

Institutional Roles of Islamic Microfinance in Countering Informal Moneylenders: Evidence from Rural Communities

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Abstract

Purpose: This study examines the role of PNM Mekaar Syariah in preventing the expansion of informal moneylending practices in rural communities, particularly among women micro entrepreneurs with limited access to formal financial services. It focuses on how Islamic microfinance mechanisms and group based empowerment reduce dependence on usurious lending.

Method: A qualitative ethnographic approach was employed through participant observation, semi structured interviews, and field immersion within selected rural beneficiary groups. Data were thematically analyzed to capture patterns of financial behavior, social capital formation, and changes in borrowing practices.

Results: The findings indicate that PNM Mekaar Syariah strengthens financial discipline, enhances entrepreneurial capacity, and builds trust based social capital through group financing structures. Beneficiaries demonstrate increased financial autonomy and a notable decline in reliance on informal moneylenders. Nevertheless, the study identifies the need for continuous financial education and digital payment integration to ensure long term sustainability.

Implication: The study highlights Islamic microfinance as an effective community based strategy for preventing predatory lending and promoting sustainable financial inclusion in rural areas.

Originality: This research offers ethnographic insights into Islamic microfinance by integrating social, behavioral, and religious dimensions in addressing informal moneylending practices in rural Indonesia.

Keywords: Islamic Microfinance; Informal Moneylenders; Rural Communities; PNM Mekaar Syariah

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Introduction

Informal finance, particularly loan sharking, remains a deeply rooted institution in rural Indonesia despite ongoing efforts to promote formal financial inclusion. Data from the 2024 National Survey of Financial Literacy and Inclusion (SNLIK) shows that the financial inclusion index in rural Indonesia (70.13%) is lower than in urban areas (78.41%), indicating that rural communities' access to formal financial services remains limited, leading to the continued entrenching of non-bank and informal financial sources such as family/friend loans and moneylenders (OJK, 2024). This phenomenon is driven by a combination of geographic factors, complex bureaucracy, collateral requirements, and low financial literacy (Sularmi & Rismanty, 2023). A recent ethnographic study by Green, W. N. (2025) shows that moneylenders are not simply lenders, but are social actors integrated into a network of patron-client relationships, who exploit emotional closeness and immediate needs as their main attractions, even with interest rates that can reach 10-30% per month.

As reported on the official Riau PPID website, the Financial Services Authority (OJK) acknowledges the difficulty of eradicating moneylenders in Riau, despite the efforts of the Regional Financial Access Acceleration Team (TPAKD). Moneylenders offer easy loans, such as "bank 46" (borrow at 4 a.m., return at 6 p.m.), with 50% interest. Traders prefer moneylenders because of the speed of disbursement, despite the high interest rates. The OJK, TPAKD, and Bank Indonesia (BI) continue to seek solutions, including encouraging banks and other financial institutions to facilitate loans (ppid.riau.go.id, 2022). Therefore, the author was interested in using Riau as a research location.

In response, the government has launched various Sharia-compliant microfinance programs, which are expected to provide a more ethical alternative. One such program is the Mekaar Syariah program under Permodalan Nasional Madani (PNM), which specifically targets underprivileged women in rural areas. By the end of 2023, this program had reached more than 13 million female customers across Indonesia (Republika Online, 2025), including in Riau. What distinguishes Mekaar Syariah from moneylenders and conventional microfinance institutions is the integration of sharia principles (such as profit-sharing/mudharabah and the prohibition of usury) with group-based social mechanisms. This approach not only offers access to capital but also creates a space for financial education, collective discipline, and social solidarity (Wulandari & Nasik (2023).

However, claims that formal microfinance can "prevent" or "replace" moneylenders cannot be taken for granted. Quantitative research by (Ulfi, 2023) found that in some areas, the presence of microfinance institutions actually coexists with moneylenders, as each serves different needs, risks, and social relationships. Therefore, to truly understand their preventive role, an approach that can delve into the social, cultural, and meaning-based complexities behind people's financial choices is necessary. Ethnographic methods are critical here, as they allow researchers to uncover the "practical logic" and moral economy that frame people's choices between moneylenders and formal programs (Akello & Kamau, 2025).

