

QARDHUL HASAN'S CONTRACT AT ISLAMIC MICROFINANCE INSTITUTIONS: A MANAGEMENT AND EVALUATION STUDY

Azhar Alam¹, Achmad Fajar Sidiq², and Aditya Nurrahman³

^{1,2,3}*Universitas Muhammadiyah Surakarta, Indonesia*

Corresponding email: aa123@ums.ac.id

Article History

Received: 10 November 2022 Revised: 22 May 2023 Accepted: 23 June 2023

Abstract

This research details the Qardhul Hasan funding, administration, and assessment system. Six respondents were interviewed for this study, four from BMT Bina Umat Mandiri (managers, DPS members, secretaries, and customer service) and two from other customers. This research found that Qardhul Hasan is funded from Zakat, Infaq, Alms, Member Savings, and the Remaining Operating Results. Furthermore, most people who apply for this type of funding are in the education and trading sectors. Based on our analysis, the weaknesses of this financing lie in the distribution of human resources and the scarcity of available cash; To address these issues, we propose surveying consumers to collect reliable data and encourage individuals to save more proactively. Qardhul Hasan has a severe money shortage, but member savings are steadily growing and might help alleviate the crisis. While this funding can be used to serve others, oppose usury institutions, and please Allah. BMT Bina Umat Mandiri's follow-up plan involves employing member savings to create and enhance the quantity of cash for supporting Qardhul Hasan, expanding its reach in its mission to aid people. Management studies reveal that Qardhul Hasan funding at BMT Bina Umat Mandiri is not being redistributed to company capital but is being used to reduce the financial burden of healthcare and education on the local population.

Keywords: *Fund distribution, Financing, Qardhul Hasan, Sharia Microfinance Institutions*

JEL Classification: *D02, Z12*

1. INTRODUCTION

Small entrepreneurs need capital to carry out business activities. Small entrepreneurs can obtain capital assistance from Islamic microfinance institutions (Alam *et al.*, 2022). Management of Islamic microfinance institutions must be able to assist in disseminating financing funds to secure funding. Small groups of entrepreneurs usually do not have capital reserves because their leaders need to build their businesses quickly due to constraints caused by a lack of finances (Mustofa and Khoir, 2019). Small business owners often need help securing the necessary funding when starting a business. (Nature and Aisyah, 2021). In most cases, small businesses need more prerequisites to qualify for large loans. (Suyatmin and Arifin, 2008). Based on the difference in the inability to meet the sharia finance by banks, the distance between informal small entrepreneurs and the official banking system is getting farther and farther. (Padmanty *et al.*, 2020). As a result, a Sharia microfinance institution established a funding partnership with *Qardhul Hasan* to help small business owners.

The *Qardhul Hasan* contract has an essential and differentiating role in the sharia reinsurance industry or *retakaful* (Ahmad *et al.*, 2015). *Qardhul Hasan* is a unique

concept practiced by the takāful/crackāful industry. It is an organized mechanism driven by practicality, regulatory requirements, or both. Takaful in this concept is like mutual insurance, where pool participants (TF/RTF) are supposed to pay additional contributions if the funds are insufficient to meet claim obligations (Ahmad *et al.*, 2015). Aydin (2015) mentioned that zakat, sadaqah, and *Qardhul Hasan* could be used to support social businesses in addition to some Islamic banking instruments.

In the study of Masharoh (2013), it is stated that the infaq money given by customer members is the source of *Qardhul Hasan's* funding. In certain BMT, infaq, and alms funds are allocated as financing based on *the Qardhul Hasan* contract. *Qardhul Hasan's* financing came from revolving funds in the form of infak money. Although *Qardhul Hasan's* financing customer does not pay profit sharing in any form to BMT, he gives infaq or alms to the needy according to his ability as a profit-sharing reward (Mafruhah, 2007; Rusydiana and Devi, 2013). The *Qardhul Hasan* Fund is organized to help those less fortunate among our clients (the mustahiks) improve their standard of living and become one of our most valuable clients (muzakki). However, not all BMT provides *Qardhul Hasan* contract products, and only specific customers have access to *Qardhul Hasan* financing due to the slow growth of infak funds from which *Qardhul Hasan* funds are taken.

Twenty-five percent of the people who applied for *Qardhul Hasan* financing are hardworking people trying to lift themselves out of poverty by starting small companies with the funds they receive from this source. (Masharoh, 2013). *Qardhul Hasan's* financing members or customers tend to consist of simple people who also need more means to make ends meet through less profitable work. The fatwa of the National Sharia Council has stipulated that consumers can obtain an extension of financing or even cannot return financing under certain circumstances. Islamic Microfinance Institutions are forced to help these customers by providing light loans without profit sharing (Masharoh, 2013).

Sharia microfinance institutions that provide *Qardhul Hasan* financing function as a source of capital or parties that channel financing to certain parties without additional conditions or costs. The primary purpose of *Qardhul Hasan's* financing is to facilitate acquiring much-needed loan assistance for small business owners engaged in consumption and production. Small businesses and the social sector also benefit from *Qardhul Hasan's* funds. Customers can voluntarily pay extra (donations) to Islamic Financial Institutions following DSN Fatwa: NO: 19/DSN-MUI/IV/2001 concerning general provisions related to *Qardhul Hasan's* finances, as long as these provisions are not included in the contract (Suryadi and Putri, 2018).

