

Implementation of the *Qardhul Hasan* Agreement at Indonesian Islamic Financial Institutions

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Abstract

Qardhul Hasan is one of the alternatives for usury-based loans (debt). Islamic economic principles forbid a loan with interest. The aim of loan transactions through *Qardhul Hasan* is used to help increase the country's economic growth. This working paper aims to explain the concept of *Qardhul Hasan* management. The management of *Qardhul Hasan* can be implemented from *zakat*, *infaq*, *sadaqah*, and *waqf* funds. One of the main regulations in carrying out the management of *Qardhul Hasan* is the DSN-MUI Fatwa No. 19/DSN-MUI/IV/2001 concerning *al-Qardh*. With a descriptive qualitative approach, this study aims to explain the implementation of the *Qardhul Hasan* contract at BAZNAS, BWI, and other Islamic financial institutions. BAZNAS and BWI are Islamic financial institutions in Indonesia that are active in implementing *Qardhul Hasan* in their operational activities. Therefore, the result of this research will also explain the differences in the management of *Qardhul Hasan* in BAZNAS Semarang Regency and BAZNAS Tulungagung Regency. This research is necessary to do because this study provides a descriptive perspective to explain the advantages of each of these Islamic financial institutions in detail. Moreover, the result of this study would become a comparison of each of the management of these Islamic financial institutions that can be input for every other Islamic financial institution.

Keywords: *Qardhul Hasan*, BAZNAS, BWI, Islamic Financial Institutions

Abstrak

Qardhul Hasan menjadi salah satu alternatif pengganti atas pinjaman (hutang) berbasis riba yang diharamkan dalam prinsip ekonomi Islam. Pemanfaatan transaksi pinjaman melalui *Qardhul Hasan* diharapkan dapat membantu meningkatkan pertumbuhan ekonomi negara. Penelitian ini bertujuan untuk menjelaskan konsep pengelolaan *Qardhul Hasan*. Pengelolaan *Qardhul Hasan* dapat bersumber dari dana *zakat*, *infaq*, *sadaqah*, dan *wakaf*. Salah satu regulasi utama dalam menjalankan pengelolaan *Qardhul Hasan* adalah dengan Fatwa DSN-MUI No 19/DSN-MUI/IV/2001 tentang *Al-Qardh*. BAZNAS menjadi salah satu lembaga keuangan syariah di Indonesia yang aktif dalam mengimplementasikan *Qardhul Hasan* dalam kegiatan operasionalnya. Dengan pendekatan kualitatif deskriptif, penelitian ini bertujuan untuk menjelaskan tentang implementasi akad *Qardhul Hasan* di BAZNAS, BWI dan lembaga keuangan syariah lainnya. Oleh karena itu, pada artikel ini akan dijelaskan juga tentang perbedaan pengelolaan *Qardhul Hasan* di BAZNAS Kabupaten Semarang dan BAZNAS Kabupaten Tulungagung. Penelitian ini penting dilakukan karena memberikan perspektif deskriptif yang rinci dalam menjelaskan keunggulan masing-masing lembaga keuangan syariah

tersebut. Selain itu, hasil penelitian ini akan menjadi perbandingan dari masing-masing manajemen lembaga keuangan syariah tersebut yang dapat menjadi masukan bagi setiap lembaga keuangan syariah lainnya.

Kata Kunci: *Qardhul Hasan, BAZNAS, BWI, Lembaga Keuangan Islam*

INTRODUCTION

Qardh (loans) are an integral component of the conventional banking and financial system. For-profit financial institutions can hardly function without the conditions of accepting and promoting *Qardh*, though, under a different name, dress and form (Herianingrum et al., 2019). The involvement of *Qardh* turns out to be very important in almost all interest-based financial instruments, Islamic Financial Institutions (IFIS) try hard to avoid using the term "*Qardh*" for their products. For IFIS, the basic reason behind the abstention from the term "*Qardh*" is their fear of being involved in usury. Remarkably, from a sharia perspective, *Qardh* "if it is not an instrument of virtue, becomes a complicated matter if it is developed to obtain any material gain through it" (Abdullah, 2015).

