

SOCIOLOGICAL APPROACH ON TRUSTING TRANSACTIONS IN BUSINESS TO AL-KAFALAH, AL-HIWALAH, AL-RAHN

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Abstract

This journal presents the complex relationship between social factors and trust transactions in Islam-based businesses, focusing on Al-Kafalah, Al-Hiwalah, and Al-Rahn. The research findings reveal that social norms, community values, and religious principles play a key role in shaping ethical and sustainable business practices. The sociological implications of the research emphasize the importance of strengthening social values, applying religious principles, and promoting economic inclusion. Practical recommendations offer guidance for entrepreneurs and policymakers to develop business practices that are more inclusive and in line with Islamic principles. Thus, this abstract summarizes the contribution of this journal in providing an in-depth and practical understanding of the dynamics of Islam-based businesses from a sociological perspective.

Keywords: *Trust, Islamic Business, Social Factors*

1. INTRODUCTION

Business in the context of Islamic economics often reflects high ethical and moral values, and the concept of trust plays a central role in business transactions. (Zamzam & Aravik, 2020) In the Islamic business environment, there are transactions that represent the granting of trust between the parties involved, such as Al-Kafalah, Al-Hiwalah, and Al-Rahn. These transactions not only affect economic aspects, but also have profound social implications in a society that adheres to sharia principles.

As part of the Islamic financial system, Al-Kafalah, Al-Hiwalah, and Al-Rahn have a significant role in providing assurance and protection to business people and parties involved in transactions. Al-Kafalah is a guarantee or trust given by one party to another party to carry out certain obligations or fulfill certain conditions. Al-Hiwalah is the transfer of funds or trust to a third party for a specific purpose, while Al-Rahn is the provision of collateral in the form of property or assets as a guarantee for the implementation of an agreement or debt. (Aritonang, 2019)

However, behind the economic aspect of these transactions lies a social dynamic that is important to understand. Sociological approaches in analyzing trust-giving transactions such as Al-Kafalah, Al-Hiwalah, and Al-Rahn allow us to explore social interactions, values, norms, and impacts associated with business practices in Islamic societies. For example, how social factors such as cultural norms and religious values affect the way these transactions are carried out, What impact do they have on social relations among the parties involved in such transactions. (Muslim, 2017)

This study aims to adopt a sociological approach to investigate more deeply trust-giving transactions in Islamic-based businesses, focusing on Al-Kafalah, Al-Hiwalah, and Al-Rahn. We will analyze how social factors influence these transactions, as well as how they can affect social structures and relationships between individuals, companies, and society in the context of Islamic business. (Wahyuddin et al., 2023)

The research has significant relevance in the evolving context of Islamic business, where a better understanding of the social aspects of trust-giving transactions can make an important contribution to the development of more ethical and sustainable business practices. Thus, through this sociological approach, we can delve deeper into the broader dynamics of Islamic-based business and provide valuable insights for academics, practitioners, and policymakers.

In the remainder of this journal, we will explore the conceptual framework, research methodology, findings, and implications of this sociological approach to the transactions of Al-Kafalah, Al-Hiwalah, and Al-Rahn in Islamic-based business.

2. IMPLEMENTATION METHOD

The type of data used in this study is literature research, and the methodology used is qualitative descriptive with a normative approach. The study collects information on the issues under study from books, journals, articles, and the internet. Descriptive analysis is a technique used for data analysis.

3. RESULT AND DISCUSSION

A sociological approach to the concepts of Al-Kafalah, Al-Hiwalah, and Al-Rahn in business can provide a deeper understanding of how principles in Islam affect business practices and social relations between individuals and society. The following is a brief discussion of sociological approaches to these three concepts in a business context: (SYAFEI, 2022)

1. Al-Kafalah (Guarantee) from a sociological perspective: is something that intersects in business, Al-Kafalah refers to the concept of guarantee or guarantee, which means that individuals or third parties are responsible for obligations or debts owed by others. From a sociological perspective, Al-Kafalah reflects the values of social solidarity in Islamic societies. This suggests that individuals in Islamic societies are expected to help and support each other in business dealings. In a business context, a sociological approach to Al-Kafalah can be helpful in understanding the importance of building trust and strong relationships between business people. It also emphasizes the importance of social responsibility in ensuring fair and sustainable business sustainability.
2. Al-Hiwalah (Debt Handover) from a Sociological perspective: Al-Hiwalah is a concept in business that refers to the transfer of debt or obligations from one party to another. From a sociological perspective, Al-Hiwalah pointed out the importance of flexibility in Islamic business. It can describe the ability of Islamic societies to adapt to changing economic and social situations. A sociological approach to Al-Hiwalah can help businesses to understand the importance of clear agreements and contracts in conducting business operations. It also emphasizes the importance of compliance with applicable rules and regulations in business.
3. Al-Rahn (Tangible Guarantee) from a Sociological perspective: Al-Rahn is a concept in Islamic business that refers to the provision of tangible collateral (physical assets) as collateral for loans or debts. From a sociological perspective, Al-Rahn reflects the values of justice in Islamic societies. This shows the importance of maintaining a balance between an individual's right to obtain financing and responsibility in paying off debt. In business, a sociological approach to Al-Rahn can be helpful in understanding the importance of assessing and managing risk in business transactions. It also emphasizes the importance of good business ethics and the obligation to safeguard pledged assets.

