



Ziyadah from an Islamic Perspective (Case study at BMT Al-Rifa'ie)

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ABSTRACT

Islamic banking principles emerge primarily from the unequivocal prohibition of riba (usury) in the Quran. The Indonesian government has bolstered Islamic banking with legal frameworks, beginning with Law No. 7 of 1992, later replaced by Law No. 10 of 1998, providing a robust legal basis for its operations. The evolution of Islamic banking in Indonesia started with the establishment of Bank Muamalat Indonesia (BMI) on November 1, 1991, which catalyzed the rise of Islamic financial institutions such as Baitul Maal Wa Tamwil (BMT). Interest (riba) is forbidden in Islam due to the additional or ziyadah interest charged on loan transactions. BMT, operating as an Islamic financial institution, eschews interest in favor of profit-sharing systems. The Indonesian Ulema Council (MUI) has issued several fatwas related to ziyadah, including MUI Fatwa No. 1 of 2004. This research, conducted at BMT Al-Rifa'ie, adopts a qualitative approach with a historical hermeneutic analysis. Informants include seven individuals from management, customers, and the MUI. The study concludes that the ziyadah practices at BMT Al-Rifa'ie align with Islamic principles.

KEYWORDS

ziyadah; historical hermeneutics; Islamic perspective

1. INTRODUCTION

Indonesia, with a majority Muslim population, has seen a strong demand for banking based on Islamic principles. Sharia banking is currently flourishing, offering a compelling alternative for business operators and banking service users, evidenced by the emergence of new Sharia-compliant banks. According to Rosilawati (2013), the establishment of Islamic financial institutions is fundamentally driven by the explicit prohibition of riba in the Quran. Ali (2012) notes that society perceives Sharia entities as not only economically but also socially oriented, with a focus on improving welfare. Cahyaningsih (2008) highlights the resurgence of the Islamic economy as a significant phenomenon, particularly for Indonesia's Muslim-majority population, necessitating the enhancement of Sharia-based products. Islamic banking activities were introduced to Indonesia in the 1990s.

Muhammad (2002) describes Islamic banks as financial institutions engaged primarily in payment transactions and currency circulation, operating in accordance with Islamic Sharia principles. Sharia banks prioritize not only worldly matters but also

concerns of the afterlife (Yusuf et al., 2024). Shofwan (2012) emphasizes that Sharia banks operate on a profit-sharing basis rather than charging interest, which is considered *riba*. Nor (2009) explains profit-sharing as the division of business profits between capital providers and fund managers, distributed between banks, depositors, and borrowing customers.

The history of Islamic banking in Indonesia began with the founding of Bank Muamalat Indonesia on November 1, 1991, followed by the emergence of other Sharia-compliant banks and Islamic Financial Institutions (LKS) like Baitul Maal Wa Tamwil (BMT). According to Fauzi (2011), LKS plays a mediating role in the financial system, connecting surplus and deficit units. Triyuwono (2011) asserts that the characteristics of conventional financial institutions and LKS are distinctly different, with LKS addressing societal concerns about *riba* inherent in conventional banking. The 1998 economic crisis in Indonesia, highlighted by Noermijati (2008), underscored the resilience of small and medium enterprises in the national economy, prompting the government to recognize their significant role. Rido'i (2010) suggests that BMT can significantly improve the living standards of the Muslim community through its diverse products.

In the context of Sharia value-added, Triyuwono (2007) states that economic value-added is only a small part of it. All forms of Sharia business must be conducted lawfully. Sharia accounting discourse has evolved towards theoretical enrichment, characterized by the divergence between Sharia Enterprise Theory (SET) and Entity Theory (ET) (Triyuwono, 2000). Wurgler and Jeffrey (2000) argue that accepting SET means Sharia accounting no longer uses the conventional income concept of profit but adopts value-added, which is simply the excess of the selling price of outputs over input costs.

