



Risk Management Based on *Lā Ḍarar wa Lā Ḍirār* in Sharia Home Financing

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Abstract

This study aims to analyze and elaborate on the concept of risk management based on *lā ḍarar wa lā ḍirār* in Sharia Home Financing at PT Wahana Persada Indonesia, one of the Sharia Property Developers. The research employs a qualitative method with a grounded theory methodology approach. Data were collected through in-depth interviews with relevant organizational stakeholders, observations, and document analysis. The findings reveal that the risk management concept implemented by PT Wahana Persada Indonesia involves a step-by-step process comprising risk qualification, risk identification, and risk control as part of the application of *lā ḍarar wa lā ḍirār*. Risk management strategies are conducted within the framework of Islamic legal maxims (*qawā'id fihiyyah*) and are constructed into two derived principles, namely *al-ḍarar yudfa' bi qadri al-imkān* (harm should be removed as much as possible) and *al-ḍarar yuzāl* (harm must be eliminated), which serve as analytical tools. The findings of this study can serve as input for risk management regulations in Islamic financial institutions or other Sharia-compliant developers by integrating risk management strategies with Sharia values.

Keywords: Risk Management, Sharia Property Developers, *Lā Ḍarar wa lā Ḍirār*

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1. INTRODUCTION

The Directorate General of Housing Finance projects that the demand for housing in Indonesia will exceed 30 million units by 2025, translating to an estimated need for 1.2 million new housing units annually. The substantial demand for accessible housing has driven the growth of numerous property investors offering public housing finance, both through financial institutions such as banks and non-bank entities.¹ Among these are developers providing Home Ownership Financing services, utilising either Sharia-compliant or conventional schemes.²

One of the most favoured options by the public today is the emergence of Sharia-compliant property financing, which offers simplified access to homeownership while adhering to Islamic principles.³ Furthermore, Indonesia's demographic composition—where 85% of the population identified as Muslim in 2018, according to the Central Bureau of Statistics—has significantly influenced the demand for housing solutions aligned with Islamic values.⁴ This trend resonates with findings from studies on Islamic Home Financing, which highlight financing models such as *murābahah*, *istiṣnā*, *musyārakah*, and *ijārah*.⁵

Public interest in Sharia-compliant Home Ownership Financing has been growing steadily each year, despite a slight slowdown in growth over the past two years. However, the growth rate of Home Ownership Financing Sharia remains higher compared to conventional home financing, which has experienced single-digit growth. According to the Sharia Banking Statistics (SPS), as of August 2019, financing provided by Sharia Commercial Banks and Sharia Business Units for homeownership reached IDR 77.72 trillion.⁶ This represents an annual growth (year-on-year/yoy) of 14.69%, significantly higher than the conventional mortgage industry's growth of 10.77% yoy.⁷ This development has positively impacted the Islamic economic balance sheet, aligning with Wilson's recognition that the Islamic financial market is among the fastest-growing

¹ Yaser Taufik Syamlan and Wardatul Jannah, "The Determinant of Credit Risk in Indonesian Islamic Commercial Banks," *Share: Journal of Islamic Economics and Finance* 8, no. 2 (December 31, 2019): 181–206, doi:10.22373/share.v8i2.5051.

² I Bidari, A Jajang W Mahri, and R Rosida, "Customers Literacy on Islamic House Financing Products," *KnE Social Sciences* 3, no. 13 (March 31, 2019): 492–498, doi:10.18502/KSS.V3I13.4225.

³ Hanudin Amin, "Critical Success Factors for the Receptiveness of Islamic Home Financing in Malaysia," *International Journal of Emerging Markets* 15, no. 5 (April 24, 2020): 849–73, doi:10.1108/IJOEM-04-2018-0187/FULL/XML.

⁴ Waridatul Afalia and Esy Nur Aisyah, "The Effect of FTV Policy and Economic Factors on Home Ownership Financing in Indonesian Sharia Banking," *MALIA: Journal of Islamic Banking and Finance* 7, no. 1 (June 30, 2023): 43, doi:10.21043/MALIA.V7I1.20274; Haris Izzuddin Abdurrahman, Permata Wulandari, and Karina Wulandari, "Factors Influencing Low-Income Citizens' Choice of Sharia-Subsidized Housing Credit in Indonesia," *International Journal of Housing Markets and Analysis* ahead-of-print, no. ahead-of-print (2024), doi:10.1108/IJHMA-07-2024-0107/FULL/XML.

⁵ Muhammad Nasri et al., "Sharia Concepts in Islamic Home Financing Products in Malaysia: An Analysis on Musyarakah Mutanaqisah and the Fiqh Method 'The Original Law of a Contract with Conditions Is Required and Legal,'" 2024, doi:10.6007/IJARBS/v14-i10/23369.

⁶ Syamlan and Jannah, "The Determinant of Credit Risk in Indonesian Islamic Commercial Banks."

⁷ MB Hendrie Anto, Faaza Fakhrunnas, and Yunice Karina Tumewang, "Islamic Banks Credit Risk Performance for Home Financing: Before and during Covid-19 Pandemic," *Economic Journal of Emerging Markets* 14, no. 1 (April 27, 2022): 113–25, doi:10.20885/EJEM.VOL14.ISS1.ART9.

markets, not only within Muslim-majority regions but also in European countries, particularly the United Kingdom.⁸

The application of risk management varies across different business elements. Generally, the most prominent risk in Home Ownership Financing is credit risk, which refers to the occurrence of nonperforming financing (problematic financing).⁹ Credit risk arises when the lender fails to recover the principal installment and/or the profit margin from the financing provided or the ongoing investment. According to Article 8 of Law No. 10 of 1998, the provision of financing under Sharia principles is conducted based on an analysis applying the principle of prudence.¹⁰ This ensures that the customer or debtor has the capability to repay their financing or settle their obligations in accordance with the agreement, thereby minimizing the potential for default or delinquency in repayments.¹¹

The significant potential risks inherent in the property business sector must be accompanied by adequate risk management.¹² However, to date, there are no regulations mandating companies in the construction and property sectors to implement risk management, as is required in the banking sector.¹³ Meanwhile, research conducted by Elgharbawy reveals that credit risk in Islamic banking has significantly increased alongside the rise in problematic financing.¹⁴ Two variables, namely the Capital Adequacy Ratio (CAR) and Nonperforming Finance (NPF), exhibit a negative but statistically insignificant influence on risk-taking behavior.¹⁵

This article aims to investigate one of the Shariah-compliant property developers in Makassar, PT Wahana Persada Indonesia. The company claims to apply the concept of *lā Ḍarar wa lā Ḍirār* in its risk management practices—a foundational fiqh principle frequently utilised within the domain of *muamalah*. Accordingly, this article begins by explaining the concept of *lā Ḍarar wa lā Ḍirār* alongside its two derivative principles that are deemed relevant to risk management. It then elaborates on the Islamic risk management perspective and outlines the financing flow of Home Ownership Financing by developers. Subsequently, the article examines how a risk management framework

⁸ Ahmed A. Elamer, Collins G. Ntim, and Hussein A. Abdou, “Islamic Governance, National Governance, and Bank Risk Management and Disclosure in MENA Countries,” *Business and Society* 59, no. 5 (May 1, 2020): 914–55, doi:10.1177/0007650317746108/ASSET/IMAGES/LARGE/10.1177_0007650317746108-FIG1.JPEG.

