

JURISPRUDENSI

Jurnal Ilmu Syari'ah, Perundang-undangan dan Ekonomi Islam
<https://doi.org/10.32505/jurisprudensi.v17i1.10887>
Vol. 17 No. 1 (Januari-Juni 2025): 326-338

The Application of Maqasid Principles in the Resolution of Islamic Banking Disputes in Kota Langsa

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| Submission | Accepted | Published |
|------------------|--------------|--------------|
| January 31, 2025 | May 18, 2025 | May 24, 2025 |

Abstract

Ideally, dispute resolution in Islamic banking should reflect the principles of Maqasid al-Shariah, which emphasize justice, public welfare (maslahah), and the protection of five essential elements: religion (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal). However, the reality in Kota Langsa shows that in practice, dispute resolution often does not fully adhere to these principles. Complaints from customers still arise, with some perceiving the banks as lacking transparency and tending to adopt solutions that disadvantage the clients. This study aims to analyze the extent to which the principles of Maqasid al-Shariah are applied in resolving Islamic banking disputes in Kota Langsa. The research employs a descriptive qualitative method with a juridical-empirical approach. The findings reveal that the implementation of Maqasid al-Shariah has been integrated through Sharia-based mediation facilitated by arbitration institutions and religious courts. This approach is considered effective in producing fair and harmonious solutions that balance Sharia principles with the practical interests of the community. Nevertheless, strengthening Sharia legal education, improving competencies, and developing more integrated regulations are essential for long-term effectiveness.

Keywords: Maqasid al-Shariah, Banking Dispute, Islamic Law

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Abstrak

Idealnya, penyelesaian sengketa dalam perbankan syariah harus mencerminkan prinsip-prinsip Maqasid Syariah yang menekankan pada keadilan, kemaslahatan, dan perlindungan terhadap lima aspek pokok: agama, jiwa, akal, keturunan, dan harta. Namun, realitas di Kota Langsa menunjukkan bahwa dalam praktiknya, penyelesaian sengketa seringkali belum sepenuhnya mengacu pada prinsip tersebut. Masih terdapat keluhan dari nasabah yang menilai pihak bank tidak trasparan dan cenderung mengambil solusi yang merugikan nasabah. Penelitian ini bertujuan untuk menganalisis sejauh mana prinsip Maqasid Syariah diterapkan dalam penyelesaian sengketa perbankan syariah di Kota Langsa. Metode yang digunakan adalah kualitatif deskriptif dengan pendekatan yuridis empiris. Hasil penelitian menunjukkan bahwa penerapan prinsip Maqasid Syariah telah diintegrasikan melalui mediasi berbasis syariah yang difasilitasi lembaga arbitrase dan peradilan agama. Penerapan ini dinilai mampu menciptakan solusi yang adil dan harmonis antara aspek syariah dan kepentingan masyarakat. Meski demikian, penguatan edukasi hukum syariah dan peningkatan kompetensi serta regulasi yang terintegrasi menjadi kunci penting untuk efektivitas jangka panjang.

Kata Kunci: *Maqasid Syariah, Sengketa Perbankan, Hukum Islam*

Introduction

Aceh, as a region granted special autonomy status in Indonesia, thus possessing special sovereignty in implementing Sharia law in various aspects of life, including the financial sector (Budiman, 2021). One form of implementing this Sharia law is manifested through Aceh Qanun Number 11 of 2018 concerning Islamic Financial Institutions (LKS). This Qanun regulates that all financial institutions operating in Aceh, including Langsa City, are required to apply Sharia principles in their operations. Langsa City, as one of the cities in Aceh Province, plays an important role in implementing this qanun, especially in supporting the development of a Sharia financial system based on *maqasid shariah*.

The principle of *maqasid shariah*, which aims to protect five fundamental aspects in the welfare of human life (*din, nafs, 'aql, nasl, and mal*) (Alwi et al., 2022), serves as the main foundation in the operation of Sharia financial institutions in Aceh. Furthermore, according to As-Syathibi, the welfare of human life is related to three important pillars, namely *dharuriyyat* (primary), *hajiyat* (secondary), and *tahsiniyat* (tertiary) (Bakhri & Labibi, 2021). In practice, Islamic banking implements *maqasid shariah* by avoiding *riba* transactions, ensuring justice in *akad*, and providing transparent financial solutions that meet community needs (Kurrohman, 2020). Moreover, Islamic banking also strives to promote financial inclusion through financing productive sectors, supporting poverty alleviation, and creating economic stability based on Islamic values. With this

approach, Islamic banking functions not only as a financial institution but also as a tool to achieve common welfare (Istiqomawati & Widiyastuti, 2023).

