

Islamic Legal Policy on Ultra-Micro Enterprise Financing and Its Implementation from the Perspective of *Maqāṣid al-Sharī'a*

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Abstract

Until the mid-19th century, the Dutch colonialism (the Western world) began to intervene in the indigenous legal systems of Indonesia. The current situation marks the beginning of a decline in the civilization of Muslims, particularly in Indonesia. This development raises concerns about the future of Indonesian society as a whole. This decline permeated various aspects of life, including the field of *mu'āmalah* law, which began to adopt usury-based concepts. This research aims to reconstruct the Islamic legal policy on Ultra-Micro (UMi) Financing as practiced by the Indonesian government, which still contains elements of usury (*ribā*) in its implementation. This study employs a qualitative approach using empirical-socio-legal research methods involving an analysis of UMi Financing contracts, interviews with stakeholders, and direct observations in Surakarta. The analysis is grounded in the theory of *maqāṣid al-sharī'a*, including the principles of *ribā* as outlined in classical Islamic jurisprudence (*turāth*). The findings reveal a research gap that the current legal policy on Sharia ultra-micro financing implemented by the government had *ribā*, which is found in classical Islamic texts.

Keywords: legal policy; ultra-micro enterprise; financing; *maqāṣid al-sharī'a*

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Hingga abad ke-19, kolonialisme Belanda (dunia Barat) mulai mengintervensi sistem hukum pribumi Indonesia. Hal ini merupakan awal dari menurunnya peradaban Islam secara khusus dan peradaban Indonesia secara umum. Penurunan ini memengaruhi berbagai aspek kehidupan, termasuk dalam bidang hukum *mu'āmalah*, yang mulai mengadopsi konsep berdasarkan bunga. Tujuan penelitian ini untuk merekonstruksi kebijakan hukum Islam dalam pembiayaan ultra-mikro yang diterapkan oleh pemerintah Indonesia, yang penerapannya masih mengandung unsur bunga (*ribā*). Penelitian ini menggunakan pendekatan kualitatif dengan metode penelitian sosio-legal-empiris, meliputi analisis perjanjian pembiayaan ultra-mikro, wawancara dengan pemangku kepentingan, dan pengamatan langsung di Surakarta. Analisis dilakukan berdasarkan teori *maqāṣid al-sharī'a*, termasuk asas *ribā* sebagaimana digariskan dalam yurisprudensi Islam klasik (*turāth*). Temuan ini mengungkap kesenjangan penelitian bahwa kebijakan hukum mengenai pembiayaan ultra-mikro Syariah yang saat ini diimplementasikan oleh pemerintah mengandung *ribā* yang terdapat pada naskah Islam klasik.

Kata Kunci: kebijakan hukum; usaha ultra-mikro; pembiayaan; *maqāṣid al-sharī'a*

Introduction

Ribā (usury) has spread across the globe. This statement underscores the global prevalence of *ribā*, making it a critical issue that demands urgent solutions. Indonesia is no exception, where *ribā* transactions have infiltrated all corners of the nation, affecting the wealthy and the impoverished, urban and rural areas, the elite and marginalized populations, and prominent small-scale traders. Consequently, it has become increasingly easy to find examples of such practices.

Numerous potentially usurious transactions, including the "triangle loan" system, can be observed in everyday life. This type of loan involves the goods owner, the buyer, and the financing party. In this arrangement, the goods owner (the first party) appears to sell goods to the financing party (the second party) for cash. The third party then purchases these goods on credit from the second party at a higher price. At first glance, this might seem like a legitimate transaction, yet in practice, the ownership of the goods does not transfer from the first seller to the buyer. Furthermore, the responsibility for any defects in the goods remains with the original seller, even though the second buyer has already made a down payment to the first seller rather than the second seller, who acts as the financier. This practice turns the second party (the financier) into a lender of money to the third buyer rather than engaging in a legitimate sale transaction.

In reality, many actors involved in *ribā*, including moneylenders, openly offer their usurious transactions to the public. This practice has become so common that even in traditional markets, it is no longer a hidden issue, preying on small traders facing financial difficulties. In response to the widespread exploitation of small-scale entrepreneurs, the Indonesian government has introduced financial assistance through easy and quick funding mechanisms to avoid this. This is exemplified by introducing Ultra-Micro (UMi) Financing with the Minister of Finance Regulation No. 22/PMK.05/2017 issuance in early 2017. The initial goals of this initiative were to provide accessible and affordable financing for micro-enterprises, increase the number of new entrepreneurs, and enhance the economic value of debtors.¹ Through the Public Service Agency (BLU) of the Ministry of Finance, the government has implemented this financing through conventional and Sharia-compliant mechanisms, increasing

¹ Ministry of Finance, "Peraturan Menteri Keuangan (PMK) Nomor 22/PMK.05/2017" (2017).

the number of entrepreneurs the government assists.² Although the focus has not been explicitly on Sharia principles, the BLU can still distribute UMi Financing under Sharia-compliant terms.

According to the data from the SIKP UMi (April 1, 2024), Sharia-compliant UMi Financing now constitutes 55.68% of the total UMi Financing across Indonesia. This financing is channeled through 40 Sharia cooperatives, 2 Sharia financial institutions, and Sharia schemes with PT. Pegadaian and PT. PNM. However, there remains a public perception that some of these Sharia-compliant financing schemes are merely nominal, without fully adhering to Sharia principles in substance.

The authors also considered a literature review from previous research in a previous study conducted by Yusmad et al.³, which found that many funding schemes in Sharia banks in Indonesia and Malaysia do not follow Sharia principles, especially business funding, including those for small and medium businesses. This previous study found that Shariah bank institutions' supervision agencies are run individually: the Sharia Supervisory Board (DPS), the Directorate of Shariah Bank Compliance, and the Financial Service Authority. They do not coordinate, leading to overlapping supervision aspects. The difference between the previous research and the authors' current research is that the authors utilized the *maqāṣid al-sharī'a* in the research, giving researchers a profound perspective on religious teachings, legal regulations, and the substance of their implementation.

Next, previous research was conducted by Hosen, Falah, and Lathifah,⁴ who found that Islamic banks that issued the Islamic Bank Corporate Governance rules did not follow the philosophy of Islamic principles. Hence, several fraud cases against Islamic banks in Indonesia included loans, credit, and financing for small to medium businesses. Islamic corporate governance in Indonesia still fails to be implemented due to obstacles. The difference between the previous research and the authors' research is that in this study, the authors try to specifically find profound information on the implementation of *maqāṣid al-*

² Ministry of Finance, "Peraturan Menteri Keuangan (PMK) Nomor 193/PMK.05/2020" (2020).

³ M. A. Yusmad et al., "Revitalization Supervision Islamic Banking in Enhancement Compliance in Indonesia and Malaysia," *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 8, no. 1 (2024): 468–94, <https://doi.org/10.22373/sjhkv8i1.20524>.

⁴ M. N. Hosen, N. Falah, and F. Lathifah, "Analysis of Corporate Governance on Islamic Bank in Indonesia," *Ahkam Jurnal Ilmu Syariah* 19, no. 2 (2019): 247–68, <https://doi.org/10.15408/ajis.v19i2.12645>.

sharī'a-based Islamic legal policies for small and medium business funding to find a solution that is, according to the study of Sharia. This is to achieve benefit (*maṣlaḥa*) according to the Sharia.

In response to this uncertainty regarding the Sharia-compliant UMi Financing policy, the author aims to address the following research questions: What is the legal policy on Sharia-compliant UMi Financing and its implementation in Surakarta? Moreover, how can the legal policy on UMi Financing align with the perspective of *maqāṣid al-sharī'a*?

This qualitative research approach generates descriptive data in the form of written or oral data from individuals or behaviors being observed.⁵ Other sources define qualitative research as a study to reveal phenomena holistically and contextually.⁶ With the researchers utilizing themselves as a key instrument. Therefore, this was chosen by the author based on the research goal of obtaining a model for Islamic microfinance that aligns with the perspective of *maqāṣid al-sharī'a*. The research method used in this study is empirical-sociological legal research. It is a type of legal research that analyzes and examines the functioning of law in society. Empirical legal research examines law as actual behavior. In this study, the researcher examined the implementation of UMi Financing in Surakarta, Indonesia.