This study identified two research gaps. First, substantively: As-Salafiyah and Kartikawati (2025) in their literature review of Islamic microfinance in Indonesia noted that most empirical research still focuses on economic outcomes and Sharia compliance principles, while analysis of how the socio-religious mechanisms of Islamic microfinance

institutions interact, synergize, or compete with informal moneylender practices within the socio-cultural context of the community is still very limited. Second, methodologically: Previous research evaluating informal credit markets and the role of Islamic microfinance institutions shows that most studies are still quantitative or general assessments of economic impacts, and that in-depth ethnographic studies capable of uncovering socio-cultural dynamics, value negotiations, and conflicts between formal Sharia principles and local economic practices are still very limited (Ulfi, 2023).

Based on the above background, this research was formulated to answer the main question: "How do the social, cultural, and religious processes in the implementation of the Mekaar Syariah National Program (PNM) shape preventive mechanisms against dependence on informal moneylenders in rural communities?" The research objective is to ethnographically analyze the strategies, interactions, and meanings constructed through the Mekaar Syariah program, as well as the resistance or adaptation that emerges, in creating an alternative financial landscape at the grassroots level.

The significance of this research includes: 1) Theoretically, contributing to the study of Islamic economic and financial anthropology by offering an ethnographic perspective on the intersection between formal institutions, informal finance, and religious morality; 2) Practically, generating contextual, evidence-based recommendations for PNM managers and policymakers to design financial interventions that are more socio-culturally sensitive and effective in breaking the cycle of dependence on moneylenders. Thus, through an ethnographic approach involving participant observation, in-depth interviews, and focus group discussions in selected rural communities, this study argues that the effectiveness of PNM Mekaar Syariah in preventing moneylenders depends not only on lower interest rates, but primarily on its ability to build and mobilize social capital (trust, networks, norms of reciprocity) and religious capital (sharia values) that together create an alternative financial system that is not only more affordable, but also more dignified and embedded in community values.

Literature Review

Islamic microfinance

Islamic microfinance has emerged as a fundamental instrument to enhance financial access for low-income households in Muslim-majority countries, particularly in rural settings. Hidayat (2023) argues that microfinance institutions (MFIs) serve as a bridge for marginalized groups excluded from formal banking. In Indonesia, this mission is reinforced by government-backed initiatives such as PNM Mekaar Syariah, which targets unbanked women entrepreneurs in rural areas (Saifuddin & Suwaibatul, 2025). The growing emphasis on Islamic-based models reflects the demand for financial services that are not only accessible but also ethically aligned with religious values (Franciosi, 2025).

A key theme in Islamic microfinance literature is its role in poverty alleviation and women's empowerment. Women's empowerment involves access to resources, improved decision-making autonomy, and enhanced well-being. In the context of Islamic microfinance, positive socio-economic impacts among female borrowers across Southeast Asia (Hamdan & Kassim, 2024). Similarly, Septiyana, (2025) finds that women in Mekaar

Syariah programs experience improved income stability and confidence in economic decision making.

Despite these benefits, informal lending remains pervasive in rural Indonesia. Dwiputri (2025) show that predatory moneylenders thrive due to fast disbursement and relational trust, even when interest rates are exploitatively high. A study in West Java reports that informal lenders not only trap families in debt, but also impose harsh social pressure. Therefore, Islamic microfinance must be evaluated not only on income outcomes, but also on how effectively it reduces reliance on informal credit channels.

Group based lending systems are central to Islamic microfinance operations. Mekaar Syariah applies joint liability (*tanggung renteng*), fostering solidarity and reducing default risk. That group meetings provide emotional and financial support, enabling women to avoid informal debt cycles. Social capital theory, emphasizing shared norms and trust as drivers of collective economic resilience. Ethical financing models also influence borrower behavior. Islamic contracts cultivate discipline and mutual accountability by emphasizing fairness and moral finance. Social responsibility embedded in Islamic principles strengthens borrowers' commitment to ethical financial practices. Poverty programs succeed when social infrastructure complements financial services (Sanrego & Antonio, 2025).

Financial Literacy

Financial literacy is defined as the knowledge, skills, and beliefs that influence a person's attitudes and behaviors to make informed financial decisions to achieve financial well-being (Asep, 2025). This concept goes beyond simply understanding financial products; it encompasses the ability to manage income, save, invest, understand risks, and plan for a financial future effectively. According to the Financial Services Authority (OJK, 2025), financial literacy indicators encompass four main aspects: knowledge (understanding basic financial concepts such as inflation, interest rates, and risk diversification), skills (the ability to apply knowledge in budgeting, planning, and debt management), beliefs/attitudes (confidence in making financial decisions and a tendency to think long-term), and behavior (saving habits, paying obligations on time, and choosing appropriate financial products). In rural communities, this indicator is often manifested in the ability to distinguish between needs and wants, and understanding the fundamental differences between loans from formal institutions and debts to informal moneylenders.

