

## DEBT CONSUMPTION: THE ISLAMIC FRAMEWORK PERSPECTIVE

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**Abstract:** *Various theories, models and approaches have been introduced by Western scholars in explaining and delving into consumers' behaviour including the consumers' theory related to their behaviour in debt practice. Based on the model and approach constructed by the Western scholars, the idea raised has placed the maximum satisfaction of individuals in the theory of consumption as the main aim, although they adopt the method of debt. Nonetheless, according to the Islamic perspective, this theory and understanding do not stay in line with the concept of debt in the activity of consumption. This article aims to build the conceptual framework of the consumption of debt based on the Islamic perspective. The methodology applied to produce this article is the document study, concerning the evidence of the Quran, hadiths, and the views of the fuqaha through past studies on debtors' behaviour. This article is divided into two sections. Firstly, the discussion on the inaccuracy of the theory of conventional economic consumption about consumers' behaviour in their debt practice. Secondly, the consumption of the conceptual framework of the debt concept is based on an Islamic perspective. The findings of this study will lead to the construction of the conceptual framework on the consumption of debt based on Shara'.*

**Keywords:** *Consumption, Credit, Debt, Necessity, Household*

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## Introduction

Malaysia's reliance on the debt industry has led to a rise in household debt, with the household debt-to-Gross Domestic Product (GDP) ratio reaching 89.1% in 2015, compared to 86.8% in the previous year. This increase positioned Malaysia as the country with the highest household debt growth rate in Asia. However, in 2016, the trend started to show a decrease to 88.4 per cent compared to 89.1 per cent in the previous year. Although the debt growth trend has begun to show a positive response with an increase of 88.4%, the total number of bankruptcy cases from 2013 to 2016 did not show a remarkable change. The bankruptcy trend illustrates that a total of 19,588 million went bankrupt in 2016 compared to the previous year, with 18,547 people. Looking at the difference by race, Malays make the highest compared to Chinese, Indians and others which are 53.4 percent from 2013 to 2016 compared to Chinese, Indians and others, respectively 28.53 per cent, 13.04 per cent and 5.03 per cent (Malaysia Insolvency Office, 2017).

Although the increase in household debt is said to be able to bring a favorable implication to the economic growth in a country, as the role can help to increase the consumption of the household, it can't increase the household debt that initially gives a positive impact on the economic growth but later becoming a factor that can impede it. For instance, the change in consumption is a very significant source that can trigger an increase in demand and further increase economic growth. That said, making household debts excessively will lead to an unstable microeconomy and affect the development of the socioeconomic. Other than that, the level of welfare for the household will also be affected if the household debt level exceeds the income level to the point that it reduces the household purchasing power in the future (Athanasios, 2012). This is evident when the higher the household debt in the future, the lower the level of debt consumption. This is because the repayment demand is higher than the current income value that will be received (Daud, Muhamed & Ramli, 2017)

Debt consumption refers to the use of borrowed funds to finance consumption rather than investment or savings. It involves individuals or households borrowing money (through loans, credit, or other financial instruments) to purchase goods and services. This concept contrasts with saving or using income to fund purchases directly, focusing instead on the short-term satisfaction derived from spending beyond one's current financial capacity (Hodari et al. 2014). In the global context, household debt to GDP ratio in Malaysia stood at around 81.2% as of 2022, one of the highest in Southeast Asia, reflecting high reliance on personal loans and mortgage. Household debt to GDP ratio in United States is approximately 76.9% (2022), largely driven by mortgage debt and credit card usage. Household debt to GDP ratio was around 104% in 2022, highlighting significant borrowing for real estate and consumer loans. The household debt to GDP ratio in global average varies significantly, with developing countries typically having lower ratios (30%-50%) compared to developed economies (70%-120%). Switzerland leads with a household debt-to-GDP ratio of approximately 127.7% in 2024. Australia (110.3%) and Canada (101.4%) also rank high, reflecting significant household borrowing relative to GDP. Malaysia has a ratio of 69.5% as of 2024, which is significant in the regional context and slightly below other developed economies like Japan (65.3%) and France (61.6%). Emerging economies like India (17.4%) and Indonesia (9.8%) show substantially lower household debt-to-GDP levels, emphasizing differences in credit accessibility and consumption patterns globally. By integrating such comparisons, Malaysia's position in global debt dynamics, offering broader insights into the socio-economic factors

influencing debt consumption across countries (ESCAP, U, 2024).

