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# A Conceptual Design for Qardhul Hasan Student Financing through BAZNAS with Income-Contingent Repayment

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***Abstract:*** *Grant based higher education assistance does not always reach students facing temporary funding gaps, while commercial loans create concerns about interest and post graduation repayment burdens. This study aims to formulate a BAZNAS-administered student financing model that preserves sharia boundaries while linking repayment to verified graduate capacity. A descriptive phenomenological approach was applied in Surabaya. Primary data were obtained from semi-structured interviews with eleven undergraduate students, three managers of BAZNAS Surabaya, and one Islamic economics expert. Secondary data comprised regulations, a sharia fatwa, and academic literature. The analysis proceeded through epoche, horizontalization, clustering of meaning units, and synthesis of the phenomenon's essence, supported by source triangulation. The findings support principal-only qardhul hasan, strict separation of zakat and non-zakat funds, direct university payment with semester monitoring, and income-contingent repayment that adjusts instalment timing and size without creating profit sharing. The novelty is a five-layer institutional design separating the contract layer, fund-source layer, operational-control layer, repayment layer, and hardship-resolution layer. The resulting model is conceptual operational rather than implementation ready and requires cash flow simulation, sharia validation, standard operating procedures, data protection controls, and a limited pilot. Its numerical ICR parameters are illustrative pilot parameters, not validated empirical findings. Conceptually, the study extends Islamic social finance into higher education financing by showing that an accountable benevolent-loan design requires five coordinated institutional decisions rather than a stand-alone interest-free contract.*
***Keywords:*** *BAZNAS, Higher Education Financing, Income Contingent Repayment, Qardhul Hasan, Revolving Fund*

## INTRODUCTION

Higher education financing involves both access and repayment risk. Fixed-schedule student loans can create high repayment burdens for graduates with low income (Barr et al., 2019). Chapman and Dearden (2016) explain that income-contingent repayment links instalments to realised earnings and reduces repayment hardship, although effective collection requires a capable administrative mechanism. Kim and Wiederspan (2021) find that South Korea's introduction of an income-contingent loan

increased college enrolment among eligible students. Matsuda and Mazur (2022) show that the effects of income-contingent loans reflect a trade-off between income insurance and behavioural incentives.

Indonesia already provides a legal policy direction for interest free student finance. Article 76 of Law No. 12 of 2012 on Higher Education recognises interest free educational loans whose repayment is adjusted to the borrower's capacity. The provision, however, does not specify a sharia contract, an administering institution, or a mechanism for protecting a social fund from default and operational costs. The legal mandate therefore leaves an institutional design problem a programme can be interest free yet remain weak if the source of funds, repayment rules, data governance, and treatment of hardship are unclear.

Islamic social finance provides a relevant institutional setting. BAZNAS manages zakat and other Islamic social funds under Law No. 23 of 2011. Arafat and Fahrullah (2019) document the distribution of zakat, infaq, and sadaqah for educational assistance in Sidoarjo rather than a recoverable student-loan facility. Fauziah and Solehah (2021) describe the Banten Satu Keluarga Satu Sarjana programme as scholarship-based education assistance. Almashuri and Subandi (2021) likewise report zakat-funded scholarship distribution through the Satu Keluarga Satu Sarjana programme in East Java. These studies demonstrate BAZNAS experience in educational assistance, but not a revolving student-loan architecture. Widiastuti et al. (2022) emphasise that integrated Islamic social finance requires an explicit governance framework across participating institutions. Yulianti (2023) further identifies internal control as an important determinant of good zakat governance.

Qardhul hasan supplies the contractual form for a benevolent loan. DSN-MUI Fatwa No. 19/DSN-MUI/IV/2001, requires repayment of principal, limits

administrative charges to actual costs, and prohibits a required financial benefit for the lender. Al-Melahi et al. (2021) position qard al-hasan as a mode of Islamic social finance. Yahaya et al. (2022) describe qard al-hasan as a charitable loan grounded in the principle of helping others. Ghalia et al. (2023) examine its application to social financing through temporary cash waqf and zakah. These studies support the social and non-profit orientation of the contract. Sustainability must therefore come from governance, efficient administration, replenishment, and principal recovery rather than fees or penalties that recreate a lender return.

Previous research has established the individual components of the problem, but not their institutional combination. Income-contingent loan studies focus on repayment insurance and collection design, usually within state-administered systems, while BAZNAS education studies document scholarships and grants rather than recoverable finance. Qardhul hasan research establishes a non-profit contractual logic, and Islamic social finance research stresses governance across instruments. The unresolved issue is how these strands can be combined without treating zakat and non-zakat funds as interchangeable or turning income-based instalments into profit sharing. The gap is therefore institutional the literature reviewed here does not specify one BAZNAS-based architecture that separates the contract, fund source, operational control, repayment, and hardship or gharimin decisions.

