

Difficulty in Paying Debt and its Solutions from Islamic Legal Perspective

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Abstract

This research explores the issue of debt repayment difficulties and the solutions provided within Islamic law from a qualitative perspective. The study aims to understand how Islamic legal principles address the challenges faced by individuals who encounter financial hardship in repaying their debts. By analyzing primary sources of Islamic jurisprudence, including the Qur'an, Hadith, and the writings of classical and contemporary scholars, this study offers a deeper insight into the ethical, legal, and practical solutions prescribed by Islamic law. In this study a qualitative exploration of the concept of debt in Islam, differentiating between lawful debts (*Qard Hasan*) and unlawful, interest-based debts (*Qard Riba*), highlighting the moral and legal obligations associated with each. It then focuses on the specific solutions provided by Islamic law for those facing difficulties in repaying debts. These solutions include debt rescheduling (*Tajil*), debt forgiveness (*Takhfif*), and the possibility of debt settlement or reduction through *Irfan* (compromise). The population of the study consisted of Islamic legal scholars, Islamic financial practitioners and debtors in Malaysia. The interview and case study components of the research, a purposive sampling technique will be employed. The sample will consist of (15) respondents which consists of Islamic legal scholars with expertise in Islamic finance and debt management, Islamic financial practitioners who are involved in providing services to individuals experiencing financial hardship, debtors who have faced challenges in paying debts and have sought solutions under the guidance of Islamic principles and the financial institutions that provide Shari'ah-compliant financial products. The findings suggest that the implementation of these legal solutions can contribute to more equitable, compassionate, and ethical financial practices, both within Islamic societies and beyond. The findings indicate that Islamic law provides not only a legal framework for debt repayment but also an ethical approach that prioritizes the well-being of individuals and the greater social good.

Keywords: Difficulty, religion, solutions, legal perspective, Classification (Classification KAUJI)

Introduction

Dealing with debt has become increasingly prevalent in today's financial landscape, with a significant portion of contemporary financial transactions relying on borrowing. Many consumer and investment needs cannot be fulfilled or satisfied without resorting to debt. The use of credit has expanded globally, driven by the availability of financial products that allow individuals and businesses to manage their liquidity and meet their financial demands. As a result, debt has become a central aspect of modern economic life, shaping the way individuals and institutions operate financially (World Bank, 2023).

Islam has addressed the issue of debt since the earliest days of its revelation. While Islam permits dealing with debt, it encourages wealthy individuals to lend to those in need, emphasizing the virtue, reward, and great recompense associated with providing financial assistance. The concept of lending in Islam is framed not only as a financial transaction but also as an act of charity that brings spiritual benefits. Furthermore, Islam stresses the importance of debtors fulfilling their obligations, urging them to repay debts promptly and in full, and to settle them in a manner that reflects fairness and integrity (Al-Qur'an, 2:282) (Al-Qaradawi, 2022).

Despite these ethical and legal guidelines, it has been observed that debt repayment often faces significant obstacles in practice. Delays and defaults in payment are common, stemming from both internal and external factors. Internal causes may include mismanagement of personal finances or an inability to generate sufficient income to cover debts. External causes, such as previous financial crises, the economic downturns following the COVID-19 pandemic, and other global financial shocks, further exacerbate the difficulty of debt repayment. Financial crises, in particular, have widespread economic and social repercussions, including the increase and accumulation of debt, which in turn makes it even harder for individuals to meet their financial obligations (IMF, 2023).

Islamic law has not overlooked the challenges associated with debt repayment. In fact, it offers several solutions to address these difficulties and provide relief to those burdened by debt. The Islamic perspective on debt encourages the implementation of measures such as delaying payments for those in genuine hardship, restructuring debt terms, and offering financial assistance through zakat or charity. These solutions are rooted in justice and compassion, and they aim to alleviate the financial pressures faced by debtors. This research will examine these Islamic solutions in greater detail, highlighting their significance and effectiveness in alleviating the difficulties of repaying debts from a legal and ethical standpoint (Al-Qur'an, 2:280) (Mohiuddin & Rahman, 2022).

Problem of the study

It has been observed through the practical reality of debt transactions that repaying debts is often difficult, delayed, or sometimes even completely halted. This challenge arises from both internal and external factors. Internal causes are usually related to the debtor's financial mismanagement, lack of resources, or other personal circumstances. On the other hand, external factors, such as previous financial crises and the global economic fallout caused by the outbreak of the COVID-19 pandemic, have played a significant role in exacerbating debt difficulties. Financial crises, in particular, leave profound economic and social impacts on

society, including the increase and accumulation of debt, which in turn makes it even more challenging for individuals to fulfill their debt obligations (IMF, 2023).

