



## Development of Qardh Contract Financing Inclusion in Sharia Banking

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**Abstract:** The concept of Qardh in Muamalah Jurisprudence and its implementation in financial institutions, especially in Islamic Banking, is actually still questionable. This article will discuss more deeply about the qardh contract starting from its concept in Muamalah Jurisprudence to its implementation and practice in Islamic Banks. This research uses qualitative methods with *a library research approach*. With the results and discussion is on its application in various sectors in Islamic banking shows the flexibility and revlevance of this contract in various economic and social contexts. Then in the implementation of the development of the qardh contract itself shows great interest in increasing the effectiveness of the qardh contract in the context of Islamic finance. There are also issues that need attention in its development, showing the complexity and challenges in Islamic financial practice. And finally, the mechanism of the repayment procedure shows the importance of ensuring the implementation of the qardh contract is carried out with transparency and in accordance with applicable sharia principles.

**Keywords:** Qardh Contract; Islamic Banking; Sharia Finance; Financial Inclusion; Social Financing

**Abstrak:** Konsep Qardh dalam Fikih Muamalah dan implementasinya di lembaga keuangan khususnya di Perbankan Syariah yang sebenarnya masih dipertanyakan. Artikel ini akna membahas lebih dalam mengenai akad qardh mulai dari konsepnya dalam Fikih Muamalah sampai kepada implementasi dan praktiknya di Bank Syariah. Penelitian in menggunakan metode kualitatif dengan pendekatan library research. Dengan hasil dan pembahasan adalah pada penerapannya di berbagai sektor pada perbankan syariah menunjukkan fleksibilitas dan revlevansi akad ini di berbagai konteks ekonomi dan sosial. Kemudian dalam implementasi pengembangan akad qardh sendiri menunjukkan minat yang besar dalam peningkatan efektivitas akad Qardh dalam konteks keuangan syariah. Adapula isu-isu yang perlu diperhatikan dalma perkembangannya menunjukkan kompleksitas dan tantangan dalma praktik keuangan syariah. Dan terakhir dalam mekanisme prosedur pengembalian pembiayaan menunjukkan pentingnya untuk memastikan pelaksanaan akad qardh dilakukan dengan trasnparasn dan sesuai dengan prinsip-prinsip syariah yang berlaku.

**Kata Kunci:** Akad Qardh; Perbankan Syariah; Keuangan Syariah; Inklusi Keuangan; Pembiayaan Sosial

## INTRODUCTION

Banks generally function as financial intermediaries that perform three principal roles: mobilizing funds from the public, channeling those funds into financing or credit, and providing a range of supporting financial services. Within this framework, Islamic banking has developed as a distinct banking model that operates under sharia principles rather than interest-based mechanisms. In Indonesia, the growth of Islamic banking has become an important part of the national financial system, not only because of rising public awareness of sharia-compliant finance, but also because of increasing institutional support for the expansion of the Islamic financial ecosystem (Choiri et al., 2025). This development shows that Islamic banking is no longer positioned merely as an alternative to conventional banking, but as a strategic component of financial inclusion and ethical finance in Indonesia (BPS, 2025).

The legal and institutional foundation of Islamic banking in Indonesia further strengthens this position. Law No. 21 of 2008 concerning Islamic Banking establishes that Islamic banking activities must be conducted based on sharia principles, economic democracy, and prudential principles. This legal basis distinguishes Islamic banks from conventional banks not only in contractual form, but also in their philosophical orientation (Wibowo & Setyono, 2025). Islamic banks are expected to pursue commercial objectives while at the same time carrying social responsibilities (BSI, 2024). In this respect, Islamic banking embodies a dual function: as a profit-seeking financial institution and as a socially oriented institution that can facilitate the management and distribution of social funds such as zakat, infaq, alms, grants, and waqf. This dual role makes Islamic banking particularly relevant to discussions on justice, welfare, and inclusive financial services.