Islamic microfinance institutions are a potential alternative to help individuals get out of conventional bank usury and sharking loan practices (Arifah, 2017). Islamic Financial Institutions' philosophy that maintains Sharia principles and values includes the principle of consistent muamalah instead of solutions from the practice of usury and loan sharking (Azhari, 2020). After considering the stages of exposure described above, this study analyzes how Islamic microfinance institutions handle and evaluate financing using *the Qardhul Hasan* contract.

The participation of financial institutions such as banks in qard hasan financing agreements is minimal compared to total assets (Samad, 2012). This research was motivated by the importance of the *Qardhul Hasan* contract as part of the Islamic microfinance institution's effort to alleviate the poverty of its customer members. The number of studies on *Qardhul Hasan* still needs to be increased. This study is expected

to provide insight and reference for managers of Islamic microfinance institutions about the details of managing *Qardhul Hasan* contracts.

This study aims to determine how to manage and evaluate the implementation of *Qardhul Hasan* funds in a sharia microfinance institution. This study makes BMT Bina Umat Mandiri a source of research data due to the activeness of the institution in carrying out the *Qardhul Hasan* contract.

2. LITERATURE REVIEW

2.1. Basic Concepts of *Qardhul Hasan*

Sharia-based financial institutions have a philosophy of seeking the blessings of Allah SWT in order to get rewards in this world and the hereafter (Ilyas, 2015). Therefore, it is recommended that sharia-principled financial institutions do not conduct businesses that violate religious principles. The existence of BMT is considered a solution to the situation (Ismanto, 2015). *Qardh Hasan's* source of funds comes from zakat, infaq, shadaqah, and non-halal income obtained by banks and fines obtained as sanctions for defaulting customers. Therefore, *qardh al-hasan's* funds turned out to be unable not to be obliged to return debts (Nugroho, 2020). *Qardhul Hasan* is part of the *qardh*, which means "piece of a part." Meanwhile, the terminology has the meaning of exchanging assets or objects of goods with the necessity for customers to replace the same dependents for their receipt from the party providing financing so that it can be used by the recipient of the goods (Mustofa and Khoir, 2019). *Qardhul Hasan* is an agreement in the form of a loan applied to Islamic banking. Because interest is not allowed in Islam, *qardhul hasan* loans are without interest. More specifically, it is a virtue loan that is not commercial but social (Larasati, 2019). Prosperity among poor people is the main focus of financing the *Qardhul Hasan* contract (Larasati, 2019).

Applying the *Qard* concept of *Qardhul Hasan* concept becomes coherent in the context of Islamic finance. Mansori *et al.* (2015) discussed *Qardhul Hasan* as various types of sharia contracts that can be used as the basis for the microfinance business model. Bhuiyan *et al.* (2012) recommend that the zakat and *Qard-al-Hasan*-based Islamic financing models based on spiritual values be alternatives for poverty alleviation and sustainable livelihoods.

2.2. *Qardhul Hasan* According to the View of Imam Madzhab

According to the Hambali School, *Qardhul Hasan* is to give property to a person who can benefit, and he returns it. At the same time, for the Shafi'i School, *Qardhul Hasan* is an agreement made by the debtor to transfer property ownership to the debtor, in which the borrower promises to return his successor. The phrase *al qardh* should sufficiently explain a muamalah that does not require rewards or benefits. Even every benefit or benefit from a loan is usury forbidden by Allah. The phrase good *Al-Hasan* means that the loan is only a good muamalah that aims to do good because of Allah by helping someone, not for commercial purposes or expecting any profit (Kurniati and Wahyu, 2020). Judging from the definition above, *al qardh* is a contract that leads to the transfer of the debtor's property to the borrower, and the debt will be paid back to the debtor as the debt he receives. Debt applies to valuable assets. *Al hasan* is this sentence compared to the phrase *al qardh* which means "which is good." This phrase is compared to reinforce the meaning of *al qardh*. The phrase *al-hasan* means that the loan is only for good muamalah because Allah helping someone is not for trade or any benefit. All the profits from the loan go back to the borrower only. The debtor does not get any profit

from the assets he borrowed (Mustafa and Khair, 2019).

2.3. Management of *Qardhul Hasan* in Sharia Microfinance Institutions

Many Islamic microfinance providers view techniques such as murabahah (mark-up financing) and ijarah (variations in leasing and lease financing) as substitutes for interest-based benefit loans (Mansori *et al.*, 2015). On the other hand, the *qard al-Hassan* concept became attractive because of his generosity. It focuses on recovering the 'actual' cost of services from beneficiaries (Mansori *et al.*, 2015). However, this practice only allows for the long-term growth of a portfolio. A decrease in its value during inflation can jeopardize its survival. Although there are suggestions for linking loans with physical commodities, more is needed to reach a consensus on full benefits (Mansori *et al.*, 2015).

In the *Qardhul Hasan* transaction, customers or members of Islamic microfinance institutions are only responsible for bearing the administrative costs of managing the debt of the Sayariah Microfinance Institution, which is a significant victory for the company. In addition to administrative financial gains, Islamic Financial Institutions also enjoy the benefits of client trust and loyalty (Cahyadi, 2014). *Qardh's* risk is considered significant because it is considered non-financing to be covered with collateral. *Qardhul Hasan* is another characteristic that distinguishes Islamic Microfinance Institutions from Non-Sharia Financial Institutions, which contain a social mission and a commercial side (Sari, 2013).

