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HANDLING OF MEMBERS WHO FAIL TO PAY DUE TO DEATH FROM AN ISLAMIC PERSPECTIVE
(Case Study at KSPPS Guna Lestari Jaya Tegalsambi Branch)

Lutfi Nur Amalia
Nahdlatul Ulama University of Jepara, Indonesia (211420000543@unisnu.ac.id)

Ahmad Fauzan Mubarak
Nahdlatul Ulama University Jepara, Indonesia (fauzan@unisnu.ac.id)

Miswan Ansori
Nahdlatul Ulama University Jepara, Indonesia (miswan@unisnu.ac.id)

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ABSTRACTS
Sharia Financing Savings and Loans Cooperative (KSPPS) as a sharia microfinance institution has an important role in empowering the community's economy based on Islamic principles. One of the challenges faced is the risk of default due to the death of a member, which can have an impact on the sustainability of the institution and raise issues of justice. This study aims to , determine the mechanism for handling cases of default due to death at KSPPS Guna Lestari Jaya Tegalsambi Branch, analyze its compliance with Sharia principles from an Islamic economic perspective, and examine the implications for institutional sustainability and member welfare. The research method used is qualitative descriptive with data collection techniques through interviews, observations, and documentation. The results of the study indicate that KSPPS Guna Lestari Jaya implements settlement through deliberation, tabarru' funds, and a sharia insurance scheme (ta'awun) according to previous agreements. This mechanism reflects the principles of mutual assistance, social responsibility, and justice, and avoids elements of usury and gharar. Thus, the handling of default due to death at this KSPPS is in accordance with Islamic economic principles.

A. INTRODUCTION

Based on internal data from KSPPS Guna Lestari Jaya Tegalsambi Branch obtained through reports on problematic financing and interviews with the Branch Manager (July 10, 2024), in the 2022–2024 period, there were an average of 9–11 cases of members passing away with outstanding financing obligations each year. The total value of arrears from these cases is estimated to reach IDR 80–95 million per year, with an accumulation of around IDR 260 million in the last three years. The settlement of arrears is carried out through three main mechanisms: sharia insurance claims (*ta'awun)* covering around 55% of cases, utilization of tabarru' funds 30%, and execution of collateral 10%. The remaining 5% is settled directly by the heirs. Although this mechanism helps reduce the risk of loss, a number of problems remain, including: (1) limited tabarru' funds due to relatively small contributions, (2) low member participation in the *ta'awun* program, and (3) refusal or delay in the settlement of obligations by heirs, resulting in financing stagnation. Previous handling through family deliberation, tabarru' funds, and *ta'awun* has maintained the stability of the institution, but has not fully addressed the root causes of financing protection. This approach is expected to become a *best practice* reference for KSPPS and other Islamic microfinance institutions.

The Sharia Financing Savings and Loan Cooperative (KSPPS) as a sharia microfinance institution plays an important role in empowering the community's economy based on Islamic principles. KSPPS itself is part of a sharia-based savings and loan cooperative that operates under Law Number 25 of 1992 concerning Cooperatives. The existence of KSPPS as a sharia cooperative does not only focus on savings and loan activities, but also applies Islamic economic principles that emphasize justice, togetherness, and mutual assistance among members. With this legal basis, KSPPS has the legitimacy to carry out its function as a microfinance institution that supports the economic welfare of the people through a cooperative-based economic model and Sharia values (Laila Hasanah, 2023). The development of Islamic financial institutions in Indonesia cannot be separated from efforts to create an inclusive, equitable financial system that is in accordance with the principles of Islamic teachings. (Ayu Dewi, 2022).

According to Antonio (2019), as a sharia microfinance institution, KSPPS has two main functions, namely social and business functions. The social function of is realized through the management of zakat, infaq, alms, and waqf (ZISWAF) funds to help people in need (Fauziyah & Kusumawardani, 2020). Meanwhile, the business function is carried out through financing, savings and loans, and investment activities in accordance with Islamic principles. The advantages of KSPPS lie in its proximity to the community, flexibility of services, and the application of the values of justice, mutual assistance, and social responsibility in every aspect of its operations (Sari Putri & Huda Ramadhan, 2022).

However, in its journey, KSPPS also faces various challenges, one of which is financing risk, especially the risk of default by members. Default risk is a situation in which members who obtain financing are unable to fulfill their obligations, whether in the form of principal installments, margins, or financing profit sharing. One condition that often occurs and cannot be avoided is when a member defaults due to death before their financing obligations are paid off (Widya Ayuningsih, 2021). This condition not only has an impact on the financial aspects of the institution, but also raises issues of fairness and social responsibility, both for the heirs and the institution itself.

KSPPS Guna Lestari Jaya Tegalsambi Branch is one of the Islamic microfinance institutions that also faces similar problems. The case of a member who died before his financial obligations were paid off raised the need for a settlement mechanism that is not only administratively fair, but also in accordance with Islamic principles. In Islam, death is a decree of Allah SWT that cannot be delayed or hastened. Therefore, the handling of the remaining debt obligations of a Muslim who has passed away must take into account the provisions of muamalah fiqh, particularly those related to the obligation to repay debts through inheritance (tirkah) and the responsibilities of heirs (Nurhaliza, Hamdani, & Hasan Basri, 2021).

