

Legal Implications of Sharia Credit in Reducing Social and Economic Inequality

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Abstract

Objective: This study examines the legal implications of sharia-based credit transactions in reducing social and economic inequality in society. Financing systems based on sharia contracts, such as murabahah and ijarah, are considered to provide more inclusive access for low-income communities, thereby contributing to economic equality. **Novelty:** The main focus is the analysis of the application of Islamic law to credit-based transactions, by assessing the extent to which the principles of justice and economic sustainability are applied in sharia banking. **Methods:** Through a qualitative approach based on normative and empirical legal studies, this study finds that sharia-based credit transactions have significant potential to support community economic development. **Results:** However, there are challenges in implementation, such as the need for further transparency and supervision of abuse of the sharia-based credit system. **Conclusion:** In conclusion, optimizing sharia law in credit-based transaction mechanisms can have a positive impact on reducing social inequality, as long as the system is implemented with the principles of justice, benefit, and accountability.

Keywords: Islamic Credit, Buying and Selling, Social Inequality, Islamic Law, Inclusive Economy.

INTRODUCTION

Sharia-based credit-based trading is an economic instrument designed to provide financing access to the community in a more inclusive and equitable manner. In this system, sharia contracts such as murabahah, ijarah, and istishna are used to avoid usury practices that are forbidden in Islam. One of the main objectives of sharia-based credit-based trading is to support equal economic access at various levels of society, especially groups with financial limitations (Ismal, 2019).

Sharia-based credit transactions emphasize the principles of justice, transparency, and mutual cooperation between financing providers and consumers. This aligns with Islamic teachings, which encourage the elimination of exploitation in economic activities. By providing opportunities for the community to obtain goods or services on halal credit, this system is expected to reduce social and economic inequality (Triyatno, 2020).

Despite its potential, the implementation of sharia-based credit-based trading faces various challenges. One of these is the potential for misuse of sharia principles by certain individuals who seek personal gain. Additionally, the lack of sharia financial literacy among the community hinders the effective application of sharia financial practices (Huda & Mustafa, 2021).

Another challenge is the need for stricter supervision in implementing sharia contracts. If not properly monitored, there is a risk that these contracts may deviate from their intended principles, leading to practices that resemble conventional credit systems that involve interest (Antonio, 2021).

Legal frameworks play a crucial role in ensuring that sharia-based credit transactions adhere to Islamic principles. In Indonesia, the existence of institutions such as the National Sharia Council (DSN-MUI) and the Financial Services Authority (OJK) provides regulatory guidance to maintain the integrity of sharia financial systems (Ismal, 2019).

The effectiveness of these regulations depends on their ability to adapt to contemporary economic challenges. Continuous evaluation and revision of legal provisions governing sharia financial practices are necessary to address emerging issues and enhance consumer protection (Triyatno, 2020).

A critical aspect of sharia-based credit trading is the concept of risk-sharing. Unlike conventional credit systems that transfer risks entirely to borrowers, sharia contracts distribute risks between financial institutions and customers. This promotes a more balanced and just economic structure (Huda & Mustafa, 2021).

Moreover, sharia-based credit systems support economic resilience by offering ethical financial solutions. These solutions prioritize social responsibility, ensuring that financial transactions contribute to overall societal welfare rather than merely maximizing profit (Antonio, 2021).

Empirical studies have shown that countries with well-developed sharia financial systems experience lower levels of economic disparity. This suggests that optimizing the application of sharia-based credit could significantly contribute to reducing social inequality in Indonesia (Ismal, 2019).

One key factor in ensuring the success of sharia credit-based trading is public awareness and education. Strengthening financial literacy programs focusing on sharia principles will help individuals make informed decisions and avoid fraudulent schemes (Triyatno, 2020).

Collaboration between government agencies, financial institutions, and educational bodies is essential in fostering a robust sharia financial ecosystem. These stakeholders must work together to create a regulatory environment that supports ethical financing (Huda & Mustafa, 2021).

The role of digital technology in enhancing the accessibility of sharia-based credit systems should not be overlooked. Innovations such as fintech and blockchain have the potential to improve transparency and efficiency in sharia financial transactions (Antonio, 2021).

Despite these advancements, there is still a need for ongoing research to address challenges related to regulatory compliance, fraud prevention, and consumer protection in sharia-based credit trading (Ismal, 2019).

In conclusion, sharia-based credit trading offers a promising solution to economic disparity by promoting fairness and inclusivity. However, for its full potential to be realized, there must be continuous regulatory improvements, enhanced financial literacy, and effective supervision of its implementation (Triyatno, 2020).