The implementation of *maqasid shariah* in banking operations not only builds public trust but also supports the development of the Islamic economy in Indonesia (Cinta Rahmi et al., 2024). Although currently Islamic banking still faces challenges in applying the values of *maqasid shariah* through its products and services (Pertiwi & Herianingrum, 2024). In the context of Islamic banking, the application of *maqasid shariah* is not limited to financial management but also includes dispute resolution that may occur between customers and the bank. This aims to ensure that dispute resolution is conducted fairly, transparently, and in accordance with Sharia values. However, in practice, various problems arise related to the resolution of Islamic banking disputes that are not fully aligned with Sharia principles.

The implementation of *maqasid shariah* in the operation of Islamic banking plays an important role not only in building public trust but also in strengthening the foundation of the national Islamic economy (Cinta Rahmi et al., 2024). The principles of *maqasid shariah*, which include protection of *din* (religion), *nafs* (life), *'aql* (intellect), *nasl* (lineage), and *mal* (property), form the philosophical basis for all activities of Islamic financial institutions (Al-Nahari et al., 2022). In this context, the public places great hope on Islamic banks as financial institutions that not only seek profit but also uphold the values of justice, transparency, and common welfare.

However, as stated by Pertiwi and Herianingrum (2024), there are still real challenges in fully applying the values of *maqasid shariah* in Islamic banking products and services. These challenges arise not only in designing financial products that suit community needs but also in dispute resolution mechanisms. In this context, dispute resolution becomes a crucial aspect reflecting the extent to which *maqasid shariah* values are internalized in bank operational practices. Furthermore, independent Sharia committees must be involved in new *ijtihad* to ensure effective resolution of these issues (Mahmad Robbi et al., 2024).

The application of *maqasid shariah* in dispute resolution between customers and banks demands a process that upholds the principles of justice (*adl*), transparency, and peaceful resolution. The resolution should not be one-sided or disadvantage either party, as this contradicts the principle of *adl* (justice), which is a main pillar in *maqasid shariah*. Ideally, every dispute is resolved through deliberation (*musyawarah*), mediation, or arbitration that considers the interests of both parties equally. Unfortunately, in practice, there are still cases of Islamic banking dispute resolution that do not fully reflect these principles. Some customers feel they are not given sufficient space to express their objections openly or face complicated and formalistic resolution processes. This discrepancy indicates a gap between the normative values of *maqasid shariah* and the operational reality in Islamic financial institutions. Therefore, a more integrative strategy is needed to ensure that all processes, including dispute resolution, genuinely operate within an authentic *maqasid shariah* framework.

One of the main issues faced in Langsa City is complaints from customers who feel disadvantaged in the dispute resolution process. Some customers express that the dispute resolution mechanism often tends to side with the bank or Islamic

financial institution (I. Ariska, personal communication, January 2025). This happens due to the lack of public understanding of the *akad* agreement, weak bargaining position of customers, and suboptimal supervision of Islamic financial institutions. Furthermore, there are allegations that in some cases, dispute resolution is still carried out using positive legal formalities without deeply considering Sharia values. This leads to the perception that Islamic banks are no different from conventional banks (Munandir & Syufaat, 2023).

This phenomenon not only causes public distrust towards Islamic financial institutions but also potentially harms the principles of *maqasid shariah* that form the main foundation of this financial system. Therefore, an in-depth study on the implementation of *maqasid shariah* principles in Islamic banking dispute resolution in Langsa City is necessary. Generally, this research aims to analyze the application of *maqasid shariah* principles in the dispute resolution process of Islamic banking in Langsa City, as well as to identify obstacles encountered in its implementation. In this study, informants will be asked to explain their understanding of *maqasid shariah* principles, especially in relation to dispute resolution mechanisms in Islamic financial institutions. This approach aims to explore the awareness and understanding of key actors such as Islamic bank practitioners, Sharia court judges, and academics regarding the basic principles of *maqasid shariah*, namely protection of *din* (religion), *nafs* (life), *'aql* (intellect), *nasl* (lineage), and *mal* (property). Understanding these principles is key to guiding a fair, humane, and Islamically aligned dispute resolution approach.

