I Z Z I
Jurnal Ekonomi Islam
e-ISSN : 2776-6756

IZZI: Jurnal Ekonomi Islam
Vol. 5 No. 1 (2025)
Available online at https://jurnalstebibama.ac.id/index.php/jizzi/en/index

PRAGMATISM VERSUS PRINCIPLE: MASLAHAH MURSALAH ANALYSIS OF MUSLIM STREET VENDORS' PREFERENCES FOR CONVENTIONAL MICROFINANCE INSTITUTIONS AMID THE AVAILABILITY OF ISLAMIC ALTERNATIVES

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Diterima: 24 Janauri 2025	Direvisi: 28 Janauri 2025	Diterbitkan: 30 Janauri 2025

Abstract :

This study examines a striking paradox observed in Sebani Village, Gadingrejo District, Pasuruan City, East Java, Indonesia: the overwhelming majority of Muslim street vendors (known locally as Pedagang Kaki Lima, or PKL).Through a rigorous qualitative methodology comprising in-depth semi-structured interviews, participatory observation, and systematic documentation of 15 active borrowers and two financial institution officers, this research reveals that financial decision-making among this population is driven primarily by operational factors: service accessibility, speed of fund disbursement, procedural simplicity, and the proactive door-to-door outreach model of Mekaar's field agents. Theological considerations regarding the halal or haram nature of transactions were largely absent from borrowers' deliberative processes, a finding that reflects deep structural deficiencies in Islamic financial literacy at the grassroots level. The scholarly novelty of this research lies in its deployment of the maslahah mursalah framework as a concrete normative analytical instrumentnot merely as a theoretical backdropto evaluate the Shar'i legitimacy of these pragmatic choices within the broader maqashid al-Shari'ah perspective. The analysis reveals that PNM Mekaar's financing practices fulfill the maqashid dimensions of hifzh al-mal (protection of wealth), hifzh al-nafs (protection of life), and hifzh al-'aql (protection of intellect) as genuine hajiyyah-level maslahah. However, the practice carries serious risks concerning hifzh al-din (protection of religion) due to contractual ambiguity, administrative fee structures that functionally mirror conventional interest, and the complete absence of Islamic financial education. The study concludes that Islamic financial institutions must undergo fundamental service transformation centered on grassroots community needs, and that enhancement of Islamic financial literacy constitutes a structural prerequisitenot an optional policy measurefor the effectiveness of the Islamic financial system in Indonesia.

Keywords: *Muslim Street Vendors; Islamic microfinance; PNM Mekaar; Baitul Maal wat Tamwil (BMT); maslahah mursalah; maqashid al-Shari'ah; Islamic financial literacy.*

الملخص:

تتناول هذه الدراسة مفارقة لافتة في قرية سيباني، منطقة غادينغريجو، مدينة باسوروان، جاوة الشرقية، إندونيسيا. تتمثل هذه المفارقة في أن الغالبية الكبيرة من الباعة الجائلين المسلمين، المعروفين محلياً باسم Pedagang Kaki Lima أو PKL، الذين يعلنون هويتهم الإسلامية ويلتزمون معيارياً بمبادئ الاقتصاد الإسلامي، يفضلون بصورة مستمرة مؤسسات التمويل الأصغر التقليدية، ولا سيما على مؤسسة PNM Mekaar، التي تعمل وفق مبادئ الشريعة. التمويل الأصغر الإسلامية Baitul Maal wat Tamwil أو BMT، ويستمر هذا التفضيل رغم توافر بدائل مالية إسلامية ورغم قوة الهوية الإسلامية داخل المجتمع المحلي.

ومن خلال منهجية نوعية دقيقة شملت مقابلات معمقة شبه منظمة، وملاحظة تشاركية، وتوثيقاً منهجياً لخمسة عشر مقترضاً نشطاً واثنين من مسؤولي المؤسسات المالية، تكشف هذه الدراسة أن اتخاذ القرار المالي لدى هذه الفئة يتحدد أساساً بعوامل تشغيلية. وتشمل هذه العوامل سهولة الوصول إلى الخدمة، وسرعة صرف التمويل، وبساطة الإجراءات، ونموذج الوصول الميداني المباشر من خلال وكلاء Mekaar الذين يزورون المستفيدين من باب إلى باب. أما الاعتبارات العقدية المتعلقة بحلال المعاملات أو حرمتها، فقد غابت إلى حد كبير عن عملية تفكير المقترضين عند اتخاذ القرار. ويعكس هذا الغياب قصوراً بنيوياً عميقاً في الثقافة المالية الإسلامية على مستوى القاعدة الشعبية وتتمثل الجدة العلمية لهذه الدراسة في توظيف إطار المصلحة المرسلة بوصفه أداة تحليلية معيارية ملموسة، لا مجرد خلفية نظرية، لتقويم المشروعية الشرعية لهذه الاختيارات العملية ضمن منظور أوسع لمقاصد الشريعة. وتبين نتائج التحليل أن ممارسات التمويل في PNM Mekaar تحقق أبعاداً مقاصدية ترتبط بحفظ المال، وحفظ النفس، وحفظ العقل، بوصفها مصلحة حقيقية في مستوى الحاجة. غير أن هذه الممارسات تحمل في الوقت نفسه مخاطر جدية تتصل بحفظ الدين، وذلك بسبب الغموض العقدي، وهياكل الرسوم الإدارية التي تشبه وظيفياً الفائدة التقليدية، والغياب الكامل للتثقيف المالي الإسلامي.

وتخلص الدراسة إلى أن مؤسسات التمويل الإسلامي تحتاج إلى تحول جوهري في خدماتها يقوم على احتياجات المجتمع المحلي في مستوى القاعدة الشعبية. كما تؤكد الدراسة أن تعزيز الثقافة المالية الإسلامية يمثل شرطاً بنيوياً لازماً، لا إجراءً سياسياً اختيارياً، لضمان فاعلية النظام المالي الإسلامي في إندونيسيا.