This study aims to address the implementation of *ziyadah*, particularly in financing at BMT, from an Islamic legal perspective using historical hermeneutics. It seeks to elucidate the practice of *ziyadah* in financing at BMT Al-Rifa'ie according to Islamic law. The study is expected to contribute both theoretically and practically. Theoretically, it can aid academics in advancing Sharia accounting studies, providing valuable information or references for future researchers (Almaida et al., 2024). Practically, it offers BMT actionable insights for better development and serves as an evaluation tool for implementing Sharia-compliant *ziyadah* practices.

The MUI Fatwa No. 7 of 2000 outlines the provisions for *mudharabah* financing: (1) *Mudharabah* financing is provided by LKS to other parties for productive ventures; (2) In this financing, LKS, as the capital provider (*shahibul maal*), finances 100% of a project's or business's needs, while the entrepreneur or customer acts as the fund manager (*mudharib*); (3) The business duration, fund repayment method, and profit distribution are determined by mutual agreement, with the profit referred to as profit-sharing, which is permissible under Islamic law.

The MUI Fatwa No. 1 of 2004 declares banking interest as *haram* for Muslims, categorizing it as *riba nasi'ah*. This decree specifies that interest (*fa'idah*) is an additional charge on money loan transactions (*al-qardh*), calculated from the principal amount without considering its utilization or outcome, based on a predetermined time frame and percentage.

2. RESEARCH METHODOLOGY

This study was conducted at BMT Al-Rifa'ie, located on Jalan Raya Ketawang, Gondanglegi, Malang, East Java. It employs a qualitative research approach, utilizing historical hermeneutics. According to A. R. Setiawan (2011), hermeneutics emphasizes

the interpretation and understanding of human thought products concerning social and cultural worlds.

Bleicher (2007) divides hermeneutics into three categories: Hermeneutic Theory, Hermeneutic Philosophy, and Critical Hermeneutics. Hermeneutic Theory focuses on understanding the concept of hermeneutics, Hermeneutic Philosophy seeks to discover hermeneutic methods, and Critical Hermeneutics explores practical actions. Previous studies using hermeneutics include L. . Ernawati and Surabaya (2012), which sought to understand the meaning of murabahah, revealing diverse definitions. Hermeneutic intentionalism found that even with LKS agreements, customers often lack understanding of these contracts. This is further complicated by the fact that Islamic scholars, despite their deep understanding of Islamic laws, may not fully grasp the concept of murabahah, as it is not directly mentioned in the Quran and Hadith.

Data sources for this study include primary and secondary data. Primary data is directly obtained from the management and administrators of BMT Al-Rifa'ie, while secondary data is collected from external sources such as libraries and other relevant resources.

The presence of informants is crucial in qualitative research (L. . Ernawati & Surabaya, 2012). This study involved three groups of informants: management staff from BMT Al-Rifa'ie, including Mr. Mahmudi and two staff members; Mr. KH. Ramadhan Chatib, the head of the MUI fatwa committee for Malang Regency and leader of Hidayatul Mubtadi-ien Islamic Boarding School; and three customers, including Ustad Jazai Romli. Data collection and interviews with these informants were conducted from February 2014 to mid-July 2014.

The initial stage involved unstructured interviews to gather preliminary information from the informants. This was followed by document collection to support the research findings. The collected data was analyzed using hermeneutic methods. Triyuwono (2013) notes that qualitative research typically involves qualitative data and social science theories as analytical tools. Qualitative research is rooted in constructivism, which assumes that reality is multidimensional, interactive, and a socially interpreted exchange. Qualitative researchers believe that truth is dynamic and can only be discovered through examining individuals' interactions with their social contexts. Qualitative research aims to understand social phenomena from participants' perspectives, employing researchers as the primary instruments.