The researcher also seeks to explore how these principles have been translated into real practice on the ground, especially in cases of disputes between customers and Islamic financial institutions occurring in Langsa City. Therefore, informants will be asked to provide concrete examples of the implementation of *maqasid shariah* principles in dispute resolution, both internally by financial institutions and through mediation or litigation channels. Through this information, the research is expected to map the alignment between *maqasid shariah* theory and Islamic banking dispute resolution practice at the local level and identify obstacles that may arise in its implementation. Furthermore, the study evaluates the effectiveness of the existing dispute resolution mechanisms. Informants will be asked about the effectiveness of dispute resolution methods in protecting the rights of both parties, namely customers and Islamic financial institutions. Additionally, informants will be asked to explain the challenges they face in integrating *maqasid shariah* principles into dispute resolution processes. The researcher will also explore whether this approach has succeeded in providing a sense of justice equally to all parties involved in the conflict.

Regarding public perception and trust, informants in this study will be invited to express their views on how society, especially customers, assess the effectiveness of dispute resolution systems applied by Islamic financial institutions. The main focus is on the extent to which these systems are perceived to reflect justice, transparency, and Sharia values believed by the community. This research will also delve into informants' opinions on the influence of *maqasid shariah* application on the level of public trust. Whether these principles, if implemented consistently and genuinely, can strengthen customers' confidence in

the commitment of Islamic financial institutions to provide fair protection and benefit for all parties.

Furthermore, as part of efforts to formulate strategic recommendations, informants will be asked to provide suggestions on important steps to improve the application of *maqasid shariah* principles in the Islamic banking dispute resolution mechanism. These suggestions are expected to include practical approaches that can be implemented by financial institutions, supervisory authorities, and dispute resolution agencies. Finally, informants will also be asked for their opinions regarding the urgency of improvements in regulations, institutional policies, or public education to support the creation of a more just, transparent, and *maqasid shariah*-compliant dispute resolution system in Langsa City. Through these views, the research aims to formulate recommendations that are not only normative but also contextual and applicable. This research is crucial to identify the root causes of problems and provide recommendations to ensure that dispute resolution in the Islamic financial sector is conducted fairly, transparently, and in accordance with Sharia, thus protecting customers' rights and strengthening public trust.

Literature Review

Various previous studies have discussed the implementation of *maqasid shariah* principles in the operations of Islamic banking. Most of the earlier research focused on the effectiveness of regulations by examining the extent to which *maqasid shariah* principles are implemented in Islamic banking operations (Srisusilawati et al., 2022; Fanshurna et al., 2022; Fatmawati et al., 2022; Mokodenseho et al., 2024; Dewi et al., 2024). In addition, several studies on dispute resolution between Islamic banks and customers have also been conducted, generally indicating that dispute resolution methods can be carried out through either litigation or court processes, as well as non-litigation or out-of-court channels (Oseni et al., 2016; Triana & Purwinto, 2018; Puneri, 2021; Husein et al., 2022; Uliya & Sunandar, 2023).

More specifically, some research in Aceh has focused on analyzing the economic impact of the implementation of the Islamic financial system in Aceh on Islamic banking (Dayyan, 2016; Dayyan & Chalil, 2020; Budiman, 2021; Novia & Fitri, 2021; Kiranawati et al., 2023) and models of resolving problematic financing in Islamic banking (Ibrahim & Rahmati, 2017). However, there is a significant gap in previous research, namely the lack of focus on the application of *maqasid shariah* principles specifically in Islamic banking dispute resolution, especially regarding how the dispute resolution process is carried out, the perspectives of customers and banks, and whether *maqasid shariah* principles are consistently applied in Langsa City, which remains very limited. Furthermore, most previous studies were normative in nature, without directly linking the impact of dispute resolution implementation on public trust.