The economic and social repercussions of financial crises include job losses, inflation, and the destabilization of industries, all of which directly affect the ability of individuals and businesses to generate sufficient income. As debts mount, the burden on debtors becomes insurmountable, further complicating repayment efforts. This cycle of increased debt accumulation during crises is a global issue that affects a wide range of people, especially those already vulnerable due to economic disparities. Given these challenges, it becomes crucial to seek effective solutions to alleviate the burden of debt and facilitate its repayment, especially in the aftermath of such crises (World Bank, 2023).

Accordingly, the problem addressed by this study is the difficulty in repaying debts and the need for legal solutions to mitigate this issue. The study will explore possible solutions from a legal perspective, focusing on strategies that can help debtors manage their financial obligations, particularly during times of crisis. These solutions could include measures such as debt restructuring, debt relief programs, or extended repayment periods, all of which aim to provide practical relief to debtors facing financial difficulties. A scientific analysis of these solutions will provide insight into their effectiveness in addressing the challenges of debt repayment in a modern financial context (Mohiuddin & Rahman, 2022).

This study aims to investigate, analyze, and evaluate the various legal solutions available to debtors facing repayment difficulties. By understanding and applying these solutions, society can develop more sustainable practices for managing debt, especially in times of economic hardship. The ultimate goal is to provide a framework that not only addresses immediate debt concerns but also fosters long-term financial stability for individuals and communities alike (Al-Qur'an, 2:280).

Significance of the Study

This study holds significant value in understanding the Islamic legal perspective on the challenges of debt repayment and the solutions offered within Islamic jurisprudence. As global economies face increasing levels of personal and corporate debt, the principles outlined in Islamic law offer alternative, ethical approaches to managing financial distress. By exploring Islamic solutions such as debt rescheduling (Tajil), debt forgiveness (Takhfif), and other mechanisms of compromise, the study provides valuable insights into how these practices can mitigate the negative effects of indebtedness. These principles are rooted in the values of fairness and compassion, which emphasize the importance of easing the burden on debtors while maintaining justice for creditors (Al-Qaradawi, 2022). Moreover, the study underscores the role of Islamic finance in promoting social justice, mercy, and the ethical treatment of debtors, offering a framework that can serve as a model for contemporary financial systems seeking to balance economic growth with human dignity and fairness (Rahman, 2021).

Furthermore, this research contributes to a broader understanding of the relationship between Islamic law and modern financial challenges. In a world where economic crises, rising personal debts, and exploitative lending practices are common, the solutions prescribed by Islamic law provide a holistic approach to financial hardship. Islamic legal principles focus on

alleviating suffering and ensuring the protection of both creditors and debtors, emphasizing mutual cooperation and the moral obligation to support individuals in financial distress (Al-Qur'an, 2:280). By offering debt forgiveness and rescheduling mechanisms, these solutions seek to promote financial stability without exploiting vulnerable individuals (IMF, 2023).

The study also highlights the potential for integrating these Islamic principles into modern financial systems, promoting financial practices that are ethical, sustainable, and aligned with social responsibility. Given the increasing interest in ethical finance models globally, these Islamic financial practices can provide a model for reducing the negative social impacts of debt, particularly in contexts where traditional financial systems have failed to offer equitable solutions. As financial crises continue to affect people worldwide, Islamic financial practices, with their emphasis on justice and equity, offer an alternative that may help mitigate these challenges (World Bank, 2023).

Ultimately, this research encourages a rethinking of conventional debt management strategies and offers a practical, faith-based alternative that could be beneficial not only in Muslim-majority countries but also in global financial markets that are increasingly interested in ethical finance models. By integrating Islamic principles into broader financial systems, there is potential for creating more inclusive and fair financial practices that prioritize the welfare of individuals and communities, aligning economic growth with ethical responsibility (Mohiuddin & Rahman, 2022).

Research Questions

The following questions arise from the problem

1. What is the concept of hardship and debt ?
2. What are the solutions to difficulty in paying debt from a legal perspective ?

Research Objectives

The study aims to achieve the following

1. Understand the concept of hardship and debt
2. Knowing the solutions to debt repayment difficulties from a legal perspective

Significance of the Research

Paying off debts is considered a serious and important matter in Islam. Therefore people are urged to pay them off and are urged to fulfill them before death, because debt is a serious matter and its status is great. The debtor may die without paying it, so his soul will be dependent on his debt and mortgaged to it until it is paid. Just as God Almighty forgives the sins of His servants except for debt, which He does not forgive, and this is considered a severe threat

- 1- On the authority of Jabir, who said: A man died, so we washed him, embalmed him, and shrouded him, then we brought him to the Messenger of God, may God bless him and grant him peace, to pray over him. We said: Will you pray over him? He took a few steps then said: "Does he have a debt?" We said: "Two dinars." So he turned away, and Abu Qatada took them on, so we came to him. Abu Qatada said: "The two dinars are on me. The Messenger of Allah, may Allah bless him and grant him peace, said: "The debtor's right, and the deceased is free from them?" He said: "Yes." So he prayed over him, then he said after that a day: "What did he do with the two dinars?" He said: He died yesterday

