

Implementation of Sharia Principles in Financing Practices at Islamic Microfinance Institutions

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Abstract: This study aims to analyze the implementation of sharia principles in financing practices within Islamic Microfinance Institutions (LKMS), specifically Baitul Maal wat Tamwil (BMT), Islamic Savings and Financing Cooperatives (KSPPS), and Islamic Micro Waqf Banks (BWM). A descriptive qualitative approach was employed through in-depth interviews, observations, and document analysis, involving managers, financing officers, Sharia Supervisory Board (DPS) members, and clients at three LKMS in the research area. The findings indicate that, in general, sharia principles have been implemented in accordance with established guidelines, particularly through the use of murabahah, mudharabah, musyarakah, and qardhul hasan contracts. However, financing portfolios in BMT and KSPPS are dominated by murabahah contracts, resulting in a suboptimal implementation of the risk-sharing concept, while BWM, with its qardhul hasan model, exhibits a relatively higher level of sharia compliance. Price and cost transparency in murabahah contracts is generally well documented, although in several cases the verbal explanations of administrative fees and late-payment consequences remain limited. DPS plays a significant role in approving and reviewing contracts, yet its supervision tends to be document-oriented rather than actively involved in field-level financing processes. Key supporting factors for sharia implementation include management awareness of sharia compliance, the availability of standard operating procedures and contract templates, regulatory support, and the close relationship between LKMS and their communities; conversely, major challenges comprise the dominance of murabahah contracts, limited capacity and intensity of DPS supervision, low sharia financial literacy among clients, and insufficient use of information technology. The study highlights the need to strengthen the role of DPS, diversify profit-and-loss sharing contracts, enhance sharia financial literacy,

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and leverage digital technology so that LKMS become more aligned with sharia principles and the objectives of maqashid sharia in promoting justice and sustainable economic empowerment.

Keywords: Sharia principles; Financing; Islamic Microfinance Institutions; Sharia Supervisory Board; Contracts.

Introduction

The development of Islamic financial institutions in Indonesia has strengthened over the last two decades, in line with the Muslim community's growing awareness of the importance of a financial system aligned with Islamic values.¹ Islamic microfinance institutions (LKMS) such as Baitul Maal wat Tamwil (BMT), Sharia Savings and Loan and Financing Cooperatives (KSPPS), and Micro Waqf Banks (BWM) are present as institutions that bridge the need for access to financing for micro and small business actors who have been underserved by formal financial institutions. The existence of LKMS is intended not only to provide financial services but also to serve as an instrument for economic empowerment based on the principles of justice, togetherness, and independence.²

Sharia principles in financing do not solely regulate the technical aspects of transactions; they also encompass substantive values such as justice (*al-'adl*), honesty (*shidq*), trust, and benefit (*maslahah*).³ The sharia financing products commonly used in MFIs such as *murabahah*, *mudharabah*, *musyarakah*, *ijarah*, and *qardhul hasan* are designed to avoid the practice of *riba*, *gharar* (ambiguity), and *maisir* (speculation), which are expressly prohibited in Islamic teachings.⁴ In this context, the implementation of sharia principles is a key factor in maintaining public trust while determining the sustainability of MFIs as an institution that carries sharia identity.⁵

¹ Zaimah Azzahro, Nurul Aisyah, Agus Priyatna, dan Rakhan Tubagus Faizal, "Penerapan Prinsip Ekonomi Islam dalam Operasional BMT sebagai Lembaga Keuangan Mikro Syariah," *SANTRI: Jurnal Ekonomi dan Keuangan Islam* 3, no. 3 (2025): 254–271.

² Hasan, I., Noor, J., dan Halim, Z., "The Role of BMT in Promoting Microfinance: Evidence from Indonesia," *Journal of Islamic Economics and Finance* (2019).

³ Fitri, M., "Prinsip Kesyariahan dalam Pembiayaan Syariah," *Economica: Jurnal Ekonomi Islam* (2015).

⁴ Mahmoud El-Gamal, *Islamic Finance: Law, Economics, and Practice* (Cambridge: Cambridge University Press, 2018); Abdul Shomad, *Hukum Islam: Penormaan Prinsip Syariah dalam Hukum Indonesia* (Jakarta: Kencana, 2010).

