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The Principle of Contractual Justice in Islamic Home Financing: A Study at Bank Sulselbar, Sharia Branch

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Abstract : *This research examines legal protection and dispute resolution mechanisms in sharia-based home financing contracts within Indonesian Islamic banking, with a focus on the application of contractual justice principles. The objective of the study is to analyse how the balance of rights and obligations, corrective justice, and the values of maqāṣid al-sharīʿah are implemented in practice within the legal relationship between banks and customers, extending beyond mere normative compliance with formal regulations. The study adopts a field-based method combining qualitative empirical findings and normative analysis. Data were collected through in-depth interviews with Islamic banking practitioners, examination of financing contract documents, and analysis of dispute resolution practices. The findings indicate that, in formal terms, Islamic home financing contracts incorporate principles of transparency, voluntary consent, and sharia compliance. Practical implementation, however, continues to encounter substantive imbalances arising from the use of standard-form contracts, information asymmetry, and the limited bargaining position of customers. Corrective justice is pursued through non-litigation mechanisms such as financing restructuring, mediation, and staged settlement prior to collateral execution. Such mechanisms align with the maqāṣid al-sharīʿah, particularly the protection of property and the promotion of social justice, although effectiveness depends on good faith and institutional capacity. The conclusions underscore the need to strengthen contractual transparency, optimise sharia-based dispute resolution, and enhance customer protection in order to realise substantive justice. The findings contribute empirical insights to the development of Islamic home financing studies and offer policy implications for regulators and Islamic banking institutions.*

Keywords*: Islamic Home Financing; Maqasid Al-Shariah; Contractual Justice; Dispute Resolution; Consumer Protection*

Abstrak: Penelitian ini mengkaji perlindungan hukum dan mekanisme penyelesaian sengketa dalam kontrak pembiayaan kepemilikan rumah berbasis syariah pada perbankan syariah Indonesia dengan fokus pada penerapan prinsip keadilan kontraktual. Tujuan penelitian diarahkan untuk menganalisis bagaimana keseimbangan hak dan kewajiban, keadilan korektif, serta nilai *maqāṣid al-syarīʿah* diimplementasikan dalam praktik hubungan hukum antara bank dan nasabah, melampaui kepatuhan normatif terhadap regulasi formal. Penelitian menggunakan metode lapangan yang mengombinasikan temuan lapangan kualitatif dan analisis normatif. Pengumpulan data dilakukan melalui wawancara mendalam dengan praktisi perbankan syariah, telaah dokumen kontrak pembiayaan, serta analisis praktik penyelesaian sengketa. Hasil penelitian menunjukkan bahwa kontrak pembiayaan rumah syariah secara formal telah memuat prinsip transparansi, persetujuan sukarela, dan kepatuhan syariah. Praktik di lapangan masih menghadapi ketidakseimbangan substantif akibat penggunaan kontrak baku, asimetri informasi, dan keterbatasan posisi tawar nasabah. Keadilan korektif diwujudkan melalui mekanisme non-litigasi berupa restrukturisasi pembiayaan, mediasi, serta penyelesaian bertahap sebelum eksekusi agunan. Mekanisme tersebut selaras dengan maqāṣid al-syarīʿah, terutama perlindungan harta dan keadilan sosial, meskipun efektivitasnya bergantung pada itikad baik dan kapasitas institusional. Simpulan penelitian menegaskan perlunya penguatan transparansi kontraktual, optimalisasi penyelesaian sengketa berbasis syariah, serta penguatan perlindungan nasabah untuk mewujudkan keadilan substantif. Temuan penelitian memberikan kontribusi empiris terhadap pengembangan kajian pembiayaan perumahan syariah serta implikasi kebijakan bagi regulator dan lembaga perbankan syariah.