Other than the statistics showing that the Malays are the most significant number of the group involved in a bankruptcy, this scenario can be proven by the discovery found by (Alidaniah et al. 2015) where they find that few Malay respondents who are Muslims still resort to using the conventional financial funding which contains the element of riba. The study finding also shows the difference in the debt-making lifestyle prominent among the Malays who do not adhere to the debt guideline as outlined by Islam compared to Chinese and Indian respondents.

Looking at the bankruptcy statistics issued by the Malaysia Insolvency Department (2017), two conclusions can be drawn. Firstly, Malays are very prone to make debts. Secondly, most of the Malay debtors still do not follow the debt- making guideline as outlined by Islam. Looking at this behaviour, it is impossible for one to fail to repay it if one does not have excellent financial management skills. This should not be seen lightly because such failure will bring a lousy implication to society's psychology and will invite issues like stress, depression, mental issues, suicide, and fight with family members. It also affects one in the hereafter (Jusoh, 2014).

A rational consumer is an economic concept that presupposes that when making a choice, consumers will always focus primarily on the maximization of their private benefits. In decision making, rational consumers select the option that will bring the most utility and satisfaction to them (Rahim & Bahari, 2018). The law of being in debt with certain conditions existent in Islam should make the Malays who embrace Islam become a moderate debtor and do not have any issues with the debt they make. According to Islamic perception, this is because the debt is interpreted as dayn and an obligation that needs to be fulfilled and responsible for (Zakaria et al. 2012).

However, the study finding shows the opposite. Stemming from the scenario depicted, clearly, the Malays still lack the understanding and clarity of the actual concept of debt according to the Islamic perspective. This understanding does not shape the of Islam in the debt practice that should follow the Islamic tasawwur and epistemology. This is evident when some of the studies put forth by Western scholars assume that rational consumers are consumers who increase their consumption satisfaction, including borrowing or loaning as their main aim in their consumption activities. This assumption does not stay in line with the concept of debt according to the Islamic perspective, and this can create the "identity crisis" for the actual meaning of rational consumers according to the Shara' (Shim et al. 2009). At least, the assumption made by Western scholars automatically does not influence the Muslims' thinking corpus who have certain behaviours in making debts.

This article attempts at building a conceptual framework about debt consumption according to the perspective of Islam. This article is divided into three sections. The first section describes the assumption of the Consumers' Behavior Theory. The second part explains the theory of usage according to the Islamic perspective. The third part is debated on the inaccuracy of the conventional economic consumption theory concerning household behavior in the debt practice. Lastly, findings investigate the debt consumption conceptual framework following the perspective of Islam.

## Methodology

This study is qualitative, exploratory research. The design of exploratory research is divided into four categories: secondary data analysis, pilot study, case study, and expert survey (Mahmud, 2009). This study primarily uses one category of exploratory design, namely secondary data analysis. The study collects secondary data and attempts to apply it to research methods based on Islamic principles. Therefore, this study will further develop the field of Islamic-based research methods and encourage future research. The study uses document analysis to gather the necessary data. Document analysis involves reviewing materials collected from letters, official reports, administrative records, websites, diaries, and newspaper articles (Bloor & Fiona, 2006). For data collection, this study uses secondary data sources through document analysis. According to Carol A. Bailey (2007), the type of data used depends on the research objectives and questions, involving unnumbered texts such as sentences, observations, and interview notes. Hence, the data for this study focuses on texts obtained from books, theses, dissertations, journal articles, seminar papers, and specific websites. Once data is collected, it needs to be processed by analyzing it. Data analysis involves dividing the data, understanding it, investigating its importance, and interpreting its meaning. Therefore, this study uses content analysis methods suited to the data sources from books, theses, dissertations, articles, seminar papers, and so on. According to (Hsieh & Shannon, 2005) qualitative research involves content analysis with three approaches: conventional, direct, and summative. This method is used to understand and extract meaning from textual content.