During the 1998 economic crisis in Indonesia, Islamic financial instruments became one way out of the economic downturn in the past. One of them is lagging development and development both in the economic sector, infrastructure, education, and other sectors, such as the Lambaet Region in Aceh seeks to create financing initiatives based on the concept of *tabarru'* (help). The financing system is simple but full of sharia values, where what is required from this financing is only to return the principal borrowed within the agreed period. These loan funds come from *zakat* and *infaq* from several parties which are rolled out by the manager to the community, on this basis the authors suspect that the financing model implemented is under the *Qardhul Hasan* scheme. This financing model was initiated in 1998 and still exists and continues to grow today (Ashal & Nanda, 2018).

However, research by Mutamimah et al (2022) and Wulandari et al (2016) explains the risk of *Qardhul Hasan* financing is considered to have a greater risk than other financing models found in Islamic financial institutions. Moreover, using the *Qardhul Hasan* scheme is also one of the most needed financings when viewed from the pyramid of community needs. Financing transactions using the *Qardhul Hasan* contract are considered easy and flexible, and can positively impact the recipient of the financing (Anjum, 2022; Falikhatun et al., 2016;

Herianingrum et al., 2019; Zainuddin & Khalid, 2020). Although it has a reasonably high risk of returning the funds due to the concept of *at-tabarru'* in the *Qardhul Hasan* contract, the lender or *Qardhul Hasan* financing provider must have a willing and sincere attitude if the funds are not returned on time or even do not return in the very same.

Limited capital to be distributed in the form of *qardhul hasan* is one of the problems in implementing this contract optimally. In addition, the risks faced by IFIs are more significant than other kinds of contracts because there is no required guarantee for customers to apply for financing with a *qardhul hasan* contract. Therefore, this is one of the main concerns, why are not many IFIs providing *qardhul hasan* contracts to their customers? However, the demand for *qardhul hasan* financing is also quite high. This is supported by Aderemi and Ishak (2020) which proved that *Qardhul Hasan* contract is possibly to be implemented as capital fund for SMEs and the risks could be mitigated. The implementation of the *qardhul hasan* contract is also necessary as a form of increasing social awareness that can form a good image and loyalty for IFIs to the community (Putri et al., 2021).

A crowdfunding system with *Qardhul Hasan* financing has been described as a framework by Aderemi dan Ishak (2022). In the previous research, Aderemi dan Ishak (2022) explain the flexibility and possibility of *Qardhul Hasan* as an Islamic financial instrument in providing financing in Malaysia. The capital funds will be collected in the form of crowdfunding, which will then be distributed to Micro, Small, and Medium Enterprises (MSMEs). Even though the risk of returning funds is high, if it goes well, this financing can push the wheels of the economy in society even better. The use of crowdfunding funds in Islamic financial institutions themselves is also highly supported, and their use has even been proven in the Al-Qur'an and Sunnah. It is concluded that there are four types of crowdfunding allowed to be implemented, such as including award-based crowdfunding, donation-based crowdfunding, loan-based crowdfunding, and equity-based crowdfunding (Aderemi & Ishak, 2022). This is something that has not been found in the financial system in Indonesia. Thus this research seeks to formulate a framework that is similar but can be implemented in all financial institutions in Indonesia, such as BAZNAS, BWI, Islamic Banks, BMT, and so on.

The successful implementation of *Qardhul Hasan* financing by other

Islamic financial institutions is also proven by Ülev et al (2022), that *Qardhul Hasan* financing distributed in Turkey can increase household income by 35%. Unfortunately, however, this increase in income also resulted in 23 out of 30 households spending more on the consumption side, the rest on the productive side. Therefore, the study emphasized the use of *Qardhul hassan* financing to encourage the productivity of the beneficiaries or MSMEs. Besides being able to increase personal income, fulfilling the needs of the poor could be fulfilled because it is considered that the costs incurred by these MSMEs are small.

In addition, financing using the *Qardhul hassan* scheme is also considered to provide extraordinary benefits in replacing zakat and waqf instruments, which already have their standard. It was proven by the implementation of *Qardhul Hasan* financing for participants in the Fael Khair Waqf (FKW) program in Bangladesh. The research revealed that the program implementation significantly impacted reducing poverty by comparing poverty rates between program areas and control areas. The difference in the poverty rate is quite visible between the program areas and the control areas before and after the implementation of the FKW program with *Qardhul hassan* financing (Muneer & Khan, 2022). This is in line with research by Ascarya et al (2022) which explains the necessary role of *Qardhul hassan* financing as the first form of financing at Micro Waqf Bank (MWB). If the customer can return *Qardhul Hassan's* funds on time, then he can continue the second financing. Moreover, the financing provided by MWB itself focuses more on developing the customer's business so that the funds will continue to rotate in productive activities.