One of the contracts that most clearly reflects the social dimension of Islamic banking is qardh, including its benevolent form, qardhul hasan. In general, qardh refers to an interest-free loan in which the borrower is obliged to return only the principal amount received. In Islamic finance, this contract is categorized as a *tabarru'* contract, meaning that it is fundamentally intended to support mutual assistance rather than profit generation. Because *riba* is prohibited in Islam, qardh occupies a unique position as a financing instrument that can accommodate urgent, social, and welfare-oriented needs without imposing a financial burden in the form of interest. In practice, qardh may be used to support short-term liquidity needs, social financing, microbusiness assistance, and several other forms of relief-based financial services (Aravik & Tohir, 2025; Ghozali et al., 2025).

However, although qardh is normatively understood as a social and benevolent contract, its implementation in contemporary Islamic banking remains open to debate. Recent studies have shown that the operational use of qardh in Islamic banks does not always fully reflect its original social spirit. In some cases, qardh is used as a complementary banking instrument rather than a purely welfare-oriented facility, thereby raising questions about its alignment with *maqasid al-shariah*, institutional objectives, and practical banking needs. This issue becomes increasingly important when Islamic banks are expected to balance sharia compliance, prudential standards, product innovation, and financial sustainability (Nugraheni & Muhammad, 2024). As a result, qardh is not only a doctrinal issue in *fiqh muamalah*, but also a practical issue in Islamic banking governance and product design.

The contemporary relevance of qardh is also closely linked to the broader agenda of Islamic financial inclusion. As Islamic banking expands its role in serving diverse segments of society, contracts such as qardh become increasingly significant because they offer a mechanism for

socially responsive financing. This is particularly relevant for low-income communities, micro and small enterprises, and financially vulnerable groups that may require non-commercial assistance (Asriadi et al., 2024). At the same time, the growth of Islamic banking in Indonesia has encouraged renewed discussion on how qardh can be optimized, governed, and integrated into modern financial institutions without losing its ethical foundation. Recent scholarship therefore places qardh at the intersection of legal doctrine, financial practice, and social responsibility.

Based on this background, this article examines the concept of qardh in *fiqh muamalah* and analyzes its implementation in Islamic banking institutions. It seeks to explain how qardh is understood doctrinally, how it is practiced within the institutional framework of Islamic banking, and what major issues arise in its development in Indonesia. By focusing on both conceptual and practical dimensions, this study aims to show that qardh is not merely a classical contract preserved in theory, but a dynamic instrument whose relevance continues to evolve in response to the needs of contemporary Islamic finance.

## METHOD

This study employs a qualitative research design using a library research approach. This method is appropriate because the study examines the concept, implementation, and development of qardh financing in Islamic banking through the analysis of scholarly and institutional literature rather than field observation or survey data (Sugiyono, 2021; Creswell & Poth, 2023). The data used in this study are secondary data derived from relevant written sources, including academic journal articles, books, research reports, laws and regulations, fatwas, institutional publications, and statistical reports related to Islamic banking, sharia finance, and qardh contracts. These sources were selected purposively based on their relevance, credibility, and contribution to explaining both the doctrinal and practical dimensions of qardh financing.

Data collection was conducted in several stages. First, the researcher identified the main topic and defined the scope of the study. Second, relevant literature was collected from credible academic and institutional sources. Third, the selected materials were classified into major themes, namely the conceptual foundation of qardh in *fiqh muamalah*, its implementation in Islamic banking, issues in its development, and its contribution to financial inclusion.

The data were analyzed using a qualitative descriptive-analytical technique. In this process, the researcher examined, compared, and interpreted the selected literature to identify key patterns, arguments, and developments related to qardh financing sources (Miles et al., 2018; Almusaed et al., 2025). The analysis involved three stages: data reduction, thematic organization of findings, and conclusion drawing. Conclusions were formulated by interpreting the relationship between theoretical perspectives and the practical implementation of qardh contracts in Islamic banking. As a library-based qualitative study, this research is limited by its reliance on secondary sources and the possibility of interpretive subjectivity. To minimize these limitations, only credible sources were used and analyzed through a systematic process.