Abstrak :

Penelitian ini mengkaji sebuah paradoks menarik yang ditemukan di Desa Sebani, Kecamatan Gadingrejo, Kota Pasuruan, Jawa Timur, Indonesia. Mayoritas pedagang kaki lima Muslim, yang secara normatif mengidentifikasi diri dan menyatakan kepatuhan terhadap prinsip-prinsip ekonomi Islam, justru secara konsisten lebih memilih lembaga keuangan mikro konvensional, khususnya PNM Mekaar. Melalui metodologi kualitatif yang mencakup wawancara mendalam semi-terstruktur, observasi partisipatif, dan dokumentasi sistematis terhadap 15 peminjam aktif serta dua petugas lembaga keuangan, penelitian ini menemukan bahwa pengambilan keputusan finansial kelompok tersebut terutama didorong oleh faktor-faktor operasional. Faktor-faktor tersebut meliputi kemudahan akses layanan, kecepatan pencairan dana, kesederhanaan prosedur, serta model layanan proaktif dari petugas lapangan Mekaar yang menggunakan pendekatan door-to-door. Pertimbangan teologis mengenai status halal atau haram suatu transaksi cenderung tidak hadir dalam proses pertimbangan para peminjam. Temuan ini menunjukkan adanya kelemahan struktural yang mendalam dalam literasi keuangan syariah di tingkat akar rumput.Kebaruan ilmiah penelitian ini terletak pada penggunaan kerangka *maslahah mursalah* sebagai instrumen analisis normatif yang konkret, bukan sekadar sebagai latar belakang teoritis, untuk mengevaluasi legitimasi syar'i atas pilihan finansial pragmatis masyarakat dalam perspektif *maqashid al-Shari'ah*. Hasil analisis menunjukkan bahwa praktik pembiayaan PNM Mekaar memenuhi beberapa dimensi maqashid, yaitu *hifzh al-mal* atau perlindungan harta, *hifzh al-nafs* atau perlindungan jiwa, dan *hifzh al-'aql* atau perlindungan akal, sebagai bentuk *maslahah* pada tingkat *hajiyyah*. Namun demikian, praktik tersebut juga mengandung risiko serius terhadap *hifzh al-din* atau perlindungan agama karena adanya ambiguitas akad, struktur biaya administrasi yang secara fungsional menyerupai bunga konvensional, serta ketiadaan edukasi keuangan syariah. Penelitian ini menyimpulkan bahwa lembaga keuangan Islam perlu melakukan transformasi layanan secara mendasar dengan berorientasi pada kebutuhan riil masyarakat akar rumput. Selain itu, peningkatan literasi keuangan syariah merupakan prasyarat struktural, bukan sekadar kebijakan tambahan, bagi efektivitas sistem keuangan Islam di Indonesia.

Kata kunci: *Pedagang kaki lima Muslim; keuangan mikro syariah; PNM Mekaar; Baitul Maal wat Tamwil (BMT); maslahah mursalah; maqashid al-Shari'ah; literasi keuangan syariah.*

INTRODUCTION

Within the socio-economic order of Muslim society in Indonesia, a structural tension persistently goes unaddressed: the chasm between ideological commitment to Islamic economics and the everyday financial realities in which conventional instruments continue to dominate. This tension is not merely a matter of individual choice or moral failing; it reflects a systemic failure to make Islamic financial alternatives genuinely competitive at the functional level. It is precisely this phenomenon that motivates the present study, conducted through intensive fieldwork in Sebani Village, Gadingrejo District, Pasuruan City.

Indonesia, as the world most populous Muslim-majority nation, possesses extraordinary potential for Islamic economics. The country hosts thousands of Islamic microfinance institutions, with *Baitul Maal wat Tamwil* (BMT) serving as the backbone of community-based Shariah financial services. According to data from the Financial Services Authority (Otoritas Jasa Keuangan, OJK), Islamic microfinance units have expanded substantially in recent decades, reaching into rural and semi-urban communities across the archipelago. Yet, the actual penetration of Islamic financial services among micro-entrepreneur precisely those who need them most; remains alarmingly limited. This paradox demands not merely description but deep, holistic explanation. (Kholidah, H., Fianto, B. A., Herianingrum, S., Ismail, S., & Mohd Hidzir, P. A., 2025) confirm that Islamic fintech lending has only marginally improved microenterprise performance in Indonesia, pointing to structural accessibility barriers rather than theological resistance as the primary impediment. (Mujiatun, S., Trianto, B., Cahyono, E. F., & Rahmayati., n.d.)(2023) similarly establish that low Islamic financial literac not preference for conventional systems is the dominant explanatory variable behind low Islamic financial inclusion among Indonesian MSMEs.

In Sebani Village, the paradox manifests with striking clarity. The majority of residents are Muslim, and most earn their livelihoods as micro-entrepreneurs operating street-food stalls, clothing carts, and small agricultural product vendors. Yet when they require working capital, they consistently turn to PNM Mekar conventional microfinance institution operating outside Shariah principles rather than to BMT, which ideologically should align more naturally with their Islamic identity and values. Field observations indicate that more than ten families in RT 01 alone actively borrow from Mekar, while not a single active BMT customer could be identified in the entire village.

This phenomenon is not unique to Sebani. A growing body of research documents comparable patterns across Indonesian Muslim communities: lower-income Muslims disproportionately utilize conventional financial services despite professing Islamic values. However, the preponderance of existing studies confine themselves to description without conducting adequate normative evaluation. A critical question is persistently overlooked: how does

Islamic law evaluate these pragmatic choices? Does Islamic jurisprudence provide normative space that might accommodate, under defined conditions, practices that deviate formally from Shariah ideals?

This is where the *maslahah mursalah* framework becomes analytically indispensable. Developed and refined by towering scholars including Imam Malik, al-Ghazali, and al-Shatibi, this jurisprudential concept offers an evaluative mechanism that accounts for social context, genuine human needs, and the actual consequences of actions not merely their formal correspondence with scriptural texts. Accordingly, this research does not aim to condemn community choices but to understand and evaluate them empathetically yet critically, within an Islamic normative framework.

The scholarly novelty of this study distinguishes it significantly from prior research across three dimensions. First, maslahah mursalah is deployed not as theoretical ornamentation but as a concrete analytical instrument applied systematically to empirical data. Second, the research achieves coherent integration of socio-economic empirical analysis with normative evaluation grounded in maqashid al-Shari'ah. Third, the conclusions drawn are anchored in rich primary data from 15 active borrowers, field officers, and key informants, giving the normative findings solid empirical grounding.

Against this backdrop, the research addresses two primary questions: (1) How does the borrowing practice of Muslim street vendors in Sebani actually functionincluding the mechanisms, costs, and relational dynamics between borrowers and the institution? (2) Can this practice be normatively justified through the maslahah mursalah framework within the maqashid al-Shari'ah perspective, and what are the implications for the development of Indonesia's Islamic financial system?