The risk of financing due to the death of a member is not a trivial matter, considering that it can have a systemic impact on the sustainability of KSPPS. When a member dies, the responsibility for repaying the financing should ideally be taken from the estate. However, in reality, not all members have sufficient financial planning or assets to cover the remaining obligations. In fact, in some cases, the heirs are unwilling or unable to repay the remaining financing, which has the potential to cause financing defaults. This not only affects the financial condition of the KSPPS, but can also cause social tension if not handled wisely (Maysarah Rahmah, 2023).

The existence of KSPPS itself cannot be separated from government regulatory support, one of which is Law Number 25 of 1992 concerning Cooperatives. This law is the main legal basis for cooperative operations, including sharia cooperatives such as KSPPS, which function as microfinance institutions based on sharia principles. This law provides legal certainty while encouraging community participation in economic activities through cooperatives that are oriented towards the welfare of their members. With this legal framework, KSPPS has strong legitimacy to carry out its function as a microfinance institution that is not only profit-oriented but also promotes economic empowerment through the principles of justice, solidarity, and mutual cooperation.

On the other hand, the settlement of debts owed by deceased members in Islam has clear rules. Debts are obligations that must be settled before the inheritance is distributed to the heirs. The Prophet Muhammad himself emphasized that a person's soul can be held until their debts are paid off. Therefore, Islamic financial institutions such as KSPPS need to implement settlement mechanisms that are not only administratively effective but also in line with sharia principles (Yosi Purvitasari, 2024).

The problem becomes even more complex when there are insufficient assets or the heirs are unwilling to bear the remaining obligations. In such circumstances, Islamic financial institutions are required to have wise policies that are in accordance with Islamic law in resolving these issues. One such policy is to utilize the ta'awun insurance scheme, the use of tabarru' funds, or resolution through family channels before taking legal action (Annisa Novitasari, 2019).

In practice, KSPPS Guna Lestari Jaya Tegalsambi Branch prioritizes resolution through a family-oriented approach and deliberation. Efforts to recover financing are made by granting extensions, negotiating with heirs, and seeking solutions that are not burdensome. Legal action is taken as a last resort if no solution can be found through deliberation. Even if the case has entered the legal realm, KSPPS leaves the handling entirely to a third party, namely the institution's lawyers.

In addition, collateral in Islamic financing also plays an important role as a form of risk mitigation. Collateral can take the form of valuable assets such as land, vehicles, or securities submitted at the time of the financing agreement. If a member passes away and the heirs are unable or unwilling to settle the obligations, KSPPS has the right to execute the collateral in accordance with the authority granted. However, this process is still carried out by prioritizing the principles of fairness, wisdom, and sharia values.

As the number of members and the complexity of transactions increase, the operational challenges faced by KSPPS also become more diverse. Events beyond human control, such as the death of a member, are one of the risk factors that need to be anticipated systematically and in accordance with sharia principles. Risk management not only covers technical and administrative aspects, but must also consider ethical, social, and spiritual aspects as mandated in Islamic teachings (Abdul Majid Toyyibi, 2025).

Theoretically, this study is based on the concept of Fikih Muamalah, which regulates the obligation to repay debts through inheritance (tirkah) before the distribution of inheritance, the principles *of ta'awun* (mutual assistance) and *al-'adl* (justice) in the settlement of obligations, as well as the theory of sharia financing risk management that prioritizes the balance between institutional sustainability and member protection. The analysis is also reinforced by the *maqashid sharia* framework, particularly the preservation of wealth (*hifzh al-mal)* and life (*hifzh al-nafs)*, so that the proposed mechanism is not only administratively effective but also sharia-compliant.

The novelty of this research lies in the development of a model for handling default due to death that integrates administrative, social, and spiritual approaches simultaneously, based on actual practices at KSPPS Guna Lestari Jaya Tegalsambi Branch. This model formulates systematic steps that combine deliberation, tabarru' funds, *ta'awun,* and sharia financial literacy education as a unified strategy that has not been comprehensively described in previous studies.

B. RESEARCH METHOD

This study uses a **descriptive qualitative** approach, as its focus is to describe in depth the mechanism for handling members who default on payments due to death at KSPPS Guna Lestari Jaya Tegalsambi Branch. The research process was carried out through the following operational stages. The first stage was **problem identification.** The researcher conducted an initial investigation into cases of default due to member death through preliminary studies and direct observation during the internship period. This identification aimed to determine the characteristics of the problem, its level of urgency for the institution, and its relevance to sharia principles.