Based on previous research, it can be concluded that researchers still have not found any research that explains in detail the implementation of *Qardhul Hasan* financing in each Islamic financial institution in Indonesia. Therefore, this research aims to explain the meaning of *Qardhul Hasan* as a financing transaction used to alleviate poverty and create an empowered and independent society through Islamic financial institution programs in Indonesia such as National Amil Zakat Agency (BAZNAS), Indonesian Waqf Agency (BWI), Islamic Banking, and so on. In addition, through the regulation on the Fatwa of the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) Number 19/DSN-MUI/IV/2001 concerning *al-Qardh* and Law Number 23 of 2011 concerning Zakat Management, the authors reveal differences in the

management of zakat funds through contracts. *Qardhul Hasan* in BAZNAS Semarang Regency and BAZNAS Tulungagung Regency. It is hoped that the difference between the two implementations of the financing can become input for each agency.

RESEARCH METHOD

This research is qualitative research with a case study approach. The choice of this case study approach is in accordance with the theory of Eisenhardt (1989) and Yin (2011), which states that qualitative research with a case study approach can provide a new perspective on previous theories or research and is helpful as material for further research. Thick descriptions or very detailed notes are used in this research, allowing the reader to appreciate and finally gain a deep understanding of the social conditions being studied.

This research uses interviews with e-mails sent to informants as a form of online focus group discussion (FGD) invitations using the Zoom application with the representative of BAZNAS Semarang Regency and BAZNAS Tulungagung Regency to inform the explanation of the implementation *Qardhul Hasan* in each institution. The authors chose BAZNAS Semarang Regency and BAZNAS Tulungagung Regency because, based on previous research, not many studies have been found that specifically discuss the role of Islamic financial institutions in *qardhul hassan* contracts. In addition, through a comparison of the two IFIs, it aims to conclude a financing plan that is more applicable to Islamic financial institutions in general. However, the FGDs were conducted using the Zoom application and interviews were conducted with the Head of the Collection Section, the Head of the Distribution and Utilization Section, and the Head of the Planning, Financial Management and Reporting Section both at BAZNAS Tulungagung and at BAZNAS Semarang. Thus the total respondents used in this study amounted to at least 6 (six) people. The FGD was conducted separately between BAZNAS Tulungagung and BAZNAS Semarang last July. The purpose of the FGD is to explore specific problems, which are related to the topics discussed. This technique is used to avoid the wrong meaning of the researcher to the problem under study.

RESEARCH FINDINGS AND DISCUSSION

The Concept of Al-Qardh

Qardhul Hasan comes from two words *al-Qardh* and *hasan*. *Al-Qardh* means cutting and is called *Qardh* because the contract used comes from the lender's property which is cut and given to the borrower (Ashal & Nanda, 2018; Martha, 2020; Sukma et al., 2019). In a *Qardh* contract, the lender gives the borrower certain loan items on the condition that the borrower is responsible for returning a similar property to the lender without material, *qardh* means to withhold. Islam forbids interest (*riba*) and allows borrowing (*qardh*). *Qardh* refers to interest-free loans that are meant to help someone who requires cash. Giving cash to people in need is a commendable and recommended act where a Muslim is rewarded by Allah SWT (Saleem, 2013). At the same time, *Hasan* has a beautiful meaning (splendid). Therefore, these two words, when combined, will mean "beautiful loan". As the Qur'an confirms that these loans are given to Allah (SWT) rather than to the borrower to ease the pain of "ripping off" a part of one's wealth and parting with it to lend to someone in need (Askari et al., 2009).

Qardhul Hasan is an interest-free loan (*Qardh*) that is also characterized by elements of goodwill, virtue, and generosity (*Ihsan*) (Mohseni-Cheraghrou, 2017). According to Ascarya (2011), *Qardhul Hasan* is a loan agreement from a bank (*Muqridh*) to a certain party (*Muqtaridh*) which must be returned with the same amount according to the loan. *Muqridh* can ask for collateral for the loan to *Muqtaridh*. Loan repayments can be made in installments or all at once.

