Contents list available at: https://journal.unesa.ac.id
al-Uqud: Journal of Islamic Economics
Journal homepage: https://journal.unesa.ac.id/index.php/jie

Bankziska and loan sharks eradication in Souhteast Asia: Evidence from Indonesia

Kumara Adji Kusuma[1*], Imam Fauji[2], Faruq Ahmad Futaqi[3], Khoong Tai Wai[4], Syafiq Izwan bin Ramlan[5], Nadhirah Binti Nordin[6]

[1]Department of Management, Faculty of Business Law and Social Sciences, Universitas Muhammadiyah Sidoarjo, Indonesia
[2]Department of Arabic Language Education, Faculty of Islamic Studies, Universitas Muhammadiyah Sidoarjo, Indonesia
[3]Department Sharia Bussiness Management, Faculty of Islamic Bussiness Economics, Institut Agama Islam Negeri Ponorogo, Indonesia
[4]Department of Marketing, Faculty of Accountancy, Finance And Business, Tunku Abdul Rahman University of Management and Technology, Malaysia
[5]Islamic Banking Window Dept, MUFG Bank (Malaysia) Berhad, Malaysia
[6]Department of Syariah Studies, Faculty of Islamic Contemporary Studies, University of Sultan Zainal Abidin, Terengganu, Malaysia

Article Info
Paper type:
Research Paper
Keywords:
Bankziska; Usury/Riba Eradication; Loan shark; Islamic cconomy; Southeast Asia; Muslim Countries.
Article history:
Received: 27 May 2023
Revised: 20 April 2024
Accepted: 30 May 2024
Available online: 30 June 2024

Abstract
Loan sharking is still prevalent in Muslim-majority countries in Southeast Asia, such as Indonesia, Malaysia, and Brunei Darussalam. The phenomenon of Banziska as a new type of financial institution, which combines the principles of Islamic microfinance and charity in Ponorogo City, Indonesia, has the great potential of becoming the solution to eradicating riba in society. Since its first operation up to the last three years ago, it has liberated 65 percent of 585 active partners from loan sharks and conducted 1807 rounds of financing. It has now been duplicated in other neighboring cities. The research approach is a combination of desk research (literature review and case studies), primary research (data collection through surveys and interviews), and analysis (qualitative and quantitative methods). The result is a description of the Bankziska model. The concept is creating an ecosystem involving many elements in society, such as societal/religious organizations, partners, charity institutions, and volunteers. It follows a pattern that aims to transform mustahiq into muzakki and achieve the objective of sharia of zakat.

*Corresponding author: adji@umsida.ac.id
Please cite this article in APA style as:
Kusuma, K. A., Fauji, I., Faruq Ahmad Futaqi, Tai Wai, K. ., bin Ramlan, S. I. ., & Binti Nordin, N. (2024). Bankziska and loan sharks eradication in Souhteast Asia: Evidence from Indonesia. *Al-Uqud: Journal of Islamic Economics*, *8*(2), 161–174. https://doi.org/10.26740/al-uqud.v8n2.p161-174

ISSN: 2548-3544 (online), 2549-0850 (print)
Volume 08 Issue 02, July 2024 DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

Introduction

Loan sharking is a pressing issue. It involves lending money to individuals or businesses at excessively high interest rates, often accompanied by threats and violence to enforce repayment (Baker, 2010; Banerjee, 2017). This predatory lending practice preys on vulnerable individuals (Schofield, 2022) and perpetuates a cycle of debt that leads to financial ruin and social problems (Geisst, 2017), even to suicide (Nugent, 1941; Saunders, 2021).

In most religions, usury is prohibited and considered sinful and immoral (Şimşek, 2023; Abraham, 2007; Prabowo, 2021). In Islamic religion, usury (or riba in Arabic) is considered a major sin and is prohibited by Allah and His Messenger (Badshah, 2023). Therefore, Muslims are expected to avoid usury and instead seek lawful means of earning a living through fair trade and ethical investments.

Loan sharking requires immediate attention and action. Studies have shown that loan sharking has become prevalent in Asia countries (Lang, 2022; Musari, 2020), including in Muslim populated countries in Asia, i.e., Indonesia, Malaysia, and Brunei Darussalam, with the problem often associated with the present days in the form of illegal online lending activities and considered sinful and immoral (Abraham, 2007; Prabowo, 2021)

Observing most of the traditional market in Indonesia, and according to many studies, loan sharking activities have become widespread in Indonesia, with a significant number of individuals falling victim to these practices (Tritto, 2020; Wigati, 2022). Similarly, illegal money lending is a growing problem in Malaysia, with many loan scam cases reported annually (Zairani, 2013; Othman R. &., 2010; Abdul Razak, 2007). In Brunei Darussalam, some studies also highlighted the challenges and threats posed by illegal money lending activities in the country (Samad, 2022; Musari, 2017). Government and non-government institutions in Indonesia, Malaysia, and Brunei have attempted to deal with moneylenders. These countries have implemented several measures to combat usury and loan sharks, including enacting laws and regulations, consumer education campaigns, and credit programs for low-income households.

This paper describes the efforts and effectiveness in combating usury in these three countries and evaluates the effectiveness of existing countermeasures models in countering usury by loansharks. Importantly, the research aims to demonstrate how Bankziska (Zakat, Infaq, and Other Religious Funds Financial Assistance), a new Islamic financial institution in Indonesia, can become a model solution for eradicating loan sharks in these countries.

Bankziska, a new emerging model established in the city of Ponorogo, Indonesia, could be a model that eradicates the practice of loan sharks since it has liberated its consumers from usury. Overall, this research will contribute to the ongoing debate on eradicating usury and loan sharks in Muslim-majority countries in ASEAN and demonstrate Bankziska's potential as a model solution for this problem.