⁹ Samir Srairi, “Transparency and Bank Risk-Taking in GCC Islamic Banking,” *Borsa Istanbul Review* 19 (August 1, 2019): S64–74, doi:10.1016/J.BIR.2019.02.001.

¹⁰ Muhammad Y. Khan et al., “Dynamics of Selecting Islamic Home Financing,” *International Journal of Finance & Economics* 26, no. 4 (October 1, 2021): 5005–16, doi:10.1002/IJFE.2051.

¹¹ Abdurrahman, Wulandari, and Wulandari, “Factors Influencing Low-Income Citizens’ Choice of Sharia-Subsidized Housing Credit in Indonesia”; Bidari, Mahri, and Rosida, “Customers Literacy on Islamic House Financing Products”; Amin, “Critical Success Factors for the Receptiveness of Islamic Home Financing in Malaysia.”

¹² Zuriah Abdul Rahman et al., “Critique on Risks in Islamic Home Financing,” *International Journal of Economics, Management and Accounting* 24, no. 2 (November 29, 2016): 227–59, doi:10.31436/IJEMA.V24I2.383.

¹³ Naseem Al Rahahleh, M. Ishaq Bhatti, and Faridah Najuna Misman, “Developments in Risk Management in Islamic Finance: A Review,” *Journal of Risk and Financial Management* 2019, Vol. 12, Page 37 12, no. 1 (February 20, 2019): 37, doi:10.3390/JRFM12010037.

¹⁴ Adel Elgharbawy, “Risk and Risk Management Practices: A Comparative Study between Islamic and Conventional Banks in Qatar,” *Journal of Islamic Accounting and Business Research* 11, no. 8 (August 12, 2020): 1555–81, doi:10.1108/JIABR-06-2018-0080/FULL/XML.

¹⁵ Md Safiullah and Abul Shamsuddin, “Risk in Islamic Banking and Corporate Governance,” *Pacific-Basin Finance Journal* 47 (February 1, 2018): 129–49, doi:10.1016/J.PACFIN.2017.12.008.

based on *lā Ḍarar wa lā Ḍirār* is implemented in Home Ownership Financing by the Sharia-compliant property developer, PT Wahana Persada Indonesia.

This study employs a qualitative research design, a type of in-depth inquiry strategy that emphasises the exploration of meaning, understanding, concepts, characteristics, phenomena, symbols, and descriptive accounts of a particular phenomenon. It is focused and multimodal, naturalistic, holistic, prioritising quality over quantity, employing various methods, and presented narratively. The research approach adopted is grounded theory methodology, a general methodology aimed at developing theories through systematically and fundamentally conducted qualitative research. The theory is constructed based on the data collected regarding a phenomenon that serves as the focus of the study. This approach is deemed relevant to this research, as it seeks to clearly describe the application of risk management concepts based on *Lā Ḍarar wa lā Ḍirār* in Sharia-compliant Home Financing (*PPR Syariah*).

The data sources were derived from primary data collected through interviews with the Chief Executive Officer, debt staff, manager staff, and PT Wahana Persada Indonesia users. The researcher utilised archives available at the Sharia Property Developer PT Wahana Persada Indonesia to obtain relevant research data. Additionally, observational data collection was conducted systematically by observing and recording phenomena related to the objective conditions of the study. This included the company profile, which provides a general overview of the Sharia Property Developer PT Wahana Persada Indonesia; the forms used within the system and procedures for financing application, disbursement, and monitoring; financing application procedures; and other aspects related to data collection.

Research on risk management in financial institutions or Islamic organizations has been conducted by several studies, one of which was carried out by Al Rahahleh et al.,¹⁶ who examined the comparison of risk management practices between Islamic banks (IBs) and conventional banks (CBs). The study's findings indicated that there was weak support for the development of Shariah-compliant products due to a lack of risk mitigation expertise in IBs. Similarly, Mollah¹⁷ conducted a study using a sample of 52 Islamic banks and 104 conventional banks across 14 countries from 2005 to 2013, concluding that the governance structure within Islamic banks plays a critical role in risk-taking decisions and financial performance, which differs significantly from conventional banks. This conclusion is further reinforced by Elamer's¹⁸ finding that risk management practices were more robust in banks with higher levels of Islamic governance quality.

However, there is still a lack of research on risk management models grounded in Islamic legal maxims, particularly the principle of *lā Ḍarar wa lā Ḍirār*, so this research aims to fill that gap. This article presents a new approach to risk management by utilising fiqh principles as the foundation for managing risks within the context of business and organisations. While risk management has been extensively discussed in academic

¹⁶ Naseem Al Rahahleh, M. Ishaq Bhatti, and Faridah Najuna Misman, "Developments in Risk Management in Islamic Finance: A Review," *Journal of Risk and Financial Management* 2019, Vol. 12, Page 37 12, no. 1 (February 20, 2019): 37, doi:10.3390/JRFM12010037.

¹⁷ Sabur Mollah et al., "The Governance, Risk-Taking, and Performance of Islamic Banks," *Journal of Financial Services Research* 51, no. 2 (April 1, 2017): 195–219, doi:10.1007/S10693-016-0245-2/TABLES/6.

¹⁸ Ahmed A. Elamer, Collins G. Ntim, and Hussein A. Abdou, "Islamic Governance, National Governance, and Bank Risk Management and Disclosure in MENA Countries," *Business and Society* 59, no. 5 (May 1, 2020): 914–55, doi:10.1177/0007650317746108/ASSET/10F8A2D6-430E-4E45-862D-C6A2491AD7DC/ASSETS/IMAGES/LARGE/10.1177_0007650317746108-FIG1.JPG.

literature, a fiqh-based approach has yet to be widely explored. By integrating the principles of fiqh, this article offers a risk management model that not only focuses on economic and practical aspects but also considers the ethical and legal dimensions of Islam. This novelty not only contributes to theoretical development but also provides practical solutions for organisations seeking to operate in accordance with sharia principles while minimising risks that are contrary to Islamic values.

