

## QARDH AL-HASAN AS A TOOL FOR URBAN JUSTICE: A COMPARATIVE FIQH PERSPECTIVE FOR FINANCIAL INCLUSION IN BANDUNG'S MSME SECTOR

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### Abstract

*This conceptual study employs a comparative fiqh (Islamic jurisprudence) perspective to analyze Qardh al-Hasan (benevolent, interest-free loans) as an instrument for urban financial inclusion in Bandung, Indonesia. Through a systematic literature review enhanced with jurisprudential analysis, the research examines divergent interpretations across Islamic legal schools (madhahib) and their implications for implementing Qardh al-Hasan within Bandung's MSME sector. The study aims to: (1) analyze comparative fiqh debates on Qardh al-Hasan as a developmental tool, (2) identify operational variations in different Muslim-majority urban contexts, and (3) formulate an inclusive governance model synthesizing juristic flexibility with contemporary urban needs. Findings reveal that while classical fiqh emphasizes Qardh al-Hasan's charitable nature, contemporary juristic innovations (takyir fiqhi) permit structural adaptations that enhance sustainability without compromising Sharia principles. The proposed Tripartite Partnership Model integrates comparative fiqh insights with urban governance theory, offering a flexible framework adaptable to Bandung's socio-economic landscape while maintaining juristic integrity. This research contributes to the discourse on Islamic financial inclusion by demonstrating how juristic pluralism can inform practical policy solutions for urban poverty alleviation.*

**Keywords:** Qardh al-Hasan, Comparative Fiqh, Financial Inclusion, MSMEs, Islamic Social Finance

### 1. INTRODUCTION

The persistence of urban poverty in Indonesian cities like Bandung is intrinsically linked to systemic financial exclusion that disproportionately affects Micro, Small, and Medium Enterprises (MSMEs). These enterprises, which constitute approximately 99% of

business establishments in Bandung and employ over 70% of the city's workforce, frequently operate outside formal financial systems due to stringent collateral requirements, complex bureaucratic procedures, and religious objections to conventional interest-based financing (Bank Indonesia, 2022; Pemerintah Kota Bandung, 2023). This exclusion perpetuates cycles of economic vulnerability and limits opportunities for sustainable urban development. Within the Islamic economic paradigm, Qardh al-Hasan (benevolent, interest-free loans) emerges as a potential ethical corrective to this systemic failure, offering an alternative financing mechanism grounded in principles of social justice and mutual cooperation (ta'awun) as articulated in classical Islamic jurisprudence (al-Qardawi, 2000; Chapra, 2000).

Bandung presents a particularly compelling context for examining the implementation of Islamic financial instruments. As Indonesia's third-largest metropolitan area with a population exceeding 2.5 million, Bandung exemplifies the complex urban challenges facing rapidly growing cities in the Muslim world. The city's distinctive socio-religious landscape, characterized by strong Islamic values within a pluralistic urban environment, creates unique opportunities for implementing Sharia-compliant financial solutions that resonate with community norms while addressing practical economic needs (Hefner, 2010; Jabali, 2021). Furthermore, Bandung's strategic positioning as an educational and technological hub, coupled with its diverse MSME sector spanning traditional crafts, creative industries, and digital enterprises, necessitates innovative financial approaches that can accommodate varying business models and scales of operation (Pemerintah Kota Bandung, 2023).

Despite the theoretical promise of Qardh al-Hasan and similar Islamic social finance instruments, their practical implementation in urban contexts remains constrained by several factors. Firstly, there exists a significant gap between jurisprudential theory and practical application, with classical fiqh interpretations often insufficiently adapted to contemporary urban realities (Saeed, 1999; El-Gamal, 2006). Secondly, operational models for Qardh al-Hasan vary considerably across different Muslim-majority regions, reflecting divergent interpretations within Islamic legal schools (madhahib) and contextual adaptations to local socio-economic conditions (Iqbal & Mirakhor, 2011; Mohieldin et al., 2012). Thirdly, the sustainability of Qardh al-Hasan initiatives frequently encounters challenges related to funding mechanisms, institutional capacity, and integration within broader urban governance frameworks (Ahmed, 2007; Ascarya, 2020).