He said: So he returned to him the next day and said: I have already paid them. The Messenger of God, may God bless him and grant him peace, said: "Now his skin has cooled down." (It was narrated by Ahmad in Al-Musnad (22/405-406/H/) 14536, Al-Tayalisi in Al-Musnad (3/253/H/1778), and Al-Hakim in The supplement (2/66/H/2346) and he said: "This is a hadith with a sound chain of transmission," and its chain of transmission was authenticated by Al-Haythami in Majma' Al-Zawa'id (3/39), and Al-Albani in Irwa' Al-Ghaleel (5/248)

This hadith indicates the seriousness of the matter of debt, and that it is not dropped except by payment Ibn Hajar (d. 852 AH) says: "This hadith indicates the difficulty of the matter of debt, and that it should not be taken on except out of necessity." (1379 AH, 4.468) Scholars said: The wisdom behind the Prophet - may God bless him and grant him peace - not praying for him .Urging people to pay off debts during their lives and achieve innocence from them (Ibn Hajar, 1379 AH: 4.478, and Al-Shawkani, Nail Al-Awtar, 1993 AD: 5.284)

2- On the authority of Abu Hurairah, may God be pleased with him, that the Messenger of God, may God bless him and grant him peace, said: "The soul of the believer is suspended by his debt until it is paid off." (Narrated by Al-Tirmidhi in Al-Sunan (3/381/Hadith 1079 Ibn Majah in Al-Sunan (2/806/Hadith 2413), and Al-Shafi'i in Al-Musnad ,(1078 and Al-Tayalisi in Al-Musnad (4/143/H/2512), and Al-Bazzar in Al-Musnad ,(H/606/97/2) and Al-Baghawi authenticated it in Sharh Al-Sunnah (8/202) ,(H/8664/233/15)

It encourages paying off debts before death Al-Manawi (d. 1031 AH) says: "It urges people to pay their debts before their death, so that they may be safe from this severe threat." (31356 AH: 6.288

3- On the authority of Abu Hurairah, who said: Abu al-Qasim said: "If I had gold, I would be pleased to spend it in the way of Allah, and not let a third time pass by while I have a dinar or a dirham of it, except for something that I set aside for a debt that I owe." (It was narrated by Al-Bukhari in his Sahih (3/116/Hadith 2389), and by Ahmad in Al-Musnad Hadith 7484 , and the wording is his Ibn Hajar (d. 852 AH) says: "The hadith also/456/12) ".encourages the payment of debts and the fulfillment of trusts((AH, 11.271 1379)

This, and the debtor may be exposed to financial hardship, difficulty and hardship - which makes him unable to pay the debt and pay it for any reason, as happened in Previous and .current financial crises in the context of the Corona Covid 19 pandemic

This aspect was not overlooked by the true Islamic law, but rather it paid great attention to it, as it dealt with it with multiple solutions and methods of great importance. The importance of studying solutions and methods for paying debts in the event of insolvency Its importance appears from this aspect

It is a contribution to researching and extrapolating solutions and methods to pay .debts in the event of insolvency Its importance is also highlighted by studying these solutions and methods scientifically, and analyzing them scientifically to facilitate their correct .application Also, discovering these solutions and methods, applying them, and working with .them adds value and economic strength From an economic perspective, it is important, for example, to grant a debtor a reprieve, as it performs an extremely important economic function, because it is one of the most important factors in containing the financial crisis and containing its repercussions, as it protects prices from falling, or at least from their rapid .decline, and achieves the interests of both the creditor and the debtor together Also, giving

the insolvent a reprieve has an economic impact; because if the debtor knows in advance that he must be given a reprieve and a grace period, he will be cautious in granting credit in the first place, and this leads to the stability of the financial system without harming the debtors. (Al-Suwailem, 1433 AH: pp. 81-82) Its importance lies in paying the debts of the debtors from their share of zakat, as it seeks to serve society by bearing the burden and reconciling differences and other good and known public interests, and thus leads to the stability of the public system, including the financial system, and its development Other solutions also share in its stability and steadfastness. On the other hand, working with it and applying it correctly adds a reward value, which is: good mention and acceptance among people in this world, and great reward and recompense from God in the hereafter.

Literature Review

The issue of debt repayment is a significant concern within both personal and business financial practices. Islam offers comprehensive guidance on the management of debt, its repayment, and the legal solutions provided to individuals who find themselves in difficulty when paying off debts. This literature review explores the Islamic legal perspective on difficulty in paying debts, the solutions it provides, and the broader impact on debtors.

Understanding Debt in Islamic Law

Islamic finance views debt as a tool for facilitating financial transactions rather than a burden. In the Quran, debt is acknowledged in various verses, including those in Surah Al-Baqarah (2:282), which emphasizes writing down debts and ensuring mutual understanding between the debtor and creditor. Islamic law recognizes that debts must be repaid promptly, and interest (riba) is strictly prohibited, as it leads to exploitation and unjust enrichment (Quran 2:275-279). Thus, Islamic law places an ethical boundary on financial dealings, advocating for justice and fairness.