Before understanding the financing scheme with a *Qardhul Hasan* contract, it is important to understand the requirements in transactions using a *Qardhul Hasan* contract, namely (Saleem, 2013): 1) Both the lender (*muqridh*) and the borrower (*muqtaridh*) must have the complete legal capacity to sign a *Qardh* contract; 2) The borrowed money must be given to the borrower and must be his. There is no loan contract if the borrower does not take ownership of the money; 3) The borrower must obtain absolute and unconditional ownership rights to use and retrieve the borrowed money. The money borrowed and returned must be the same and included in the same currency; 4) The borrower is obliged to return the same amount in the same currency. The conditions for exchanging ribawi goods spontaneously do not apply to *Qardh* contracts. This exception is made to allow people in need to borrow money and return it later. For example, someone

who borrows money in Rupiah must return it in the same currency; 5) According to most schools of Fiqh, there should be no specific date for repayment of loans (*Qardh*). Determining the loan settlement date, they argue, will change the charitable nature of the contract. Thus, the borrower can repay the loan at any time as long as he can do so. However, the majority of Maliki scholars believe that in transactions using a *Qardh* contract, both parties may agree on the period of the loan. However, this will not make a difference between *Qardh* and *dayn* contracts (loans with a certain period). Ulama' Maliki argues that Muslims are free to provide any conditions in a transaction except the conditions that forbid an act/thing that is permissible or forbid an act/thing that is permissible.

- a) The loan must be settled in one lump sum at the request of the lender.
- b) The lender may not stipulate that the borrower must repay the loan elsewhere.
- c) It is not permitted under any circumstances for the lender to obtain the right to use the loan funds provided to the borrower.

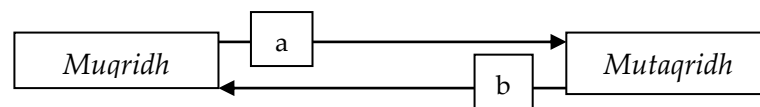


Figure 1. *Qardhul Hasan* Financing Scheme (Sumber: Saleem, 2013)

Meanwhile, the financing scheme with the *Qardhul Hasan* contract is very simple, as with the chart formulated by Saleem (2013) in figure 1. Whereas in borrowing and borrowing transactions using a *Qardh* contract, only two processes are needed, namely: 1) The lender (*muqridh*) gives a certain amount of money to the borrower (*muqtaridh*) with an agreement to repay the loan for a certain period 2) The borrower (*muqtaridh*) returns the borrowed funds (*muqridh*) to the lender when the amount of funds is due, without any additional yield.

Management of *Qardhul Hasan* by BAZNAS

The management of zakat funds which are used as capital in *Qardhul Hasan* transactions raises many pros and cons among scholars and world Islamic economists. As with the opinion of Yusuf *Qardhawi* in the research of Nurcahya et al. (2019), Yusuf *Qardhawi*, Abu Zahrah, Khallaf and Hasan said it was permissible for zakat assets to be loaned based on *qiyas* (analogy) to debtors. They believe that if only debts can be paid from zakat assets, then of course it will be more important to allow borrowing from zakat in a good way, which is

clean from the element of usury. Through qiyas aulawiy as *furu'* law which is more important than *ashal* law. Borrowing (al-*Qardh*) using zakat assets is more important, it is permissible to borrow from zakat in a good way, which is clean from the element of usury, and then later returned to the state treasury.

If the use of zakat funds persists in a consumptive zakat distribution system, the desire and aspiration to quickly reduce and eliminate poverty will only be a dream. Because mustahik who receive zakat this year will again receive zakat in the following year. In other words, the current mustahik will give birth to new mustahik from their descendants. This of course will not be able to describe that zakat is one of the media to achieve equitable distribution of community welfare (Nurcahya et al., 2019).

While the Ulama' who are against the use of zakat funds in the *Qardhul Hasan* contract is Muhammad Bin Sholih Al-Utsaimin. According to him, those who are entitled to receive zakat assets, regardless of whether zakat mal or zakat fitrah are eight groups (8 *Ashnaf*) mentioned by Allah in the Qur'an. If someone is entrusted with distributing zakat mal, then the distribution of zakat should not be suspended either because it is owed, invested, or simply postponed. It does not differentiate whether this is done for personal, institutional, or state interests (Nurcahya et al., 2019).