The implementation of the financing management of the *Qardhul Hasan* contract is to help customers who need more funds due to the insistence on needs, and there is no profit-taking action from Islamic Microfinance Institutions such as BMT. Customers who apply for this type of financing are given leeway in returning their financing, in addition to the option of extending the return period according to the customer's ability; if the customer really cannot pay off the financing, then the customer is not obliged to do so (Suryadi and Putri, 2018). Suppose customers only need to pay the principal of the financing and are not obliged to participate in the distribution of profits. In that case, Islamic financial institutions must distribute *Qardhul Hasan* financing in the right and halal way following the provisions of the *qardh* contract. In addition, *Qardhul Hasan* guarantees are not mandatory for consumers in Islamic financial institutions (Larasati, 2019).

2.4. Previous Studies

Mustofa and Khoir (2019) discussed the implementation of Islamic Microfinance Institutions such as BMT. There are several ways to raise and distribute funds. *Qardhul Hasan* financing is the orientation of Islamic Financial Institutions as social institutions. The study results showed that *Qardhul Hasan's* contract was explicitly intended for loans adhering to the principle of *ta'awun*, namely mutual help, so as not to expect rewards or require rewards. Heri (2012) found that *Qardhul Hasan's* financing at BMT UGT can help small business actors overcome capital problems for business development. The study also stated that *Qardhul Hasan's* financing process was carried out on the condition that it was administrative. Larasati (2019) researched the management of *Qardhul Hasan*. His funds were primarily obtained from zakat and almsgiving. This research is backgrounded because, in these communities, many residents experience capital constraints to start businesses and the Financial Institutions' efforts to reduce the city's poverty rate. So a survey was conducted by the Islamic

Financial Institution to determine the priorities of customers who deserve assistance with this *Qardhul Hasan* contract and provide education related to this capital so that the public can minimize loans containing interest. The study results also show that the basic principle of *financing Qardh Al Hasan* in the bank is the principle of ta'awun, namely the principle of mutual help, compassion, responsibility, and obligation to help the poor.

Kasanah (2019) concluded that the implementation of *Qardhul Hasan* at the Islamic Boarding School followed the principles under the theory of *Qardhul Hasan*. The alms box made by the *muqtarids* was made only to express or draw gratitude and hope of blessings for the alms they did so that every deed done would get a reward and a worthwhile reward. On the income level of zakat business actors in an institution called Dompot Peduli Umat Daarut Tauhid precisely. The study results said that *Qardhul Hasan* significantly influences the business continuity of the mustahiks. The greater the *Qardhul Hasan* financing received, the greater the influence.

In general, this research has differences from the studies above. However, the same examine *Qardhul Hasan*, *Qardhul Hasan* studied by researchers, focuses on social loans such as education, health, and buildings. In comparison, the research above discusses *Qardhul Hasan*, which focuses on loans to be managed as business capital to reduce poverty. This research was conducted to provide education and evaluation to people who do not have access to continuing education and get treatment/health and other social assistance. This research benefits the poor who are not reached by government assistance.

3. METHODOLOGY

This study combines field research with various respondents to verify the correctness of the information obtained through surveys and interviews. Since the research is carried out on natural events or phenomena in a field state without data modification, this research is qualitative. A historical review aims to enhance and expand existing research initiatives and scientific communities through knowledge gained from previous efforts (Nana and Elin, 2018). This study used a structured interview method with electronic media smartphone recordings from several sources.

Table 1. Respondent Data of BMT Bina Umat Mandiri

No	Name	Position
1	MF	Manager
2	NS	DPS Members
3	S	Secretary
4	WTC	Customer Service
5	B.W.	Customer Members
6	FNJ	Customer Members

The respondents' data was chosen because of those directly involved in implementing and operating *Qardhul Hasan's* financing funding. The data mining uses a structured interview model directly in front of the respondents. According to the number of respondents, there will be smoother because the interviews are more organized and effective, and all information is included. The research methodology will determine the validity of the research results. Research Methods are not just about the statistics used; instead, they revolve around the researcher's basic assumptions about how knowledge is

sought, how arguments about ideas and concepts are constructed, and what evidence is found to support these claims. (Nana and Elin, 2018).

4. RESULT AND DISCUSSION

4.1. *Qardhul Hasan* Fund Management at BMT Bina Umat Mandiri

Qardhul Hasan is a benevolent loan financing without reward under *Qardh Al-Hasan's ta'awun law*. Financing in the *Qardhul Hasan* contract requires a source of funds for creating *Qardhul Hasan* financing under sharia law. The sources of funds obtained by BMT Bina Umat Mandiri for financing *Qardhul Hasan* include (1) Zakat, Infaq, and Sadaqah as the leading forum; (2) Member Savings, namely savings funds managed by BMT Bina Umat Mandiri; (3) Residual Results of Business or SHU.