2. DISCUSSION

2.1 The Concept of *Lā Ḍarar wa lā Ḍirār*

Lā Ḍarar wa lā Ḍirār represents one of the principal and universal legal maxims (القَوَاعِدُ الْكُبْرَى الْخَمْسُ), commonly referred to as "The Five Major Maxims," which encompass the entirety of Islamic jurisprudence (*fiqh*). This maxim possesses broader and more general applications compared to other legal maxims. Furthermore, the jurists of the four major schools of Islamic thought unanimously agree on its validity as evidence and apply it across various chapters of *fiqh*.¹⁹ This maxim serves as a general principle used to justify cases within the context of *fiqh al-mu'āmalāt* (Islamic commercial and financial jurisprudence).²⁰ The textual foundation of this maxim is derived from a *ḥadīth* of the Prophet Muhammad (peace be upon him), whose wording is identical to the maxim itself, as narrated by Ibn Mājah, Aḥmad, Dāruquṭnī, and Hākim.²¹ This maxim constitutes one of the foundational principles of Islamic law, which serves as a basis for preventing harmful actions. Such prevention may involve financial compensation, replacement with a similar item, or punitive measures imposed on the perpetrator.²²

Several scholars express this maxim with the phrase *al-ḍarar yuzāl* ("Harm must be removed") and establish the principle of *lā ḍarar wa lā ḍirār* as its evidence and foundation.²³ However, the legal maxim directly derived from the text of the *ḥadīth*, *lā ḍarar wa lā ḍirār*,²⁴ is considered more comprehensive and possesses a broader scope compared to the maxim extracted from the implied meaning of the *ḥadīth*. This distinction lies in its dual applicability: preventing harm or damage before it occurs and rectifying it once it has taken place. Moreover, the maxim aligned with the wording of the *ḥadīth* carries significant weight as a strong *shar'ī* evidence in establishing a legal ruling, as it is directly sourced from the prophetic tradition (*ḥadīth*) of the Prophet Muhammad (peace be upon him).²⁵

Ḍarar is the antonym of the word *al-naḥḥu*, which etymologically means "to provide benefit." From this, its meaning can be defined as: إِيْضَاعٌ مَّفْسَدَةٍ بِالْغَيْرِ مُطْلَقًا (Imposing harm or damage upon others unconditionally, whether upon oneself or others).²⁶ Meanwhile, *ḍirār* in terminology is defined as مُقَابَلَةُ الضَّرَرِ بِالضَّرَرِ (Responding to harm or

¹⁹ Muḥammad Ṣidqī bin Aḥmad bin Muḥammad Al-Burnū, *Al-Wajīz Fī Idāhi Qawā'id al-Fiqh al-Kullīyyah*, 5th ed. (Beirut: Muassasah al-Risālah, 2002).

²⁰ 'Umar 'Abdullah Kamil, "Al-Qawā'id al-Fiqhiyyah al-Kubrā Wa Aṣaruhā Fī Mu'āmalah al-Māliyyah" (Universitas al-Azhar al-Syarif, 2015).

²¹ 'Abdurrahmān bin Syihābuddin al-Ḥanbalī Ibnu Rajab, *Jāmi' al-'Ulūm Wa al-Ḥikam Fī Syarhī Khamsīna Ḥadīṣan Min Jawāmi' al-Kalīm*, 1st ed. (Kairo: Dār al-Safwah, 2008).

²² bin 'Abdirrahmān Alu Syaikh Yūsuf, *Al-Qawā'id al-Fiqhiyyah Lil Masā'il al-Tibbiyyah Jam'an Wa Dirāsatan*, 1st ed. (Riyad: Ja'miah al-Imam Muhammad bin Su'ud, 2011).

²³ 'Abdurrahmān bin Abī Bakr Jalāluddīn Al-Suyūfī, *Al-Asybah Wa al-Nazāir*, 1st ed. (Beirut: Dār al-Kutub al-'Ilmiyyah, 1990).

²⁴ Muḥammad bin Yazīd al-Qazwīnī Ibnu Mājah, *Sunan Ibnu Mājah*, 1st ed., vol. 1 (Riyad: Maktabah al-Ma'ārif, 2010).

²⁵ Al-Burnū, *Al-Wajīz Fī Idāhi Qawā'id al-Fiqh al-Kullīyyah*.

²⁶ Al-Burnū, *Al-Wajīz Fī Idāhi Qawā'id al-Fiqh al-Kullīyyah*.

damage inflicted upon someone with harm or damage in return).²⁷ Scholars differ in their interpretation of these two terms. Some scholars argue that *ḍarar* is synonymous with *ḍirār*, meaning both refer to harm or detriment. Others, however, maintain that *ḍarar* and *ḍirār* have distinct meanings.²⁸ This distinction arises because the Prophet (peace be upon him) mentioned both terms without exception, negating both *ḍirār* and *ḍarar*. In this context, an Arabic linguistic principle applies: *الأصل في الكلام التأسيس لا التأكيد* (The original rule in speech is to establish a new meaning rather than repetition or emphasis).²⁹ This principle implies that when someone speaks a second statement after the first, the original assumption is not that the speaker intends to repeat or emphasize the first statement, but rather that the second statement introduces a new and distinct meaning from the first.³⁰

The derived principles relevant to this research are *al-ḍarar yudfa' bi qadri al-imkān* and *al-ḍarar yuzāl*, which are reflected within the stages of risk management. The concept of *al-ḍarar yudfa' bi qadri al-imkān* serves as a preventive measure, stipulating that any potential harm or damage should be anticipated and mitigated as much as possible before it occurs.³¹ Efforts should aim to eliminate harm without causing additional damage, but if this is not feasible, it should be addressed to the extent possible, even if it results in a lesser harm. This principle underscores the importance of taking every possible measure to prevent anticipated risks, aligning with the maxim: *الوقاية خير من العلاج* (Prevention is better than cure).³² In risk management, this principle is applied through proactive measures to prevent or minimise severe risks. On the other hand, *al-ḍarar yuzāl* asserts that any harmful element must be eradicated.³³ An example of this application can be observed in the resolution of problematic financing in Home Ownership Financing that has reached the fifth collectability category (Kolektibilitas V). A non-litigation approach may be adopted, such as holding deliberations following the issuance of Warning Letters 1 through 3. If the deliberations indicate that the financing cannot be salvaged, solutions such as voluntary collateral sales or transferring repayment obligations through the auctioning of the debtor's home can be pursued.

2.2 Risk Management from an Islamic Perspective

Shad highlights several general definitions of risk as conveyed by various authors. Salim defines risk as uncertainty that may result in an event of loss.³⁴ Callahan and Soileau interprets it as the deviation or variance of actual outcomes from expected outcomes or describes it as the probability of an outcome differing from expectations.³⁵ In other words, risk is the possibility of unexpected or undesired losses.³⁶ This definition

²⁷ Mustafā Aḥmad Al-Zarqā, *Al-Madkhal al-Fiqhi al-'Ām*, 2nd ed., vol. 2 (Damaskus: Dār al-Qalam, 2004).