Literature Review

Microfinance has become a critical tool for poverty reduction worldwide, including in Southeast Asian countries. Microfinance institutions (MFIs) employ innovative strategies such as group lending, progressive lending, regular repayment schedules, and collateral substitutes to target low-income people. Achieving high self-sufficiency allows MFIs to leverage donor and government funds better to expand their outreach (Thapa, 2006). However, usury or interest is still one of the major problems faced by Southeast Asian countries, especially in Muslim-populated countries.

Usury, also known as riba in Arabic, is strictly prohibited in Islam and is considered a major sin (Khan, 2018; Prabowo, 2021; Erdem, 2017). Usury has been a contentious issue in Islamic finance and society (Lawal, 2016; Jawaid, 2010). Unfortunately, many people in

Muslim-majority countries in ASEAN, such as Indonesia, Malaysia, and Brunei, are still struggling with the issue of usury, as they resort to moneylenders or loan sharks for financial assistance (Shaikh, 2021; Musari, 2020).

Usury is widely practiced by loan sharks, who offer financial assistance to low-income households at exorbitant interest rates. The high interest rates charged by loan sharks lead to a cycle of debt, perpetuating poverty and social inequality (Lea, 2021; Baradaran, 2020; Foohey, 2021; Gormley, 2020). The interest rates charged by these loan sharks can reach up to 1,000% per year, resulting in a hard-to-break (Mayer, 2012; Mitra, 2009). The problem of usury and loan sharks is not only a financial issue but also has social, ethical, and moral implications (Hudon, 2013; Mews, 2007; Lewison, 1999).

The practice of loan- sharking is classified as a social disease, the market for illegal money lending, creditors illegal credit, informal financial institutions, and credit extortionists (Marinaro, 2022), often in unethical and exploitative ways (Yuniar, 2019). They may seem friendly at first, but borrowing from them comes with consequences and lots of high-interest loan risks. Several measures have been implemented to combat usury and loan sharks, including laws and regulations, consumer education campaigns, and credit programs for low-income households (Martin, 2023; Kompaniets, 2020; Khamis, 2019). Studies have been conducted to explore the effectiveness of existing countermeasures models (Razak, 2007).

Many studies have been conducted on the determinants of usury practices in Indonesia, Malaysia, and Brunei Darussalam, revealing that lack of access to formal financial services (Tambunan, 2011) and poverty were the primary reasons why individuals resorted to usury (Yumna, 2011; Santoso, 2020). Financial inclusion through Islamic microfinance institutions could be an effective strategy for reducing usury practices. Other scholars have studied how loan sharks (or *Ah long*, Malaysian term) are organized activities (Khamis, Azni, Allam, & Abdullah, 2012).

The loan shark activities in these countries are still a phenomena that needs to be countered. Poor people still opt for loan sharks since they provide easy money for them (Kamal, 2022). The research studied the demographics of loan shark borrowers, their borrowing patterns and preferences, and the impacts of loan shark activities on individuals and society. Islamic finance plays a vital role in tackling loan sharks in Malaysia and Brunei Darussalam, highlighting the need for innovative financial models that cater to the needs of low-income households (Abd Wahab, 2023; Wahab, 2018).

However, these measures could have been more effective, and the problem persists. Loan sharks keep manipulating their activities for their benefit and at the expense of borrowers. (Khamis, 2019; Khamis, Azni, Allam, & Abdullah, 2012). Innovative financial models have been proposed to address the issue of usury and loan sharks,such as Bankziska, which combines Islamic finance principles with microfinance. Bankziska is a unique model that provides financial services to low-income households without using usury, offers interest-free loans, and promotes financial inclusion. It proposes a model that combines Islamic finance principles with a community-based approach, emphasizing the importance of social capital and trust in promoting financial inclusion. (Rois, 2022; Daroji, 2022; Futaqi F. A., 2023; Setiawan, 2022; Iwantoro, 2023; Suryono, 2021; Kusuma, 2023).

Overall, the literature suggests that innovative financial models such as Bankziska can be an effective solution for eradicating loan sharks in Muslim-majority countries, especially in Southeast Asian countries. The literature also highlights the need for an integrated approach involving various stakeholders to implement these models and combat usury practices effectively.

ISSN: 2548-3544 (online), 2549-0850 (print)
DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

Methodology

A comprehensive literature review was conducted to understand existing models for dealing with moneylenders in Indonesia, Malaysia, and Brunei, focusing on relevant journals, books, and other sources to grasp current policies and initiatives against usury. Case studies of successful countermeasures in these countries were analyzed, including Indonesia's People's Business Credit (KUR), Malaysia's National Consumer Credit Counseling and Debt Management Agency, and Brunei's Moneylenders Act 2011. The Bankziska model was also reviewed to evaluate its potential in eradicating loan sharks, with sources including the Bankziska website and white paper, interviews with Bankziska officials and Islamic finance experts, and analysis of Bankziska's implementation in Indonesia. Data was collected through primary sources, such as surveys and in-depth interviews with Bankziska managers, operators, and customers, and secondary sources, including existing reports, records, and documents. A mixed-methods approach was used to combine qualitative and quantitative methods in examining patterns and trends. However, the study faced several limitations, including potential bias in self-reported data, constraints in accessing reliable secondary data, logistical challenges in conducting interviews, and language barriers and varying literacy levels among participants. These limitations suggest cautious interpretation of the findings and highlight areas for future research.

Results and Discussion

Governments in Indonesia, Malaysia, and Brunei Darussalam have implemented various measures to combat loan sharking, a problem affecting the financial stability of individuals and the economy. To combat the issue of loan sharking, various strategies and interventions have been proposed, including legal enforcement, financial education, and alternative sources of credit such as microfinance and social lending.

