

Settlement of Sharia Economic Disputes through the *Al-Shulhu* Approach: A Case Study of Default in Murabahah Contracts in Indonesia

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Abstract

This study aims to examine the effectiveness of the *al-shulhu* approach in resolving Islamic economic disputes, particularly in cases of breach of murabahah contracts in Indonesia. Employing a qualitative approach with a library research design, this study collects data from academic journals, books, and regulations such as DSN-MUI fatwas through qualitative content analysis. Source selection was based on criteria of relevance to the topic, recency of publication (focusing on the 2020–2025 range). The findings indicate that *al-shulhu*, rooted in the principle of *sulh* in the Qur'an (Surah An-Nisa: 128), is an effective dispute resolution mechanism as it emphasizes justice (*al-'adl*), honesty (*as-sidq*), and mutual consent (*ridhā*). This approach enables solutions such as financing restructuring or penalty reductions without violating sharia principles, while maintaining social harmony between Islamic banks and clients. However, the application of *al-shulhu* faces challenges, including the lack of a clear legal framework, inconsistent implementation across institutions, and a shortage of competent mediators with expertise in Islamic law. This study contributes to academic discourse by bridging classical Islamic legal theory with modern dispute resolution practices and provides practical recommendations for Islamic financial institutions and regulators, such as OJK and DSN-MUI, to integrate *al-shulhu* into the national legal system through clear regulations and mediator training. The study recommends further empirical research to enhance understanding of *al-shulhu*'s application in religious courts and Islamic financial institutions.

Keywords: *Al-Shulhu*, Breach of Contract, Murabahah Contract, Dispute Resolution, Islamic Economics.



Introduction

The rapid development of the Islamic finance industry in Indonesia has logically led to an increase in the complexity of legal relationships between Islamic financial institutions and their clients, particularly in financing practices under the murabahah contract scheme. As one of the most commonly used forms of sale and purchase contracts in Islamic financing, murabahah establishes a legally binding structure that obligates both parties to fulfill their respective responsibilities in an orderly manner and in accordance with sharia principles. However, in practice, breaches of contract by clients, such as delayed installment payments or failure to meet agreed-upon terms, are not uncommon.

This situation poses challenges for Islamic financial institutions in resolving disputes, as such resolutions must not only comply with Indonesia's positive legal standards but also uphold the integrity of Islamic legal principles that form the operational foundation of these institutions. (Yulinar et al., 2023). In this context, the *al-shulhu* approach, or dispute resolution through peaceful means (*sulh*), rooted in the teachings of the Qur'an and the practices of Prophet Muhammad (PBUH), offers an alternative resolution method that aligns with sharia values.

This approach emphasizes resolving disputes through consultation and mutual agreement, prioritizing justice, mutual benefit, and peace among the parties, while avoiding hostility that may arise in formal litigation processes. Furthermore, Indonesia's national legal system also recognizes and supports alternative dispute resolution (ADR) mechanisms, including mediation and reconciliation, thereby providing a legal framework that enables the effective application of *al-shulhu* within existing regulations. Nevertheless, the application of *al-shulhu* in resolving breaches of murabahah contracts remains underexplored, both in academic studies and practical implementation. Numerous aspects still require further exploration, including normative aspects involving the interpretation of classical and modern fiqh texts, as well as practical aspects such as the role of sharia mediation institutions, the structure of peace agreements, and the recognition and enforcement of such agreements within Indonesia's legal system (Putri, 2025). Therefore, this study aims to address this gap by thoroughly examining the theoretical foundation of *al-shulhu* in Islamic law, exploring how its principles can be applied in resolving disputes arising from breaches of murabahah contracts, and analyzing its compatibility with the Islamic banking system and Indonesia's national legal regulations. Through this, the study is expected to make a significant contribution to formulating a dispute resolution model that is not only effective and efficient but also aligned with sharia values and positive legal provisions.

Recent research in the field of Islamic economic dispute resolution has highlighted various approaches, including litigation, arbitration, and mediation, as viable methods in Islamic finance. For instance, a study by Famulia and Santina analyzed the resolution of Islamic economic disputes through litigation in the

Religious Court, focusing on cases of breach of contract under the qard agreement (Decision Number 1/Pdt.G.S/2024/PA. Lmg). (Famulia & Santina, 2024). This study demonstrated that dispute resolution through litigation complies with the formal and material legal standards of the Religious Court but does not address non-litigation approaches such as *al-shulhu*. Meanwhile, Warman and Hayati explored *tahkim* (sharia arbitration) based on AAOIFI sharia standards, emphasizing its advantages in terms of speed, cost, and fairness in resolving Islamic economic disputes (Warman & Hayati, 2022). This study underscored the importance of developing alternative dispute resolution mechanisms but focused more on formal arbitration rather than traditional methods like *al-shulhu*. Both studies tend to concentrate on institutional mechanisms and provide less exploration of traditional Islamic value-based approaches like *al-shulhu*, which is rooted in the principle of *sulh* in the Qur'an (Surah An-Nisa: 128) and Hadith, as well as its specific application to cases of breach of murabahah contracts.

