

## SOCIAL AND COMMERCIAL ISLAMIC FINANCE CONCEPTS

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**Abstract:** Islamic finance is a form of financial system that as a whole uses concepts and principles derived from the values contained in Islamic law, namely the Quran and Hadith. Islamic finance consists of commercial Islamic finance and Islamic social finance. Commercial Islamic finance is financial management that aims to get profit or profit by applying sharia values for human benefit. Islamic Social Finance is a form of implementation of social finance based on Islamic values that aims to provide benefits for the benefit of mankind as a whole. The Islamic financial system needs to be applied in every line of life that is able to prosper the community in general and expect blessings from Allah. Mudharabah is part of the commercial Islamic financial system. Zakat is the implementation of the running of Islamic social finance needed in providing benefits to the community as a form of running social values to improve the welfare of the people.

**Keywords:** *Islamic Finance, Islamic Social Finance, Mudharabah, Zakat*

### Introduction

Man as a caliph on earth is commanded to be vigilant in upholding his way of life, and he receives blessings to meet his needs. Freedom as a basic characteristic of humans in shaping themselves to meet the needs of living as His creatures.(Naqvi, 1981). Humans are given freedom in meeting their needs but are not fixed but must be limited by the interests of others and humans tend to change. When people do not limit themselves to what they want, the tendency for conflict is inevitable. The conflict that occurs will actually harm them and can result in the opportunities to be achieved are lost. If it is for the fulfillment of needs or economic activity in business then it is very detrimental because of the loss of opportunities. Qardawi stated that the current era is marked by many perspectives on business activities, economics and financial unrecognition by many people in the past (Qardhawi, 1997). The 21st century is said to be the beginning of gobalization, which is characterized by the emergence of freedom to compete, which can result in victory or defeat. The existence of globalization certainly has a bad influence but certainly also a good influence on human life which can be an opportunity to be used for the economy.

Globalization is faced with careful and directed preparation in order to become a momentum for the movement of a more advanced sharia-compliant economy in order to be able to compete globally (Azizy, 2004). The global economy has so far referred to a capitalist economic system that in fact is unable to expand the welfare of all people, on the contrary, it provides a gap between the rich and what happens. It is necessary to implement the principles of a just economy in accordance with the principles of sharia based on the Qur'an. Islam recognizes individual freedom,

but it does not give absolute freedom to market forces. Free market forces do not in themselves produce fair market economic conditions (Mujiatun, 2020).

Islamic economics is an economic system based on the Quran and Hadith. A just insip characterizes the Islamic economic system which already has a lot of rapid progress and encouraging development than before because of the good response from the community, especially in Indonesia. Islamic economics becomes a perfect economic system, because it not only discusses the economy from the commercial side that seeks benefits for capital owners but in accordance with the signs of sharia but also discusses the Islamic social economy that considers the needs of people who do not have capital to be able to benefit by playing a role in raising funds for the benefit of the general public.

Sharia social economy provides its partiality in carrying out financial activities not only to seek profit but to think about the interests of the community by involving zakat, infak, alms, waqf activities as a form of concern for the underprivileged community. It is also possible that many companies or other institutions carry out their activities not only for profit purposes but there is a part for social interests by implementing the values of Islamic social finance. The running of the economy based on the principles of sharia finance is a balance point between driving the community's economy through sharia financing with the subterfuge of the ummah in setting aside excess fortune to support the lives of other people (Syafinas et al., 2014).

Sharia principles are applied in the economic system to the Islamic economy to Islamic banking institutions and to other Islamic financial institutions. While Islamic social finance often goes hand in hand with Islamic financial institutions as well as in other business institutions and other Islamic social financial institutions established to manage Islamic social finance such as amil zakat institutions or national amil zakat agencies that are widely established to be able to collect and distribute them to those who are entitled to receive them. There are still many levels of society who do not understand the concept of Islamic banks well. This is a challenge for both practitioners and academics to touch all levels of society and socialize Islamic banks (Sihotang et al., 2021).