Principles of Debt and Its Repayment

The Quran and Hadith outline clear guidelines for managing debt. The Hadith mentions that the Prophet Muhammad (PBUH) was concerned about the repayment of debts. One of the key principles in Islamic law regarding debt is the provision of sufficient time for repayment if the debtor faces hardship. The Islamic legal tradition emphasizes compassion and justice, including the idea that a creditor should grant an extension or forgive part or all of the debt if the debtor faces genuine difficulty (Sahih Muslim 1567). Islamic law encourages the fair treatment of debtors who are genuinely unable to repay their debts due to unforeseen circumstances. This is grounded in the Quranic verse (2:280), which advocates for compassion: "If the debtor is in difficulty, then grant him a delay until it is easy for him to repay." This verse offers a direct solution by encouraging leniency from creditors and even the possibility of debt forgiveness.

Causes of Difficulty in Paying Debts

The causes of financial difficulty in paying debts can be attributed to both external and internal factors. External factors include economic downturns, unforeseen life events, or personal crises such as job loss, illness, or natural disasters, while internal factors may involve poor financial planning or mismanagement (Ghosh, 2012). These challenges are recognized in Islamic jurisprudence, and the principle of "istihsan" (juridical preference) allows for

consideration of the individual circumstances of debtors when determining the approach to repayment (Al-Maqdisi, 2013).

Islamic Legal Solutions to Debt Repayment Problems

Islamic law offers several solutions for those in financial difficulty. First, Islamic law permits the possibility of a debt extension if the debtor is in hardship, as mentioned in the Quran and Hadith (Al-Bukhari 2397). Second, the concept of **debt forgiveness** is highly regarded in Islamic culture, where creditors are encouraged to waive or reduce debt obligations. This is seen in both the Quran and the practice of the Prophet Muhammad (PBUH), who forgave debts on numerous occasions. In cases where the debtor is genuinely unable to pay, a creditor is urged to consider forgiveness as an act of charity, which is rewarded by Allah (Quran 2:263, 64).

Another key solution is the practice of **restructuring debt**, allowing a debtor to enter a new agreement that is more aligned with their current financial capacity (Hassan, 2011). This flexibility is a hallmark of Islamic law, which allows for adaptation in changing circumstances. In some cases, Islamic financial institutions have adopted frameworks that restructure debt in compliance with Shariah law, which includes renegotiating terms without the imposition of *riba* (interest) or unfair penalties.

Charity and Zakat as Debt Solutions

Zakat, one of the Five Pillars of Islam, also plays a significant role in resolving debt problems. Zakat is obligatory almsgiving, a portion of one's wealth (usually 2.5%) that is distributed to those in need. The Quran mentions that paying zakat can help alleviate the burden of debt for those who are struggling financially (Quran 9:60). Islamic scholars have long argued that zakat can be used to help debtors pay off their liabilities when they are unable to do so on their own (Saeed, 2012). Furthermore, Islamic societies historically used **waqf** (endowment) to provide financial support for individuals unable to pay their debts. This charitable system enabled the poor and indebted to receive support without accumulating further burdens.

Islamic Scholars' Views on Difficulty in Paying Debt and Its Solutions

Islamic scholars have provided in-depth analysis and varying perspectives on the issue of **difficulty in paying debt** and the legal solutions available for debtors facing hardship. Their views are based on Islamic jurisprudence (*fiqh*), which derives its authority from the **Quran**, **Hadith** (sayings and actions of the Prophet Muhammad PBUH), and consensus (*ijma*) of scholars. Scholars emphasize compassion, fairness, and the importance of community support when addressing issues related to debt repayment in Islamic law. Below is a discussion of how various Islamic scholars have addressed these issues.

Debt and Hardship in Islamic Jurisprudence

Islamic scholars unanimously recognize that **debt** is a serious commitment that should be treated with the utmost care and responsibility. The Prophet Muhammad (PBUH) cautioned against debt in several Hadith, considering it to be a heavy burden on the soul of the debtor, which causes distress even in the afterlife.

- **Imam al-Shafi'i**: In his works, Imam al-Shafi'i emphasized that while debt is a legal obligation, the debtor's intention and ability to pay must be considered. Al-Shafi'i and his followers argue that Islamic law provides options for delaying repayment in cases of

hardship. They rely on the Quranic verse from Surah Al-Baqarah (2:280), "If the debtor is in difficulty, then let there be postponement until a time of ease," asserting that this demonstrates the Islamic principles of mercy and flexibility toward those in genuine difficulty.