The second stage was **determining the location and subject of the study.** The research location was selected purposively, namely at KSPPS Guna Lestari Jaya Tegalsambi Branch, because this institution has well-documented handling procedures. The research subjects included three groups of key informants: (1) the Branch Manager, who understands internal policies; (2) the Sharia Supervisory Board (DPS), which assesses the compliance of procedures with Islamic law; and (3) the heirs of members who are directly involved in the financing settlement process.

The third stage was data collection**.** The techniques used included:

1. Field observation**,** to record in detail the actual procedures for handling the financing of deceased members, including the deliberation and decision-making processes.

2. In-depth interviews, using semi-structured interview guides with KSPPS administrators, DPS, and heirs to obtain factual data and perspectives from each party.
3. Documentation, by collecting archives and supporting documents such as minutes of meetings, lists of outstanding payments, insurance claim records (*ta'awun*), and reports on the use of tabarru' funds.

The fourth stage is data analysis, conducted interactively according to the Miles and Huberman model, which includes:

1. Data reduction, by sorting relevant information according to the research focus.
2. Data presentation, in the form of tables, charts, and financing settlement flowcharts.
3. Drawing conclusions by linking field findings to the theories of Fiqh Muamalah, *maqashid syariah*, and sharia financing risk management.

The fifth stage is data validation through *source triangulation*, which involves comparing information from interviews, observations, and documentation to ensure data accuracy and validity. The final stage is the formulation of a problem-solving model, which involves compiling strategic recommendations based on best practices found in the field, integrating administrative, social, and spiritual aspects in accordance with Islamic economic principles. This model is then formulated into steps that can be adopted by KSPPS and other Islamic microfinance institutions.

C. RESULTS AND DISCUSSION

RESULTS

Based on observations, interviews, and documentation, several key findings were obtained regarding the mechanism for handling defaults due to death at KSPPS Guna Lestari Jaya Tegalsambi Branch:

1. Recording of Remaining Obligations
   KSPPS keeps detailed records of the remaining obligations of deceased members, including principal installments, margins, and other obligations.
2. Consultation with Heirs
   This is done to determine a mutually agreed settlement mechanism, taking into account the economic conditions of the heirs.
3. Three Settlement Mechanisms
   a. Sharia Insurance Claims (Ta'awun) for members enrolled in this program.
   b. Utilization of Tabarru' Funds for members who do not have insurance but meet the criteria for assistance.
   c. Enforcement of collateral if tabarru' funds and insurance are insufficient, or if the heirs are unable/unwilling to pay.
4. Time Extension and Restructuring
   Granted to heirs who demonstrate good faith in repaying their obligations in installments.
5. Documentation and Administration
   All processes are accompanied by minutes of deliberations and proof of repayment transactions.

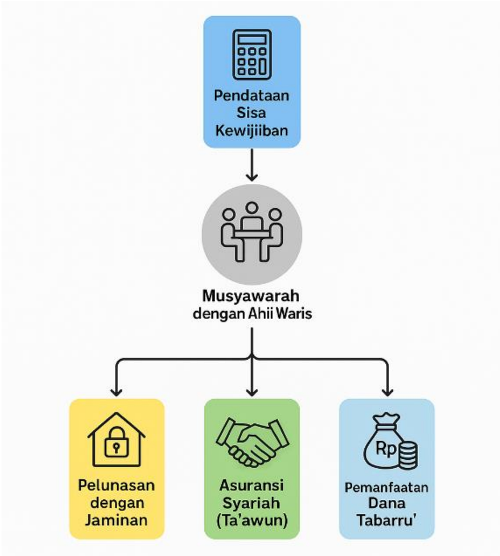
This mechanism is in line with the principles of Fiqh Muamalah, *ta'awun*, and *maqashid syariah*, especially *hifzh al-mal*. The tiered approach demonstrates the application of the principle of prudence, but obstacles such as limited tabarru' funds, low *ta'awun* participation, and resistance from heirs still exist. Strengthening Islamic financial literacy and optimizing protection measures are needed to make the mechanism more effective and sustainable.

Mechanism for Handling Default due to Death at KSPPS Guna Lestari Jaya Tegalsambi Branch

The mechanism for handling default due to death in Islamic microfinance institutions is a series of procedures or settlement steps taken by the institution towards members who die before paying off their financing obligations. In the context of Sharia, this settlement must be based on the principles of justice, mutual assistance, and social responsibility. The process may include deliberations with heirs, utilization of tabarru' funds, sharia insurance claims (ta'awun), or seizure of collateral agreed upon in the contract. The aim is to settle the obligations of deceased members while maintaining the sustainability of the institution and complying with the provisions of muamalah fiqh in accordance with Islamic teachings. KSPPS Guna Lestari Jaya Tegalsambi Branch, as a sharia microfinance institution, has a big responsibility to maintain the sustainability of the institution while adhering to sharia principles. One of the unavoidable challenges is the default of members due to death before their financing obligations are paid off. Based on the results of the study, KSPPS Guna Lestari Jaya has a clear and systematic mechanism for handling such situations in order to remain in line with the principles of justice, mutual assistance, and social responsibility taught in Islam.