Table 2. *Qardhul Hasan* Financing Evaluation from the BMT Bina Umat Mandiri side

<i>Qardhul Hasan's</i> excellence	<i>Qardhul Hasan's</i> weakness
Zakat, Infaq, and Sadaqah	Zakat funds for mustahiks are generally obtained from Sharia Microfinance Institutions and also obtained from their members. Infaq and Alms are available social funds.
Member Savings.	Members make savings to invest, which are managed following BMT policies and agreements. Customers who want to take out these savings will still be given them.
Remaining Business Results	Income from the results of business within a certain period

Based on the table above, it can be seen that BMT Bina Umat Mandiri received *Qardhul Hasan* financing funds from 3 types of funding sources. Of the three types of BMT Bina Umat Mandiri fund sources managed for financing *Qardhul Hasan*, it aims to be a place where customers stay within usury financial institutions. Therefore, the management of *Qardhul Hasan* has existed since the beginning of the establishment of BMT. The management process is carried out by screening customers entitled to *Qardhul Hasan* financing by BMT Bina Umat Mandiri with the hope that the funds will be used to finance *Qardhul Hasan*, which includes education and health daily.

The *Qardhul Hasan* Fund Distribution allocation to KSU Bina Umat Mandiri focuses on education and health costs. In addition, it is for debt repayment, but this is not a *takeover* (debit transfer) but a debt that is not in the midst of a transfer. Then, there are other urgent activities, so from here, it is the policy of the manager of the Islamic Microfinance Institution to decide on this matter.

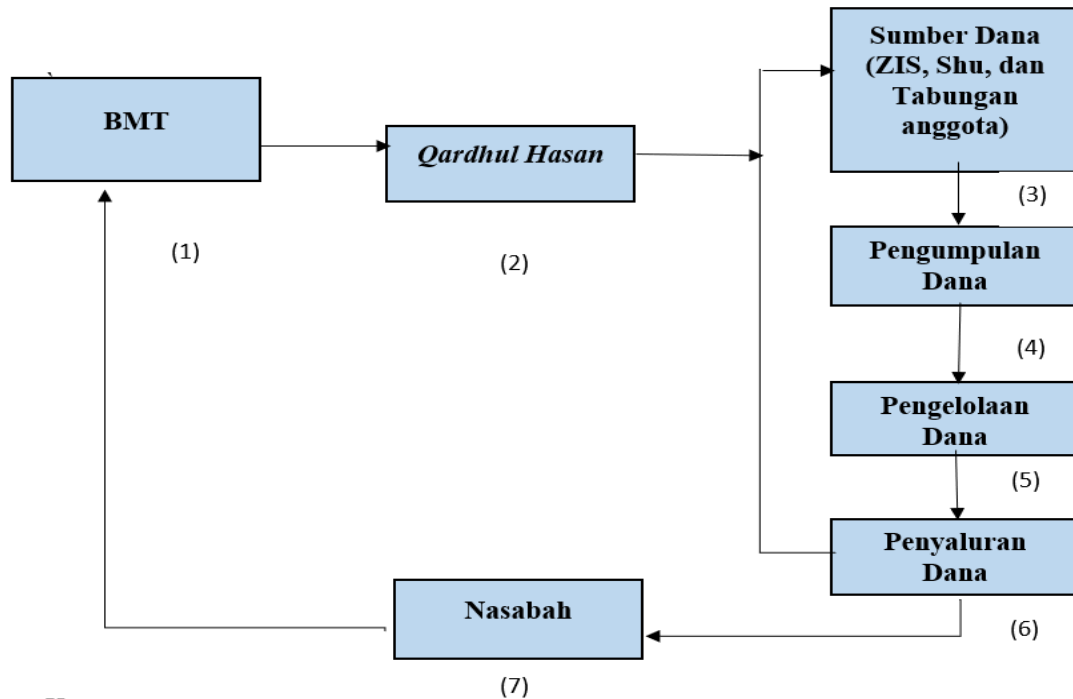


Figure 1. *Qardhul Hasan* Fund Management Scheme at BMT Bina Umat Mandiri

Information:

1. BMT has *Qardhul Hasan* financing.
2. Before being distributed to customers, *Qardhul Hasan* funds must go through several processes first.
3. The source of funds was obtained from three sources.
4. The proceeds from the collection of *Qardhul Hasan* funds to be distributed to customers totaled Rp.208,600,000.00
5. The *Qardhul Hasan* funds that have been collected will be managed directly by the manager of BMT Bina Umat Mandiri.
6. *Qardhul Hasan's* distribution will be distributed to customers as social funds such as education and health costs.
7. Customers who apply for a loan from *Qardhul Hasan* return the loan to BMT Bina Umat Mandiri.

Customers who want to apply for a *Qardhul Hasan* loan must meet the criteria paid attention to by Sharia Microfinance Institutions. However, these criteria can be more specific for the poor or deprived groups. *Qardhul Hasan* financing in general, so some problems do not have to be poor or lack of people who can get *Qardhul Hasan* financing. There are several cases of customers from the capable who apply for financing, and the BMT can only apply to Murabahah or Ijarah if to *Qardhul Hasan*. The bailout of payment of something short cannot use the Murabahah or Ijarah contract. Moreover, the conditions are (1) for education, when someone has difficulty paying tuition fees for their children's schools that are in arrears, *Qardhul Hasan* funds can be lent. (2) For health such as childbirth, and death, a treatment has been planned in this BMT for the original conditions, although later in the middle, there are some developments that the conditions do not have to be for education and health. Customers who want to get *Qardhul Hasan's* assistance must meet several conditions, namely:

1. Become a member of BMT.
2. There is a guarantee or collateral obligation if the nominal financing proposed is significant. People who get *Qardhul Hasan's* help must be among those who are genuinely entitled or have very *urgent* needs. Therefore, a survey will be carried out first by BMT

4.2. Evaluation of *Qardhul Hasan's* Financing Implementation at BMT Bina Umat Mandiri

The perceived benefits of *Qardhul Hasan's* financing are not mundane. Namun, the benefits of *Qardhul Hasan* financing are hereafter, including feeling pleasure and happiness because it can help people experiencing financial difficulties. Based on the data mining interview, the summary of evaluation materials will be tabled as follows:

Table 3. *Qardhul Hasan* Financing Evaluation from the BMT Bina Umat Mandiri side

<i>Qardhul Hasan's</i> excellence	<i>Qardhul Hasan's</i> weakness
It can be an effort to carry out the vision and mission to combat usury financing.	Lack of human resources to ensure the use of <i>Qardhul Hasan</i>
Expect divine blessings and blessings.	Limited sources of funds BMT's ability to provide funds to customers who genuinely deserve <i>Qardhul Hasan's</i> financing is only partially 100%.

Based on the results of interviews regarding the evaluation of research on financing management, *Qardhul Hasan* at BMT Bina Umat Mandiri has several disadvantages and advantages. That *Qardhul Hasan* financing has shortcomings from BMT Bina Umat Mandiri's human resources, who cannot screen customers who want to use loan funds to be used as *Qardhul Hasan* or not. This situation happened due to the limited human resources of BMT Bina Umat Mandiri to further research related to screening eligible customers in terms of providing *Qardhul Hasan* financing funds. So here, a direct survey is carried out by BMT on customers by visiting their residences directly and obtaining customer eligibility data. After collecting customer data, discussions will be held to make decisions regarding the provision of *Qardhul Hasan* funds. In addition, the disadvantage of BMT Bina Umat Mandiri is that there is a maximum limit in lending *Qardhul Hasan* funds. This disadvantage is due to the limited amount of funds at BMT Bina Umat Mandiri and to reserve deposits of funds to other customers who want to apply for a *Qardhul Hasan* loan. To deal with this, the BMT invites people to actively save and increase the amount of fund supply from member savings so that it can be used to increase the amount of *Qardhul Hasan* funds little by little and is expected to help with the problem of lack of funds in *Qardhul Hasan*.

It is expected that *Qardhul Hasan's* funds will increase, and other customers will benefit significantly from BMT's efforts to develop *Qardhul Hasan* as part of the company's follow-up plan after identifying the benefits and weaknesses of the evaluation results. In the annual member meeting, the supervisors and management members of BMT Bina Umat Mandiri decided on this action. The *Qardhul Hasan* contract aims to help two parties, where one, the capital owner, gives the second party a loan trust to be managed. *Qardhul Hasan's* financing program at BMT Bina Umat Mandiri is a program that is given to help people who experience difficulties regarding education and health so that the number is manageable. A loan amount depends on the ability of the BMT and the number of members who apply. In this study, researchers conducted interviews and recorded conversation data through electronic media with several BMT members and parties directly involved with *Qardhul Hasan's* financing at BMT Bina Umat Mandiri. With this method, researchers tried to examine the management of *Qardhul Hasan* at BMT Bina Umat Mandiri.

4.3. Discussion

The capital share of Islamic Financial Institutions, including Zakat, Infaq, and Sadaqah funds, was raised by BMT Bina Umat Mandiri for financing *Qardhul Hasan* following the provisions of the MUI National Sharia Council Fatwa No. 19/DSN-MUI/IV/2001. Based on Andalia's research (2018), *Qardhul Hasan* Fund is explained to only come from Zakat, Infak, and Sadaqah. In a recent study, Suryadi and Putri (2018) showed that *Qardhul Hasan* BMT Bina Umat Mandiri's finances could take advantage of various additional sources, including zakat, infak, almsgiving, member deposits, and residual profits. According to Islamic law, this is allowed.

Islamic banks obtained *Qardhul Hasan*'s source of funds from sources deemed non-halal by BMT. These sources include equity, fines, and income from joint ventures with conventional banks, in the case of Islamic banking (Harkaneri and Reflisa, 2018). Regarding *Qardhul Hasan*'s funding, BMT Bina Umat Mandiri has several provisions, such as avoiding customer financing in the commercial capital sector for the sake of the education and health industry. BMT Bina Umat Mandiri does not want to create financial instability by taking significant risks. Early Islamic leaders demonstrated *Qardhul Hasan*'s lending spirit. However, in BMT Bina Umat Mandiri, the idea of mutual aid in *Qardhul Hasan*'s finances was not appropriately used for anyone in need.

Qardhul Hasan's financing in business capital financing has yet to reach its full potential in the form of distribution to BMT Bina Umat Mandiri. This phenomenon is shown by borrowers seeking working capital unable to use *Qardhul Hasan*'s money. Thus, BMT Bina Umat Mandiri limits *Qardhul Hasan*'s funds for medical and educational needs. They get financial assistance from the government for their studies through programs such as BOS (School Operational Assistance) funds and scholarships. The government's BPJS program has helped them with their medical expenses. In addition, there is still widespread confidence that people's businesses have minimal access to finance.