That there are still many people who do not really trust the security of Islamic banking institutions, especially after the hacker incident some time ago which caused many customers to divert their deposits to conventional banks, small profit sharing but by understanding the obligations in building the Islamic economy will not make small profit sharing not to use Islamic financial institutions, Because interest is clearly haram. As for social finance, Islam has an important role. There is economic inequality in the community that urgently needs the role of Islamic social finance to provide various forms of capital assistance for small businesses, as well as to meet the needs of poor people who need it. If Islamic social finance can run and play an effective role, then its existence in the community will greatly help become a system that is able to improve welfare and social justice for all mankind. The basic principles of the economy based on the guidance of the Qur'an and Hadith of Rasulullah SAW, through the implementation of zakat, infak, alms, waqf as a corporate social responsibility for all communities that benefit the recipients and benefit the giver by carrying out the value of legitimacy according to His guidance. So that the implementation of a strong and clear joint commitment will reduce and reduce poverty and improve the welfare of the people.

## Literature Review

Islamic finance as a system comes from the source of the Qur'an Al Hadith, and the various interpretations of the scholars from the revelations handed down. Islamic finance as a financial system based on sharia law is guided into one system in carrying out finances according to shari'i principles. This system is the economic model set by Azza Wa Jall, launched, and implemented by the Prophet as a role model. In sharia principles, banks and other parties for transactions in saving or financing a business must make an agreement in accordance with sharia law. (Rahma, 2019). Qaradhawī revealed that Islamic economics is an economic activity based on divinity, which starts from obedience to Allah and has its ultimate goal to Allah. Islamic finance is a system of Islamic finance for profit and Islamic social finance or non-profit. Islamic social productive finance synergizes between social finance and Islamic commercial finance, helping the real sector to be implemented (Syarifuddin, 2022). All provisions are implemented with the application of sharia that has been determined, what distinguishes the Islamic financial system from conventional is sharia or Islamic law that must be obeyed by sharia economic actors (Aris et al., 2013). Islamic finance is a system based on the Qur'an and Hadith, and the interpretation of scholars obtained from revelation. (Fadhillah, 2023).

The characteristics of the Islamic financial system are: Public treasures in the Islamic State's financial system are the treasures of Allah; The Prophet was the first to practice Islamic finance; The Qur'an and Sunnah are fundamental sources for Islamic finance; The Islamic financial system is a universal financial system; Special finance in Islam opposes the financial system of the Islamic State; The Islamic financial system takes the principle of allocation to services as a source of State revenue; The Islamic financial system is characterized by transparency; The Islamic State's financial system is a gesture of kindness; The Islamic financial system is the capital of tolerance of Muslims (Choli, 2021)

The basis of the shari'ah financial framework is a unity of rules and laws which are simultaneously said to be sharia, to regulate various aspects in the social, economic, political, and cultural of Islamic society (Setiawan, 2021). There are several principles of Islamic finance, namely: 1. It is not allowed to use interest in every form of transaction; 2. Business and trading activities are carried out reasonably by taking profits that are lawful; 3. Every result of the activity is issued zakat.; 4. Do not exercise any monopoly and 5. Carry out the development of society, from business and trade in accordance with the provisions of Islamic law. The Islamic financial system aims to: maintain the integrity of all financial transactions and conduct business in accordance with the principles of sharia value; distribute resources equally and fairly to each people; and support economic development (Marimin, 2014).

Islamic social finance is part of the Islamic financial system that has a role in helping underprivileged communities to be given assistance. The provision of assistance can be done for consumption and production. Assistance for consumption purposes is to provide assistance to be used to meet basic needs for the poor and poor. While production or productive assistance is given assistance with the aim that the assistance provided can provide results so that these results can meet the needs of his family. Assistance is provided such as business capital, providing equipment, business equipment. Furthermore, some differences between commercial Islamic finance and

Islamic social finance that can be a reference in carrying out financial operations based on sharia values.