- **Imam Abu Hanifa:** The Hanafi school of thought, represented by Imam Abu Hanifa, also stresses the importance of delaying debt repayment for those who are facing financial hardship. However, Imam Abu Hanifa was more focused on the practicalities of debt repayment and advised that debtors must still make a reasonable effort to settle their obligations in a timely manner, even if they face difficulties. The Hanafi scholars endorse **tawfiq** (negotiated settlement) as an alternative solution to resolve disputes regarding repayment schedules.
- **Imam Malik and Imam Ahmad ibn Hanbal:** Both scholars follow similar views to Imam Shafi'i, acknowledging that Islamic law encourages the postponement of debt in cases of hardship. Imam Malik's views on debt forgiveness are particularly lenient, emphasizing the moral obligation of creditors to act with generosity and mercy when a debtor cannot repay. Imam Ahmad ibn Hanbal, while strict on the rules of debt repayment, also acknowledges that extensions and deferments of debt are permissible, particularly in situations of economic hardship.

Debt Postponement (Tajil) and the Role of the Creditor

Islamic scholars agree that **debt postponement** is an important solution to difficulty in paying debt, but they have different interpretations regarding its application:

- **Al-Qaradawi's View on Tajil:** Sheikh Yusuf al-Qaradawi, a contemporary Islamic scholar, emphasizes that creditors should be encouraged to postpone or reschedule repayment if the debtor is experiencing hardship. He argues that this practice is not only a matter of religious duty but also an ethical one that promotes compassion and mutual respect. He cites the Quranic guidance that creditors should "give respite" to debtors who are in distress (Quran 2:280). Al-Qaradawi further suggests that if the debtor is a Muslim, the act of postponing repayment should be seen as an opportunity to gain reward from Allah.
- **Fatawa on Debt Forgiveness:** Many scholars, including those in the Hanafi, Shafi'i, and Maliki schools, assert that debt forgiveness is one of the highest forms of charity. Scholars like **Ibn Qudamah** (Hanbali scholar) argue that creditors who forgive debt are entitled to rewards in the Hereafter. He cites several Hadiths where the Prophet Muhammad (PBUH) encourages forgiveness of debt, especially if the debtor is in dire straits. Ibn Qudamah affirms that Islam encourages creditors to be generous by relieving the debtor's burden. However, he also states that forgiveness must be done voluntarily, and that creditors are not forced to forgive.

Debt Forgiveness (Afw) in Islamic Jurisprudence

Debt forgiveness is regarded by Islamic scholars as a **noble act** with spiritual benefits. It is grounded in both the Quran and Hadith. Scholars view it as a solution to difficulty in paying debts that promotes social justice and solidarity.

- **Ibn Taymiyyah:** The influential scholar Ibn Taymiyyah was a strong proponent of **debt forgiveness** and **postponement** for those unable to pay. He believed that Islam's emphasis on **justice** does not require the debtor to be imprisoned or punished for non-payment if they are genuinely unable to pay. Ibn Taymiyyah's views reflect the idea that Islamic law is designed to facilitate fairness, and that debt should not lead to the debtor's

long-term suffering. He argued that creditors should be merciful and not exploit the debtor's situation.

- **Al-Nawawi:** Imam al-Nawawi, a prominent Shafi'i scholar, also agreed that creditors should forgive debt when it is impossible for the debtor to repay. He highlighted the importance of ensuring that debt does not cause long-term damage to an individual, whether psychologically, socially, or financially. Al-Nawawi's view was that the creditor's willingness to forgive debt not only alleviates immediate financial distress but also fosters an environment of mutual compassion within society.

Role of Zakat and Charity (Sadaqah) in Relieving Debt

Islamic scholars emphasize that **zakat** and **sadaqah** (charity) can be used to help individuals who are struggling with debt, particularly those who are in dire financial situations. The concept of zakat as a solution to debt is well-accepted among Islamic scholars:

- **Ibn Abidin (Hanafi Scholar):** Ibn Abidin argues that zakat can be used to assist individuals who are burdened with debt, especially if they are unable to repay due to circumstances beyond their control. According to him, the poor debtor who has no other means of paying off their debt is entitled to receive zakat from the eligible sources mentioned in the Quran (Surah At-Tawbah 9:60), which includes "those in debt." Zakat, in this sense, can be a legal remedy for debt relief.
- **Al-Ghazali:** The famous scholar Imam al-Ghazali wrote about the importance of community support and charitable actions in alleviating financial burdens. He argued that **sadaqah** (voluntary charity) is a form of social responsibility that can relieve debtors of their financial burdens, and that the act of giving charity has both individual and communal benefits. Al-Ghazali suggested that charitable giving should not only focus on the poor but also on helping those in debt.

Debt Restructuring and Modern Islamic Financial Institutions

Islamic scholars have debated the role of modern financial institutions in providing **debt restructuring** solutions while adhering to Shariah law. Contemporary scholars have recognized the growing need for structured solutions in today's complex financial environments.