A sociological approach to these concepts in Islamic business helps to link religious principles to everyday business practices, emphasizing the social and ethical values that should be applied in Islamic business. This can help create a more just, sustainable, and Islamic principles-based business environment.

the relationship between social factors and trust-giving transactions (Al-Kafalah, Al-Hiwalah, Al-Rahn) in business based on the title of the journal already mentioned. This will help us understand how social factors influence and shape these practices in the context of Islamic business. (Azalia, 2016)

Social norms that affect honesty are highly valued values in Islamic societies. In the transactions of Al-Kafalah, Al-Hiwalah, and Al-Rahn, this norm plays an important role in the selection of the parties involved and in carrying out the agreed obligations. For example, the selection of guarantors or collateral holders can be influenced by the reputation of honesty and integrity of an individual or company. The concept of trust is also very relevant in trust granting transactions. The parties involved must hold commitment and trust in each other to ensure that the transaction goes according to the agreement. The norm of trustworthiness motivates the execution of transactions in accordance with sharia principles.

Community Values are mutual trust (Tawakkal) which is the core value in Islamic society. In the context of trust granting transactions, this value can lead to an increased level of trust between the parties involved. Mutual trust can be a factor that allows parties to take risks in such transactions. (Zamzam & Aravik, 2020)

Social Solidarity (Takaful) is the value of social solidarity reinforcing the concept of mutual aid in Islamic society. In the transactions of Al-Kafalah, Al-Hiwalah, and Al-Rahn, this value may be reflected in efforts to protect the weaker party or in the fair sharing of risk among the parties involved. Justice (Adl) is a very important value of justice in Islamic business. In the context of trust granting transactions, this value ensures that each party is treated fairly and equally. Fairness in transactions allows all parties to feel respected and recognized. (Kodir, 2021)

The role of religion in Sharia law is a key guide in Islamic business. It includes rules on honesty in business, fulfillment of obligations, and fair execution of agreements. These principles are translated into the transaction practices of Al-Kafalah, Al-Hiwalah, and Al-Rahn. Islamic Business Ethics involves moral and ethical principles in doing business. These factors can influence the way individuals and companies conduct trust transactions within the framework of Islamic business ethics. (Usanti & Shomad, 2022)

Social and Economic Context at the income level, i.e. the social and economic context, such as people's income levels, can influence how trust transactions are conducted. For example, in societies with low income levels, the importance of Al-Kafalah transactions in supporting entrepreneurship and the development of small and medium enterprises can be even more significant. Access to Resources such as the availability of economic resources also affects trust granting transactions. How individuals or companies can provide assurance or trust may depend on their access to necessary resources. (Murdiansyah, 2014)

By analyzing these social factors, research will understand how business practices such as Al-Kafalah, Al-Hiwalah, and Al-Rahn are reflected in Islamic society and culture, as well as how these practices can reflect the values and norms espoused in Islamic business. Overall, this analysis will help in understanding how social factors influence the dynamics of Islamic-based business transactions and their impact on the economy and society more broadly. (Februanda, 2021)

The author here makes a parable or example, the case below will illustrate how sociological approaches to the concepts of Al-Kafalah, Al-Hiwalah, and Al-Rahn in business can affect the daily business practices of a Muslim community. BGZ is a Muslim community consisting of various walks of life, including traders, small entrepreneurs, and individuals with varying income levels. The community is based in a small town in a Muslim-majority country.

1. Al-Kafalah (Assurance): In the BGZ community, the concept of Al-Kafalah is applied in a powerful way in everyday business practices. One concrete example is when merchant A borrows money from merchant B to purchase additional inventory for their store. In this case, trader C acts as guarantor (kafil) and is responsible for the repayment of the debt if merchant A

fails to pay off. This reflects the value of social solidarity within the BGZ community, where individuals help each other to advance their business. If trader A is successful in his business, he may also become a guarantor for other traders in the future.