What also needs to be emphasized in the *Qardhul Hasan* financing process is the perception of customers or members of Islamic Microfinance Institutions that receive the financing. According to Mansori *et al.* (2015), the client's perception of *Qardhul Hasan* can also cause concern because of its form, which is considered 'pure' as a gift. Although Sharia distinguishes the concepts of qard al-hasan and sadaqah, some borrowers may misinterpret it as 'free. To protect *Qardhul Hasan*'s funding sources, BMT Bina Umat Mandiri will not lend money to companies in a financial emergency; Instead, they will suggest switching to murabahah or mudharabah.

Based on the findings of this study, it is clear that this study departs from an established paradigm. Most of the findings from previous research on *Qardhul Hasan* funding centered on helping local entrepreneurs to get started (Andalia, 2018). Instead, *Qardhul Hasan*'s investigation focuses mainly on health and schooling costs. Compared to the previous discussion, this result needs to be more consistent. According to research, Islamic financial institutions still need to supervise *Qardhul Hasan* and other forms of funding. Similar problems have been found in other funding programs with inadequate oversight. However, *Qardhul Hasan*'s charity exclusively distributes money for health and schools (Dwigita, 2018).

In developing the use of *Qardhul Hasan* as financing, Saqib *et al.* (2015) examine the point of view of its possible application to agricultural agriculture to increase the source of usury (interest) free agricultural financing for Muslim farmers in Islamic

countries, such as Pakistan. Design/methodology/approach – This paper studies *Qardhul Hasan* (good loan). The results study of Saqib *et al.* (2015) reports that usury-free financing is essentially needed by poor Muslim farmers so as not to rely on interest-based financing (Riba). Studies by Saqib *et al.* (2015) also show that *Qardhul Hasan* is a viable option to meet this need and benefit farmers and Islamic banks or financial institutions.

Qardhul Hasan's financing is a financing that can provide the blessings of life. In Q.S Al-Baqarah verse 245, Allah Almighty says:

"Whoever will give God a good loan, then Allah will multiply his payment with many folds, and Allah narrows and expands (rizki), and only to Him do you return."

Qardhul Hasan in the Qur'ān includes decent value creation activities in the form of charity, waqf, or contributions to increase the income, education, health, or lodging of the poor (Sadr, 2017). On the other hand, the *Qardhul Hasan* contract, like other contracts stipulated by Shari'a, stipulates a set of privileges and obligations for the parties who make the contract. Privileges include a guarantee of the principal loan and the ability to withdraw it at any time if the loan term is not predetermined. Creditors are not entitled to contractually stipulated monetary or non-monetary benefits other than the payment of principal (Sadr, 2017; Devi and Rusydiana, 2016; Ali *et al.*, 2020).

Qardhul Hasan's funds should help BMT Bina Umat Mandiri expand into new markets. *Qardhul Hasan* funding, as shown in previous research, can be used as a business capital fund to increase the number of mustahiks (entitled to receive zakat) or cause them to stop being mustahik become muzakki (Alia, 2018).

5. CONCLUSION AND RECOMMENDATION

Qardhul Hasan's funding comes from ZIS (Zakat Mustahik, Infaq, and Sadaqah), member deposits, and the remaining profits of BMT Bina Umat Mandiri. The primary purpose of *Qardhul Hasan* Financing is to serve as a hub where consumers are educated and protected from usury financial institutions. The distribution of *Qardhul Hasan* Funds to BMT Bina Umat Mandiri will be used for medical and academic expenses. All *Qardhul Hasan* loan applicants must meet the standards set by Sharia Microfinance Institutions. As *Qardhul Hasan's* funding is broader in scope, it is available to a wide range of people who do not have to be low-income to qualify. *Qardhul Hasan* BMT Bina Umat Mandiri H.R. funding is flawed because it needs adequate screening procedures to determine whether the borrower intends to use the loan funds for *Qardhul Hasan's* purposes. Therefore, a survey was conducted on customers who wanted to apply for a *Qardhul Hasan* loan by visiting the residence and researching eligibility data and income. Following up on identifying the strengths and weaknesses of the evaluation results, BMT Bina Umat Mandiri will carry out a follow-up plan, including efforts to increase the amount of *Qardhul Hasan* funds that will be used to finance *Qardhul Hasan*. The effort invites the public to save and utilize assistance from member deposits that can be managed as *Qardhul Hasan* funds; this will allow BMT to help more people in the future. Policies are set annually in the BMT Bina Umat Mandiri member meeting when supervisors and management members discuss and vote on various issues. Financing options such as *Qardhul Hasan* for BMT Bina Umat Mandiri are available for those who may not be able to afford it, helping those facing difficulties in both education and health.

Qardhul Hasan's financing is expected as a potential opportunity for Islamic

microfinance banks to offer clients who need funds for corporate capital. For difficult times or limited resources, this is how people get the help they need financially. Given that the financing of *Qardhul Hasan* funds is not for profit, its management must be carried out more broadly, not only for the cost of education and treatment but with the care and rigor which is entitled to receive it.