Against this gap, the study develops a five-layer conceptual design comprising a contract layer, fund-source layer, operational-control layer, repayment layer, and hardship-resolution layer. It asks how students, BAZNAS managers, and an Islamic economics expert understand repayment responsibility, institutional risk, fund restrictions, and payment capacity, and how those perspectives constrain a sharia-compliant design. The contribution lies in linking these decisions while preserving their

legal and operational boundaries. The model is therefore a proposed pilot framework, not evidence that BAZNAS has approved, implemented, or financially validated the scheme

## METHOD

The study used a qualitative design with descriptive phenomenology to examine how relevant actors understood the prospect of student financing through BAZNAS. The fieldwork was conducted in Surabaya from December 2025 to January 2026. Phenomenology was used to identify the meaning attached to educational financing, interest, repayment responsibility, institutional trust, and hardship rather than to estimate population level demand. The researcher applied bracketing to limit the influence of prior assumptions during the initial reading of interview accounts (Creswell & Poth, 2016). All institutional informants came from BAZNAS Surabaya, so the location functions as an empirical boundary rather than a basis for national institutional generalisation

Fifteen informants participated eleven undergraduate students, three managers from BAZNAS Surabaya, and one Islamic economics expert. Students represented different stages of study and financing experiences, including scholarship recipients and students who had encountered economic constraints. BAZNAS informants were selected because their operational roles involved fundraising, education programmes, distribution, utilisation, or institutional governance. The expert was selected for competence in Islamic economics and fiqh muamalah. Purposive sampling was the primary strategy, snowball recruitment was used only to identify additional students who continued to meet the criteria (Biernacki & Waldorf, 1981). The number of student participants was justified through information power, which assesses sample adequacy

from the study aim, sample specificity, quality of dialogue, theoretical grounding, and analytical strategy (Malterud et al., 2016). The study did not claim formal saturation because saturation was not systematically documented. The operational inclusion criteria are summarised in Table 1.

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Table 1 Informant Characteristics and Selection Criteria

| Informant | Code | Selection criteria | Role |
|---|---|---|---|
| Students | MHS01-MHS11 | 1. S1 semester 6-8<br>2. studied/resided in Surabaya<br>3. relevant financing or aid experience<br>4. willing o discuss qardhul hasan and repayment | Student perspective |
| BAZNAS | BAZNAS01-03 | Surabaya staff/manager with relevant fundraising, education, distribution, utilisation, or governance experience | Institutional perspective |
| Expert | AHLI01 | Lecturer competent in Islamic economics and fiqh muamalah | Sharia perspective |

Data were collected through semi structured interviews and document review. Interview guides covered financing needs, views on interest bearing loans, understanding of qardhul hasan, acceptable repayment timing, collateral, monitoring, fund sources, administrative charges, late payment, and BAZNAS readiness. Documents included relevant legislation, DSN-MUI guidance, BAZNAS regulations, and literature on student loans and Islamic social finance. Participant identities were replaced with codes MHS01–MHS11 for students, BAZNAS01–BAZNAS03 for institutional informants, and AHLI01 for the expert. The thesis records signed informed consent, voluntary participation, the right to stop or decline questions, confidentiality, anonymisation, and encrypted storage of recordings and transcripts with backup. These protections are important because interviews include economic circumstances and prospective income information.

Analysis proceeded in five stages epoche, horizontalization of relevant statements, clustering into meaning units, synthesis of textual and structural descriptions, and reporting of the phenomenon's essence. Source triangulation compared student preferences, BAZNAS operational concerns, expert sharia assessments, and documentary rules. Model development followed a second analytical step. Components directly supported by convergent interview evidence were classified as empirical design requirements. Components derived from theory, law, or researcher synthesis were classified as design propositions. Numerical repayment thresholds and rates belong to the latter category, they are pilot parameters, not validated findings. This distinction prevents an interview study from claiming actuarial precision that it did not test. When stakeholder views diverged, the analysis retained the divergence instead of forcing consensus. Differences were interpreted as boundary conditions and were translated into design decisions only after comparison with the other stakeholder groups and documentary rules.

## RESULT AND DISCUSSION

### Stakeholder Tensions Demand for Relief, Institutional Caution

The interviews did not reveal a simple consensus in favour of "student loans." They exposed a conditional acceptance structured by different risks. Students supported access to temporary finance and were particularly receptive when the obligation was limited to principal. Their support weakened when the proposed model resembled commercial credit through interest, heavy collateral, or repayment while still enrolled. BAZNAS informants did not reject the social objective, but they viewed misuse, default, fund restrictions, administrative capacity, and audit exposure as decisive constraints. The

Islamic economics expert accepted qardhul hasan as the appropriate contract only if its non commercial character and the restrictions attached to zakat were preserved.