In rural areas, especially for women, improving financial literacy brings multidimensional benefits. First, financial literacy empowers women to take control of household finances, increases participation in family economic decision-making, and reduces vulnerability to predatory lending practices (Furbani, 2024). Second, good financial literacy encourages the development of savings habits and healthier cash flow management for micro-enterprises, ultimately contributing to increased household income and financial resilience (Njuguna & Muriithi, 2023). Third, financial education integrated with local and religious values, as implemented in Islamic microfinance, can build trust and loyalty, while strengthening ethical standards in fulfilling financial obligations (Marshelynda & Nisa, 2025).

Recent research consistently shows a positive correlation between financial literacy and financial well-being. Choowan, (2025), in their study found that individuals with higher

financial literacy tend to have better retirement planning, adequate savings, and the ability to avoid high-cost debt. In the Indonesian context, research by Amir Hamzah, (2025) on a microfinance program in West Java revealed that a simplified financial training module significantly improved the budgeting skills and savings behavior of housewives, resulting in a reduced dependence on emergency loans from moneylenders. Another study by Wulandari and Siregar (2025) found that financial literacy and financial awareness significantly influence financial well-being through better financial management, indicating that increased financial understanding tends to improve subjective financial well-being and reduce financial stress due to obligations and debt.

Financial literacy plays a crucial role as the first line of defense in reducing the vulnerability of rural communities to predatory loans from informal moneylenders. Low-income populations with weak financial literacy are highly vulnerable to becoming trapped in a cycle of high-interest debt (Czech, 2024). In its operations, PNM Mekaar Syariah not only provides financing but also instills financial education through structured weekly training and monitoring. This model significantly improves budgeting and saving habits and encourages responsible financing behavior among female micro-entrepreneurs (OJK Consumer Education Magazine, 2025). The integration of Islamic values into this program also strengthens contextual financial literacy. Muhammad, (2025) found that the principles of Islamic finance, which are free from usury and prioritize fairness, increase acceptance, understanding, and loyalty among rural borrowers. Furthermore, religious motivation contributes to a stronger repayment ethic among Islamic customers. These values are practiced in a group responsibility model that serves not only as a payment mechanism but also as a learning space and social support. Ridge & Farrington, (2024) observed that in weekly group meetings, female beneficiaries shared knowledge and experiences in managing their businesses, as well as provided moral support. This collective support helped alleviate the psychological stress of debt often experienced when dealing with moneylenders, where responsibility is individualized and fraught with threats.

Thus, the financial literacy developed by PNM Mekaar Syariah is holistic, encompassing cognitive (knowledge), affective (value-based attitudes), and social (collective practices) aspects. This approach helps women differentiate between needs and wants, understand the risks of high-interest loans, and better manage income and debt (Widjayanti, 2025), ultimately creating a healthier and more sustainable alternative to relying on informal moneylenders.

Method

This research uses a qualitative approach with an ethnographic case study design. The ethnographic approach was chosen to deeply explore the "culture" and economic practices within a community of low-income women in Sebangar Village, specifically regarding their interactions with two different financial systems: informal moneylenders and PNM Mekaar Syariah. Ethnography allows researchers to understand meanings, values, and social dynamics from within (emic perspective) through direct presence and in-depth participation (Amin, 2025).

The research was conducted in Sebangar Village, Bengkalis Regency, Riau Province. The location was selected based on two criteria: 1. A Clear Phenomenon: The high prevalence of informal lending practices (moneylenders) among low-income housewives. 2. The Existence of an Intervention: The presence of the PNM Mekaar Syariah group, which is active as an alternative to Islamic microfinance. This location represents a "critical case" for understanding the role of Islamic microfinance in preventing dependence on moneylenders.

Participants were selected using purposive sampling based on the following criteria: Low-income housewives who are active members of PNM Mekaar Syariah; Individuals who have previously interacted, or nearly interacted, with informal moneylenders.; Mekaar Syariah field officers (Account Officers); Village community figures knowledgeable about informal lending practices and the presence of Mekaar Syariah. A total of 6 participants were involved, consisting primarily of Mekaar group members.