According to the author's interview, the first step taken by KSPPS is to confirm and communicate with the family or heirs. Family deliberation is the initial stage that must be taken to find a middle ground for resolving the remaining financing obligations. This deliberative approach is in line with sharia principles, which encourage the resolution of problems within the family without causing disputes (Zahro Nafsah, 2022). Next, KSPPS traces the member's estate (tirkah). If an estate is found that can be used to pay off the remaining financing, then the obligation is settled through the estate before the inheritance is distributed to the heirs, as stipulated in muamalah fiqh. However, based on the author's observations during the internship program, in many cases, KSPPS members come from lower-middle-class economic backgrounds, so often there is insufficient inheritance to settle the financing obligations. In such conditions, KSPPS Guna Lestari Jaya utilizes two important means, namely tabarru' funds and sharia insurance (ta'awun). Tabarru' funds are social funds collected from member participation and used to help settle the financing of members who have experienced misfortune, including death. This scheme is implemented as a form of mutual assistance (ta'awun) among fellow KSPPS members (Ahmad Nurdin, 2019). Sharia insurance (ta'awun) is an alternative solution if the member concerned has participated in the program before passing away. Through sharia insurance claims, the remaining financing obligations of members can be paid off without burdening their heirs.

However, if the member does not have sufficient assets and does not participate in the sharia insurance program, and the tabarru' fund is insufficient to cover the remaining obligations, KSPPS Guna Lestari Jaya will still provide leniency and consultation to the heirs. If the heirs have good intentions to pay off the obligations in installments, KSPPS will grant a grace period or restructure the financing obligations. However, if the heirs are unwilling to bear these obligations, KSPPS has the right to use the collateral or security agreed upon during the financing agreement. The process of selling or seizing collateral is carried out professionally and in accordance with applicable procedures without any element of injustice (Yosi Purvitasari, 2024). Based on the author's observations of the mechanism for handling members who default due to death with heirs at KSPPS Guna Lestari Jaya Tegalsambi Branch, it can be illustrated in the following diagram.



Source: Results of the author's observations and interviews (Personal documents)

Figure 1. Mechanism for Handling Members Who Default on Payments Due to Death with Heirs

The above handling scheme illustrates the systematic steps taken by KSPPS in settling the financing of members who died before their obligations were paid off, while still referring to the principles of justice and Sharia.

1. Data Collection on Remaining Obligations
   The initial step taken by KSPPS is to collect data on the remaining financing obligations that have not been settled by members who have passed away. This data includes the amount of principal installments, margins, and other ongoing obligations.
2. Consultation with Heirs
   After data collection, KSPPS prioritizes deliberation with the family or heirs of deceased members. This deliberation aims to reach an agreement regarding the settlement of remaining obligations, taking into account the economic conditions and capabilities of the heirs.
3. Three Settlement Schemes The results of the deliberations may lead to three settlement options:
   a. Settlement with Collateral

If the financing agreement includes collateral (such as assets or valuables), KSPPS may use or auction the collateral to cover the remaining obligations as agreed.

b. Sharia Insurance (Ta'awun)
   If the member has previously participated in a sharia insurance or ta'awun program facilitated by KSPPS, an insurance claim can be submitted to pay off the remaining financing.
c. Utilization of Tabarru' Funds
   If there is no guarantee and the member has not participated in an insurance program, KSPPS may use tabarru' funds (voluntary charity funds) as a form of solidarity among members to help settle the obligations of deceased members.

This scheme shows that KSPPS does not necessarily burden the heirs, but still upholds the principles of fairness, social responsibility, and sharia provisions.

Islamic Perspective on Handling Members Who Defaulted Due to Death at KSPPS Guna Lestari Jaya Tegaslambi Branch

In Islamic law, debt is a responsibility attached to the estate of a deceased person. Before the inheritance is distributed to the heirs, the debt must be settled first, as stated in the Qur'an surah An-Nisa verse 11, the Hadith of the Prophet Muhammad SAW, the Ijma' of the scholars, and the Qiyas analogy of the scholars:

a. Al-Qur'an Surah Al-Baqarah Verse 282 & Surah An-Nisa Verse 11:

   The Qur'an emphasizes that debt is an obligation that must be fulfilled and is a form of trust that cannot be ignored. In Surah Al-Baqarah verse 282, Allah SWT says:

   يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ إِذَا تَدَايَنتُم بِدَيْنٍ إِلَىٰٓ أَجَلٖ مُّسَمّٗى فَٱكْتُبُوهُ ۚ وَلْيَكْتُب بَّيْنَكُمْ كَاتِبُۢ
   بِٱلْعَدْلِ ۚ وَلَا يَأْبَ كَاتِبٌ أَن يَكْتُبَ كَمَا عَلَّمَهُ ٱللَّهُ ۚ فَلْيَكْتُبْ وَلْيُمْلِلِ ٱلَّذِى عَلَيْهِ ٱلْحَقُّ
   وَلْيَتَّقِ ٱللَّهَ رَبَّهُۥ وَلَا يَبْخَسْ مِنْهُ شَيْـًٔا ۚ فَإِن كَانَ ٱلَّذِى عَلَيْهِ ٱلْحَقُّ سَفِيهًا أَوْ ضَعِيفًا أَوْ
   لَا يَسْتَطِيعُ أَن يُمِلَّ هُوَ فَلْيُمْلِلْ وَلِيُّهُۥ بِٱلْعَدْلِ ۚ وَٱسْتَشْهِدُواْ شَهِيدَيْنِ مِن رِّجَالِكُمْ ۖ فَإِن
   لَّمْ يَكُونَا رَجُلَيْنِ فَرَجُلٌ وَٱمْرَأَتَانِ مِمَّن تَرْضَوْنَ مِنَ ٱلشُّهَدَآءِ أَن تَضِلَّ إِحْدَىٰهُمَا
   فَتُذَكِّرَ إِحْدَىٰهُمَا ٱلْأُخْرَىٰ ۚ وَلَا يَأْبَ ٱلشُّهَدَآءُ إِذَا مَا دُعُواْ ۚ وَلَا تَسْـَٔمُوٓاْ أَن تَكْتُبُوهُ
   صَغِيرًا أَوْ كَبِيرًا إِلَىٰٓ أَجَلِهِۦ ۚ ذَٰلِكُمْ أَقْسَطُ عِندَ ٱللَّهِ وَأَقْوَمُ لِلشَّهَٰدَةِ وَأَدْنَىٰٓ أَلَّا تَرْتَابُوٓاْ
   إِلَّآ أَن تَكُونَ تِجَٰرَةً حَاضِرَةً تُدِيرُونَهَا بَيْنَكُمْ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ أَلَّا تَكْتُبُوهَا ۗ
   وَأَشْهِدُوٓاْ إِذَا تَبَايَعْتُمْ ۚ وَلَا يُضَآرَّ كَاتِبٌ وَلَا شَهِيدٌ ۚ وَإِن تَفْعَلُواْ فَإِنَّهُۥ فُسُوقُۢ بِكُمْ ۗ
   وَٱتَّقُواْ ٱللَّهَ ۖ وَيُعَلِّمُكُمُ ٱللَّهُ ۗ وَٱللَّهُ بِكُلِّ شَىْءٍ عَلِيمٌ ۗ

   Meaning: *"O you who believe, when you transact business for a specified period, write it down. And let one of you who is literate write it down correctly. And let not the writer refuse to write it down as Allah has taught him, so let him write, and let the debtor dictate (what is to be written), and let him fear Allah his Lord, and let him not reduce anything from the debt. If the debtor is of weak intellect or weak (condition) or is unable to acknowledge it himself, then let his guardian acknowledge it with honesty. And have two male witnesses from among you witness it. If there are no two men, then (it is permissible) one man and two women from among the witnesses you approve of, so that if one of them forgets, the other can remind her. Let not the witnesses refuse when they are called upon; and do not* *grow weary of writing down the debt, whether it is small or large, until the time of payment. That is more just in the sight of Allah and more reliable for testimony and more likely to prevent doubt among you. (Write down your transactions), except for immediate cash transactions that you conduct among yourselves; there is no sin on you if you do not write them down. And have witnesses when you transact business; and let not the writer and the witness refuse to do so. If you do so, then indeed, it is a sin against yourselves. And fear Allah; Allah teaches you; and Allah is All-Knowing of everything."*

According to Ibn Kathir, this verse provides very detailed guidance regarding debt transactions or contracts of a muamalah (social-economic interaction) nature that are carried out in writing. Allah commands that every debt transaction with a specific term be recorded in writing to avoid disputes and protect the rights of each party. In his interpretation, Ibn Kathir explains that the recording of debts is carried out by a fair and honest writer. The writer must write according to the agreement between the two parties without reducing or exaggerating the contents of the agreement. In addition, the debtor is asked to state the contents of the agreement verbally so that it is clear and there is no misunderstanding.

This verse also recommends the presence of two male witnesses as a form of strengthening the evidence of the transaction. However, if there are no two men, they can be replaced by one man and two women, so that if one of the women forgets, the other can remind her. This provision is not a form of discrimination against women, but rather a form of caution to maintain the validity of the transaction.

Ibn Kathir emphasized that the provisions regarding recording and witnesses in this verse are a form of Sharia protection of human rights and a means of preventing disputes in the future. However, if the transaction is carried out in cash and handed over immediately, there is no obligation to record it, although it is still recommended as a form of prudence. This interpretation shows how much attention Islam pays to clarity of contracts, transparency, fairness, and the prevention of disputes in muamalah matters, especially those related to debts and receivables. As for the Qur'an, it states in Surah An-Nisa Verse 11 regarding the distribution of inheritance:

يُوْصِيْكُمُ اللّٰهُ فِيْٓ اَوْلَادِكُمْ لِلذَّكَرِ مِثْلُ حَظِّ الْاُنْثَيَيْنِۚ فَاِنْ كُنَّ نِسَاۤءً فَوْقَ اثْنَتَيْنِ فَلَهُنَّ ثُلُثَا مَا تَرَكَۚ وَاِنْ كَانَتْ وَاحِدَةً فَلَهَا النِّصْفُۗ وَلِاَبَوَيْهِ لِكُلِّ وَاحِدٍ مِّنْهُمَا السُّدُسُ مِمَّا تَرَكَ اِنْ كَانَ لَهٗ وَلَدٌۚ فَاِنْ لَّمْ يَكُنْ لَّهٗ وَلَدٌ وَّوَرِثَهٗٓ اَبَوٰهُ فَلِاُمِّهِ الثُّلُثُۚ فَاِنْ كَانَ لَهٗٓ اِخْوَةٌ فَلِاُمِّهِ السُّدُسُ مِنْۢ بَعْدِ وَصِيَّةٍ يُّوْصِيْ بِهَآ اَوْ دَيْنٍۗ اٰبَاۤؤُكُمْ وَاَبْنَاۤؤُكُمْۚ لَا تَدْرُوْنَ اَيُّهُمْ اَقْرَبُ لَكُمْ نَفْعًاۗ فَرِيْضَةً مِّنَ اللّٰهِۗ اِنَّ اللّٰهَ كَانَ عَلِيْمًا حَكِيْمًا

Meaning: *"Allah has prescribed (made obligatory) for you concerning (the distribution of inheritance for) your children, (namely) that the share of a male child is equal to the share of two female children. If the children are all female and there are more than two, their share is two-thirds of the estate left behind. If there is only one daughter, she gets half (of the estate left behind). For both parents, each gets one-sixth of the estate left behind, if the deceased has children. If the deceased has no children and is inherited by only his parents, his mother gets one-third. If the deceased has several siblings, the mother receives one-sixth. (The inheritance* *is divided) after (fulfilling) the will he made or (and paying off) his debts. (Regarding) your parents and your children, you do not know which of them is more beneficial to you. This is Allah's decree. Indeed, Allah is All-Knowing and All-Wise."*

Ibn Kathir, in his interpretation, explains that Q.S. An-Nisa verse 11 is a verse that stipulates the distribution of inheritance in detail and fairly according to Allah's provisions. This verse is part of the law of faraidh (the science of inheritance distribution) which is *qath'i* (definite) and must be obeyed by all Muslims.

In this verse, Allah SWT explains the distribution of inheritance as follows:

1. For Children:
   a. The share of a son is twice that of a daughter, as stipulated in the provision that "a son shall receive the share of two daughters." According to Ibn Kathir, this is not a form of injustice towards women, but rather because men have greater financial responsibilities in the family, such as the obligation to provide for their families.
   b. If all the children left behind are girls and there are two or more of them, they are entitled to two-thirds of the inheritance. This provision applies if there are no sons to inherit.
   c. If there is only one daughter and no sons, she is entitled to half of the inheritance.
   d. If the heirs consist of both sons and daughters, the distribution is carried out according to the principle *of ashabah*, whereby each son receives twice the share of each daughter.
2. For Parents (Father and Mother):
   a. If the deceased has children, each parent (father and mother) receives one-sixth of the inheritance.
   b. If the deceased has no children but has siblings, the mother receives **one**-sixth, and the remainder goes to the father or another party as stipulated.
   c. If the heir has no children or siblings, the mother receives one-third of the inheritance.
3. Important Note in Ibn Kathir's Interpretation:
   a. Ibn Kathir emphasizes that all these provisions are binding laws of Allah and must be carried out as they are, without reduction or addition.
   b. This inheritance law must be carried out after fulfilling the obligation to pay debts and executing wills that do not exceed one-third of the estate.
   c. Ibn Kathir also explains that the provisions of the will and debts must be settled first before the distribution of the inheritance, in accordance with the principle of justice in Islam.

This verse ends with the affirmation that all these provisions are commands from Allah, the All-Knowing and All-Wise. Therefore, Muslims are strictly prohibited from changing, reducing, or ignoring these provisions (Muhammad Sapril Sardi Juardi, Awal Muqsith & Hasan Basri, 2021).

b. Hadith of the Prophet Muhammad SAW:

Prophet Muhammad SAW explicitly stated the importance of repaying debts, even after a person has died. In many authentic hadiths, it is explained that debts prevent a person from receiving forgiveness before they are settled. As stated in the hadith of Prophet Muhammad SAW:

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ ، عَنِ النَّبِيِّ صلى الله عليه وسلم قَالَ " نَفْسُ الْمُؤْمِنِ مُعَلَّقَةٌ بِدَيْنِهِ حَتَّى يُقْضَى عَنْهُ

Meaning: "*The soul of a believer is suspended (prevented from entering Paradise) by his debt until it is paid off.*" (Narrated by Ahmad, Tirmidhi, and Ibn Majah).