The novelty of this study lies in the empirical approach used to deeply explore the direct experiences of customers and Islamic bank parties in the dispute resolution process in Langsa City. This research does not only focus on the normative or theoretical framework of *maqasid shariah* but also presents a real picture of how these principles are applied in practice. By evaluating the

implementation of dispute resolution directly, this study is able to assess the extent to which the principles of justice, protection of property (*hifz al-mal*), and transparency are truly realized in the existing resolution mechanisms. Additionally, this research offers contextual and relevant solutions aligned with the social, cultural, and institutional conditions in Langsa City, thus potentially serving as a model or reference for other regions that also implement Islamic financial systems.

The new perspective arising from the results of this study is expected not only to contribute theoretically to the development of academic literature on *maqasid shariah* in the banking context but also to serve as practical guidance for Islamic financial institutions, regulators, and policymakers. Therefore, the findings of this research have the potential to support strengthening a dispute resolution system that is more just, effective, and in harmony with Sharia values. Furthermore, it is believed that this can enhance public trust in Islamic financial institutions while ensuring that the Islamic financial system truly becomes an instrument of social justice as idealized in Islamic teachings.

Research Methodology

The research method used in this article is descriptive qualitative with an empirical juridical approach. Descriptive qualitative method is a research approach aimed at describing or portraying a phenomenon in depth based on qualitative data (Moleong, 2019). The descriptive qualitative method aims to systematically and thoroughly describe the implementation of *Maqasid Syariah* principles in dispute resolution of Islamic banking in Langsa City. Then, the empirical juridical approach is a legal research method that not only examines law as written norms (normative approach) but also looks at how the law is applied in social reality. This approach studies the interaction between law and social behavior as well as how legal provisions are implemented by legal actors in practice (Soekanto, 1983). The empirical juridical approach is used to examine how Islamic legal provisions and applicable regulations are implemented in the practice of resolving Islamic banking disputes.

This study does not only focus on written legal norms but also analyzes how the principles of *Maqasid Syariah* are applied in the dispute resolution process through the study of court decisions, interviews with legal practitioners, and observations of the implementation of dispute resolution mechanisms in related institutions. With this approach, the research is expected to provide a comprehensive understanding of the effectiveness of *Maqasid Syariah* implementation in the Islamic banking system in Langsa City. In this study, informants interviewed were selected based on their direct involvement in the process of resolving Islamic banking disputes. The following are the informants who became the primary data sources in this research:

1. Employee of Bank Y (Initials) – Financing Division at Islamic Bank X as an internal party of the Islamic bank, this informant has insight into financing policies, dispute resolution procedures, and how the principles of *Maqasid Syariah* are applied in handling disputes with customers. Experience in

handling Islamic banking dispute cases can provide perspectives on the effectiveness of the mechanisms implemented by the bank.

2. Customer Z (Initials) – Customer of Islamic Bank X as a party who directly experienced a dispute with Islamic Bank X, the customer can provide views regarding their experience facing dispute resolution, whether the principles of *Maqasid Syariah* are truly applied in practice, and to what extent justice and public interest are felt.
3. Abdul Hamid – Academic and Sharia Supervisory Board (DPS) member of Islamic Banking. As an academic, he can provide theoretical perspectives on *Maqasid Syariah* in Islamic banking law. As a member of the Sharia Supervisory Board (DPS), he is responsible for ensuring the bank's compliance with sharia principles, thus he can explain to what extent the principles of *Maqasid Syariah* are truly implemented in resolving Islamic banking disputes.
4. Ilyas – Substitute Registrar at the Langsa Sharia Court. Mediator at the Sharia Court. As a mediator at the Sharia Court, this informant can explain how Islamic banking disputes are resolved through mediation and how Islamic law and the principles of *Maqasid Syariah* are applied in dispute resolution practice. He can provide insights on the effectiveness of mediation in resolving disputes and whether this method aligns with the public interest objectives in *Maqasid Syariah*.