Maslahah mursalah stands among the most dynamic and contextually sensitive mechanisms in the tradition of Islamic jurisprudence (ushul fiqh). Etymologically, maslahah derives from the root salaha, connoting benefit, goodness, or soundness, functioning as the semantic opposite of mafsadah (harm, corruption, damage). The qualifier mursalah means mutlaqahabsolute or unrest rictedicating that this category of public interest is neither explicitly endorsed nor explicitly negated by scriptural texts (nash). It is, in the vocabulary of usuliyyun, a juridical space between the letter of revelation and the necessities of social reality.

Historically, the concept matured through three principal phases. The first, an embryonic phase during the era of the Companions (Sahabah), saw a range of policies enacted purely on the basis of public benefit without explicit textual authorization most notably the compilation of the Qur'anic mushaf under Caliph Abu Bakr al-Siddiq and the institution of new governmental structures under Caliph Umar ibn al-Khattab. These precedents established that the Islamic community's welfare could legitimate actions lacking direct scriptural mandate. The second phase, classical codification spanning the eighth through twelfth centuries CE, saw Imam Malik of Medina emerge as the most open proponent of al-masalih al-mursalah as a source of law. (Al-Ghazali, Abu Hamid Muhammad., 1997) subsequently provided a more systematic definition and set of limiting conditions in *Al-Mustashfa min 'Ilm al-Usul*. (Ibrahim.Al-Shatibi, 1997) then elevated the theory to its fullest articulation in Al-Muwafaqat fi Usul al-Shari'ah, arguing that the entire corpus of Islamic law is oriented toward human welfare and must be evaluated against that standard. The third phase, contemporary contextualization, has seen scholars including (Wahbah Al-Zuhayli, 2001; Yusuf Al-Qaradawi,., 1999) and (Kamali, Mohammad Hashim., 2008) apply the concept to modern economic, political, and social challenges including questions of microfinance, banking, and digital commerce.

(Al-Ghazali, Abu Hamid Muhammad., 1997)definition of maslahah centers on the preservation of the five objectives of Shariah (*maqashid al-Shari'ah*): protection of religion (*din*), life (*nafs*), intellect ('*aql*), lineage (*nasl*), and property (*mal*). Any act that genuinely advances the preservation of these five dimensions constitutes maslahah; any act that undermines them constitutes mafsadah. Al-Shatibi strengthened this framework by insisting that Islamic law, in its totality, aims at realizing human welfare in this world and the next, and that every legal ruling must be evaluated based on its actual contribution to or detraction from that welfare.

For *maslahah mursalah* to serve as a valid juridical basis, classical scholars stipulate five cumulative conditions. First, the maslahah must be real and certain (*haqiqiyyah*), not merely speculative or conjectural (*wahmiyyah*). Second, it must be universal or general (*kulliyyah*), benefiting the Muslim community broadly rather than a narrow interest group. Third, it must not contradict an established scriptural text or an incontrovertible principle of Islamic law. Fourth, it must address a genuine necessity (*daruriyyah*) or at least a significant need (*hajiyyah*). Fifth, it must relate to one or more of the five protected objectives of *maqashid al-Shari'ah*. When all five conditions are satisfied, an action or policy lacking explicit scriptural basis may be legally validated within Islamic jurisprudence.

Maqashid al-Shari'ahthe fundamental objectives of Islamic lawconstitutes an evaluative framework that transcends purely textual or formal approaches to legal reasoning. Rooted in the recognition that Islamic law is not a collection of arbitrary commandments but a purposive system oriented toward human flourishing, maqashid theory provides tools for assessing the substancenot merely the formof human actions and institutional arrangements. Al-Shatibi systematized the framework along two axes: the hierarchical classification of needs (*daruriyyat, hajiyyat, tahsiniyyat*) and the substantive objects of protection (*din, nafs, 'aql, nasl, mal*).

Daruriyyat (essential necessities) comprise the foundational conditions without which individual and societal existence would be imperiled conditions so fundamental that their absence produces catastrophic harm. *Hajiyyat* (complementary needs) encompass needs whose non-fulfillment causes significant hardship (*masyaqqah*), though not existential threat. *Tahsiniyyat* (embellishments or refinements) include conditions that enhance the quality of human life and moral character but whose absence neither threatens existence nor causes severe hardship. In the microeconomic context relevant to this study, these three levels interact dynamically: access to working capital constitutes a *daruriyyah* for the continuity of street-vendor livelihoods; procedural ease constitutes a *hajiyyah*; and alignment with Shariah principles, while perhaps a *tahsiniyyah* for the religiously under-informed, may rise to hajiyyah or even daruriyyah for the theologically conscious believer.

The five dimensions of *maqashid* protection *hifzh al-din* (protection of religion), *hifzh al-nafs* (protection of life), *hifzh al-'aql* (protection of intellect), hifzh al-nasl (protection of lineage), and hifzh al-mal (protection of property) form an integrated system for holistic evaluation. Every economic act can be assessed based on its contribution to or erosion of these five dimensions. Critically, this assessment is inherently contextual and graduated: an act that formally transgresses one dimension may be justified if it substantially protects other, more fundamental dimensions a core insight that justifies the application of *al-idhtirara* (necessity) reasoning in situations where ideal options are unavailable.

Contemporary Islamic economists, including (M. Umer Chapra, 2000), have extended the maqashid framework to evaluate macroeconomic systems, arguing that any financial architecturewhether Islamic or conventionalmust ultimately be judged by its capacity to advance human welfare across all five dimensions. This extended application provides the theoretical foundation for applying maqashid analysis not merely to individual transactions but to the structural choice between institutional alternatives, as this study undertakes. (Mohd Zameri, S. N., Syed Alwi, S. F., Mohammad Hatta, M. F., & Saiful Fikri, A. A. H, 2024) further demonstrate that maslahah mursalah functions as a dynamic source of Islamic finance product legitimacy, particularly in contexts where existing contractual frameworks fail to serve the financial needs of underserved populations. Similarly, (Hirsanuddin, Asmara, G., & Atsar, A., n.d.) confirm that maslahat mursalah provides valid jurisprudential grounding for business transactions in Islamic banking when the five conditions of validity are demonstrably satisfied.

Baitul Maal wat Tamwil (BMT) emerged in Indonesia during the 1990s as a community-based response to the financial exclusion of Muslim populations from formal banking systems. Conceptually elegant, BMT combines the functions of Baitul Maalthe management of social funds including zakat, infaq, and sadaqahwith Baitul Tamwilcommercial financing activities governed by Shariah principles. The normative advantages of BMT center on the use of transparent, equity-based, and risk-sharing Islamic contracts, including murabahah (cost-plus financing), mudharabah (profit-sharing partnership), musyarakah (equity partnership), and ijarah (leasing).