²⁸ 'Alī Aḥmad Al-Nadawī, *Al-Qawā'id al-Fiqhiyah*, 1st ed. (Jaddah: Dār al-Basyir, 1998).

²⁹ Muḥammad bin 'Abdillāh bin 'Ābid Al-Ṣawāt, *Al-Qawā'id Wa al-Ḍawābiṭ al-Fiqhiyyah 'Inda Ibnī Taimiyyah Fī Fiqh al-Uṣrah*, 1st ed., vol. 1 (Thaif: Maktabah Dār al-Bayān al-Ḥadīṣah, 2001).

³⁰ Turkī bin 'Abdillāh bin Ṣāliḥ Al-Mīman, *Al-Qawā'id Wa al-Ḍawābiṭ al-Fiqhiyyah 'Inda al-Syaikh Ibnu 'Uṣaimin Fī al-Tbādāt*, 1st ed., vol. 1 (Riyad: Maktabah al-Rusyd, 2001).

³¹ Muḥammad bin Ṣāliḥ al-'Uṣaimin Al-'Uṣaimin, *Al-Qawā'id al-Fiqhiyah*, 3rd ed., vol. 1 (Mesir: Dār al-Bashiroh, 2002).

³² Al-Burnū, *Al-Wajiz Fī Idāhi Qawā'id al-Fiqh al-Kulliyah*.

³³ Al-Burnū, *Al-Wajiz Fī Idāhi Qawā'id al-Fiqh al-Kulliyah*.

³⁴ Muhammad Kashif Shad et al., "Integrating Sustainability Reporting into Enterprise Risk Management and Its Relationship with Business Performance: A Conceptual Framework," *Journal of Cleaner Production* 208 (January 20, 2019): 415–25, doi:10.1016/J.JCLEPRO.2018.10.120.

³⁵ Carolyn Callahan and Jared Soileau, "Does Enterprise Risk Management Enhance Operating Performance?," *Advances in Accounting* 37 (June 1, 2017): 122–39, doi:10.1016/J.ADIAC.2017.01.001.

³⁶ Sabur Mollah et al., "The Governance, Risk-Taking, and Performance of Islamic Banks," *Journal of Financial Services Research* 51, no. 2 (April 1, 2017): 195–219, doi:10.1007/S10693-016-0245-

concludes that risk encompasses not only the potential for undesirable negative consequences of an event or situation that threatens success (downside) but also the opportunity to achieve benefits (upside).³⁷

Risk is also associated with uncertainty, although not all experts agree with this perspective, as conventional theory provides tools to measure risk, indicated by the variance of expected returns.³⁸ Risk management, meanwhile, is understood as a method, approach, or body of knowledge that studies various types of risks, how risks occur, and how to manage them with the objective of avoiding losses. According to Idroes, risk management is defined as a logical and systematic method for identifying, quantifying, determining attitudes, establishing solutions, and monitoring and reporting risks that occur in every activity or process.³⁹

Research on risk management generally supports the theory that risk management creates corporate value.⁴⁰ However, contradictory findings have also been revealed, such as in the study conducted by Beasley et al. Meanwhile, research on risk perception using a post-positivist approach by Sami demonstrates that risk is constructed based on cultural, individualistic, and subjective factors.⁴¹ These studies predominantly utilise a conventional perspective in managing risk, whereas there are fundamental differences between conventional and Islamic perspectives in terms of: a) business philosophy, b) business objectives, c) risk and risk management concepts, d) corporate value concepts, and e) stakeholder concepts.

This distinction is further reinforced by a paper presented by Ḥusein Ḥāmid Hassān during the 11th Conference of Islamic Financial Institutions held on 22–23 March 2015 in Bahrain, stating: "أن مبادئ إدارة المخاطر في المؤسسات المالية الإسلامية ليس من الصحيح أن نقول : "هي نفسها المبادئ التي تدلر المخاطر في المؤسسات المالية التقليدية (It is not correct to say that the principles of risk management in Islamic financial institutions are the same as those in conventional financial institutions). This assertion stems from the Islamic perspective, where risks are classified into two categories: worldly risks (*dunyāwī*) and hereafter risks (*ukhrawī*). In the conventional financial perspective, particularly with a focus on welfare and value, risk is defined as the volatility of unexpected outcomes that affect assets, liabilities, equity,

2/TABLES/6; Jinsong Zhao et al., "Riding the FinTech Innovation Wave: FinTech, Patents and Bank Performance," *Journal of International Money and Finance* 122 (April 1, 2022): 102552, doi:10.1016/J.JIMONFIN.2021.102552.

³⁷ Songling Yang, Muhammad Ishtiaq, and Muhammad Anwar, "Enterprise Risk Management Practices and Firm Performance, the Mediating Role of Competitive Advantage and the Moderating Role of Financial Literacy," *Journal of Risk and Financial Management* 2018, Vol. 11, Page 35 11, no. 3 (June 29, 2018): 35, doi:10.3390/JRFM11030035; Zhao et al., "Riding the FinTech Innovation Wave: FinTech, Patents and Bank Performance."

³⁸ Dea Puspita Ayu, "Risks Management and Bank Performance: The Empirical Evidences from Indonesian Conventional and Islamic Banks," *International Journal of Economics and Financial Issues* 9, no. 4 (2019): 90–94, doi:10.32479/ijefi.8078.

³⁹ Naseem Al Rahahleh, M. Ishaq Bhatti, and Faridah Najuna Misman, "Developments in Risk Management in Islamic Finance: A Review," *Journal of Risk and Financial Management* 2019, Vol. 12, Page 37 12, no. 1 (February 20, 2019): 37, doi:10.3390/JRFM12010037.

⁴⁰ Muhammad Y. Khan et al., "Dynamics of Selecting Islamic Home Financing," *International Journal of Finance & Economics* 26, no. 4 (October 1, 2021): 5005–16, doi:10.1002/IJFE.2051.