## **RESULT AND DISCUSSION**

This section discusses the position of qardh financing in Islamic banking, its contemporary applications, the major issues surrounding its development, the basic repayment mechanism, and several strategies for strengthening its contribution to Islamic financial inclusion. The findings indicate that qardh is no longer merely a classical contract preserved in fiqh discourse, but a relevant instrument for addressing social vulnerability, ethical financing, and inclusive access to financial services in modern Islamic banking. Recent scholarship also shows that qardh should be assessed not only in terms of formal sharia compliance, but also in relation to its substantive social function and maqasid al-shariah orientation (Nugraheni & Muhammad, 2024; Ghozali et al., 2025).

### **Inclusion of Qardh Contract Financing in Sharia Banking**

In Islamic finance, qardh refers to a benevolent loan in which the borrower is only required to return the principal amount. Its doctrinal basis places it within the category of tabarru' contracts, meaning that the contract is primarily intended to facilitate assistance and social benefit rather than profit generation. In the Indonesian context, this understanding is consistent with the operational concept of Islamic banking, which combines commercial intermediation with social functions under the legal framework of Law No. 21 of 2008 on Sharia Banking and DSN-MUI fatwas on al-qardh (OJK, 2013). In practical terms, qardh is not merely a contractual mechanism, but also an ethical instrument that reflects solidarity, mutual assistance, and social responsibility in economic life.

The relevance of qardh in Islamic banking becomes more important when viewed in the broader context of the development of the Islamic financial industry in Indonesia. The Islamic banking sector has continued to expand institutionally and statistically, supported by the strengthening of the national sharia economic ecosystem. In the global context, Indonesia improved its position to third place in the State of the Global Islamic Economy Report 2023/24, indicating stronger international recognition of its sharia economic performance (DinarStandard, 2023). In parallel, the global Islamic financial services industry continued to grow, reaching USD 3.88 trillion in total assets in 2024, with Islamic banking remaining the dominant segment. The Islamic Financial Services Board (2025) also recorded Indonesia's Islamic banking share at 7.3% of total domestic banking assets in 2024 Q3, showing that Indonesia is still a growing rather than dominant Islamic banking market. At the institutional level, BSI also announced that it had entered the top 10 global Islamic banks by market capitalization (BSI, 2023; Setya, 2023). These developments do not automatically mean that Islamic banks dominate all national economic activity, but they do show that Islamic banking has become increasingly strategic in Indonesia's financial landscape. In this setting, qardh financing should be understood as part of the broader effort of Islamic banks to combine commercial intermediation with social inclusion.

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Akad qardh is an agreement to lend property or funds to another person with the obligation to return only the amount borrowed, without expecting any return in excess of the principal. In

everyday life, the qardh contract functions as an alternative instrument to help solve problems, especially economic difficulties faced by individuals or communities with limited financial capacity. In addition, qardh financing also reflects the Qur’anic teaching of helping others and promoting social welfare. Therefore, in the context of Islamic banking, qardh has both a legal and moral significance, since it represents the social orientation of sharia-based financial services.

Based on data from the Financial Services Authority (OJK), Islamic bank financing continues to show positive developments. This can also be seen from Indonesia’s rising position in the global sharia economic landscape, as reflected in the State of the Global Islamic Economy Indicator Report. In relation to qardh financing, the following table presents the development and growth of Islamic banking qardh financing based on OJK data.

**Table 1. Qardh Financing Growth**

Tahun	Nominal (Millions Rupiah)	Growth
2020	32.610	18%
2021	34.904	19%
2022	58.118	32%
2023	56.140	31%
Total	181.772	100%

Source: Data OJK (2024)

Based on Table 1, qardh financing in Islamic banking showed a generally positive trend during the 2020–2023 period. In 2020, qardh financing accounted for 18%, and this figure increased slightly to 19% in 2021. A more substantial increase occurred in 2022, when the growth reached 32%, indicating a significant expansion in qardh financing during that year. In 2023, the figure declined slightly to 31%. Although this suggests a minor fluctuation, the overall pattern still indicates that qardh financing experienced stable growth over the observed period. This trend demonstrates that qardh remains relevant as a supporting instrument in Islamic banking, particularly in relation to its social and inclusive financing function.