Research instruments are tools used to collect data. The researcher serves as the primary data collection instrument, as they are involved in every step of the research process; in this study, the researcher conducts interviews with nine key informants regarding the implementation of UMi Financing in Surakarta. Secondary data in this research refers to data collected through literature research, including information found in regulations, books, articles, and agreements related to UMi Financing, including a literature review related to the research.⁷

Data analysis is organizing data, sorting it into manageable units, synthesizing it, identifying patterns, determining what is most important and

⁵ A. Kharel, "Doctrinal Legal Research," *Research. SSRN Electronic Journal* (2018), <https://doi.org/10.2139/ssrn.3130525>.

⁶ T. Santoso, "Comparative Law in the Faculty of Law, University of Indonesia: Course Content and Teaching Methods," *Asian Journal of Comparative Law* 14, no. S1 (2019): S213–S227, <https://doi.org/10.1017/asjcl.2019.13>.

⁷ T. A. S. Negara, "Normative Legal Research in Indonesia: Its Origins and Approaches," *Auditor Comparative Law Journal (ACLJ)* 4, no. 1 (2023): 1–9, <https://doi.org/10.22219/acj.v4i1.24855>.

relevant, and deciding what can be communicated to others.⁸ In this research, the interview transcripts were analyzed using software. The results of the software were grouped and analyzed to obtain more profound research results. The data analysis technique used in this study is content analysis.⁹ This analysis involves comparing, combining, and sorting through various meanings until relevant interpretations are identified.¹⁰

Legal Policy on Sharia Ultra-Micro Business Financing and Its Implementation in Surakarta

Policy is an effort to solve social problems in the interest of society based on the principles of justice and community welfare. Policies are decisions made by the authority and are called the law. Law has many facets and an extensive scope because it regulates all aspects of societal life, which constantly experiences growth and change. A policy must be formalized into legislation. By incorporating policies into the legislative system, everyone must implement every policy without exception.¹¹ The legal policy referred to in this research is the legal policy in the form of a Minister of Finance governing UMi Financing.¹²

UMi Financing is a program that provides financing facilities for ultra-micro businesses in conventional financing and financing based on Sharia principles. UMi financing (*al-tamwīl li al-ḥāja al-mutanāhiya al-ṣuḡhrā*) is financing provided by Sharia Financial Institutions to customers who require a range of goods and/or services of minimal value (ultra-micro) and diverse types.¹³

The occurring issue is that Sharia banking and funding in the implementation of Sharia financing is carried out with the main principle that it must be according to the Sharia that does not develop usury products in the

⁸ S. E. Hamill, "Review of Legal History," *Social & Legal Studies* 28, no. 4 (2019): 538-559, <https://doi.org/10.1177/0964663918819189>.

⁹ P. Handler, "Legal History," in *Research Methods in Law* (Routledge, 2018), <https://research.manchester.ac.uk/en/publications/legal-history-2>.

¹⁰ T. Hutchinson, "The Doctrinal Method: Incorporating Interdisciplinary Methods in Reforming the Law," *Erasmus Law Review*, no. 3 (2015): 131, <https://doi.org/10.5553/ELR.000055>.

¹¹ D. Desrinelti, "Kebijakan Publik: Konsep Pelaksanaan," *Jurnal Riset Tindakan Indonesia* 6, no. 1 (2021): 83-88, <https://doi.org/10.29210/3003906000>.

¹² B. Firmansyah, "Aplikasi Teori Double Movement Fazlu Rahman terhadap Hukum Memilih Pemimpin Non-Muslim," *Ushuluna: Jurnal Ilmu Ushuluddin* 1, no. 1 (2020): 47-59, <https://doi.org/10.15408/ushuluna.v1i1.15332>.

¹³ DSN-MUI, "Fatwa DSN No. 119/DSN-MUI/II/2018 Pembiayaan Ultra Mikro (Al-Tamwil li al-Hajah al-Mutanahiyat al-Shughra).

financing to accommodate the Muslim community, especially Muslims.¹⁴ Who have small and medium businesses that do not want to use usury-based products, or society members in general who wish to transact using the Sharia system? Sharia funding (including that for small and medium businesses) was not established only for mere performance to gain profits, but is practiced in the same way as conventional finance funding institutions. Thus, this research aims to make Sharia funding institutions for micro, small, and medium businesses operate according to Sharia principles.

According to the Regulation of the Minister of Finance of the Republic of Indonesia Number 193/PMK.05/2020, UMi financing is implemented by the Public Service Agency of the Government Investment Center (BLU PIP), which serves as a fund coordinator by collecting and distributing funds. BLU PIP distributes ultra-micro financing through non-bank financial institutions (LKBB) as intermediaries. UMi Financing is distributed to three non-bank financial institutions, namely PT. Pegadaian, PT. Permodalan Nasional Madani, and PT. Bahana Artha Ventura. PT. Pegadaian and PT. Permodalan Nasional Madani (PNM) distributes funds directly to members, while PT. Bahana Artha Ventura (BAV) distributes funds indirectly, such as Microfinance Institutions or Cooperatives, to distribute the financing.¹⁵ From the aspect of identity, these three institutions are non-Sharia institutions, creating issues related to Sharia principles.¹⁶

Article 20 Number 193/PMK.05/2020 on Ultra-Micro Financing states that members (debtors) can receive UMi Financing individually or in groups. Individual members (debtors) may be subject to collateral, while group members (debtors) are not required to provide collateral and instead apply a joint liability mechanism. However, linkage institutions have their terms and procedures. This compliance shows that this procedure is not according to

¹⁴ A. Kususyanah, S. H. Wahid, and W. Saputra, "Operational Permits and Brandings of Savings and Loan Cooperatives and Sharia Financing (KSPPS) in Legal Validity Perspective," *Ijtihad: Jurnal Wacana Hukum Islam dan Kemanusiaan* 21, no. 1 (2021): 59–78, <https://doi.org/10.18326/ijtihad.v21i1.59-78>.

¹⁵ Aminullah Achmad Muttaqin and Arina Rusyda Hartono, "Implementasi Penerapan Pembiayaan Ultra Mikro di BMT-UGT Sidogiri," *El Barka: Journal of Islamic Economic and Business* 2, no. 2 (2019): 287.

¹⁶ A. U. F. Syafruddin, "Ekonomi Global Perspektif Konsep Maqashid Syariah Imam al-Syatibi," *Mu'amalah: Jurnal Hukum Ekonomi Syariah* 2, no. 1 (2023): 49–66, <https://doi.org/10.32332/muamalah.v2i1.7022>.

Sharia principles, considering these three institutions only comply with their terms and procedures, namely, conventional funding.

Regarding its scheme, the UMi Financing currently implemented by the government can be illustrated in Figure 1.