⁴¹ Tariq Sami, "Impact of Self Efficacy, Attitude and Social Influence on Islamic Home Financing (A Case Study on Islamic House Financing in Pak) Bilal," *Journal of Finance, Accounting and Management* 15, no. 2 (2024): 16.

and earnings.⁴² In contrast, in the management and engineering perspective, risk is viewed as a negative concept with connotations of failure (downside). Risk is considered to have a positive relationship with return. An investor can achieve a higher expected rate of return by taking on additional risk associated with the assets they own.⁴³

Fundamentally, Islam differs from the conventional perspective in viewing risk, which is often inclined towards negativity and associated with failure. According to Didin and Tanjung, Islamic/Shariah management addresses aspects of behaviour rooted in faith (iman) and belief in the oneness of Allah (tauhid).⁴⁴ This concept, when contextualised within Islamic jurisprudential principles (qawā'id fihiyyah), is encapsulated in the maxim: *الخارج بالضمن* (Profit or benefit is compensation for bearing liability), which is derived from a hadith of the Prophet Muhammad (peace be upon him) narrated by 'Aisyah (may Allah be pleased with her).⁴⁵

The essence of this principle is that the person entitled to profit is the one who assumes the liability for potential losses (if such losses occur). Profit is awarded to those who are willing to bear risk since they are responsible for any damages or losses that may arise. If they are prepared to bear the risk, the resulting profit is rightfully theirs. This concept is further reinforced by the maxim: *الغنم بالغرم* (Gain is accompanied by risk), which highlights that profit inherently comes with risk.⁴⁶ This means that Islam prohibits any transaction where there is an imbalance between risk and reward. In other words, Islam forbids transactions that seek only profit without any willingness to bear risk. Islam views profit and loss as part of Allah's natural order (sunnatullah) in business and commerce. As Islam is a religion that aligns with human nature (fitrah) as decreed by Allah, these aspects receive particular emphasis within Islamic law.⁴⁷

Risk management in business units or enterprises, as conceptualised in conventional financial theories, is also accepted in Islam as a means to ensure the achievement of goals and objectives, ultimately leading to happiness (*sa'adah*) in both this world and the hereafter.⁴⁸ However, there are specific rules that must be adhered to when implementing risk management assessments in Islamic business activities as governed by Shariah principles: The first, compliance with the principle of "*الخارج بالضمن*" (Profit is tied to liability), the methods or strategies used in risk management must not contravene this principle, which seeks to minimise losses or manage risks effectively.⁴⁹ The second, avoidance of *gharar* (excessive uncertainty), which the chosen risk management methods must be free from ambiguity or speculative practices that contradict Shariah principles. And the third, adherence to Shariah ethical codes. Risk management efforts, whether to minimise or prevent the occurrence of severe risks, must comply with

⁴² Hassan Akram and Khalil ur Rahman, "Credit Risk Management: A Comparative Study of Islamic Banks and Conventional Banks in Pakistan," *ISRA International Journal of Islamic Finance* 10, no. 2 (December 10, 2018): 185–205, doi:10.1108/IJIF-09-2017-0030/FULL/PDF.

⁴³ Permata Wulandari and Muhammad Nadhif Ubaidillah, "Islamic Home Financing Products: A Study of Customer Intentions in Indonesia," *International Journal of Housing Markets and Analysis* ahead-of-print, no. ahead-of-print (2024), doi:10.1108/IJHMA-10-2023-0138/FULL/XML.

⁴⁴ Hafidhuddin Didin and Hendri Tanjung, *Manajemen Syariah Dalam Praktik*, 1st ed., vol. 1 (Jakarta: Gema Insani Press, 2003).

⁴⁵ Ibnu Mājah, *Sunan Ibnu Mājah*.

⁴⁶ Al-Suyūfī, *Al-Asybah Wa al-Nazāir*.

⁴⁷ Husein Hāmid Hassān, "Idārah Al-Makhāṭir Fī al-Muassasāt al-Māliyyah al-Islāmiyyah" (Bahrain: Mu'tamar al-Hai'āt, 2015).

⁴⁸ Zainuddin bin Ibrāhīm bin Muḥammad al-Ḥanafī Ibnu Najim, *Al-Asybah Wa al-Nazāir 'alā Mazhab al-Imām Abī Ḥanīfah*, 1st ed. (Beirut: Dār al-Kutub al-'Ilmiyah, 1979).

⁴⁹ Al-Ṣawāt, *Al-Qawā'id Wa al-Ḍawābiṭ al-Fiqhiyyah 'Inda Ibni Taimiyah Fī Fiqh al-Ushrah*.

the ethical guidelines laid out by Islamic law, ensuring all practices remain within the framework of Shariah-compliant conduct.⁵⁰

2.3 The Mechanism of Home Ownership Financing at PT Wahana Persada Indonesia

The concept of *sharia* property or housing labelled as *sharia* is not specifically recognised under Law Number 1 of 2011 concerning Housing and Settlement Areas ("Law 1/2011"). The term 'sharia' in connection with housing relates to the housing financing system. Article 121 of Law 1/2011 stipulates that the government and/or regional governments must develop a financing system for the implementation of housing and settlement areas. The development of this financing system includes financial institutions, fundraising and accumulation of funds, utilisation of funding sources, and financing assistance or facilitation.⁵¹ The financing system may be carried out based on conventional or *sharia* principles through primary or secondary housing financing.⁵²

Sharia property refers to a type of property transaction system implemented according to Islamic law, including the sales and purchase agreement (*akad*), the land ownership scheme, and the concept of Islamic housing.⁵³ In practice, *sharia* property generally does not involve banking intermediation. The *sharia* housing financing system, adopted by Islamic banks as an alternative financing model, operates independently of interest rates as required by Islamic law.⁵⁴ Similarly, developers offering *sharia*-compliant financing segments must ensure their practices are free from elements of *riba* (usury).⁵⁵ The financing system employed by *sharia* property developers adheres to the following principles:⁵⁶

1. Transactions involve only two parties: the buyer and the developer.
2. The item being transacted (such as a house) can serve as collateral, but ownership remains with the buyer.
3. No penalties are imposed for late instalment payments.
4. No penalties are applied if the buyer chooses to settle instalments earlier than scheduled.
5. The property is not seized if the buyer cannot continue paying instalments.
6. Insurance is not used in transactions with buyers.
7. The system does not apply BI Checking (a creditworthiness assessment typically used in Indonesia).

⁵⁰ Ḥassān, "Idārah Al-Makhāṭir Fī al-Muassasāt al-Māliyyah al-Islāmiyyah."

⁵¹ Al Rahahleh, Ishaq Bhatti, and Najuna Misman, "Developments in Risk Management in Islamic Finance: A Review," February 20, 2019.

⁵² Afalia and Aisyah, "The Effect of FTV Policy and Economic Factors on Home Ownership Financing in Indonesian Sharia Banking."

⁵³ Abdurrahman, Wulandari, and Wulandari, "Factors Influencing Low-Income Citizens' Choice of Sharia-Subsidized Housing Credit in Indonesia."

⁵⁴ Khan et al., "Dynamics of Selecting Islamic Home Financing."

⁵⁵ Al Rahahleh, Ishaq Bhatti, and Najuna Misman, "Developments in Risk Management in Islamic Finance: A Review," February 20, 2019; Puspa Liza Ghazali et al., "The Construction of a New Mathematical Model For Islamic Home Financing," *Asian Academy of Management Journal* 24, no. 1 (2019): 33–41, doi:10.21315/aamj2019.24.s1.3.