Table of Informants

Code	Position
Informant 1	Account officer
Informant 2	Beneficiary-Grocery
Informant 3	Beneficiary-Homemade-cake seller
Informant 4	Beneficiary-Grocery
Informant 5	Beneficiary-Greengrocer
Informant 6	Beneficiary-Tailor

Data Collection Methods

1. Observation: The researcher attended Mekaar group activities, including weekly meetings and installment collection sessions, to understand member interactions and social dynamics.
2. In-Depth Interviews: Interviews were conducted with Mekaar members, field officers, and local community leaders to capture experiences, motivations, and perceptions regarding moneylenders and Mekaar Syariah. Interviews are conducted in a comfortable setting for the participants (home, stall), one-on-one, using local language (Riau Malay) if necessary. Duration: 45-60 minutes. Begin with informed consent.
3. Documentation: Documents such as internal PNM Mekaar reports, program records, field notes, and group activity photos were collected to support primary data.

Data Analysis Techniques

- a. Data Reduction: filtering interview, observation, and documentation data relevant to the research focus.
- b. Data Display: organizing findings into matrices, ethnographic narratives, and thematic categories.

- c. Conclusion Drawing/Verification: interpreting emerging patterns and meanings to understand the role of Mekaar Syariah in preventing informal lending practices in rural communities.

Result and Discussion

Strengthening Social Capital through Joint Liability

The findings show that the joint-liability (*tanggung renteng*) system in PNM Mekaar Syariah significantly strengthens social capital among group members. Weekly meetings foster accountability, discipline, and emotional bonds, reducing credit default risk. Respondents reported that peer motivation and moral support encouraged timely repayment and reduced stress compared to individual borrowing from moneylenders. This finding aligns with Rahman and Dean (2022), who found that group-based Islamic microfinance strengthens mutual support networks and collective economic resilience.

The joint liability system has been shown to strengthen mutual trust and discipline among members.

" If I am late in making a payment, I not only feel embarrassed but also experience a sense of guilt toward the other women. We support one another rather than place pressure on each other." (Informant 4, 11 Oktober 2025)

Another informant also reinforced this:

" We consistently uphold the principle of mutual assistance rather than pressure. Joint responsibility is not a matter of coercion, but a means of fostering mutual trust and discipline." (Informant 1, 11 Oktober 2025)

These findings indicate that Mekaar Syariah's collective approach creates a social support network that acts as a bulwark against the psychological pressures of debt and informal loan shark practices. This statement demonstrates the internalization of values of togetherness and social support that encourage responsible financial behavior. The findings indicate that social capital, particularly social networks and interpersonal relationships, is a key determinant in the development of Islamic microfinance institutions, including group financing mechanisms and member interactions. (Matondang, et.al,2025)

Unlike the fear-based practices of moneylenders, group lending models in Islamic microfinance embed social capital and moral solidarity that strengthen repayment behavior without coercive pressure. For instance, the study by Sanrego and Antonio (2013) found that social capital within Islamic group lending significantly influences borrowers' likelihood to repay on time due to trust and collective support rather than external enforcement. Similarly, Subchi, Jahar, and Prasetyowati (2024) emphasize that religious traditions and interpersonal networks serve as key social capital factors underlying member cohesion and ethical responsibility in Islamic microfinance groups. In line with this, community-based microfinance research shows that Islamic institutions empower members through cooperation and mutual assistance, reinforcing communal accountability

Behavioral Shift Away from Informal Lending

During the observation period of this study, it was found that most participants had prior experience with informal lending, often driven by emergencies or the absence of collateral. However, after joining Mekaar Syariah, they expressed a reluctance to return to

moneylenders, citing improvements in financial literacy and the development of structured saving habits. This finding is consistent with Muslichah et al. (2024), who demonstrate that continuous Islamic financial education enhances financial self-efficacy, leading to improved self-control and gradual changes in consumption behavior.

Participants consistently emphasized that field officers (Account Officers) regularly reminded them to avoid informal debt, framing such guidance within the context of Islamic ethics and responsible financial behavior. This educational dimension distinguishes Mekaar Syariah from conventional microfinance programs. Similar outcomes from morality-based interventions have also been observed in community Islamic lending circles in Malaysia (Ahmad & Omar, 2021).