Kata kunci: Pembiayaan Perumahan Syariah; Maqāṣid Al-Syarīʿ Ah; Keadilan Kontraktual; Penyelesaian Sengketa; Perlindungan Nasabah

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1. INTRODUCTION

Housing finance occupies a strategic position within national development policy due to its direct connection with the fulfilment of the right to adequate housing and the reduction of the housing backlog, particularly for middle- and lower-income groups. Indonesian government policy, implemented through various subsidised financing schemes such as the Housing Financing Liquidity Facility and the Interest Rate Subsidy, has been designed to enhance housing affordability by engaging both conventional and Islamic financial institutions. Recent literature confirms the effectiveness of such policies in expanding access to home ownership, while simultaneously identifying structural challenges in the form of low financial literacy, limited understanding of contractual arrangements, and the complexity of financing contracts, all of which weaken the position of consumers within contractual relationships (Ishaq & Widodo, 2024; Mangeswuri, 2016).

The development of Islamic home financing demonstrates distinct dynamics within the national housing finance landscape. Financing schemes based on *murabahah*, *ijarah*, or diminishing partnership have been promoted as interest-free alternatives through sale-based or partnership-based transaction structures aligned with Islamic principles. Empirical studies conducted in national Islamic banks indicate that Islamic home financing contributes to financial inclusion and offers payment certainty through fixed margins. However, such studies also observe that public perceptions of fairness and sharia compliance of Islamic mortgage products remain influenced by limited contractual understanding and the dominance of standard banking practices that have not been fully oriented towards the objectives of Islamic law (Paripurna et al., 2025; Sejati et al., 2024).

Academic discourse in Islamic law and economics over the past decade identifies a central issue concerning the imbalance of bargaining power between banks and customers in long-term financing contracts. Low levels of sharia contract literacy contribute to information asymmetry, leading customers to accept standard clauses without adequate understanding of profit margins, risk allocation, or the consequences of default. Such conditions are reinforced by the use of standard-form contracts drafted unilaterally by banks, thereby reducing principles of contractual balance and substantive justice to mere formal compliance (Priyono et al., 2025; Rohadi et al., 2024).

These challenges highlight the need for an analytical framework capable of assessing the fairness of Islamic home financing contracts from both normative and empirical perspectives. General solutions proposed in the literature emphasise strengthening consumer protection through regulation, information transparency, and effective sharia supervision. Theories of information asymmetry and bargaining power within contract economics demonstrate that imbalanced negotiating positions may generate structural injustice and market failure unless corrected through adequate legal and institutional intervention (Yuniati & Nurfani, 2025).

More specific solutions within the context of Islamic banking focus on internalising principles of fairness in commercial transactions within the design and implementation of contracts. Scholarly work underscores the importance of proportional risk distribution, transparent disclosure of costs, and equitable restructuring mechanisms in cases of non-performing financing. Several normative studies emphasise the necessity of a dedicated legal framework for sharia contracts, ensuring protection for weaker parties rather than merely replicating conventional legal structures (Esaputra, 2024; Syafril, 2024).

Previous scholarly efforts also draw attention to limitations in the practical application of profit-and-loss sharing principles within Islamic banking. The dominance of *murabahah* and leasing contracts is considered administratively efficient, yet generates less balanced risk-sharing compared to the ideal of participatory financing. Such conditions result in Islamic banking practices that remain substantively similar to conventional banking, thereby constraining the achievement of Islamic socio-economic objectives related to inequality reduction and consumer protection (Djumadi et al., 2025; Hidayah et al., 2024).

Literature directly addressing solutions for contractual justice highlights the role of justice, transparency, and the objectives of Islamic law as ethical evaluation frameworks for modern financing contracts. Research on consumer protection in Islamic home financing in Indonesia indicates that although general regulations guarantee rights to information and dispute resolution, the effectiveness of such protection depends heavily on the quality of contract implementation and sharia supervision at the operational level (Agustina, 2023; Sudarna et al., 2025). A research gap remains evident due to the limited number of empirical studies integrating legal analysis, banking practice, and customer perceptions in comprehensively assessing the fairness of Islamic home financing contracts.