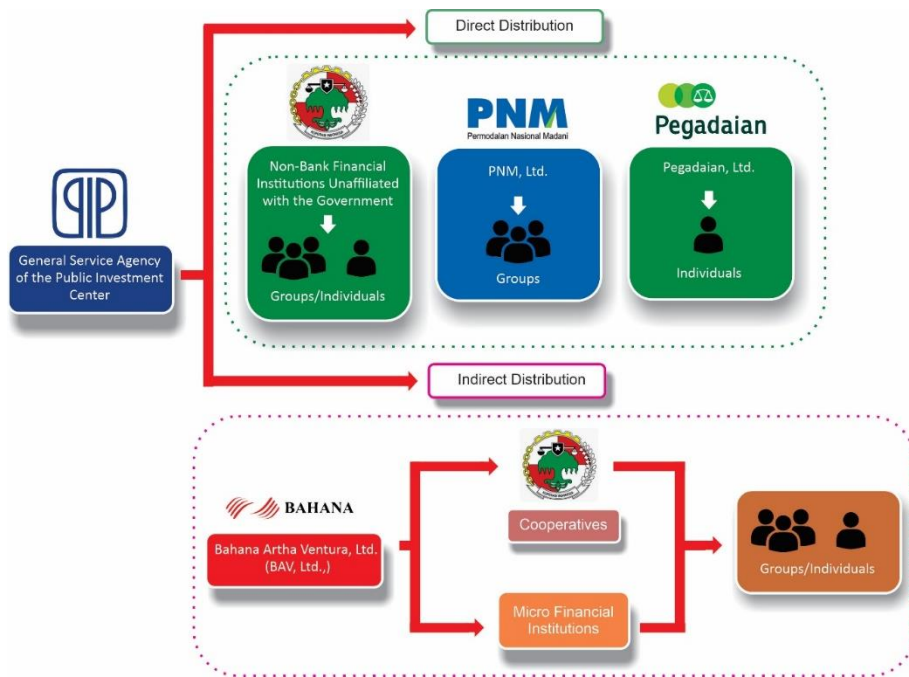


Figure 1.
UMi Financing Distribution Scheme

In the financing agreement, Non-Bank Financial Institutions (LKBB) act as business operators when dealing with BLU PIP as the fund provider (capital owner). However, their role quickly shifts to that of a capital provider when LKBB intermediaries engage with business actors (debtors) who require funds to develop their businesses, or when LKBB, such as PT. BAV collaborates with linkage institutions to distribute funds to debtors (business actors). The roles within this scheme can be illustrated as shown in Figure 2. The regulation does not explicitly address the Sharia financing scheme. Instead, it combines both policy concepts into a general objective: to provide quick and easy financing facilities for ultra-micro businesses and to increase government-facilitated entrepreneurs.

The main issue is that this Sharia funding for micro, small, and medium businesses must apply different mechanisms, procedures, and principles from those in conventional banks or financial institutions that carry out interest-based loans and transactions (*ribā*). In Sharia financial funding, the products must be developed to follow the characteristics of Sharia products that are different from those of conventional institutions.

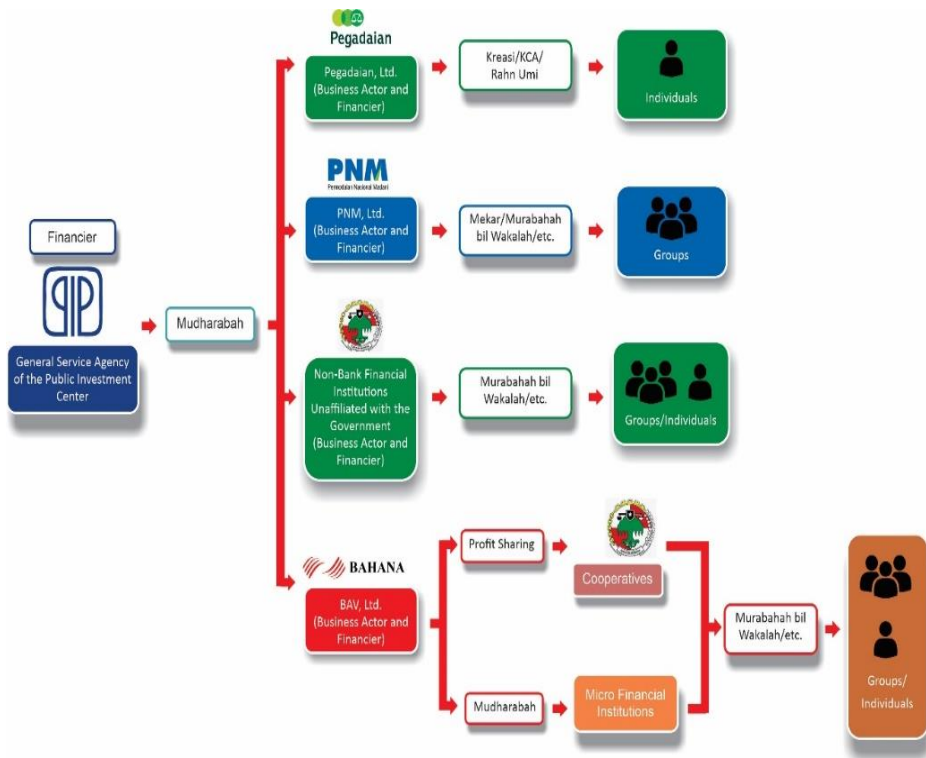


Figure 2.
The Scheme of LKBB Roles and Forms of Contracts

The mechanism for distributing UMi Financing is divided into two financing models: conventional financing and financing based on Sharia principles. From the aspect of transparency, there is no clarity. At least, the public does not obtain clarity on how the Sharia funding principle for the MSMEs is carried out, whether there are two different units (one conventional unit and one Sharia unit) or one unit that simultaneously implements two principles (which often brings issues on Sharia compliance).

Through the Director-General, BLU PIP has the authority to choose whether to use conventional, Sharia, or both simultaneously.¹⁷ This is certainly not according to Sharia principles, much less the *maqāṣid al-sharī'a*, considering that the peak determinant is not the *fatwā* of the National Sharia Board – Indonesian Ulama Council (DSN-MUI), which is based on Sharia, but is the decision of BLU PIP. In the *maqāṣid al-sharī'a* principle, the BLU PIP has objectives, principles, and regulations that are strikingly different from *maqāṣid al-sharī'a* principles because what is targeted is the volume of funding channel rather than compliance with the Sharia.

In PMK Number 193/PMK.05/2020, there is a clause regarding financing based on Sharia principles, and because financing is under the authority of the Financial Services Authority (OJK), it adheres to OJK's provisions. According to the OJK regulation Number 31/PJOK.05/2014 on the Implementation of Sharia Financing Business, financing companies operating under Sharia principles must always comply with Sharia principles, including *fatwās* issued by the DSN-MUI.¹⁸

An anomaly in the channeling of Sharia funding is that in the supervisory mechanism for micro, small, and medium enterprises, the supervision towards Sharia compliance is still undefined. The three channeling institutions channel funds through conventional and Sharia methods, but there is still no mechanism for their supervision by the DSN-MUI. Apart from that, no sanctions may be imposed in case of Sharia violation, as in PJOK and PMK. The supervisory mechanism on Sharia compliance needs to be issued. According to the *maqāṣid al-sharī'a* theory, such supervision is required to prevent fraud or *hīla*, i.e., something called Sharia-based but is essentially conventional.¹⁹

A key concern noted here is that financing revenues do not distinguish between income derived from conventional financing and income from Sharia financing. Consequently, all revenues from UMi Financing are consolidated into a single category. If represented in a schematic form, the relationship between funding sources, UMi Financing, and the receivables and revenues generated from the financing can be seen in Figure 3 below:

¹⁷ Interview with Rochmat Basuki, the Ministry of Finance. Jakarta, October 7-8, 2024.

¹⁸ Financial Services Authority (Otoritas Jasa Keuangan/OJK), "Peraturan OJK No. 31/PJOK.05/2014 Tentang Penyelenggaraan Usaha Pembiayaan Syariah" (2014), <https://ojk.go.id/id/regulasi/Pages/POJK-tentang-Penyelenggaraan-Usaha-Pembiayaan-Syariah.aspx>.

¹⁹ Elimartati, "Hilah al-Syari'ah sebagai Upaya dalam Mengujudkan Maqashid Syar'iah," *Juris: Jurnal Ilmiah Syari'ah* 9, no. 1 (2010): 21–31, <https://doi.org/10.31958/juris.v9i1.735>.

