

The Ideal Concept of Reforming Non-Bank Home Financing: A Justice-Based Approach in Islamic Housing Development

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Abstract

This study explores the ideal reform of non-bank housing financing within the framework of Islamic housing development, emphasizing a justice-based approach rooted in Sharia philosophies. Conventional housing finance systems often involve riba (interest) and other practices prohibited in Islamic law, leading to a growing demand for Sharia-compliant alternatives. Non-bank Islamic financing models, such as murabaha (cost-plus sales), istishna' (construction financing), and Ijara wa Iqtina'a (leasing-to-own), offer ethical, transparent, and equitable solutions that eliminate exploitative elements while fostering mutual trust between developers and buyers. These models align with the Islamic philosophies of fairness, transparency, and risk-sharing, addressing both financial and social justice challenges in modern housing. The study highlights the regulatory frameworks, operational strategies, and public awareness required to ensure the effectiveness and sustainability of non-bank Islamic financing. Oversight from bodies like the Financial Services Authority (OJK) and the National Sharia Board (DSN-MUI) is crucial for maintaining compliance and consumer protection. However, challenges such as fraudulent practices, inconsistent implementation of Sharia philosophies, and limited public awareness remain significant barriers. Addressing these challenges through education, stricter enforcement, and technological innovations can enhance transparency, trust, and market reach. In conclusion, the justice-oriented reform of non-bank housing financing represents a transformative approach to addressing housing accessibility and affordability while aligning with ethical and religious values. By fostering inclusivity, equity, and sustainability, this model offers a comprehensive solution for advancing the housing sector in a Sharia-compliant manner.

Keywords: Financing, Housing, Islamic, Justice, Sharia Reforming.

Introduction

Housing is a primary human need, encompassing not only land and buildings but also the infrastructure integral to human life. In Indonesia, housing represents not only a fundamental necessity but also a reflection of an individual's identity and their connection with society and the environment. The Indonesian Constitution (1945) underscores the importance of housing as a human right. Articles 28E and 28H guarantee every citizen's right to own property and live in a proper, safe, and sustainable environment (Republik Indonesia, 1945). However, increasing urbanization, limited land availability, and rising construction costs have created barriers to affordable housing for many Indonesians.

In light of these challenges, housing financing mechanisms play a pivotal role in enabling homeownership. Conventional financial institutions often offer solutions such as mortgages, which rely on interest-based systems. However, such practices are incompatible with Islamic philosophies, which prohibit *riba* (usury) as it is deemed exploitative and unjust. Islamic financing alternatives, such as *KPR Syariah* (Islamic Home Ownership Credit), have emerged as solutions grounded in fairness and ethical philosophies. These models avoid interest, rely on fixed payment agreements, and refrain from penalties for early repayments, creating more equitable solutions for homebuyers.

A more recent development in the Indonesian housing market is the introduction of non-bank financing

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by Islamic developers. These developers eliminate the intermediary role of financial institutions, relying instead on direct agreements between developers and buyers. The transaction typically employs *istishna'* contracts, where developers construct homes to order based on pre-agreed specifications and terms.⁸ Such models align with Islamic values by promoting transparency and avoiding practices that could lead to financial exploitation.

However, the implementation of non-bank financing schemes has faced challenges. Cases of fraud, such as the Syna Group incident in Bandung, illustrate the vulnerabilities in this system. Promising affordable housing without the involvement of banks, Syna Group failed to deliver on its commitments, leaving consumers financially and emotionally distressed. The company was found to lack proper licensing and permits, leading to legal action against its directors under charges of fraud and embezzlement.⁹ This incident underscores the critical need for stronger regulatory frameworks and oversight to protect consumers and ensure adherence to Islamic philosophies.

Despite these setbacks, the concept of non-bank financing offers significant potential for promoting justice and equity in the housing sector.¹⁰ Sharia-compliant developers have redefined traditional home financing by removing interest-based practices, introducing ethical pricing models, and fostering direct relationships between stakeholders. Developers adopting Islamic philosophies also avoid penalties, repossessions, and other punitive measures, ensuring a more humane approach to housing finance.¹¹ However, to fully realize the potential of this model, stakeholders must address the gaps in legal enforcement, consumer education, and standardization of practices.