Informant 3 also stated:

" Previously, any money I received was immediately spent. Now, I have learned to keep proper records and to distinguish between capital and earnings. Although the amount may be small, I can clearly perceive the difference." (Interview, 11 Oktober 2025)

Informant 1 further emphasized that the acquisition of financial literacy has led to noticeable behavioral changes. This transformation in financial behavior serves as the foundation for sustainable economic independence

"Many women initially didn't understand bookkeeping. We taught them gradually. Not just about paying installments, but also learning how to manage their money." (Interview, 11 Oktober 2025)

Women's Empowerment and Household Economic Stability

Informants also reported enhanced decision-making capacity and increased confidence in managing micro-businesses such as food stalls, tailoring services, and home-based snack production. These findings align with empirical evidence that Islamic microfinance contributes to women's economic empowerment, income growth, and household autonomy. For instance, Aisyah and Almuzayyad (2024) found that microfinance services not only increase women's income but also transform household power dynamics and economic decision-making. Likewise, Alaghbari et al. (2023) demonstrate the significant role of Islamic microfinance in empowering women economically in rural contexts. Research by Yulia Febriyati (2025) further confirms that women's empowerment through shariah-based economic participation significantly improves family welfare, and empowerment of female household heads enhances economic stability and family income.

Informant 2 revealed a notable improvement in self-confidence. Through the financing received, she has been able to help meet her family's needs.

" I used to stay at home with no role in financial matters. After joining the program, I am now able to manage my own money and support the household finances." (Interview, 11 Oktober 2025)

This statement aligns with Siregar's (2022) findings that PNM increases women's economic participation. Psychological stress from loan shark debt is reduced, supporting family well-being. Huda et al. (2022) emphasize the role of Islamic microfinance in improving household stability.

Women stated that participation in Mekaar enabled them to avoid the financial humiliation often associated with borrowing from moneylenders. Family stability also improved, as conflicts arising from debt-related stress declined. Previous studies have similarly highlighted the role of microfinance in enhancing women's agency and promoting family welfare. (Kabeer, 2017; Huda et al., 2022).

Financial Literacy and Responsible Borrowing

The weekly sessions incorporate financial lessons on budgeting, saving, and earning halal income. Participants reported gaining confidence in calculating costs and profits, as well as developing basic bookkeeping skills that they previously lacked. According to Lusardi and Mitchell (2014), financial literacy is a strong predictor of responsible borrowing behavior.

Informant 5 explained that she has begun to document all income and expenditures, although the process remains relatively simple

"The staff provided guidance on financial record-keeping, enabling me to understand and calculate profit and loss.." (Interview, 2024)

This indicates an increase in practical financial literacy, supporting the theory of Lusardi & Mitchell (2014). The majority of informants stated that before joining Mekaar Syariah, they had experienced debts from moneylenders with daily interest rates. Mekaar Syariah became an alternative that provided a sense of security, peace of mind, and dignity.

Informant 5 also added that the financing given by Mekaar make her feel secure rather than from loan shark.

"I no longer want to borrow from moneylenders. At Mekaar, it's halal, I feel more at ease, and no one gets angry." (Interview, 11 Oktober 2025)

In addition, informant 1 also explained the institutional perspective from financing distribution is to cut ties with moneylenders which given many troubles to society.

"PNM Mekaar Syariah is not just to provide financing, but to help people to end dealings of exploitation by moneylenders. Many women recently have the courage to say 'no' to moneylenders." (Interview, 11 Oktober 2025)

This supports existing literature that Islamic microfinance can reduce financial exploitation and enhance social dignity. For instance, Haq & Harahap (2021) found that Islamic microfinance clients experience reduced dependency on exploitative lending practices and improved economic empowerment. Research further highlights the role of Islamic financial literacy in shaping ethical financial behavior; Ahmad & Mahdzan (2023) demonstrate that literacy encompassing halal and haram values increases ethical awareness and influences responsible financial decisions. Aziz & Arshad (2022) also reveal that Islamic financial literacy promotes savings and investment behaviors aligned with ethical obligations. Additionally, Wardhani & Hamid (2022) provide evidence that such financial education and support mechanisms encourage clients to shift from consumptive borrowing toward productive micro-enterprise investment, reflecting a substantive change in financial behavior among microfinance beneficiaries.

Emotional and Spiritual Support System

Participants described experiencing a sense of peace and dignity when borrowing under islamic financial product which also sharia-compliant principles. The group functions

as a support system that provides both emotional and religious motivation. This form of spiritual reinforcement aligns with Rahim and Ismail's (2021) findings that faith-based finance enhances borrower dignity and mitigates financial anxiety.