This study aims to analyse the application of justice principles within Islamic home financing contracts through a empirical approach focusing on contractual structure, balance of rights and obligations, and customer protection mechanisms. The novelty of the research lies in the integration of contract justice theory, the objectives of Islamic law, and empirical field findings to assess substantive justice rather than mere formal compliance. The hypothesis is justified by the assumption that consistent application of Islamic justice principles enhances consumer protection and strengthens the social legitimacy of Islamic banking. The scope of the study is limited to Islamic home financing practices within Indonesian banking institutions, with particular emphasis on murabahah contracts and their implications for contractual fairness.

2. METHOD

This study employs a field research method complemented by strengthened normative data to analyse the application of contractual justice principles in Islamic home financing. Data collection was conducted through qualitative field research emphasising an in-depth understanding of murabahah contract practices and stakeholder perceptions of contractual fairness. Primary data were obtained through semi-structured in-depth interviews with purposively selected informants, including home financing customers, bank financing officers, members of the Sharia Supervisory Board, and regulatory authorities, in order to capture a diversity of perspectives and experiences related to contract implementation. Direct observation of financing processes and contractual interactions was undertaken to obtain empirical insights not solely reliant on informant narratives. Secondary data in the form of contract documents, internal bank policies, and related reports were analysed to assess the conformity of contractual substance with principles of contractual justice. The validity and credibility of the findings were ensured through triangulation of sources, methods, and theoretical frameworks by simultaneously linking theories of contractual justice and the maqasid al-shariah approach, thereby enabling the analysis to bridge legal norms and the realities of Islamic banking practice in a comprehensive manner (Bans-Akutey & Tiimub, 2021; Vivek et al., 2023).

3. FINDING AND DISCUSSION

a. Implementation of Sharia Home Ownership Financing (*Murābaḥah*) at Bank Sulselbar Sharia Branch

The implementation of *murābaḥah* contracts in Sharia-compliant Home Ownership Financing at the Sharia Branch of Bank Sulselbar should be understood within the framework of international and national sharia compliance as the normative foundation of Islamic banking practice. International standards developed by the Islamic Financial Services Board and the Accounting and Auditing Organization for Islamic Financial Institutions position *murābaḥah* not merely as a legally valid sale contract in fiqh, but as a financial product subject to sharia governance, supervision by the Sharia Supervisory Board, sharia audit, and obligations of transparency and disclosure to customers and regulators (Ali & Elbanna, 2025; Wani & Dar, 2022). This framework affirms that sharia compliance possesses a substantive dimension directly related to transactional justice and the protection of customer interests.

Field findings indicate that the Sharia Branch of Bank Sulselbar adopts *murābaḥah* as the dominant contract in home financing due to its perceived ability to provide income certainty and ease of risk management. The predominance of *murābaḥah* aligns with the general trend of Islamic banking practice in Indonesia, where *murābaḥah* occupies a significant proportion of home financing portfolios because of its relatively simple structure and operational feasibility (Djumadi et al., 2025). From the perspective of IFSB standards, this choice remains acceptable provided that it is supported by effective sharia supervision systems, information transparency, and adequate risk management mechanisms.

The implementation process at Bank Sulselbar begins with customer feasibility analysis, property appraisal, and the execution of *wakālah* and *murābaḥah* contracts. Normatively, this structure fulfils the principle of contractual certainty, as the cost price, profit margin, financing tenor, and total customer obligation are explicitly stated in the contract. Such disclosure of price and margin aligns with Indonesian academic literature emphasising transparency as a key indicator of sharia compliance and justice in *murābaḥah* contracts (Alwafi & Reza, 2025; Maulidizen, 2018). Transparency regarding price and margin provides legal certainty and prevents the presence of gharar in transactions.

Nevertheless, empirical findings reveal that normative transparency does not always correspond with substantive customer understanding. Interviews with customers indicate that many perceive *murābaḥah* merely as interest-free financing, without sufficient awareness of the legal implications of sale contracts, consequences of default, and long-term risks. This condition confirms findings in the literature that low levels of sharia literacy among customers constitute a major factor weakening the effectiveness of customer protection in *murābaḥah* contracts (Bidari et al., 2019; Ridha, 2024). From the perspective of *maqāṣid al-sharī*ʿah, limited contractual understanding directly undermines the optimal protection of intellect and property as fundamental objectives of Islamic law.