Hermeneutics, derived from the Greek word *hermeneuein*, meaning "to interpret," involves saying, explaining, and translating. In English, it is expressed as "to interpret." Purnamasari and Triyuwono (2010) highlight that the search for meaning is always accompanied by interpretation to achieve understanding. Hermeneutics focuses on understanding the understanding of texts, particularly scriptures from different times, places, and social contexts.

Amrinarose (2013) states that Gadamer's hermeneutics emphasizes the historical context of understanding. Gadamer's hermeneutics involves three concepts: (1) Hermeneutics applied to everyday meanings and situations; (2) Merging the horizons of the interpreter and the text, acting as mediation rather than reconstruction; (3) Reading as part of hermeneutics involves application, making the reader a part of what they understand. Haris (2012) notes that understanding texts involves grammatical analysis, requiring comprehension of each sentence and word within the overall context, known as the hermeneutic circle.

3. RESULTS AND DISCUSSION

3.1. Ziyadah According to BMT Management

Sopiah (2008) suggests that culture or values often stem from national or religious backgrounds but are also significantly influenced by organizational values and leadership behavior. The historical backgrounds of the informants and the principles of Sharia banking are pivotal considerations in this study (Siswanti, Fahlevi, Prowanta, & Riwayati, 2024). The researcher selected three informants from the BMT management team and conducted unstructured interviews to gather relevant information. Document collection was also undertaken to support the research findings, which were analyzed alongside the interview data. Each informant interpreted ziyadah based on their cultural and historical backgrounds.

The first informant, Mr. Nasik Mukarrom, is a 32-year-old father of two and the leader of BMT Al-Rifa'ie, residing in Gondanglegi Malang. He has been leading the BMT since 2022 and has a deep understanding of Islamic Sharia due to his extensive education in Islamic boarding schools.

The second informant, Mr. Ahmad Zainur, is a 27-year-old father of one, also residing in Gondanglegi Malang. He is an alumnus of Sidogiri Islamic Boarding School, where he studied for six years, and has been working as a cashier at BMT Al-Rifa'ie since 2011.

The third informant, Mr. Andri Agus, is a 27-year-old father of one, residing in Lambang Kuning Majang Tengah Dampit. He is also an alumnus of Sidogiri Islamic Boarding School and currently works as a Financing Staff at BMT Al-Rifa'ie. He has been with the BMT for about four months, having previously worked at a conventional cooperative.

Lending and borrowing practices, whether in conventional or Sharia financial institutions, inherently involve additional charges or ziyadah. Opinions on ziyadah vary, with some deeming it haram (forbidden) and others permissible. Mr. Mahmudi explains:

"Ziyadah can be categorized into two types: contractual ziyadah and ziyadah arising from the contract. There are three rulings for ziyadah: absolutely haram, makruh (discouraged), and jawaz (permissible). Ziyadah means additional charges, which can be either haram or halal depending on the contract. Understanding the permissibility of ziyadah is crucial for those involved in Sharia financial institutions, yet many remain unaware or misinformed about its ruling."

3.2. Ziyadah According to the Indonesian Ulema Council

Mr. HM. Ramadhan Chatib represents the MUI, serving as the Chairman of the MUI Fatwa Committee for Malang Regency and the leader of Hidayatul Mubtadi-ien Islamic Boarding School, a branch of Lirboyo Kediri, located in Sedayu Turen Malang. A former member of the East Java DPRD II, he currently teaches at STIT Raden Rahmat Kepanjen and is known for his calm and firm demeanor, upholding Islamic values in all aspects of life.

Sharia banking has seen significant growth, both on large and small scales like BMT. Islamic scholars have varied opinions on ziyadah, with some declaring it haram and others permissible. The DSN MUI, as a competent body, has issued fatwas on the halal and haram aspects of ziyadah. Mr. KH. Ramadhan Chatib states:

"Ziyadah is riba, as stated in Surah Al-Baqarah, which means Allah permits trade and forbids riba. According to a hadith, lending money and taking advantage of it is

riba and is haram."