From this discussion, it can be understood that qardh financing occupies an important position in Islamic banking, not only as a classical contract in fiqh muamalah, but also as a practical instrument for strengthening the social role of Islamic financial institutions. Its continued development indicates that Islamic banking is not solely oriented toward commercial financing, but also seeks to accommodate social needs through contracts that embody the principles of justice, mutual assistance, and financial inclusion.

### **Application of Akad Qardh Financing in Sharia Banking**

The application of qardh financing in Islamic banking can be seen from various aspects of sharia financial inclusion. In general, qardh is applied as a benevolent financing contract that enables individuals or groups to obtain temporary financial assistance without being burdened by predetermined returns. In this context, the application of qardh reflects not only legal compliance with sharia principles, but also the ethical values of mutual assistance, justice, and social solidarity

that form the foundation of Islamic finance. Recent studies also confirm that qardh remains relevant in contemporary Islamic banking because it supports the social mission of Islamic financial institutions and broadens access to inclusive financial services.

*First*, Islamic Financial Institutions. Sharia Financial Institutions can apply the concept of qardh by offering qardh-based financing products to their customers. Customers who need funds may apply for a qardh facility, and the institution provides the loan without charging interest, while the customer is required to return the principal in accordance with the agreement. In this regard, qardh functions as an alternative financing model that is consistent with the prohibition of riba and with the social orientation of Islamic finance. Recent literature continues to describe qardh as one of the main forms through which the social function of Islamic banking is implemented in practice (Malik et al., 2024).

*Second*, the hajj bailout fund. Qardh may also be applied in hajj-related financing schemes designed to help prospective pilgrims meet the costs of pilgrimage. In such a scheme, the funds provided to pilgrims can be structured as an interest-free loan that must be repaid according to the agreed terms. This allows prospective pilgrims to obtain temporary financial assistance while maintaining compliance with sharia principles. Recent Indonesian research on *wakalah bil ujarah wal qardh* in hajj financing shows that qardh continues to be used in this sector as a supporting contract in pilgrimage-related financial services (Agustin et al., 2024).

*Third*, the merchant environment. Qardh may refer to loans given among traders, whether as *qardh hasan* or other non-interest-based arrangements intended to help fellow merchants continue or expand their businesses. In this setting, qardh serves as a mechanism that strengthens cooperation and mutual support within small business communities. This application is consistent with the broader role of qardh in supporting microeconomic resilience and community-based financial solidarity. Recent studies on qardh and MSME-oriented financing similarly highlight its importance for supporting small-scale economic actors who have limited access to commercial financing.

*Fourth*, gold pawn transactions. Qardh may be applied when a borrower receives a loan while providing gold as collateral. In this case, the lender grants the qardh facility and keeps the gold as security until repayment is made. If the borrower fails to repay, the collateral may be liquidated according to the applicable sharia and contractual provisions. This model is frequently discussed together with *rahn* and *ijarah*, showing that qardh may operate within a hybrid contractual structure. Recent studies on sharia gold pawn products confirm that the implementation of qardh in this context remains relevant and widely discussed in practice.

*Fifth*, financing of MSMEs (Micro, Small, and Medium Enterprises). Qardh financing may also be applied to MSMEs that require capital to develop or sustain their businesses. In this context, Islamic financial institutions or Islamic microfinance institutions may provide qardh loans without interest, while borrowers are expected to repay the principal in accordance with the agreed schedule. The significance of this application lies in its ability to reach economically vulnerable entrepreneurs and to function as an inclusive financing bridge. Recent studies indicate that qardhul hasan and related social financing instruments can contribute to community empowerment, microbusiness development, and sustainable finance when supported by proper governance.

*Sixth*, sharia insurance. Qardh can be applied in relation to *tabarru'* funds used to help participants who suffer losses. In principle, qardh may serve as a supporting mechanism when the fund requires

temporary reinforcement to maintain its obligations. This application shows that qardh is not limited to Islamic banking, but also operates in the wider ecosystem of Islamic finance, especially in cooperative and risk-sharing structures. Recent studies on *takaful* and *tabarru'* funds further support the relevance of qardh in maintaining fund adequacy and solvency in sharia insurance practice.