Three propositions were shared across stakeholder groups. First, a student who borrows should remain responsible for returning principal when able. MHS01 expressed this in direct terms: "If I borrow IDR 5 million, I should repay IDR 5 million." Second, tuition funds should be transferred directly to the university rather than paid as unrestricted cash, a control proposed by both students and BAZNAS managers. Third, repayment should generally begin after graduation and employment rather than during the study period. MHS07 stated that repayment should occur "after graduation and after obtaining work, not every semester." These points form the empirical core of the model principal only liability, controlled disbursement, and capacity sensitive repayment.

The divergences are equally important. Students tended to treat the absence of interest as the central test of fairness. BAZNAS managers treated the integrity of the fund as a portfolio problem a benevolent purpose does not remove the need for screening, documentation, monitoring, and recovery. The expert added a third layer by distinguishing flexible social funds from zakat. The model therefore cannot be built solely from borrower preferences. A programme that is generous but legally misclassifies funds, lacks recovery controls, or creates unaudited discretion would fail the accountability standard expected of an Islamic social finance institution. The analytical sequence therefore proceeds from the stakeholder perspective, followed by the findings, and concluding with the interpretation

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Table 2 Stakeholder Evidence, Interpretation, and Model Decision

| Perspective | Finding | Interpretation | Model decision |
|---|---|---|---|
| Students | Interest, heavy collateral, early repayment, and unclear obligations | Fairness requires principal-only liability and capacity-sensitive repayment | • Contract literacy<br>• no general asset collateral<br>• capacity-based repayment |
| BAZNAS managers | Misuse, default, fund restrictions, auditability, and alumni contact loss | Social purpose does not remove fiduciary control | • Direct campus payment<br>• separate accounting<br>• monitoring; alumni data<br>• staged pilot |
| Islamic economics expert | Qard validity, actual cost, lender-benefit prohibition, zakat limits, and hardship | Contract, fund source, and hardship require separate decisions | • Qardhul hasan<br>• actual-cost rule<br>• no penalty<br>• non zakat pool<br>• separate gharimin decision. |

**Contract Architecture Qardhul Hasan as a Binding Social Loan**

The findings support qardhul hasan as the governing contract because the arrangement must preserve both assistance and an enforceable obligation to return principal. Treating the transfer as a grant would eliminate the revolving function, whereas structuring it as commercial financing would introduce a return to the financier that conflicts with the intended social purpose. Qardhul hasan resolves this classification problem by fixing the borrower's liability at the principal while excluding a contractual financial benefit for the lender.

Al-Melahi et al. (2021) locate qard al-hasan within Islamic social finance and document its use by Islamic banks. The present study agrees with its non-profit, principal-recovery logic but shifts the governance problem to BAZNAS, where grant-loan classification and permissible funding sources must also be decided. Yahaya et al. (2022) similarly describe qard al-hasan as a helping-oriented charitable loan. Here, that orientation is operationalised through controlled educational use and repayment after verified capacity.

This legal boundary is more demanding than simply setting the interest rate at zero. Interest can reappear through percentage based administration charges, balance linked service fees, late penalties retained by the institution, compulsory "donations," or indexation that automatically raises the amount owed. The model therefore applies a substance over label test. Any mandatory amount that increases with the principal or the duration of the loan is presumed to be a financial return unless it can be demonstrated as a documented actual cost permitted under the qard rules. Administrative expenses should preferably be financed from a dedicated operational subsidy or donor contribution. Charging financially constrained students for every monitoring and

verification activity would weaken the programme's access objective even when the charge is technically cost based. In other words, actual administrative cost may reimburse a documented expense, whereas a financial return compensates the lender for providing capital. The latter is excluded from this model

The contract must specify the principal, financed educational components, disbursement method, rights and duties, monitoring obligations, income verification procedure, conditions for deferral, dispute resolution, and data processing consent. A one time contract covering an entire degree would create an uncontrolled commitment against future resources. The proposed model instead uses semester specific approval. Each disbursement is based on a verified university invoice, while continuation depends on active enrolment, reasonable academic progress, proper use of earlier funds, updated contact information, and availability of the revolving pool. Semester approval is therefore a risk gate rather than a device for repricing the loan.