As one of the zakat fund management institutions in Indonesia, BAZNAS tends to follow Yusuf Qardhawi's opinion on the utilization of zakat funds for *Qardhul Hasan* contracts (Qardhawi, 2018). In line with Law Number 23 of 2011 concerning Zakat Management, based on article 3 letter (b) states "increasing the benefits of zakat to realize community welfare and poverty alleviation". Thus, the role of BAZNAS in managing people's zakat funds can be used as capital in the *Qardhul Hasan* contract to form new characteristics of a mustahik (zakat recipient) to become a muzakki (a person who pays tithes).

One form of the BAZNAS program for utilizing zakat funds in a *Qardhul Hasan* contract is Baitul Qiradh BAZNAS (BQB) is a program from prosperous Indonesia and part of the program for utilizing zakat, infaq, and shadaqah to improve the welfare of the poor and needy. Baitul Qiradh BAZNAS applies a profit-sharing pattern or sharia so that micro and small businesses are free from the interest system (*usury*). The products managed by BQB are savings and financing using sharia principles. BQB is expected to help improve the economy

of small communities through the sharia economic system, especially *Qardhul Hasan*. The purpose of BQB is to prepare microfinance service providers for the poor.

Table 1. Management of *Qardhul Hasan* at BAZNAS

Program(s)	The products managed by Baitul Qiradh BAZNAS are savings and financing using the <i>Qardhul Hasan</i> contract as a form of utilizing zakat funds.
Aim(s)	As an institution that provides financing (financial) services to the poor/poor.
Capital Funds	The funds collected by BAZNAS are in the form of Zakat, Infaq and Sadaqah.
Ricipient Criteria	Mustahik Zakat registered by BAZNAS and classified as poor/poor asnaf.
Total Funds	Starting from Rp. 2.000.000,- up to Rp. 7,000,000,- per productive effort. The first loan is Rp. 2.000.000,-.
Payback Period	The length of the loan repayment period to Baitul Qiradh BAZNAS is 24 months.
Return Liquidity	Only 20% of the repayments were smooth, and 40% returned even though they could not repay as much as the loan. The remaining 60% does not return.
Fine	There are no fines or sanctions for those who are late in returning the loan.

(Source: Nurcahya et al., 2019)

Data from table 1 above, the requirements that must be met to obtain financing through Baitul Qiradh BAZNAS such as prospective customers are mustahiq who are registered with BAZNAS and are included in the poor/poor asnaf, and prospective customers are required to fill out registration forms and complete documents such as ID cards, KK and passport photos. Customers who receive loan funds from BQB are zakat mustahiq who will use these funds for business capital or productive businesses, after going through a survey by the BAZNAS team.

The nominal amount lent by BQB starts from Rp. 2.000.000,- up to Rp. 7,000,000, - per productive effort. The first loan is Rp. 2.000.000,-. The length of time for a *Qardhul Hasan* refund is 24 months. There are no fines or sanctions for those who are late or do not return, there are no lawsuits or debt collectors assigned to collect loans. BAZNAS only gives a sanction that the person

concerned can no longer be assisted for a further productive business. Only 20% of the repayments were smooth, and 40% returned even though they could not repay as much as the loan. The remaining 60% does not return. Someone who is not a poor asnaf cannot get a loan from Baitul Qiradh BAZNAS.

Management of *Qardhul Hasan* by BWI

Modern waqf has also been developed in the form of cash or cash, where the concept of cash waqf then breaks the stigma of the Muslim community that waqf is not only for the rich. Why is that? Because before the introduction of cash waqf, the Muslim community thought that waqf could only be done with land or buildings. The use of cash waqf is also considered more flexible and easier to distribute compared to waqf in the form of land or buildings.

The existence of waqf management is currently being intensified by Islamic financial institutions and the government, one of which is the Indonesian Waqf Board (BWI). Waqf is considered to have easier utilization flexibility when compared to the use of zakat funds which are limited in distribution to 8 asnaf that have been determined in the Qur'an (Hadi, 2018; Indah Sulistya, Neneng Hasanah, 2020; Tahiri Jouti, 2019). Waqf has great potential in helping the growth of the national economy. In Saudi Arabia, institutions such as companies have been formed to increase the role of waqf banks in its economy. Bangladesh continues to enlarge the role of the Waqf Bank so that economic inequality and inequality can be reduced. The legendary and oldest campus in the world, Al-Azhar University, shows how waqf plays an important role in education, by providing benefits that benefit the whole world. Other campuses in the West such as Harvard, Oxford, Cambridge, and others emerged from economic work patterns such as waqf (Faujjah, 2020).