One of the fundamental strengths of Islamic housing finance lies in its alignment with ethical philosophies and its ability to address social and economic disparities. By emphasizing justice, transparency, and mutual benefit, Islamic financing models offer a sustainable alternative to conventional systems. Developers adhering to these philosophies not only meet the housing needs of consumers but also contribute to broader societal goals, such as reducing economic inequality and fostering community well-being.¹²

This article aims to explore the ideal reform of non-bank home financing by Islamic housing developers. By examining current practices, challenges, and opportunities, it seeks to propose a framework that incorporates justice, accountability, and ethical transparency. Drawing lessons from both successful implementations and failures, this discussion underscores the importance of regulatory oversight, ethical practices, and consumer education in ensuring the sustainability and credibility of non-bank financing in Islamic housing development.

Research Methods

This study uses a constructivist paradigm, emphasizing the subject's role in interpreting and shaping social realities rather than separating subject and object, as proposed by positivism.^{13,14} The socio-legal research approach integrates legal philosophies and social science methods to analyse regulations and practices in non-bank Islamic housing financing, contextualized within societal frameworks.¹⁵ Descriptive-analytical research is utilized to detail and examine justice-based non-bank home financing, focusing on legal

⁸ Rahman, A. (2020). *Konsep Akad dalam Keuangan Syariah*. Pustaka Islami.

⁹ Detik News. (2024). *Waspada Penipuan Properti Syariah di Bandung*. Retrieved September 21, 2024, from <https://news.detik.com/berita-jawa-barat/d-4219215/waspada-penipuan-properti-syariah-di-bandung>.

¹⁰ Maripah, E. (2022, November). Judicial Construction Of Non-Bank Islamic Housing Finance. In *Proceeding International Conference on Law, Economy, Social and Sharia (ICLESS)* (Vol. 1, No. 1, pp. 370-392).

¹¹ Hussain, M., Shahmoradi, A., & Turk, R. (2016). An overview of Islamic finance. *Journal of International Commerce, Economics and Policy*, 7(01), 1650003.

¹² Byrne, J. P., & Diamond, M. (2007). Affordable housing, land tenure, and urban policy: The matrix revealed. *Fordham Urb. L.J.*, 34, 527.

¹³ Berger, P. L., & Luckman, T. (1966). *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. Anchor Books.

¹⁴ Eriyanto. (2004). *Analisis Wacana: Pengantar Analisis Isi Media*. Yogyakarta: LKIS.

¹⁵ Soekanto, S. (1988). *Pendekatan Sosiologi Terhadap Hukum*. Jakarta: Bina Aksara.

frameworks and operational challenges.¹⁶ Data sources add primary data from interviews and observations, and secondary data from legal texts, statutes, and academic literature.¹⁷ Data collection combines literature reviews, interviews with experts, and direct field observations to gain comprehensive insights.¹⁸ Purposive sampling is employed to select participants most relevant to the study's goals, ensuring efficient and focused data collection.¹⁹ Data analysis is descriptive and qualitative, incorporating domain, taxonomic, and thematic methods to systematically process information. This approach helps derive logical and systematic conclusions, supporting the justice-based evaluation of non-bank housing financing practices in Islamic property development.²⁰ The study aims to contribute actionable insights and recommendations aligned with Islamic values and justice-oriented philosophies in housing development.

Results and Discussion

Foundations of Non-Bank Home Financing Regulations in Islamic Property Development

Non-bank home financing by Islamic property developers represents a significant step in providing Sharia-compliant alternatives to conventional housing finance. This system caters to the ethical, legal, and religious needs of Muslim communities by avoiding *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), which are explicitly prohibited under Islamic law.²¹ By offering transparent, equitable, and interest-free financing models, non-bank housing finance aligns with the philosophies of justice and social welfare outlined in Islamic teachings.²²

The cornerstone of this financing model lies in its reliance on contracts that conform to Islamic jurisprudence (*fiqh muamalah*). Among the most commonly used contracts are *murabaha* (cost-plus sales), *Ijara wa Iqtina'a* (leasing-to-own), and *istishna'* (construction financing). Each contract is designed to uphold transparency and mutual consent between parties. For instance, in *murabaha*, the developer purchases a property and sells it to the buyer at a pre-agreed profit margin.²³ This ensures clarity and eliminates the risks associated with fluctuating interest rates, a hallmark of conventional mortgages.²⁴ Similarly, *istishna'* enables developers to construct homes based on buyer specifications, with payments structured in stages, ensuring accountability and minimizing financial risks during construction.²⁵