This study addresses these challenges through a comparative fiqh (fiqh muqāran) approach, which systematically examines differences and similarities in juristic opinions across Islamic legal traditions and their implications for contemporary financial practice. Comparative fiqh methodology offers valuable analytical tools for navigating the rich diversity of Islamic legal thought while identifying principles and approaches most suited to specific contexts (Kamali, 2003; Ramadan, 2009). By applying this methodology to Qardh al-Hasan implementation in Bandung's urban setting, this research seeks to bridge the gap

between jurisprudential theory and practical policy, contributing to more effective and culturally resonant approaches to financial inclusion.

The central research question guiding this study is: How can comparative fiqh analysis inform the development of an urban governance framework for implementing Qardh al-Hasan in Bandung's MSME sector? To address this question, the research pursues three specific objectives: (1) to conduct a comparative fiqh analysis of Qardh al-Hasan interpretations across major Islamic legal schools (Hanafi, Maliki, Shafi'i, Hanbali) and contemporary juristic bodies; (2) to examine how these juristic differences manifest in operational models across various Muslim-majority urban contexts; and (3) to synthesize comparative fiqh insights with urban governance theory into an adaptive implementation framework tailored to Bandung's specific socio-economic and cultural context.

## **2. IMPLEMENTATION METHOD**

This study employs a qualitative research design that integrates systematic literature review methodology with comparative fiqh analysis. The systematic literature review, following the framework established by Snyder (2019), provides a rigorous and transparent approach to identifying, evaluating, and synthesizing existing scholarly work across multiple disciplines. This is complemented by classical fiqh comparison techniques (*al-qawl bi al-tarjīh*) that enable systematic analysis of juristic texts and interpretations. The hybrid methodology is particularly suited to interdisciplinary research that bridges Islamic legal studies, economic policy, and urban governance. The research process unfolded through four interconnected phases, each incorporating both contemporary academic and classical jurisprudential dimensions. The first phase involved scope definition and parameter setting, where the research boundaries were delineated to include both classical fiqh texts (*kutub al-fiqh*) and contemporary policy literature. This phase established explicit inclusion criteria focusing on literature that discusses Qardh al-Hasan from jurisprudential, economic, and urban governance perspectives, with temporal parameters spanning classical works (9th-19th centuries) to contemporary publications (2000-2024). The geographical scope emphasized urban contexts in Muslim-majority countries, with particular attention to Southeast Asian and specifically Indonesian implementations.

The second phase encompassed systematic source collection across multiple databases and repositories. Comprehensive searches were conducted in academic databases including Scopus, Web of Science, Google Scholar, and specialized Islamic studies databases such as Al-Maktaba al-Shamela and Islamic University of Medina's Digital Library. Parallel searches were executed for classical fiqh sources, contemporary *fatawā* from recognized juristic bodies, and empirical case studies from comparable urban contexts. Search strategies employed keyword combinations in English, Arabic, and Bahasa Indonesia, including: "Qardh al-Hasan," "qard hasan," "interest-free loans," "Islamic social finance," "comparative fiqh," "fiqh muqāran," "financial inclusion," "urban poverty," "MSME financing," and "Bandung economic development." This multifaceted search strategy yielded a comprehensive corpus comprising classical fiqh texts, peer-reviewed journal articles, scholarly books, institutional reports from organizations such as Bank

Indonesia and the National Zakat Agency (BAZNAS), doctoral dissertations, and relevant policy documents from the Bandung municipal government.

The third phase involved rigorous juristic analysis employing classical fiqh comparison methodology. This entailed close textual analysis of primary fiqh sources representing the four Sunni legal schools: Hanafi (exemplified by al-Sarakhsi's *Al-Mabsūṭ*), Maliki (drawing from Ibn Rushd's *Bidāyat al-Mujtahid*), Shafi'i (referencing al-Nawawi's *Al-Majmū'*), and Hanbali (utilizing Ibn Qudamah's *Al-Mughnī*). Contemporary juristic opinions were examined through *fatāwā* collections from the Indonesian Ulema Council (MUI), international bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Fiqh Academy (IFA), and scholarly works of prominent contemporary jurists. The analytical process systematically identified points of juristic agreement (*ijmā'*) and disagreement (*ikhtilāf*), traced the evolution of interpretations across historical periods, and evaluated the reasoning (*illah*) underlying different positions. The fourth and final phase focused on thematic synthesis and framework development. Thematic analysis, following the approach of Braun and Clarke (2006), was applied to identify recurring patterns, concepts, and relationships within the collected literature. This involved iterative cycles of coding, categorization, and theme development that integrated insights from both classical jurisprudence and contemporary social science. The synthesis process paid particular attention to identifying convergences and divergences between jurisprudential principles and empirical findings from implementation case studies. The ultimate output of this analytical process was the development of an integrated conceptual framework the Adaptive Urban Governance Model for Qardh al-Hasan Implementation that synthesizes comparative fiqh insights with urban governance theory and practical policy considerations.