Students regarded land certificates or vehicle titles as unrealistic for a social-finance target group. The model therefore does not make asset collateral a general condition. It relies on the written qard contract, an integrity pact, university verification, family information, and a moral guarantor or campus recommendation where appropriate. Risk mitigation is based primarily on information quality, restricted disbursement, and continuing contact rather than foreclosure.

**Fund Segregation The Normative Centre of the Model**

The strongest institutional conclusion is that fund segregation is not an accounting detail, it determines whether the model is legally and ethically coherent. Zakat is attached to eligible asnaf and cannot be transformed into a general revolving credit pool for any student who lacks cash. A student may be poor, indebted, or otherwise eligible, but that

eligibility must be assessed under zakat rules and results in a distribution decision. By contrast, infaq, sadaqah, designated corporate social responsibility funds, and other non-zakat social funds may be structured more flexibly when donors and institutional policy permit a revolving qard facility.

The proposed architecture therefore creates two separate pathways. The grant pathway uses zakat for students who satisfy asnaf criteria (Peraturan Badan Amil Zakat Nasional Republik Indonesia Nomor 3 Tahun 2018 tentang Pendistribusian dan Pendayagunaan Zakat, 2018). It may also use unrestricted grant funds for students who have no credible capacity to repay. The qard pathway uses a separately recorded non-zakat pool for students facing a temporary financing gap and possessing a plausible post graduation repayment capacity. Screening must decide the pathway before contracting, it cannot use a loan as the default response to poverty. This distinction protects current mustahik and future loan recipients simultaneously.

Waqf requires an additional boundary. The principal of a waqf asset should not be exposed to loan losses. Returns generated by a waqf investment may support the programme only through an authorised nazhir and in accordance with the waqf deed. BAZNAS should not be presumed to control waqf merely because both instruments belong to Islamic social finance. An integrated Islamic social finance model requires coordinated institutions and an explicit governance framework (Widiastuti et al., 2022). Coordination should therefore preserve, rather than blur, the legal mandate of each institution. CSR is not automatically an Islamic social finance fund. Its use depends on the donor mandate, institutional agreement, and whether the funds are expressly authorised for social lending, operating subsidy, or risk support.

A later zakat intervention for an indebted alumnus is a separate decision. Arrears do not automatically establish gharimin status, and the original qard contract must not

promise cancellation through zakat. Any later assistance requires verified lawful debt, insufficient means, sharia review, and a written asnaf decision, and should be limited to the eligible shortfall.

Arafat and Fahrullah (2019) show that BAZNAS educational support in Sidoarjo was distributed as ZIS assistance rather than recoverable finance. Almashuri and Subandi (2021) report a similar scholarship orientation in East Java. The present model preserves that grant function while adding a separate qard pathway for temporary liquidity gaps with plausible repayment capacity. Ghalia et al. (2023) consider qard al-hasan through zakah and temporary cash waqf, whereas this design adopts a more conservative BAZNAS rule by using designated non-zakat funds as the primary revolving source and reserving zakat for separately assessed asnaf.

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Table 3 Source-of-Funds Treatment and Governing Basis

| Fund source | Treatment | Restriction | Basis |
|---|---|---|---|
| Zakat | • Grant/asnaf pathway<br>• possible later gharimin support | • Not a general loan pool<br>• separate eligibility | • Law No. 23/2011<br>• BAZNAS Regulation No. 3/2018. |
| Infaq/sadaqah | Revolving qard source if designation permits | • Separate ledger<br>• no lender return | Law No. 23/2011, donor designation, interview evidence |
| CSR/other non-zakat | Capital, subsidy, risk reserve, or designated principal. | Use only if donor mandate expressly permits. | • Donor/institutional agreement<br>• BAZNAS02 |
| Waqf returns | Optional support through authorised nazhir | • Principal protected<br>• use follows waqf deed | • Thesis synthesis<br>• Ghalia et al. (2023) |

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| Fund source | Treatment | Restriction | Basis |
|---|---|---|---|
| Repaid principal | Returned to segregated education-qard account | Not unrestricted institutional revenue | Qard contract and segregated accounting |

**An Operational Model in Four Phases**

Phase 1, pre-disbursement, establishes contract literacy, role allocation, source-of-fund segregation, student screening, and semester-specific approval. BAZNAS remains the principal decision maker for fund designation, eligibility, contract approval, sharia compliance, and reporting, while universities or campus UPZ units verify academic status and invoices

Phase 2 covers study-period disbursement and monitoring. Verified tuition and academic charges are paid directly to the university. Before a later semester, BAZNAS reviews enrolment, academic progress, funded costs, contact details, and relevant economic changes. The next decision may continue, suspend, redirect to an appropriate grant pathway, or stop future disbursement without adding a financial charge

