

# Managing Arisan as An Alternative Islamic Finance Based on Its Critical Risk

Budi Dharma<sup>1\*</sup>, Ahmad Muhaisin B. Syarbaini<sup>2</sup>

{budidharma@uinsu.ac.id<sup>1\*</sup>, ahmadmuhaisin@uinsu.ac.id<sup>2</sup>}

State Islamic University of North Sumatra<sup>1\*,2</sup>

**Abstract.** Arisan is a form of local wisdom and playing a vital role in the process of economic equality in Indonesia. Nowadays, the tendency to make Arisan is a financial need, so it has the potential to be an alternative Islamic financial service, especially since it is already available on a digital platform. However, this development brings up several financial cases such as fraud. Research focuses on “Money Arisan” and finding critical risks that aim to produce “Halal” standard procedures. The study was conducted on 100 Arisan members in Medan, using qualitative methods in exploring risk, and quantitative methods in assessing risk. Registration Process, Arisan Activities, Money Distribution and Dispute Resolution, are procedures that produce in this research. The recommendation is that Arisan should be carried out based on the community where the engagement process and track record between Arisan members was clearly defined.

**Keywords:** Alternative Islamic Finance, Arisan, Money Arisan, Transdisipliner Risk Management.

## 1 Introduction

Let's get acquainted with Arisan as a form of non-bank financial services, its relevant from popular quotes by Bill Gates (1994), argues about financial management is an important part of human life, but it doesn't mean that banks are important as providers of financial services. Term Arisan referred to in this study is Money Arisan. Arisan is a form of financial service that is closely related to the local wisdom of the Indonesian people. Chaerani & Firmialy (2022) and Haryani & Dombroski (2022) found that Arisan provided financial management process, often used to fulfil short-term financial/capital needs (Yaasin, 2021). Arisan uses the power of community as its organizational model, and it had been around for a long time in Indonesia (Haryani & Dombroski, 2022) (Handayani, 2019), and very popular among women (Yaasin, 2021). Nowadays, Arisan can't be underestimated after startup company "Mapan" which has digital Arisan model was acquired by Gojek in 2019 (Farras, 2019). Arisan had a real positive impact on the people of Pandan Lagan village, where the arisan functioned as economic equity for the local village community (Ruwaidah, Musthofa, & Yatima, 2021), as well as in Jogja (Haryani & Dombroski, 2022), and Bali (Nasution, Saragih, & Ginting, 2020).

Because Arisan is related to finance services, risk become an important concern, and there were several cases in these last years. Currently trending Arisan model is the declining money gathering, Wahyuni et.al (2022) found the fact of unfairness of paying money, where is the first person to get the Arisan had to pay more money than the order below it (Wahyuni, Surahman, & Nurrachmi, 2022). This model is very risky, because it emphasizes the need for the first order of Arisan, causing the order after it to have a greater risk. This model common done with the help of technology as "Online Arisan". Dewi et al (2021) stated that even though it was done online, parties involved in Arisan still had the opportunity for legal protection through the ITE Law Number 19 of 2016 (Dewi, Dewi, & Widyantara, 2021), the same thing was also a finding of Sipahutar's (2021) (Sipahutar, 2021). Apriani et al (2021) indicated as an investment model that contains fraud (Apriani, Robiani, Yulianita, Mukhlis, & Sukanto, 2021).

Research conducted by Nur (2022), shows a phenomenon where Arisan can be replaced into goods with certain conditions, this finding even shows that finance activities are becoming wider because they provide other forms that are not only in money (Nur, 2022). This finding proves there's a greater risk, because apart from the inherent risk of Arisan, the risk of exchange rate inflows as an additional risk. Hoerunissa (2022) found complicated problem, where in the Arisan there is a third party, namely Pegadaian, The arisan being researched is actually money gathering, only the form obtained from the Arisan results is gold with rahn contracted, which actually becomes collateral to the pawnshop for a certain period of time during the arisan process (known as tsaman - the period of the selling price agreement) (Hoerunissa, 2022).