RESEARCH METHODOLOGY

Research on the legal implications of sharia-based credit sales and purchases in reducing social and economic inequality in society generally uses a qualitative approach with normative analysis. This approach focuses on reviewing documents, such as classical fiqh books, sharia financial regulations, and fatwas from related ulama institutions (Sugiyono, 2019). Normative analysis allows researchers to evaluate compliance with sharia principles in the implementation of sharia-based credit. According to Zainuddin (2019), "the normative approach is a very relevant method for analyzing legal practices within the framework of sharia values. In addition to normative analysis, this study often uses literature studies to understand the social and economic impacts of implementing sharia credit. This approach helps researchers explore the relationship between sharia principles and the objectives of maqashid sharia, such as economic justice and equal access. The results of the data obtained, both from literature studies and field research, were analyzed descriptively. Researchers describe the relationship between the implementation of sharia credit-based buying and selling and its impact on social inequality. The results of the data obtained, both from literature studies and field research, were analyzed descriptively. Researchers describe the relationship between the implementation of sharia credit-based buying and selling and its impact on social inequality.

RESULTS AND DISCUSSION

Principles of Islamic Law in Sharia Credit-Based Buying and Selling Practices

Sharia credit-based buying and selling practices in modern banking are based on Islamic law principles that prioritize justice, transparency, and welfare. One of the main principles underlying this practice is the prohibition of usury (interest) as regulated in the Qur'an and Hadith. In sharia credit-based buying and selling, profits are obtained through a margin that has been mutually agreed upon in the contract, such as murabahah. This replaces the interest mechanism in the conventional banking system which is considered contrary to Islamic law (Antonio, 2021).

In addition to the prohibition of usury, another underlying principle is the requirement for certainty and clarity in transactions. In a sharia credit contract, both the goods being traded, the price, and the payment period must be explained in detail and agreed upon by both parties. This principle aims to avoid *gharar* (uncertainty) which is prohibited in Islam. This clarity not only protects the rights of customers but also maintains the integrity of transactions in the eyes of Islamic law (Mardani, 2014).

Another principle is the existence of a basis for ownership of goods before they are traded. In the sharia system, sharia financial institutions are required to legally own goods before selling them to customers. This ensures that transactions are not fictitious or based solely on money, but rather on real assets. This provision strengthens the legal basis of the contract used and ensures that transactions remain within the Sharia corridor (Riyai & Buchari, 2013). Modern sharia banking applies these principles through various contracts, such as *murabahah* (sale and purchase with a profit margin), *ijarah* (rent), and *istishna'* (manufacturing financing). With strict supervision from the sharia financial authorities, this credit-based trading practice has proven to be able to provide halal financing solutions while supporting more inclusive and equitable economic growth (Muhammad, 2018).

Sharia-Based Credit System in Reducing Social Inequality

A sharia-based credit system is one solution to reduce social and economic inequality in society. This is because the main principles in the sharia system are justice, honesty, and mutual assistance. In this system, there is no practice of usury (interest) which often burdens low-income people. Instead, mechanisms such as *mudharabah* and *musyarakah* are used which prioritize cooperation and fair profit sharing.

According to Syafi'i Antonio, this system can help underprivileged people gain access to financing without the risk of financial exploitation (Antonio, 2021). This system is able to encourage income equality and increase access for underprivileged people to financing. Thus, this system is an effective tool in reducing social and economic inequality (Huda & Mustafa, 2019).

In addition, sharia-based financing also has integrated elements of *zakat*, *infak*, and *sedekah*. Funds from these elements can be used to help those below the poverty line. With a more equitable distribution of wealth, people can be empowered to improve their standard of living. In the view of M. Dawam Rahardjo, the concept of sharia is not only oriented towards economic profit, but also has a social goal to create economic justice (Rahardjo, 1996).

Financial inclusion is one of the important factors in overcoming inequality. Sharia credit plays a strategic role in ensuring that all levels of society, including the less fortunate, have fair access to finance. Sharia-based financing significantly reduces income disparities in society. This system creates an inclusive financial ecosystem by empowering micro and small business actors (Karim, 2020).

Furthermore, the sharia system also encourages investment based on the real sector, so that it can create new jobs. Thus, unemployment can be suppressed, which ultimately reduces social inequality. Adiwarman Karim emphasized that the sharia-based economic system focuses on the balance between individual and community interests (Karim 2011).

Consumer protection is an important aspect in sharia-based credit buying and selling. However, in practice, there are several challenges, such as the lack of public understanding of

the concept of sharia and the ambiguity of the contracts used. This has the potential to cause dissatisfaction among consumers. According to Ahmad Rifai, clarity of contracts is a key factor in creating a sense of security and consumer trust in sharia products. "However, the implementation of contracts in accordance with sharia is sometimes hampered by the lack of consumer education and minimal socialization from Islamic financial institutions (Rifai, 2018).