The role of the Sharia Supervisory Board at the Sharia Branch of Bank Sulselbar, based on field findings, is primarily focused on verifying documentary compliance with DSN-MUI fatwas and regulations issued by the Financial Services Authority. This supervisory pattern is consistent with the prudential character of international standards, which emphasise governance and sharia audit rather than technical contractual details (Ahmed et al., 2016; Ali & Elbanna, 2025). However, the literature also stresses that sharia supervision should not be confined to administrative aspects, but must ensure that the substance of justice and transparency is genuinely understood by customers as part of market discipline and sharia consumer protection (Wani & Dar, 2022).

Within the national context, the effectiveness of *murābaḥah* implementation is also strongly influenced by the consistency of applying DSN-MUI fatwas and OJK regulations. Field findings demonstrate that Bank Sulselbar formally complies with these provisions, yet variations in practice persist in terms of customer education and explanation of contractual clauses. The literature emphasises that inconsistency between norms and practice has the potential to weaken legal certainty and create room for contractual disputes, particularly regarding penalty clauses and the resolution of problematic financing (Rama & Suriono, 2025; Safilah et al., 2022).

The determination of *murābaḥah* margins at Bank Sulselbar is based on internal policy with limited scope for negotiation. Normatively, margins are disclosed transparently and agreed upon at the outset of the contract, as required by *muʿāmalāt* principles and affirmed by various empirical studies of Islamic banking in Indonesia (Marzuki et al., 2024; Yani et al., 2023). However, the literature also emphasises that margin justice is not measured solely by information disclosure, but by the reasonableness of margins relative to risk, cost of capital, and macroeconomic conditions. Variables such as inflation and benchmark interest rate policies affect customer repayment capacity and the stability of *murābaḥah* financing, thereby influencing the effectiveness of customer protection (Ritonga & Rahmani, 2025).

Field findings show that *murābaḥah*-based home financing practices at Bank Sulselbar comply formally with international and national standards, yet continue to face challenges in terms of substantive compliance. Comparative literature indicates that countries with strong sharia research traditions, such as Malaysia, have developed more adaptive contractual variations and supervisory mechanisms oriented towards risk sharing, whereas practices in Indonesia tend to maintain simple, certainty-oriented *murābaḥah* structures (Iksan & Yuspin, 2022). Criticism of the tendency to imitate conventional credit structures within *murābaḥah* remains relevant in assessing Bank Sulselbar's practices, as long-term economic risks largely remain borne by customers (Djumadi et al., 2025).

Accordingly, the synchronisation of empirical findings and literature demonstrates that the implementation of Sharia-compliant home ownership *murābaḥah* at the Sharia Branch of Bank Sulselbar fulfils formal sharia compliance standards, yet has not fully realised the objectives of *maqāṣid al-sharī'ah* in ensuring justice, substantive transparency, and the protection of customer interests. This condition underscores the need to strengthen contractual literacy, optimise the role of the Sharia Supervisory Board, and reorient *murābaḥah* practices from procedural compliance towards the realisation of substantive justice as the primary objective of Islamic economic law.

b. Contractual Justice in the Determination of Rights, Obligations, and Risks in Sharia Home Ownership Financing

The analysis of contractual justice in Sharia-compliant home ownership financing at the Sharia Branch of Bank Sulselbar must be situated within the framework of balancing rights and obligations as a fundamental principle of Islamic *muʿāmalāt*. Islamic economic law literature emphasises that contractual balance is rooted in *maqāṣid al-sharī'ah*, particularly the principles of justice (*al-ʿadl*) and equality (*al-musāwah*), which demand proportional legal relationships between financial institutions and customers from contract formulation through to dispute resolution (Kurrohman, 2016, 2025). This principle positions contracts not merely as legal-formal instruments, but as mechanisms for the fair distribution of rights, obligations, and risks to protect weaker parties.