The literature gap lies in the limited exploration of *al-shulhu* as a sharia-based dispute resolution mechanism for addressing breaches of murabahah contracts in Indonesia. Studies such as those by Famulia and Santina (2024) and Warman and Hayati (2022) provide valuable insights into modern dispute resolution methods but do not thoroughly analyze traditional Islamic approaches like *al-shulhu* or their application in cases of murabahah contract breaches. Additionally, there is a lack of empirical and theoretical analysis regarding the effectiveness of *al-shulhu*, the challenges in its implementation, and its compatibility with Indonesia's national legal framework, such as the Islamic Banking Law. This study seeks to address this gap by examining the theoretical foundation of *al-shulhu* in Islamic jurisprudence and evaluating its practical application in cases of breach of contract, while considering its integration with Indonesia's legal regulations.

This study addresses the question: How effective is the *al-shulhu* approach in resolving disputes arising from breaches of murabahah contracts in Indonesia's Islamic banking sector? Its objectives are to analyze the theoretical basis of *al-shulhu*, evaluate its application in breach of contract cases, and identify the challenges and opportunities for its integration within Indonesia's legal framework. The novelty of this study lies in its focus on *al-shulhu* as a culturally and religiously grounded dispute resolution mechanism, offering a model that bridges sharia principles with Indonesia's regulatory context. By providing empirical insights and practical recommendations, this study contributes to the development of sharia-compliant dispute resolution practices in Indonesia's Islamic finance sector.

Research on resolving Islamic economic disputes through the *al-shulhu* approach for breaches of murabahah contracts in Indonesia holds significant theoretical and practical urgency. *Al-shulhu*, rooted in the principle of *sulh* in the Qur'an (Surah An-Nisa: 128), offers a sharia-compliant, swift, and cost-effective dispute resolution solution, yet it remains underexplored compared to institutional

methods like litigation and tahkim discussed in studies by Famulia and Santina (2024) and Warman and Hayati (2022). This study is relevant in addressing the literature gap by analyzing the theoretical foundation of *al-shulhu*, its effectiveness in handling breaches of contract, and its compatibility with national regulations, such as the Islamic Banking Law, while considering Indonesia's cultural emphasis on peace. By integrating traditional Islamic values with the needs of modern Islamic banking, this study provides empirical insights and practical recommendations for Islamic financial institutions and regulators, such as the OJK and DSN-MUI, thereby enriching academic discourse and supporting the development of effective, sharia-compliant dispute resolution solutions.

Method

This study employs a qualitative approach with a library research design to examine the resolution of Islamic economic disputes through the *al-shulhu* approach, focusing on cases of breach of murabahah contracts in Indonesia. The qualitative approach was chosen because it is suitable for addressing research questions that explore the theoretical and practical aspects of *al-shulhu* based on literature, as well as analyzing its application within the context of Indonesia's legal and regulatory framework. The library research design enables the researcher to collect, analyze, and synthesize data from various written sources, such as academic journals, books, and other references, to construct comprehensive and in-depth arguments. This approach also allows for research replication, as the data sources used are publicly accessible to other researchers.

The subject of this study is literature relevant to the topic of Islamic economic dispute resolution, particularly those discussing *al-shulhu* and breaches of murabahah contracts. The data population includes academic journal articles published in online databases such as Google Scholar, Sinta, and Garuda, as well as textbooks on Islamic law, Islamic economics, and Indonesian legal regulations, such as DSN-MUI fatwas and Otoritas Jasa Keuangan (OJK) regulations. Source selection was based on criteria of relevance to the topic, recency of publication (focusing on the 2020–2025 range), and source credibility, such as indexed journals or books published by reputable publishers. Sampling was conducted purposively, ensuring that the selected literature specifically addresses *al-shulhu*, murabahah, or breaches of contract within the context of Islamic economics in Indonesia. This process ensures that the collected data is relevant and representative in addressing the research question.

Data collection was carried out through document studies, involving the identification, collection, and selection of literature from written sources. The researcher used keywords such as "al-shulhu," "breach of murabahah," "sharia dispute resolution," and "Islamic economics in Indonesia" to search for journal articles on online platforms. Additionally, reference books on fiqh muamalah, sharia contract law, and Indonesian legal regulations were gathered from digital

or physical libraries. The research instrument consisted of a literature search guide that included inclusion criteria (e.g., literature in Indonesian or English, relevance to the topic, and publication year) and a note-taking format to record key information, such as author names, publication years, main findings, and methodologies. The collected data encompassed theoretical explanations of al-shulhu, cases of breach of murabahah contracts, and analyses of al-shulhu's application in practice, including its challenges and opportunities in Indonesia.