Phase 3 begins at graduation. Alumni update employment, income, domicile, and essential dependants. Because income verification may use salary slips, contracts, bank statements, business records, or tax documents, the model requires a defined processing purpose, restricted access, retention controls, security, and correction procedures under Law No. 27 of 2022

Phase 4 covers repayment and resolution. Income above the threshold activates ICR, while low verified income triggers zero payment or deferral. Persistent inability proceeds

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to hardship assessment. Verified capacity combined with deliberate avoidance is treated as non-compliance. Figure 1 connects these four phases with the five institutional layers

Yulianti (2023) finds that internal control contributes to good zakat governance in BAZNAS offices. The present study translates that general governance requirement into specific controls for education finance: direct university payment, semester review, segregated records, restricted access to alumni income data, and staged continuation decisions. Widiastuti et al. (2022) argue that integrated Islamic social finance depends on explicit governance across participating institutions. In this model, integration therefore means coordinated roles without collapsing legal boundaries among BAZNAS, universities, UPZ units, donors, and any authorised waqf partner.

Figure 1 Five-layer institutional design and operational flow of the proposed BAZNAS qardhul hasan student financing model

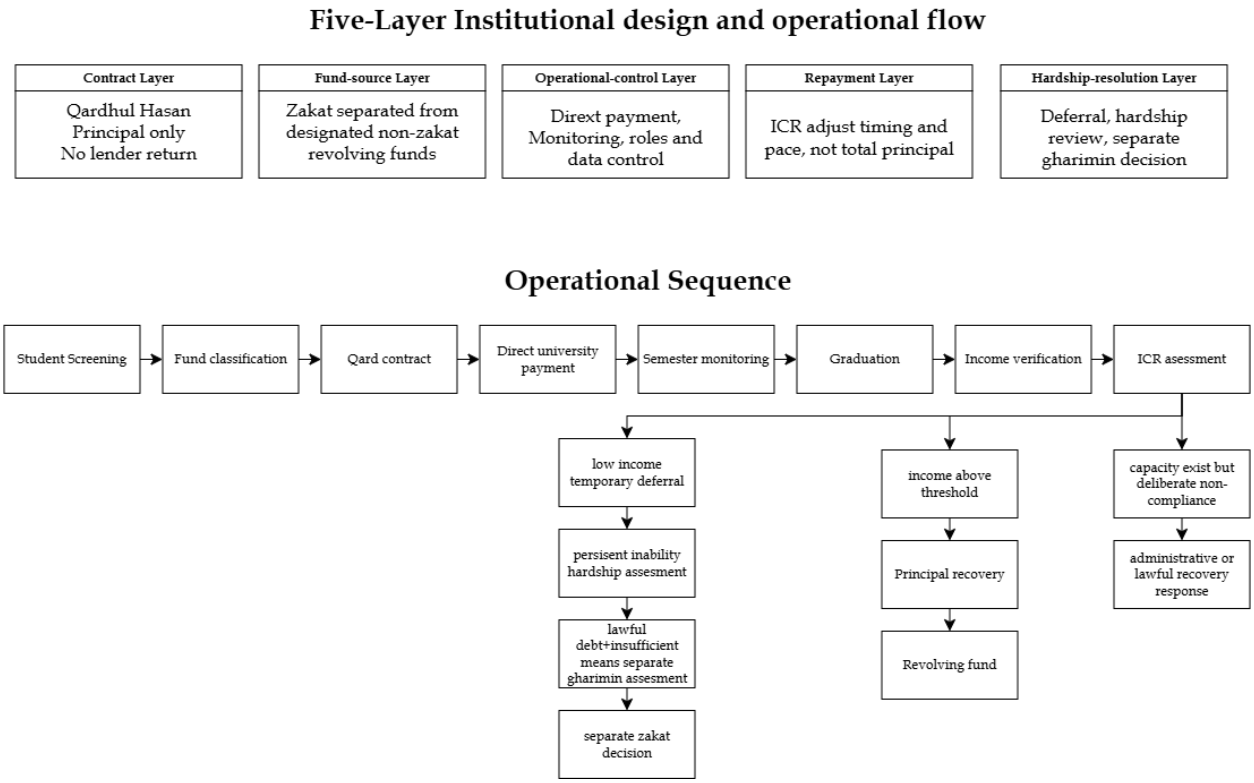

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Table 4 Four-Phase Implementation Matrix

| Phase | Core activities | Control objective | Output |
|---|---|---|---|
| 1. Pre-disbursement | • Contract literacy<br>• role allocation<br>• source segregation<br>• screening<br>• semester contract | Prevent misclassification, commingling, and uninformed consent | Approved pathway, principal, contract, and source |
| 2. Study period | • Direct university payment<br>• semester monitoring<br>• continuation/suspension/grant referral | Prevent misuse and unreviewed repeat disbursement | Documented use and next decision |
| 3. Alumni transition | • Graduation update<br>• grace period<br>• income verification<br>• data controls | Maintain contact and establish capacity | Verified income and review schedule |

| Phase | Core activities | Control objective | Output |
|---|---|---|---|
| 4. Repayment/resolution | • ICR<br>• zero payment below threshold<br>• restructuring<br>• gharimin review<br>• recovery | Balance protection, recovery, and sharia compliance | Recovered principal, revised schedule, or assistance |

