurrence of debt should be according to the guidelines of Islam. In general, an individual should have the ability to pay back the debt on time. If the debtor becomes unable to pay off, he should go for an alternative solution. To do so, the debtor can formally request the creditor to either extend the repayment period or forgive the debt entirely. Nevertheless, debts must be resolved under all circumstances.

5.0 Implications

This research presents a unique and valuable contribution to the existing body of literature by delving into the intersection of Islamic principles and household financial management. Several notable contributions of this study stand out when compared to past research efforts: This

study distinguishes itself by explicitly integrating Islamic principles into the analysis of household debt management. By examining financial decisions through the lens of Islamic teachings on wealth, interest, and ethical conduct, it provides a comprehensive framework that aligns with the values and guidelines of Islamic finance. The study takes into account the contemporary challenges faced by households in managing debt within the framework of Islamic finance. By acknowledging and addressing the current economic landscape and societal dynamics, it provides timely and relevant recommendations for individuals seeking to align their financial practices with Islamic principles. The research goes beyond theoretical considerations and explores the potential policy implications of adopting Islamic principles in household debt management. Additionally, it emphasizes the importance of financial education, particularly in the context of Islamic finance, as a means to empower individuals in making informed and ethically sound financial decisions. To sum up, there is no restriction if the debtor is in a position to pay off the debt within due time. However, Islam suggests the debtor assess his or her ability before going into debt. This is because the inability to fulfill debt obligations is considered a matter of dishonor. Therefore, individuals should focus on controlling their desires by prioritizing their needs so that they can avoid debt. Hence, first actionable recommendation is the development and implementation of targeted financial literacy programs rooted in Islamic principles. These programs can be designed for individuals and households to enhance their understanding of Sharia-compliant debt management strategies. Another actionable recommendation is for Islamic financial institutions to strengthen their commitment to ethical lending practices by integrating stringent ethical screening criteria into their financial products. This involves developing and promoting financial products that align with Sharia principles, ensuring transparency in terms of fees and charges, and providing accessible information about the ethical implications of each financial product. By offering a range of Sharia-compliant options and fostering transparency, financial institutions can empower individuals to make informed decisions that resonate with their values. Regulatory bodies can play a role in incentivizing and enforcing these ethical standards within the Islamic finance industry.

6. Conclusions

As a comprehensive faith, Islam not only offers guidance for matters of worship but also encompasses every facet of life. The management of debt is one of the major aspects of Islam. Hence, Islam has provided a comprehensive set of guidelines regarding the utilization of debt and the proper means of settling it. Nonetheless, the primary aim of this study is to delve into the concept of debt management within the framework of Islam. This research reveals that debt and its management hold significant importance in the context of Islam. The utilization of debt in personal life is regarded as a legitimate practice. This is because it yields advantages and aids in meeting life's fundamental necessities. In Islam, the concept of debt is rooted in the principle of *tawun* (cooperation). This is because Islam encourages individuals to assist one another during times of hardship to seek the pleasure of Allah SWT. The creation of wealth should not be prioritized over the satisfaction of a person's essential requirements when determining how much debt an individual is allowed to take on. Debt falls under the category of *muamalat*, which governs interactions that take place among individuals. The origins of debt can be traced back to periods even earlier than the inception of Islam. Moreover, Islam has established guidelines for conducting debt transactions, thereby ensuring justice for both the lender and the debtor. The ruling on debt is not fixed and varies according to the circumstances. While it may be permissible in certain situations, the act of incurring debt is not consistently encouraged. Other than that, debt should only be taken when the lack of it could cause possible damage to the debtor. Nevertheless, although it is permissible, taking on debt for conveniences and luxuries is strongly discouraged. In the event of debt repayment, if a debtor genuinely

makes an effort but still defaults, creditors are encouraged to consider extending the repayment period or providing a partial or complete rebate. This is because forgiving debt for the sake of Allah SWT is a very noble deed in Islam. However, the future research could focus on conducting longitudinal studies to assess the long-term impact of adhering to Islamic principles in household debt management. This would provide a more comprehensive understanding of the sustained benefits and challenges over time. In conclusion, while the current study provides valuable insights, future research should build upon these foundations to further enhance the practical applications, address limitations, and explore emerging trends in the Islamic perspective of household debt management.

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Authors' contributions

Biplob Hossain: Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing - original draft, Writing - review & editing; **Alomgir Hossain:** Conceptualization, Validation, Data curation, Resources, Visualization, Writing - review & editing. Md. Shahinur Rahman: Analyzed and interpreted the data; **Gazi Md. Shakhawat Hossain:** Conceptualization, Methodology, Validation, Formal analysis, Writing - original draft, Writing -review & editing; **Tanjana Saiyed Likhon:** Conceptualization, Writing - review & editing.

Conflicts of interest

The authors declare no conflict of interest.

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