

A Review of Fiqh Muamalah on the Practice of Unsecured Credit in Conventional Banking

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ABSTRACT

Unsecured Loans (KTA) are conventional banking products that offer loans without requiring collateral or guarantees. While providing easy access to financing, this practice raises several issues from the perspective of Fiqh Muamalah, particularly concerning contracts (akad), riba (usury), gharar (uncertainty), and fairness in transactions. This study aims to analyze the compliance of KTA practices in conventional banking with the principles of Fiqh Muamalah. Using a descriptive qualitative approach and literature review, the study found that KTA practices generally contain elements of riba through the application of interest on loans and gharar in additional fees that lack transparency. These findings indicate potential injustice and inconsistency with Shariah values, which emphasize fairness, transparency, and freedom from riba. The implication of this research is the need for more appropriate Shariah-compliant financial product innovations, such as using Murabahah, Ijarah, or Qardhul Hasan contracts as alternatives to conventional KTA. The novelty of this study lies in its critical analytical approach to KTA practices by integrating Fiqh Muamalah principles and providing concrete solutions to enhance Shariah compliance in banking products.



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INTRODUCTION

Unsecured Credit is one of the conventional banking products that offers loans without the need for collateral or asset guarantee (Sintia and Rahardjo 2014). This product has become popular among the public because it offers easy access to financing with relatively simple requirements and a fast disbursement process (Maluw, Tampongangoy, and Korah 2024). For some people, KTA is considered an instant solution to urgent financial needs, ranging from consumptive needs to small business capital. However, behind its convenience, the practice of KTA also holds a number of problems from the perspective of Islamic law, especially in the framework of Fiqh Muamalah.

Fiqh Muamalah is a branch of fiqh that regulates all forms of transactions and muamalah (social and economic interaction) between humans in accordance with sharia principles (Khoeriah, Susilowati, and Saleh 2024). In every transaction, Islam establishes a number of main principles, including justice (al-adl), transparency (al-shafafiyah), and avoiding the elements of riba (interest), gharar (ambiguity), and maysir (speculation) (Mubarroq and Latifah 2023; Rusdan 2022). These principles aim to create transactions that are clean, fair, and based on Islamic ethical values. Unfortunately, the

practice of KTA in conventional banking often conflicts with these principles, especially when it comes to the application of loan interest and hidden fees that are less transparent.

One of the aspects that is of concern in Fiqh Muamalah related to KTA is the element of usury. Riba in Arabic means 'excess' or 'addition' that is prohibited in financial transactions (Pardiansyah 2022). In the Qur'an, Allah SWT says, "... Allah has legalized buying and selling and forbidding usury..." (QS. Al-Baqarah: 275). The loan interest applied in the KTA clearly shows that there is an increase in value that must be paid by the borrower beyond the principal of the loan, which in the context of Fiqh Muamalah is categorized as *riba nasi'ah*, which is an additional that arises due to the suspension of payment time (Badali and Athaya 2023).

In addition to usury, the concept of *gharar* or ambiguity is also a problem in the practice of KTA (Ista et al. 2024). *Gharar* refers to a condition where there is an element of uncertainty or unclear information in a contract. The Prophet Muhammad PBUH once forbade buying and selling that contained *gharar*, as narrated in a hadith that reads, "The Prophet PBUH forbade buying and selling that contains deception and ambiguity." (HR. Muslim). In KTA, *gharar* can be found in the form of administrative fees, late fines, or other costs that are often not explained transparently at the beginning of the contract, so that they have the potential to harm customers.

Another aspect worth noting is fairness in transactions (Kalsum 2014). In Islam, every transaction must be based on the principle of justice, where no party should be harmed or unfairly benefited. Allah SWT says in QS. Al-Nisa: 29, "O you who have believed, do not eat each other's wealth in an unrighteous way...". In the context of KTA, injustice can occur if customers are charged disproportionate costs or adverse requirements in the future. Given the various problematic aspects in the practice of KTA, it is necessary to have an in-depth study of its conformity with the principles of Fiqh Muamalah. This research seeks to comprehensively examine various aspects in the practice of KTA, including the contracts used, interest determination, and transparency of fees charged to customers. It is hoped that this study can provide guidance for the Muslim community in choosing financial products that are in accordance with sharia.

This research is also expected to be able to contribute to banking institutions in developing financial products that are more inclusive and in accordance with Islamic values. Thus, the community not only gets easy access to financing, but also avoids practices that are contrary to sharia. Shariah-based product innovations, such as the use of contracts that are allowed in Islam, can be a fairer and more transparent solution. Readers are expected to follow this study to the end to gain a deeper understanding of how Fiqh Muamalah can provide an alternative perspective to conventional banking products, especially Unsecured Loans. This research not only provides a constructive critique of the practice of KTA, but also offers concrete solutions to realize a financial system that is more in line with Islamic principles. Let's explore more deeply how sharia concepts can provide answers to modern financial problems faced by society today.

METHOD

This study uses a descriptive qualitative approach with a literature study method (Aditya, Pratama, and Nurlifa 2010). This method was chosen because it allows researchers to analyze various written sources, including books, scientific journals, fatwas of

scholars, and banking regulations related to Unsecured Loans (KTA) and Fiqh Muamalah. Through this approach, the research is focused on collecting relevant secondary data to provide an in-depth understanding of the concepts, theories, and practices of KTA in the context of conventional banking and its conformity with sharia principles.