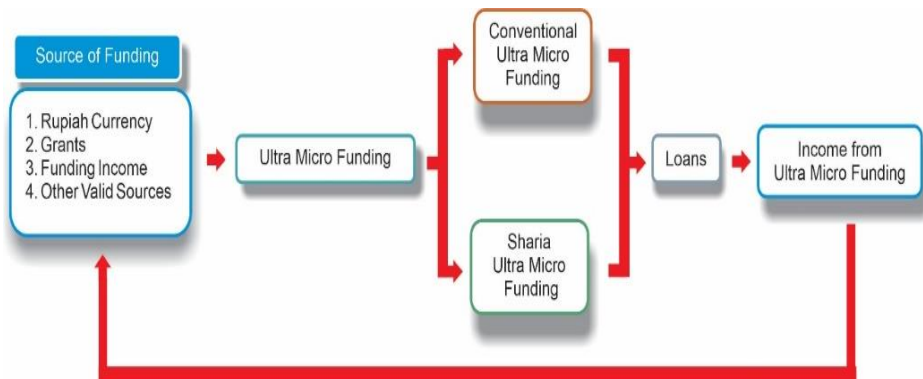
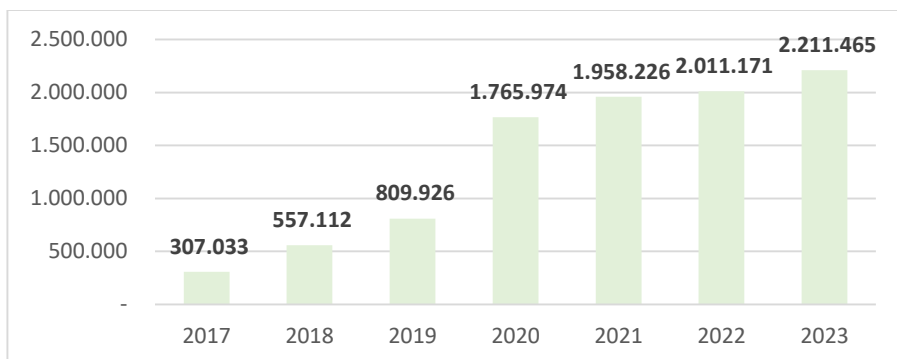


Figure 3.
UMi Financing Fund Flow and Revenue Scheme

Nationally, ultra-micro business financing across the Republic of Indonesia has consistently exceeded its targets, particularly regarding the number of UMi financing debtors from 2017 to 2023, achieving more than 100% of the established goals. Most financing is distributed through three central intermediaries: LKBB, PNM, and Pegadaian are the direct distributors, and Komida is the linkage distributor (through BAV). The target achievements for the number of ultra-micro financing debtors as of December 31, 2023, are presented in graphics 1 and table 1.



Graphics 1.
Achievement Target for the Number of UMi Financing Debtors until December 31, 2023

Table 1.
Achievement Target for the Number of UMi Financing Debtors until December 31, 2023

Year	Target of debtors	Number of debtors	%	Channeled funds (billion rupiahs)
2017	300,000	307,033	102.3	753.24
2018	500,000	557,112	111.4	1,564.29
2019	600,000	809,926	135.0	2,719.92
2020	800,000	1,765,974	220.7	6,013.34
2021	1,800,000	1,958,224	108.8	7,034.63
2022	2,000,000	2,010,589	100.5	8,135.42
2023	2,200,000	2,211,467	100.5	9,485.46
Total	8,200,000	9,620,235		35.706.30

Next, within the scope of Surakarta City, which the author has chosen as the research location, the ultra-micro financing data can be seen in Table 2.

Table 2.
UMi Financing Data in Surakarta per January 12, 2024

No.	Distributor/Linkage	Number of Debtors	Distributed Funds (IDR)
1	Mitra Dhuafa Cooperative	57	170,500,000
2	Pangestu Cooperative	4	8,700,000
3	Nur Insani Sharia Cooperative	304	701,000,000
4	Pegadaian, Ltd.	31	260,590,000
5	PNM, Ltd.	5,057	18,921,680,090
	Total	5,453	20,062,470,090

From the 5,453 debtors spread across Surakarta City, the author conducted research through direct interviews with nine debtors who received ultra-micro financing from distributors/financial institutions (LKBB) operating in Surakarta City. In addition to interviewing the debtors, the author collected data on Sharia financing contracts between the aforementioned debtors and the LKBB, acting as the distributor of the ultra-micro financing they received. To further refine and comprehensively strengthen the research, the author also obtained data on Sharia financing contracts and Sharia agreements between PT. BAV and its linkage institutions and legal division BLU PIP.

Customers have five obligations in the ultra-micro Sharia financing agreement between PT. PNM and debtors in Surakarta City. First, pay weekly installments according to the obligation based on the selling price. Second, use

funds according to the *wakāla* contract. Third, business profits should be utilized for family welfare. Fourth, be jointly responsible if customers in the group do not fulfill their obligations. Fifth, comply with and accept all decisions/regulations applicable at PNM.

Meanwhile, creditors (PNM) have three obligations. First, funds should be provided to purchase goods according to the contract. Second, the voluntary deposit and liability funds should be returned after the customer pays off the financing. Third, inform the remaining deposit funds and liability funds after being reduced by the remaining financing arrears. By signing the *murābaḥa* contract, the customer agrees to all costs arising from managing voluntary deposit funds and/or liability funds as stipulated. From the details of the three categories, it can be seen that the funds received by the customer at the time of disbursement are not 100% intact because there are deductions. The results of interviews conducted with creditors stated that: "the disbursed funds are not provided in full; PNM retains 10%, and the recipient receives cash rather than goods".²⁰ This aligns with the provisions of the *wakāla* contract, which states: "On this day ----, date ----, PNM authorizes the customer to purchase goods as listed (attached) at a purchase price of Rp----,00 according to their needs". This indicates that the *murābaḥa* and *wakāla* contracts are executed simultaneously, with the *murābaḥa* agreement occurring without any physical goods being sold. After the ultra-micro financing is disbursed, and following the completion of both *murābaḥa* and *wakāla* contracts, the customer subsequently purchases the goods and submits a receipt as evidence of the purchase based on the agreed *wakāla*.²¹

The fund distribution for this (rather than goods) is carried out under the *Wadī'a* principle. In essence, it should not be deemed *wadī'a*. It is not *Wadī'a*, an error in applying the Sharia principle. Implementing and monitoring Sharia principles in Sharia financing and funding is a highly urgent and prioritized thing to implement. Supervision is needed to find fraudulent practices (such as naming programs Sharia even though it does not comply with the Sharia or making *ḥīla* or trick mechanisms to trick the Sharia principles). This is what becomes the essence of *maqāṣid al-sharī'a*.

²⁰ Interviews with Gusti Ian, the debtors of Legacy Textile-Clothing Trader, Keprabon Banjarsari Surakarta, June 8, 2024.

²¹ Interview with Ananto Seno, the Manager of LKBB (PT. Permodalan Nasional Madani), Surakarta, June 22, 2024.

By signing this *murābaḥa* contract, the customer agrees to the management of voluntary deposited funds and/or accountability funds by PNM if, within 2 (two) years after the customer's settlement or death, the customer/heirs cannot be located/refuse the return; By signing this *murābaḥa* contract, the customer agrees to all cost consequences arising from the management of voluntary deposited funds and/or accountability funds as stated." From the details of these three categories, it is evident that the funds received by the customers during disbursement are not 100% intact, as there are deductions. This aligns with the results of interviews conducted with the creditor, where it was stated that:

"The disbursed funds are not provided in full; PNM retains 10%, and the recipient receives cash rather than goods".²² This aligns with the provisions of the *wakāla* agreement. The customer is required to submit proof of the purchase no later than fifteen days after the financing is disbursed. This agreement is an inseparable unit from the *murābaḥa* and *wadī'a* agreements of the respective customer. Any incomplete or unclear matters will be discussed and resolved through deliberation and mutual consensus. This indicates that the *murābaḥa* and *wakāla* contracts are executed simultaneously, with the *murābaḥa* agreement occurring without any physical goods being sold. Subsequently, the customer purchases the goods and submits a receipt as evidence of the purchase based on the agreed *wakāla*.²³ In this context, the *murābaḥa* contract is executed before the *wakāla* contract, though both documents are prepared simultaneously. This demonstrates that implementing ultra-micro financing at KSP Mitra Dhuafa is a purely debt-based transaction rather than a sale-and-purchase agreement, as the customer receives cash rather than physical goods, which does not fulfill the Sharia principle.²⁴

In the Sharia UMi Financing agreement between KSPPS Nur Insani and the debtors in Surakarta. Regarding business processes, the *murābaḥa* contract document is finalized after completing the *wakāla* contract.²⁵ However, in practice, all contracts are executed simultaneously. The funds disbursed to

²² Interviews with Gusti Ian, the debtors of Legacy Textile-Clothing Trader, Keprabon Banjarsari Surakarta, June 8, 2024.

²³ Interview with Ananto Seno, the Manager of LKBB (PT. Permodalan Nasional Madani), Surakarta, June 22, 2024.