Regulations governing non-bank Islamic housing finance play a critical role in its implementation and success. In Indonesia, key regulatory bodies such as the Financial Services Authority and the National Sharia Board oversee the sector, ensuring that financing models adhere to Islamic philosophies. These bodies issue fatwas and guidelines to standardize practices and prevent fraudulent activities. For instance, National Sharia Board provides detailed instructions for structuring contracts like *murabaha* and *ijarah*, ensuring compliance with Sharia while protecting consumer rights.²⁶

Despite the regulatory framework, challenges persist in implementing these systems effectively. A significant issue is the lack of public awareness about non-bank Islamic financing options. Many potential buyers are more familiar with conventional bank loans and are unaware of the benefits of Sharia-compliant

¹⁶ Zamroni. (1992). *Pengembangan Pengantar Teori Sosial*. Yogyakarta: Tiara.

¹⁷ Ali, Z. (2009). *Metode Penelitian Hukum*. Jakarta: Sinar Grafika.

¹⁸ Sugiyono. (2012). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

¹⁹ Subagyo, P. J. (2006). *Metode Penelitian dalam Teori dan Praktek* (5th ed.). Jakarta: Rineka Cipta.

²⁰ Mukti Fajar, & Achmad, Y. (2012). *Dualisme Penelitian Hukum Normatif dan Empiris*. Yogyakarta: Pustaka Pelajar.

²¹ Mardani. (2015). *Aspek Hukum Lembaga Keuangan Syariah di Indonesia*. Jakarta: PT Kharisma Putra Utama.

²² Ascarya. (2020). *Akad dan Produk Bank Syariah*. Jakarta: PT. RajaGrafindo Persada.

²³ Antonio, M. S. (2017). *Bank Syariah dari Teori ke Praktek*. Jakarta: Gema Insani.

²⁴ Wiroso. (2005). *Jual Beli Murabahah*. Yogyakarta: UII Press.

²⁵ Hidayah, M. R., Nawawi, K., & Arif, S. (2018). Analisis Implementasi Akad Istishna Pembiayaan Rumah (Studi Kasus Developer Property Syariah Bogor). *Jurnal Ekonomi Islam*, 9(1), 12.

²⁶ Sam, M., & Ichwan, M. (2014). *Himpunan Fatwa Keuangan Syariah Dewan Syariah Nasional MUI*. Jakarta: Erlangga.

alternatives. Educational initiatives by developers and regulators are essential to bridge this gap. Workshops, seminars, and digital campaigns can help increase understanding and acceptance of Islamic financing models.²⁷

Furthermore, integrating Islamic philosophies with market dynamics requires innovation. Developers must design financing options that are not only Sharia-compliant but also competitive in terms of pricing, flexibility, and convenience.²⁸ For instance, introducing instalment plans tailored to individual financial capacities or providing additional incentives like profit-sharing schemes can make these financing models more attractive.

One of the advantages of non-bank housing finance is its inclusivity. Unlike conventional systems that often exclude individuals with low credit scores or limited financial histories, Islamic financing focuses on mutual trust and ethical practices. Developers eliminate the need for credit checks or excessive collateral, allowing a broader segment of the population to access affordable housing. This inclusivity aligns with the Islamic principle of social justice and contributes to reducing economic disparities.²⁹

Additionally, non-bank financing systems enhance transparency and accountability, fostering trust between developers and consumers. By eliminating interest-based charges and disclosing all costs upfront, these models ensure that buyers are fully informed about their financial obligations. This transparency contrasts sharply with conventional systems, where hidden fees and fluctuating interest rates can lead to financial strain for buyers.³⁰

However, the system is not without its flaws. Fraudulent practices and inconsistencies in applying Sharia philosophies have been reported, undermining consumer trust. For instance, cases like the Syna Group incident in Bandung, where buyers were misled about project viability, highlight the need for stricter oversight and enforcement of regulations.³¹ Regulatory bodies must implement robust auditing mechanisms to ensure compliance and deter unethical practices.³²

Incorporating technology into non-bank Islamic housing finance can further strengthen its foundation. Digital platforms can streamline processes, from contract signing to payment tracking, enhancing transparency and efficiency. Blockchain technology, for example, could be used to securely document transactions, ensuring that all parties adhere to agreed-upon terms. Such innovations not only increase operational efficiency but also build consumer confidence in the system.³³