Dispute Resolution Between Islamic Banks and Customers

Normatively, dispute resolution between Islamic banks and their customers is regulated by various regulations that refer to Islamic legal principles and the Islamic banking system in Indonesia. Based on Law Number 21 of 2008 concerning Islamic Banking, disputes in Islamic banking can be resolved through several mechanisms, namely deliberation (musyawarah), banking mediation, the National Sharia Arbitration Board (BASYARNAS), or through the courts within the scope of religious courts. This dispute resolution must be based on the principles of *Maqasid Sharia*, which emphasize the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and property (*hifz al-mal*). In practice, deliberation and mediation approaches are prioritized to achieve a fair and beneficial solution for both parties before resorting to litigation. If an agreement is not reached, the resolution can continue through BASYARNAS or the religious court authorized to handle Islamic banking cases as stipulated in Article 55 paragraph (1) of the Islamic Banking Law. These provisions aim to ensure that dispute resolution in Islamic banking remains consistent with Sharia values and provides justice and legal certainty for all parties involved.

The Aceh Sharia Court (Mahkamah Syar'iyah Aceh) is a religious court institution with special authority to apply Islamic law in Aceh Province. The existence of this Sharia Court is based on Law Number 18 of 2001 on Special Autonomy for Nanggroe Aceh Darussalam Province, further reinforced by Law Number 11 of 2006 on the Governance of Aceh (UUPA). The Sharia Court functions as part of the religious judiciary with broader jurisdiction compared to religious courts in other Indonesian provinces because it includes the resolution of cases

related to Islamic law in civil, certain criminal, and Islamic economic fields. In the context of resolving Islamic banking disputes, the Aceh Sharia Court has the authority to handle cases based on Article 49 of Law Number 3 of 2006 concerning Amendments to Law Number 7 of 1989 on Religious Courts, which grants religious courts authority to resolve Islamic economic disputes. Thus, customers and Islamic banks in Aceh experiencing disputes may seek resolution through the Aceh Sharia Court as a judicial institution grounded in Islamic legal principles. The Aceh Sharia Court also has a mediation mechanism as an effort to settle disputes amicably before cases proceed to trial. If mediation fails, the trial is conducted with reference to the principles of *Maqasid Sharia*, emphasizing justice, benefit, and protection of the rights of the parties.

First, dispute resolution through litigation (court process). Dispute resolution via litigation is a formal mechanism carried out in court when non-litigation efforts such as deliberation or mediation do not reach an agreement. In the context of Islamic banking disputes, litigation follows applicable Indonesian law, especially within the religious court system. According to Article 55 of Law Number 21 of 2008 on Islamic Banking, Islamic banking dispute resolution is under the authority of the religious courts, as regulated in Law Number 3 of 2006 regarding Amendments to Law Number 7 of 1989 on Religious Courts. However, disputing parties may also choose arbitration or other dispute resolution institutions that comply with *Sharia* principles, such as the National *Sharia* Arbitration Board (BASYARNAS).

In practice, if customers and Islamic banks cannot find solutions through mediation or arbitration, the case will be submitted to the religious court or Mahkamah Syar'iyah (specifically in Aceh). The litigation process in court includes case examination, evidence presentation, trial sessions, and judge rulings based on Islamic law and Islamic banking regulations. The principle of *Maqasid Sharia* remains the foundation for decision-making to ensure justice and benefit for both parties. The advantage of the litigation route is the certainty of law and the binding power of court decisions, but the process may take a long time and incur higher costs compared to non-litigation resolutions. Therefore, although litigation is available, Islamic banks and customers are usually expected to prioritize mediation as the initial solution before bringing the case to court (I. Ariska, personal communication, January 2015).

Second, dispute resolution through non-litigation (out-of-court). Non-litigation dispute resolution is an alternative that allows disputing parties to reach an agreement without going through court proceedings. This route is more flexible, faster, and more efficient than litigation, while still upholding the principles of *Maqasid Sharia*, namely benefit, justice, and harmonious resolution. In Islamic banking, non-litigation dispute resolution is regulated in Article 55 paragraph (2) of Law Number 21 of 2008 on Islamic Banking, which provides several options such as deliberation, banking mediation, arbitration through BASYARNAS, and the Alternative Dispute Resolution Institution (LAPS). Deliberation is conducted directly between the bank and the customer with a familial approach to reach a mutual agreement.