## The Assumption For The Consumers' Behavior Theory

The Consumer Behaviour Theory introduced in the West after the emergence of capitalism often connects the issue of 'resource' and 'demands' when evaluating consumer behaviour. This theory stems from two specific concepts, namely "economic rationalism" and "utilitarianism" (Ramli & Mirza, 2007; Hossain, 2014). Economic rationalism interprets that human behaviour leans towards the instinct that looks forward together with supervision. The measurement of this economic success is associated with money production using creating wealth in terms of financial or material as the primary goal in life (Bakar 2003). Furthermore, utilitarianism is the root of moral values and attitudes. This theory assumes that the maximum utility consumer concept would be the consumer goals that become the laws or hukum (Ramli & Mirza, 2007). The utility maximised is in terms of homo economicus that has a single aim or, in other words, to achieve the highest economic purpose. This goal has placed money as a single form of motivation that clearly opposes to the teaching and concept of Islam (Bakar 2003). Homo economicus, also known as the economic man, refers to an individual who seeks to maximize their well-being when confronted with adversities (Sickert, 2009).

The knowledge corpus produced from the conventional economic thinking, when studying the consumerism behavior clearly shows a significant difference when compared with the Islamic consumerism behavior in terms of the tasawwur. In this context, the Islamic consumerism behavior adopts Islamic tasawwur as the root of Muslim behaviour. Also, the measurement to human behaviour can also be seen from one's level of faith. The context of this verse explains that a strong imaan within a Muslim will produce a good and noble moral value, whereas a weak imaan will produce a poor moral (Suhid 2007).

## Consumerism Debt According to the Islamic Perspective

This section will focus on an essential component that underpins the concept of consumer debt

from an Islamic perspective and culminates in the development of the study's conceptual framework. By doing so, the practice of debt in accordance with Shari'a among Muslims can be examined more thoroughly. Debt is defined as the total amount of money borrowed by an individual, bank, or institution from another individual or institution. Financially, debt represents a liability or financial obligation to be settled in the future (Tahir et al., 2014). From an Islamic viewpoint, debt is permissible when it is deemed necessary (*daruriyyat*), and debt transactions are considered normal for consumers to meet their basic needs (Hodari et al. 2014). According to Abidin et al. (2014) household debt can be categorised into three types: home loans (including housing equity credit), credit card debt, and vehicle loans; and furniture and education debts. Credit cards, vehicles, furniture, and education loans are classified as consumer debts. In Islamic economics, debt is viewed as funding, with the only permissible form being *Qardh al-Hassan*. Dali & Razak (2012) define consumption as the act of using an item that can benefit from producing the much-desired impact. At the same time, Zarqa (1992) in Surtahman Kastin Hassan (2001), sees the term 'consumption' as something that is bound, whereby the repayment must be cleared in the form of obeying the orders of Allah SWT and Rasulullah SAW, for example zakat payment, not committing bribery, so and so forth. In terms of the economy, Abd Ghani (2003) defines consumption as part of the income that is not saved or invested through the final stage after production and distribution. Thus, it can be understood that consumption is part of the money not invested and saved and is beneficial to the consumers. This definition of consumption will be used in the following discussion.