The cash waqf funds collected by BWI can be used as capital for the Muslim community to obtain Sharia mortgage financing. This refers to the interests of the Muslim community to meet the basic needs of housing, as an effort to protect the family (*an-nasl*) in the maqashid sharia concept. This is in line with Mustafa Edwin Nasution statement, Deputy Chairperson of BWI, who stated that cash waqf functions can be optimized to improve the features of iB mortgages (Nasution, 2010).

The role of using cash waqf as a solution to IB mortgage problems is that cash waqf can be a source of cheap funds. The application of a flat margin that

imposes default risk and economic fluctuations in the application of iB mortgage pricing cannot be tampered with, so to provide competitive pricing, Islamic banks must increase the portion of low-cost funds. True cheap funds are obtained from savings and current accounts. But to boost low-cost fund products, Islamic banks must have a broad delivery channel and be able to compete with conventional banks. Cash waqf can be a source of cheap funds because waqf is obtained as social funds (through a *Qardhul Hasan* contract). So that the management of cash waqf does not impose a high cost of funds. Even if there are funds, they are more like fees, such as administrative costs.

Management of *Qardhul Hasan* by other Islamic Financial Institutions

Management of *Qardhul Hasan* in Islamic financial institutions is carried out with sources of funds obtained not from zakat, infaq, and alms such as BAZNAS or sources of waqf funds managed by BWI. This is under the Fatwa of the MUI National Sharia Council Number 19/DSN-MUI/IV/2001 concerning *al-Qardh*. The nature of *Qardhul Hasan* which is oriented toward social goals and does not prioritize financial gain, the sources of *Qardh* funds in Islamic Financial Institutions (IFIs) other than BAZNAS and BWI are (Yulianto, 2018): 1) IFIs capital share; IFIs profits set aside; and 3) Other institutions or individuals who entrust their infaq distribution to IFIs.

The use of *Qardhul Hasan* contracts is rarely found in Islamic financial institutions that still have a profit orientation, such as Islamic banking. Therefore, *Qardhul Hasan* is used as the social mission of Islamic banking in alleviating poverty. Usually, Islamic banks will collaborate with BAZNAS as an institution that collects funds and distributes them through a bank transaction model (Sukma et al., 2019). The implementation of *Qardhul Hasan* in Islamic financial institutions such as Islamic banking tends to be carried out as a form of CSR which is commonly used in banking and/or other conventional financial institutions.

The implementation of the *Qardhul Hasan* contract at Islamic Financial Institutions (IFIs) is used in several ways, including (Faujiah, 2020): 1) As a Hajj bailout loan, where prospective Hajj customers are given a bailout loan to meet the requirements for depositing Hajj travel costs. The customer will pay it off before the departure of Hajj; 2) As a cash loan (cash advanced) from sharia credit card products, where customers are given the freedom to withdraw cash

belonging to the Bank through ATMs. The customer will return it at the specified time; 3) As a loan to a small businessman, which according to the Bank's calculations, will be burdensome for the entrepreneur if he/she is given financing with an Ijarah sale-purchase scheme or profit sharing; 4) As a loan to the management of the Bank, where the Bank provides this facility to ensure the fulfillment of the needs of the Bank's management. Bank management will return it in installments through deductions from his salary.