Data analysis was conducted using qualitative content analysis techniques. The analysis steps included: (1) organizing literature data based on themes, such as the concept of al-shulhu, breach of contract cases, and legal regulations; (2) coding data to identify patterns or key findings, such as sharia principles in al-shulhu or barriers to its implementation; (3) synthesizing data to compare findings across literature and identify research gaps; and (4) interpreting findings to address the research question. This procedure was carried out systematically to ensure structured and meaningful analysis. Specific criteria in the analysis included evaluating al-shulhu's alignment with sharia principles, its effectiveness in resolving disputes, and its compatibility with national legal regulations. The researcher also ensured that the analyzed data was specific, with detailed documentation of sources, contexts, and findings to maintain accuracy and validity.

This method is designed to provide a clear and detailed overview of the research procedure, enabling replication by other researchers. No new methods were introduced in this study; rather, it utilizes common library research techniques employed in qualitative research. By focusing on credible literature sources and systematic analysis, this study ensures that the data used is sufficient to address the research question in depth, while contributing to the discourse on Islamic economic dispute resolution in Indonesia.

Results and Discussion

Theoretical Concept of *Al-Shulhu* in Islamic Law.

Al-shulhu is a dispute resolution method deeply rooted in the principle of *sulh* in Islamic law, emphasizing peace, consultation, and voluntary agreement between conflicting parties. This approach rejects confrontational methods such as formal litigation and instead promotes restorative and reconciliatory resolutions (Abdullah et al., 2023). In Islamic tradition, peaceful dispute resolution is not only viewed as a practical solution but also as a reflection of Islam's moral and spiritual values. Qur'anic verses reinforce the significance of al-shulhu, such as Surah An-Nisa verse 128, which highlights the importance of reconciliation efforts in resolving disputes, and Surah Al-Hujurat verse 9, which mandates resolving conflicts between Muslim groups by first pursuing peace. The foundational principles underpinning *al-shulhu* include justice (*al-'adl*), ensuring a fair resolution that does not disadvantage any

party; honesty (*as-sidq*), requiring transparency and good faith from all parties; and mutual consent (*ridhā*), meaning agreements must be reached voluntarily without coercion, based on the free will of each party (Karimah, 2024). Beyond being a legal resolution technique, *al-shulhu* encompasses social and ethical dimensions, aiming to preserve social bonds and maintain relationships among individuals and institutions within society. In the history of Islamic legal practice, *sulh* has been widely applied in various forms of muamalah, including the settlement of debts, inheritance disputes, and commercial contracts such as murabahah. (Supendi, 2022). Thus, *al-shulhu* is not merely understood as a formal procedure but as an instrument aligned with maqasid al-shariah, particularly in safeguarding wealth, honor, and social stability. This approach is highly relevant for application in contemporary legal systems, especially in countries like Indonesia that adopt legal dualism, where Islamic values can synergize with national law to create a more humane, efficient, and just dispute resolution mechanism.

In the context of Islamic economics, *al-shulhu* holds significant relevance because its core principles align with the fundamental values of Islamic law, such as justice (*al-'adl*), honesty (*as-sidq*), and the avoidance of hostility and social harm (*fasād*). As a dispute resolution approach emphasizing consultation and mutual agreement, *al-shulhu* offers a more humane and civilized alternative to formal, confrontational litigation processes (Pahutar & Siregar, 2023). In Islamic economic practices, particularly in financing arrangements like murabahah contracts, disputes are likely to arise due to breaches of contract or discrepancies between the rights and obligations of the parties. In such cases, *al-shulhu* serves as an effective mechanism for resolving issues peacefully, without severing business relationships or resorting to lengthy and costly legal proceedings.

This process allows parties to find just and mutually beneficial solutions, such as rescheduling payments, partial debt reduction, or restructuring contracts, provided these are done voluntarily and in accordance with sharia principles. Moreover, *al-shulhu* has a preventive dimension, as it fosters good relations among economic actors and builds a culture of trust, which is a critical foundation for sharia-based transactions (Sari, 2023). Therefore, *al-shulhu*'s role as a dispute resolution method is not only normatively valuable but also practically beneficial, as it maintains the stability of the Islamic financial system while upholding the principles of maqasid al-shariah particularly in protecting wealth (*hifzh al-mal*) and preserving social harmony. As Islamic financial institutions in Indonesia continue to grow, the application of *al-shulhu* needs to be strengthened through regulations, training for competent sharia mediators, and the integration of reconciliation clauses in every contract. This ensures that Islamic values are not merely ornamental but are genuinely realized in equitable and sustainable economic practices.