*Seventh*, the product of the education bailout fund. In education-related financing, qardh may be used to provide temporary financial support to individuals or families who need assistance in paying educational expenses. Under this arrangement, the lender gives funds without additional return, and the borrower is expected to repay only the principal amount according to the agreement. The purpose of such a product is to broaden access to education and to reduce the burden of educational costs through a socially oriented financing model. Although recent literature on this specific product is still limited, the application remains conceptually consistent with the broader role of qardh as a tool of welfare support and financial inclusion.

*Eighth*, social function. Qardh is strongly associated with the social function of Islamic finance. It may be used to help individuals or groups facing urgent financial hardship, emergency conditions, or temporary economic distress. Through qardh, the lender provides assistance without seeking financial gain, while the borrower is expected to repay the principal once able to do so. This application clearly reflects the spirit of *ta'awun* and the ethical dimension of Islamic finance. Contemporary research continues to treat qardh as one of the most important social instruments in Islamic banking because of its orientation toward welfare and inclusion rather than profit.

*Ninth*, the transfer of financing. Qardh may also be used in financing transfer situations, particularly when a customer faces difficulty in fulfilling an existing financial obligation. In such cases, qardh can function as a temporary relief mechanism that helps the borrower meet obligations in a more equitable and sustainable way. While this application requires careful governance and contract clarity, it demonstrates the flexibility of qardh as a supportive financing instrument in hardship situations.

*Tenth*, it is impossible to *zakat asnaf gharimin*. Qardh may be applied to support *mustahik zakat* classified as *asnaf gharimin*, namely individuals burdened by debt. In this context, qardh is used to help debtors overcome urgent liabilities without being subjected to additional financial burden. This application highlights the close relationship between qardh and Islamic social finance, especially where financial assistance is directed toward vulnerable recipients in need of debt relief and socio-economic recovery. Recent scholarship on the integration of Islamic social finance reinforces the view that instruments such as qardh can complement zakat-based welfare strategies.

*Eleventh*, a sharia fintech lending platform. Qardh may be adopted as a contractual basis for digital loan transactions between lenders and borrowers. In this context, fintech platforms can facilitate qardh-based financing without predetermined interest or profit. This application is increasingly relevant in the digital era, as fintech expands access to financial services and supports inclusion for users who may be underserved by conventional institutions. However, recent research also shows that the use of qardh in fintech requires careful legal design, sharia compliance, transparency, and consumer protection.

Overall, the application of qardh financing in Islamic banking and related sectors demonstrates the flexibility of this contract across formal, semi-formal, and socially oriented financial settings.

Its importance lies not in profit generation, but in its ability to respond to urgent needs, expand inclusion, and preserve the ethical identity of Islamic finance.

### **Implementation of the Development of the Qardh Agreement in Sharia Banking**

The development of qardh contracts in Islamic banking may be understood through several interrelated dimensions that support the realization of sharia financial inclusion. One important dimension concerns efforts to enhance the sustainability and effectiveness of qardh financing. Although qardh is not designed as a profit-oriented contract, Islamic financial institutions still require sound strategies to ensure that qardh products remain operationally viable, widely accessible, and socially impactful. Such efforts may include expanding outreach, improving fund allocation, reducing repayment risk, and strengthening governance mechanisms. Recent studies on qardhul hasan management in Islamic banking indicate that the optimization of funding sources, allocation models, and institutional management is necessary to ensure that qardh continues to function as an effective instrument of social finance (Al-Melahi et al., 2022).

Another important aspect of development is the promotion of qardhul hasan products. In practice, qardh-based products often receive less public attention than commercial Islamic financing instruments. For this reason, greater product visibility through marketing communication, educational campaigns, social media, public seminars, and partnerships with relevant institutions is essential. Promotion in this context is not merely commercial; it also serves an educational function by improving public understanding of the role of qardh as a benevolent and socially responsive financing instrument. This is consistent with broader recent discussions in Islamic banking that call for stronger alignment between Islamic financial practice and maqasid syariah, especially in restoring the social and welfare-oriented identity of Islamic financial institutions (Sheikh & Hussain, 2024).