Legal interventions include regulations and laws to protect borrowers from illegal lending practices. In Indonesia, the government has issued regulations to limit the interest charged on loans and ensure that lenders are licensed and comply with ethical standards (Krisnanto, 2019; Davis, 2017). Similarly, in Malaysia, the Central Bank has implemented regulations to regulate the practice of money lending and ensure that lenders are licensed and follow ethical standards (Zulkipli, 2017; Siddiqui, 2008; Haron, (2013); Ramlee, 2013). In Brunei Darussalam, the government has established laws to regulate money lending activities and protect borrowers from exploitative lending practices.

Non-legal interventions include raising awareness and promoting financial education among the public. In Indonesia, the government has conducted financial education programs to educate individuals on financial management and avoid falling victim to loan sharking. Similarly, in Malaysia, the government has established a national-level financial education program to improve financial literacy and promote responsible borrowing and lending practices (Othman, 2017). In Brunei Darussalam, the Central Bank has launched a financial education campaign to raise awareness of the dangers of loan sharking and promote responsible borrowing practices (Nurkamala, 2019).

There are some of the relevant laws in Indonesia, Malaysia, and Brunei Darussalam that are aimed at combating loan sharks:

In Indonesia:

- Law No. 10 of 1998 on Banking regulates the banking sector and provides guidelines for lending activities.
- Law No. 7 of 2016 on the Protection of Consumers of Financial Services protects consumers of financial services, including loans.

In Malaysia:

- The Moneylenders Act 1951 regulates the practice of money lending and limits the amountof interest that can be charged on loans.
- The Consumer Protection Act 1999 protects consumers, including borrowers, from unfair practices.

In Brunei Darussalam:

- The Moneylenders Act (Chapter 112) sets out the licensing requirements for money lenders and limits the interest that can be charged on loans.
- The Consumer Protection (Fair Trading) Order 2011 protects consumers from unfair trade and commerce practices.

These laws provide a legal framework for combating loan sharks and protecting borrowers from exploitative lending practices. The effectiveness of the laws and regulations in combating loan sharks can vary depending on a range of factors, including the level of enforcement, the strength of the legal framework, and the cultural and social context in each country. In Indonesia, for example, while there have been efforts to regulate the online lending industryand protect borrowers, there have also been reports of illegal lending practices and cases of borrowers falling into debt traps (Krisnanto, 2019; Prabowo, 2022; Tsabita, 2018; Suryono, 2021). In Malaysia, the Moneylenders Act has been in place for many years, but there are still reports of illegal lending activities and borrowers being charged exorbitant interest rates (Zulkipli, 2017; Prabowo, 2022; Nawai, 2021). Similarly, in Brunei Darussalam, while the government has established laws to regulate money-lending activities and protect borrowers, there have been reports of illegal lending practices and cases of borrowers falling into debt traps (Nurkamala, 2019; Prabowo, 2022; Tsabita, 2018; Yusuf, 2019).

Overall, the effectiveness of the law in combating loan sharks depends on the level of enforcement and the commitment of the government and society to address the issue. It is also important to note that addressing loan sharking requires a multifaceted approach that involves legal and regulatory measures and efforts to promote financial literacy and encourage responsible borrowing and lending practices.

Eradicating loan sharks: Efforts and its effectiveness

Governments and non-governmental organizations (NGOs) in Indonesia, Malaysia, and Brunei Darussalam are working to combat loan sharks and promote financial inclusion and education. In Indonesia, for example, several microfinance institutions provide alternative sources of financing for individuals and small businesses, such as Bank Rakyat Indonesia's microfinance program (BRI Microfinance) and the microfinance program of the Indonesian government's National Agency for Micro, Small and Medium Enterprises (MSMEs) or *Kredit Usaha Rakyat (KUR)*. These programs aim to provide underserved communities access to affordable credit and promote responsible borrowing and lending practices. However, there have also been reports of cases where borrowers have fallen into debt traps due to high interest rates and fees charged by some microfinance institutions (Prabowo, 2022; Iswanto, 2021; Aryani, 2020).

In Malaysia, NGOs such as the Association of Credit Counseling Agencies Malaysia (AKPK)and the Malaysian Financial Planning Council (MFPC) provide financial education and counseling services to help individuals manage their finances and avoid falling into debt traps. Microfinance institutions such as *Agrobank* also finance small businesses and rural communities. However, there are still challenges in reaching out to underserved communities, and there have been reports of individuals and small businesses being targeted by loan sharks despite the efforts of these organizations (Zulkipli, 2017; Mokhtar 2018; Zainol, 2016; Shaharuddin, 2021).

In Brunei Darussalam, the government has established the Credit Bureau to provide credit

ISSN: 2548-3544 (online), 2549-0850 (print) DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

information to financial institutions and promote responsible borrowing and lending practices. Additionally, there are NGOs such as the Brunei Darussalam National Association of the Blind (BDNAB) that provide microfinance services to individuals with disabilities. BDNAB has also made efforts to promote responsible borrowing and lending practices. However, there have been reports of illegal lending activities and cases of individuals falling into debt traps (Alidini,2014; Yusuf, 2019).

Overall, while private institutions and NGOs can play an essential role in complementing the efforts of the government in combating loan sharks and promoting financial inclusion and education, addressing the issue of loan sharking requires a multifaceted approach that involves not only legal and regulatory measures but also efforts to promote financial literacy and encourage responsible borrowing and lending practices across all sectors of society.

The effectiveness of the governments, private institutions, and NGOs in combating loan sharksand promoting financial inclusion and education vary depending on a range of factors, including the scope and scale of their operations, the resources they have at their disposal, and the level of support they receive from the government and other stakeholders. However, the many attempts to combat usury are still involutive with negative liberation from loan sharking.