An interesting finding is that the halal factor is one of the forming preferences for the use of Arisan as a financial service (Yaasin, 2021). Most common Arisan done by Muslims is the gathering for Qurban, Lestari et al (2022) produced technical findings on arisan management, with using qardh contracts and wadiah contracts, an interesting finding is that there are several ethical violations, for example on the party entrusted with the money to use the money for personal needs or the occurrence of a debt process between fellow members who take part in Arisan (Lestari, Ihwanudin, & Anshori, 2022). Dedi (2021) finds, where Arisan financial transactions are basically halal, but violations that result in harm to one party and the existence of other contracts after the implementation of the initial contract causes the transaction to become usury (Dedi, 2021) and this is also explained by Armen et al (2021). Practically, Arisan process is in accordance with the pillars and conditions of Islam, but the violations that occur indicate the need for more detailed procedures and the key word is not to harm any of the parties involved in Arisan.

Risk management at Arisan, usually by establishing a fine, but it's made this model become usury. Because Arisan is in the financial sector, which is high level of risk, risk management is needed. Integrating Halal condition can be reducing risk, and it can become standard operating for Arisan. This triggers the author to conduct research to make standard operating for halal and good Arisan. This research was conducted with a transdisciplinary approach with the aim that the proposed managerial procedures must be halal, namely according to the pillars and legal requirements in Islam, halal means that the procedures established must focus on the benefit of all organs involved in Arisan. The procedure produced in this study is expected to be the foundation for Arisan, so that in the future further research can be carried out to analyze and approach Arisan which is then converted into goods (e.g., gold).

## 2 Methods

The focus of the research is money Arisan, conducted on 100 Arisan members in Medan. The research type was research and development (Sinulingga, 2017) with uses qualitative approach in exploring risk, and quantitative approach in assessing risk. Research uses deductive analysis (Sugiyono, 2016) to resume process/activity include distribution of money and dispute resolution (mitigation) in Arisan, uses risk index to summary critical risk (Hopkin, 2017) (Dharma & Syarbaini, Perancangan Mitigasi Risiko Krusial Pada UMKM Keripik di Sumatera Utara Dengan Pendekatan Transdisipliner, 2022). Determining risk index is:

$$\text{Likelihood} \times \text{severity} \quad (1)$$

Where (Institute of Risk Management, 2018):

Likelihood use 5 scale of probability of risks occurred

Severity use 5 scale of impact because of risks occurred.

Research data in the form of the Arisan risk phenomenon, the findings of previous researchers and a review of the literature related to Arisan management in a transdisciplinary perspective, namely by combining general theory with Islamic law. The data is then processed and analysed to produce halal Arisan management. The validity of the research data was tested by measuring internal validity, namely the credibility of the data obtained from trusted sources and available for direct verification, measuring external validity with transferability where the data obtained can be generalized properly (Bungin, 2017). The research data is tested for reliability by knowing that the data can be audited easily because of its availability (open access) and the source of the data can be confirmed.

## 3 Result and Discussions

### 3.1 Summary Business Process

In managing risk, understanding business activities is the most important thing (Hopkin, 2017) (Dharma, Desain Manajemen Risiko Dengan Pendekatan Transdisipliner Pada UMKM Donat Di Kota Medan, 2022). The common activities in Arisan are described as follows:

**Fig. 1.** Arisan Business Activity (research data: 2022)

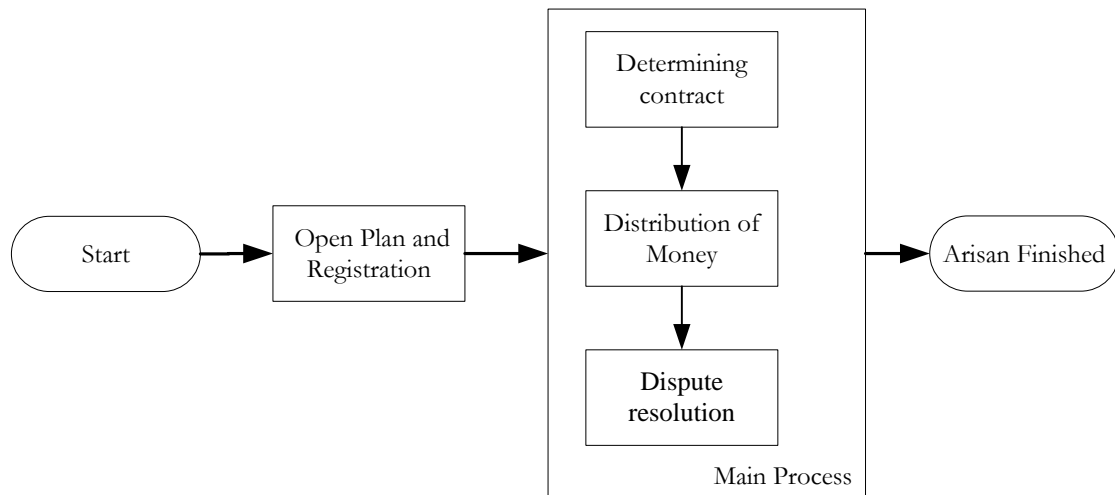


Figure 1, Shows overall Arisan activity. Each stage, then identified as a risk event, where each risk event will then contain risks profile which are the result of the activities that occurs. Questionnaire was given to sample, then assess those risks profile according to likelihood and severity. The results of the questionnaire processing according to formula (1), then will be sorted, where the highest value was the critical risk.

Due to Halal Alternative financing, the following is an explanation of the Arisan management:

**Registration Activity.** Critical risk according to this activity was “mutual agreement”.

Basically, Arisan is defined as a periodic meeting, the periodic meeting is identified as scheduled within a certain time span (once a month, or otherwise), financial activities begin when several people collect money or goods of the same value and then draw it between them to determine who gets a turn until all members accept it (Departemen Pendidikan Nasional, 2008). the terminology above provides information that the arisan scheme is based on a mutual agreement in terms of collecting money and distributing the money in rotation to each member on a regular basis until all members get it from fellow collectors. If you pay attention to this scheme, there are various financial risks such as default, especially if you note that the arisan has absolutely no guarantee of timely payments, and many other problems that can arise (such as what if the money holder uses the money? What if one of the members dies? And etc).

Mitigation exploration of these risks presents standard procedures:

*Recommended to be community based, where membership is based on certain similarities.* Community based become grand mitigation of risk. Community-based can be translated that Arisan members come from homogeneous groups, namely people who know each other because they come from certain environmental or similar communities.

*Identify the financial track record of potential Arisan members.* Financial track record is the character of prospective Arisan members. In accordance with the criteria for a good debtor in banking, character is the most important thing. Although the initial concept of Arisan was

community based, this track record is an instrument to ensure the availability of justice aspects. Bad characters in the financial track such as procrastinating, neglecting, and underestimating responsibilities are examples of bad character and should not be included in Arisan activities.

This bad character will have the potential to contain elements of tyranny, and this is strictly prohibited in Islam (Sahroni & Hasanuddin, 2018).

الميل عن القصد والاستطالة على الناس

“Berpaling dari tujuan awal (yang) merugikan orang lain”

*If there are participants outside the community then wa'ad (agreement) hiwalah (transfer of debt) is carried out. Member that outside the community, rising risk financial track record. It is suggested that the arisan member make hiwalah wa'd (promise), hiwalah itself can be translated (Yunus, 2005):*

نقل الدين من ذمّة إلى أخرى

“Transfer of debt from one person's responsibility to another”

*Appoint a chairman who is in charge of recording finances (Katib) (money in and its distribution) with the most trusted criteria in the community. An important role in Arisan is the chairman of the Arisan (Katib) which is then often used as an individual where money was kept. Dara (2021) found Katib as well as the depositor and distribution of the Arisan funds, where a default Katib will have a systemic impact on the sustainability of the Arisan, and one of the causes of the wan achievement is the use of arisan money for personal interests (Dara, 2021).*

The chairman's need is based on the recommendation of the Qur'an, so that debt contracts or qardh are recorded, to avoid the possibility of mukhoshomah (disputes) in the future. In addition, the role of a reminder is also needed for members to carry out their obligations on time.