The development of qardh is also reflected in the growing use of hybrid contracts, particularly in gold-backed products. In this type of arrangement, qardh may be combined with other contracts related to collateral, service, or asset management in order to create financing products that are both practical and sharia-compliant. Gold-backed qardh products illustrate how Islamic financial institutions adapt classical contracts to contemporary market needs while maintaining the prohibition of riba. However, such hybridization requires careful structuring and supervision so that the benevolent nature of qardh is not overshadowed by commercial considerations. In this regard, recent maqasid-oriented literature reminds us that the formal use of sharia contracts must still be evaluated according to their substantive social purpose.

A further key dimension is the strengthening of the micro sector through qardh financing. Small and micro enterprises often face limited access to capital, especially when they are not yet eligible for more commercial financing arrangements. Qardh can therefore function as an inclusive entry point by providing accessible, low-burden financing that supports productive activity and community resilience. Recent studies on qardh hasan and integrated financing models for microenterprises emphasize that sustainability in this area depends not only on financing itself, but also on training, institutional support, public awareness, and management capacity. This suggests that the development of qardh in the micro sector should be viewed as part of a broader empowerment

strategy rather than as a stand-alone financing mechanism (Ozdemir et al., 2023; Haqbin & Thaker, 2025; Haqbin & Thaker, 2025).

Overall, the development of qardh contracts in Islamic banking shows that qardh is evolving beyond its classical doctrinal role into a more structured instrument of financial inclusion. Its future development depends on how Islamic financial institutions balance social purpose, operational sustainability, product innovation, and maqasid-oriented governance.

### **Development Issues in the Qardh Contract**

The development of qardh contracts in Islamic financial inclusion is accompanied by several important issues. Although qardh is theoretically regarded as a simple benevolent loan in which the borrower only returns the principal amount, its implementation in practice is often more complex. Clear provisions regarding the amount of financing, the repayment period, and the rights and obligations of both parties are necessary to ensure that the contract is carried out fairly and effectively. In Islamic financial institutions, qardh is not only a social instrument, but also part of an institutional financing system that requires proper governance.

Another important issue concerns dispute resolution. In practice, disputes may arise between the lender and the borrower, particularly in relation to contract implementation or repayment obligations. In general, disputes should first be resolved through deliberation and mutual agreement in order to achieve a fair solution. However, if no agreement can be reached, settlement may proceed through arbitration or the sharia court in accordance with the applicable legal framework.

The implementation of qardh may also become more complicated when it is linked to rahn financing. In this case, the valuation and management of collateral become important issues. An inaccurate assessment of collateral value or a decline in its value during the financing period may create imbalance and risk for both parties. Therefore, institutions must ensure that collateral is properly managed and, where necessary, protected against possible loss.

In addition, the principle of prudence remains essential in qardh financing. Even though qardh is based on benevolence and mutual assistance, lenders are still expected to assess the borrower's financial condition and repayment capacity before granting the financing. This is important to reduce the risk of default and to ensure that qardh remains sustainable within Islamic financial institutions.

From a normative perspective, qardh is closely related to the principles of *ta'awun* and *tabarru'*. The principle of *ta'awun* emphasizes mutual help and solidarity, while *tabarru'* highlights the voluntary and non-profit nature of the contract. These principles distinguish qardh from commercial contracts and explain why qardh occupies a special place in Islamic finance. However, the application of these principles in modern financial institutions often requires a balance between social objectives and institutional discipline.

Another issue concerns the treatment of uncollectible receivables. Since qardh financing may not always be repaid on time, Islamic financial institutions need to anticipate the possibility of bad financing by establishing reserves or provisions. This is an important preventive measure to maintain financial stability and accountability in institutional practice.