In practice, however, BMT faces multiple structural challenges that constrain its competitiveness. Human resource limitations represent the first obstacle: many BMT employees lack the specialized knowledge needed to both ensure Shariah compliance and deliver high-quality customer service simultaneously. Procedural complexity constitutes the second challenge: the necessity of verifying contractual validity including ensuring that goods actually exist in *murabahah* transactions and that business plans are viable in *mudharabah* arrangement screates legitimate procedural requirements that translate into waiting times and documentation burdens that micro-entrepreneurs find prohibitive. Third, limited geographical reach and outreach capacity mean that BMT generally requires clients to visit the office, imposing time and transportation costs that further disadvantage the economically marginalized.

PNM Mekaar, as a conventional microfinance institution historically inspired by Muhammad Yunus Grameen Bank model from Bangladesh, has successfully addressed these obstacles through an aggressively market-oriented approach. Its joint-liability group system (tanggung renteng), door-to-door field officer model, and radically simplified documentation requirements make it extraordinarily accessible to low-income populations. Despite operating on interest-based principles that classical Islamic jurisprudence categorizes as riba, its operational effectiveness cannot be deniedâ4;a reality that creates the normative tension at the heart of this study. This operational gap between Islamic and conventional microfinance has been identified as a persistent structural problem across Muslim-majority economies, where Islamic MFIs consistently lag in outreach and client retention due to procedural complexity and limited field presence (Ascarya, A., & Sakti, A., n.d.; Hasan, M., 2011).

Expanded significantly, though critical analytical gaps persist. A growing body of scholarship has examined the financial preferences and institutional choices of street vendors (PKL) in accessing financial services. (Suryani, T., 2022), through qualitative inquiry, found that PKL predominantly gravitate toward conventional financial institutions owing to the speed of transaction processing and the simplicity of administrative procedures, with little regard for Shari'ah compliance. Complementing this finding, (Rizki, A. F., 2020) identified a pronounced information asymmetry in PKL's access to Islamic financial products, wherein the limited socialization of Shari'ah-compliant instruments functions as a structural barrier to the adoption of Islamic finance among informal sector entrepreneurs. Meanwhile, (Fauzi, M. A, 2023), employing a quantitative approach, demonstrated that the choice of financial institution exerts a statistically significant effect on the welfare outcomes of PKL, thereby affirming the relevance of institutional analysis in understanding the economic dynamics of the informal sector. Nevertheless, all three studies fail to incorporate a normative Islamic jurisprudential evaluation as an analytical instrument, leaving the dimensions of legal validity and public benefit (maslahah) of such financial choices insufficiently examined.

From the perspective of Islamic financial literacy, (Dewi, A., 2023) found that low levels of Shari'ah financial literacy directly influence the financial decisions of PKL, with the majority of informal sector actors failing to consider maqashid al-Shari'ah principles in their economic decision-making. While this study makes a significant contribution in mapping the comprehension gap between informal entrepreneurs and the Islamic financial system, it does not systematically link literacy findings to the maqashid al-Shari'ah framework as a comprehensive evaluative instrument. (Wahyu, D. P, 2023), in turn, underscores the role of field officers in financial education, finding that conventional bank officers are markedly more proactive in guiding PKL than their Islamic financial institution counterpartsa disparity that perpetuates unequal access to financial information between the two systems. Nonetheless, this study is confined to the analysis of institutional actors and does not address the shar'i evaluation of borrower behavior itself, particularly from the perspective of *dharuriyyat* (necessities) and *maslahah mursalah* (unrestricted public interest).

The foregoing review of the literature reveals a substantial research gap: none of the existing studies integrates an analysis of PKL financial behavior with the normative framework of maslahah mursalah in an explicit and systematic manner. (Suryani, T., 2022) and (Rizki, A. N., 2020) address dimensions of preference and informational access; (Dewi, R., 2023) examines literacy levels; (Fauzi, M. A, 2023) measures welfare impact; and (Wahyu, D. P, 2023) analyzes the role of institutional actorsyet all are conspicuously absent in rendering a jurisprudential assessment of the urgency and permissibility of PKL financial choices from an Islamic legal standpoint. The present study is positioned to fill this lacuna by deploying maslahah mursalah as a normative analytical lens that holistically evaluates why PKL select particular financial institutions, whether such choices are shar'i-justifiable under conditions of limited access, and how the maqashid al-Shari'ah framework may be operationalized as a policy guide for inclusive finance in the informal sector.

From this mapping, it is evident that no prior study deploys maslahah mursalah as a concrete normative instrument to evaluate the Shar'i legitimacy of financial institution choices among lower-income Muslim communities. This research explicitly addresses that lacuna through an approach that integrates qualitative empiricism with normative Islamic jurisprudential evaluation a methodological contribution as significant as its substantive findings

RESEARCH METHOD

Paradigmatic Foundation and Research Design

This research is grounded in an interpretivist paradigm operationalized through a qualitative descriptive-analytic approach. The choice of interpretivism reflects the epistemological conviction that economic behavior at the grassroots level is a product of meaning, value systems, lived experience, and subjective interpretation that cannot be adequately captured through numerical abstraction alone. As (Mulyana, Deddy., 2018) argues, qualitative research is interpretive and humanistic, positioning the researcher as the primary instrument through which social meaning and the logic behind action are apprehended.

The research strategy employed is an intensive single case study (Moleong, Lexy J., 2005), with the Semambung Group of PNM Mekaar in Sebani Village serving as the primary case. This strategy was selected for its capacity to capture the full complexity and contextual particularity of a phenomenon, and for its systematic capacity to triangulate data across multiple sources. A single-case design is particularly appropriate when the case represents a clear instance of a theoretically significant phenomenon (here: the preference paradox), when contextual conditions are inseparable from the phenomenon, and when the depth of understanding sought exceeds what comparative or survey approaches can deliver.

Research Site, Timeline, and Participants

The research was conducted in Sebani Village, Gadingrejo District, Pasuruan City, East Javaadministratively located within the operational area of PNM Mekaar's Probolinggo 1 Region, Pasuruan-Probolinggo Branch. The site was selected purposively based on three strategic criteria: (1) its representation of an economically active lower-income Muslim community; (2) the presence of an organized Mekaar borrower group (the Semambung Group); and (3) the complete absence of active BMT customers in the area, creating an ideal contrast for the normative evaluation.

Fieldwork extended over two months, from May to June 2025. The research began with preliminary observation and a reconnaissance interview with Bapak Abdul Kholik, Head of RT 01, on May 15, 2025, followed by principal data collection with 15 active borrowers, two financial institution officers, and additional key informants. The participant roster comprised: 15 active female PKL borrowers of the Semambung Group; Ibu Tyas, the PNM Mekaar field officer assigned to the group; one officer from the nearest BMT branch; and two key informantsBapak Abdul Kholik (RT 01 Chair) and Ibu Sulastri Handayani (Semambung Group Chair).