The emergence of Bankziska

Bankziska is a program established on September 27th, 2020, by the Amil Zakat Infaq and Shadaqah Muhammadiyah Institution (Lazismu) of East Java to assist the community in escaping the clutches of moneylenders. Bankziska is a new emerging model of Islamic financial institutions based in Ponorogo City, East Java Province, Indonesia. According to its manager, Faruq Ahmad Futaqi, its mission is to distribute zakat and other charitable funds according to Islamic principles, especially to those in need of capital for their business and those impacted by loan sharks (Futaqi, 2023).

Despite not being a bank, Bankziska functions similarly to a bank by serving as an intermediary for the funding and lending of zakat, infaq, and other religious and humanitarian funds to Medium, Small, and Micro Enterprises (MSMEs). This makes it a non-profit-oriented financial institution not owned by individuals, and interestingly, it is run by volunteers under the coordination of Bankziska (Futaqi, 2023). Bankziska uses the Qardul Hasan contract to provide interest-free loans without administration fees, deductions, guarantees, or fines to micro, super micro, and small entrepreneurs. This program aims to provide loose borrowing terms for small traders and liberate them from loan sharks and conventional banks. Bankziska actively supports small businesses and assists the economic sector.

The maximum loan value for each partner/customer is Rp. BankZiska's Financing Committee must approve 2,000,000.00 and more than 2 million loans. The administrative requirements arestraightforward: only a photocopy of the ID Card, a photocopy of the Family Card, and a business photo are required. Loans are provided to a group of at least three and a maximum of ten people in line with a different family. Joint responsibility loans are given to communities based on the community, and for traditional market partners, the condition for joint responsibility is optional. The joint responsibility system has created a sense of discipline and responsibility among the partners.

Product of preaching strategy

Bankziska provides ongoing guidance and support to small business owners, including a turnover and cost monitoring system, until they can operate independently and free from loan sharks. Additionally, Bankziska offers expertise in Sharia-compliant business practices. Suppose entrepreneurs can implement a business with the Qordul Hasan system. In that case, Bankziska recommends they consider commercial business financing with a profit-sharing model that follows Sharia principles of Islamic Bank (Futaqi, 2023).

Bankziska's role in providing economic da'wah becomes even more apparent through its efforts to guide borrowers in understanding and utilizing sharia-compliant financial systems to foster a deeper understanding of Islam and sharia economics in their daily lives. The role of economic da'wah in Bankziska is evident through various strategies implemented, as expressed by Faruq Ahmad Futaqi, the head of Bankziska Ponorogo (Futaqi, 2023). These strategies include:

a. Willingness to participate in Islamic coaching and recommendations from Bankziska, community leaders, religious teachers, mosque imams, and majlis taklim leaders.
b. Mandatory attendance of taklim majlis and coaching sessions organized by Bankziska. With recommendations from community leaders, religious teachers, mosque imams, and taklim assemblies, borrowers are automatically encouraged to be active in religious assemblies and participate in Islamic da'wah.

These strategies highlight Bankziska's commitment to promoting economic da'wah by incorporating religious education and guidance into its lending program. The impact of Bankziska on the community is visible through their participation in *taklim* assemblies, which deepen their understanding of Islam, particularly in *muamalah* (financial transactions). The *taklim* assemblies play a crucial role in improving the household economy of the congregation by continually providing religious and spiritual education. As a result, Bankziska's role extends beyond economic support and becomes a broader force for da'wah and economic development in society. Bankziska is an example for other amil zakat institutions in creating effective and sustainable programs that promote economic and religious development.

Achievements

BankZiska focuses on serving MSME clusters in traditional markets, mosque congregations, and small farmers. It has fostered relationships with hundreds of customers/partners, financing them with hundreds of millions of rupiah and continuing to reach billions of rupiah. The average achievement in alleviating dependence on loan sharks has reached 65% (Futaqi F. A.,2023). Banziska has conducted 1807 financing rounds with 585 active partners in the last threeyears. It follows a pattern that aims to transform mustahiq into muzakki and achieve *maqashid sharia*, or the objective of sharia of zakat (Zulkarnain, 2021; Kusuma, 2016).

BankZiska is considered very helpful by its partners, and its program is seen as very beneficial for the community. It is a non-profit-oriented financial institution that uses Zakat, infaq, and CSR funds from amil zakat institutions and companies. (Tumiran, 2023).

Table 1. Financial Key Point of Bankziska Ponorogo

Category	Year		
	2020 (Rp)	2021 (Rp)	2022 (Rp)
Lending	43,600,000	485,850,000	451,223,000
Outstanding	26,792,500	199,320,000	219,598,000
Partner (Customer)	261	844	1,332
Funding	54,536,500	1,000,000	80,640,900

(Source: Bannkziska's Report)

Table 1 shows Bankziska's financial data across three years: 2020, 2021, and 2022. Lending significantly increased from Rp. 43.6 million in 2020 to Rp. 485.85 million in 2021, but then decreased to Rp. 451.223 million in 2022. The outstanding amount of loans also

ISSN: 2548-3544 (online), 2549-0850 (print) DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

increased fromRp. 26.7925 million in 2020 to Rp. 199.32 million in 2021 and then further increased to Rp. 219.598 million in 2022. The number of partners grew from 261 in 2020 to 844 in 2021 and then to 1,332 in 2022. In terms of funding, there was a significant increase from Rp. 54.5365 million in 2020 to 1 millionin 2021 and then a considerable increase to Rp. 80.6409 million in 2022.