The application of *al-shulhu* in resolving disputes within the realm of muamalah, particularly in murabahah contracts, demonstrates high effectiveness in addressing breaches of contract in a sharia-compliant manner. In contemporary

literature, *al-shulhu* is recognized as one of the most suitable dispute resolution methods aligned with the spirit of Islamic justice, as it prioritizes consultation, mutual consent, and avoids open conflicts that could prolong hostility and cause losses to both parties (Rohman et al., 2025). When a debtor faces difficulties in meeting obligations under a murabahah scheme, *al-shulhu* provides room for solutions that are not only legally sound but also dignified, such as restructuring financing, waiving penalties, or rescheduling payments, without violating the principles of justice (*al-'adl*) and transparency (*as-sidq*). Islamic financial institutions and religious courts in Indonesia have widely implemented this mechanism, either through internal mediation within banks or through facilitation by mediator judges in religious courts. This indicates that *al-shulhu* is not merely a normative doctrine found in classical fiqh texts but has become a tangible practice deeply rooted in Indonesia's Islamic economic dispute resolution system (Setiawati, 2021).

Furthermore, these findings directly support the initial expectation of this study that *al-shulhu* has a solid theoretical foundation in Islamic law and significant potential for broad application in contemporary disputes, particularly those related to breaches of murabahah contracts. In line with the principles of *maqasid al-shariah*, *al-shulhu* not only safeguards the rights and obligations of the parties involved but also promotes resolutions that prioritize public benefit and the sustainability of peaceful financial relationships. Thus, *al-shulhu* is not merely an alternative method but an integral part of an ideal dispute resolution system in modern Islamic economics. Its success in various cases proves that this approach can effectively bridge Islamic normative values with the practical needs of society and financial institutions in the contemporary era, making it a superior solution worthy of systematic and sustained adoption.

Application of Al-Shulhu in the Case of Default of Murabahah Agreement

The application of *al-shulhu* in resolving disputes related to breaches of murabahah contracts in Indonesia has shown significant progress, particularly within Islamic financial institutions. In practice, this approach is typically implemented through mediation, either internally at the bank level or through formal channels such as religious courts. Islamic financial institutions in Indonesia, such as sharia banks, frequently encounter cases where clients are unable to meet payment obligations due to changing economic conditions or business failures. In such situations, rather than pursuing formal and costly litigation, the *al-shulhu* mechanism through mediation becomes a preferred option, as it is not only more efficient but also aligns with sharia principles. This mediation process enables open dialogue between the client and the bank, fostering a mutual search for solutions grounded in justice and mutual consent (Awaludin, 2023).

Mediators play a crucial role as neutral facilitators, ensuring that communication remains focused on solutions rather than conflict. The outcomes of this mediation typically result in agreements such as financing restructuring,

rescheduling payments, or, in some cases, waiving late payment penalties, provided these actions comply with sharia principles (Solehudin et al., 2023). The application of *al-shulhu* through mediation has proven effective in preventing conflict escalation and delivering fair and sustainable resolutions for all parties involved. This practice also reflects the integration of Islamic law with Indonesia's national legal framework, which accommodates mediation as an alternative dispute resolution method (Mahmud et al., 2024). Consequently, *al-shulhu* is not merely a theoretical approach in Islamic law but has evolved into a relevant and practical dispute resolution practice in Indonesia, particularly in addressing the complexities of breaches in murabahah contracts within the modern Islamic financial system. This approach strengthens *al-shulhu's* position as a dispute resolution model that is not only legally sharia-compliant but also solution-oriented and adaptable to the dynamics of contemporary Muslim society.

The application of *al-shulhu* as a dispute resolution method has become a common practice in handling cases of delayed payments by clients in Islamic financial institutions, particularly in murabahah contracts. In this context, *al-shulhu*-based mediation emphasizes the principles of peace, voluntary agreement, and justice without violating sharia provisions. Disputes arising from breaches of installment payments are generally not immediately brought to court but are instead resolved through non-litigious processes characterized by consultation (Melidya, 2024).

The initial stage of implementing *al-shulhu* as a dispute resolution method typically begins with dialogue between the bank and the client. The bank invites the defaulting client to discuss their financial situation and the obstacles causing delayed payments. This process is guided by the spirit of consultation (*musyawarah*) and mutual help (*ta'awun*), aiming to find a solution that does not burden either party. If the initial dialogue does not yield results, formal mediation is initiated, either internally (by the bank) or externally (through a mediator in a religious court) (Abdullah et al., 2023).