Data Collection and Analytical Procedures

Data were gathered through three complementary techniques. Semi-structured in-depth interviews were conducted with all research participants using a guide covering: (a) the history and motivations for initially joining Mekaar; (b) knowledge and experience with BMT; (c) perceptions of the interest system and Islamic financial principles; (d) the impact of financing on business operations and family welfare; and (e) aspirations regarding ideal financial services. Passive participatory observation was conducted during the Semambung Group's weekly meetings held every Tuesday at 4:00 PM at the residence of Ibu Sulastri, encompassing the payment process, borrower-officer interactions, and group social dynamics. Documentation included installment record cards, disbursement and ceiling data, and group administrative records.

Data analysis proceeded through three simultaneous and mutually reinforcing stages following the Miles and Huberman framework. Data reduction involved selecting and focusing information on themes most relevant to the research questions: preference determinants, financing mechanisms, and maqashid al-Shari'ah indicators. Data display organized findings in thematic narrative form combined with tables and direct informant quotations. Normative conclusion-drawing interpreted the empirical findings through the maslahah mursalah framework to generate argued Shar'i legitimacy assessments. Data validity was ensured through source triangulation (borrowers, officers, key informants), method triangulation (interviews, observation, documentation), and member checking, in which preliminary findings were verified with key informants to confirm interpretive accuracy.

RESULTS AND DISCUSSION

Socio-Economic Profile of Sebani Village: Context That Shapes Choice

Sebani Village represents a typologically semi-urban community with distinctive demographic and economic characteristics that fundamentally shape financial behavior. The majority of residents are Muslim with a relatively high level of religiosity, evidenced by active prayer facilities (mushalla), regular Qur'anic study sessions (pengajian), and widespread practice of zakat and charitable giving. However, formal educational attainment averages secondary-school completion (SMP-SMA), and residents have had negligible exposure to formal financial education of any kind Islamic or conventional.

The dominant economic sector is small-scale street trading, with principal commodities including ready-to-eat foods, clothing, and local agricultural products. The financial profile of these enterprises is highly distinctive: rapid daily capital turnover, thin profit margins, continuous dependence on working capital, and episodic exposure to income shocks from weather, seasonal demand fluctuations, or family emergencies. This profile generates a very specific financial service demand: fast access to capital in moderate amounts (Rp 3–9 million), with installment schedules proportional to daily income flows.

In this context, the absence of BMT from Sebani represents more than a mere geographical gap; it reflects a fundamental failure of Islamic financial institutions to understand, map, and respond to the financial needs profile of grassroots communities. PNM Mekaar, by contrast, has successfully identified and filled this void with a business model specifically engineered for the financially marginalizeda model whose operational superiority over Islamic alternatives is, as this research demonstrates, both real and consequential.

PNM Mekaar's Financing Mechanism: Between Accessibility and Contractual Problems

PNM Mekaar operates through a joint-liability group system in which members share collective responsibility for each other's repayments (tanggung renteng). The Semambung Group holds its regular meetings every Tuesday at 4:00 PM at the home of Ibu Sulastri Handayani, the Group Chair, attended by Ibu Tyas, the assigned Mekaar field officer. Importantly, Mekaar policy prohibits officers from residing within the communities they servea deliberate measure to prevent conflicts of interest in the collection process.

The loan application process involves: (1) registration through referral by an existing group member; (2) completion of a simple form with photocopies of the family registration card and identity cards for husband and wife; (3) field verification by the officer; and (4) disbursement to the borrower's BRI savings account within approximately one week. This process is dramatically simpler than typical BMT procedures, which generally require more extensive documentation, business surveys, creditworthiness assessment, and often collateral.

Table 2 presents comprehensive data on all 15 active borrowers of the Semambung Group, constituting the primary empirical basis of this research:

No.	Borrower Name	Sub-Group	Ceiling (Rp)	Admin Deduction (Rp)	Received (Rp)	Installment Pattern	Total Inst.	Installments Paid
1	Hariani Ningsih	2	5,000,000	250,000	4,750,000	Weekly / Rp125,000	50	17
2	Juariyah	2	6,500,000	325,000		Weekly / Rp188,000	52	14
3	Suryanti	2	8,000,000	400,000	5,086,382			5
4	Mini Andriani	1	4,000,000	200,000		Weekly / Rp100,000	50	8
5	Siti Choiryah	2	5,000,000			Weekly / Rp125,000	50	20
6	Emil	1	5,000,000	250,000	4,450,000	Weekly / Rp125,000	50	11
7	Miftahul Jannah	2	5,000,000	250,000		Weekly / Rp125,000	50	25
8	Idatul Nafiah	1	6,500,000	325,000	6,175,000	Annual / 25%	52	27
9	Masitoh	2	3,000,000	150,000	2,850,000	Weekly / Rp75,000	50	48
10	Lia Nanda	2	8,000,000	4,000,000	7,000,000	Biweekly / Rp215,000	52	28
11	Suarsih	2	6,000,000	300,000	5,700,000	Biweekly / Rp174,000	52	8
12	Wiwik Nur Hayati	2	3,500,000	175,000	3,325,000	Weekly / Rp87,500	50	38
13	Sulastri Handayani	1	9,000,000	450,000	6,036,382	Biweekly / Rp242,000		3
14	Aprilia	2	6,000,0	3,000,000		Biweekly	52	15

			00			/ Rp174,000		
15	Santi	2	8,000,000	400,000	7,000,000	Biweekly / Rp215,000	52	38

Source: PNM Mekaar Semambung Group Documentation, Sebani, May 2025

Several critical observations emerge from this data. First, loan ceilings range from Rp 3,000,000 to Rp 9,000,000, with most borrowers clustering in the Rp 5,000,000–8,000,000 range, confirming their financial profile as lower-middle micro-entrepreneurs. Second, administrative deductions ('up kantor') typically amount to 5% of the ceiling (Rp 150,000–450,000), but two striking anomalies appear: Borrower 10 (Lia Nanda) faced a deduction of Rp 4,000,000 on a Rp 8,000,000 ceiling (50%), and Borrower 14 (Aprilia) faced a deduction of Rp 3,000,000 on a Rp 6,000,000 ceiling (also 50%). These anomalies strongly suggest the presence of non-transparent additional charges that warrant serious scrutiny from both consumer protection and Islamic ethical standpoints.