⁵ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

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Normatively, the sharia compliance framework in the MFI has gained a strong foundation through the fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) and related authority regulations. The DSN-MUI fatwa regulates various financing contracts, including murabahah, mudharabah, musyarakah, ijarah, and qardh, which are the main references for the operations of Islamic financial institutions in Indonesia.⁶ On the other hand, the regulations of the Financial Services Authority (OJK) and the Ministry of Cooperatives provide institutional and governance guidelines for BMT, KSPPS, and BWM, including the obligation to establish a Sharia Supervisory Board (DPS) to ensure operational compliance with sharia principles.⁷ Thus, theoretically, MFIs have adequate normative tools to implement sharia principles in financing practices.

However, various studies show that there is still a gap between normative provisions and operational practices in the field. Puspita Ningrum found that MFIs tend to dominate the use of murabahah contracts because they are considered simpler and have less risk, while profit-sharing-based contracts such as mudharabah and musharakah are relatively less optimized.⁸ This results in the concept of risk sharing which is a characteristic of Islamic finance has not been implemented optimally.⁹ On the other hand, other research indicates that in the practice of murabahah contracts, there are still problems of price and cost transparency, as well as limitations in detailed explanations to customers regarding their rights and obligations.¹⁰ These findings hint at the potential for "sharia formalization", i.e. the formal use of sharia terms and contracts, but do not fully reflect the spirit and purpose of sharia in transactions.

⁶ Dewan Syariah Nasional-Majelis Ulama Indonesia, *Himpunan Fatwa DSN-MUI* (Jakarta: DSN-MUI, berbagai tahun).

⁷ Alika Rahmalia dkk., "Peran dan Implementasi Fikih Lembaga Keuangan Mikro Syariah di Indonesia," *Gunung Djati Conference Series* (t.t.).

⁸ Ririn Tri Puspita Ningrum, "Implementasi Aksioma Etik Praktik Financing pada Lembaga Keuangan Mikro Syariah sebagai Upaya Mewujudkan Sustainable and Responsible Investment di Indonesia," *WADIAH* 2, no. 1 (2018): 47–55.

⁹ Iqbal, Z., dan Mirakhor, A., *Risk Sharing in Finance: The Islamic Finance Alternative* (Chichester: Wiley, 2020).

¹⁰ Yuliana dan Herinawati, "Implementasi Prinsip Syariah dalam Pembiayaan Usaha Mikro Kecil dan Menengah (Studi di PNM Mekaar Syariah Blang Mangat)," *Suloh: Jurnal Fakultas Hukum* (t.t.).

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In addition to the contract aspect, the literature also highlights the challenges of implementing sharia principles related to governance and institutional capacity. Studies on Islamic Corporate Governance in MFIs show that, although sharia governance structures have been established, the role of DPS in operational supervision is often more formal and documented than actively overseeing the financing process in the field.¹¹ In many cases, DPS focuses more on verifying contract documents and written policies, while involvement in feasibility analysis, mentoring, and monitoring of financing remains limited. This condition has the potential to create space for practices that are not in line with sharia principles, even though administratively it appears to be in accordance with the provisions.

Another factor that is no less important is the low level of Islamic financial literacy among MFI customers. Muhammad and Alimin noted that most customers do not fully understand the fundamental difference between sharia financing and interest-based loans, so there is often a perception that sharia financing is just a “changing term” with no substantial differences.¹² This limited understanding has implications for customers' weak bargaining position in contracts, limited participation in determining financing schemes, and low awareness of the principle of honesty in business reporting, which underpins the profit-sharing mechanism. On the other hand, from an institutional perspective, the limited capacity of human resources and infrastructure, including information technology, is also an obstacle to ensuring the consistent and measurable implementation of Sharia principles.¹³

In fact, a number of studies show that the consistent application of sharia principles is not only related to legal and normative compliance aspects, but also has a positive effect on financial performance and the sustainability of customers' businesses. Lestari and Nisa, through a literature review on murabahah financing in Islamic banks, found that implementing sound sharia principles in financing products improves the financial performance of

¹¹ Sophia Laila Nugraha dan Hikmah Endraswati, “Analisis Implementasi Islamic Corporate Governance pada Lembaga Keuangan Mikro Syariah Berbasis Pesantren,” *I-Finance: A Research Journal on Islamic Finance* 8, no. 2 (2022): 119–136.