During the mediation process, one of the most common solutions is financing restructuring, which may involve rescheduling (adjusting the payment schedule), reconditioning (modifying financing terms), or restructuring (reformulating the core agreement). These steps aim to align the repayment plan with the client's financial capacity to avoid excessive burden (Meilisa, 2025). Additionally, in the spirit of justice, the bank may consider reducing or waiving late payment penalties, particularly if the client faces genuine difficulties justified under sharia considerations. This practice is supported by DSN-MUI fatwas, which stipulate that penalties (*ta'widh*) may only be imposed based on actual losses and not as exploitative penalties. The outcome of this mediation is formalized in a peace agreement (*akta shulhu*), which is legally binding and valid under sharia principles.

This agreement serves as formal evidence that both parties have reached a peaceful resolution, and if either party breaches it, the agreement can serve as a basis

for further legal enforcement. Concrete examples of this application are evident in cases handled by several religious courts in Indonesia, where *al-shulhu*-based resolutions led to financing restructuring without escalating to full litigation. Sharia mediation through *al-shulhu* in murabahah disputes has demonstrated high effectiveness in reducing the burden on courts while maintaining harmonious relations between financial institutions and clients (Suhaila, 2025).

Thus, the practice of *al-shulhu* in addressing clients' payment delays is not only an effective and efficient alternative for dispute resolution but also a concrete manifestation of applying Islamic values within modern financial systems. This approach prioritizes justice, honesty, mutual help, and the avoidance of hostility, making it a dispute resolution method that aligns with *maqasid al-shariah* and Indonesia's positive legal system.

The fatwas of the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) explicitly state that all forms of dispute resolution in Islamic economics must be free from any elements of *riba*, whether explicit or implicit. DSN-MUI Fatwa No. 19/DSN-MUI/IV/2001 on *al-Qardh* and Fatwa No. 17/DSN-MUI/IX/2000 on Penalties for Capable Clients Who Delay Payments emphasize that penalties for late payments may only be imposed based on actual losses (*ta'widh*), not as interest-based penalties that could lead to *riba*. Similarly, in the application of *al-shulhu*, mediators and Islamic financial institutions must ensure that the agreed-upon solutions do not involve prohibited practices, such as adding financial obligations that lack justice or clarity in the contract. For example, in financing restructuring, adding interest or additional costs that contradict the principles of the murabahah contract, which is based on a fixed selling price agreed upon at the outset, is not permissible (Dahri et al., 2024). Thus, the application of *al-shulhu* becomes a legally and sharia-compliant dispute resolution mechanism, as it aligns with DSN-MUI fatwas and Islamic principles of justice. It not only resolves conflicts peacefully but also safeguards the integrity of the Islamic economic system from non-halal practices, such as *riba* and excessive transactional practices. By prioritizing honesty, justice, and mutual help, *al-shulhu* reflects the noble ethics of *muamalah* in Islam.

Sharia education plays a crucial role in enhancing the effectiveness of *al-shulhu* in dispute resolution. One of its primary benefits is increasing the parties' understanding of fundamental sharia principles, such as justice, honesty, consultation, and peace. When the parties recognize that *al-shulhu* is not merely a legal alternative but also embodies noble Islamic values, they tend to be more open, active, and cooperative in the mediation process. (Efendi, 2022). Furthermore, sharia education fosters awareness of the importance of voluntary agreement in resolving conflicts, where parties reach solutions consciously and willingly without feeling coerced or pressured, as mandated by the principles of *al-shulhu* (Karimah, 2024).

A strong understanding of *al-shulhu* also accelerates the resolution process, as parties can navigate procedures more efficiently without relying on formal, lengthy,

and costly litigation. This education also has significant social impacts, as it emphasizes the importance of maintaining good relations and social harmony, particularly in closely interconnected communities bound by kinship or economic ties (Amaliyah, 2021). With this insight, parties are more likely to choose peaceful resolutions that not only settle disputes but also preserve reputation and long-term relationships.

When these four factors are fulfilled, *al-shulhu* not only serves as an efficient and cost-effective dispute resolution method but also maintains harmonious relationships between parties and ensures compliance with Islamic legal principles. Therefore, in the context of breaches of murabahah contracts in Indonesia, *al-shulhu* is a highly suitable and practical alternative for dispute resolution.

Challenges and Opportunities for Implementing *Al-Shulhu* in Indonesia

One of the primary challenges in implementing *al-shulhu* as a dispute resolution method in Indonesia's Islamic finance sector is the lack of clarity in national legal regulations. Although Article 55 of Law No. 21 of 2008 on Islamic Banking recognizes dispute resolution options through religious courts, consultation, mediation, and arbitration, there is no explicit regulation acknowledging *al-shulhu* as a distinct, formal, and structured method (Nurfadillah et al., 2025). This ambiguity leads to varied interpretations among practitioners and Islamic financial institutions, resulting in inconsistent application that depends on the understanding of individual institutions. Consequently, despite *al-shulhu's* theoretical alignment with sharia principles and its potential as a swift and efficient peaceful resolution, the lack of normative and operational recognition within Indonesia's positive legal system weakens its position within the formal dispute resolution framework of Islamic banking institutions. This also results in limited adoption of *al-shulhu* in contract clauses, as there is no guarantee of legal certainty for enforcing peace agreements through formal legal channels.