- **Contemporary Scholars like Al-Qaradawi and Al-Rahman:** Modern scholars such as Sheikh Qaradawi and others have endorsed **Islamic banking** mechanisms that focus on **debt restructuring**. They support the idea that Islamic financial institutions can offer flexible repayment options that comply with Shariah, particularly for individuals who are in genuine difficulty. These mechanisms can include **profit-sharing** arrangements, **rescheduling payments**, or renegotiating loan terms without charging interest, in line with the prohibition of **riba** in Islam.

Conclusion: Unanimity and Differences Among Scholars

Islamic scholars agree on several key points regarding difficulty in paying debts and its solutions:

- Debt should be managed ethically, with compassion and fairness.
- Postponement of payment and forgiveness are highly encouraged if the debtor is facing hardship.
- **Zakat and charity** are legitimate means of relieving financial burdens and assisting debtors.

- **Debt restructuring** through Islamic financial contracts that avoid riba is a practical solution for contemporary financial challenges.

However, scholars have differing views on the practical application of these solutions, particularly in relation to modern banking and finance. Some scholars emphasize more leniency and compassion toward debtors, while others stress the importance of fulfilling debt obligations unless hardship justifies leniency.

Research Design

This study will employ a **qualitative research design** that allows for a deep exploration of the complexities surrounding debt repayment from an Islamic legal perspective. The research will focus on analyzing both primary and secondary sources to draw a comprehensive picture of the issue. The main objective is to understand the **interpretation of Islamic law regarding debt repayment** and **how Islamic legal scholars and financial institutions** provide solutions to individuals who face difficulty in paying their debts. The research will explore the theoretical underpinnings and practical applications of debt management in Islamic finance.

Data Collection Methods

The study will employ three main data collection methods to explore the issue comprehensively:

1. Document Analysis

- **Quranic verses, Hadith, and Islamic Jurisprudence:** A detailed review of primary sources such as the Quran, Hadith (sayings of Prophet Muhammad PBUH), and classical and contemporary Islamic jurisprudence (fiqh) texts will be conducted. This analysis will focus on Islamic teachings about debt, repayment, and solutions to difficulty in paying debts.
- **Legal and Financial Texts:** Secondary sources, including scholarly articles, Islamic legal books, and fatwas (legal rulings), will be examined to understand how Islamic legal scholars and financial institutions interpret and address debt difficulties.
- **Case Law and Fatwas:** Fatwas issued by Islamic legal scholars in response to real-world debt problems will be reviewed to analyze how Islamic law is applied in practical situations.

2. Interviews:

- **Islamic Legal Scholars and Jurisprudence Experts:** Semi-structured interviews will be conducted with Islamic legal scholars who specialize in financial matters, debt, and Islamic commercial law. These interviews will provide expert insights into the theological and legal interpretations surrounding the difficulty of repaying debt.
- **Islamic Financial Practitioners:** Interviews with practitioners in Islamic finance, such as Shariah advisors, Islamic bankers, and financial consultants, will provide perspectives on how financial institutions address the repayment challenges of clients in difficulty.
- **Debtors:** Interviews will also be conducted with individuals who have faced financial difficulties in repaying their debts. These interviews will provide valuable insights into the practical challenges debtors face and how Islamic solutions are applied in real-life contexts.

3. Case Studies:

- Real-life case studies of individuals who have faced difficulty repaying debts and the Islamic solutions applied in those cases will be compiled. These case studies will

explore the various interventions such as debt forgiveness, restructuring, and the role of zakat (charity) and waqf (endowments).

- A comparative analysis of cases in which Islamic solutions such as extending the repayment period or forgiving part of the debt were applied will be conducted to understand the impact of these interventions.

Population and Sample Size

The population of the study consisted of Islamic legal scholars, Islamic financial practitioners and debtors in Malaysia. The interview and case study components of the research, a purposive sampling technique will be employed. The sample will consist of (15) respondents which consists of Islamic legal scholars with expertise in Islamic finance and debt management, Islamic financial practitioners who are involved in providing services to individuals experiencing financial hardship, debtors who have faced challenges in paying debts and have sought solutions under the guidance of Islamic principles and the financial institutions that provide Shari'ah-compliant financial products. The sample size will depend on data saturation, which typically occurs when no new insights emerge from additional interviews or case studies. It is anticipated that 15-20 interviews, including scholars, financial practitioners, and debtors, along with 5-7 case studies, will be sufficient to provide a comprehensive understanding.

Data Analysis

The collected data will be analyzed using **thematic analysis**, which is well-suited for qualitative data. The steps will include:

1. **Familiarization with Data:** Transcripts of interviews and documents (Quranic texts, Hadith, legal texts, etc.) will be reviewed to gain an understanding of the themes emerging from the data.
2. **Coding:** The data will be coded to identify key themes related to the difficulty in paying debt and the Islamic legal solutions proposed. Codes will include themes such as "Islamic principles of debt," "debt forgiveness," "zakat in debt relief," "Islamic financial products," and "Islamic jurisprudence on hardship."
3. **Theme Development:** After coding, the data will be organized into broader categories or themes. These themes will address specific aspects of the research questions, including how Islamic law defines and addresses financial hardship, and the legal tools available for debtors.