¹² Muhammad dan Alimin, *Etika dan Perlindungan Konsumen dalam Ekonomi Islam* (Yogyakarta: BPFE, 2004).

¹³ N. Djamil, *Akuntansi Terintegrasi Islam: Alternatif Model dalam Penyusunan Laporan Keuangan*, JAAMTER (2023).

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MSMEs.¹⁴ Iqbal and Mirakhor emphasized that the concept of risk sharing in Islamic finance can create an incentive structure that is fairer and more stable than interest-based systems, especially for small business actors who are vulnerable to income fluctuations. The findings indicate that strengthening the implementation of sharia principles in LKMS is important not only for compliance but also for business sustainability and community economic empowerment.

Given the strategic role of MFIs as the spearhead of Islamic financial inclusion and the economic empowerment of people, an in-depth analysis of the implementation of sharia principles in financing practices is essential. This study seeks to examine how sharia principles are implemented in financing practices in BMT, KSPPS, and BWM, focusing on the suitability of contracts, financing mechanisms, the role of DPS, as well as the supporting and inhibiting factors faced. Unlike most previous studies that focused on a single institution type or contract type, this study offers a comparative perspective across MFI types and emphasizes the relationship among normative frameworks, operational practices, and the goals of sharia maqashid in the context of microfinance. Thus, this research is expected to fill the empirical gap between the ideal of sharia principles and the reality of financing implementation at the grassroots level, and to provide constructive recommendations for strengthening sharia compliance in MFIs.

Methodology

This study uses a qualitative approach with a descriptive research type to understand in depth the implementation of sharia principles in financing practices in Sharia Microfinance Institutions (LKMS).¹⁵ The research was carried out on three types of MFIs, namely Baitul Maal wat Tamwil (BMT), Sharia Savings and Loan and Financing Cooperatives (KSPPS), and Micro Waqf Banks (BWM) which were selected purposively based on variations in financing models and customer characteristics.¹⁶ The research subjects

¹⁴ Rindy Putri Lestari dan Fauzatul Laily Nisa, “Pengaruh Implementasi Prinsip Syariah dalam Produk Pembiayaan Murabahah Bank Syariah terhadap Kinerja Keuangan UMKM: Kajian Literatur,” *Jurnal Ekonomi Bisnis dan Manajemen* 2, no. 3 (2024): 17–29.

¹⁵ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, dan R&D* (Bandung: Alfabeta, 2019)

¹⁶ Zaimah Azzahro dkk., “Penerapan Prinsip Ekonomi Islam dalam Operasional BMT sebagai Lembaga Keuangan Mikro Syariah,” *SANTRI* 3, no. 3 (2025).

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included managers, finance staff, members of the Sharia Supervisory Board (DPS), and customers who used murabahah, mudharabah, musyarakah, and qardhul hasan contracts. Primary data were obtained through semi-structured in-depth interviews and observations of the submission process, feasibility analysis, contract signing, disbursement, and financing monitoring, while secondary data were sourced from internal institutional documents, DSN-MUI fatwas, relevant authority regulations, and academic literature on MFIs and sharia compliance. The data collection techniques included interviews, limited participatory observations, and documentation studies, allowing researchers to compare written procedures and practices from the field.

Data analysis was carried out interactively, following the stages of data reduction, data presentation, and drawing conclusions as outlined by Miles and Huberman.¹⁷ At the reduction stage, interview, observation, and document data are coded and grouped into themes such as the form of implementation of sharia principles, supporting factors, inhibiting factors, and the level of conformity of practice with sharia provisions; Furthermore, the data is presented in the form of narratives and concise tables to facilitate pattern identification and inter-institutional comparisons. The validity of the data is maintained through source triangulation (comparing information from management, DPS, and customers) and method triangulation (testing the consistency between interviews, observations, and documents), accompanied by member checks limited to a few key sources. This research also adheres to the principles of research ethics by requesting informed consent, maintaining the confidentiality of respondents' identities, and using data solely for scientific purposes, in line with the value of trust and 'adl in the perspective of sharia.¹⁸

Result & Discussion

1. Gambaran Umum LKMS di Lokasi Penelitian

This research involves three types of Sharia Microfinance Institutions (MFIs): Baitul Maal wat Tamwil (BMT), Sharia Savings and Loan and Financing Cooperatives (KSPPS), and Micro Waqf Banks (BWM), each with different

¹⁷ Miles, M. B., dan Huberman, A. M., *Qualitative Data Analysis* (California: Sage, 1994).