In conclusion, non-bank Islamic housing financing represents a transformative approach to property development, combining ethical philosophies with practical solutions to meet the housing needs of diverse communities. By prioritizing transparency, inclusivity, and social justice, these systems offer a viable alternative to conventional mortgages.³⁴ However, their success depends on continuous innovation, robust regulation, and public awareness efforts. With collaborative efforts from developers, regulators, and consumers, non-bank Islamic housing finance can become a cornerstone of equitable and sustainable

²⁷ Lesmana, M., Suminto, A., & Rosmitha, S. N. (2021). Pembiayaan Property Indent (Kpr Syariah) Ditinjau Dari Maqashid Syariah Dan Qawaidul Fiqhiyyah. *Journal of Islamic Economics and Philanthropy*, 4(03).

²⁸ Alam, N., Gupta, L., & Zameni, A. (2019). *Fintech and Islamic finance*. sl: Springer International Publishing.

²⁹ Mardani. (2015). *Aspek Hukum Lembaga Keuangan Syariah di Indonesia*. Jakarta: PT Kharisma Putra Utama.

³⁰ Alrifai, T. (2015). *Islamic finance and the new financial system: An ethical approach to preventing future financial crises*. John Wiley & Sons.

³¹ Hidayah, M. R., Nawawi, K., & Arif, S. (2018). Analisis Implementasi Akad Istishna Pembiayaan Rumah (Studi Kasus Developer Property Syariah Bogor). *Jurnal Ekonomi Islam*, 9(1), 12.

³² Wahyuni, E. (2018). Satanic Finance Dalam Perbankan Syariah. *ILITZAM Journal of Sharia Economic Research*, 2(1), 20.

³³ Virgiawan, A. L. (2024). Analisis Model Bisnis Property Syariah Tanpa KPR Bank (Studi Pada Perumahan “Mentari Grand Land” Kab. Gowa). *Indonesian Journal of Economics, Management and Accounting*, 1(1), 12-18.

³⁴ Thaidi, H. A. A., Ab Rahman, M. F., & Salleh, A. Z. (2023). Addressing Challenges, Unleashing Potentials: Towards Achieving Impactful Islamic Social Finance. *Ulum Islamiyah*, 35(02), 63-85.

development.

Islamic Financial Contracts and Risk Analysis in Housing Financing

Islamic financial contracts form the foundation of non-bank housing financing, offering ethical and transparent alternatives to conventional, interest-based systems. These contracts adhere to Islamic philosophies that promote fairness, mutual consent, and risk-sharing while avoiding prohibited elements like *riba*, *gharar*, and *maysi*.³⁵ The most prominent contracts used in Islamic housing finance are *murabaha*, *istishna'* (construction financing), and *Ijara wa Iqtina'a*.³⁶ Each contract is tailored to meet specific housing needs while ensuring compliance with Sharia law.

Mudharabah involves a partnership where one party provides capital while the other contributes expertise, with profits shared according to a pre-agreed ratio. For housing,³⁷ this translates into the buyer's financial commitment combining with the developer's resources and skills. This form of financing is used less frequently for individual homeownership but remains crucial in larger property development projects.

Murabaha is one of the most commonly used contracts in Islamic housing finance. In this arrangement, the developer purchases the property and resells it to the buyer at a pre-agreed profit margin.³⁸ This model ensures clarity and eliminates uncertainties, as the terms of payment and the total cost are fixed from the outset. Buyers benefit from the predictable payment structure, while developers gain transparency in financial planning. However, the buyer's ability to meet payment obligations is critical, making thorough buyer assessments an essential part of the process.³⁹

For housing projects that require construction, *istishna'* is the preferred financing model. This contract involves an agreement between the buyer and the developer, where the latter undertakes to construct the property according to the buyer's specifications. Payments are often made in stages, linked to construction milestones. This phased payment structure reduces the financial burden on buyers and ensures that funds are used efficiently for the intended purposes. Developers, however, must address potential risks such as project delays, cost overruns, or changes in buyer preferences.⁴⁰

Ijara wa Iqtina'a, or leasing-to-own, is another significant contract in Islamic housing finance. This model allows buyers to lease a property with the option to purchase it outright at the end of the lease period.⁴¹ It is particularly appealing to buyers who may not have sufficient funds for an outright purchase but can afford regular lease payments. Developers benefit from the steady cash flow, while buyers gain flexibility and eventual ownership. However, the contract's success depends on clear terms and consistent adherence to payment schedules by buyers.⁴²

While Islamic financial contracts offer significant advantages, they are not without risks. Developers and buyers alike face challenges that must be addressed to ensure the sustainability of these financing models.