If deliberation fails, banking mediation can be facilitated by the Financial Services Authority (OJK) or an independent mediator to find a fair solution

consistent with Sharia principles. Another alternative is resolution through BASYARNAS, which provides final and binding arbitration decisions, or through LAPS, offering resolutions via mediation, adjudication, or arbitration. Non-litigation resolution is preferred in Islamic banking disputes because the process is faster, costs are lower, and it aligns better with Sharia principles emphasizing justice and avoiding prolonged conflict. If this route fails to reach an agreement, resolution can proceed through litigation in the religious courts or Mahkamah Syar'iyah in Aceh (I. Ariska, personal communication, January 2015).

Dispute Phenomenon

The phenomenon of disputes between Islamic banks and customers in Langsa City shows several cases reflecting the inconsistency in applying Sharia principles in Islamic banking practice. Some disputes arise due to alleged violations of Sharia provisions that should be the basis for Islamic banking operations. Indications of non-compliance include issues related to transactions that do not adhere to Islamic muamalah principles, such as *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling), which are prohibited in the Islamic banking system. For example, in some financing cases provided by Islamic banks, there are suspicions of concealed *riba* practices in the form of interest or administrative fees that do not comply with Sharia provisions. Additionally, problems related to lack of transparency in financing contracts or unclear terms lead to *gharar* practices. Some disputes also involve customer dissatisfaction with contract interpretations that do not align with justice principles in Sharia, causing a mismatch between customer expectations and bank implementation.

This phenomenon raises questions about the quality of supervision by the Sharia Supervisory Board (DPS) and the compliance of Islamic banks with Sharia principles. Such practices not only harm customers but also damage public trust in Islamic banking institutions. Therefore, it is important to evaluate dispute resolution mechanisms and strengthen Sharia supervision to ensure that every transaction and policy in Islamic banking in Langsa City runs according to the *Maqasid Sharia* principles, which aim to realize justice, benefit, and welfare for all parties. During interviews conducted with several Islamic bank customers in Langsa City, problems were found related to unclear information in financing contracts causing disputes. One customer stated feeling disadvantaged because penalty fees for late payments were never explained in detail from the start.

He also stated that when filing complaints, the bank's response was slow and did not provide a fair solution. On the other hand, the bank argued that information about penalties was included in the contract and socialized at the contract signing, although it was admitted that many customers did not read or fully understand the contract contents. Interviews with bank officials showed that most disputes arose from differences in perception between the bank and customers regarding contract contents. The bank emphasized that it had followed procedures in accordance with Sharia and applicable regulations, including transparency and justice principles in the contract. However, they also acknowledged challenges in delivering complete and easily understandable

information to all customers, especially those with limited education in Islamic economics.

From the *Maqasid Sharia* perspective, this issue touches on several important aspects. For example, in protecting property (*hifz al-mal*), no party should feel harmed unilaterally due to lack of understanding of the agreement's contents. Transparency of information is part of protecting intellect (*hifz al-'aql*), where every individual must be adequately informed before making financial decisions. The lack of effective communication by the bank potentially neglects this principle, making dispute resolution less reflective of holistic Sharia values. Furthermore, unresponsive dispute resolution can weaken public trust in the Islamic financial system overall, contradicting the principle of maintaining stability and public confidence in muamalah systems. In some cases, the chosen resolution seemed more administrative than reconciliatory in line with the spirit of Maqasid Sharia. Therefore, there is a need to enhance understanding and strengthen dispute resolution mechanisms that not only focus on legal-formal aspects but also consider substantive justice and Islamic ethical values.

Problematic Financing Dispute Resolution Strategy

The phenomenon of dispute resolution through non-litigation channels (outside of court) in the city of Langsa has shown a growing trend among Islamic banking institutions and their customers. Based on field interviews and observations, resolution through deliberation and mediation is more frequently chosen compared to litigation in the *Mahkamah Syar'iyah* (Sharia Court). Factors driving this preference include the desire for faster and lower-cost solutions, as well as a collective awareness of the importance of resolving issues in accordance with the values of *maqasid shariah*—which are grounded in justice, public benefit (*maslahah*), and the avoidance of prolonged harm.