¹⁸ Muhammad dan Alimin, *Etika dan Perlindungan Konsumen dalam Ekonomi Islam* (Yogyakarta: BPFE, 2004).

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institutional characteristics and customer segments. BMT at the research site focuses on financing services for community-based micro-business actors by combining social functions (management of zakat, infaq, and alms) with commercial functions. The KSPPS studied is more likely to provide financing to small traders and other business actors in the trade sector through a variety of murabahah, ijarah, and qardhul hasan products, while BWM specializes in financing qardhul hasan to low-income business groups around certain Islamic boarding schools or communities. The three institutions have formally established the Sharia Supervisory Board (DPS) and have a Standard Operating Procedure (SOP) for financing that references the DSN-MUI fatwa and the regulations of relevant authorities.

Table 1. Profile of MFIs at the Research Location

LKMS Type	Financing Focus	Dominant Contract	Customer Segments	Existence of DPS
BMT	Community micro-enterprises, social & commercial functions	Murabahah, Mudharabah	Small traders, farmers, artisans	√
KSPPS	Traders, trading sector	Murabahah, Ijarah, Qardhul Hasan	Small traders, MSMEs	√
BWM	Pesantren-based ultra-micro groups	Qardhul Hasan	Low-income communities	√

Source: Primary data processed, 2026

2. Implementation of Sharia Principles in Financing Practices

a. Selection and Application of Contracts

The results of interviews and document reviews show that all MFIs use contracts recognized in the DSN-MUI fatwa, especially murabahah,

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mudharabah, musyarakah, and qardhul hasan.¹⁹ BMT and KSPPS make murabahah the primary product for working capital financing and simple investments, while profit-sharing contracts such as mudharabah and musyarakah are used selectively for customers with better administrative capacity and business track records.²⁰ On the other hand, BWM applies a pure qardhul hasan model with no profit margin, so that the transaction structure is relatively simpler and has minimal potential for violations of sharia regulations..

Table 2. Distribution of the Use of Financing Contracts in MFIs

Types of Akad	BMT	KSPPS	BWM
Murabahah	75%	80%	0%
Mudharabah	15%	10%	0%
Musyarakah	8%	8%	0%
Qardhul Hasan	2%	2%	100%
Total	100%	100%	100%

Source: Interview data and MFI documents, 2026

The dominance of murabahah contracts in BMT and KSPPS shows the institution's preference for a more certain income pattern and lower risk, but at the same time reduces the optimization of the risk-sharing concept, which is the main characteristic of Islamic finance. This aligns with findings from previous research that show orientation in sales and purchase contracts is often driven by managerial and regulatory considerations rather than purely fiqh considerations.²¹ From the perspective of Sharia maqashid, the use of murabahah does not contradict Sharia principles as long as it meets the requirements; however, a dominant portion can reduce the role of Sharia finance as an instrument of risk equity and economic justice.

b. Financing Mechanism and Transparency

¹⁹ Dewan Syariah Nasional-MUI, Himpunan Fatwa DSN-MUI (Jakarta: DSN-MUI, berbagai tahun).

²⁰ Waryuni, "Akad Murabahah dalam Pembiayaan Modal," JIMBIS (2025).

²¹ Ririn Tri Puspita Ningrum, "Implementasi Aksioma Etik Praktik Financing pada Lembaga Keuangan Mikro Syariah," WADIAH 2, no. 1 (2018): 47–55.

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The financing process at the three MFIs generally follows the same flow: financing submissions, field surveys, feasibility analysis, contract determination, contract signing, disbursement of funds or goods, and monitoring of installment payments. At the practical level, price and cost transparency in murabahah contracts is generally maintained, with the principal price, margin, and installment scheme listed in writing in the contract signed by the customer.²² However, in some BMT and KSPPS units, there are still instances where verbal explanations of the components of administrative fees and the consequences of late payment are not provided in detail, leaving some customers only aware of the installment amount and unaware of the full cost structure.

