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Contemporary Issues in Business Ethics: South East Asian Managers' Perspectives

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CHAPTER 2

SERVICE CHARGES ON STUDY LOAN: A BUSINESS ETHICAL REVIEW

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ABSTRACT

This chapter reviews from business ethics perspective on service charges on study loan. Giving charity for those in fi sabilillah is encouraged in Islam. But, the question arises when charity is giving with the interference of interest. Is it being accepted by Allah? What about the people who receive and use that money? Many students do not really realize this and some just left Islamic principle behind in the situation of darurat. Thus, this paper provides some discussions about service charges on study loan and tries to derive the Islamic principle on this together with the reasons behind the prohibition of riba in Islam, as well as the potential solution.

Keywords: *Service charges, Interest is haram, Islamic principle, hadith on interest, Islam, profit, calculation, analytical justification.*

INTRODUCTION

273. " (Charity is) for the poor who are restrained in the way of Allah, and are unable to move about in the land. The unaware consider them wealthy because of their restraint (from begging). You shall recognize them by their countenance - they do not beg people importunately. And whatever of good things you give, and then Allah is All-Knowing of it."

Allah has taught us through His Holy book about the criteria for those who are qualified to receive charity. In fact, there are also in the Qur'an about the permissible way to make *sadaqah* and also gain money. But, there are number of illegal way people make money today. People are also involved with a variety of immoral act for the same purpose. However, the extent of destruction for such illegal ways of making money and immoral acts are not of the same level of those related to interest. In this regard Sayyid Qutb (1999) said, "No other issue has been condemned and denounced so strongly in the Holy Qur'an as interest". Thus I am motivated here to present an analytical justification about why Islam has forbidden interest so strictly. Service charge is actually an interest but it is being blanketed with other name in order to manipulate the perception of people especially Muslim.

Defining Service Charges (Interest)

Service charge is defined as a price one pays as remuneration for services, especially the honorarium paid to a doctor, lawyer, consultant, or other member of a learned profession. It is also called as a fee. Fees usually allow for overhead, wages, costs, and mark-up. A service