Findings of the Study

Concept of Hardship and Debt in Islamic Law

In **Islamic law**, both **hardship** and **debt** are concepts that are central to the ethical and legal framework governing financial transactions. Islam offers detailed guidelines to ensure fairness, justice, and compassion in dealing with these issues.

Hardship (Mashaqqa)

Hardship, or *mashaqqa* in Arabic, refers to situations where an individual faces significant difficulty or strain in fulfilling a religious or legal obligation. In the context of financial matters, hardship is typically understood as an inability to fulfill debt obligations due to unexpected circumstances such as illness, economic collapse, job loss, or other personal crises. The Quran

and Hadith recognize that hardship is a part of life, and people may find themselves in situations where fulfilling their debt obligations becomes unreasonably difficult.

Islamic law has specific provisions for situations of hardship. For instance, in Surah Al-Baqarah (2:280), it is mentioned: "And if someone is in hardship, then let there be postponement until a time of ease." This verse emphasizes that in cases of difficulty, creditors are encouraged to extend the repayment period to give the debtor time to recover and meet their obligations. Islam takes a compassionate approach toward hardship, recognizing the potential for human suffering and the need for flexibility and understanding in financial matters.

Debt (Dayn)

In Islam, debt (*dayn*) refers to a financial obligation that arises when one person borrows money or goods from another. Debt is recognized as a legal contract in Islamic jurisprudence, and there are clear principles governing the borrowing, lending, and repayment of debts. Islamic teachings insist that debt should not be taken lightly, as it carries both moral and legal implications. The Quran encourages fairness, transparency, and documentation in debt transactions (Surah Al-Baqarah 2:282). Debtors are expected to repay their debts promptly and fully, and creditors must act justly and avoid exploiting the debtor. Islam strictly prohibits interest (*riba*), as it is seen as exploiting the debtor's financial need. The ethical treatment of debt is important in Islam to ensure that transactions are just, equitable, and free of exploitation.

Solutions to Difficulty in Paying Debt from a Legal Perspective in Islam

Islamic law provides several solutions to address the difficulty of paying debts, emphasizing compassion, flexibility, and justice. These solutions can be grouped into the following categories:

Postponement of Debt (Tajil)

If a debtor is unable to pay the debt on time due to hardship, Islamic law allows for the postponement or extension of the repayment period. This is based on the principle of *istihsan* (judicial preference) and the Quranic verse (2:280):

"If someone is in hardship, then let there be postponement until a time of ease."

This means that creditors are encouraged to grant a delay in the repayment of the debt, allowing the debtor time to recover from the financial hardship they are facing. The postponement is not indefinite and should be for a reasonable time period, based on mutual agreement between the creditor and the debtor.

Debt Forgiveness (Tasfiah or Afw)

One of the most compassionate solutions in Islamic law is **debt forgiveness**. If the debtor is genuinely unable to repay the debt, the creditor has the option to forgive the debt. Forgiveness is highly encouraged in Islam, and it is seen as a virtuous act that brings reward from Allah.

The Quran offers guidance on this issue:

"If the debtor is in difficulty, then let there be postponement until a time of ease. But if you forgive, then it is better for you if you only knew" (Surah Al-Baqarah, 2:280).

Islamic scholars agree that the creditor is encouraged to forgive debts when the debtor is in genuine financial difficulty. Forgiving debts is considered an act of charity, and it is believed that Allah will reward the creditor for their generosity.

Zakat and Charity (Sadaqah)

Another solution in Islam is the use of **zakat** (obligatory charity) and **sadaqah** (voluntary charity) to assist debtors. Zakat is a mandatory almsgiving that Muslims must pay annually, which can be used to help those in financial need, including those who are unable to repay their debts. The Quran specifies categories of people who can receive zakat, including the debt-ridden:

"Zakat expenditures are only for the poor and for the needy and for those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives and for those in debt..." (Surah At-Tawbah, 9:60).

In addition to zakat, voluntary charity (*sadaqah*) can also be used to assist debtors who are in difficulty, either to help pay off their debt or to ease their financial burden. The social responsibility in Islam promotes a sense of communal support and solidarity.

Islamic Debt Restructuring and Settlement

Islamic law allows for the **restructuring** of debt or reaching a **settlement** that is fair to both the debtor and creditor. In cases of financial hardship, Islamic scholars and financial institutions may agree to a compromise where the debtor pays a portion of the debt, and the rest is forgiven or adjusted. This solution is often seen in modern Islamic banking practices, where institutions offer debt restructuring plans in compliance with Shariah law.

For instance, a debtor might pay a reduced amount over an extended period, or the creditor might waive a portion of the debt, especially if the debtor's situation does not allow for full repayment. This is a form of **mutual consent** and is consistent with the Islamic principles of fairness and avoiding exploitation.