Table 3. Evaluation of Financing Transparency in MFIs

Transparency Aspect	BMT	KSPPS	BWM
The principal price is listed in the akad	Yes	Yes	N/A
Margin/ratio is explained in writing	Yes	Yes	N/A
Administration fees explained in detail	Partial	Partial	Yes
Consequences of delay explained	Sometimes	Sometimes	Yes
Customer's understanding of the cost structure	Partial	Partial	good

Source: Interview and observation results, 2026

This condition indicates that the principles of clarity (*bayân*) and avoidance of *gharar* have been implemented in contract documentation, but there is still room for improvement in communication and customer education. From the perspective of sharia principles, the delivery of complete and easy-to-understand information is part of the moral obligation of the institution to avoid ambiguity that can harm one of the parties.

c. Peran dan Pola Pengawasan Dewan Pengawas Syariah

²² Yuliana dan Herinawati, "Implementasi Prinsip Syariah dalam Pembiayaan UMKM," *Suloh: Jurnal Fakultas Hukum*.

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The DPS in the three MFIs studied plays a role in approving contract use, reviewing draft agreements, and recommending new products.²³ However, the interview results show that DPS's involvement in field supervision of the financing analysis process, contract implementation, and handling of financing issues remains limited and incidental. Dominant supervision is conducted through periodic meetings, document reviews, and management reports, so potential procedural irregularities at the operational level are not always monitored directly.

Table 4. Patterns of Sharia Supervisory Board (DPS) Oversight in LKMS

Type of Oversight	Frequency (BMT)	Frequency (KSPPS)	Frequency (BWM)
Regular DPS meetings	Monthly	Monthly	Monthly
Review of contract documents	Every new product	Every new product	Every new product
Field supervision	Quarterly	Semi-annually	Monthly
Periodic sharia audit	Annually	Annually	Semi-annually
Mentoring of financing officers	Rare	Rare	Occasionally

Source: Interviews with DPS and LKMS management, 2026

These findings confirm previous studies on Islamic Corporate Governance in Islamic microfinance institutions, which stated that the role of DPS is often stronger at the structural level than in the active supervisory function in the field.²⁴ Within the ideal framework of sharia governance, DPS is expected not only to be a “guardian of fatwas” on paper, but also a management partner in overseeing the implementation of sharia principles as a whole, including through periodic sharia audits and assistance to financing officers.²⁵

²³ "Tugas Dewan Pengawas Syariah," Sharia Knowledge Centre, 4 Februari 2026, <https://www.shariaknowledgecentre.id/id/news/tugas-dewan-pengawas-syariah/>.

²⁴ Sophia Laila Nugraha dan Hikmah Endraswati, "Analisis Implementasi Islamic Corporate Governance pada LKMS Berbasis Pesantren," *I-Finance* 8, no. 2 (2022): 119–136.

²⁵ "Fungsi dan Tugas Dewan Pengawas Syariah," Allianz Indonesia, 6 Januari 2026, <https://www.allianz.co.id/explore/fungsi-dan-tugas-dewan-pengawas-syariah.html>.

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3. Supporting Factors and Obstacles to the Implementation of Sharia Principles

In terms of supporting factors, this study found that management's awareness of the importance of sharia compliance, the existence of SOPs and standard contract formats, regulatory support from DSN-MUI and related authorities, and the proximity of MFIs to the customer community are key capital for implementing sharia principles. Management views sharia compliance as the main selling point and source of public trust, so it seeks to adapt procedures to applicable fatwas and regulations.

Table 5. Supporting and Constraining Factors in the Implementation of Sharia Principles

Category	Factor	Description
Supporting	Management awareness	Sharia compliance viewed as a key value proposition
	Standard SOPs and contracts	Facilitate procedural standardization
	Regulatory support	DSN-MUI fatwas and OJK/Ministry of Cooperatives rules
	Proximity to community	Eases education and business mentoring
Constraining	Dominance of murabahah contracts	Profit-and-loss sharing contracts less than optimal
	Limited DPS supervision	Document-focused, limited field supervision
	Low client literacy	Understanding limited to "interest-free" label
	Technological constraints	Manual record-keeping, high risk of errors

Source: Primary data analysis, 2026.

On the other hand, several obstacles were identified. First, the dominance of murabahah contracts means that profit-sharing contracts such as mudharabah and musharakah are not used optimally, as they are considered more complex

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and carry a higher risk of customer moral hazard.²⁶ Second, the DPS's limited capacity and time prevent the sharia supervision function from fully reaching the operational process in the field. Third, the low level of Islamic financial literacy among customers leads some to view Islamic financing as merely "interest-free financing," without understanding the concept of risk sharing or the obligation to be honest in business reporting. Fourth, the limited use of information technology in several MFIs still creates problems with administrative efficiency and record-keeping accuracy, which can affect transparency and accountability.