³⁵ Mardani. (2015). *Aspek Hukum Lembaga Keuangan Syariah di Indonesia*. Jakarta: PT Kharisma Putra Utama.

³⁶ Ascarya. (2020). *Akad dan Produk Bank Syariah*. Jakarta: PT. RajaGrafindo Persada.

³⁷ Nurhasanah, S., & Qadariah, L. (2024). Analysis of the Implementation of Mudharabah and Musharakah Financing Based on Profit Sharing. *Journal of Business and Economics Research (JBE)*, 5(2), 84-93.

³⁸ Hassan, A. (2020). *The Challenges and Prospects of Islamic Finance in Australia: A Case Study of Murabaha Contract* (Doctoral dissertation, Victoria University).

³⁹ Lahsasna, A. (2014). *Shari'ah non-compliance risk management and legal documentations in Islamic finance*. John Wiley & Sons.

⁴⁰ Winch, G. M. (2012). *Managing construction projects*. John Wiley & Sons.

⁴¹ Ghalib, A. K. (2013). Re-Thinking Leasing from an Interest-Free Perspective: Exploring the Prospects of Islamic Microleasing for Poverty Alleviation 1. In *Shari'a Compliant Microfinance* (pp. 129-144). Routledge.

⁴² Abdullah, N. I. (2005). *Islamic hire-purchase in Malaysian financial institutions: a comparative analytical study* (Doctoral dissertation, Loughborough University).

Key risks add defaults on payments, project delays, market fluctuations, and regulatory compliance issues.⁴³

One of the primary risks is buyer default, which can disrupt the financial flow and jeopardize the completion of projects. Islamic financing mitigates this risk by incorporating shared-responsibility mechanisms, such as *musyarakah mutanaqisab* (diminishing partnership), where ownership is gradually transferred to the buyer as payments are made.⁴⁴ This shared risk model ensures that both parties have a vested interest in the property's success.

Construction delays pose another significant risk, particularly in *istishna'* contracts. Delays may arise from supply chain disruptions, labour shortages, or unforeseen regulatory hurdles. To mitigate these risks, developers often add penalty clauses for non-performance in their contracts while maintaining the Sharia principle of mutual agreement.⁴⁵ Regular communication and monitoring of project progress are also essential to address issues promptly.⁴⁶

Market fluctuations, such as changes in property values or economic downturns, can impact the viability of housing projects. Developers must adopt robust risk management strategies, including diversification of portfolios and the use of hedging techniques compliant with Sharia philosophies. Regulatory frameworks play a crucial role in providing stability and guidance, helping developers navigate these challenges.⁴⁷

A key strength of Islamic financial contracts is their inherent focus on transparency, which fosters trust between developers and buyers. Unlike conventional mortgages that may involve hidden fees or fluctuating interest rates, Islamic financing provides clear terms from the outset. Buyers know the exact cost and payment schedule, reducing the potential for disputes. This transparency is further reinforced by the oversight of regulatory bodies like the National Sharia Board and Financial Services Authority, which ensure that contracts adhere to ethical and legal standards.⁴⁸

Despite the advantages of Islamic financing, operational challenges remain. For instance, inconsistent application of Sharia philosophies by developers can undermine consumer trust. Fraudulent practices, such as misrepresenting the compliance of contracts or misusing funds, highlight the need for stricter regulations and oversight. Developers must prioritize ethical practices and commit to maintaining the integrity of Islamic finance.⁴⁹

Educational initiatives are also vital for addressing consumer misconceptions about Islamic housing finance. Many potential buyers are unaware of the benefits or structures of Sharia-compliant contracts, limiting their adoption.⁵⁰ Developers and regulators should invest in awareness campaigns to educate the public about the ethical and financial advantages of Islamic housing finance models.