Legal protection is also an essential concern in qardh agreements. The implementation of qardh must be supported by clear legal rules to ensure justice, validity, and compliance with sharia

principles. Legal certainty is important not only to protect the lender and the borrower, but also to strengthen public trust in Islamic financial institutions.

The repayment mechanism of qardh itself must also be clearly regulated. In principle, the borrower is only obliged to return the principal amount without any additional interest. The method of repayment may be arranged through installments or lump-sum payment, depending on the agreement made by both parties. For this reason, clarity in the contract is essential to avoid misunderstanding and future disputes.

In practice, qardh must also be distinguished from other sharia contracts, such as wadi'ah and wakalah bil ujah. Wadi'ah is a safekeeping contract, whereas qardh is a loan contract. Likewise, wakalah bil ujah involves representation for a fee, while qardh is limited to the provision of funds without compensation. These distinctions are important because each contract has different legal consequences and operational implications in Islamic financial institutions.

Finally, issues may also arise in relation to the use of land as collateral and the role of the notary in formalizing qardh agreements. The use of land as security must comply with sharia principles as well as applicable legal provisions, while notaries may play an important role in ensuring that the agreement is formally valid and properly documented. Thus, the development of qardh contracts is not only a matter of religious doctrine, but also of legal certainty, institutional governance, and practical implementation.

### Mechanism of Procedure for Return of Qardh Contract Financing in Sharia Banking

The qardh contract is classified as a *tabarru'* contract because it is fundamentally based on the principle of helping others in the hope of obtaining the pleasure and mercy of Allah SWT. However, the benevolent nature of qardh does not eliminate the borrower's obligation to repay the funds received. In qardh, the borrower (*muqtaridh*) remains responsible for returning the principal amount, while the lender (*muqridh*) has the right to request repayment in accordance with the terms agreed upon in the contract. Thus, qardh combines a social spirit of mutual assistance with a clear legal and ethical responsibility on the part of the borrower.

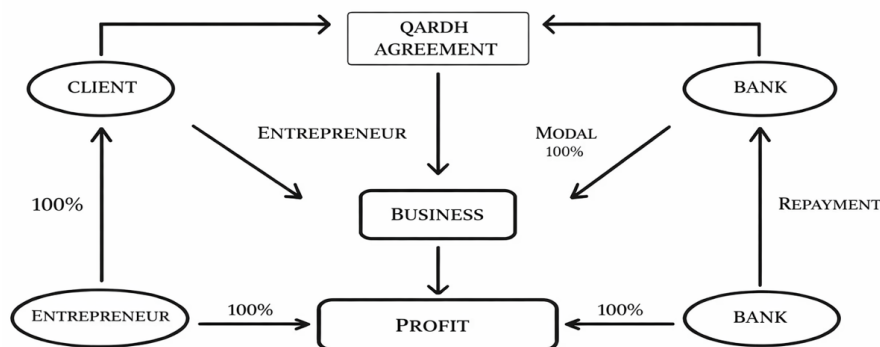


Figure 1. Qardh Contract Scheme

In Islamic banking practice, the implementation of qardh financing must follow several important provisions. The purpose of the financing must be clearly identified and must not conflict with sharia principles. In addition, the repayment period should be explicitly stated in the contract

so that both parties understand their respective rights and obligations. The customer is required to return the full principal amount of the financing received, while any additional payment may only be accepted if it is given voluntarily and is not stipulated in the contract from the outset. This distinction is crucial because qardh must remain free from any element of *riba*. Administrative costs may be charged to the customer, but only within reasonable and justifiable limits, and guarantees may also be requested when necessary as a prudential measure.

In some cases, customers may voluntarily provide additional payment to the bank at the time of repayment as a form of gratitude. As long as such an addition is not agreed upon in advance and is not imposed as an obligation, it does not violate the principle of qardh. This shows that the repayment mechanism of qardh is not intended to generate profit for the lender, but rather to ensure that the contract remains fair, transparent, and in accordance with sharia values. Therefore, the legitimacy of qardh lies not only in the absence of interest, but also in the absence of any hidden requirement for financial gain.