This hadith reinforces the view that the repayment of debt is a responsibility that does not lapse upon death. In fact, the Prophet once refused to pray over the body of someone who still had debts, until finally his debts were guaranteed by his companions (Dede Andriyana, 2020).

c. Ijma' (Consensus of Scholars)

Ijma' on the handling of defaulting members due to death according to the Islamic perspective is an agreement among scholars from various schools of thought on a law or provision related to the repayment of debts of a deceased person. In this case, ijma' states that debt is a responsibility attached to the estate (tirkah) of a deceased person and must be repaid before the inheritance is distributed to the heirs. Therefore, the scholars agree (ijma') that debts must be paid from the estate (*tirkah)* before the inheritance is distributed. This is part of the inheritance jurisprudence that has been agreed upon across schools of thought. If the estate is insufficient, the heirs are not obliged to pay unless they are willing to do so voluntarily as a form of moral responsibility and kindness (*ihsan).* This is in line with the principle of Islamic justice, which does not burden a person beyond their means. The obligation of heirs to pay off debts only applies if they receive inheritance, because inheritance is a transfer of rights and obligations. Therefore, if there is no inheritance, there is no legal responsibility that binds them according to Islamic law.

Ibn Qudamah in *Al-Mughni* and Imam An-Nawawi in *Al-Majmu'* emphasize that the scholars have agreed (ijma') on the obligation to pay off a person's debts from their estate before the inheritance is distributed. However, in social conditions such as those at KSPPS ( ), where there is no estate and the heirs are unable to pay, the scholars suggest collective responsibility through social mechanisms, such as solidarity funds or social funds, as implemented by KSPPS. KSPPS administrators may consider using social funds derived from business surpluses, member donations, or voluntary contributions to settle part or all of the member's debt. This decision is generally made collectively in a meeting of administrators, based on sharia considerations and factual conditions on the ground.

However, in line with *the prudential principle*, the use of social funds is still limited so as not to cause *moral hazard* or excessive dependence of members on the social system. Therefore, although permitted, the use of social funds to pay off the debts of deceased members remains selective and proportional, in order to maintain the financial stability of the institution and the value of fairness for all cooperative members.

d. Qiyas (Legal Analogy)

In Islamic legal methodology, qiyas (legal analogy) is an important tool in the process of ijtihad used to determine the law on contemporary issues for which there is no explicit evidence in the Qur'an or Sunnah. Qiyas is carried out by comparing a new case with a case for which a ruling already exists, based on the same *'illat* (legal cause or reason). The existence of qiyas is crucial in bridging the gap between modern socio-economic dynamics and the normative and contextual principles of Sharia.

In the context of Islamic microfinance, as practiced by KSPPS Guna Lestari Jaya Tegalsambi Branch, there are often situations where members pass away while still having financial obligations. When the estate (tirkah) is insufficient and the heirs are unable to pay off the debt, KSPPS faces a dilemma between the principle of financial responsibility and the values of social justice taught in Islam. One approach used is through debt *write-offs* or repayment through member social funds.

In principle, this policy can be likened to the concept of almsgiving (ṣadaqah) or charity (voluntary giving) in Islam. This analogy is based on the similarity of 'illat, which is helping fellow Muslims who are in difficulty, as well as realizing *ta'awun* (mutual assistance) and *raf' al-ḥaraj* (removing difficulties) in social life.

The application of qiyas in cases of debt cancellation or repayment through social funds at KSPPS Guna Lestari Jaya Tegalsambi Branch is a valid and relevant fiqhiyah effort in responding to contemporary muamalah challenges. This qiyas not only bridges legal gaps, but also serves as a means to apply the noble values of sharia in the economic life of the ummah. As long as it is carried out with the principles of justice, honesty, and consideration of maslahat, this policy is a form of dynamic, solution-oriented, and humane actualization of sharia (Zubair, Aditya & Fazira, 2025).

Implications and Impact of Handling Default Due to Death on the Sustainability of Institutions and Members

KSPPS Guna Lestari Jaya Tegalsambi Branch, as a sharia microfinance institution, is not only profit-oriented but also carries social and spiritual responsibilities in all its activities. One of these responsibilities is handling problematic financing, particularly those caused by members who pass away before their financing obligations are fulfilled. Based on the results of the study, the implementation of the handling mechanism that has been carried out has had a significant impact, both on the sustainability of the institution, member trust, and the implementation of Islamic principles.

1. Maintaining Financial Stability and Operational Sustainability of the Institution

   Cases of default due to death have the potential to cause financial losses for KSPPS if not handled properly. Therefore, the implementation of systematic mechanisms such as recording obligations, deliberating with heirs, utilizing tabarru' funds, sharia insurance (ta'awun), and the use of guarantees or collateral provides certainty for KSPPS to continue to cover potential losses. Thus, the financial stability of the institution can be maintained, so that financing activities for other members can continue. This is in line with the prudential principle, which is the operational standard for financial institutions (Azizah & Nawawi, 2019). In addition, this mechanism also prevents a decline in liquidity that could have a systemic impact on the sustainability of productive financing programs within KSPPS (Rahmawati & Hamzah, 2021).