⁵⁶ Liza Ghazali et al., "The Construction of a New Mathematical Model For Islamic Home Financing."

This *sharia* property financing system provides an Islamic alternative for homeownership, ensuring compliance with Islamic principles while eliminating elements of interest (*riba*), penalties, and other practices contrary to *sharia* law.

Meanwhile, the purchasing or financing flow implemented by the *Sharia Property Developer* PT Wahana Persada Indonesia follows a general financing system while ensuring adherence to *sharia* ethics. The process includes the following steps: (a) Location Check and Booking Fee (BF)/Refundable, prospective buyers visit the site and pay a refundable Booking Fee. The fee, set by the developer, usually ranges between IDR 5-10 million and will be included in the Down Payment if subsequently paid; (b) The developer does not impose strict requirements on prospective users as banks typically do. Instead, eligibility is determined through an interview and verification process; (c) Interview and Verification, after the BF payment, the interview and verification process is conducted at a mutually agreed time, ensuring flexibility for both parties; (d) Down Payment and Transaction Agreement, buyers begin paying the financing in instalments according to the agreed price for the selected house type and within the agreed repayment period. The instalments are fixed and flat throughout the tenor agreed upon by both parties, namely the user and the developer as the financing provider; (e) Execution of Sales and Purchase Agreement (AJB): The AJB is conducted after the user completes the instalments or settles the financing early. During the instalment period, the homeownership certificate remains with the developer to anticipate any issues that could harm the developer. The buyer also covers taxes such as the *Bea Perolehan Hak atas Tanah dan Bangunan* (BPHTB), or Acquisition Duty of Right on Land and Building.

Under the Agricultural and Agrarian Law, the sale and purchase process involves transferring ownership rights from the seller to the buyer, accompanied by supporting evidence. The Sales and Purchase Deed (*Akta Jual Beli* or AJB) serves as an authentic document and legal proof of the transfer of ownership of land and buildings. In PT Wahana Persada Indonesia's policy, the house or land certificate remains withheld and is replaced with payment receipts until the instalment period ends and the AJB is completed. This practice is partly due to the housing land certificates still being under a master title.

Table 1. Price Simulation Comparison

Item	Islamic Bank	PT Wahana Persada Indonesia
Property Purchase Price	375,000,000	375,000,000
Down Payment (DP)	75,000,000	45,000,000
Loan Ceiling	300,000,000	330,000,000
Total Financing	671,898,360	517,500,000
Monthly Instalment	5,559,153	4,312,000
Annual Margin	7.92%	5.68%
Monthly Margin	0.66%	0.47%

Source: Price Simulation of PT. Wahana Persada Indonesia and BRI Syariah

A price comparison simulation for a 10-year flat rate or a 120-month tenor of non-subsidised financing between Islamic banks and the Sharia Property Developer, PT Wahana Persada Indonesia on Table 1 illustrates that the profit margin of Islamic Banks is higher compared to the Sharia Property Developer, PT Wahana Persada Indonesia. For the same unit price of Rp. 375,000,000, the Down Payment required by users of Islamic

Banks is significantly higher, ranging between 20%-30%, depending on the building size, and the monthly instalments are also more expensive for the same tenor period. Meanwhile, PT Wahana Persada Indonesia, with the same unit price, only requires a Down Payment of Rp. 45,000,000. The conclusion is that the financing offered by PT Wahana Persada Indonesia is more accessible and affordable for the wider community. This situation is generally applicable to sharia-compliant property developments, as they share a similar framework adopted by developers who base their transaction schemes on Islamic values. One of the fundamental Islamic values upheld is providing accessible and affordable housing for the community as a form of *ta'awun* (mutual cooperation) among Muslims in conducting purely sharia-compliant transactions.

2.4 Risk Management Based on *Lā Ḍarar wa Lā Ḍirār*

There are various risk management processes that have been studied in both literature and scientific journals. Generally, the risk management processes include: (1) Risk identification, (2) Risk analysis/assessment, (3) Risk monitoring, and (4) Risk reporting and control. Specifically, research on risk management incorporating Islamic values has not yet clearly reflected the Islamic risk management framework, as it still predominantly adopts the conventional risk management framework. Sofyan also observes that the measurement of financing risks is dominated by quantitative methods, which fail to adequately address the underlying causes of default risk in detail, as they have not applied the concept of *mafsadah* within the framework of *maqāṣid al-sharī'ah* in their risk management practices.

The implementation of risk management varies across business elements as it stems from something that is *ijtihādī* in nature. Indrawati asserts that Islamic spiritual-based risk management is determined by the implementation of Islamic values inherent in business activities and risk management practices. It is also based on *fiqh mu'āmalah*, which aligns with corporate values, socio-economic contexts, and general risk management understanding. Meanwhile, the Sharia Property Developer PT Wahana Persada Indonesia employs a unique approach to risk management by starting with the process of risk qualification, incorporating the concept of 'intention' (*niyyah*) as the foundational step before proceeding to subsequent stages, including risk identification and risk control.

Intention (*niyyah*) serves as a fundamental instrument in the risk management assessment of the Sharia Property Developer PT Wahana Persada Indonesia. It is crucial to prioritise this element as the initial stage, given that all actions must solely aim to seek Allah's pleasure (*riḍā Allāh*) and provide benefits to oneself and others, thereby ensuring that the business achieves blessings (*barakah*). The presence of sincere intentions and spiritual strength distinguishes the developer's risk management framework from conventional frameworks. This spiritual value is then constructed into a risk management framework based on *lā Ḍarar wa lā Ḍirār*.

The non-ribā transactions that underpin PT Wahana Persada Indonesia's sharia property business are perceived as an investment for the hereafter (*ākhirah*) imbued with the value of worship (*ibādah*). Furthermore, this approach redefines the business paradigm, which traditionally prioritises corporate profit or personal interest over other objectives. Business is perceived as an investment that must be accompanied by the intention of worship, enabling individuals to achieve two outcomes simultaneously: worldly happiness (if the business flourishes) and eternal happiness (through acts of

worship derived from the business's proceeds). Investment decisions, therefore, must be guided by faith (*īmān*), as every investment inherently carries risk.

The continuum of risks faced by PT Wahana Persada Indonesia includes both immaterial and material dimensions. Immaterial risks stem from consequences in the hereafter, while material risks arise from worldly concerns. Consequently, risk management practices must address both dimensions: immaterial risks are mitigated through adherence to sharia principles, and material risks are managed through a two-stage risk management process implemented by the developer. These two risk components are then incorporated into a conceptual framework aligned with the principle of achieving benefits (*maṣlaḥah*) and preventing harm (*mafsadah*), encapsulated by the maxim *lā ḍarar wa lā ḍirār*.