The qardh financing scheme also indicates that Islamic financial institutions function as intermediaries for distributing socially oriented funds to eligible recipients. In practice, the institution first conducts an assessment to determine whether the applicant is entitled to receive qardh financing. After the financing is granted, the customer is obliged to repay the amount received at the time agreed in advance. This mechanism demonstrates that qardh, although rooted in benevolence, is still implemented through an orderly and accountable institutional process. In this regard, qardh financing reflects a balance between social solidarity and financial discipline, making it an important instrument of Islamic banking's social function.

### **Strategy for the Development of Qardh Contract Inclusion in Sharia Banking**

The inclusion of qardh contracts in Islamic banking requires a development strategy that is not limited to legal recognition alone, but also supported by educational, institutional, technological, and regulatory measures. One of the most important strategies is increasing public understanding of qardh through education and socialization. Many people are still unfamiliar with the benefits and mechanisms of qardh, even though it offers an alternative financing model that is socially oriented and free from interest. For this reason, seminars, workshops, information campaigns, and broader Islamic financial literacy programs are essential to strengthen public awareness and acceptance of qardh-based products.

Another strategic step is the development of products and services that make qardh more relevant to contemporary social and economic needs. Islamic financial institutions need to innovate by designing qardh-based products that can support microfinancing, small business financing, emergency social assistance, and other inclusion-oriented programs. In addition, the digitization of services is increasingly important in expanding access to qardh financing. Mobile banking applications and user-friendly online platforms can make qardh products more accessible, faster, and more efficient, especially for communities that have limited access to traditional banking services.

The development of qardh inclusion also depends on stronger cooperation and collaboration among institutions. Islamic banks cannot maximize the social function of qardh on their own. Collaboration with the government, non-profit organizations, zakat and waqf institutions, and

microfinance institutions can strengthen both funding capacity and outreach. Through such cooperation, qardh financing can be directed more effectively to low-income communities and vulnerable groups that need inclusive financial support. This makes qardh not only a banking product, but also part of a broader ecosystem of Islamic social finance.

In addition, incentives may play a role in encouraging the wider use and implementation of qardh products. Incentives do not necessarily mean financial profit, but may take the form of reduced administrative burdens, institutional recognition, or supportive policies that encourage both providers and beneficiaries to participate in qardh-based programs. Such support can strengthen the practical appeal of qardh and make it more sustainable within Islamic financial institutions.

Finally, the strengthening of regulations and policies is crucial for the long-term development of qardh inclusion. Supportive regulations are needed to provide legal certainty, maintain sharia compliance, and ensure that qardh is recognized as an important instrument of financial inclusion. Periodic evaluation is also necessary to assess the effectiveness of qardh implementation and its contribution to social welfare. Without strong regulatory support and continuous institutional improvement, qardh risks remaining a marginal product rather than becoming a meaningful instrument of inclusive Islamic finance.

Overall, the development of qardh inclusion in Islamic banking requires a comprehensive strategy that integrates literacy, innovation, collaboration, incentives, and regulation. Through these efforts, qardh can be strengthened not merely as a classical contract in Islamic jurisprudence, but as a practical and socially responsive instrument for expanding Islamic financial inclusion.

## CONCLUSION

Its application in various sectors in Islamic banking shows the flexibility and relevance of this contract in various economic and social contexts. Then in the implementation of the development of the qardh contract itself, it shows great interest in increasing the effectiveness of the qardh contract in the context of sharia finance. There are also issues that need to be considered as their development shows the complexity and challenges of Islamic finance practices. The mechanism of the financing refund procedure shows the importance of ensuring that the implementation of the qardh contract is carried out in a transparent manner and in accordance with applicable sharia principles. And lastly, for the development strategy of the inclusion of qardh contracts in Islamic banking by increasing public understanding of education and literacy, continuing to develop good and reliable products and services, increasing collaboration with the government and *non-profit institutions*, providing incentive schemes and awards to foster the spirit of the community and agencies in implementing the qardh contract, and strengthening regulations and policies which supports the development of the qardh contract.

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