2. Increasing Member Trust and Loyalty

    The process of resolving defaults, which is carried out by prioritizing a family-oriented approach, without pressure, and based on Islamic law, provides a sense of security for KSPPS members. They feel protected, not only when carrying out their financing obligations, but also in the event of undesirable circumstances such as death. This trust is the primary social capital of KSPPS in expanding its service reach and enhancing member loyalty. Good management reflects that KSPPS is not merely an economic institution, but also a caring social partner (Prasetyo, 2020). In fact, according to research by Zulfikar (2022), members' trust in the social protection system at KSPPS is directly proportional to increased membership participation and fund turnover.

3. Strengthening the Implementation of Islamic Social Values in Institutions

    The existence of tabarru' funds and sharia insurance programs shows that KSPPS not only carries out business activities, but also internalizes social and religious values. The principles of ta'awun (mutual assistance), social responsibility, and justice are realized in practice through the settlement of financing for deceased members without placing an excessive burden on their heirs. Thus, KSPPS acts not only as a provider of financing, but also as a social institution that is part of the economic empowerment of the community (Fitriani, 2022). This scheme is in line with the concept of maqashid syariah, where the preservation of wealth (hifzh al-mal) and the protection of life (hifzh al-nafs) are priorities in the management of Islamic financial institutions (Laila Hasanah, 2023).

4. Raising Awareness of Sharia Financial Planning Among Members

    Through experience in dealing with cases of default due to death, KSPPS has become more active in educating its members about the importance of financial planning in accordance with sharia principles. This education includes recommendations to prepare collateral at the time of the contract, participate in sharia insurance programs, and understand the procedures in case of undesirable events. This awareness is important so that members can plan their financing more carefully, thereby minimizing the risk of financing problems in the future (Sari & Wibowo, 2023). In addition, sharia financial literacy programs can also increase the economic resilience of members' families in facing social risks such as death (Lestari & Ahmad, 2024).

5. Preventing Potential Disputes with Heirs and the Community

    Resolutions that are carried out openly, through deliberation, and prioritizing the principle of kinship can minimize the potential for disputes between KSPPS and the heirs of deceased members. Through deliberation, all parties are involved in finding the best solution in accordance with Islamic law. This not only maintains the image of KSPPS in the community, but also creates social harmony in the environment surrounding the institution. This is important considering that, according to Khairunnisa & Setyawan (2023), Islamic microfinance institutions that successfully maintain good relationships with their members and their families tend to have a more effective rate of resolving problematic financing compared to institutions that only focus on a formal legal approach.

Thus, the mechanism for handling defaults due to death implemented by KSPPS Guna Lestari Jaya Tegalsambi Branch is not only a financial solution, but also an integral part of efforts to maintain the institution's existence, increase member trust, and realize the noble values of Islam in the economic practices of the community.

D. CONCLUSION

Based on the results of research conducted at KSPPS Guna Lestari Jaya Tegalsambi Branch, it can be concluded that the mechanism for handling members who default on payments due to death has been implemented systematically and in accordance with sharia principles. The settlement process begins with recording the remaining financing obligations of the deceased member, followed by deliberations with the heirs to find the best solution. In cases where there are assets left behind (*tirka*h), the financing obligations are paid off first in accordance with the provisions of muamalah fiqh before the inheritance is distributed. However, in many cases, members from the lower-middle class do not have sufficient assets left behind. For this reason, KSPPS utilizes tabarru' funds, which are voluntary charitable funds between members that are used to help settle the obligations of deceased members. In addition, the sharia insurance (*ta'awun*) scheme is also an alternative solution if the member concerned has participated in the program before death. If there are no assets, tabarru' funds, or insurance, KSPPS still prioritizes a consultative approach and provides the heirs with a grace period or payment restructuring scheme. If all these efforts fail, KSPPS uses collateral or security in accordance with the provisions agreed upon in the contract.

From an Islamic perspective, the handling mechanism applied by KSPPS Guna Lestari Jaya Tegalsambi Branch is in line with the principles of sharia, namely justice (*al-'adl*), mutual assistance (*ta'awun*), and social responsibility. The provision for debt repayment through inheritance as stipulated in the Qur'an Surah An-Nisa verse 11, as well as the emphasis on the importance of debt repayment in various hadiths of the Prophet Muhammad SAW, form the main basis for the practice of settling the obligations of deceased members. In addition, the application of deliberation, social funds, and sharia insurance are also implementations of ijma' and qiyas in responding to contemporary issues in sharia microfinance institutions. The implications of this mechanism not only maintain the financial stability of the institution but also increase member trust, strengthen Islamic social values, and prevent potential conflicts with heirs. However, KSPPS still faces challenges such as limited tabarru' funds, low member participation in sharia insurance programs, and a lack of sharia financial literacy. Therefore, continuous education and strengthening of the social protection system are needed so that similar cases can be handled more optimally and in line with the goal of economic empowerment of the people from an Islamic perspective.

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