**Income Contingent Repayment without Profit Sharing**

Income contingent repayment (ICR) is an operational payment rule, not a new contract. The legal obligation remains the return of a fixed nominal principal under qardhul hasan. Income determines when payment becomes due and how large a monthly instalment is, it does not determine the total debt and does not give BAZNAS a share of the graduate's business profit. This separation is analytically important because a percentage of income can be mistaken for mudharabah or a tax. In the proposed model, payments stop when the original principal has been repaid.

The proposed illustrative pilot design uses a six-month post-graduation grace period, verified stable income for three consecutive months, and an activation threshold of 125% of the local minimum wage (UMK, or UMP where no UMK applies). The grace period translates interview preferences for repayment after graduation and employment into a bounded transition window; it is not an empirically estimated optimum. Requiring three consecutive months of income is intended to distinguish relatively stable earnings from one-off receipts or temporary work. The 125% threshold adds a 25% buffer above the statutory wage floor so that instalments are not triggered at the minimum-wage level,

although this study did not test whether the buffer is adequate across household structures or regions.

The instalment is calculated only on income above the threshold. The illustrative rate is 5% when net income is 125% to below 150% of the minimum wage, 7% at 150% to below 200%, and 9% at 200% or more. Barr et al. (2019) describe England's income-contingent design as applying a 9% repayment rate to earnings above a threshold, which provides an external benchmark for the upper band used here. The 5% and 7% bands are not copied from another system; they are conservative researcher-designed steps intended to reduce the initial burden on lower-earning graduates. All four design choices, including the grace period, stability rule, threshold, and rate bands, remain unvalidated pilot parameters and should not be treated as empirical estimates or policy standard

With a local minimum wage of IDR 5,000,000, the 125% threshold is IDR 6,250,000. An alumnus earning IDR 8,500,000 has excess income of IDR 2,250,000 and falls in the 150% below 200% band. At 7%, the illustrative monthly instalment is IDR 157,500.

An instalment of IDR 157,500 is protective for a new graduate, but it would take almost 32 months to repay a principal of IDR 5,000,000 if income and the rate never changed. Larger cumulative tuition loans would remain outstanding much longer. Slow recovery reduces the number of new students who can be financed and increases the programme's exposure to mobility, informal work, and data loss. The parameters should therefore be treated as conservative pilot hypotheses, not a sharia or policy standard.

Before implementation, feasibility analysis must simulate graduate-income distributions, regional wages, repayment duration, hardship and default, administrative costs, inflation, donor replenishment, and portfolio size. Chapman and Dearden (2016) note that the performance of income-contingent repayment depends on the collection mechanism used to recover debt. Matsuda and Mazur (2022) show that income-

contingent loan outcomes also depend on income risk and the structure of the repayment schedule. Because BAZNAS lacks a national tax-withholding collection system, a limited pilot must test the cost and reliability of income verification, staffing, data systems, and collection procedures. Bowen et al. (2009) explain that feasibility studies are used to determine whether an intervention is sufficiently practical to justify broader testing.

Kim and Wiederspan (2021) evaluate an implemented public income-contingent loan and report an enrolment effect among eligible students. The present study makes no comparable impact claim because it has not piloted the model; its contribution is to specify the institutional and sharia conditions that would need to be tested before any access or repayment effect could be evaluated.

A strict nominal qard also loses real value under inflation. This model does not increase principal through automatic indexation. Real-value erosion must instead be addressed through new social-fund inflows, authorised waqf returns, operating subsidies, efficient administration, and recovery discipline. The fund can recycle nominal principal, but replenishment remains necessary to preserve real scale.