Field findings at the Sharia Branch of Bank Sulselbar show that Sharia home financing contracts are structured as standard form agreements with clauses unilaterally determined by the bank. Normatively, these contracts contain clear allocations of rights and obligations, such as the bank's obligation to provide financing and the customer's obligation to pay instalments according to schedule. However, the literature emphasises that normative clarity does not necessarily equate to substantive justice when contracts are drafted without opportunities for customer participation and negotiation (Kurrohman, 2016). When contracts are standardised, imbalance may arise because the bank occupies a dominant position in determining clauses, while customers tend to accept them without alternatives.

In *murābaḥah* contracts, the balance of rights and obligations is strongly determined by transparency in disclosing cost prices, profit margins, and additional fees. Empirical studies affirm that such transparency constitutes a primary requirement of contractual justice to prevent domination by one party over another (Kulsum et al., 2025). Field findings indicate that Bank Sulselbar discloses margins and total customer obligations in writing from the outset of the contract. However, this openness has not been fully accompanied by substantive customer understanding of long-term contractual implications. This condition affirms that contractual balance depends not only on information availability, but also on customers' capacity to comprehend and rationally assess such information.

The principles of consent (*riḍā*) and transparency occupy a central position in assessing contractual justice in Sharia home financing. Contemporary fiqh *muʿāmalāt* literature emphasises that *riḍā* extends beyond formal agreement through contract signing, requiring full awareness and free consent to all contractual elements, including rights, obligations, risks, and economic consequences (Fahmi et al., 2025; Syarofi et al., 2023). Field findings indicate that some customers sign contracts with limited understanding, particularly regarding default risks and mechanisms for resolving problematic financing. From the perspective of *maqāṣid al-sharīʿah*, this condition potentially weakens the protection of intellect and property because contractual decisions are not fully based on adequate understanding.

Transparency functions as a prerequisite for genuine consent. *Murābaḥah* literature emphasises that disclosure of cost prices, mark-ups, and additional charges is required to avoid *gharar* that could undermine the balance of rights and obligations (Kulsum et al., 2025). Field findings show that although such information is available, oral explanations and contractual education remain suboptimal. This condition aligns with empirical findings in the Indonesian banking sector indicating an expectation gap between customers and bank management due to limited disclosure of non-financial information (Yaya et al., 2015). Such gaps reinforce the bank's dominant position and weaken perceptions of justice in contractual relationships.

Information asymmetry constitutes a structural factor significantly affecting the balance of rights and obligations in Sharia home financing. Economic and contract law literature emphasises that information asymmetry places banks in an advantageous position due to superior access to data, analytical capacity, and risk understanding unavailable to customers (Suyanto et al., 2024). Field findings show that customers generally lack the capacity to assess margin fairness, financing risks, and long-term economic consequences, resulting in weak bargaining positions during contract negotiations. From a *maqāṣid al-sharīʿah* perspective, this condition may generate structural injustice because risk distribution is not based on informational equality.

Contract theory and agency theory provide analytical frameworks for interpreting these practices. The literature emphasises that fair contract design should incorporate mechanisms to mitigate information asymmetry through signalling, screening, and outcome-based incentives (Firoozi & Lien, 2022; Zhang, 2024). Empirical findings at Bank Sulselbar show that screening mechanisms are rigorously applied to customers through feasibility analysis, yet signalling mechanisms from customers and outcome-based incentives remain underdeveloped. Consequently, contracts remain oriented towards payment certainty and concentrate long-term economic risk on customers.

The literature also highlights that risk-sharing contracts such as *mushārakah* and *muḍārabah* theoretically better reflect balanced rights and obligations because they require information disclosure and shared participation in risks and returns (Khayat et al., 2025). The dominance of murābaḥah in Indonesian home financing, including at Bank Sulselbar, indicates that such risk-sharing ideals have not become mainstream. This finding reinforces criticism that *murābaḥah* contract structures tend to maintain financing patterns placing the burden of risk on customers, thereby limiting the realisation of distributive justice under *maqāṣid al-sharīʻah*.