REFERENCES

- Ahmad, A. U. F., Mahbob, I. Bin, and Ayub, M. (2015). Sharing and transferring risks in retakāful and conventional reinsurance: A critical analysis. *Journal of King Abdulaziz University, Islamic Economics*, 28(2), 117–154. <https://doi.org/10.4197/Islec.28-2.4>
- Alam, A., and Aisyah, A. N. (2021). the Role of Islamic Microfinance Institution in Addressing the Financing of Members Affected By Covid-19: a Case in Caruban. *The International Conference of Universitas Pekalongan*, 51–63. <https://proceeding.unikal.ac.id/index.php/icunikal2021/article/view/641>
- Alam, A., Raditya Sukmana, Bayu Arie Fianto, and Azzam Izzuddin. (2022). Comparative Analysis of Murabahah and Mudharabah Financing Risk from Islamic Microfinance Institutions Perspective. *Al-Muzara'Ah*, 10(1), 79–92. <https://doi.org/10.29244/jam.10.1.79-92>
- Ali, M. M., Devi, A., Bustomi, H., Furqani, H., & Sakti, M. R. P. (2020). Strengthening Indonesia's Islamic Financial Inclusion: An Analytic Network Process Approach. *ICR Journal*, 11(2), 225-251.
- Alia. (2018). *Efektifitas Penyaluran Pembiayaan Qordhul Hasan Lembaga Amil Zakat Dan Wakaf El-Zawa UIN Maliki Malang*. UIN Maliki Malang.
- Andalia, F. (2018). *Pengaruh Pembiayaan Qardhul Hasan Terhadap Perkembangan Usaha Mikro (Studi Pada Pengusaha Mikro di Desa Lambaet, Aceh Besar)* (Vol. 6, Issue 1). Universitas Islam negeri Ar-Raniry Banda Aceh.
- Arifah, O. N. (2017). Analisis Pembiayaan Mudharabah Bermasalah Pada Bmt Mitra Hasanah Semarang. *Jurnal Jurisprudence*, 7(1), 40–46. <https://doi.org/10.23917/jurisprudence.v7i1.4354>
- Aydin, N. (2015). Islamic social business for sustainable development and subjective wellbeing. *International Journal of Islamic and Middle Eastern Finance and Management*, 8(4), 491–507. <https://doi.org/10.1108/IMEFM-09-2014-0097>
- Azhari, A. (2020). *Analisis Manajemen Risiko Pembiayaan Qardh Terhadap Tingkat Pengembalian Nasabah (Studi Kasus Pada Lembaga Keuangan Mikro Syariah Bank Wakaf Mikro Al Ihya Baitul Auqof Kesugihan Cilacap)*. Institut Agama Islam Negeri Purwokerto.
- Bhuiyan, A. B., Siwar, C., Ismail, A. G., and Aminul Islam, M. (2012). Microfinance and sustainable livelihood: A conceptual linkage of Microfinancing approaches towards sustainable livelihood. *American Journal of Environmental Sciences*, 8(3), 328–333. <https://doi.org/10.3844/ajessp.2012.328.333>
- Cahyadi, A. (2014). Mengelola Hutang Dalam Islam. *ESENSI Jurnal Bisnis Dan Manajemen*, 4(1), 67–78.
- Devi, A., & Rusydiana, A. (2016). Islamic group lending model (GLM) and financial inclusion. *IJIBE (International Journal of Islamic Business Ethics)*, 1(1), 80-94.
- Dwigita, A. P. (2018). *Implementasi Akad Qardhul Hasan Dan Program Islamic Corporate Social Responsibility Dalam Meningkatkan Kesejahteraan Sosial* (Vol. 6, Issue 1). Universitas Islam Negeri Raden Intan Lampung.