This regulatory challenge necessitates legal updates and harmonization, either through revisions to existing laws or the issuance of derivative regulations that explicitly accommodate the *al-shulhu* mechanism. Furthermore, synchronization between positive law and Islamic law must be strengthened to effectively integrate Islamic principles of peaceful resolution into national Islamic banking practices (Fridawati et al., 2024). If these challenges are addressed, *al-shulhu* has the potential to become an instrument that is not only normatively valid but also practically effective in resolving Islamic economic disputes fairly and with dignity. The limited competence of mediators is another significant obstacle to the effectiveness of *al-shulhu* as a mechanism for resolving Islamic economic disputes. Many mediators, whether judges or non-judges, lack adequate knowledge of Islamic law and Islamic banking practices (Fitriyah, 2021).

This results in suboptimal mediation processes, as mediators are unable to guide discussions accurately in accordance with the sharia principles underlying *al-shulhu*.

In practice, although mediation efforts are made, the outcomes often fail to reflect the substantive justice and sharia values expected by the parties. This limitation is exacerbated by the scarcity of human resources with specialized expertise in handling Islamic banking disputes. Most mediators have not received specific training in fiqh muamalah, Islamic civil law, or the unique characteristics of Islamic banking products and contracts, such as murabahah, ijarah, or mudharabah (Nu'man & Pd, 2021). As a result, they struggle to explain the legal basis for peaceful resolutions in a sharia-compliant manner or to bridge the parties' interests with considerations of justice aligned with maqasid al-shariah. To enhance the success of *al-shulhu*, specialized training and certification programs for mediators are needed, covering Islamic law, Islamic economic principles, and modern mediation techniques.

Collaboration between religious courts, Islamic financial authorities, and Islamic higher education institutions is also essential to produce mediators who are not only technically professional but also uphold religious values (Mulizar, 2022). Thus, the presence of competent mediators will be a key factor in creating a mediation process that is fair, effective, and aligned with Islamic ethics and law. The application of *al-shulhu* as a dispute resolution method in Islamic economics has significant potential to be strengthened through a more systematic regulatory framework within Indonesia's national legal system. Currently, although *al-shulhu* is recognized in dispute resolution practices, its position is not yet explicitly acknowledged in formal regulations, particularly in the context of Islamic banking and other financial institutions.

National regulations can be developed to explicitly recognize *al-shulhu* based mediation as a formal dispute resolution method, providing legal certainty and promoting uniformity of practice across various financial institutions and religious courts. Additionally, the integration of *al-shulhu* into the positive legal system can be strengthened through instruments that already incorporate Islamic legal principles, such as the Compilation of Islamic Law (KHI) and regulations on Islamic economics, enabling this peaceful resolution mechanism to be adopted more broadly and systematically (Asmoro & Saptomo, 2024).

Regulatory enhancements should also address technical aspects, such as developing specific regulations governing sharia mediation procedures, mediator qualifications, and protections for the rights of parties involved in the process. This not only improves the effectiveness of *al-shulhu* mediation but also ensures its alignment with principles of justice and *maqāṣid al-shari‘ah*. Furthermore, establishing and strengthening independent sharia mediation institutions grounded in Islamic values and endowed with legal legitimacy will enhance public trust in this mechanism (Asmuni & Arifin, 2024). With these strategic steps, *al-shulhu* has the potential to become a dispute resolution method that is not only effective and efficient but also consistent with the characteristics of Islamic law and the needs of Indonesia's predominantly Muslim society.

The National Sharia Arbitration Board (BASYARNAS) has taken strategic steps by integrating the principles of *al-shulhu* into its mechanisms for resolving Islamic economic disputes through mediation and arbitration. As an arbitration institution grounded in sharia principles, BASYARNAS serves as an alternative to court-based dispute resolution, emphasizing confidentiality, flexibility, efficiency, and justice. This approach aligns closely with the values of *al-shulhu*, which prioritize consultation and peaceful resolution. The dispute resolution process at BASYARNAS begins with mediation, where parties are facilitated to reach a voluntary peaceful agreement. Only if mediation fails does the process proceed to arbitration.