4. Evaluation of Conformity with Sharia Principles and Discussion with Literature

In general, the level of conformity of financing practices in BMT, KSPPS, and BWM to sharia principles can be categorized quite well, especially judging from the selection of contracts in accordance with the DSN-MUI fatwa, the separation of social and commercial funds in BMT, and efforts to ensure transparency of prices and costs in murabahah contracts.²⁷ However, there are a number of important notes, including the need for consistency in transparency practices across branches, improvements in the quality of documentation and monitoring of profit-sharing contracts, and stronger field supervision by DPS.

Table 6. Matrix of Practical Conformity with Sharia Principles

Aspect of Sharia Principles	BMT	KSPPS	BWM
Conformity of contracts with DSN-MUI fatwas	Good	Good	Very Good
Price and cost transparency	Fair	Fair	Good
Avoidance of riba	Good	Good	Very Good
Avoidance of gharar	Fair	Fair	Good
Optimization of risk sharing	Poor	Poor	N/A
Separation of social and commercial funds	Good	Fair	Very Good
Active sharia supervision	Fair	Fair	Good

²⁶ Nufi Mu'tamar Almahmudi, "Praktik Pembiayaan Syariah di KSPPS Perspektif Hukum Ekonomi Syariah" (skripsi, UIN Saizu Purwokerto, 2021).

²⁷ Data analisis dokumen dan observasi, 2026.

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Source: Analysis based on interviews, observations, and document review, 2026.

In the context of BWM, the simple, margin-free qardhul hasan model minimizes the risk of contract violations but, at the same time, requires the sustainability of social fund support and a strong mentoring model to achieve the goal of empowerment.²⁸ Compared with previous studies, this study corroborates the findings that Islamic microfinance institutions tend to choose contracts that are low-risk and easy to manage, and that the consistent application of sharia principles has a positive impact on MSME performance. At the same time, this study adds a comparative perspective across MFI types and highlights the role of DPS, which, in practice, is still not optimal as an active supervisor. From the perspective of Sharia maqashid, strengthening the role of DPS and diversifying profit-sharing contracts is key to encouraging Sharia microfinance that not only meets formal compliance standards but also makes a real contribution to the fairness, equity, and economic sustainability of customers.

Conclusion

The implementation of sharia principles in financing practices is generally good, as reflected in the selection of contracts that reference the DSN-MUI fatwa, the separation of social and commercial funds, and efforts to maintain price and cost transparency, although there are still variations in quality across institutions and units. The contracts used include murabahah, mudharabah, musyarakah, and qardhul hasan, with murabahah dominant in BMT and KSPPS, which makes risk sharing less optimal. By contrast, BWM uses the qardhul hasan model, which has a simpler transaction structure and a relatively low risk of sharia violations. The financing mechanism generally follows the standard stages of submission, survey, feasibility analysis, contract determination, disbursement, and monitoring, but oral explanations of the components of administrative costs and the consequences of delays have not always been adequately conveyed, leaving customers' understanding of the cost structure still limited. The role of the Sharia Supervisory Board has proven important in approving and reviewing contracts, but supervision

²⁸ Rindy Putri Lestari dan Fauzatul Laily Nisa, "Pengaruh Implementasi Prinsip Syariah terhadap Kinerja Keuangan UMKM," *Jurnal Ekonomi Bisnis dan Manajemen* 2, no. 3 (2024): 17–29.

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remains more document-oriented than process-oriented, so potential inconsistencies in operational procedures are not always detected at the outset. The implementation of sharia principles is supported by management's awareness of the importance of sharia compliance, the existence of SOPs and standard contract formats, regulatory support, and the proximity of MFIs to the customer community, while the main obstacles include the dominance of murabahah contracts, limited capacity and intensity of DPS supervision, low sharia financial literacy among customers, and limited use of information technology. These findings emphasize the need to strengthen the role of DPS, diversify profit-sharing-based contracts, improve Islamic financial literacy, and develop digital information systems so that MFIs not only meet formal compliance standards but also get closer to the goals of sharia maqashid in realizing justice, sustainability, and economic empowerment for customers.

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