Table. Differences between Commercial Islamic Finance and Islamic Social Finance

No.	Commercial Islamic Finance	Islamic Social Finance
1.	Get revenue share	Not getting revenue share
2.	Earning margin/ profit	No profit
3.	For the benefit of the owner/Individual	General Public Interest
4.	Savings can be taken	Non-retrievable
5.	Transferable according to contract	It has been assigned to the entitled

Meanwhile, based on Islamic finance based on Islamic financial principles, it must: 1) Be free from the influence of the use of interest (usury): interest is often used in conventional financial transactions but is prohibited in Islamic financial law; 2) Certainty: Islamic finance stipulates certainty, so transactions that cause speculative and gharar are prohibited; 3) Risk profit and loss sharing: Islamic finance stipulates the sharing of risks that occur and profits obtained according to the agreement; 4) Ethics of investing: investing is permissible but for halal and the Qur'an forbids investment in products such as alcohol drinks, gambling activities and products containing pork and the like; and 5) Real assets: in transactions must be real and identified business (Fadhillah, 2023). The Islamic financial system primarily aims to: maintain the integrity of all financial transactions and conduct business in accordance with the principles of sharia values; distribute resources evenly and fairly; and support economic development (Marimin, 2014).

**Method**

This study used qualitative research methods. Qualitative method is a form of research that data is obtained from various literature sources such as google scholar, emerald insight to obtain data through accredited journals and international journals, E-library to obtain data through articles and e-books that are in accordance with the study material of the research conducted. All data collected then classified and then analyzed and descriptions are carried out and conclusions are drawn

**Result and Discussion**

Commercial Islamic Finance. Islam has a monetary concept, has regulated the course of monetary activities in a sharia manner based on Islamic law, it is clearly stipulated. Islamic finance that is carried out consists of commercial Islamic finance whose financial activities aim to obtain profit margins run by Islamic financial and social finance institutions that manage finances for the entire community to be redistributed for the benefit of the community and the benefit of the ummah whose application must be based on sharia law.

Commercial Islamic monetary finance combines production and operational mechanisms that can be explained, such as: 1. The concept of buying and selling (al-Bai). In Arabic, it means "comparing something with something" (Abdurrahman al-Jaziriy, 1996).. In simple language, as Taqiyuddin said, a sale is when someone sells something by making a purchase, selling something,

or breaking something with qabul ijab in a way that makes sense to the buyer. Taqiyuddin, Abi Bakr bin Muhammad, 2004). Asbi ash-Shiddieqy revealed but that buying and selling is an aqad that is upright on the basis of exchanging property for property, be a student exchange of rights. (1984, Hasbi ash-Shiddieqy). The goods sold are actually a kind of agreement between two parties to sell objects that have a smooth surface on the terms certified by the shara. Allah Almighty has revealed the heart as the only thing. Allah Azza Wajallaa on QS. al-Nisa (4): 29, that in this verse it is affirmed to carry out buying and selling, Islam clearly prohibits fraudulent practices but in buying and selling requires willingness from the selling party and the buying and selling, so that with the occurrence of willingness between the two parties between the seller and the buyer no one feels a loss.; 2. Abi Bakr ibn Muhammad Taqiyuddin stated the concept of Shirkah (Company). Shirkah (company) in etymology is said to be al-ikhtilath meaning mixed or mixed. As Idris Ahmad terminology expresses, shirkah is meant like a trading company, which is a person who is a company between two or more people who promise to carry out cooperation in trading business, while they each provide their capital with an agreement that the profit and loss obtained are calculated based on the size and size of the capital invested respectively. (Abi Bakr ibn Muhammad Taqiyuddin, 1986).

*'From Abi Hurairah explains the words of the Messenger of Allah: Allah said truly: it is Robmu to be the third of the two men in association as long as no one betrays the two with the other, then I will come out if any of them betray.'* (HR. Abu Dawud).