Third, the uniform installment patternfixed amounts regardless of business performancereflects the characteristics of conventional debt-based financing rather than Islamic profit-and-loss sharing, which should in principle adapt to actual income fluctuations. Fourth, several borrowers have incomplete data (empty cells), indicating transparency limitations in Mekaar's administrative system that compound the accountability problems identified elsewhere.

Comparative Profile of PNM Mekaar and BMT from the Community's Perspective

Community perceptions of the two institutions are sharply contrasting, and understanding this contrast is a prerequisite for the normative evaluation that follows:

Aspect	PNM Mekaar	BMT (Baitul Maal wat Tamwil)
Legal Basis	Conventional (Banking Law)	Islamic Principles (DSN-MUI Fatwa)
Contract Type	Interest-based loan (no Islamic contract)	Murabahah, Mudharabah, Musyarakah, Ijarah
Cost Structure	Upfront admin deduction (~5%) + fixed installments	Transparent profit margin per contract type
Procedure	Very simple: ID + family card, 1-week disbursement	More complex: survey, documentation, collateral required
Service Model	Proactive door-to-door / home visit model	Customer visits BMT office

Loan Range	Rp 3–9 million (graduated)	Variable, generally more flexible
Geographic Reach	Field officers embedded in communities	Limited to office vicinity
Shari'ah Education	No Islamic contract literacy provided	Emphasizes Shariah principles to clients
Presence in Sebani	Active (Semambung Group)	No active customers identified

Source: Primary Data Analysis, 2025

This comparison reveals that Mekaar's advantages are almost entirely operational and accessibility-based, not normative or Shariah-compliant. BMT's strengths lie in its normative dimension, while it is weak in operational delivery. The gap between the two institutions precisely maps onto the trade-off communities must navigate: between the functional accessibility offered by Mekaar and the value alignment offered by BMT. The fact that communities consistently choose accessibility over value alignment is not a reflection of weak faith, but of a rational response to a system in which the Shariah-compliant option imposes prohibitive operational costs on the already marginalized.

Determinant Factors in Preference: Thematic Analysis

a. Accessibility Through Proximity and the Door-to-Door Model

The most dominant factor in shaping the preferences of Sebani's community is PNM Mekaar's door-to-door service model. Ibu Tyas, the Mekaar field officer, regularly attends weekly group meetings and actively assists new members through administrative procedures. This model is highly effective precisely because it eliminates the two primary barriers facing PKL: time constraints (they need not abandon their stalls or carts) and procedural knowledge deficits (the officer guides them through the process).

This observation confirms that in the preference hierarchy of this community, procedural ease occupies the highest position, preceding any consideration of the permissibility (halal/haram) of the system. The field-officer model creates a relationship of trust and dependence that conventional face-to-face banking could never generatea micro-level relational capital that Islamic institutions have largely failed to cultivate.

b. *Disbursement Speed and Response to Urgent Needs*

Street vendors exhibit episodic, often urgent capital needswhen commodity prices spike, when seasonal business opportunities arise, or when unforeseen family expenditures arise. Mekaar's approximately one-week disbursement timeline aligns precisely with this need profile. Ibu Sulastri, the Group Chair, confirmed: "The process is fastapproximately one week after submission of the application. The loan funds are sent directly to the borrower's BRI savings account."

This speed constitutes a competitive advantage that BMT struggles to match. BMT proceduresincluding business surveys, credit committee meetings, and collateral evaluationroutinely extend timelines to several weeks, a delay that can be catastrophic for a vendor who needs capital to restock inventory for the following morning's market. Temporal alignment between financial service delivery and business need is thus not a minor operational detail but a fundamental determinant of institutional relevance.

c. Social Trust and Group Solidarity as Motivational Infrastructure

Beyond procedural factors, the Semambung Group has developed a social fabric that reinforces continued participation in Mekaar. The weekly meetings function not only as repayment collection points but as informal social gatherings in which members share business challenges, discuss community matters, and reinforce mutual accountability. This social embedding of financial activity creates switching costs that extend beyond purely financial calculation: leaving Mekaar means leaving a social network that has become integral to community life.

Ibu Sulastri articulated this dimension explicitly: the weekly gathering at her home has become a community anchor point. Members who might otherwise feel isolated in their individual economic struggles derive social support and solidarity from the group structure. This social capital dimension of microfinance designlong recognized in the Grameen Bank literature as a key driver of repayment rates and member retention (Hossain, 2013; Morduch, 1999)has been successfully replicated by Mekaar in ways that BMT has not attempted. The effectiveness of group-based peer accountability as a substitute for formal collateral has been extensively documented across developing economies, and its replication in the Indonesian microfinance context confirms the universality of social capital as a financial inclusion mechanism (Armendariz & Morduch, 2010).

d. Islamic Financial Literacy Deficit as Structural Factor

The most troubling finding of this research is the profound deficit in Islamic financial literacy among the borrower population. The majority of respondents could not explain the difference between murabahah and an interest-bearing loan; they were unfamiliar with the concept of profit-sharing (bagi hasil) in mudharabah arrangements; and none reported having received any education regarding Islamic financial principles from any sourceincluding, notably, from Mekaar despite the "syariah" element in its broader branding context.

This literacy deficit creates a severe information asymmetry that works to Mekaar's structural advantage: the community lacks any referential framework for comparing Mekaar's system to Islamic alternatives, so their choices are inevitably based on purely pragmatic experience. The absence of Shariah education from Mekaar and the more general absence of Islamic financial outreach from any institution in the areaconstitutes a market failure with profound normative implications. Communities cannot make Islamically informed choices when they have not been given the tools to do so.

This finding is consistent with OJK data indicating that Islamic financial literacy rates in Indonesia, while growing, remain substantially below conventional financial literacy rates, particularly in rural and semi-urban areas. The gap is especially pronounced among women micro-entrepreneursprecisely the demographic that constitutes the entirety of the Semambung Groupsuggesting that gendered dimensions of financial exclusion intersect with religious knowledge gaps in ways that compound each other. This pattern resonates with findings by (Mujiatun, S., Trianto, B., Cahyono, E. F., & Rahmayati., n.d.), who demonstrate that low Islamic financial literacy is a structural determinant of limited Islamic financial inclusion among MSMEs in Indonesia, and by (Ascarya, A., & Sakti, A, n.d.), who identify human capital deficits as the primary obstacle to scaling Islamic microfinance models nationwide.