In practice, the initial step usually taken is direct deliberation between the bank and the customer. This process is conducted in a familial and cooperative manner, with the hope of reaching a mutually beneficial solution that prioritizes the principle of mutual assistance (*ta'awun*). If deliberation fails to reach a consensus, mediation becomes the next option, often facilitated by a third party, such as the Financial Services Authority (OJK) or independent mediators who are knowledgeable in both finance and Islamic law. These mediators play a crucial role in maintaining constructive communication and ensuring neutrality between both parties. Interestingly, in several cases, mediation has succeeded in reconciling the interests of both the bank and the customer peacefully—even before proceeding to arbitration or litigation.

Meanwhile, sharia arbitration facilitated by the National Sharia Arbitration Board (BASYARNAS) has also started to gain traction as a formal non-litigation dispute resolution alternative. This form of arbitration is considered more efficient due to its final and binding decisions, while still prioritizing justice based on sharia principles. For the people of Langsa, this path offers relief by avoiding the long and complex judicial process while maintaining Islamic values throughout the resolution process. Non-litigation dispute resolution holds significant added value in the context of Islamic banking, particularly in maintaining good relationships

between banks and their customers. This process emphasizes peace and harmonious resolution, which aligns closely with sharia principles that prioritize not only rights and obligations but also social well-being. This consensus- and dialogue-based approach fosters a conducive climate for resolving problems without worsening relationships or adding psychological burdens to the disputing parties.

Another advantage is the faster resolution and significantly lower costs compared to litigation, which often consumes considerable time and financial resources. Shorter resolution processes can reduce financial losses for both customers and financial institutions. In many cases, deliberation or mediation can be resolved within a few meetings, whereas court litigation may take months or even years. Thus, the non-litigation route offers a more efficient and customer-friendly solution, while supporting sharia principles that emphasize ease and public benefit (*maslahah*). Non-litigation dispute resolution also allows financial institutions to preserve their reputation and public trust, which are critical in the Islamic finance industry. Since mediation and arbitration outcomes are private and not published like court proceedings, both parties can maintain confidentiality and avoid unwanted exposure that could damage the institution's image.

However, despite the many benefits of non-litigation paths, challenges still exist—particularly regarding the willingness of both parties to compromise and accept the outcome. In this regard, the presence of a competent and neutral mediator or facilitator is essential to ensure that the mediation or arbitration process proceeds fairly and in accordance with the principles of *maqasid shariah*. The growing trend toward non-litigation dispute resolution indicates that the public, financial institutions, and local authorities are increasingly aware of the importance of practically applying *maqasid shariah* principles in financial practices. Peaceful, swift, and just resolutions reflect key Islamic values: preventing harm and safeguarding collective benefit. This also serves as an indicator that the Islamic financial system in Langsa is beginning to establish a dispute resolution culture that is not only based on positive law but also aligned with Islamic ethics and spirituality.

Conclusion

The phenomenon of disputes between Islamic banks and customers in the city of Langsa reflects the complex dynamics in implementing sharia principles within financial transactions. Many disputes arise due to discrepancies between financing practices and sharia principles, such as *riba* (usury), *gharar* (uncertainty), and non-transparent contracts. When non-litigation routes—such as deliberation (*musyawarah*), mediation, or arbitration—fail to yield results, the parties generally turn to litigation to obtain legal certainty, despite the fact that this process is often time-consuming and costly. In contrast, non-litigation mechanisms are considered more aligned with *Maqasid al-Shariah* as they emphasize resolutions that are faster, more affordable, and fair. This phenomenon highlights the urgency of strengthening out-of-court dispute resolution mechanisms and the active role of the Sharia Supervisory Board, along with

internal bank oversight, to ensure all transactions remain within the framework of Islamic law.

As a form of resolution and improvement, sharia oversight must be enhanced through a more proactive role of the Sharia Supervisory Board in monitoring and evaluating banking operations. Customer education also needs to be expanded so they fully understand their rights and obligations in sharia contracts. Optimizing dispute resolution institutions such as BASYARNAS and simplifying litigation processes in religious courts are important steps to make dispute settlement more effective and efficient. With the implementation of these measures, it is expected that public trust in Islamic banking will be strengthened, and the Islamic financial system in Langsa can develop sustainably in accordance with the values of justice and public welfare (*maslahah*) in Islam.

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