This benefit can be applied to both transactional benefits (syirkatul uqud) and power benefits (syirkatul amlak). A freehold company (syirkatul amlak) refers to behavior toward a piece of property, such as behavior toward a piece of property owned by two people, or that they use as a medium of exchange, or behavior toward a piece of property that someone gives to them or to someone else. On the other hand, transaction failures (syirkatul uqud) are caused by strengthening the national economy; 3. The concept of qiradh/mudharabah (profit sharing). Mudharabah comes from the term al-dharb, which means, in the narrow sense, bowing or going (QS. al-Muzzammil [73]: 20). In addition, it is also known as qiradh, which comes from the word qardhu and refers to al-qathu (piece) because its owners promise to use all their resources to profit from all their losses. Many also compare mudharabah or qiradh with muamalah (Fedry Saputra, 2021). Paraphrasing the fuqaha Mudharabah is permissible in sharia means mubah (permissible). The words of Rasulullah Salollohualaihiwassalam were narrated by Ibn Majah:

*'It is from Salih bin Shuhaib that his father (Shuhaib) stated that the Prophet Salollohualaihiwassalam had said: the blessed thing is threefold: suspending the sale and purchase, giving capital, and wheat mixed to meet the needs of the family, not sold'* (HR. Ibnu Majah).

In the practice of mudharabah, there is a fee charged. As long as they live in their own neighborhood or region, the expenses for the mudharib (manager) are taken from their own property. This is also true if he embarks on a journey to fulfill his desire for mudharabah. When the cost of the mudharabah is determined by its profit, the heart of the owner (capital) is unlikely to receive all the profits because the profit may be somewhat greater than the mudharabah. However, if the capital owner encourages his employees to use the mudharabah mode to meet their needs along the way or because the user has become biased, then they are free to use the mudharabah mode. Thus, the cost of lending money is based on the principle of bank lending to borrowers; Nevertheless, loan interest is not affected by the borrower's profit if the borrower defaults or experiences bias. (4) Ariyah (Loan). Ariyah, according to Arabic, means "loan." ....' *Instead, based on facts. Based on the word of Allah Subhanahu Wata'ala. on QS. al-Maidah (5:2). What it means: God commands men to help one another in doing good and piety and not to help in committing sinful and enmity...'*



Rasulullah *Salallahualaihi wassalam*. said as in the narration of *al-Tirmidhiy*: 'From Abi Umamah said *Rasululloh SAW*. Said to *Hajj Wada*, in his sermon said whoever borrows goods must return the goods borrowed ..' (HR. *Tirmizi*).

For loan matters, several factors that are important to consider in lending and borrowing or receivables are related to ethics or polite values related to it, such as: In QS. *al-Baqarah* (2): 282, every debt receivable is meant to be supplemented by a letter from the governing body, interacting with two men who are male witnesses or with a man who is a male witness with two women. Until now, the above-mentioned text is made on a paper seal or stamp; a. Loans should be made on the basis of an urgent need with a heartfelt intention to pay them or repay them; b. The debtor should intend to provide assistance to the controller. If a person is weak, those who are strong-willed to support him will be able to overcome it; c. Companies that are strong-willed to support their members will be able to withstand the pressure of payments for their support because payments for support are made in bonds (*Zulkarain Muhammad & Malihah, 2020*).

Some of the examples of Islamic monetary theory shown above are intended to provide the general public with the means to improve long-term planning systems, business acumen, and usury systems. Everything is done to ensure that this mature economic mechanism always adheres to Islamic law, resulting in a more cohesive society. (*Sihotang et al., 2021*).