²⁴ Interview with Tri Winarsih, the debtor of LKBB (KSP Mitra Dhuafa), Surakarta, June 8, 2024.

²⁵ Interview with Muhammad Ilham Dony, the Manager of LKBB (KSPPS Nur Insani), July 3, 2024.

customers are not 100% of the financing amount, as there is a 10% deduction, leaving customers with less than 90% of the UMi financing funded.²⁶

However, in the payment schedule of the Mitra Dhuafa Cooperative, profit sharing is calculated not based on the financing margin to the debtor/member of the Mitra Dhuafa Cooperative, but based on the amount owed (total financing disbursed) multiplied by 6% and divided by 12 months.²⁷ In the category of late payment fines, it is stated that late payment of principal and profit sharing is subject to a rate of 0.5% per day. For early repayment, the provision is that it is permitted with an administration fee of 1% of the outstanding financing.

In the scheme, there is no category or clause that discusses the sharing of losses. In fact, there is a clause stating that the Liaison Institution is not allowed to declare bankruptcy or dissolve its legal entity. In fact, Member involvement increases the level of profit margin that we must apply. This institution plans to carry out financing transactions directly with BLU PIP.²⁸

The amount, purpose of utilization, and form of financing agreement states: "The recipient of financing is fully responsible for and obligated to compensate for such defaults or overdue payments." The recipient of financing is fully responsible for and obligated to compensate for such defaults or overdue payments."²⁹ In the category of *nisba* (profit sharing) and *ta'zīr* (penalty), it is stated: "The parties agree to set the *nisba* as follows: 12% for the provider of financing and 88% for the recipient of financing from gross income, equivalent to an effective rate of 2.75% per annum (p.a.) for direct disbursement models. For indirect disbursement models, the agreed *nisba* is: "33% for the provider of financing and 67% for the recipient of financing from gross income, equivalent to an effective rate of 2% per annum (p.a)." This demonstrates that the calculation of the *nisba* is based on gross income rather than net income. The monthly interest/margin obligations are calculated based on the outstanding loan principal.³⁰ This indicates that, in principle, the agreements/contracts

²⁶ Interview with Prihatin Retno Handayani, the debtor of LKBB (KSPPS Nur Insani), Surakarta, June 8, 2024.

²⁷ Information on financing agreement data between Komida (KSP Mitra Dhuafa) and PT. BAV.

²⁸ Interview with M. Maulana, the Head of Business of Central Java KSPPS Nur Insani, July 3, 2024.

²⁹ Information on sharia financing agreement data between BLU PIP and Distributor/LKBB/PT. BAV.

³⁰ Interview with Muhammad Yusuf, the Director of Funding Cooperation and Financing of BLU PIP, Surakarta, May 4, 2023.

between BLU PIP and LKBB/BAV are essentially debt agreements. In cases where LKBB/BAV incurs losses, this does not negate their obligation to repay the financing funds.³¹

In practice, it cannot be called Sharia funding, but conventional (although it is called Sharia). According to the *maqāṣid al-sharī'a* theory, this is known as *hīla*. Sharia funding for MSMEs in carrying out *mu'āmala* transactions is built under the *maṣlaḥa* principle according to the *maqāṣid al-sharī'a* theory. Islamic law does not prohibit forms of transaction except those that contain an element of injustice, such as *ribā*, hoarding (*iḥtikār*), fraud, etc., or indications that these transactions may lead to conflicts or disputes between people, such as the *gharar* (speculation).³² The main issue in *mu'āmala* is the element of benefit. This practice may be categorized as fraud, as it is called Sharia funding, though, in practice, it is conventional funding that contains *ribā* and *gharar*. Indonesia also applies the conventional system. However, naming a conventional practice as a Sharia program is a *hīla* or trick.

Legal Policy of Sharia UMi Financing from the Perspective of *Maqāṣid al-Sharī'a*

According to al-Shāṭibī, the fundamental purpose of Islamic rulings is to achieve the well-being (*maṣlaḥa*) of God's servants (*maṣāliḥ al-'ibād*), both in this world and the hereafter.³³ Meanwhile, according to Wahbah al-Zuhaylī, *maqāṣid al-sharī'a* represents the values and objectives of Islamic legal rulings that are implicitly embedded across its various provisions.³⁴ According to the theory of *maqāṣid al-sharī'a*, the main issue in *mu'āmala* is the element of *maṣlaḥa*. If there is *maṣlaḥa*, such transactions may be permitted. In this case, it is the same as the permittance of the *istithnā'* contract.³⁵ Even though it is a sales transaction where there is no object during the contract (*bay'al-ma'dūm*),

³¹ Interview with Legal Division of BLU PIP, Ministry of Finance of the Republic of Indonesia, June 24, 2024.

³² A. Hamid and D. Putra, "Pemenuhan Nafkah Keluarga dengan Bekerja di Bank Konvensional: Suatu Pendekatan Maqashid Syariah," *El-Usrah: Jurnal Hukum Keluarga* 2, no. 1 (2019): 12–23, <https://doi.org/10.22373/ujhk.v2i1.7640>.

³³ Abū Ishāq al-Shāṭibī, *Al-Muwāfaqāt fī Uṣūl al-Sharī'a*, (Cairo: Muṣṭafā Muḥammad, n.d.).

³⁴ Wahbah al-Zuhaylī, *Uṣūl al-Fiqh al-Islāmī*, (Damaskus: Dār al Fikr, 1986).

³⁵ A. Absori, "Pembangunan Hukum di Indonesia (Studi Politik Hukum Islam di Indonesia dalam Kerangka al-Masalih)," *Al-Risalah: Forum Kajian Hukum dan Sosial Kemasyarakatan* 15, no. 2 (2018): 285–295, <https://doi.org/10.30631/alrisalah.v15i02.369>.

because there are needs and benefits that will be obtained, it does not lead to conflicts. This is an example of *maqāṣid al-sharīʿa*. In Sharia funding, the system must be according to Sharia. The transactions and practice of Sharia finance funding should not be intended only to be *hīla* to permit the practice of *ribā*, gambling (*maysīr*), or speculation (*gharar*).

There must be due diligence tests and compliance tests. They cannot practice conventional funding schemes while bringing Sharia funding, as this is *hīla*. Sharia funding practices that only commit *hīla* by pretending to be according to the Sharia contain *ribā* and are practices that violate the Sharia. According to the *maqāṣid al-sharīʿa* theory, it does not truly apply the Sharia principle that must be the guidelines for its operations.³⁶

In contemporary times, Ibn 'Āshur defines the term *maqāṣid* as encompassing several meanings, including *ma'ānī* (meanings), *ḥikam* (wisdom), *awṣāf* (attributes), and general objectives.³⁷ Therefore, these terms do not include *mandūb* (recommended action) and *makrūh* (not recommended action). Likewise, the laws of worship (*'ibāda*) are more accurately called *diyāna*.³⁸ Based on the understanding of *maqāṣid al-sharīʿa* as described above, it can be concluded that *maqāṣid al-sharīʿa* are the fundamental values and principles underlying the Sharia laws that govern human interactions, the benefits (*maṣlaḥa*) intended to be achieved through these laws, the distinctive characteristics that signify their excellence, and the legal rules designed to realize the intended benefits.³⁹

According to Ibn Asyur, every step in the *istinbāt* (extraction of law from the text) process must always refer to the *maqāṣid al-sharīʿa*: general and specific. General *maqāṣid* is characteristics that show excellence, general goals, and values that can always be found in every or most of sharia laws, including *al-fītra*, *al-samāha*, *al-maṣlaḥa*, and universality of law, with the following

³⁶ W. Yuspin et al., "The Law Alteration on Artificial Intelligence in Reducing Islamic Bank's Profit and Loss Sharing Risk," *Legality: Jurnal Ilmiah Hukum (Scientific Journal of Law)* 30, no. 2 (2022): 267–282, <https://doi.org/10.22219/ljih.v30i2.23051>.

³⁷ K. Wardiono, "Prophetic: An Epistemological Offer for Legal Studies," *Journal of Law and Justice* 1, no. 1 (2019): 17–41, <https://doi.org/10.23917/jtl.v1i1.8797>.