Islamic financial contracts provide a robust foundation for ethical and transparent housing finance. By emphasizing risk-sharing, transparency, and mutual trust, these models address many of the shortcomings of conventional systems. However, their success depends on effective risk management, regulatory

⁴³ Kammer, M. A., Norat, M. M., Pinon, M. M., Prasad, A., Towe, M. C. M., & Zeidane, M. Z. (2015). Islamic finance: Opportunities, challenges, and policy options.

⁴⁴ Ali, S. A. M., Hassan, R., & Othman, A. A. (2024). Al-Musharakah-Led Islamic Sustainable Finance. In *Islamic Finance and Sustainable Development* (pp. 148-161). Routledge.

⁴⁵ Newdigate, N. I. (2019). *Self-help remedies in the context of construction law in a comparative perspective* (Doctoral dissertation, Stellenbosch: Stellenbosch University).

⁴⁶ Sam, M., & Ichwan, M. (2014). *Himpunan Fatwa Keuangan Syariah Dewan Syariah Nasional MUI*. Jakarta: Erlangga.

⁴⁷ Lesmana, M., Suminto, A., & Rosmitha, S. N. (2021). Pembiayaan Property Indent (Kpr Syariah) Ditinjau Dari Maqashid Syariah Dan Qawaidul Fiqhiyyah. *Journal of Islamic Economics and Philanthropy*, 4(03).

⁴⁸ Faizullah, M. (2009). *Islamic banking: Issues of governance, transparency and standardization* (Doctoral dissertation, London Metropolitan University).

⁴⁹ Iqbal, Z., & Mirakhor, A. (2017). *Ethical dimensions of Islamic finance: Theory and practice*. Springer.

⁵⁰ Alshamsi, A., Nor, M. Z. M., & Long, M. N. H. (2023). Sharia Laws and Regulations that Govern the Residential Financing at Ajman Bank in the UAE. *Remittances Review*, 8(4).

oversight, and public awareness. As the market for Islamic housing finance grows, continued innovation and collaboration among stakeholders will be essential to ensure its sustainability and alignment with Islamic philosophies.

Justice-Oriented Reform of Non-Bank Housing Financing

Justice-oriented reform of non-bank housing financing seeks to align financial practices with the philosophies of fairness, transparency, and equity inherent in Islamic finance. This approach addresses the shortcomings of conventional financing systems, which often rely on *riba* and impose punitive measures like penalties for late payments or repossession of properties. By contrast, Sharia-compliant housing financing emphasizes mutual consent, risk-sharing, and ethical practices to create a more humane and accessible financial framework.⁵¹

The core principle of justice in Islamic financing is reflected in its prohibition of exploitative practices. Unlike conventional mortgages, where interest rates fluctuate and can burden buyers with excessive payments, Sharia-based financing models, such as *murabaha*, *istishna'*, and *Ijara wa Iqtina'a*, establish clear and fixed terms from the outset. This ensures that both parties are aware of their rights and obligations, fostering transparency and trust.⁵² Additionally, these contracts eliminate penalties for late payments, focusing instead on cooperative problem-solving to address financial challenges faced by buyers.

A justice-oriented approach also seeks to address systemic inequities in housing access. In many cases, conventional systems exclude individuals with limited financial resources or unstable credit histories. Non-bank Islamic housing financing counters this by eliminating barriers like credit checks and collateral requirements. Instead, it emphasizes the buyer's commitment to fulfilling their financial obligations based on mutual agreements.⁵³ This inclusivity expands access to housing for underserved populations, contributing to broader social equity.

However, achieving a justice-based system is not without challenges. One significant issue is the inconsistency in the application of Sharia philosophies across different developers and regions. While some developers strictly adhere to ethical guidelines, others may exploit the "Islamic" label without fully implementing its philosophies. Cases of fraud and mismanagement, such as the Syna Group incident in Bandung, underscore the need for stronger regulatory oversight and accountability mechanisms⁵⁴

To ensure justice and transparency, regulatory bodies like the National Sharia Board and the Financial Services Authority must play a proactive role.⁵⁵ They can do this by standardizing financing practices, conducting regular audits, and providing clear guidelines for developers. Developers must also prioritize consumer education, offering resources and workshops to help buyers understand their rights and the terms of their contracts. Transparency in operations, such as disclosing profit margins and payment structures, is essential to build trust and foster long-term relationships with consumers.