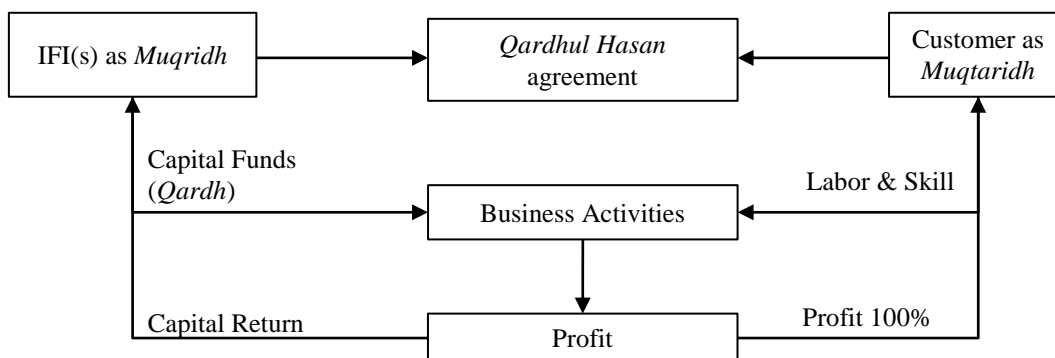


Figure 2. *Qardhul Hasan* Financing Scheme at IFIs
 (Sources: authors, 2022)

The financing scheme using the *Qardhul Hasan* contract can be seen in Figure 2 above. The explanation that describes the financing scheme with the *Qardhul Hasan* contract is as follows: 1) The customer submits a financing transaction to IFIs using a *Qardhul Hasan* contract; 2) The IFIs provide financing in the form of business capital (*Qardh*) to customers to be managed in a form of business activity; 3) The customer returns the funds to IFIs without any interest rate; 4) The profits obtained by the customer after the return of capital will be the full property of the customer.

Case Study on BAZNAS Semarang and BAZNAS Tulungagung

BAZNAS Semarang Regency has launched a *Qardhul Hasan* submission mechanism. BAZNAS Semarang issues loans to parties in need with certain criteria. This loan is *tabarru'*, so the borrower only pays back the loan principal without additional fees/*ujrah* like other forms of loans. The purpose of distributing funds by BAZNAS Semarang Regency through the *Qardhul Hasan* contract is in line with one of BAZNAS' missions, namely to increase the class of SMEs managed by *mustahiq*, so that economic conditions improve (Kasdi, 2016).

This can cause the *mustahiq* to be transformed into *muzakki* so that they can contribute their wealth as *zakat*, *infaq*, *alms*, or *waqf* (Maskuroh, 2019).

The mechanism for distributing *Qardhul Hasan* funds is regulated by the Semarang Regent Regulation. *Mustahiq* must submit a written application to the District BAZNAS or BAZNAS Management Agency with the provisions as referred to in Article 21 paragraph 2. Then *mustahiq* is also expected to fulfill administrative requirements such as completing personal information, description of SMEs or business entities, as well as business financial planning. *Mustahiq* will also be interviewed by *nazhir* BAZNAS Semarang Regency, and *nazhir* will conduct a review of *mustahiq*'s business location and residence. In addition to the main candidates for receiving *Qardhul Hasan* loans, BAZNAS Semarang can also determine supporting candidates who can also receive loans under the determination by the Head of the BAZNAS Implementing Agency at the district/city level based on the results of the verification as outlined in the Regulation of the Regent of Semarang (Musyarofah, 2016).

In addition, to BAZNAS Semarang, the IFIS that implements *Qardhul Hasan* is BAZNAS Tulungagung Regency through the PK 5 revolving capital program to empower micro-business finance for the people of Tulungagung, so that it is possible to advance to class. The implementation of this revolving fund program has been implemented since 2005. The relocation of street vendors from Tulungagung Square to Pujasera made it difficult for traders because of the loss of a stable marketplace. This moved the Tulungagung Regency BAZNAS which was approved by Heru Cahyono, as the Regent of Tulungagung at the time to provide them with rotating capital.

The explanation above was in line with the statement from Ahmad Saifudin as the Head of Distribution and Utilization Section, which suggested that BAZNAS of Tulungagung Regency provide capital loans without collateral to help street vendors so that they can still sell. BAZNAS in collaboration with the Tulungagung Regency Government invited traders' representatives to explain this loan program. Traders who are interested in applying for a loan are given a form regarding terms and conditions. This loan is provided with a period of 12 months in installments. The return procedure is regulated by a statement letter signed by the merchant as *mustahik* (Hidayati & Tohirin, 2019). Whoever, Asri Latifah as the Head of Collection also explained about the amount of distribution fund would be optimized as long as the *Zakat* and others fund are

can be collected optimally. So, the funds which will later be redistributed in the form of a qardhul hasan contract can also be given to a larger number of people.