Scholars have differing views on ziyadah, with some deeming it permissible and others not, based on their interpretations of Islamic law. Mr. KH. Ramadhan Chatib further explains:

"Ziyadah is haram if a bank gains profit unknown to the customer. It is subhat (doubtful) if implemented correctly but not according to Sharia. It is halal if conducted according to Sharia."

Banks often require guarantees for financing, but administrative fees must not be calculated as a percentage of the loan amount and should remain reasonable. Mr. KH. Ramadhan Chatib adds:

"Fees charged on guarantees are permissible as long as they are not a percentage of the loan, known as uzrotul misli or reasonable fees."

3.3. Theoretical and Practical Integration

According to the Quran, Surah Al-Baqarah 275, Allah permits trade and forbids riba. The ziyadah practiced at BMT is permissible as it lacks the elements of riba. Ziyadah at BMT arises post-contract, where the financing provided matches the amount repaid by the customer. Customers often offer voluntary donations or infaq, with amounts not predetermined and based on personal willingness.

In practice, BMT implements mudharabah financing, commonly used by traders. Traders act as customers and mudharib (fund managers), while BMT serves as shahibul maal (capital provider). BMT does not manage the businesses but provides guidance and supervision, with operational responsibilities falling on the mudharib. Profits are shared, known as profit-sharing.

3.4. Findings on the Trilogy of Ziyadah

This research, employing historical hermeneutics, analyzes interpretations of ziyadah from various informants based on their historical backgrounds. Drawing from informant insights and Quranic and Hadith foundations, the researcher identifies new meanings of ziyadah. The researcher not only describes findings but also interprets them based on informant explanations, forming a new trilogy of ziyadah meanings.

3.5. Constructing the Meaning of Ziyadah

Interviews with eight informants reveal diverse understandings of ziyadah, influenced by individual experiences, educational levels, and cultural backgrounds. The researcher identifies four new meanings of ziyadah based on informant insights.

- (1) BMT Management Perspective: Ziyadah is an addition in the form of profit-sharing, shadaqah, and guarantee fees.
- (2) Customer Perspective: Ziyadah is profit-sharing, full receipt, ease, and smooth transaction.
- (3) MUI Perspective: Ziyadah is an addition without seeking profit or opportunity

These three new meanings, through reflection, lead to a fourth comprehensive meaning: Ziyadah is an addition in the form of profit-sharing, shodaqah, and other fees not intended for profit or opportunity, conducted according to mutual agreement.

4. Conclusion and Recommendations

This study, utilizing a historical hermeneutic analysis, offers a comprehensive understanding and interpretation of the concept of ziyadah from various perspectives. Insights from informants representing management, customers, and the MUI have shaped the new interpretation of ziyadah. Through reflection and synthesis, the research identifies three primary meanings from these groups, culminating in a fourth comprehensive interpretation: Ziyadah is an additional element in the form of profit-sharing, shodaqah, and other fees not intended for profit or exploitation, conducted according to mutual agreement.

The research highlights the importance of understanding ziyadah within the framework of Sharia principles, particularly for those involved in Islamic financial institutions. This study contributes both theoretically and practically, offering valuable insights for academics and practitioners in advancing Sharia-compliant financial practices. The findings underscore the need for clear and transparent communication of ziyadah practices to ensure they align with Islamic principles and meet the expectations of stakeholders.

5. Limitations

While this study provides valuable insights, it is not without limitations. The small sample size of eight informants, representing management, customers, and the MUI, may not capture the full spectrum of interpretations and practices related to ziyadah. A larger sample could potentially reveal additional nuances and meanings. Additionally, the research faced constraints due to limited literature on the specific topic of ziyadah, which may have restricted the depth of the analysis. Lastly, some informants occasionally provided responses that did not fully align with the interview questions, reflecting their varying levels of understanding of ziyadah. These limitations suggest the need for further research with a broader sample and more extensive literature review to deepen the understanding of ziyadah in Islamic financial practices.

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