The elected Katib must be a **volunteer**, so that he is free from costs in carrying out his duties. Additional costs due to this recording will have an impact on the emergence of usury qardh because there is profit taking from debt contracts.

**Determining Contract Activity.** Critical risk according to this activity was “contract literacy”.

Referring to Halal Arisan scheme analysis, the recommended contract that can be used in these financial activities is a debt agreement or in Arabic terminology called **Qardh** or **Al Qardhu** (القرض) which can be interpreted as al Qith'ah (القطعة) which means part, this meaning because the debt in question is part of the assets owned by the creditor (in arisan it means the person who gives the money to the person who is currently withdrawing the arisan). Another terminology that can be used is al Qath'u (القطع) which means disconnected, this is because basically the property of the owner who deposited the arisan is cut off while the benefits of his property are given to the person who draws the arisan until the schedule for withdrawing the arisan arrives.

In the perspective of Islamic Financial Institutions, qardh is the provision of funds or bills between Islamic financial institutions and the borrower which requires the borrower to make

cash payments or installments within a certain period (Mardani, 2013). The main sharia's stipulation regarding qardh or debt is that it is a non-commercial social contract (tabarru'). This means that debts given by arisan members (creditors) to other members (debtors) are aimed at helping the needs of debtors for both consumptive and productive purposes. This principle is the principle of economic equity which is an important foundation of the financial mechanism. In Islam, the benefits obtained by the owner of the fund are a great reward from Allah SWT for helping others to fulfil their needs, as the Prophet SAW said:

مَنْ نَفَسَ عَنْ مُؤْمِنٍ كُرْبَةً مِنْ كُرْبِ الدُّنْيَا نَفَسَ اللَّهُ عَنْهُ كُرْبَةً مِنْ كُرْبِ يَوْمِ الْقِيَامَةِ، وَمَنْ يَسِّرَ عَلَى مُغْسِرٍ يَسِّرَ اللَّهُ عَلَيْهِ فِي الدُّنْيَا وَالْآخِرَةِ

“Whoever frees a Muslim from his troubles in this world, Allah will relieve him of his troubles on the Day of Resurrection. People who make things easy for people who are in trouble, Allah will make things easy for them in this world and the hereafter” (HR. Muslim)

In a qardh contract it is prohibited to take payments that exceed the principal of the loan on the pretext that a debt transaction has occurred to another person. The principles of fiqh agreed upon by the scholars regarding this provision are:

كل قرض جر نفعاً فهو الربا

"Every qardh (debt) contract that takes profit (profit) includes usury"

This provision is the main guideline in the money Arisan procedure, and basically this is what is traditionally done by Arisan in Indonesia. It's just that there are individuals who do not make payments and even use the money for their personal interests, as in the research findings of Wahyuni et al (2022), Dewi et al (2021), Apriani et al (2021), Dara (2021). As a result, currently Arisan applies fines (for those who are late in paying), or penalties that add value to the specified amount, and this violates the provisions of qardh itself.

This violation is a signal that the arisan managerial process needs to be reviewed, and mitigation exploration of these risks present standard procedures: Arisan member have to be educate that arisan activities are socially oriented based on qardh contracts.

**Distribution of Money.** Critical risk according to this activity was “amount of money deposited” and “mechanism of distributing the money”.