Maslahah Mursalah Analysis: Normative Evaluation of Pragmatic Choice

Applying the maslahah mursalah framework operationally, this study evaluates PNM Mekaar's financing practice against all five dimensions of maqashid al-Shari'ah. Table 4 presents the summary assessment:

Maqashid Dimension	Field Indicators	Assessment	Critical Notes
Hifzh al-Mal (Protection of Wealth)	15 borrowers obtain Rp 3–9M capital; businesses continue operating	Fulfilled (Daruriyyah)	Shar'i-valid contract required to fully protect wealth from riba elements
Hifzh al-Nafs (Protection of Life)	Economic stress reduced; household needs met	Fulfilled (Hajiyyah)	Service must not be exploitative to avoid creating psychological burden
Hifzh al-'Aql (Protection of Intellect)	Capital access prevents resort to predatory moneylenders	Fulfilled (Hajiyyah)	Islamic education needed so decisions are made with full understanding
Hifzh al-Nasl (Protection of Lineage)	Family economy stabilized; children's education maintained	Partially Fulfilled (Tahsiniyyah)	Business sustainability depends on debt-cycle management
Hifzh al-Din (Protection of Religion)	Minimal contract understanding; admin deductions mimic interest; no Islamic education	At Serious Risk	Most critical dimension: contractual ambiguity and concealed riba potential

Source: Researcher's Normative Analysis based on Primary Data, 2025

a. Hifzh al-Mal (Protection of Wealth): The Most Clearly Fulfilled Dimension

From the perspective of hifzh al-mal, access to working capital is a foundational prerequisite for the continuity of street-vendor enterprises. Without capital, trading ceases, family income collapses, and the risk of deeper poverty becomes acute. PNM Mekaar has factually succeeded in meeting this need for all 15 active borrowers of the Semambung Group. Masitoh, for instance, who has completed 48 of her 50 scheduled installments, demonstrates that the financing arrangement has effectively supported her business continuity over an extended period.

Within the maslahah mursalah framework, this fulfillment meets the criteria of hajiyyah maslahahthe category of secondary necessity whose non-fulfillment produces significant hardshipand may qualify as daruriyyah for borrowers with no alternative capital source whatsoever. Al-Shatibi's insight is directly applicable here: *hajiyyah* conditions that go unmet can escalate to the level of daruriyyah when their absence creates extraordinary difficulty. For the PKL who have no access to formal banking and who categorically reject predatory moneylenders, Mekaar may represent the only practically available optiona condition that Islamic jurisprudence's necessity doctrine (*al-idhtirara*) is designed precisely to address.

However, this positive assessment must be immediately qualified: hifzh al-mal is not fully achieved when the financial transaction itself contains elements that may undermine the Shar'i validity of wealth accumulation. The administrative fee structure and the absence of a recognized Islamic contract mean that the wealth generated through Mekaar financing carries a juridical shadow that cannot be overlooked in a comprehensive maqashid analysis.

b. *Hifzh al-Nafs* and *Hifzh al-'Aql*: Psychological and Cognitive Dimensions

Research in behavioral economics most notably Mullainathan and Shafir's seminal work Scarcity (2013) demonstrates that chronic poverty and financial pressure significantly reduce cognitive bandwidth, impairing the ability to make high-quality decisions across all life domains. In this context, access to affordable credit is not merely an economic intervention but a cognitive liberation: by reducing the mental load of financial scarcity, it frees cognitive resources for productivity, problem-solving, and self-investment.

Several respondents explicitly noted that access to Mekaar financing has protected them from the necessity of dealing with local moneylenders (rentenir), whose interest rates are dramatically higher and whose collection practices are far more coercive. Avoiding the usurious moneylender preserves both the borrower's financial position (hifzh al-mal) and her psychological wellbeing and cognitive functioning (*hifzh al-nafs* and *hifzh al-'aql*), at least in relative terms compared to the alternative. This is a genuine, substantive maslahah whose importance should not be minimized.

The key qualification, however, is that this benefit could be delivered more completelyboth functionally and normatively through a well-designed Islamic microfinance product. The current situation produces *maslahah* in these dimensions not because Mekaar is ideally structured, but because the available alternatives are worse. This is the definition of a necessity situation: achieving a suboptimal outcome because optimal options are inaccessible.

c. *Hifzh al-Din* (Protection of Religion): The Critical Dimension Requiring Deep Scrutiny

The dimension of hifzh al-din is the most complex and most problematic in this evaluation. Three specific concerns demand systematic identification and honest confrontation.

The first concern is contractual invalidity. PNM Mekaar employs no recognized Islamic contract in its transactions. The operative arrangement is a loan (*qardh*) with a fixed upfront administrative fee and fixed periodic installmentsa structure that, from the perspective of classical Islamic contract law (fiqh muamalat), lacks the elements required for valid Shar'i transactions. The absence of a clear, mutually agreed-upon contract type creates a condition of contractual ambiguity (jahalah) that classical jurists unanimously identify as invalidating factors in commercial transactions.

The second concern is the riba-like character of the administrative fee structure. The standard 5% upfront deduction combined with fixed installments that total substantially more than the amount actually received by the borrower creates a financial structure economically equivalent to an interest-bearing loan. The anomalous deductions of 50% observed for two borrowers (Lia Nanda and Aprilia) are particularly alarming, as they represent an effective rate that would be considered exploitative even by conventional usury standards. Contemporary Islamic jurists, including al-Qaradawi and al-Zuhayli, consistently affirm that riba must be assessed on its economic substance, not merely its formal label. A charge denominated as an "administrative fee" but functioning economically as interest is, in substance, interestand should be evaluated accordingly.

The third concern is operational non-transparency. Multiple borrowers demonstrated incomplete understanding of the precise cost structure they had agreed to bear. Hariani Ningsih, for example, received Rp 4,750,000 from a Rp 5,000,000 ceiling but could not clearly articulate the basis for the deduction. This non-transparency violates the Islamic principle of 'adamul gharar (freedom from uncertainty and deception), which the Prophet Muhammad (peace be upon him) identified as a foundational requirement for valid commercial transactions. Gharar in a contract does not merely make the transaction imperfect; it potentially renders it void.

Taken together, these three concerns produce a serious risk to hifzh al-dinthe most fundamental dimension of maqashid protection. The community's engagement with a riba-laden financial system, compounded by their lack of awareness that this is the case, represents a normative failure of substantial gravity. Crucially, however, the assessment of culpability is complex: communities that have never received Islamic financial education cannot be held fully responsible for choices they made without adequate knowledge (jahalah). The primary normative responsibility lies with the institutionsboth Mekaar, which uses implicit Islamic branding while delivering un-Islamic substance, and Islamic financial institutions, which have failed to provide viable alternatives.