- Farooq, M. O. (2011). Qard Hasan, Wadīah/Amānah and bank deposits: Applications and misapplications of some concepts in Islamic banking. *Arab Law Quarterly*, 25(2), 115–146. <https://doi.org/10.1163/157302511X553985>
- Harkaneri, H., and Reflisa, H. (2018). Pendapatan Non Halal Sebagai Sumber dan Penggunaan *Qardhul Hasan* dalam Perspektif Islam. *Syarikat: Jurnal Rumpun Ekonomi Syariah*, 1(2), 102–110.
- Heri, P. (2012). Peranan Pembiayaan *Qardhul Hasan* Dalam Membantu Eksistensi Pelaku Usaha Mikro Di Kecamatan Lodoyo Blitar. In *Molucca Medica* (Vol. 11, Issue April). Institut Agama Islam Negeri Tulungagung.
- Ilyas, R. (2015). Konsep Pembiayaan Dalam Perbankan Syari'Ah. *Jurnal Penelitian*, 9(1), 183–204.
- Ismanto, K. (2015). Pengelolaan Baitul Maal Pada Baitul Maal Wa Tamwil (Bmt) Di Kota Pekalongan. *Jurnal Penelitian*, 12(1), 24.
- Kasanah, I. (2019). Analisis Penerapan Pembiayaan *Qardhul Hasan* Pada Pondok Pesantren Darul Falah Amsilati Bangsri Jepara. In *Ayan*. Universitas Islam Negeri Walisongo Semarang.
- Kurniati, R. R., and Wahyu, S. N. (2020). Model Akad *Qardhul Hasan*. *Akuntansi Bisnis Dan Manajemen (ABM)*, 27(1), 29–40.
- Larasati, T. (2019). *Pengelolaan Dana Qardhul Hasan Pada Bank Pembiayaan Rakyat Syariah Metro Madani* (Vol. 8, Issue 5). Institut Agama Islam Negri (IAIN)Metro.
- Mafruhah, I. (2007). Membumikan Konsep Syari'Ah Dalam Ekonomi Berbasis Kerakyatan (Baitul Maal Wat Tamwil Sebagaisebuah Solusi). In *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan* (Vol. 3, Issue 2, p. 195). <https://doi.org/10.23917/jep.v3i2.3930>
- Mansori, S., Kim, C. S., and Safari, M. (2015). A Shariah perspective review on islamic microfinance. *Asian Social Science*, 11(9), 273–280. <https://doi.org/10.5539/ass.v11n9p273>
- Masharoh, U. I. (2013). *Analisis Penerapan Pembiayaan Dengan Akad Qardhul Hasan Di BMT Bismillah Kantor Cabang Ngadirejo Temanggung*. Institut Agama Islam Negeri Walisongo Semarang.
- Mustofa, M. B. dan, and Khoir, M. K. (2019). *Qardhul Hasan* Dalam Perspektif Hukum Islam Pada Baitul Maal Wa Tamwil (Bmt) Dan Implementasinya. *At Taajir : Jurnal Ekonomi, Bisnis Dan Keuangan Syariah*, 1(1), 44–58.
- Nana, D., and Elin, H. (2018). Memilih Metode Penelitian Yang Tepat: Bagi Penelitian Bidang Ilmu Manajemen. *Jurnal Ilmu Manajemen*, 5(1), 288.
- Nugroho, H. B. (2020). Prinsip Kehati-hatian Pada Akad Qardh Dalam Perbankan Syariah Di Indonesia. *Al-Amwal : Journal of Islamic Economic Law*, 5(1).
- Padmanty, S., Irawati, Z., Murwanti, S., Sulton, A. S., and Sholahuddin, M. (2020). The Role of Spiritual Leadership Models in Supporting Poverty Alleviation Programs (Study at Baitul Mal Wat Tamwil). *BENEFIT: Jurnal Manajemen Dan Bisnis*, 5(1), 15–30. <http://journals.ums.ac.id/index.php/benefit/article/view/6658>
- Rachmawaty, R., Zaerofi, A., & Jati, W. (2021). Implementation model of qard al hasan for Indonesian Islamic banking. *Al-Infaq: Jurnal Ekonomi Islam*, 12(2), 199–211.
- Rusydia, A. S., & Devi, A. (2013). Challenges in developing baitul maal wat tamwiil (BMT) in Indonesia using analytic network process (ANP). *Business and Management Quarterly Review (BMQR)*, 4(1), 51–62.
- Sadr, S. K. (2017). The optimum size of rotating qard ḥasan savings and credit associations. *ISRA International Journal of Islamic Finance*, 9(1), 15–26.

<https://doi.org/10.1108/IJIF-07-2017-003>

- Samad, A. (2012). Are Islamic bank promises delivered or failed? Evidence from cross country Islamic banks. *Banks and Bank Systems*, 7(3), 97–102. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-84960862620andpartnerID=40andmd5=005f8f9298c0cb01556747fff6c4c1f3>
- Saqib, L., Zafar, M. A., Khan, K., Roberts, K. W., and Zafar, A. M. (2015). Local agricultural financing and Islamic banks: is Qard-al-Hassan a possible solution? *Journal of Islamic Accounting and Business Research*, 6(1), 122–147. <https://doi.org/10.1108/JIABR-04-2012-0018>
- Sari, S. P. (2013). Pengaruh Pembiayaan *Qardhul Hasan* Terhadap Peningkatan Pendapatan Usaha Mustahik Zakat (Studi Kasus Dompot Peduli Umat Daarut Tauhiid Cabang Bogor). *Al-Infaq: Jurnal Ekonomi Islam*, 4(1), 57–93.
- Sholihat, S., Tanjung, H., & Gustiawati, S. (2018). Analisis Efektivitas Pembiayaan Lembaga Keuangan Mikro Syariah Terhadap Perkembangan Usaha Nasabah Di Sektor Riil (Usaha Mikro, Kecil Dan Menengah). *Al-Infaq: Jurnal Ekonomi Islam*, 6(1), 1-58.
- Soleh, I., Cahyadi, M. A., & Rifai, A. B. A. (2017). the Bmt Role in Dissolving Moneylenders Links and Theory. *Al-Infaq: Jurnal Ekonomi Islam*, 8(2), 127-135.
- Suryadi, N., and Putri, Y. R. (2018). Analisis Penerapan Pembiayaan *Qardhul Hasan* Berdasarkan Psak Syariah Pada Bmt Al Ittihad Rumbai Pekanbaru. *Jurnal Tabarru': Islamic Banking and Finance*, 1(1), 37–50.
- Suyatmin, and Arifin, A. (2008). Hubungan Sistem Bagi Hasil Di Lembaga Keuangan Syariah Terhadap Keinginan Nasabah Untuk Berinvestasi Survei di Baitul Maal wat Tamwil (BMT) Safinah Klaten. *BENEFIT Jurnal Manajemen Dan Bisnis Volume*, 12(2), 138–149.