Building on the spiritually driven intentions of the CEO of PT Wahana Persada Indonesia to maintain transactions free from *ribā* practices and to provide benefits (*maṣlaḥah*) to the Muslim community, this approach constitutes one of the pillars of *lā ḍarar wa lā ḍirār*. Essentially, a Muslim's effort to avoid prohibited actions in their religion is an implementation of the *lā ḍarar wa lā ḍirār* concept, based on the principle: "الأصل في المضار التحريم" (*The original ruling for all matters involving harm [ḍarar] is prohibition*). Included in the category of *ḍarar* are any violations of religious rules and guidelines.

The findings of this study reveal that PT Wahana Persada Indonesia's risk management practices begin with aligning the rhythm of investment intentions with acts of worship (*ibādah*). This reflects the application of the *lā ḍarar wa lā ḍirār* concept, as the developer strives to avoid all forms of *mu'āmalah* that contradict sharia principles. By ensuring that its operations adhere to Islamic guidelines, the company demonstrates its commitment to upholding sharia compliance as a core value in its risk management framework.

Table 2. Risk Management Clusters and Assessments

No.	Risk Management Stage	Concept Construction	Assessment
1	Risk Qualification	Clustering risks based on the concept of <i>lā ḍarar wa lā ḍirār</i>	Elimination of worldly risks through risk management stages and spiritual risks through adherence to Shariah principles
2	Risk Identification	Implementation of the concept <i>al-ḍarar yudfā' bi qadri al-imkān</i>	Risks eliminated through strategic and preventive measures
3	Risk Control	Implementation of the concept <i>al-ḍarar yuzāl</i>	Elimination of payment default risks by users

Source: Processed Data, 2025

Lā ḍarar wa lā ḍirār encompasses six derivative principles (*qawā'id furū'iyah*) that address more specific issues. However, this study focuses on the application of the principles most relevant to the risk management practices implemented by the Sharia Property Developer PT Wahana Persada Indonesia, namely *al-ḍarar yuzāl* (*harm must be eliminated*) and *al-ḍarar yudfā' bi qadri al-imkān* (*harm must be prevented as much as possible*). These two principles are integrated into the company's risk management framework, guiding the process from risk identification to risk mitigation and control. This approach ensures that the risk management practices align with the ethical and legal frameworks of Islamic principles, safeguarding both the company's interests and its adherence to sharia guidelines.

2.5 *Al-Ḍarar Yudfa' bi Qadri al-Imkān* in the Risk Identification Process

This principle underscores the necessity of taking all possible measures to prevent anticipated harms. The implementation of *al-Ḍarar yudfa' bi qadri al-imkān* in risk management involves proactive actions aimed at minimising or avoiding fatal risks. Risk identification, as mandated by sharia, must be anticipated as thoroughly as possible before it occurs, with efforts made to eliminate potential harm without causing further detriment or losses. The findings reveal that, at this stage, the developer undertakes measures to mitigate risks by implementing the following steps:

1. User Analysis Prior to Transaction Agreements.

Unlike large-scale real sector companies or conventional banking institutions, which typically employ the 5 C risk analysis framework (*Character, Capacity, Capital, Condition of Economy, and Collateral*), the developer opts for a simplified 3 C approach (*Character, Capacity, Capital*). This involves a rigorous character analysis of potential users by administering approximately 40 in-depth questions. These questions are designed to explore the user's psychological disposition and *'azzam* (strong determination), which are inherently tied to the user's commitment and reliability in fulfilling contractual obligations. By prioritising preventive measures in risk identification, the developer aligns its practices with the sharia principle of avoiding harm, thus ensuring that risks are anticipated and addressed in a manner consistent with Islamic values.

PT Wahana Persada Indonesia, as a sharia property developer, has its own system for assessing the character of potential users. This process involves a deep psychological evaluation conducted by qualified individuals. The outcome determines the seriousness and commitment of potential users. The developer acknowledges that understanding a person's character is the most critical factor in the risk identification process. This view aligns with conventional systems, as evidenced by a study conducted by Andriani, which asserts that *character* is the primary determinant of an individual's ability to repay debts. Even if a customer has sufficient capital, meets financial capacity requirements, possesses adequate collateral, and operates in a stable economic environment, these factors are rendered irrelevant if the customer lacks honesty and responsibility in repaying the financing received.

To anticipate the risks of misjudging a customer's character, Islamic banks typically employ character assessment methods such as BI (Bank Indonesia) checking and third-party evaluations. A study by Sofyan revealed that defaults caused by poor character and *moral hazard* (*mafsadah dharuriyat*) lead to liquidity issues in Islamic financial institutions. This arises from errors in financing approvals by credit committees and unresponsive handling of non-performing financing, resulting in delays in processing financing applications.

In practice, Developer Properti Syariah PT Wahana Persada Indonesia does not implement BI Checking in its written character assessment process. This deviation stems from the developer's target market, which primarily consists of entrepreneurs who lack official business licenses but are deemed capable and trustworthy in fulfilling instalment obligations. Consequently, the developer aims to accommodate individuals who fall outside the scope of conventional banking, providing them with opportunities to access property financing through sharia-compliant mechanisms.

This approach reflects the developer's commitment to offering inclusive solutions while maintaining a rigorous character assessment framework, ensuring that the risks associated

with user reliability are minimised without compromising the principles of sharia compliance.

2. Involves examining the bank statements of prospective users.

This aims to ascertain their financial sources by analysing the cash flow reports of the applicants. In banking terms, this process is referred to as *capacity assessment*, which evaluates the financial ability of potential customers to fulfil their obligations within the financing period. Although this practice resembles the system implemented in banking institutions, it remains aligned with sharia principles as it adheres to the urgency and essence of the *al-ḍarar yudfa' bi qadri al-imkān* rule.

3. Requiring a Down Payment (DP).

The amount is determined solely by the developer and does not follow percentage-based calculations as applied in conventional banking. For instance, for a housing unit priced at IDR 235,000,000, the required DP is IDR 25,000,000. This stage, known in banking terminology as *capital*, entails analysing the initial capital capacity of the user, with banks typically setting a minimum percentage of 20% and a maximum of 30%.

The series of risk identification efforts undertaken by the developer constitutes a framework rooted in the concept of *al-ḍarar yudfa' bi qadri al-imkān*, serving as a preventive measure against foreseeable risks. From character assessment, financial capacity checks via cash flow reports, to requiring a down payment, these measures are considered legitimate within the scope of risk identification based on the implementation of *al-ḍarar yudfa' bi qadri al-imkān*. Consequently, as long as these practices do not contradict sharia principles, they are deemed consistent with Islamic values.