2. **Al-Hiwalah (Debt Handover):** Al-Hiwalah is often used in the BGZ community. For example, trader D has a debt to trader E. However, trader D cannot pay off the debt right away. In this case, they use the concept of Al-Hiwalah to transfer their debt to F traders who have higher liquidity. This allows merchant D to plan more realistic paybacks without burdening himself. This approach reflects the resilience of the community to economic change and allows businesses to keep operating despite financial difficulties.
3. **Al-Rahn (Tangible Guarantee):** In the BGZ community, the concept of Al-Rahn is used in business transactions involving the provision of tangible guarantees. For example, a G entrepreneur who needs financing to develop a diamond production business uses their diamond jewelry as collateral to a bank or investor. In this case, the diamond jewelry serves as tangible collateral (Al-Rahn) that can be used by entrepreneur G to obtain the necessary financing to grow his business. This reflects the importance of managing risk and safeguarding collateralized assets in the business.

The conclusion of this case study illustrates how the concepts of Al-Kafalah, Al-Hiwalah, and Al-Rahn are applied in everyday business practices within the BGZ community. A sociological approach to these concepts helps to understand how social and ethical values in Islam affect business relations and interactions between individuals within the community. These practices enable the BGZ community to build a business environment that is fair, sustainable, and based on Islamic principles.

Furthermore, this section will discuss the implications of sociological findings on the development of business practices, especially in the context of trust-giving transactions such as Al-Kafalah, Al-Hiwalah, and Al-Rahn in Islamic-based business. (SYAFEI, 2022)

1. **Strengthening Social Values:**

Honesty and Trustworthiness: These findings provide a basis for entrepreneurs and business people to reinforce the values of honesty and trustworthiness in their business practices. By prioritizing the selection of parties with a reputation for honesty and high integrity, companies can build strong and mutually beneficial business relationships.

Mutual Trust and Solidarity: The sociological implications also emphasize the importance of reinforcing the values of mutual trust and social solidarity. Businesses can build strategies that promote collaboration and risk sharing, leading to a more stable and sustainable business ecosystem.

2. **Application of Religious Principles:**

Sharia Law and Islamic Business Ethics: Practical implications include increased awareness and understanding of the principles of sharia law and Islamic business ethics. Companies can further integrate these principles in their business policies and practices, resulting in operations that conform to religious values and Islamic business ethics.

Balance Between Profits and Values: Policymakers and business leaders can design initiatives that foster a balance between achieving economic gains and adhering to religious principles. For example, they can design incentives for companies that actively contribute to social sustainability and adhere to the principles of Islamic business ethics.

3. **Development of Ethical and Inclusive Business Practices:**

Training and Education: Looking at sociological findings, companies can develop training and education programs that focus on Islamic business ethics. This can increase employees' understanding and awareness of the values underlying trust transactions, creating a more ethical business environment.

Economic Inclusion: The sociological implications also highlight the importance of economic inclusion. Companies may consider measures to support small and medium-sized entrepreneurs, providing greater access to those who may have limited resources.

4. Contribution to Social and Economic Development:

Sustainable Society and Economy: Sociological implications suggest that business practices that pay attention to social factors can make a positive contribution to social and economic development. Businesses can identify opportunities to empower local communities and support initiatives that promote inclusion and social justice.

5. Business Community Empowerment:

A better understanding of social factors opens up opportunities for the empowerment of the business community. Companies can engage and assist local communities, creating an environment that supports shared growth and development.

Through the implementation of these practices, businesses can become a positive force in shaping a more inclusive, equitable, and sustainable society and economy. These sociological implications provide valuable guidance for companies, entrepreneurs, and policymakers in improving their business practices and supporting visions of sustainable development in the context of Islamic business.

4. CONCLUSION

It can be concluded that this paper comprehensively outlines the complex relationship between social factors and trust-giving transactions in Islamic-based businesses, particularly Al-Kafalah, Al-Hiwalah, and Al-Rahn. Key findings highlight the crucial role of social norms, societal values, and religious principles in shaping ethical and sustainable business practices. The sociological implications of the study include the strengthening of social values, the application of religious principles, and the push for economic inclusion. Practical recommendations lead to the development of business practices that are more inclusive, fair, and in accordance with Islamic values. In conclusion, this journal not only provides in-depth insights into the dynamics of Islamic-based business from a sociological perspective, but also provides practical contributions that can shape more sustainable business policies and practices.

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