The Bankziska Model

The main principle of Bankziska is avoiding interest-based lending (riba) and promoting equitable and inclusive financial services that provides financial assistance by combining Islamic microfinance principles with the concept of zakat (obligatory alms-giving), infaq (voluntary charity), and other forms of religious/humanitarian funds as a form of social financing to support the provision of interest-free or no-cost loans to those in need, especially who are trapped in loan sharks of usury (riba).

Bankziska offers funding and lending, investment products, and financing solutions for small and medium-sized enterprises (MSMEs) and micro-entrepreneurs. The institution also provides zakat management services for individuals, corporations, and organizations and consulting services on zakat and Islamic finance.

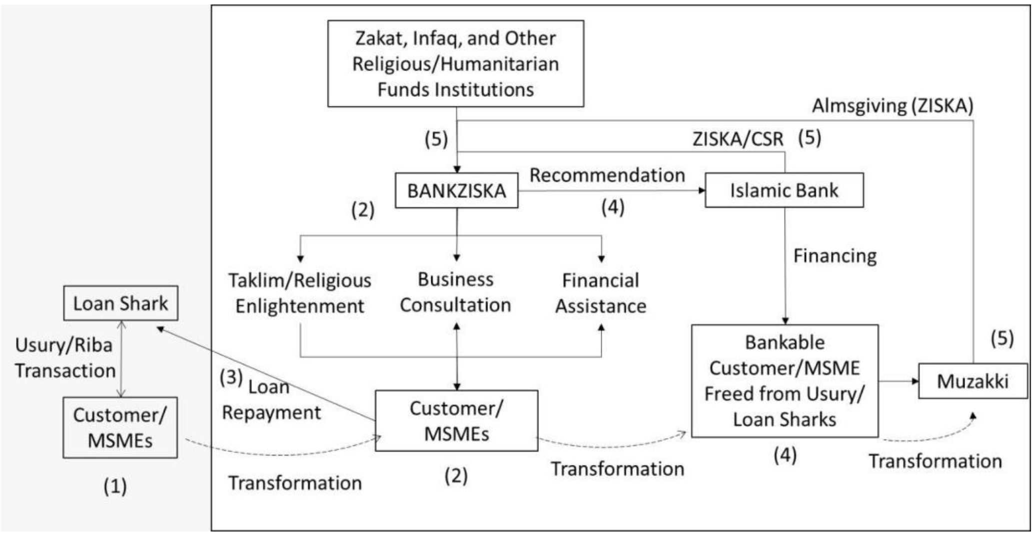

Figure 1. BankZiska Model: Riba Free Ecosystem

Results of field observations and interviews with Bankziska managers, the Bankziska Ecosystem is modelled as follows (fiqure 1):

1. Customers or MSMEs who are trapped by loan sharks or need capital for their businesses can register with Bankziska to receive *qardhul hasan* loans. They must obtain a recommendation froman imam or leader of a mosque or Islamic institution or community.
2. Bankziska customers who have received financing are required to participate in Taklim sessions (religious gatherings) to improve their religious knowledge and understanding of *muamalah*, as well as business consultations to enhance their knowledge and skills in business.
3. As a customer of Bankziska, with the business improvement achieved, they will be able to repay their debt installments or outstanding loans from loan sharks.
4. At the end of the process with Bankziska, the customer who has improved their economy, business, skills, and portfolio will receive a recommendation from Bankziska to obtain higher financing from Islamic banks.
5. Bankziska itself receives zakat, infaq, and other religious, humanitarian, or CSR funds from zakat institutions, Islamic banks, and other fund organizations, as well as from individuals

who were previously customers of Bankziska and have become muzakki (zakat giver).
6. Generally, the model would transform a person from mustahik (alms receiver) to muzakki (alms giver), which is by the Islamic objective (maqashid al syariah) of zakkah

The spread of Bankziska

The success story of Bankziska in Ponorogo City is a phenomenon. Using the same model, Bankziskas are rising in some cities. This has inspired other neighboring cities to develop the Bankziska model in their area and become branches. One year after its operation, the Bankziska model was adopted in the cities of Magetan, Mojokerto, Bangil, Probolinggo, Malang, and Jember (Bankziska, 2023). These cities are still under the East Java Province.

The development concept of Banziska became much broader. Not only Muslim MSMEs, but BANKZISKA also finances non-Muslim MSME partners to escape exposure to moneylenders.One of Bankzisa of Magetan's partners/customers, Orpa SS, expresses that this inclusiveness is a form of Bank Ziska's commitment as an Islamic social financial institution that is rahmatanlil 'alamin. (SS, 2023)

Conclusion

Scientific journals have played important role in highlighting the issue of loan sharking globally and in Southeast Asia i.e. Indonesia, Malaysia, and Brunei Darussalam; and providinginsights into effective interventions. The efforts of the governments in Indonesia, Malaysia, and Brunei Darussalam to combat loan sharking are crucial in promoting financial inclusion and reducing the negative impact of illegal lending practices on individuals and the economy. However, the practice of loan sharks is still prevalent.

In response to the problem, Bankziska, an innovative financial model that combines charity inIslamic finance principles and microfinance, has been proposed as a potential solution for eradicating loan sharks in Indonesia, Malaysia, and Brunei, and possibly to the more significant part of the world. This model has been developed based on the experience of Indonesia, whereIslamic microfinance institutions have successfully provided financial services to low-incomehouseholds without resorting to usury. Bannkziska operations, within three years, have alreadyliberated 65 percent of its partners from the trap of loan sharks.

Further research and analysis of the model's effectiveness, impact, and sustainability would beneeded to fully evaluate its outcomes and potential for eradicating moneylenders or loan sharksin Muslim-populated countries in Southeast Asia or other parts of the world. Overall, Bankziska aims to promote social welfare and economic development through the effective and transparent management of zakat and other charitable funds, which align with Islamic values and principles to develop no riba communities. It is important to note that the specific implementation details and operational procedures of the Bankziska model may vary depending on the organization or institution that is implementing it.