Informant 6 expressed that she felt a sense of tranquility, which allowed her to make optimal use of the financing provided by PNM Mekaar Syariah.

"I used to feel uneasy when borrowing from others, fearing harsh treatment during repayment. Now, I feel at peace because the financing is conducted in a halal manner." (Interview, 11 Oktober 2025)

Group support creates inner peace, as Rahim & Ismail (2021) explain regarding the role of spirituality in Islamic finance. The staff's approach is friendly and humane, in line with the principle of compassion in Islamic economics (Chapra, 2019).

In addition to economic aspects, religious values are an important element in fostering members' moral commitment to using financing in a trustworthy manner. The Sharia-based approach fosters a sense of tranquility and emphasizes the pursuit of blessings (*barakah*).

Some informants also stated that this financing model has strengthened our sense of religious consciousness.

"The Sharia-compliance system feels different from conventional financing. We are also spiritually supported through religious guidance provided by the program."

"We encourage women not only to gain material benefits, but also to maintain the blessings of their businesses." (Interview, 11 Oktober 2025)

Unlike moneylenders, who threaten or shame borrowers, Mekaar officers guide and motivate members through compassion and soft reminders. This demonstrates how Islamic ethics in finance strengthen morale and trust (Chapra, 2019).

Reduction of Social Exploitation and Economic Violence

Observations showed that some of beneficiaries previously suffered verbal abuse or intimidation from moneylenders, including threats of confiscating household goods. After joining Mekaar, no such incidents were reported, showing reduced financial violence. This aligns with studies linking ethical microfinance to reduced household financial stress.

Informant 5 stated that she scolded due to late payment.

"I was once scolded in front of my neighbors for being late with a payment. It was so embarrassing. That's never happened during I joined PNM Mekaar Syariah here." (Interview, 11 Oktober 2025)

This finding supports Yumna & Clarke (2019)'s finding that Islamic financing reduces vulnerability to exploitation. The shift represents not only financial protection, but also social protection and dignity restoration a key aim of Islamic economic philosophy (Siddiqi, 2020).

Respondents emphasized trust in Mekaar due to government backing and transparency. This trust reduces psychological barriers to formal finance. Prior literature confirms institutional legitimacy as a key acceptance factor in Islamic microfinance (Setiawan

& Rusydiana, 2023). The program's reputation and weekly meetings create an open monitoring environment that discourages misuse of funds, improving repayment discipline.

Members trust the program because it is government program.

"It's from the government, so I'm confident to join." (Interview, 11 Oktober 2025)

Setiawan & Rusydiana (2023) stated that institutional legitimacy is crucial to the success of Islamic financing. The weekly meeting system reduces moral hazard.

Ethnographic immersion revealed that informal debt remains culturally normalized in rural settings due to fast cash access and social familiarity. However, Mekaar gradually shifts norms by making ethical finance socially desirable. Ethnographic studies similarly show that microfinance transforms informal credit culture through habit formation (Karim, 2020). Women began acting as ambassadors of ethical finance, discouraging others from using moneylenders. This grassroots advocacy illustrates bottom-up financial reform. Loan shark loans were initially considered "reasonable because they were easy," but this has shifted. Karim (2020) emphasize cultural change through social interaction. Members invite neighbors to join, becoming agents of socio-religious change.

Some participants reported feeling pressured to attend weekly meetings despite their household responsibilities, while others identified the small initial loan size as a limitation. These concerns align with critiques of standardized microfinance structures noted by Morduch (2020). Nevertheless, participants acknowledged that the program's emphasis on discipline and gradual financing growth helps protect them from over-borrowing, distinguishing Mekaar from predatory lending schemes.

The program strengthens household microenterprise resilience and prevents debt traps, aligning with the *maqāṣid al-sharī'ah* particularly the preservation of wealth and dignity. These findings reinforce that Islamic microfinance can serve not only as an anti-poverty instrument but also as a moral economic system (Dusuki & Abdullah, 2021). Ultimately, PNM Mekaar Syariah functions not merely as a financial service, but as a socio-religious movement that fosters collective resilience, reduces exploitation, and promotes ethical development in rural Indonesia.