Table 5 Illustrative Pilot ICR Repayment Parameters

| Type | Input | Rule / calculation | Indicative result |
|---|---|---|---|
| Parameter | Grace / stability | • 6 months after graduation<br>• stable income for 3 months | Proposed, unvalidated |
| Parameter | Threshold | 125% x IDR 5,000,000 = IDR 6,250,000. | Illustrative only |
| Parameter | Rate bands | • 5% at 125-150%<br>• 7% at 150-200%<br>• 9% at >200%. | Applied to surplus above threshold |

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| Type | Input | Rule / calculation | Indicative result |
|---|---|---|---|
| Income case | IDR 6,000,000 | Below threshold | IDR 0 |
| Income case | IDR 6,500,000 | IDR 250,000 surplus x 5% | IDR 12,500/month |
| Income case | IDR 8,500,000 | IDR 2,250,000 surplus x 7% | IDR 157,500/month |
| Income case | IDR 10,500,000 | IDR 4,250,000 surplus x 9% | IDR 382,500/month |

**Hardship, Gharimin, and Strategic Non Compliance**

The compliance decision sequence begins with a temporary deferral in cases of verified low income. If the inability to pay persists, a documented hardship assessment is conducted. For verified lawful debt combined with insufficient means, a separate gharimin assessment is applied, while eligible cases proceed to a distinct zakat decision.

A repayment system is unfair when it equates temporary low income with default, but it is unsustainable when every missed payment is treated as hardship. The model therefore distinguishes three categories. Temporary inability applies when verified income is below the threshold or residual income after essential needs is non-positive for a limited period. The response is zero payment, deferral, or restructuring. In fiqh al-zakah, gharimin assistance is directed to debtors whose lawful obligations exceed their available means (Qaraḍāwī, 2011). In this model, verified gharimin status requires cumulative evidence and a separate review under zakat governance. Strategic non-

compliance applies when capacity exists but the alumnus refuses to pay, conceals information, or persistently avoids contact without a valid reason.

This classification is consistent with the fiqh principle that hardship warrants facilitation while rights established by a valid debt remain protected. Facilitation changes timing and instalment size, it does not automatically extinguish principal. The institution must document why a schedule was changed and when capacity will be reassessed. Otherwise, compassionate discretion can become unreviewed write off practice and undermine the rights of future beneficiaries.

Financial late penalties are excluded. An administrative response may include reminders, counselling, mediation, temporary exclusion from additional BAZNAS programmes, or civil recovery where lawful and proportionate. These measures are not revenue sources. The objective is to restore compliance and protect the revolving pool without turning delay into a profit opportunity. A reserve funded by donors or CSR may absorb expected losses, but using the principal repayments of compliant alumni to conceal unmeasured defaults would make performance reporting misleading.

Gharimin assessment should be institutionally separate from the recovery officer's decision. A minimum process includes an application, proof of lawful and due debt, income and essential expenditure assessment, asset review, inquiry into fraud or reckless diversion, programme verification, sharia review, and a written decision. Any zakat payment should settle only the verified shortfall. The separation protects the dignity of the debtor while preventing the qard product from being marketed as a loan with an expected zakat funded cancellation option.

**Theoretical Implications**

Shariah Enterprise Theory places accountability within a relationship among God, human stakeholders, and the wider creation (Triyuwono, 2015). The findings refine this perspective for Islamic social finance by showing that accountability is not exhausted by demonstrating that no interest was charged. BAZNAS must account vertically for sharia compliance and horizontally to donors, current mustahik, student borrowers, universities, regulators, auditors, and future beneficiaries. These constituencies can have conflicting claims. A borrower seeks flexibility, a donor seeks durable benefit, a mustahik holds a restricted entitlement, and a future student depends on principal recovery. Fund segregation and documented decision rights are the managerial devices that make these claims visible rather than rhetorical. The study therefore extends Shariah Enterprise Theory by conceptualising fund segregation and documented decision rights as institutional mechanisms for balancing competing stakeholder claims in Islamic social finance.

Theory of Altruism explains helping behaviour motivated by concern for another person's welfare (Batson, 2011). That orientation alone cannot govern a revolving programme. Goodwill does not resolve adverse selection, information asymmetry, weak collection, or data security risk. Altruistic finance becomes institutionally credible only when benevolence is embedded in screening, contracting, monitoring, and transparent loss recognition. The model therefore rejects a false choice between compassion and control. Weak control can harm the same beneficiaries that the programme intends to support.

The broader contribution is the separation of five institutional layers. Qardhul hasan answers what is owed and which financial benefits are prohibited. The fund-source layer identifies which pool may finance the obligation. The operational-control layer governs

disbursement, monitoring, and data. ICR answers when and at what monthly pace the fixed principal is repaid. The hardship-resolution layer separates temporary inability, strategic non-compliance, and any later gharimin decision.