Any Islamic financial system known as the principles of Islamic law will be interpreted as follows: 1) The principle of success (*mudharabah* investment). found in the book "*Sharia Financial & Investment System* (*Masuri, 2014*) stated: In the principle of profit sharing of this *mudharabah* investment, customers must be honest, trustworthy and transparent of the business they manage. This is because party banks are only allowed to carry out daily business operations and are not allowed to participate in day-to-day fund trading. The first party (*shahibul maal*) provides all (100%) modalities, while the other party acts as the lender. Benefits to the business will be distributed according to the plan, but if the loss is utilized by the capital owner during this period, it is not the result of the loss suffered by the seller. Certain losses are caused by fraud or negligence on the part of the manager; Therefore, the manager must be fully aware of the loss. This agreement is a collaborative agreement between two parties to a particular business, where each party contributes money with the understanding that profits are allocated on agreed terms, while losses are borne by parties who are the main participants in the business. The principle of buying at will (*murabahah*). This is the single most common transaction that Islamic banks make today: buying and selling at a discount. The only drawback of this type of *murabahah* is that it poses little risk to Islamic banks. Consider a transaction involving the purchase of a motor vehicle. The bank, as a seller, must provide motor financing for the purchase transaction; Thus, the financing received by banks is motor financing from purchase transactions. 4) The principle of rent (*ijarah*).

*Sharia Social Finance*. Social welfare or social justice is the result of the Islamic financial system. People who are not highly educated or who are not married are not properly portrayed as weak. However, those who do not get access to a better life. The financial system best suited for managing global trade is the Islamic financial system. Not only limited to Muslims, this system of Islamic exchange can also be utilized by non-Muslims around the world. The purpose of the Islamic exchange system is not to break many hearts. However, how can a better life be achieved through cooperation? (*Otoritas Jasa Keuangan, 2017*). The many commandments to share the wealth that Allah has given to humans and make the wealth given to others will provide great benefits in the hereafter so that this understanding and guided by the social economic system will be able to shape a person into *homo Islamicus*.

The role of recipients of social finance funds is needed to be properly distributed to parties who meet the criteria to obtain them, namely the poor to be used for their interests and needs. Traditional Islamic social finance plays a significant and increasing role alongside the Red Crescent (IFRC) and the Kenyan Red Cross in helping drought in Kenyan communities (Ahmed, 2021). Islamic social finance includes alms, infak, waqf, sharia microfinance, Islamic sustainable finance which plays a role in helping SMEs (Juwaini et al., 2022).

Next, the funds owned where will be used. Islam has clearly stipulated that the property owned will be accounted for later before Allah. Islam forbids using money for things that are not useful or behaving extravagantly. Sharia Social Finance is also a bridge for Muslim communities who have excess in wealth to submit through managed institutions to distribute people's assets to be distributed to those who have a lack of wealth or also to be used for the benefit of the general public. Prioritized giving infak to the family (hajad asasiyah), zakat and what is pledged to be cashed (Inayati, 2014). Allah gave the command Q,S. Al-Baqarah (254): Which means Allah commands His servants to spend some of the entrusted sustenance while there is life on earth. The Qur'an in Surah Al-Dzariyat verse 19 which means "that God says in every property that belongs to those who have possessions that have possessions or the right of the poor, God commands to give unto him, both to those who ask and those who do not ask. With the existence of zakat will provide for the economic empowerment of the ummah which is the hope of the community in order to achieve a better level of welfare in the future (Amsari, 2019).

## Conclusion

Economic globalization becomes part of the capitalist economy that has a basic vision only for the interests of the capitalist economy and the owners of capital so that it is unable to provide prosperity and welfare of the general public. So what happens is that the owners of capital who enjoy prosperity and welfare and vice versa the poor will continue to be poor people. This condition gave birth to the desire of economists to practice an economic system based on sharia guided by the Quran and Hadith, namely the Islamic economic system. The Islamic economic system has a part, namely social and commercial finance, which is an ideal state in carrying out sharia principles, believed to be able to provide benefits to mankind. In the financial principle, it can be seen that there is a balance point between driving the community's economy through sharia financing and the pretext of the ummah in setting aside their fortune to support the lives of other people which is manifested in the form of waqaf, zakat or sadaqah..

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