Collaboration between various stakeholders, including governments, financial institutions, NGOs, and the public, is essential in achieving sustainable solutions to this problem. Continued research and collaboration with policymakers, financial institutions, and other stakeholders areessential to developing effective strategies for combating loan sharking and promoting financial inclusion and well-being.

The practical implications of the findings are significant for policymakers and practitioners. The study's results underscore the necessity for more robust regulatory frameworks to combat predatory lending practices and enhance consumer protection. Policymakers are encouraged toimplement and enforce stricter regulations on lending practices, ensuring that financial services are accessible and fair. Practitioners, particularly those in

ISSN: 2548-3544 (online), 2549-0850 (print)
DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

financial institutions, should adopt innovative financial models like Bankziska that align with ethical lending practices and promote financial inclusion. Specific recommendations include developing targeted financial education programs to improve financial literacy and awareness among low-income households and fostering community-based financial initiatives that build social capital and trust. By addressing these practical implications, the findings can contribute to developing sustainable financial solutions that mitigate the adverse effects of loan sharking and promote economic stability in affected regions.

Author Contribution

Kumara Adji Kusuma : Conceptualization, Methodology, Data Curation, Writing—Original Draft.
Imam Fauji : Literature Review, Data Analysis, Writing Review & Editing.
Faruq Ahmad Futaqi : Investigation, Data Collection, Visualization, Writing Review & Editing.
Khoong Tai Wai : Supervision, Resources, Writing Review & Editing.
Syafiq Izawan bin Ramlan : Project Administration, Resources, Writing Final Draft
Nadhirah Binti Nordin: Policy Context Analysis, Stakeholders Liaison, Writing-Critical Revision.

Declaration of Competing Interest

We declare that we have no conflict of interest.

References

Abd Wahab, N. B.-N. (2023). Islamic Social Finance Initiatives: An Insight into Bank Islam Malaysia Berhad's Innovative BangKIT Microfinance Product. *ISRA International Journal of Islamic Finance, 15(1)*, 22–35. https://doi.org/10.55188/ijif.v15i1.483

Abdul Razak, A. N. (2007). *Illegal moneylending activities in Malaysia: a study on the effectiveness oflaw enforcement.* Shah Alam, Selangor, Malaysia: Universiti Teknologi MARA. https://doi.org10.1007/s10551/006-1591-0

Abraham, C. J. (2007). Usury and Just Compensation: Religious and Financial Ethics in HistoricalPerspective. *Journal of Business Ethics, 2, (1)*, pp. 1-15.

Alidini, B. (2014). *Developing a Micro-Takaful Framework in Brunei Darussalam (Doctoral dissertation).* Brunei Darussalam: Universiti Islam Sultan Sharif Ali.

Aryani, J. (2020). *Analisis kontribuasi komunitas masyarakat tanpa riba kota medan (Doctoral dissertation,* Sumatera Utara: Universitas Islam Negeri Sumatera Utara.

Badshah Rehman, M. Z. (2023). A Comparative Analysis Of The Destroyer Seven Sins In Both Christianity And Islam. *Journal of Positive School Psychology*, 1025-1040.

Baker, D. &. (2010). History repeats itself: Why interest rate caps pave the way for the return of theloan sharks. *Banking LJ, 127*, 581.

Banerjee, S. B. (2017). Microfinance and the business of poverty reduction: Critical perspectives fromrural Bangladesh. *Human relations, 70(1),* 63-91.

Bankziska. (2023, March 20). *Bankziska*. Retrieved from https://bankziska.org/: https://bankziska.org/

Baradaran, M. (2020). Credit, morality, and the small-dollar loan. . *Harv. CR-CLL Rev. 55*, 63.

Daroji, C. &. (2022). Analisis Sistem Pinjaman Qardhul Hasan Bank Ziska Kabupaten Ponorogo dalam Pandangan Fatwa DSN-MUI. *Indonesian Journal of Islamic Studies, 3(1)*, 111-123.

Davis, K. M. (2017). Catching up with Indonesia's fintech industry. *Law and Financial Markets Review, 11(1)*, 33-40.

Erdem, E. (2017). Analyzing the Gradual Revelation and Wording of Riba (Interest) verses in the Holy Qur'an Considering the Commerce, Finance and Infaq System of Islam. *Turkish Journal of Islamic Economics, 4(2)*, 91-126.

Foohey, P. &. (2021). Fintech's Role in Exacerbating or Reducing the Wealth Gap. . *U. Ill. L. Rev.*, 459.

Futaqi, F. A. (2023). Efektivitas Peran BankZiska: Ancaman Bagi Bank Thithil? *Adzkiya: Jurnal Hukum dan Ekonomi Syariah, 10(02)*, 219-233.

Futaqi, F. A. (2023, January 20). History and Concept of Bankziska. (I. Fauji, Interviewer) Geisst, C. R. (2017). *Loan Sharks: The Birth of Predatory Lending. Brookings Institution Press.*

Washington DC: Brookings Institution Press.

Gormley, F. &. (2020). Poverty, Health Coverage, and Credit Opportunities for South Asian Women.

The Sociology of South Asian Women's Health, 79-100.

Haron, H. S. ((2013). Factors influencing small medium enterprises (SMES) in obtaining loan. *International Journal of Business and Social Science, 4(15).*

Hudon, M. &. (2013). The ethical crisis in microfinance: Issues, findings, and implications. . *Business Ethics Quarterly, 23(4)*, 561-589.

Iswanto, J. &. (2021). Implementation of Maslahah In Modern Business Practices. . *Jurnal Dinamika Ekonomi Syariah, 8(2)*, 121-128.