2.6 *Al-Ḍarar Yuzāl in Risk Mitigation*

High-risk assets must offer higher average returns compared to lower-risk assets. Fama and MacBeth assert that risk triggers returns. Systematic risk (measured by beta) is a comprehensive measure of the risk associated with securities. Investors are assumed to be risk-averse; hence, they strive to construct portfolios that eliminate risk. One of the most probable risks faced by real estate companies with a shariah-compliant branding is financing risk or non-performing financing (NPF), in addition to cancellation risks previously mentioned. Non-performing financing arises from factors related to the financing process itself. The primary cause of NPF is the financial difficulties experienced by users. A user's inability to make timely payments on principal or profit margins leads to collectability issues, which reflect the financing health of the user.

Regarding financing qualifications, PT Wahana Persada Indonesia has its own standards, classified into three levels:

- (a) Performing Financing (Collectability 1): Outstanding payments ranging between 1–30 days;
- (b) Underperforming Financing (Collectability 2): Outstanding payments ranging between 31–90 days;
- (c) Non-performing Financing (Collectability 3): Outstanding payments ranging between 91–180 days. The study reveals that actions taken by the developer to handle underperforming financing (Collectability 2) include sending notifications to the user.

This process, referred to by the developer as "soft connection," employs a familial approach involving phone calls and direct visits to the user. During these visits, the developer engages in a personal dialogue to assess the user's situation. If the visit uncovers that the user is experiencing financial difficulties but still demonstrates good faith, the

developer offers a solution in the form of payment restructuring. In this restructuring process, the payments already made by the user are credited as a down payment, resulting in reduced instalment amounts while maintaining the same loan tenure as initially agreed. This approach demonstrates the application of *al-ḍarar yuzāl* in risk control, ensuring that harm (such as user financial hardship) is mitigated while preserving the sharia-compliant principles of fairness and mutual benefit.

For managing non-performing financing at the Collectability 3 stage, the developer follows these steps: (a) Direct visits to the user: The developer conducts on-site visits to identify the causes of delayed instalment payments that have reached the Collectability 3 stage; (b) Collaborative solution-seeking: If the visit reveals that the user is unable to continue payments until the agreed-upon end of the term, the developer offers a solution that aims to minimise harm to both parties. This often involves jointly searching for a replacement user. However, in practice, most efforts to find a replacement user are carried out by the developer. During this stage, the developer reminds the user of the initial agreement signed during the transaction, which states that the funds already paid by the user will be gradually refunded once a replacement user is found. The developer mediates with the user, striving to avoid harm and loss, in alignment with the principles of muamalah rooted in shariah values.

The efforts of PT Wahana Persada Indonesia in resolving non-performing financing are consistent with the essence of the *al-ḍarar yuzāl* concept. This principle mandates that any risks deemed to result in harm or loss for both transacting parties must be mitigated through any means that do not contravene shariah ethical guidelines. This case exemplifies the types of risks faced by PT Wahana Persada Indonesia and the management's policy-making in finding solutions, reflecting the domain of *lā ḍarar wa lā ḍirār*.

2.7 Results of Risk Control Analysis

The findings indicate that the efforts to control non-performing financing risks, as a stage in the risk management process undertaken by the developer, align with the principles of *al-ḍarar yuzāl*. This principle mandates efforts to eliminate harm (*ḍarar*) in every *muamalah* transaction, as harm is inherently regarded as a *ḍarar*. The conceptualisation of the *al-ḍarar yuzāl* principle fosters a responsive and decisive approach from the developer, while maintaining a sense of wisdom.

Table 3. The Concept of Risk Management Based on *Lā Ḍarar wa lā Ḍirār*

No.	Risk Management Stage	Concept Relevance	Implementation
1	Risk Qualification	<i>Lā ḍarar wa lā ḍirār</i>	Intention (<i>niyyah</i>) and <i>ḥusnuzzan</i> (having good assumptions) towards Allah
2	Risk Identification	<i>Al-ḍarar yudfa bi qadri al-imkān</i>	Character Capacity Capital Soft connection
3	Risk Control	<i>Al-ḍarar yuzāl</i>	Restructuring Finding replacement users

Source: Processed Data, 2025

This approach successfully integrates Islamic values—such as entrepreneurial spirit, characterised by determination, discipline, sincerity (*ikhhlās*), and positive assumptions (*husnuzzan*)—with risk management practices, resulting in humanistic and just solutions to financing issues. The reflection of *al-ḍarar yuzāl* in risk control processes has produced managerial outcomes that encompass both material and immaterial dimensions. These managerial outcomes are consistent with the *Shari'ah Enterprise Theory*, which categorises performance results into financial piety, mental and social piety, and spiritual piety.

Table 3 illustrates the conceptualisation of risk management at PT Wahana Persada Indonesia, which begins with the process of risk qualification, followed by risk identification, and culminates in risk control, executed in sequential stages as a reflection of the *lā ḍarar wa lā ḍirār* principle. The first stage involves risk qualification, categorising risks into spiritual and worldly risks, inherently aligned with the *lā ḍarar wa lā ḍirār* concept. Spiritual risks are prioritised as the primary risks due to their potential implications for worldly risks. Consequently, good intentions (*niyyah*) and *husnuzzan* (positive assumptions about Allah) form the foundational stage in risk management practices. This process is believed to have a significant influence on business operations, as the strong conviction in Allah's assistance—based on sincere intentions and *husnuzzan*—is expected to mitigate various worldly risks and generate managerial performance that integrates material and immaterial elements effectively.

3. CONCLUSION

The developer's risk management practices begin by aligning investment intentions with acts of worship and by avoiding all muamalah activities that contradict Sharia principles, thereby reflecting the concept of *lā ḍarar wa lā ḍirār*. The subsequent stages of risk management are built on two derived principles: *al-ḍarar yudfa' bi qadri al-imkān* in the risk identification process and *al-ḍarar yuzāl* in risk control. The first principle, *al-ḍarar yudfa' bi qadri al-imkān*, is applied during risk identification by conducting user analysis prior to contractual transactions to minimise potential risks. The second principle, *al-ḍarar yuzāl*, is implemented at the risk control stage by addressing payment delinquency, classified under collectability category 1, through a notification letter known as a 'soft connection' issued by the developer.

For cases in the collectability category 2, the developer offers "restructuring" options if the user remains committed to retaining their home asset. In instances where financing enters collectability category 3, the developer assists the user in finding a replacement buyer and facilitates a gradual refund of the first user's payments after the replacement user has been secured. The research findings also recommend that the developer periodically conduct explorative risk management assessments, including collaborations with Islamic financial institutions such as Islamic banks and implementing BI-Checking as a measurement tool for evaluating user character. This study contributes to the literature on Islamic risk management by offering a tested fiqh-based model that integrates spiritual, ethical, and operational dimensions for sustainable Sharia-compliant housing finance

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