In general, we know that consumption is not only limited to food and beverages, but also financial matters like savings, loaning and borrowing, rental, sales representatives and many others (Abd Ghani, 2003). Additionally, the priority for the consumption of goods or services can be grouped into three main categories, namely basic needs, comfort (more than basic needs) and luxury that exceeds comfort (Afzalur, 1975). Looking into these categories, Islam allows one to make debt to fulfil basic needs like food, accommodation, vehicles, education, marriage and health. Islam allows debt when one is desperate, and it does not encourage one to add the debt unnecessarily and if the debtor is not able to repay it. Having debt to fulfil the needs of *hajjiyyat* for luxury is very much forbidden in Islam, especially when the debt is made for extravagant spending but with little capability to repay it. For example, someone who is in debt as he buys new goods when his old goods can still be used and can serve daily needs, this is thought to be unreasonable. Every individual has different levels of requirements that can qualify them to apply for, or render, debts. There are various factors that distinguish the requirements for a person to render debts, including individual circumstances, number of family members, location, environmental factors, and others. To determine the level of requirement to render debt, the minimum necessities need to be discussed. There are several verses in the al-Quran that touch on the levels of needs in life.

Besides priority-based usage, another important aspect that must be emphasised by the debtor is the question pertaining to the halal and haram in rendering debt. This is because the *muamalat* (business) of rendering debt and the question of *riba* (usury) has an intertwining relationship. Verses regarding *riba* in the al-Quran were revealed before the topic surrounding debt. The practice of rendering debt with *riba* is frowned upon in Islam, so much so that Allah SWT depicts that in *akhirat* (hereafter), those that take *riba* resemble a deranged man possessed by *shaitan*, as He decreed:

Those that eat (take) riba will not be able to stand properly not unlike a man possessed by Syaitan because of his touch. This happens because they said: “*Riba is as equal as trade*”, even though Allah SWT decreed trade to be halal, and riba to be haram. Therefore, those that remind (prohibits) others of Allah SWT and stops (from consuming riba), thus what they have taken (before it fell as haram) becomes theirs, and it is now in the hands of God. And whomever repeats it (the act of taking riba) belongs in hell, where they will remain (al-Baqarah, 2:275).

Ibnu Katsir (2010) stated that those who consume riba’ will rise on the day of judgement in a state of derangement and suffocation. Riba is one of the most important articles that is wajib (compulsory) to stay away from in Islamic muamalat. The command to stay away from riba was stressed upon by Rasulullah SAW during Wida hajj (al-Baqarah 2:313). Therefore, those who are in the muamalat of rendering debt must be well-versed in the topic of riba. In essence, three criteria form riba from debt (Jusoh et al. 2019). Firstly, there is a surplus in the amount loaned; secondly, a surplus was set during the akad; and thirdly, determining a surplus regarding the duration of time. Furthermore, a Muslim who is rational in his debt practice should put an emphasis on the scale of rendering his debt. The scale in this context denotes that a Muslim must ensure his debt is paid off as soon as possible, and he should not delay the repayment as unpaid debt will influence the debtor even if he has passed away. If the debtor is not able to settle his debt, this act can be likened to as if the debtor has taken someone else’s belongings and refuses to pay for it. However, if the debtor is highly determined to settle his debt, then surely Allah SWT will help him to do so (Jusoh et al. 2019) as a hadith by Rasulullah SAW states:

“Whomever takes a man’s property and intends to settle it, Allah SWT will (help) to settle it; and whomever takes it with intentions to destroy it, Allah SWT will (help) to destroy it (him)”

(Narrated by Bukhari, No. 2212)

However, with purpose and determination, Allah SWT will make it easy for those who settle their debts. As Rasulullah SAW decreed, as told by Ibn Majah:

“If a man has acquired debt and Allah SWT knows of his intentions to settle his debt, then Allah SWT will make it easy for him to settle his debt”

(Narrated by Ibnu Majah, No. 2399)