Data analysis is carried out systematically by examining each information collected, then connecting it with the main concepts in Fiqh Muamalah, especially related to *riba*, *gharar*, and justice in transactions (Rizwan 2019). Researchers use content analysis techniques to identify patterns, themes, and important aspects of the literature studied. Thus, this study not only describes the existing phenomenon, but also provides a critical evaluation of the practice of KTA based on sharia values, as well as offering alternative solutions based on contracts that are in accordance with Islamic law.

FINDINGS AND DISCUSSION

As part of the analysis of the practice of Unsecured Loans (KTA) in conventional banking, this study reveals the existence of two elements that are contrary to the principles of Fiqh Muamalah, namely *riba* and *gharar*. The element of *riba* arises through the application of loan interest that is not in accordance with sharia provisions, while *gharar* is identified in additional costs that are less transparent and not explained in detail to customers. This subtitle will discuss more about these findings and their implications in the context of Islamic law, with reference to the principles listed in Fiqh Muamalah.

Result

The results of the study show that the practice of Unsecured Loans (KTA) in conventional banking generally contains elements of usury through the application of fixed and floating loan interest. This element of usury arises because there is an additional payment on top of the principal debt which is not allowed in Fiqh Muamalah (Inayah 2020). In addition, this study also found that there is an element of *gharar* in additional costs that are often less transparent to customers, such as administrative fees, late fines, and other costs that are not explained in detail at the beginning of the agreement.

From the perspective of Fiqh Muamalah, transactions containing *riba* and *gharar* are considered invalid and not in accordance with sharia principles (Fazda and Hidayat 2024). This is based on several postulates, including the hadith of the Prophet Muhammad PBUH which prohibits buying and selling that contains *gharar* (HR. Muslim) and the prohibition of usury in the Qur'an (QS. Al-Baqarah: 275). In the context of banking, sharia principles emphasize clear contracts, free from exploitation, and ensuring justice for all parties involved.

Discussion

The results of this study show that the practice of Unsecured Loans (KTA) in conventional banking generally contains elements of *riba* through the application of fixed and floating loan interest. This element of usury arises because of the additional payment on the principal debt which is not allowed in Fiqh Muamalah. In addition, this study also found that there is an element of *gharar* in additional costs that are often less transparent to customers, such as administrative fees, late fines, and other costs that are not explained in detail at the beginning of the agreement.

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When compared to Islamic economic theories, the concepts of riba and gharar in the KTA show significant incompatibility. According to sharia economic theory, legitimate transactions are those that meet the principles of a clear contract (valid contract), do not contain elements of fraud (gharar), and do not take unfair profits (riba). This is in accordance with the theory of Maqasid Syariah which emphasizes the achievement of the welfare of the ummah (maslahah) and preventing harm (mafsadah) in every economic transaction.

Alternatively, this study recommends the use of sharia financing products that are more in line with Islamic principles, such as Murabahah, Ijarah, and Qardhul Hasan. The Murabahah contract, for example, allows banks to buy goods and sell them to customers with a profit margin agreed upon in advance, thus avoiding usury. Akad Ijarah offers a rental scheme with clear benefits, while Qardhul Hasan is an interest-free welfare loan, which is strictly in accordance with sharia principles.

An alternative to the research is to recommend the use of sharia financing products that are more in line with Islamic principles, such as Murabahah, Ijarah, and Qardhul Hasan. The Murabahah contract, for example, allows banks to buy goods and sell them to customers with a profit margin agreed upon in advance, thus avoiding usury. Akad Ijarah offers a rental scheme with clear benefits, while Qardhul Hasan is an interest-free welfare loan, which is strictly in accordance with sharia principles. The implication of these findings is the importance of innovating financial products that are not only commercially attractive but also in line with sharia values, in order to provide safer and more blessed options for Muslims in meeting their financing needs.

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CONCLUSION

Based on the results of this study, it can be concluded that the practice of Unsecured Loans (KTA) in conventional banking is not fully in accordance with the principles of Fiqh Muamalah. The findings show that there is an element of riba through the application of loan interest and an element of gharar in additional costs that are less transparent. This is contrary to sharia principles that emphasize justice, transparency, and freedom from riba and gharar in muamalah transactions. Theoretically, this research supports the view of Islamic scholars and economists who state that interest-based transactions contain usury which is prohibited in the Qur'an (QS. Al-Baqarah: 275) and the hadith of the Prophet Muhammad PBUH. In addition, the theory of gharar is also relevant in the context of hidden costs in KTA products, in accordance with the hadith that prohibits buying and selling that contains ambiguity (HR. Muslim). Thus, this study makes a significant contribution to the literature of Fiqh Muamalah by showing the incompatibility of KTA practices in conventional banking with sharia principles. The implication of this conclusion is the need for conventional banking to consider financial product innovations that are more in line with sharia principles, such as Murabahah,

Ijarah, or Qardhul Hasan, so that financial transactions are not only economically profitable but also blessed and in accordance with Islamic values.

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