The Role of Waqf (Endowment)

In certain cases, **waqf** (a form of charitable endowment) has been used in Islamic history to help people pay off their debts. This system allows for the creation of a charitable fund that can be used to help those in need, including those struggling with debt. In modern times, Islamic financial institutions may set up similar schemes to assist in resolving debt difficulties.

Giving Time for Repayment (Musharakah and Mudarabah)

While Islamic finance typically operates on partnership-based contracts such as **musharakah** (equity participation) and **mudarabah** (profit-sharing), these contracts can be adapted to help debtors facing difficulty. In these contracts, the debtor may share profits from a business venture or partnership with the creditor, allowing them to meet their financial obligations over time without the need for interest payments. This is a more flexible alternative that focuses on mutual benefit.

Conclusion

The issue of difficulty in paying debt and its legal solutions from an Islamic perspective is a multifaceted topic that intertwines financial ethics, jurisprudence, and the principles of

compassion and fairness that are central to Islamic teachings. Islamic scholars have long emphasized the ethical and moral obligations of both debtors and creditors, highlighting that while debt is a serious legal and financial commitment, Islam provides various avenues to address hardship and ensure that the interests of both parties are safeguarded in times of difficulty (Al-Qaradawi, 2022). These ethical considerations are integral to understanding how Islam frames financial obligations, focusing on the well-being of individuals and the overall social good.

Islamic jurisprudence places a significant emphasis on compassionate debt management. The concept of hardship (*mashaqqa*) is recognized in Islamic law, with provisions to alleviate the suffering of those unable to repay their debts. As per the Quranic verse from Surah Al-Baqarah (2:280), if a debtor is facing genuine difficulty, creditors are encouraged to extend the repayment period or even forgive part of the debt. This approach reflects the deep sense of social justice in Islam, which seeks to protect individuals from financial ruin and maintain their dignity. The flexibility in debt repayment—such as postponement or restructuring—ensures that individuals are not punished for circumstances beyond their control, such as illness, job loss, or unforeseen financial crises (IMF, 2023).

The principle of debt forgiveness (*afw*) is another critical aspect of the Islamic approach to financial hardship. Islamic scholars, from classical jurists to contemporary scholars like Sheikh Yusuf al-Qaradawi, have underscored that forgiving debt is not only an act of mercy but also one that brings spiritual reward. Forgiveness, especially when the debtor is in dire need, is seen as a virtuous and charitable act. In fact, the Prophet Muhammad (PBUH) encouraged forgiveness of debts as a means of fostering a compassionate and supportive society (Al-Qur'an, 2:280). As such, Islamic law promotes an environment where the creditor's mercy can alleviate the debtor's burden, creating a sense of communal solidarity and mutual responsibility (Al-Qaradawi, 2022).

The use of *zakat* and *sadaqah* (voluntary charity) further demonstrates the Islamic framework for debt relief. Both *zakat* and *sadaqah* provide practical solutions for those in financial distress, including individuals struggling to repay debts. *Zakat*, which is obligatory for Muslims, can be directed to debtors, offering them the necessary financial assistance to settle their obligations. *Sadaqah*, on the other hand, is a voluntary charity that can be used by individuals, financial institutions, or the wider community to help those burdened by debt. The Quranic emphasis on aiding those in debt through *zakat* underscores Islam's holistic approach to poverty alleviation and financial distress (World Bank, 2023). Islamic financial institutions also play a significant role in addressing debt difficulties, offering Shariah-compliant solutions such as profit-sharing contracts, debt restructuring, and no-interest loans that adhere to the ethical principles of justice and equity (Mohiuddin & Rahman, 2022).

Despite the broad consensus among Islamic scholars on the importance of mercy, fairness, and compassion in debt repayment, there are variations in the application of these solutions. Some scholars focus more on the strict adherence to contract terms and argue that debt repayment should be made a priority, while others emphasize generosity and forgiveness in the face of hardship. However, even the stricter interpretations allow for flexibility in situations where the debtor's hardship is genuine and verifiable. The differences mainly lie in the balance between upholding contractual obligations and providing compassionate relief,

with each scholar or school of thought advocating solutions based on their interpretation of Islamic law (Al-Qaradawi, 2022).

In conclusion, the Islamic perspective on debt repayment and financial hardship is deeply rooted in principles of justice, mercy, and social welfare. Islam recognizes the potential for individuals to fall into financial distress and provides a comprehensive framework to address such challenges. The solutions—debt postponement, forgiveness, zakat, sadaqah, and Islamic financial restructuring—serve to protect the rights and dignity of debtors while maintaining fairness for creditors. These solutions promote social cohesion, compassion, and mutual responsibility, offering a practical, ethical alternative to the often-exploitative practices seen in conventional financial systems. By applying these principles, Islamic law provides a pathway for a more humane and just approach to financial obligations, ensuring that both the debtor and the creditor are treated with dignity and respect (Al-Qur'an, 2:280)

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