If one incurs debt not to fulfill a basic need but to destroy or squander another’s property with no intention to settle the debt, Allah SWT will repay him in kind. The debtor will find his life difficult with little to no barakah from Allah SWT in his worldly life, and he will also suffer the wrath of Allah SWT in the afterlife Hodari et al.(2014) stated the same instance, whereby if the borrower is unable to settle his debt, the loaner should hide his wealth and ability to lend, but not his wealth or ability to give alms. The concept of moderation used in context of usefulness should also be instilled in the practice of incurring debt. The basis of incurring debt should be to fulfil a necessity. However, if the practice of rendering debt is not to be used as a necessity but is in fact used in excess from the minimum, then the act itself is needless and wasteful. In Islam, excessive and overspending for something that is harus is forbidden. Allah SWT decreed:

“Children of Adam! Take your adornment at every place you pray, and eat and drink, but do not be excessive. Indeed, He does not like those that commit excess.”  
(Surah al-Araf, 7:31).

This verse teaches Muslims that we may consume and wear as we wish, but at the same time to also avoid wasteful spending and arrogance. Rasulullah SAW also supports al Araf verse 32 that states that it is forbidden to eat, drink, and adorn in excess, where Rasulullah SAW said:

“Eat, drink, and adorn, but also give alms without excess and without arrogance”  
(Narrated by Nasai, No: 2419).

However, squandering when rendering debt that happens in society today is not just limited to building a home, but also includes other practices such as having extravagant wedding ceremonies, lavish open houses, and indulgent travel trips. Therefore, squandering in rendering debt is considered *mazmumah* as this wasteful practice is not for daily necessities, but for man’s own selfish wants. Islam encourages its ummah to be modest in spending and rendering debt and fulfils basic needs accordingly and sensibly. Being sensible is even shown through our bodies, in which it needs food, water, and air equally. As Rasulullah SAW said:

“The son of Adam cannot fill a vessel worse than his stomach, as it is enough for him to take a few bites to straighten his back. If he cannot do it, then he may fill a third with his food, a third with his drink, and a third with his breath.  
(Narrated by Tirmidzi, No: 2380).

## **The Inaccuracy of the Conventional Economics Consumption Theory on the Consumers’**

### **Behavior in Debt Practice**

There have been various theories, models and approaches introduced by the Western scholars in explaining and looking into consumers’ behavior including the consumption theory related to the consumers’ behavior in the debt practice. Looking into the conventional theory in discussing the behavior of the consumers in the debt practice, the conventional theory assumes that rational consumers are consumers who maximize the self-satisfaction level in their consumer activities although they are making debts. In other words, consumers will consume whatever opportunities they have to increase the consumers’ satisfaction including making loans although they realize that the consumption is temporary in nature, especially in ensuring that they are seen to lead a certain lifestyle or status (Cynamon & Fazari, 2008). Other studies done by Barba & Pivetti (2008) about consumers’ behavior in the debt practice state that consumers who wish to maximize their satisfaction will plan their expenses for income that is to be accepted throughout their lives so that their behavior would be comprehensive in the long run. From a neo-classical perspective, there are arguments suggesting that consumers are generally rational and make decisions about debt based on their fixed income rather than their permanent income. This is supported by the study done by Kollmeyer (2013) stating that the maintenance of lifestyle desired has a link with the consumerism market, or there is a gap between the income and debt of the consumers in the perspective of consumerism. Based on the discussion about the theory of consumer behavior in the debt practice, clearly it shows that Western scholars assume that rational consumers are consumers who maximize their own satisfaction in the consumerist world although the source of consumerism is obtained through

debts. That said, the assumption proposed in explaining consumers' position in debt-making practice is not harmonious with the consumerism concept and debt according to the Islamic perspective.