This methodological approach offers several distinctive strengths. First, it bridges disciplinary divides between Islamic legal studies and contemporary policy analysis, facilitating dialogue between these traditionally separate domains of inquiry. Second, it maintains methodological rigor through transparent documentation of search strategies, inclusion criteria, and analytical procedures, enabling replication and verification. Third, it acknowledges and respects the internal coherence of Islamic legal traditions while examining their relevance to contemporary challenges. Finally, it balances respect for juristic tradition with recognition of the need for contextual adaptation in addressing complex urban problems.

### **3. RESULTS AND DISCUSSION**

#### **3.1 Comparative Fiqh Analysis of Qardh al-Hasan: From Classical Charity to Developmental Instrument**

The comparative fiqh analysis reveals a rich tapestry of juristic perspectives on Qardh al-Hasan, reflecting both principled consistency and contextual adaptability within Islamic legal traditions. Classical jurists across the four Sunni madhahib unanimously affirmed the fundamental permissibility and ethical merit of Qardh al-Hasan, grounding their positions in Quranic injunctions (particularly Q. 2:245, 5:12, 57:11, 57:18, 64:17) and

Prophetic traditions that emphasize lending without interest as an act of piety and social solidarity (Ibn Qudamah, 1997; al-Zuhayli, 1997). However, significant juristic diversity emerges regarding operational details, contractual conditions, and institutional arrangements, reflecting different methodological approaches to deriving legal rulings (*istinbāt*) and varying prioritization of legal principles.

The Hanafi school, historically dominant in regions of West and South Asia, adopts a notably pragmatic approach to *Qardh al-Hasan* that balances ethical principles with practical considerations. Classical Hanafi jurists, including al-Sarakhsi (d. 1090) in his authoritative work *Al-Mabsūt*, explicitly permit administrative fees (*ujrah*) for loan management provided these are structurally separated from the loan contract itself and transparently disclosed to all parties (al-Sarakhsi, 1993). This position reflects the Hanafi methodological principle of *istihsan* (juristic preference) that allows consideration of public benefit (*maslaha*) in legal reasoning. Contemporary Hanafi scholars have extended this reasoning to justify institutional mechanisms for ensuring the sustainability of *Qardh al-Hasan* programs, including revolving loan funds and cross-subsidization models (Usmani, 2002; Kahf, 2004). The Hanafi approach demonstrates particular relevance to urban contexts like Bandung where institutional scalability and financial sustainability represent pressing concerns for poverty alleviation programs.

In contrast, the Maliki school, originating in Medina and influential across North and West Africa, maintains a more restrictive stance on any form of benefit accruing to the lender while emphasizing the loan's gratuitous nature. Classical Maliki jurists, notably Ibn Rushd (d. 1198) in his comparative work *Bidāyat al-Mujtahid*, permit voluntary gifts (*hibah*) from borrower to lender but strictly prohibit any pre-conditioned benefit or compensation (Ibn Rushd, 2000). This position stems from the Maliki emphasis on preventing potential avenues for *riba* (usury) through seemingly charitable transactions. Contemporary Maliki scholars have interpreted this principle to support community-based models of *Qardh al-Hasan* that rely on social capital and mutual trust rather than formal institutional structures (El-Gamal, 2006; Dusuki, 2008). Such approaches offer valuable insights for Bandung's densely populated urban neighborhoods where community networks remain strong despite rapid urbanization.