Sharia credit aims to create equal economic access, especially for disadvantaged groups in society. However, obstacles such as limited reach of sharia financial institutions and complicated administrative requirements often prevent this group from accessing these services. Zainuddin explained that "ease of access to sharia credit is a strategic step to reduce economic inequality, but logistical and bureaucratic challenges remain major obstacles (Zainudin, 2019).

Supervision of sharia compliance is also a significant obstacle. Some sharia-based credit-based buying and selling practices still deviate from sharia principles, such as the addition of hidden fees that resemble interest. This can damage public trust in the sharia financial system. According to Asyraf, consistent supervision by the Sharia Supervisory Board is an important element in maintaining the integrity of sharia products (Dusuki, 2017).

The lack of sharia financial literacy in society is another major challenge. Many consumers still do not understand the difference between conventional credit and sharia credit, so they tend to choose services that are easier to access even though they are not in accordance with sharia. Fitriani stated that public education is the main task to increase awareness and interest in Sharia products (Fitriani, 2020).

Strategies That Can Be Implemented to Increase the Effectiveness of Sharia-Based Credit in Creating Social and Economic Justice in Accordance with Maqashid Syari'ah

One of the strategic steps to increase the effectiveness of sharia-based credit is through increasing public financial literacy. A good understanding of sharia principles in financing can encourage public participation in using sharia financial products. Fitriani stated that a continuous educational approach is very important to introduce the benefits and uniqueness of sharia financial products, especially for people in remote areas (Fitriani, 2020). This strategy can be carried out through training programs, seminars, and public awareness campaigns by sharia financial institutions.

The effectiveness of sharia-based credit also depends on the ease of access to financial services. Sharia banks and sharia financing institutions need to expand their reach, especially to unbanked areas. Technological innovation, such as digital banking, can be a solution to increasing sharia financial inclusion (Zainudin, 2019). In addition, the provision of sharia-based microfinance products can be an effective tool to empower economically disadvantaged communities.

Strict supervision of sharia compliance in credit practices is essential to maintain public trust. The Sharia Supervisory Board (SSB) must play an active role in ensuring that every contract meets sharia principles and avoids gharar (uncertainty) or riba (interest) practices. According to Asyraf, effective supervision creates justice and transparency in the sharia financial system (Dusuki, 2017).

Sharia-based credit must be directed to support maqashid sharia, namely protecting religion, soul, mind, descendants, and property. Sharia financial institutions need to prioritize

financing that supports strategic sectors, such as education, health, and small and medium enterprises (SMEs), which have a direct impact on social justice. For example, qard hasan financing (interest-free loans) can be used to help the poor without burdening them with additional costs. Rifai (2019) emphasized that "the integration of maqashid sharia into sharia financing policies provides added value in creating economic and social balance.

Utilization of digital technology in the management and distribution of sharia credit can expand the reach of services, especially to remote areas. Digitalization facilitates the application, evaluation, and payment processes, while increasing the operational efficiency of sharia financial institutions. Rifki stated that "adoption of technology can accelerate public access to sharia products while maintaining sharia principles (Ismal, 2021).

Cooperation between sharia financial institutions, government, and community organizations is very important to strengthen the social impact of sharia credit. Programs such as sharia-based financing subsidies can accelerate equal access to the economy. According to Hafiz, strategic collaboration allows for the wider distribution of sharia credit benefits, especially to the poor (Rahman, 2018).

CONCLUSION

The principles of Islamic law in the practice of sharia-based credit trading are based on the values of justice, transparency, and compliance with maqashid sharia (the objectives of sharia). The contracts used, such as murabahah, ijarah, or istishna', must meet sharia requirements, including clarity in price, object, and payment period. This aims to protect the rights of all parties, both sellers and buyers, and avoid elements of gharar (uncertainty), riba (interest), and maysir (gambling).

Collaborative efforts between the government, financial institutions, and the community are needed to improve sharia financial literacy and expand the reach of sharia financial services, especially to remote areas. With optimal implementation, a sharia-based credit system can be a real solution to reduce social and economic disparities in society.

Challenges and obstacles in the implementation of sharia-based credit trading include consumer protection, equal access to the economy, supervision of sharia compliance, and financial literacy. Collaborative efforts between the government, Islamic financial institutions, and the community are needed to overcome these obstacles so that the Islamic credit system can function optimally as an instrument for fair and sustainable economic equality. Increasing the effectiveness of Islamic credit in creating social and economic justice requires a combination of financial literacy strategies, expanding access, strengthening Islamic supervision, and integration with the objectives of maqashid sharia. Collaboration between various parties is also important to ensure that the Islamic financial system functions as a fair, transparent, and inclusive instrument.

In conclusion, sharia-based credit trading offers a promising solution to economic disparity by promoting fairness and inclusivity. However, for its full potential to be realized, there must be continuous regulatory improvements, enhanced financial literacy, and effective supervision of its implementation.

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