³⁸ M. Umair and H. A. Said, "Fazlur Rahman dan Teori Double Movement: Definisi dan Aplikasi," *Al-Fahmu: Jurnal Ilmu Al-Qur'an dan Tafsir* 2, no. 1 (2023): 71–81, <https://doi.org/10.58363/alfahmu.v2i1.26>.

³⁹ F. E. Wafa, "Implikasi Teori Maqasid al-Syari'ah al-Syatibi terhadap Perilaku Konsumen," *Jurnal Hadratul Madaniyah* 9, no. 1 (2022): 38–47, <https://doi.org/10.33084/jhm.v9i1.3717>.

explanation.⁴⁰ *Al-fiṭra* (nature) upholds noble values and truth, but various external factors and influences can divert individuals from this inherent nature. These influences can cause individuals to lose recognition of their nature.⁴¹

Al-samāḥa is a commendable attitude of moderation in *mu'āmala* (social interactions), positioned as a balanced stance between two extremes: excessive strictness and excessive leniency, as illustrated in the Prophet's ḥadīth narrated by Jābir: "May Allah have mercy on a man who is tolerant when selling, buying, and settling disputes."⁴² *Al-samāḥa* embodies ease, tolerance, and moderation, meanings based on the explanation above.

Al-maṣlaḥa, as a noun that denotes a place, signifies something with substantial benefit, a point where numerous benefits converge.⁴³ Based on its urgency or the strength of its role in achieving public welfare, *al-maṣlaḥa* is categorized into three levels: *ḍarūriya* (necessities), *ḥājīya* (complementary needs), and *taḥsīniya* (enhancements). According to Ibn 'Āshur, citing al-Ghazzālī, *al-maṣlaḥa al-ḍarūriya* includes protecting the religion, life, intellect, property, and lineage.⁴⁴ The five essential benefits (*al-ḍarūriya al-khams*) constitute the most fundamental needs of human life, emphasized by all divine religions for their preservation.

The universality of Sharia is not an implausible notion, as the foundation of its partial rulings in *ḥikma* and logical reasoning (*'illa*). These principles align with human *fiṭra*, making them easily recognizable and acceptable to those accountable (*mukallaḥ*), regardless of time and place.⁴⁵ Islam unites all its adherents within a framework of global and universal brotherhood, as

⁴⁰ I. Fauzi, "Mengungkap Dinamika Hukum Islam: Telaah Kritis terhadap an Introduction to Islamic Law Karya Wael B. Hallaq," *Al-Mazaahib: Jurnal Perbandingan Hukum* 12, no. 2 (2025): 248–63, <https://doi.org/10.14421/al-mazaahib.v12i2.4082>.

⁴¹ S. Wibowo et al., "Islamic Nomocracy: From the Perspectives of Indonesia, Spain and Russia," *Legality: Jurnal Ilmiah Hukum* 31, no. 1 (2023): 91–111, <https://doi.org/10.22219/ljih.v31i1.25358>.

⁴² Al-Bukhārī, *Ṣaḥīḥ al-Bukhārī* (Beirut: Dār Ibn Kathīr, 2017).

⁴³ H. Fauzan and D. H. Imawan, "Pemikiran Maqashid Syariah Tahir Ibn Asyur," *Al-Mawarid Jurnal Syariah dan Hukum (JSYH)* 5, no. 1 (2023): 101–114, <https://doi.org/10.20885/mawarid.vol5.iss1.art7>.

⁴⁴ E. Syaputra, "Perilaku Konsumsi Masyarakat Modern Perspektif Islam: Telaah Pemikiran Imam al-Ghazālī dalam Iḥyā' Ulumuddīn," *Falah: Jurnal Ekonomi Syariah* 2, no. 2 (2017): 144–145, <https://doi.org/10.22219/jes.v2i2.5102>.

⁴⁵ Fauzan and Imawan, "Pemikiran Maqashid Syariah Tahir Ibn Asyur."

expressed in the Qur'an Sūrah al-Ḥujura (49): 10. Among the core principles of brotherhood are equality and the equal rights of every individual, despite their differences, a primary characteristic within Sharia and its *maqāsid*.

About the universality of Sharia, the *maqāsid al-sharī'a* of both *taklīfī* (prescriptive) and *wad'ī* (descriptive) laws lies in the implementation of rulings that remain relevant to every circumstance, characteristic, and action forming part of the conduct of mukallaf, and the visual manifestation of the activity itself is merely a tool for identifying the substantive reasoning behind the legislation (*tashrī'*) of a law.⁴⁶

Some rules can be used to determine the substance of a business transaction, whether it is usury or not, including:⁴⁷ All debts that generate benefits are classified as *ribā*.⁴⁸ Ibn Qudāmah states that any debt that stipulates an excess amount upon repayment is categorically prohibited without any disagreement among scholars. An addition (in repayment) of debt in exchange for extending the payment period constitutes *ribā*. In this term, al-Qurṭubī stated that the Muslims unanimously agree that any agreed-upon addition constitutes *ribā*.⁴⁹ The prohibition of usury is related to the rights of Allah, not only the rights of His creatures.⁵⁰ Allah forbade such acts for the benefit of His servants. When these prohibitions are violated, even with mutual consent, they are still not considered valid.

In organizing Islamic financing activities, the Indonesian government, through the OJK, has established regulations that must be adhered to by banking and non-banking institutions and individuals across the country in conducting Islamic financing transactions.⁵¹ These regulations include Regulation Number

⁴⁶ Maharani, "Pemikiran Ibnu Asyur tentang Maqashid Syariah dalam Ekonomi Kontemporer."

⁴⁷ I. Permani and I. Iskandar, "As-Syatibi Economic Thinking," *Jurnal Mediasas: Media Ilmu Syari'ah dan Ahwal Al-Syakhsiyah* 5, no. 1 (2024): 45–61, <https://doi.org/10.mmdss.510/6352>.

⁴⁸ S. Suciyani and F. Mamaeng, "Exploring Maqāsid al-Sharī'ah in the OIC's Role in Addressing Muslim Minority Conflicts: A Case Study of Pattani, Thailand," *Al-Ahkam: Jurnal Ilmu Syari'ah dan Hukum* 9, no. 1 (2024): 14–28, <https://doi.org/10.22515/alahkam.v9i1.8141>.

⁴⁹ Ibn 'Āshur, *Al-Taḥrīr wa al-Tanwīr* (Beirut: Maktabah Ilmiyah, 2014).

⁵⁰ K. Lukiyanto and M. Wijyaningtyas, "Gotong Royong as Social Capital to Overcome Micro and Small Enterprises' Capital Difficulties," *Heliyon* 6, no. 9 (2020), <https://doi.org/10.1016/j.heliyon.2020.e04879>.

⁵¹ M. Murniati, "Level of Maqasid Ul-Shari'ah's in Financial Reporting Standards for Islamic Financial Institutions," *Journal of Islamic Accounting and Business Research* 12 no. no. 1 (2020): 60-77, <https://doi.org/10.1108/JIABR-03-2020-0090>.

31/PJOK.05/2014 on the Implementation of Islamic Financing Business Activities and the rulings (*fatwā*) issued by the DSN-MUI, tailored to specific issues in this field.⁵²

As for specific *maqāṣid*, it is the procedure desired by *al-Shārī'* to protect the general welfare of humans in their activities. It is so that their efforts for personal interests do not damage everything that has been used as a foundation to realize their general welfare, either due to negligence, lust, or deviant desires. Specific *maqāṣid*, which are used as a reference in the legal implications of *mu'āmalah*, which are directly related to the research object, only include *maqāṣid al-sharī'a* in commercial law. Ibn 'Āshur put forward five specific *maqāṣid al-sharī'a* in the circulation of wealth or commerce: *al-rawaj* (distribution of wealth in a legitimate manner to as many people as possible and not limited to specific groups only.), transparency, protection of assets, legal certainty of ownership, and justice.⁵³

Sharia mandates that commercial transactions and similar activities involving the transfer of ownership must have a legal basis.⁵⁴ It is evident from the requirements for witnesses and written documentation⁵⁵ contained in Surah al-Baqarah (2): 282.⁵⁶ The legal validity of the transaction is intended to protect two things.⁵⁷ First, to protect the exclusive rights of the asset owner to utilize and obtain benefits from his assets. Second, to ensure that management's exclusive rights and freedom are not revoked or transferred without their consent.⁵⁸

⁵² 'Āshur, *Al-Taḥrīr wa al-Tanwīr*.