This practice reflects the essence of sulu in Islamic law, which is dispute resolution through peace and agreement that does not contradict sharia principles (Rachman et al., 2022). Thus, BASYARNAS has demonstrated its ability to develop a sharia-compliant dispute resolution model that is not only effective and efficient but also legally valid under national law and aligned with Islamic values. The integration of *al-shulhu* within this institution shows that sharia-based dispute resolution methods can harmonize with the national legal system while expanding the resolution options available to business actors and the Muslim community in Indonesia. BASYARNAS's potential as a pioneer in strengthening the *al-shulhu* method will be even greater with stronger regulations, competent mediator training, and increased public socialization. Consequently, *al-shulhu* through BASYARNAS has the potential to become a cornerstone of Islamic economic dispute resolution in Indonesia (Sutiyadi & Saputra, 2024).

Therefore, training and certification for sharia-based mediators are essential to ensure they not only understand formal legal procedures but also internalize Islamic ethical principles in performing their duties. Additionally, increasing the parties' understanding of the benefits and mechanisms of *al-shulhu* through legal education and socialization of relevant regulations is crucial. With synergy between supportive regulations and high-quality human resources, *al-shulhu* can transform into a vital pillar of the national dispute resolution system. It serves not only as an alternative to lengthy and costly litigation but also as a restorative approach that strengthens familial values, social peace, and substantive justice in line with the spirit of Islamic law and the needs of contemporary Indonesian society.

The Contribution of *Al-Shulhu* to the Practice of Sharia Economic Dispute Resolution

The alignment of *al-shulhu* with sharia principles establishes it as a dispute resolution method that is not only legally valid but also carries high spiritual and ethical value within the context of Islamic law. Fundamentally, *al-shulhu* emphasizes achieving peace through a consultation process that prioritizes justice (*al-'adl*), honesty (*as-sidq*), and mutual consent (*ridhā*), all of which are core pillars of sharia. Unlike formal litigation, which often focuses on the victory of one party, this approach aims to create fair and harmonious agreements for all parties involved in the dispute (Abdullah et al., 2023).

In practice, *al-shulhu* allows for broader moral and cultural considerations, making the dispute resolution process more humane and contextual. Furthermore, *al-shulhu* is meticulous in avoiding practices prohibited in Islam, such as riba (excessive and harmful interest), gharar (uncertainty or speculation), and elements of fraud or injustice. Consequently, not only is the process ethical, but the resulting agreements are also ensured to be free from elements that could undermine their validity under sharia. This is particularly crucial in the context of disputes within the Islamic economic and financial sector, where the integrity of Islamic law must be comprehensively upheld (Syaparudin et al., 2022).

Therefore, *al-shulhu* is a dispute resolution method that not only complies with formal legal frameworks but also substantively reflects the noble values of Islam. This makes it an ideal solution capable of balancing legal justice with inner peace, as well as legal certainty with social benefit. In the context of Muslim-majority societies like Indonesia, this alignment renders *al-shulhu* highly relevant for widespread application, whether in family, business, or Islamic financial institution settings, as it ensures that every conflict resolution remains fully within the bounds of sharia.

Efficiency is one of *al-shulhu*'s primary advantages in dispute resolution, particularly when compared to court litigation, which often requires significant time and costs. *Al-shulhu* offers a faster and more cost-effective alternative due to its informal, flexible procedure, unbound by rigid legal bureaucracy (Sutiyadi & Saputera, 2024). The process is conducted privately, safeguarding the confidentiality of the disputing parties, and relies on a dialogic and consultative approach to reach mutual agreements based on justice and good faith. This enables parties to openly express their interests without fear of public exposure, thereby accelerating resolution and preventing conflict escalation. Additionally, agreements reached through *al-shulhu* carry binding legal force, similar to contracts or legal agreements, and in many cases can be ratified or enforced through courts if necessary. This provides legal certainty to the parties without the need for protracted formal procedures commonly associated with judicial processes. In the context of Islamic economics, such as disputes involving murabahah contracts or other financing arrangements, *al-shulhu* is highly beneficial as it resolves issues pragmatically and swiftly, maintains positive relationships between clients and Islamic financial institutions, and adheres to sharia principles (Arbaina & Umam, 2024).

Thus, *al-shulhu* excels not only in the ethics and spirituality of Islamic law but also in its efficiency in terms of time and cost. It serves as an alternative dispute resolution method that aligns with the characteristics of Indonesian society, which highly values consultation and familial bonds, while also meeting the practical and professional needs of modern legal and business environments. Institutional support and legal recognition of *al-shulhu* outcomes further strengthen its position as an effective, efficient, and dignified dispute resolution solution.

In the context of murabahah contracts, *al-shulhu* plays a strategic role in maintaining harmonious relationships between Islamic banks and their clients, particularly in disputes such as delayed payments or other forms of breach of contract. Unlike confrontational litigation, which can damage business relationships, *al-shulhu* prioritizes the principles of peace (*sulh*), consultation (*shūrā*), and mutual understanding (*tafāhūm*) as the foundation for dispute resolution. This process facilitates agreements that are not only legally fair but also consider the humanitarian and emotional aspects of the relationship between the parties (Nur, 2020). In the Islamic economic system, maintaining trust and positive social relationships is a central value inseparable from transactional aspects. The success of Islamic economics is not solely determined by material profits but also by the quality of interactions grounded in honesty, justice, and moral responsibility. Therefore, *al-shulhu*, as a dispute resolution method that avoids open conflict and minimizes escalation, is highly relevant for sustaining harmonious business relationships (Afdhal et al., 2024).