Synthesis: Maslahah Mursalah as a Dynamic Middle Path

Based on the evaluation across all five maqashid dimensions, the financing practice of PNM Mekaar for Sebani's PKL community can be classified within the maslahah mursalah framework as follows:

First, the practice contains genuine hajiyyah-level maslahah in the dimensions of *hifzh al-mal, hifzh al-nafs*, and *hifzh al-'aql* secondary necessities whose non-fulfillment would cause significant hardship. These benefits are concrete and empirically verifiable, not speculative. Second, given the complete absence of accessible Islamic alternatives in Sebani, the principle of al-idhtirara (necessity) may be applied in a limited and conditional manner to grant temporary normative tolerance for the use of conventional institutions. (Ibrahim.Al-Shatibi, 1997) foundational maxim applies: *al-darurat tubahu al-mahzurat* necessity renders permissible that which is otherwise prohibited. Third, this tolerance is conditional and temporary: it does not alter the original normative assessment that interest-based financing is problematic under Islamic law, and it presupposes a genuine, sustained commitment to seeking and creating Islamic alternatives.

This synthesis is consistent with the position articulated by al-Qaradawi: "In conditions of necessity, that which is originally prohibited may become permissible but this does not change its original ruling, and necessity must be measured proportionally to its actual extent." Applied to Sebani: the necessity is real, the tolerance is justifiable, but the urgency of creating genuine Islamic alternatives is precisely what the necessity reasoning underscores not diminishes.

The five cumulative conditions for *maslahah mursalah* are substantially met in this case. The maslahah is real and certain (Condition 1), as evidenced by empirical data on business continuity and household welfare. It is broadly beneficial to the community (Condition 2), serving 15 borrowers and their families. It does not contradict any explicit scriptural prohibition under necessity conditions (Condition 3). It addresses genuine necessity (Condition 4). And it relates to the fundamental protected objectives of wealth, life, and intellect (Condition 5). The partial failure on the hifzh al-din dimension does not negate the overall maslahah assessment but rather defines its conditionality and sets the agenda for corrective action.

CONCLUSION

This research has successfully uncovered and analyzed the financial choice paradox of the Muslim community in Sebani Village through the concrete operational application of maslahah mursalah as an evaluative framework. The following conclusions emerge from the integrated analysis: First, the preference of Muslim street vendors for PNM Mekaar over BMT is driven by a cluster of rational pragmatic factors coherent with their lived context: the accessibility of the door-to-door service model, the speed of fund disbursement, procedural simplicity, and the relational capital built with field officers. Formal religious considerations regarding transaction permissibility are largely absent from borrowers' deliberative processesnot because they are indifferent to their faith, but because they lack the Islamic financial literacy to apply it to financial decisions.

Second, evaluation using the maslahah mursalah framework reveals that the practice fulfills genuine hajiyyah-level maslahah in the dimensions of hifzh al-mal, hifzh al-nafs, and hifzh al-'aql. However, the practice carries serious and substantively documented risks to hifzh al-din due to contractual ambiguity, administrative fee structures that functionally resemble riba, anomalous deduction rates suggesting non-transparent costs, and the complete absence of Islamic financial education.

Third, within the condition of unavailability of accessible Islamic alternatives in Sebani, the principle of al-idhtirara provides a conditional and temporary normative tolerance for utilizing conventional microfinance. This tolerance is not a permanent acquittal of the system's Shar'i deficiencies, but a contextual acknowledgment of genuine necessity and simultaneously an urgent call for systemic remediation. Fourth, this research affirms that Islamic law, through the instrument of maslahah mursalah, possesses the capacity to respond to social reality with empathy and contextual intelligence without surrendering normative integrity. This reflects the spirit of progressive social fiqh: not judging community actions from a distance, but understanding their context and offering constructive pathways forward.

Recommendations. For Islamic Financial Institutions (BMT). A fundamental strategic reorientation is required that places accessibility and service ease on an equal footing with contractual validity. Implementing a door-to-door service model, digitizing the application process, and simplifying administrative requirements must become primary institutional agendas rather than peripheral experiments. Community-based Islamic financial literacy programs must be integrated into BMT's core business model, not treated as supplementary activities. Collaboration with local mosques, Islamic boarding schools (pesantren), and community religious organizations can serve as effective and cost-efficient channels for financial education outreach.

Product innovation must address the actual financial profile of micro-entrepreneurs: rapid disbursement, moderate amounts, flexible repayment aligned with irregular income flows, and group-based accountability structures. A Shariah-compliant group solidarity model, analogous to Mekaar's tanggung renteng but structured on murabahah or qardh hasan principles, represents a technically feasible and commercially viable model that BMT institutions have yet to deploy at scale.

For PNM Mekaar. A comprehensive audit of cost structures and contractual transparency is urgently required. The anomalous deduction rates of 50% observed for two borrowers (Lia Nanda and Aprilia) must be investigated and publicly explained. If using Islamic branding or operating in predominantly Muslim communities, Mekaar bears both a moral responsibility and, arguably, a regulatory obligation to ensure that its products do not mislead consumers regarding their Shariah status. The technical and regulatory feasibility of restructuring Mekaar's product offerings into Shariah-compliant formatsincluding murabahah for the purchase of business goodsis well established. Such a transformation would not only resolve the normative tensions identified in this study but would likely enhance Mekaar's social license to operate in Muslim-majority communities, potentially expanding its customer base and institutional legitimacy.

For Regulators (OJK, Ministry of Religious Affairs, and Local Government).Policy mandating Islamic financial literacy programs in areas with high concentrations of Muslim micro-entrepreneurs is a structural necessity. Supervision of 'Islamic' or 'Shariah' branding claims by financial institutions must be substantially strengthened to prevent misleading consumers. Incentive structures supporting BMT institutions that successfully develop accessible services for the informal sector should be developed and expanded, including subsidized interest-rate funding for Islamic microfinance, tax incentives for Shariah-compliant micro-lending, and regulatory fast-tracking for innovative Islamic micro-products.

For Future Researchers. This study opens several productive avenues for further scholarship. Comparative research across multiple regions is needed to assess whether the Sebani paradox represents a localized phenomenon or a broader national pattern in Islamic microfinance adoption. Longitudinal studies measuring the impact of Islamic financial literacy programs on actual preference changes among micro-entrepreneurs would contribute directly actionable policy evidence. Experimental research on the effectiveness of the door-to-door BMT model could provide critical practical insights. Finally, deeper engagement with the gendered dimensions of Islamic financial exclusiongiven that the Semambung Group is entirely femalewould enrich both academic understanding and policy design.

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