⁵³ K. M. Arif, "Pengaruh Maqashid Syariah terhadap Fiqh Muamalah dan *Fatwā* dalam Mewujudkan Moderasi Islam," *El-Arbah: Jurnal Ekonomi, Bisnis dan Perbankan Syariah* 4, no. 1 (2020): 1–16, <https://doi.org/10.34005/elarbah.v4i01.1054>.

⁵⁴ Kususiyanah, Wahid, and Saputra, "Operational Permits and Brandings of Savings and Loan Cooperatives and Sharia Financing (KSPPS) in Legal Validity Perspective."

⁵⁵ Arif, "Pengaruh Maqashid Syariah terhadap Fiqh Muamalah dan Fatwa dalam Mewujudkan Moderasi Islam."

⁵⁶ A. Baehaqi, M. Nur A. Birton, and Fahmi Ali Hudaefi, "Time Value of Money in Islamic Accounting Practice: A Critical Analysis from Maqashid al-Sharī'ah," *Journal of Islamic Accounting and Business Research*, 2020, <https://doi.org/10.1108/JIABR-09-2018-0155>.

⁵⁷ Arief Budiono, "Penerapan Prinsip Syariah pada Lembaga Keuangan Syariah," *Law and Justice* 2, no. 1 (2017): 54–65, <https://doi.org/10.23917/laj.v2i1.4337>.

⁵⁸ S. I. Jarbou, A. Irimia-Dieguez, and M. Prieto-Rodríguez, "Financial Performance of Islamic and Conventional Banks in MENA Region: A GLS Approach," *Journal of Islamic Accounting and Business* (2024), <https://doi.org/10.1108/JIABR-11-2023-0380>.

The conceptual framework for formulating legal policies regarding Sharia ultra-micro financing from the perspective of *maqāṣid al-sharī'a* can be illustrated in Figure 4:



Figure 4.
Conceptual Framework

In the ultra-micro Sharia financing agreement between PT. PNM and debtors in Surakarta City, it was found that based on the details of the three classifications, it was seen that the funds received by customers at the time of disbursement were not fully 100% but were subject to a deduction.⁵⁹ PNM retains 10%, and the disbursed amount is in cash, not goods.⁶⁰ This condition does not align with the *maqāṣid al-sharī'a* and the *maqāṣid* of justice.⁶¹

In the ultra-micro Sharia financing contracts between KSP Mitra Dhuafa and debtors in Surakarta, it was observed that the *murābaḥa* contract in this non-

⁵⁹ A. H. Hurriah and S. Mansyur, "Potential Contribution of Sharia Micro Financing on Poverty Reduction in Slum Communities in Makassar," *Jurnal Hukum Ekonomi Sharia (Legal Journal on Sharia Economy)* 3, no. 2 (2019), <https://doi.org/10.26618/j-hes.v3i2.2928>.

⁶⁰ Interviews with Gusti Ian, the debtors of Legacy Textile-Clothing Trader, Keprabon Banjarsari Surakarta, June 8, 2024.

⁶¹ Interview with Ananto Seno, the Manager of LKBB (PT. Permodalan Nasional Madani), Surakarta, June 22, 2024.

bank financial institution (LKBB) was executed prior to the *wakāla* contract or, in documentation, conducted simultaneously with the *wakāla* contract.⁶² This arrangement does not align with the principles of Sharia objectives (*maqāṣid al-sharī'a al-fiṭra*), the preventive principle (*sadd al-dharī'a*), the substantive nature of the law, or the principle of justice.⁶³ Substantively, the distribution of UMi Financing in this LKBB takes the form of *qard* (debt).⁶⁴

In the ultra-micro sharia financing contracts between PT. BAV and the linkage non-bank financial institutions (LKBB), such as KSP Mitra Dhuafa in Surakarta, it was found that the profit-sharing obligations of KSP Mitra Dhuafa were calculated not based on the financing margin from its members/debtors but on the outstanding financing amount multiplied by 6% divided by 12 months. It was stated, "Permitted but subject to an administrative fee of 1% of the outstanding financing amount."⁶⁵ These conditions also fail to align with the principles of *maqāṣid al-sharī'a al-fiṭra*, *sadd al-dharī'a*, legal substance, or fairness.⁶⁶

In the ultra-micro Sharia financing contracts between PT. BAV and the linkage non-bank financial institutions (LKBB), such as KSP Mitra Dhuafa in Surakarta, it was found that the profit-sharing obligations of KSP Mitra Dhuafa were calculated not based on the financing margin from its members/debtors but on the outstanding financing amount multiplied by 6% divided by 12 months.⁶⁷ These conditions also fail to align with the principles of *maqāṣid al-sharī'a al-fiṭra*, *sadd al-dharī'a*, legal substance, or fairness.

A statement from the LKBB partner managers of PT. BAV supports this finding:

"We have a direct relationship with BLU PIP through Koperasi Mitra Dhuafa (Komida) in Aceh. They have directly entered into financing agreements with BLU PIP. We are hesitant to separate from PT. BAV in the financing agreement

⁶² Interview with Bambang Supriyanto, the Manager of LKBB (KSP Mitra Dhuafa), Kartasura, June 4, 2024.

⁶³ Interview with Tri Winarsih, the debtor of LKBB (KSP Mitra Dhuafa), Surakarta, June 8, 2024.

⁶⁴ Muttaqin and Hartono, "Implementasi Penerapan Pembiayaan Ultra Mikro di BMT-UGT Sidogiri."

⁶⁵ Information on financing agreement data between Komida (KSP Mitra Dhuafa) and PT. BAV.

⁶⁶ Aisyah Pulungan and Adenan Adenan, "Pandangan Wahbah Az-Zuhaili tentang Hijab Style: Studi Relevansi pada Mahasiswi Fakultas Ushuluddin dan Studi Islam UIN Sumatera Utara Medan," *Jurnal Semiotika-Q: Kajian Ilmu Al-Quran dan Tafsir* 4, no. 2 (2024): 907-929.

⁶⁷ Information on financing agreement data between Komida (KSP Mitra Dhuafa) and PT. BAV.

process, as our initial understanding and engagement with UMi financing came through PT. BAV. Their involvement increases the margin rates we impose. We plan to finance contracts directly with BLU PIP.⁶⁸

Apart from the direct contract, DSN-MUI has not formulated any Sharia compliance monitoring mechanisms as the law requires.⁶⁹ Thus, the Sharia funding for MSMEs is carried out without the monitoring of DSN-MUI. Therefore, there needs to be supervisory processes and mechanisms to prevent *hīla*.⁷⁰

Similarly, these contractual provisions place the entire burden of financial risk on the financing recipients in both distribution models,⁷¹ Holding them solely accountable for any defaults or payment delays within the financing arrangements.⁷² The agreement stipulated that for the direct distribution model, the parties agree to determine the profit-sharing ratio, 12% for the financing provider and 88% for the financing recipient from gross income, equivalent to an effective annual rate of 2.75% (p.a.). For the indirect distribution model, the agreement specifies that the parties agree to determine the profit-sharing ratio, 33% for the financing provider and 67% for the financing recipient from gross income, equivalent to an effective annual rate of 2% (p.a.). These ratios are calculated based on gross income rather than net income, further highlighting the potential misalignment with the fundamental principles of fairness and justice in Sharia finance.

This categorization indicates that the basis for calculating the profit-sharing ratio (*nisba*) is a percentage of gross income, not net income. This demonstrates that, in principle, the agreement (*muḍāraba muqayyada*) between BLU PIP and LKBB/BAV essentially functions as a debt contract. Even if LKBB or BAV incurs

⁶⁸ Interview with M. Maulana, the Head of Business of Central Java KSPPS Nur Insani, Surakarta, July 3, 2024.

⁶⁹ Elimartati, "Hilah al-Syari'ah sebagai Upaya dalam Mengujudkan Maqashid Syar'iah."