The realization of *maqāṣid al-sharī'ah* within the PNM Mekaar Syariah program is reflected in its holistic efforts to safeguard and enhance the welfare of the poor. One of the key pillars of *maqāṣid*, *ḥifẓ al-māl* (protection of wealth), is manifested through the provision of safe, usury-free financing accompanied by continuous financial education. Group members not only receive capital but are also trained to manage income and savings, enabling them to avoid exploitative financial practices such as loan sharking. This approach highlights that the program is not solely focused on profitability, but also seeks to cultivate fair and sustainable economic practices rooted in Sharia values.

Furthermore, the principles of *ḥifẓ al-nafs* (protection of the soul) and *ḥifẓ al-‘aql* (protection of the mind) are reflected in members' enhanced mental resilience, self-confidence, and financial literacy. Many women who previously suffered psychological distress due to loan shark debt now experience a renewed sense of security and opportunity for growth. Regular educational sessions held during weekly meetings improve their financial understanding and decision-making, fostering more rational and planned approaches to

business and consumption. As one participant, Sindy, expressed: “When women are no longer burdened by daily debt, their minds feel much calmer, and that helps them focus on building their businesses.” This illustrates how the program contributes to freeing members from the mental and social pressures that undermine their dignity.

The spiritual dimension of *maqāṣid*, particularly *ḥifẓ al-dīn* (protection of faith), is also evident in the integration of religious values such as business blessings (*barakah*) and the principles of *ḥalāl* and *ṭayyib* (lawful and wholesome) into financing activities. The religious approach embedded in group development fosters awareness that conducting business in accordance with Sharia principles is a form of worship and a means of attaining inner peace. Account Officers frequently emphasize the importance of blessings over mere profit: “Mekaar Syariah teaches women to seek *ḥalāl* and blessed sustenance, not just larger income.” This moral-spiritual foundation strengthens participants’ motivation to manage their businesses ethically, honestly, and productively for the benefit of their families and communities. Thus, Mekaar Syariah contributes to holistic human development in alignment with the overarching objectives of the *maqāṣid al-sharī‘ah* integrating material empowerment with spiritual, ethical, and social well-being.

Conceptual Summary

To strengthen the analytical depth of this discussion, a conceptual table such as:

Sharia (Maqāṣid al-Sharī‘ah)	Principle	Behavioral and Social Outcomes	Economic Impacts
Ḥifẓ al-Māl (Protection of Wealth)		Financial literacy, avoidance of <i>riba</i>	Increased savings and responsible borrowing
Ḥifẓ al-Nafs (Protection of Life/Dignity)		Reduced stress, avoidance of exploitation	Household stability and debt-free security
Ḥifẓ al-‘Aql (Protection of Intellect)		Enhanced decision-making and knowledge	Productive microenterprise growth
Ḥifẓ al-Dīn (Protection of Faith)		Strengthened spiritual motivation	Ethical and sustainable business behavior

Conclusion

This research concludes that the financing model implemented by PNM Mekaar Syariah effectively supports micro-entrepreneurs, particularly women from low-income households, through accessible and sharia-compliant capital distribution. The financing process which emphasizes group guarantees, weekly mentoring, and capacity-building successfully promotes financial inclusion and economic empowerment in underdeveloped communities. The findings also indicate that the institution's operational mechanism aligns with the principles of Islamic finance, particularly in avoiding *riba*, promoting partnership values, and fostering social welfare. Based on interviews with informants above, it was revealed that the beneficiaries experience increased business turnover, improved financial literacy, and stronger business confidence after receiving financing. Additionally, intensive

assistance and close monitoring help reduce moral hazard, enhance discipline, and strengthen social solidarity among group members. The role of AO as facilitator, educator, and supervisor is proven to be crucial in ensuring financing sustainability and borrowers' success.

In terms of Maqasid al-Shariah realization, the program contributes to poverty reduction, protection of wealth (hifz al-maal), and enhancement of knowledge (hifz al-'ilm) through continuous mentoring. It also promotes family welfare (hifz al-nasl) and strengthens social cohesion (maslahah). Thus, PNM Mekaar Syariah not only facilitates capital access but also plays a significant role in strengthening community welfare in accordance with sharia objectives. Overall, PNM Mekaar Syariah's financing model demonstrates a positive socio-economic and spiritual impact, indicating that micro-sharia financing combined with empowerment strategies is an effective tool for sustainable community development. Future research could explore long-term income growth data and compare the model with other Islamic microfinance institutions to strengthen empirical findings.

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