The Shafi'i school, predominant in Southeast Asia including Indonesia, traditionally adopts the strictest interpretation regarding any benefit to the lender. Classical Shafi'i authorities such as al-Nawawi (d. 1277) in *Al-Majmū'* categorically prohibit not only interest but also any form of compensation or gift that might be implicitly expected in connection with the loan (al-Nawawi, 1991). This stringent position reflects the Shafi'i methodological emphasis on literal adherence to primary texts (*nusus*) and cautious approach to analogical reasoning (*qiyas*). However, contemporary Shafi'i scholars in Indonesia and Malaysia have developed innovative interpretations that permit cost-recovery mechanisms for institutional *Qardh al-Hasan* while maintaining the prohibition on profit. The Indonesian Ulema Council



(MUI), in its Fatwa No. 19/DSN-MUI/IV/2001, allows administrative fees in Baitul Maal wat Tamwil (BMT) operations provided these cover only actual operational costs without generating surplus (MUI, 2001). This adaptive interpretation demonstrates the capacity of Islamic legal traditions to evolve in response to contemporary needs while maintaining juristic integrity.

The Hanbali school, influential in the Arabian Peninsula, distinguishes between individual and institutional implementations of Qardh al-Hasan, applying different standards to each context. Classical Hanbali jurist Ibn Qudamah (d. 1223) in *Al-Mughnī* permits greater flexibility in institutional arrangements, acknowledging that organizational sustainability may necessitate certain adaptations (Ibn Qudamah, 1997). This contextual approach has been further developed by contemporary scholars affiliated with the Islamic Fiqh Academy and similar bodies, who have articulated principles for "social investment Qardh" that combines charitable intentions with developmental objectives (IFA, 2018). The Hanbali emphasis on institutional adaptability offers valuable guidance for designing Qardh al-Hasan programs within Bandung's complex urban governance ecosystem, where multiple institutional actors must collaborate effectively.

Beyond the classical madhahib, contemporary juristic bodies have developed innovative approaches to Qardh al-Hasan that bridge traditional principles with modern financial realities. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in its Sharia Standard No. 19 on Qard, explicitly permits cost-recovery mechanisms for institutional implementations while maintaining the prohibition on profit generation (AAOIFI, 2020). Similarly, the International Islamic Fiqh Academy, in its Resolution No. 179 (19/5), recognizes the legitimacy of "developmental Qardh" programs that incorporate technical assistance, capacity building, and monitoring components alongside financial provision (IFA, 2018). These contemporary developments reflect an emerging consensus within global Islamic finance discourse that Qardh al-Hasan must be reimagined as a sustainable instrument for poverty alleviation rather than merely a transient charitable act. The evolution of juristic perspectives on Qardh al-Hasan demonstrates the dynamic nature of Islamic legal reasoning and its capacity to address changing socio-economic realities. From classical emphasis on individual piety and interpersonal solidarity, contemporary interpretations increasingly recognize the instrument's potential as a tool for systemic poverty alleviation and inclusive development. This juristic evolution provides essential foundations for designing Qardh al-Hasan implementations in urban contexts like Bandung, where complex poverty dynamics require sophisticated institutional responses that balance ethical principles with practical effectiveness.

### **3.2 Urban Implementation Models: A Comparative Analysis of Cross-City Experiences**

The juristic diversity examined above manifests concretely in varied operational models for Qardh al-Hasan implementation across different Muslim-majority urban

contexts. Comparative analysis of these implementations reveals how local juristic cultures, institutional ecosystems, and socio-economic conditions interact to shape distinctive approaches to Islamic social finance. This section examines four illustrative cases—Kuala Lumpur, Jakarta, Istanbul, and Amman each representing different combinations of juristic orientation, institutional arrangement, and urban context.

Kuala Lumpur's experience with Qardh al-Hasan reflects Malaysia's distinctive approach to Islamic finance, characterized by strong state involvement, comprehensive legal frameworks, and integration within national development strategies. The Malaysian implementation, operating primarily under Shafi'i jurisprudence with contemporary adaptations, features state-backed Qardh al-Hasan funds administered through specialized institutions like the Islamic Economic Development Foundation (YAPEIM) and the Malaysia Islamic Economic Development Foundation (YPEIM). These programs are notable for their integration with zakat distribution systems, creating synergies between different Islamic social finance instruments (Dusuki & Abdullah, 2014; Abdul-Rahman, 2019). Kuala Lumpur's model emphasizes digital platforms for application processing, disbursement, and monitoring, leveraging Malaysia's advanced financial technology infrastructure. The city's approach demonstrates how Qardh al-Hasan can be scaled through institutional sophistication and technological innovation, offering potential lessons for Bandung's own digital transformation initiatives in the financial sector.