Iwantoro, I. &. (2023). Pemberdayaan Ekonomi Berbasis Usaha Mikro Melalui Bankziska (Studi Kasus: Pengelolaan Dana Lazismu Kabupaten Mojokerto). *Jurnal Pemberdayaan Masyarakat, 10(2)*, 104-113.

Jawaid, M. (2010). Riba, Interest, and Usury.

Kamal, S. M. (2022). Is Loan Shark an Alternative? The Intentions to Take a Loan from Loan Sharks in Indonesia. *Shirkah: Journal of Economics and Business, 7(2)*, 167-186.

Khamis, M. H. (n.d.). Loan Shark: Strategizing Business over Counter Measuring by Authorities.

Khamis, M. H., Azni, Z., Allam, S. N., & Abdullah, M. H. (2012). Loan Shark: Strategy in Sustaining a Business. *Technology, Science, Social Sciences and Humanities International Conference 2012* (pp. 1-6). Melaka: Faculty of Communication & Media Studies, Universiti Teknologi MARA Melaka.

Khan, A. K. (2018). Muamma (conundrum) of Riba (Interest and Usury) in Major Religions in General and Islam in Particular. *International Journal of Social Sciences and Humanities Invention, 5(2)*, 4438-4443.

Kompaniets, A. F. (2020). Legal and Institutional Framework for Fighting Loan Sharks: A Comparative Analysis. *International Journal of Law, Crime and Justice*.

Krisnanto, A. &. (2019). Legal framework for regulating online lending in Indonesia. . *Journal of Law, Policy and Globalization, 87*, 59-63.

Kusuma, K. A. (2016). Mengembangkan Indikator Ekonomi Islam Melalui Zakat: Sebuah Kerangka untuk Mengukur Kesejahteraan Masyarakat/Negara Muslim. *Seminar Nasional dan The 3rd Call For Syariah Paper (SANCALL) 2016* (pp. 251-269). Surakarta: Universitas Muhammadiyah Surakarta.

Kusuma, K. A. (2023). BankZiska: A New Hope for the Unbanked and Poor in Indonesia. *International Conference on Intellectuals' Global Responsibility (ICIGR 2022)* (pp. 436-446). Atlantis Press.

Lang, K. L. (2022). Borrowing in an Illegal Market: Contracting with Loan Sharks. *The Review of Economics and Statistics*, 1-31.

Lawal, I. M. (2016). Riba (Usury); a Tool that should be Carved out of Financial Transactions. *Turkish Journal of Islamic Economics, 3(2)*, 13-24.

Lea, S. E. (2021). Debt and overindebtedness: Psychological evidence and its policy implications. *Social Issues and Policy Review, 15(1)*, 146-179.

Lewison, M. (1999). Conflicts of interest? The ethics of usury. *Journal of Business Ethics, 22*, 327-339.Marinaro, I. C. (2022). Informal lending: The challenges of financial liminality. In I. C. Marinaro, *Inhabiting Liminal Spaces* (pp. 116-144). Routledge.

Martin, G. (2023). Federal Action to Cure State Inaction: Protecting Consumers from the Perils of Payday Lending. . *Lincoln Memorial University Law Review, 10(2)*, 112-133.

Mayer, R. (2012). Loan sharks, interest-rate caps, and deregulation. *Wash. & Lee L. Rev.*, , 69, 807.

Mews, C. J. (2007). Usury and just compensation: Religious and financial ethics in historical perspective. *Journal of Business Ethics, 72*, 1-15.

Mitra, S. K. (2009). Exploitative microfinance interest rates. *Asian Social Science, 5(5)*, 87-93. Mokhtar, N. D. (2018). A preliminary evaluation of financial literacy in Malaysia. *Journal of Wealth Management & Financial Planning, 5(6)*, 3-16.

Musari, K. (2017). Nanofinance, addressing the Islamic microfinance gap through global Islamic humanitarian institution. *Conference on Philanthropy for Humanitarian Aid (CONPHA)* (pp.170-183). Brunei Darussalam: Sultan Sharif Ali Islamic University.

Musari, K. (2020). Islamic Nano-Finance for the Very Poor by Women: Hopes for Addressing the Islamic Microfinance Gap. In T. Azid, *Economic Empowerment of Women in the Islamic World: Theory and Practice (Advances in Research on Islamic Economics and Finance)* (pp.265-286). Singapore: World Scientific Publishing Co.

Musari, K. (2020). The loan shark in ASEAN: Can nanofinance with qardhul hassan deal with it? Lesson learned from bank wakaf mikro in Indonesia. *Economics, business, and Islamic finance in ASEAN economics community. IGI Global.*, 252-277.

Nawai, N. (2021). *The Implementation of Islamic Microfinancing for Poverty Alleviation in Malaysia.*

Nugent, R. (1941). The Loan-Shark Problem. *Law and Contemporary Problems, 8*(1), 3-13. Nurkamala, S. &. (2019). The threats and challenges of illegal money lending: A case study in Brunei Darussalam. *Journal of Financial Crime, 26(2). doi: 10.1108/JFC-09-2017-0097*, 373-384.

Othman, R. &. (2010). Islamic social reporting of listed companies in Malaysia. *International Business & Economics Research Journal (IBER), 9(4).*

Othman, R. A. (2017). Financial education and financial well-being: An empirical evidence from Malaysia. *Journal of Financial Counseling and Planning, 28(1)*, 48-61.

Prabowo, B. H. (2021). Financial Crisis and Usury in Digital Economic: Why Major Religion Prohibit Usury? Monetary Studies in Asia 5. *JBFEM, 4(1)*, 27-46.