An essential aspect of justice-oriented reform is risk-sharing. Islamic finance discourages transferring all risks to one party, as seen in conventional systems. Instead, developers and buyers share responsibilities and risks, ensuring a balanced approach to housing finance.⁵⁶ For example, in *musyarakah mutanaqisah* contracts, ownership is gradually transferred to the buyer while payments are made, allowing both parties to share risks until the property is fully owned. This partnership model aligns with the Islamic principle of

⁵¹ Hassan, A., AlMaghairh, A. I., & Islam, M. S. (2022). *Islamic Financial Markets and Institutions*. Routledge.

⁵² Hirsanudin, H., & Martini, D. (2023). Good Corporate Governance Principles in Islamic Banking: A Legal Perspective on the Integration of TARIF Values. *JILS*, 8, 935.

⁵³ Ahmed, H. (2011). *Product development in Islamic banks*. Edinburgh University Press.

⁵⁴ Wahyuni, E. (2018). Satanic Finance Dalam Perbankan Syariah. *ILTIJAM Journal of Sharia Economic Research*, 2(1), 20.

⁵⁵ Sari, W., & Hussien, M. (2024). Corporate Governance and Financial Performance in Sharia Banks: An Analysis in Islamic Finance. *Cebong Journal*, 13(2), 75-84.

⁵⁶ Mirakhor, A., & Zaidi, I. (2007). Profit-and-loss sharing contracts in Islamic finance. *Handbook of Islamic banking*, 49(1), 2-37.

equity and strengthens the buyer-developer relationship.

The concept of *maqasid al-Shariah* (objectives of Islamic law) further supports justice in housing financing. These objectives emphasize the preservation of wealth, dignity, and social welfare. By eliminating exploitative practices, promoting ethical transactions, and ensuring accessibility, non-bank housing financing aligns with the broader goals of Islamic finance to enhance societal well-being.⁵⁷

Finally, technological innovations can play a vital role in advancing justice-oriented financing. Digital platforms enable developers to streamline operations, provide transparent documentation, and facilitate communication with buyers. For example, online portals can offer real-time updates on payment schedules, construction progress, and contract details, enhancing accountability and reducing disputes. Moreover, blockchain technology can be employed to ensure the authenticity and security of financial transactions, further reinforcing trust in the system.

Justice-oriented reform of non-bank housing financing represents a transformative approach to addressing the limitations of conventional systems. By embedding philosophies of fairness, transparency, and inclusivity, it fosters a more ethical and accessible housing market. However, achieving this vision requires a collaborative effort among regulators, developers, and consumers. Through innovation, education, and regulatory support, non-bank Islamic housing financing can become a model for equitable and sustainable development, reflecting the core values of Islamic finance while addressing the evolving needs of society.

Conclusion

Based on the discussion that has been outlined, it can be concluded that the ideal reform of non-bank housing financing within Islamic property development lies in its ability to combine ethical philosophies with practical solutions, addressing the limitations of conventional systems. By eliminating *riba*, *gharar* and *maysir*. Sharia-compliant financing provides a justice-oriented framework that prioritizes fairness, transparency, and inclusivity. Contracts like *murabaha*, *istishna'*, and *Ijara wa Iqtina'a* reflect the core values of Islamic finance, emphasizing mutual consent and risk-sharing to foster trust and accountability between developers and buyers. The success of this financing model hinges on its regulatory foundation, public awareness, and operational integrity. Regulatory bodies like the Financial Services Authority and the National Sharia Board play a pivotal role in maintaining compliance with Islamic law and protecting consumer interests. However, challenges such as inconsistent application of Sharia philosophies, limited public knowledge, and fraudulent practices must be addressed through stricter enforcement, educational campaigns, and technological innovations. Moreover, non-bank Islamic financing offers inclusivity by catering to underserved communities who may not qualify for conventional loans due to credit constraints. Its transparency and ethical approach not only enhance consumer trust but also contribute to broader societal goals, including reducing economic disparities and fostering social justice. The reform of non-bank housing financing under a justice-based approach is more than an economic initiative; it is a transformative model that aligns with the philosophies of Islamic finance while meeting the housing needs of modern societies. Through continuous innovation, collaborative efforts, and a commitment to ethical practices, Islamic property developers can establish a sustainable and equitable housing ecosystem, reflecting the ideal values of justice and welfare.

⁵⁷ Ibrahim, A. J. (2022). *The Role of Islamic Finance in the Growth of the Circular Economy*. Hamad Bin Khalifa University (Qatar).

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