Mitigation exploration of “amount of money deposited” present standard procedures:

*The amount of money deposited must be constant.* This sounds unusual in financial activities, banks always stipulate administrative costs, especially for fines with the argument that there will be no delays (debtors become disciplined in paying debts). However, as previously stated, the money arisan mechanism must be in a Halal condition. Any additional costs are not allowed because it will cause defects in the qardh contract which means it becomes Haram.

Mitigation exploration of “mechanism of distributing the money” present standard procedures:

*The withdrawal list is based on the participant's level of need. Prioritizing participants in need at the beginning.* One of the common phenomena in Arisan activity is bargaining for withdrawals. This happens because there is a need for one of the members to withdraw money while their turn has not yet arrived. As a result, a bargaining process occurs so that the party taking the turn is willing to give up his turn to other members. In this case, the provisions of qardh usury must also be considered. Thus, giving a turn to the other party must be oriented towards the goal of ta'awun or mutual help. Thus, all forms of levies or additions due to changing turns are Haram.

*No fines or penalties.* Delay in paying debts is a necessity. Commitment to pay debts on time is something that must be fulfilled, but there is still uncertainty, this is what is known as inherent risk. This inherent risk in arisan must be tolerated by all arisan participants, considering that arisan is a social contract. So what can be done by arisan participants for parties who cannot fulfill their deposit payment obligations in the near future are: first, extending the deposit period (with the risk of delaying the withdrawal of the full amount for the debtor who gets a turn), second, eliminating half or all of his obligations ( with the risk of a reduced number of deposits and an impact on reducing the number of withdrawals for the next prospective debtor). This can be understood from the DSN MUI Fatwa No. 19/DSN-MUI/IV/2001 Regarding AL-QARDH. However, in the event that the arisan participant does not pay his obligations, it is suspected that he did not have good intentions to pay the deposit, then member can impose a family sanction or report it to the authorities.

*The billing process is carried out by an appointed chairperson with a mechanism to remind participants before the deposit is due.* In Islamic law, a lottery system where there is no risk of the property of two or more parties can be allowed. The lottery process can be carried out in determining the turn for withdrawing money. However, because the arisan contract is a debt, those who need financial channels should be prioritized to get an early turn without doing a lottery process. This is intended so that the social purpose of the debt agreement is fulfilled, namely, to help the weak and needy. On the other hand, participants can save and get blessings in these indirect transactions, the Halal concept like this is a concept that every Muslim wants. It is important to implement this so that ethical, humanitarian, and religious aspects are maintained on all fronts in terms of financial service transactions.

**Dispute resolution.** Critical risk according to this activity was “cannot pay on time”.

Mitigation exploration of “cannot pay on time” risk present standard procedures:

- a. If there are participants who cannot pay on time, they will be given leeway by continuing to be reminded of their obligations
- b. If there are participants who are unable to pay the deposit, the participant who first made the deposit is given the option to continue to collect the payment or write off the book (debt write-off) either half or even in full. This applies in case of force majeure.
- c. If there are participants who do not have good faith to carry out their obligations, the participants who deposit first have the right to take the case to legal channels.

## 4 Conclusion

Arisan which is the practice of collecting money is categorized as a muamalah activity or economic transaction in Islam is allowed, if there is no violation of sharia principles, the activity is categorized as Halal for its benefits. Arisan has great potential as an economic equalizer and is a non-bank financial service activity that is very popular in Indonesia. This research recommendation is that Arisan should be carried out based on the community where the engagement process and track record between Arisan members was clearly defined, as mitigation of the critical risk of Arisan activities. The research resulted in at least 4 stages containing the key standard operating procedures in the process of managing Arisan, so that it remains within the Halal corridor, so that it deserves to be an alternative Islamic financial service.

We recommend that the managing Arisan has been attempted to be implemented in the research environment and does not rule out the possibility of being implemented in other communities. The implementation is expected to be follow-up research to find out how effective the standard operating procedures that has been formed was, and whether there are other things that affect the effectiveness.

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