Widiastuti et al. (2022) treat Islamic social finance integration as a governance problem across instruments and institutions. The present findings refine that proposition for higher education by showing that integration does not require pooling all social funds; it requires coordinated but legally differentiated layers. This yields a more specific theoretical proposition for Islamic social finance social-purpose education financing remains credible when the contract, entitlement structure, operational controls, repayment rule, and hardship decision are institutionally separable but operationally connected.

**Managerial Implication**

For management practice, BAZNAS should begin with a limited pilot rather than a national-scale launch. Preparation requires legal and sharia review, confirmed donor mandates, cash-flow and sensitivity simulation, a segregated ledger, data-protection controls, SOPs, and explicit partner roles. Pilot reporting should track principal, disbursement accuracy, study continuation, contact retention, repayment activation, repayment duration, verified hardship, operating cost, losses, and real fund value. Expansion should depend on evidence that the revolving mechanism adds access without weakening grants or creating hidden cross-subsidies.

Managerially, BAZNAS should separate pilot approval from programme expansion. A pilot requires a designated funding source, named decision rights, a data-processing protocol, an operating-cost budget, and stopping or revision criteria. Universities should remain academic-verification partners, while repayment and gharimin decisions remain under authorised financial and zakat governance.

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Table 6 Institutional Responsibility Matrix for a Pilot

| Activity | Responsible institution / unit |
|---|---|
| Sharia validation | Authorised sharia authority or supervisory function. |
| Fund segregation | BAZNAS. |
| Academic verification | University / campus UPZ under a defined agreement. |
| Income verification | BAZNAS or authorised partner with restricted data access. |
| Data protection | BAZNAS and responsible data-governance function. |
| Gharimin assessment | Separate zakat-governance unit or authorised decision body. |

**Limitations**

The findings are specific and do not statistically represent all students or BAZNAS offices. Institutional evidence came from three managers at BAZNAS Surabaya and one Islamic economics expert, formal policy approval was not part of the study. The model has not been piloted, and the research did not estimate the initial capital requirement, operating cost, default probability, income distribution, or collection performance. The repayment rates, threshold, grace period, and review intervals are design propositions requiring simulation and panel validation. The study also did not test employer integration, tax based collection, or the reliability of income verification for informal workers. These limitations prevent the model from being treated as an implementation ready standard. The transferability of the proposed model to other BAZNAS offices, universities, and regional labour markets requires further comparative research.

Future research should therefore proceed in three linked stages. First, financial simulation should estimate capital requirements, repayment duration, real-value erosion,

default sensitivity, and operating cost under different regional wage distributions. Second, multi-site pilots should compare BAZNAS offices and universities in regions with different UMK/UMP levels and formal or informal labour-market structures. Third, implementation evaluation should test income-verification reliability, data-protection compliance, borrower behaviour, collection cost, and whether the qard pathway complements rather than displaces zakat-funded grants

## CONCLUSION

First, the proposed BAZNAS student-financing model should be understood as a complementary social-finance instrument for students facing a temporary liquidity gap and a plausible future capacity to repay. The contract is qardhul hasan: the student returns principal without interest, commercial margin, profit sharing, or a financial late-payment penalty. The primary revolving pool should come from separately recorded non-zakat social funds whose designation permits lending, while zakat remains on a grant pathway for eligible asnaf and may only address later gharimin hardship through a separate assessment and written decision.

Second, the study's main conceptual contribution is a five-layer institutional design that separates contract, fund source, operational control, repayment, and hardship resolution. These layers are implemented through four phases pre-disbursement governance and screening, controlled financing during study, alumni transition and income verification, and repayment or hardship resolution. Income-contingent repayment protects low-earning graduates by adjusting the timing and pace of instalments without changing the fixed principal obligation. Because the repayment

parameters are illustrative researcher-designed propositions, their acceptability depends on simulation and pilot evidence rather than normative assertion.

Third, BAZNAS should proceed only through a limited pilot supported by legal and sharia validation, a segregated ledger, standard operating procedures, data protection controls, explicit partner responsibilities, donor funded operating and risk reserves, and published performance metrics. The model's value lies less in claiming that qardhul hasan automatically solves education financing than in specifying the governance conditions under which a benevolent loan would avoid becoming either disguised commercial credit or an unsustainable grant. Future research should test regional transferability, graduate-income distributions, repayment duration, operating and collection costs, and whether the model expands access without displacing grant assistance for students who lack realistic repayment capacity.

From a policy perspective, BAZNAS and relevant regulators should treat any pilot as a controlled social-finance experiment rather than a national entitlement. Policy rules should define permissible non-zakat funding, accounting segregation, sharia oversight, data-sharing boundaries, hardship review, and evaluation criteria. Scaling should depend on affordability, principal recovery, administrative feasibility, and protection of zakat entitlements

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