Jakarta's Qardh al-Hasan landscape presents a different model characterized by community-based institutions, pluralistic juristic approaches, and strong emphasis on local empowerment. Indonesia's Baitul Maal wat Tamwil (BMT) networks, operating primarily in urban areas like Jakarta, embody a distinctively Indonesian approach that synthesizes elements from multiple madhahib while emphasizing contextual relevance (Ascarya, 2020; Sakai & Fauzia, 2016). These community-based financial institutions typically operate with greater flexibility regarding administrative fees and operational structures than their Malaysian counterparts, reflecting the Indonesian Ulema Council's pragmatic fatāwā on cost recovery. Jakarta's implementations are particularly notable for their integration with broader community development programs, including business training, women's empowerment initiatives, and environmental sustainability projects (Hefner, 2010). The Jakarta model highlights the potential of Qardh al-Hasan as a catalyst for holistic community development rather than merely financial transaction, suggesting valuable approaches for Bandung's own community development priorities.

Istanbul's experience reflects Turkey's unique historical and institutional context, where Qardh al-Hasan implementations draw heavily on the Ottoman waqf (endowment) tradition while incorporating contemporary financial management approaches. Operating primarily under Hanafi jurisprudence, Turkish Qardh al-Hasan programs frequently utilize waqf assets as sustainable funding sources, creating self-perpetuating cycles of social investment (Cizacka, 2011; Kahf, 2003). Istanbul's Directorate of Pious Foundations

(Vakıflar Genel Müdürlüğü) administers several Qardh al-Hasan programs that target specific demographic groups, including women entrepreneurs, recent graduates, and refugees. These programs are distinguished by their asset-backed sustainability models and professional management structures, demonstrating how historical Islamic institutions can be adapted to contemporary urban needs (Bulut & Korkut, 2018). Istanbul's approach offers particular insights for Bandung regarding the potential integration of Qardh al-Hasan with Indonesia's own waqf revitalization initiatives.

Amman's Qardh al-Hasan implementations reflect Jordan's institutional approach, characterized by strong involvement of Islamic banks and emphasis on professional financial management. Operating under predominantly Hanbali jurisprudence with contemporary adaptations, Jordanian programs are typically administered through specialized windows within conventional Islamic banks or through dedicated Islamic microfinance institutions (El-Komi & Croson, 2013; Al-Ajlouni, 2015). Amman's models emphasize rigorous risk assessment, financial literacy training, and graduated lending approaches that progressively increase loan amounts based on repayment performance. These programs frequently incorporate stringent Sharia supervision through dedicated boards that ensure compliance while allowing operational flexibility (Mersland & Strøm, 2014). Amman's experience demonstrates how Qardh al-Hasan can be professionalized without losing its ethical foundations, suggesting pathways for enhancing the institutional capacity of Bandung's own Islamic social finance ecosystem.

Comparative analysis of these diverse implementations reveals several cross-cutting insights relevant to Bandung's context. First, successful urban Qardh al-Hasan programs typically feature hybrid institutional models that combine elements of state support, community engagement, and professional management. Second, technological integration, particularly through digital platforms, increasingly represents a critical success factor for scalability, transparency, and efficiency. Third, contextual adaptation to local socio-economic conditions and cultural norms consistently proves more important than rigid adherence to any single juristic model. Fourth, sustainability mechanisms whether through waqf endowments, cross-subsidization, or integrated social finance ecosystems consistently distinguish effective long-term implementations from temporary charitable initiatives. These comparative insights inform the development of Bandung-specific implementation strategies that can leverage the city's unique strengths while avoiding pitfalls observed elsewhere. Bandung's vibrant civil society, strong university sector, growing technology ecosystem, and distinctive Sundanese cultural context create opportunities for innovative approaches that might combine elements from various international models while developing distinctly local adaptations.