⁷⁰ Abdul-Rahim Ruzita, "The Effects of Foreign Currency Exposure and Shari'ah-Compliant Status on Financial Hedging Strategy," *International Journal of Islamic and Middle Eastern Finance and Management* 16, no. 2 (2022): 323–42, <https://doi.org/10.1108/IMEFM-08-2021-0352>.

⁷¹ H. H. Adinugraha, A. T. Surur, and D. Achmad, "Enhancing the Legal Framework: Optimizing Zakat as an Income Tax Deduction in Indonesia," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 9, no. 2 (2024): 130–153, <https://doi.org/10.22515/alakhkam.v9i2.10212>.

⁷² Information on sharia financing agreement data between BLU PIP and Distributor/LKBB/PT. BAV.

losses, they must fully repay the financing funds.⁷³ This practice contradicts key principles of *maqāṣid*, *maṣlaḥa*, legal substance, and *sadd al-dharīʿa*.⁷⁴

Based on all the data and discussions above, it is evident that the Ultra Micro Sharia Financing agreements/contracts, whether between BLU PIP and distributors (LKBB/PT. BAV), between LKBB and UMi debtors, between PT. BAV and linkage LKBB, or between linkage LKBB and UMi debtors, are not yet aligned with the principles of *maqāṣid*. Therefore, the author proposes a concept for Sharia UMi Financing policies that align with the perspective of *maqāṣid al-sharīʿa*, as illustrated in Figure 5.

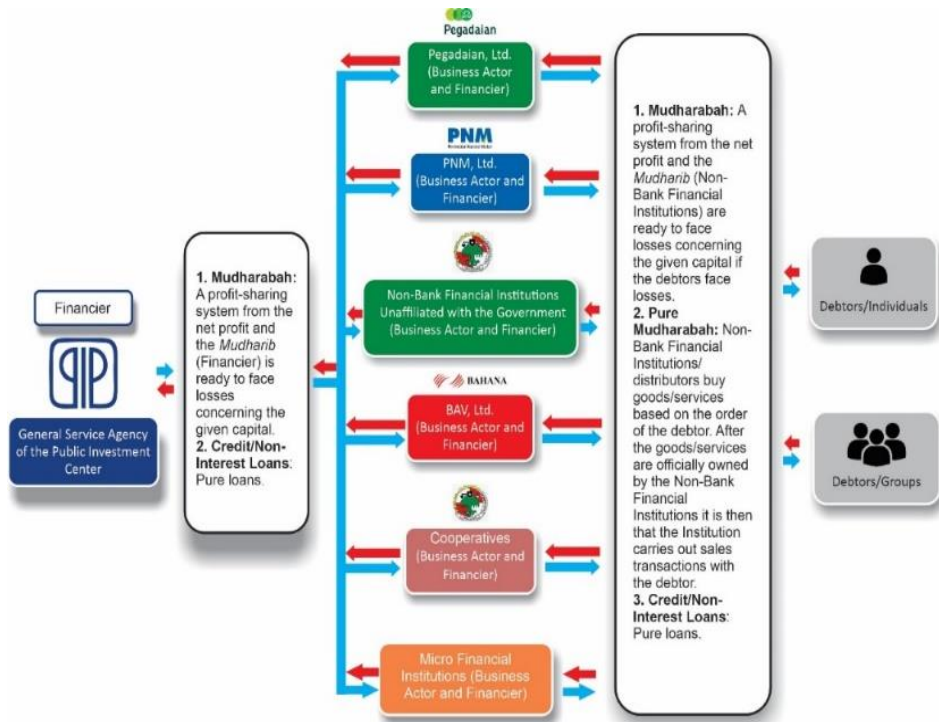


Figure 5.
Concept of Legal Policy on Islamic UMi Financing from the Perspective of *Maqāṣid al-Sharīʿa*

⁷³ Interview with the Legal Division of BLU PIP, Ministry of Finance of the Republic of Indonesia, June 24, 2024.

⁷⁴ Abdullah Qasem, "Common Conceptual Flaws in Realizing Maqasid al-Sharīʿah vis-a-vis Islamic Finance," *ISRA International Journal of Islamic Finance* 14, no. 2 (2022): 190–205.

There are seven things related to Figure 5 above. First, the blue arrow indicates the flow of ultra-micro Sharia financing from BLU PIP under the Ministry of Finance through distributor LKBB to the debtors/customers. Second, the red dashed arrow represents the flow of credit repayments/profit-sharing returns from the debtors/customers through the distributor LKBB to BLU PIP under the Ministry of Finance. Third, the mechanism of indirect ultra-micro Sharia financing through PT. BAV and linkage LKBB are eliminated, reducing the risk of *ribā* transactions and lightening the profit-sharing/margin burden on the distributor LKBB and debtors. Fourth, temporarily halting *murābaḥa* bil *wakāla* transactions, as *wakāla* arrangements often become a source of *ribā* and dishonesty. Fifth, if BLU PIP under the Ministry of Finance and the distributor LKBB intend to implement ultra-micro Sharia financing, they must strictly adhere to Sharia principles regulated by the OJK (Regulation No. 31/POJK.05/2014 on Sharia Financing Business Operations) and the *fatwās* of the DSN-MUI by the chosen financing transaction type. Sixth, the Ministry of Finance must revise regulations aligning with Sharia principles for the legal policy on ultra-micro Sharia financing. Lastly, the Sharia Council within each Sharia-based LKBB should ensure that all ultra-micro Sharia financing transactions conducted by their institutions adhere strictly to Sharia principles.

Conclusion

From the discussion above, it can be concluded that the main findings regarding the legal policy on the Sharia UMi Financing and its implementation in Surakarta City are still based on the principle of usury, where the basic concept of the Sharia UMi Financing that the government carries out currently still uses the concept of debt that brings benefits in the form of profits (profit sharing or margin). The income tariff from the Sharia UMi Financing is in the form of a margin or predetermined profit sharing required at the contract's start. Then, there is a fine imposition clause in case of lateness. Normatively, based on the *fatwā* provisions of the DSN-MUI as well as the rules of Islamic law on *mu'āmalah* based on the *ḥadīth* discussed in the results and discussion section, debt transactions that bring profit (interest/margin/profit sharing) as well as late fees are categorized as prohibited usury transactions. Profit sharing in the current *muḍārabah* contract is not the concept of net profit sharing (ready for profit or loss). However, it is calculated based on the initial loan principal. Sharia UMi Financing channeled through the *murābaḥah* financing contract is also carried out without the existence or materialization of the goods or services sold in the transaction or the goods or services that are the object of the financing.

Thus, in principle, they have not become the seller's (creditor's rights. Ultimately, the authors offer some recommendations to achieve mutual benefit (*maṣlahah*) in the world and the hereafter. First, eradicate the indirect Sharia UMi Financing through PT. BAV and LKBB linkage. This is because, apart from closing the doors to usury, it may also lighten the margin burden of channeling LKBB and debtors/customers. Second, temporarily terminate the *murābaḥa bi al-wakāla* transaction, as it becomes a source of usury and dishonesty. Third, if the BLU PIP of the Ministry of Finance and the channeling LKBB apply for the Sharia UMi Financing by implementing the *muḍāraba* transaction model (*muḍāraba muqayyada* funding contract). The BLU PIP of the Ministry of Finance and the channeling LKBB must comply with the Sharia principles regulated in the *fatwā* of DSN-MUI and OJK number No. 31/PJOK.05/2014 on the Establishment of the Sharia Funding Business. Finally, the BLU PIP of the Ministry of Finance and the channeling LKBB that do not yet have a Sharia supervisory assembly need to create such an institution that can guarantee that all of its Sharia UMi Financing transactions are truly carried out based on Sharia principles.[a]

Acknowledgments

We thank the Ministry of Religious Affairs of the Republic of Indonesia, especially the Indonesia Bangkit Scholarship (BIB) and the Education Fund Management Agency (LPDP), for fully funding this research. We would also like to thank the leadership of BAZNAS RI for supporting and helping to provide the information needed to complete this research.

Author Contribution Statement

Tri Diatmoko: Conceptualization; Funding Acquisition; Writing Original Draft.

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Arief Budiono: Formal Analysis; Resources; Visualization; Writing, Review, and Editing.

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