There are two conditions for someone who wants to make debt. Firstly, someone who must make debts to fulfil his or her life demands, that is to get food, shelter, clothes, education and so on. Secondly, someone who deliberately is in debt to fulfil their lust, at the expense of entertainment and adornment. Islam allows one to make debt to cater for their lives' needs and demands, especially for matters of dharuriyyat (very important), whereas making debts for luxurious purposes to the point that one is not able to repay is very much prohibited in Islam. For example, Islam has divided the consumerism level into daruriyyat, hajjiyyat and tahsiniyat (Muhammad Abdul Mannan, 1980: 82-85). It can be understood that the types of goods and services allowed to be in debt for, are necessities such as daruriyyat and goods like tahsiniyat are forbidden in Islam if one makes debts for them (Jusoh, 2014). It is even worse if goods and services like hajjiyat are part of the debt and not consistent with the capability to repay. Thus, Muslims should spend moderately and not excessively further leading to the culture of debt-making and this worsens due to the inability to pay back. This is because the relationship between the debtors and the debt they make is not finished when the debtors have deceased, but in fact, the failure to repay the debt can adversely impacts their Judgment Day. Thus, Islam has stated that among the things that are urgent to be addressed and dealt with would be to pay debts. This is also narrated in a hadith by Ibnu Majah,

“Those who take (be in debt) other people’s asset with the intention to ruin it / not paying for it, then Allah SWT will put it to end”

(Narrated by Ibnu Majah, No. 2411).

Debt and consumerism are very closely linked. Looking at the importance of the relationship between consumerism and the actual debt needs according to Islam, it is very important for us to closely examine the assumption for the consumers' behavior theory within the perspective of Islam. The nine assumptions of the theory can be explained through the differences made with the conventional view of consumption, as shown in Table 1.

**Table 1: The Differences Between the Assumptions for the Principle of Consumerism According to the Perspective of Islam and the Conventional Perspective**

Consumerism Assumption	Islamic Perspective	Conventional Perspective
The Concept of Goods and Services	Allah SWT The Most Granting, clean, goods and services used are beneficial and the benefit will bring material, moral and spiritual rewards to consumers.	Any goods and services that can enhance self-satisfaction.
Utility Time Scale (Satisfaction)	World and the Hereafter	World
The principle of Guidance	Shari'a of Islam	Consumer free to choose.
Focus	Welfare of individuals and the society	Individuals



Consumption Decision	Based on values	Free from values
Spending Habit	Moderate	According to satisfaction
Consumption of Goods and Services	Following the Shari'a of Islam	Free to consume based on the Consumer's needs
Orientation	The future with the orientation on savings, investment and distribution of wealth	Focusing on the current situation on the goods and services that satisfy one's needs
Motivation	Getting the blessings of Allah SWT through the consumption of the Shara' framework. The consumption of resources obtained is spent on the needs by priority such as income spending, zakat or alms, food and accommodation.	Gaining happiness for oneself and spurred by social lifestyle and improved status.

Source: Hossain (2014)

Based on the differences made in Table 1, the position of consumers in terms of Islamic tasawwur and the conventional economy has a striking difference in terms of characteristics. The difference between the Islamic consumption habit and the traditional economic consumption habit is seen through the evaluation made based on Islamic tasawwur (Adnan, 2013). Differences between these two disciplines have produced various corpora of knowledge and ideologies about humans as the leading actor in consumer habits. The final aim of the Islamic consumerism habit is not confined to the extent to which the demand and need are fulfilled, but we can see the size of a good moral value to achieve the blessings of Allah SWT (Adnan, 2010). Furthermore, the Islamic economy blends both positive and normative aspects in defining consumers, aiming not only to maximize the utility of goods but also to fulfil spiritual needs, with religious norms and values serving as a key guiding force (Chapra, 1993). Islam and economic development. Islamabad. Islamic Research Institute. In other words, Islamic economic rationalism is evident through the consideration of religious, social, and cultural values in governing consumer behaviour (Ahmad, K. 1992). This concept is irrefutable with the consumers' motive that leans on spiritual satisfaction. A Muslim consumer is said to be rational when he consumes an item for himself and rationally in the Islamic economy; it also involves something more significant, which is generation and religion. In this matter, the level of satisfaction (utility) of the consumers involves not only worldly happiness but also higher spiritual joy (blessings) (Ahmad et al. 2011). The spiritual satisfaction felt in the consumption of goods and services can be classified into two forms, which are positive spiritual satisfaction and negative spiritual satisfaction. A positive spiritual satisfaction that one has is when he is confident that he will get the reward from Allah SWT when his consumption is full of baroque. Secondly, the spiritual satisfaction that is considered harmful is a form of restlessness or anxiety the consumer feels when he is confident that his action will sin. Thus, Muslim consumers try to obtain positive spiritual satisfaction and steer clear of negative spiritual joy. This action will be rational if we look at it from an Islamic viewpoint (Ahmad et al. 2011).