### **3.3 Toward an Adaptive Governance Framework: Integrating Fiqh Diversity with Urban Policy for Bandung**



Synthesizing insights from comparative fiqh analysis and cross-city implementation experiences yields an adaptive governance framework specifically tailored to Bandung's urban context. This framework, termed the Adaptive Urban Governance Model for Qardh al-Hasan Implementation, comprises three interconnected layers: a juristically-informed policy layer, an operational implementation layer, and a community engagement layer. Each layer incorporates mechanisms for balancing juristic integrity with practical efficacy, ensuring that Qardh al-Hasan implementations remain both Sharia-compliant and contextually effective.

The juristically-informed policy layer establishes the foundational principles and institutional structures necessary for effective Qardh al-Hasan governance. Central to this layer is the proposed establishment of a Municipal Fiqh Advisory Board for Islamic Social Finance, comprising scholars representing multiple madhahib alongside experts in urban economics, social policy, and financial management. This pluralistic composition ensures that diverse juristic perspectives inform policy development while maintaining dialogue with practical implementation considerations. The Board's mandate would include developing contextually-appropriate interpretations of Qardh al-Hasan principles, reviewing proposed implementation models for Sharia compliance, and issuing guidance on emerging ethical questions related to digital finance, data privacy, and environmental sustainability (Kamali, 2008; Ramadan, 2017).

Complementing the Advisory Board, this policy layer includes adaptive regulatory frameworks that accommodate permissible variations across juristic schools while maintaining essential consumer protections and financial stability safeguards. Drawing from Malaysia's Islamic Financial Services Act (2013) and Indonesia's own Islamic banking regulations, Bandung could develop municipal guidelines specifically for Qardh al-Hasan implementations that clarify permissible fee structures, disclosure requirements, dispute resolution mechanisms, and performance monitoring standards (Bank Indonesia, 2019; Securities Commission Malaysia, 2013). Such guidelines would provide necessary clarity for implementing institutions while allowing sufficient flexibility for contextual adaptation across Bandung's diverse neighborhoods and economic sectors.

The operational implementation layer translates policy principles into practical programs and institutional arrangements. This layer emphasizes plural product design, offering Qardh al-Hasan variants based on different juristic approvals to accommodate the diverse preferences of Bandung's Muslim population. For instance, products could range from "pure" Qardh al-Hasan with no fees (appealing to those preferring strict Shafi'i interpretations) to "administrative cost" models with transparent fee structures (accommodating Hanafi and contemporary approaches). Each product variant would include clear juristic disclosure statements explaining the Sharia basis and specific conditions, enabling informed choice by potential beneficiaries (AAOIFI, 2020; Usmani, 2002).

Professional institutional capacity represents another critical component of the operational layer. Bandung's existing Islamic financial institutions including Islamic banks, Baitul Maal wat Tamwil (BMT), and zakat management organizations require strengthened capabilities in Qardh al-Hasan product development, risk assessment tailored to MSME contexts, mentorship program design, and impact measurement. International best practices from Jordan's microfinance institutions and Malaysia's Islamic social finance programs offer valuable models for capacity building (El-Komi & Croson, 2013; Dusuki & Abdullah, 2014). Additionally, Bandung could establish a Qardh al-Hasan Excellence Center at one of its universities to provide specialized training, research support, and quality assurance services for implementing institutions. The community engagement layer ensures that Qardh al-Hasan implementations remain grounded in local needs, values, and knowledge systems. This layer includes comprehensive fiqh literacy programs that educate potential beneficiaries about juristic diversity, ethical financial principles, and their rights and responsibilities within different Qardh al-Hasan models. Such programs could be delivered through various channels including religious institutions, community organizations, vocational training centers, and digital platforms, employing culturally appropriate pedagogies that resonate with Bandung's diverse populations (Hefner, 2010; Jabali, 2021).