Prabowo, B. H. (2022). Economic Challenges and The Potential Threat of A Debt Trap In Asia. *Tamansiswa Accounting Jurnal International, 5(1)*, 53-53.

Ramlee, S. &. (2013). Financing gap in Malaysian small-medium enterprises: A supply-side perspective. *South African Journal of Economic and Management Sciences, 16(5)*, 115-126.

Rois, A. K. (2022). The Role of Amil Zakat Institutions in the Development of Economic Da'wah (Study on Distribution of Zis Funds through the Bankziska Program in Ponorogo). *Perisai: Islamic Banking and Finance Journal, 6(2)*, 154-162.

Samad, T. F. (2022). The Peer-to-Peer Lending Phenomenon: A Review from Islamic Economic Perspective. *Khazanah Sosial, 4(1)*, 76-89.

Santoso, B. (2020). The Role of Micro, Small, and Medium Enterprises Toward Sustainable Development Goals Through Islamic Financial Institutions. *the 2nd Social and Humaniora Research Symposium (SoRes 2019)* (pp. 585-595). Atlantis Press.

Saunders, P. (2021). Loan sharking: changing patterns in, and challenging perceptions of, an abuse of deprivation. *Journal of Public Health, 43*(1), e62–e68. https://doi.org/10.1093/pubmed/fdz090

Schofield, D. (2022, February 21). *theguardian.com*. Retrieved from The Guardian: https://www.theguardian.com/money/2022/feb/21/i-didnt-know-who-to-go-to-the-desperate-people-trapped-by-loan-sharks-and-lenders-on-social-media

Setiawan, F. P. (2022). Analysis of operational risk management on BankZiska financing institution of Ponorogo branch. *International Journal of Advances in Social and Economics, 4(2)*, 57-60.

Shaharuddin, N. S. (2021). Financial planning determinants among working adults during Covid 19 pandemic. *International Journal of Academic Research in Accounting Finance and Management Sciences, 11(1)*, 285-304.

Shaikh, S. A. (2021). Progress On Sustainable Development Goals in Muslim Majority Countries. In M. K. Mehmet Saraç, *Islamic Perspective for Sustainable Financial System* (pp. 71-92). Istanbul, Turkey: Istanbul University Press.

Siddiqui, A. (2008). Financial contracts, risk and performance of Islamic banking. . *Managerial finance, 34(10)*, 680-694.

Şimşek, H. (2023). Usury in Scriptures: The Case of the Qur'an. *Journal of Economic Policy Researches, 10(1)*, 261-279.

SS, O. (2023, February 2). Benefit of Bankziska. (F. A. Futaqi, Interviewer)

Suryono, R. R. (2021). Detection of fintech P2P lending issues in Indonesia. *Heliyon, 7(4)*, e06782.

Tambunan, T. T. (2011). Development of small and medium enterprises in a developing country: The Indonesian case. *Journal of Enterprising Communities: People and Places in the Global Economy, 5(1)*, 68-82.

Thapa, G. (2006). Sustainability and Governance of Microfinance Institutions: Recent Experiences and Some Lessons for Southeast Asia. *Asian Journal of Agriculture and Development*, *3*(1-2), 17-38. https://doi.org/:10.22004/ag.econ.165786

Tritto, A. H. (2020). Governing the gold rush into emerging markets: a case study of Indonesia's regulatory responses to the expansion of Chinese-backed online P2P lending. *Financial Innovation, 6(1)*, 1-24.

Tsabita, K. (2018). Examining The External Debt Crisis in Indonesia from Islamic Perspective. *Share: Jurnal Ekonomi dan Keuangan Islam, 7(1)*, 16-36.

Tumiran. (2023, February 18). Benefit of Bankziska. (I. Fauji, Interviewer)

Wahab, M. &. (2018). The role of Islamic finance in tackling loan sharks in Malaysia. *Journal ofIslamic Accounting and Business Research, 9(2)*, 186-200.

Wigati, S. (2022). Perception of Riba According to Mtr-Masyarakat Tanpa Riba (a Community Without Usury). *PERCEPTION, 9(1)*.

Yumna, A. &. (2011). Integrating zakat and Islamic charities with microfinance initiative in the purpose of poverty alleviation in Indonesia. *8th International Conference on Islamic Economics and Finance, Center for Islamic Economics and Finance* (pp. 1-18). Qatar: Qatar Faculty of Islamic Studies, Qatar Foundation.

Yuniar, R. W. (2019, March 3). *https://www.business-humanrights.org/en/*. Retrieved from South China Morning Post: https://www.business-humanrights.org/en/latest-

ISSN: 2548-3544 (online), 2549-0850 (print)
DOI:https://doi.org/10.26740/al-uqud.v8n2.p161-174

news/indonesia- online-loan-sharks-intimidate-and-harass-borrowers-activists-call-for-better-regulations/

Yusuf, J. B. (2019). Interest-free banking and finance in Brunei Darussalam: Present realities and future prospects. *Journal of Islamic Finance, 8*, 076-089.

Zainol, Z. Z. (2016). Exploring factors that contribute to individual indebtedness among young Muslims. *International Journal of Economics and Financial Issues*, *6(7)*, 320-328.

Zairani, Z. &. (2013). Difficulties in securing funding from banks: Success factors for small and medium enterprises (SMEs). *Journal of Advanced Management Science, 1(4)*.

Zulkarnain, Z. &. (2021). From Mustahik to Muzakki: A Study on the Utilization of Zakat Funds for the Creation and Development of Productives Small Businesses in Lazismu Solo. *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, *17(1)*, 129-150.

Zulkipli, M. Y. (2017). Illegal money lending: An exploratory study in Malaysia. *International Journal of Economics, Commerce and Management*, *5(9)*, 123-137.