The Muslim is said to successfully carry out their responsibility as the caliph of Allah SWT if the faith and lust are defended. One always tries to steer clear of anything forbidden by Allah SWT. A strong belief in life after death will also influence Muslim consumers' behaviour in terms of spending. This shows that the importance of other individuals' consumption is

prioritized in Islam. Later life is also stressed in work by Salleh (2003). based on the time scale of the Islamic-oriented development, including other aspects that encompass this whole universe. The irony is that the time scale of conventional development is only confined to life in this world. A great reward will be given by Allah SWT in the Hereafter as promised, based on the hadith of the Rasulullah SAW, which means:

“Anything who releases a Muslim from one trouble to another in this world, then Allah SWT will release one difficulty to another in the Hereafter, and Allah SWT will help a servant as long as the servant is helping another”

(Hadith Narrated by Tirmidzi, No. 2869).

This hadith from Tirmidzi, no. 2869, explains that every action did come in good or bad, and the effort will be rewarded or punished accordingly. This is also emphasised by Zarqa (1992) in showing the differences between Islamic consumerism and the conventional consumerism concept.

### Research Conceptual Framework

Based on Figure 1, Muslims that render household debt should know the source and purpose of the debt taken; that is, a Muslim should cause debt through a Syariah compliant source whereby the loan is free from riba and which pleases Allah SWT (mardhatillah).