Participatory Sharia governance mechanisms represent another innovative component of the community engagement layer. These mechanisms could include beneficiary representation on institutional Sharia boards, community review panels for product development, and transparent complaint resolution processes that incorporate both juristic and practical considerations. Such participatory approaches align with Islamic principles of consultation (shura) while enhancing program relevance and accountability (Ramadan, 2009; Saeed, 1999). Finally, the framework incorporates robust monitoring, evaluation, and learning systems that track both Sharia compliance and socio-economic impact. These systems would employ mixed-method approaches combining quantitative financial metrics with qualitative assessments of ethical implementation, drawing from emerging frameworks for measuring the "maqasid alignment" of Islamic finance programs (Antonio et al., 2012; Bedoui & Mansour, 2015). Regular learning cycles would facilitate continuous improvement of implementation models based on empirical evidence from Bandung's specific context.

This adaptive governance framework addresses the central challenge identified throughout this study: balancing juristic integrity with practical efficacy in implementing Qardh al-Hasan within complex urban environments. By integrating comparative fiqh insights with urban governance theory and empirical learning from international experiences, the framework offers a comprehensive approach for realizing Qardh al-Hasan's potential as a tool for urban justice in Bandung. The framework's emphasis on flexibility, inclusivity, and continuous learning ensures its relevance across Bandung's diverse socio-economic landscape while maintaining fidelity to Islamic ethical principles.

#### **4. CONCLUSION**

This study has employed a comparative fiqh perspective to examine Qardh al-Hasan as a potential instrument for enhancing financial inclusion among MSMEs in Bandung, Indonesia. Through systematic analysis of juristic texts across Islamic legal traditions and examination of implementation experiences in comparable urban contexts, the research has illuminated both the challenges and opportunities associated with operationalizing this Islamic financial instrument in contemporary urban settings. The findings demonstrate that while classical fiqh provides essential ethical foundations for Qardh al-Hasan, its effective implementation requires thoughtful adaptation to urban realities, innovative institutional arrangements, and inclusive governance approaches. The study makes several significant contributions to academic knowledge and practical policy. Theoretically, it advances methodologies for integrating classical Islamic legal analysis with contemporary social science research, demonstrating how jurisprudential diversity can be systematically examined and applied to address modern socio-economic challenges. The development of the Adaptive Urban Governance Model represents a conceptual innovation that bridges traditionally separate domains of Islamic finance, urban studies, and development policy. Practically, the research provides Bandung policymakers with evidence-based guidance for designing and implementing Qardh al-Hasan programs that balance Sharia compliance with operational effectiveness, offering specific recommendations for institutional structures, product designs, and community engagement mechanisms.

The implications of this research extend beyond Bandung to other Muslim-majority urban contexts grappling with similar challenges of financial exclusion and poverty amidst rapid urbanization. The adaptive governance framework developed through this study offers a transferable model that can be contextualized to different cities while maintaining core principles of juristic integrity, institutional innovation, and community participation. For international development organizations and Islamic finance institutions, the research highlights the importance of grounding financial inclusion initiatives in local legal and cultural frameworks rather than importing standardized models without adaptation. Several promising directions for future research emerge from this study. Empirical validation of the proposed governance framework through pilot implementations in Bandung would generate valuable evidence regarding its practical effectiveness and potential refinements. Comparative studies examining Qardh al-Hasan implementations across different Indonesian cities could illuminate how local variations in governance structures, institutional ecosystems, and socio-cultural contexts influence program outcomes. Longitudinal research tracking the long-term impacts of Qardh al-Hasan on household welfare, business sustainability, and community resilience would address important gaps in current knowledge regarding the sustained effects of Islamic social finance interventions. Additionally, research exploring the potential integration of Qardh al-Hasan with emerging

financial technologies, including blockchain-based smart contracts and digital identity systems, could open new frontiers for scalable and transparent implementation models.

In conclusion, this study has demonstrated that Qardh al-Hasan, when thoughtfully implemented through governance frameworks that respect juristic diversity while embracing institutional innovation, can serve as a powerful instrument for advancing urban justice and financial inclusion. Bandung, with its unique combination of Islamic heritage, economic dynamism, and governance challenges, represents an ideal laboratory for developing and testing such approaches. By embracing the rich pluralism of Islamic legal traditions while responding creatively to contemporary urban realities, cities like Bandung can pioneer new models of ethically-grounded, inclusive development that honor religious principles while addressing pressing social needs. The journey toward such models requires ongoing dialogue between juristic scholars, urban policymakers, financial practitioners, and community representatives a collaborative endeavor that this study hopes to inspire and inform.

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