The distribution of loan funds through the *Qardhul Hasan* scheme by the Tulungagung Regency BAZNAS in 2020-2021 has not been added by the Tulungagung district government, because the funds are used for handling the pandemic. The existing funds are installments by the mustahiq. The pooled fund program is infaq so that the recipient is more flexible. However, the distribution of infaq funds for business capital through the *Qardhul Hasan* contract itself continued to increase during 2017-2020 through donations from donors and the Tulungagung district government to the Tulungagung Regency BAZNAS (Saifudin, 2019).

Based on case studies, both the Semarang City BAZNAS and the Tulungagung City BAZNAS are examples of the most appropriate implementation of the framework model designed by the researchers. In this case, the Qardhul Hassan contract is implemented as a form of charity (shadaqah) given by Islamic Financial Institutions to customers. Where both the Semarang City BAZNAS and Tulungagung City BAZNAS provide qardh funds for free to customers, without expecting any distribution of profits obtained by customers from the turnover of business activities carried out.

The explanation above is in line with Achlak (2016) which describes the facility as a sadaqah (charity) from the shareholder to participants. In addition, the results of this study are also in line to research by Puspita et al (2020) who designed a framework for utilizing takaful funds in *Qardhul Hassan* contracts as benevolent loans that need to be repaid in the future, resulting in a surplus. In addition, this research is also expected to be able to implement the crowdfunding system that was previously designed by Aderemi and Ishak (2022) regarding the implementation of crowdfunding as capital for qardh contract financing for entrepreneurs in Malaysia.

The suitability of implementing Qardhul Hassan financing designed by researchers in implementing financing at BAZNAS Semarang Regency and BAZNAS Tulungagung Regency is proof that the risks in *Qardhul Hassan* financing, especially in terms of return on investment, can be minimized. The *Qardhul Hassan* financing program at the two Islamic financial institutions has been going on for a long time and is still running today. Thus, this is a big

consideration for other Islamic financial institutions to offer *Qardhul Hassan* financing to their customers. If *Qardhul Hassan's* financing can be easily accessed by customers and the wider community, then this can become one of the driving forces of the community's economy. The crowdfunding system that is implemented also effectively alleviates poverty by creating an avenue of opportunities for the poor and creating new labor markets for business enterprises.

However, this research can still be developed further, one of which is by implementing the *qardhul hassan* financing model that has been designed for other Islamic financial institutions such as BWI, Islamic Bank, BMT, MWB, and so on. The crowdfunding model designed by researchers can also be developed as a form of investment so that the role of investors is not only to give alms in the form of capital but also to gain profits.

CONCLUSION

Qardhul Hasan is a voluntary loan without the lender's expectation of returning the principal. In addition, while the debtor is obliged to return the principal, the lender is urged, following some sayings of the Prophet Muhammad SAW, not to pressure the debtor if he is unable to repay it by the stipulated time limit. The *Qardhul Hasan* management mechanism is found in BAZNAS, BWI, and other Islamic financial institutions such as Islamic banking, BMT, and MWB. The management of zakat funds as *Qardhul Hasan* also reaps the pros and cons among contemporary Ulama because the distribution of zakat must be given to 8 asnaf according to Q.S At-Taubah verse 60. Meanwhile, the management of waqf funds as *Qardhul Hasan* has higher flexibility. In addition, through the regulation on the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 19/DSN-MUI/IV/2001 concerning *Al-Qardh* and Law Number 23 of 2011 concerning Zakat Management, the authors reveal differences in the management of zakat funds through contracts. *Qardhul Hasan* in BAZNAS Semarang Regency and BAZNAS Tulungagung Regency. Where BAZNAS Semarang Regency issued loans without additional fees/*ujrah*, while BAZNAS Tulungagung through a revolving capital program PK 5 to empower micro-enterprise finance.

Although this research is sufficiently detailed in explaining the *Qardhul hassan* financing model that exists in Islamic financial institutions such as

BAZNAS and BWI. However, this research still has some limitations, including the lack of data on *Qardhul hassan* financing other than BAZNAS and BWI, so future researchers are expected to be able to develop this research in much more detail. In addition, this study also only provides two examples of the implementation of *Qardhul hassan* financing at BAZNAS Semarang and BAZNAS Tulungagung, where future research can add 2-3 other examples to provide more variations of *Qardhul hassan* financing models.

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