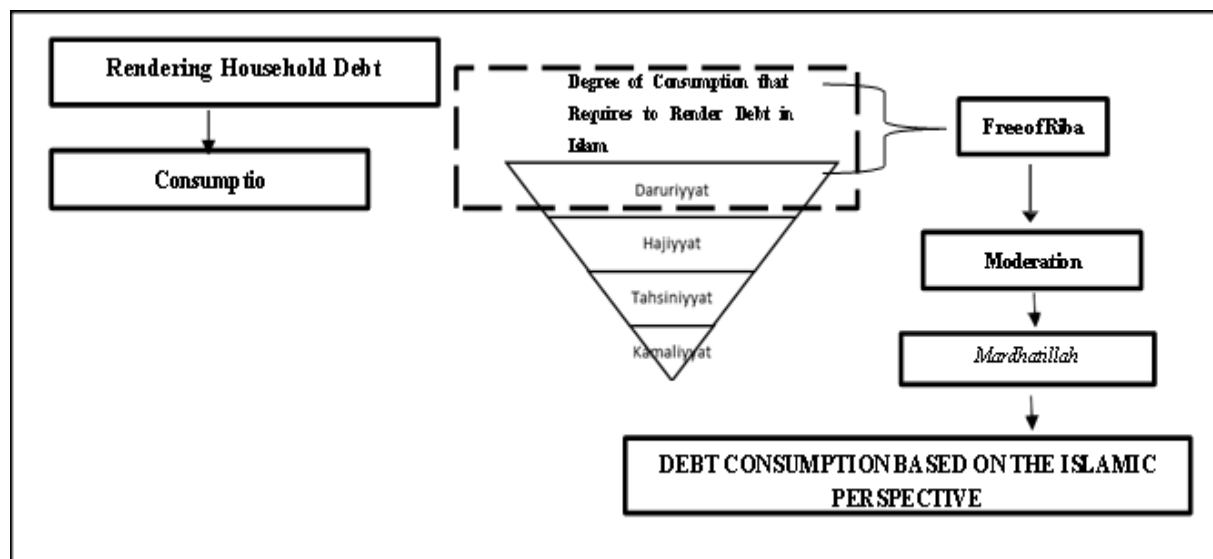


Figure 1: Debt Consumption Conceptual Framework

Other than that, the concept of moderation should also be instilled in the practice of rendering debt for it to be blessed by Allah SWT so that it may also please Him (mardhatillah). In this research, it can be understood that debt Usage carries the meaning that debt that is rendered for activities is dauriyyat and is free of riba and spent modestly to gain the pleasure of Allah SWT (mardhatillah).

### Conclusion

In summary, as illustrated in Figure 1, Islam does not forbid incurring debt, but it should be undertaken out of necessity and with the intention of seeking Allah SWT's approval. Based on the conventional economic theories discussed in relation to indebtedness, it is evident that traditional economics prioritises maximum self-satisfaction as the primary goal of consumption, even when debt or loans are not aligned with Shari'a principles. In this context, considerations of repayment ability and the reasons for consumption are often overlooked. Without clear guidance from Shari'a law, individuals may act impulsively and without self-restraint. Therefore, in terms of consumption, Muslims should carefully assess their income and expenses, considering financial elements such as loans or debts to be repaid, almsgiving, and savings. This approach helps Muslims avoid falling into debt, a value integrated into economic practices that reflect moral principles, as outlined by Yusuf Qardhawi (1998), who proposed a framework for ethics and morals within Islamic economic transactions.

In Muslim-minority countries, the ethical foundations of Islamic finance, such as the prohibition of interest (riba) and a focus on risk-sharing and fairness, can still offer insights into creating more inclusive and ethical financial systems. For instance, interest-free loans or profit-sharing investment models could be promoted to help reduce financial inequality, even outside predominantly Muslim countries. The framework could also focus on promoting financial literacy and ethical borrowing habits, addressing issues like over-indebtedness and ensuring that financial services benefit society, rather than exploiting vulnerable groups.

For countries with different economic conditions, particularly those with developing or emerging economies, the framework could offer alternative ways of managing household debt and improving access to finance. For example, Islamic microfinance (through models like mudarabah and musharakah) has been successfully implemented in places like Indonesia and Bangladesh, where it has helped empower low-income communities and provided them with access to capital in a way that is consistent with their values. This approach could be replicated in similar economies by focusing on socially responsible lending, reducing reliance on conventional high-interest loans, and fostering local entrepreneurship.

Key adaptations might involve several crucial adjustments. First, regulatory adjustments are necessary to tailor Islamic financial principles in a way that aligns with local laws and banking practices. Second, cultural integration is vital, where ethical guidelines rooted in Islamic finance should be incorporated in ways that resonate with local values, such as social justice or community welfare, while also ensuring economic sustainability. Third, economic conditions must be considered, particularly in low-income countries, where frameworks could promote microfinance or community-based lending models more suited to local economic realities. By broadening the scope of Islamic financial principles to address global challenges, the framework could play a significant role in promoting sustainable development and inclusive finance worldwide.

Regulatory adjustments involve tailoring Islamic financial principles to align with local laws and banking practices, ensuring that these principles are effectively implemented without compromising their foundational values. Cultural integration plays a vital role in incorporating ethical guidelines that resonate with local values, such as promoting social justice and community welfare, while maintaining a focus on economic sustainability. Additionally, in low-income countries, economic conditions necessitate frameworks that prioritize

microfinance or community-based lending models, which are more suitable for addressing the specific economic realities of these regions.

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