Consequently, the application of *al-shulhu* in murabahah disputes not only resolves issues pragmatically and swiftly but also strengthens the relational foundation between banks and clients. This dialogic and participatory resolution process fosters long-term trust, avoids the social stigma associated with open legal proceedings, and creates a business ecosystem rooted in Islamic values. Ultimately, *al-shulhu* serves as an instrument that not only resolves disputes but also preserves and strengthens the foundation of a just and sustainable socio-economic system within the framework of Islamic economics.

The effectiveness of *al-shulhu* as a sharia-based dispute resolution method is inseparable from the moral and spiritual commitment of the disputing parties. As emphasized in various fiqh and Islamic law literature, “the success of *sulh* depends on good intentions and adherence to sharia principles.” This indicates that *al-shulhu* is not merely a technical or procedural process but heavily relies on the integrity and honesty of the parties in upholding Islamic values during mediation. Good intention (*niyyah shālihah*) serves as the primary foundation of *al-shulhu*, as only a sincere desire for peace and avoidance of harmful conflict can lead to a fair and peaceful resolution. Meanwhile, adherence to sharia principles ensures that both the process and outcome of dispute resolution remain within the boundaries of Islamic law, avoiding elements such as *riba*, *gharar*, fraud, or injustice.

These principles not only safeguard the legal validity of the agreements reached but also ensure their spiritual and social blessings (Rahman, 2021). Without good faith and religious awareness, *al-shulhu* risks becoming a mere formality, susceptible to manipulation or dissatisfaction among parties. Therefore, education on Islamic ethics, moral guidance, and the role of sharia-knowledgeable and principled mediators are critical aspects in supporting the comprehensive success of *al-shulhu*. Consequently, the success of *al-shulhu* is closely tied to the quality of the parties’ internal commitment, making it not only a legal alternative but also a reflection of

Islamic practice in resolving conflicts peacefully, justly, and with dignity. (Karimah, 2024). As a non-litigious method, *al-shulhu* enables Islamic financial institutions to resolve issues without resorting to lengthy and rigid court processes. This is crucial for maintaining client trust and the reputation of financial institutions while demonstrating that the Islamic economic system can address internal issues with a value-based and humanistic approach. Moreover, because *al-shulhu* rejects elements contrary to sharia, such as *riba*, *gharar*, and oppression, the resulting solutions are not only legally valid but also sound in terms of faith and ethics (akidah and akhlak) (Herawan & Athoillah, 2024).

Based on this foundation, *al-shulhu* is regarded as a relevant, adaptive, and sustainable method for supporting the development of Islamic economics in Indonesia. It offers a bridge between Islamic values and modern legal practices, strengthening the synergy between sharia law and the national legal system. Therefore, the widespread and systematic application of *al-shulhu* in the Islamic economic sector is not only important as an alternative dispute resolution method but also as an integral part of enhancing the governance of Islamic finance that is moral and just.

Conclusion (Garamond 12Pt)

This study concludes that *al-shulhu*, as a non-litigation dispute resolution mechanism grounded in Islamic law, is highly effective in addressing defaults (*wanprestasi*) in *murabahah* contracts within Indonesia's Sharia economic system. The findings confirm that *al-shulhu* embodies essential Islamic values such as justice (*al-'adl*), honesty (*as-sidq*), and mutual consent (*ridhā*), making it a suitable alternative to formal litigation. It enables financial institutions and customers to reach fair and amicable solutions such as rescheduling, debt restructuring, or reduction of penalties, while maintaining the integrity of Sharia principles and preserving social harmony. However, the research also reveals several limitations and challenges in the implementation of *al-shulhu*, including the lack of specific legal frameworks, the inconsistent application across institutions, and the shortage of qualified Sharia-based mediators. These constraints highlight the need for regulatory clarity, institutional support, and the integration of Islamic dispute resolution in national legal systems. This research contributes to the academic discourse by bridging the gap between classical Islamic legal theory and modern economic dispute resolution practices. It also offers practical insights for Islamic financial institutions, regulators, and policymakers on how to institutionalize *al-shulhu* as a viable and sustainable method for conflict resolution in Sharia-based contracts.

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Conflict of Interest

The authors declare that there is no conflict of interest regarding the research, authorship, and publication of this article. This study was conducted independently without any financial or personal relationships that could influence the results or interpretation presented.

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