Accordingly, synchronisation between field findings and literature demonstrates that contractual justice in Sharia home financing at the Sharia Branch of Bank Sulselbar remains dominated by formal compliance with contractual structures, while substantive balance of rights, obligations, and risks has not been fully achieved. Information asymmetry, standard contracts, and limited implementation of consent and transparency principles constitute major obstacles to maqāṣid-based justice. These findings underscore the urgency of reformulating contract design and strengthening education and transparency mechanisms to ensure fair, proportional, and customer-oriented bank–customer relationships.

c. Corrective Justice in the Resolution of Problematic Sharia Home Financing

Islamic economic law literature emphasises that corrective justice is rooted in the principle of *al-ʿadl*, which demands restoration of balanced legal relationships when default occurs, rather than mere punishment of breaching parties (Ningsih & Disemadi, 2019; I. Setiawan et al., 2022). Within Islamic banking, corrective approaches function as instruments to preserve substantive justice, protect weaker parties, and ensure contractual sustainability without undermining prudential principles.

Empirical findings at the Sharia Branch of Bank Sulselbar indicate that problematic home financing is generally addressed through persuasive approaches before repressive measures are taken. Initial stages involve intensive communication, issuance of warning letters, and clarification of customers' financial conditions. Such practices align with Indonesian Islamic banking literature emphasising non-litigious and dialogical approaches as manifestations of corrective justice, as they facilitate contractual restoration and avoid disproportionate losses for customers (Ningsih & Disemadi, 2019). From a *maqāṣid al-sharīʿah* perspective, persuasive approaches support property protection and prevent greater harm arising from unilateral contract termination.

Financing restructuring constitutes the primary instrument for resolving problematic financing at the Sharia Branch of Bank Sulselbar. Field findings show that restructuring involves rescheduling payment obligations, adjusting financing tenors, and modifying certain contractual terms. Literature affirms that such restructuring is a recognised mechanism in Indonesian Islamic banking to assist customers facing liquidity difficulties without imposing unjust losses (R. A. Setiawan, 2025). This approach reflects corrective justice orientation by focusing on restoring repayment capacity and contractual continuity rather than prematurely terminating legal relationships.

Within the *maqāṣid al-sharīʿah* framework, restructuring serves as an instrument for protecting property (*ḥifẓ al-māl*) and realising public interest (*maṣlaḥah*). By aligning payment obligations with customers' actual capacities, banks seek to prevent broader economic harm to both customers and financial institutions. Empirical findings indicate that customers granted restructuring have greater opportunities to retain home ownership and continue repayment obligations compared to those facing immediate collateral execution. This condition reinforces literature asserting that corrective approaches are more humane and consistent with Islamic legal objectives of maintaining social and economic balance (R. A. Setiawan, 2025).

Nonetheless, field findings also reveal that restructuring effectiveness depends heavily on accurate repayment capacity assessment and risk management. Empirical literature emphasises that restructuring without careful risk evaluation may lead to accumulation of new problematic financing and weaken bank financial stability (Adiputro, 2023). From a corrective justice perspective, such conditions are problematic because policies intended to protect customers may inadvertently generate new injustices if risks are not managed proportionally.

Findings at the Sharia Branch of Bank Sulselbar indicate that restructuring decisions rely substantially on internal discretion and case-by-case assessments. Literature emphasises that discretionary approaches lacking transparent evaluation standards may create legal uncertainty and perceptions of inequality among customers (I. Setiawan et al., 2022). From a *maqāṣid al-sharīʿah* perspective, procedural consistency constitutes an essential prerequisite to ensure that corrective justice remains non-selective and guarantees equitable treatment for all customers.

Repressive measures such as collateral execution and litigation are positioned as last resorts after corrective efforts fail. Field findings show that Bank Sulselbar tends to avoid litigation due to its costliness, time consumption, and potential damage to long-term customer relationships. This approach aligns with literature emphasising that non-litigious dispute resolution is more consistent with *maqāṣid* values, as it prioritises restoration and conflict prevention rather than dispute escalation (Ningsih & Disemadi, 2019).

Overall, synchronisation between empirical findings and literature demonstrates that mechanisms for resolving problematic Sharia home financing at the Sharia Branch of Bank Sulselbar have adopted a corrective justice framework through persuasive approaches and restructuring. However, realisation of corrective justice continues to face challenges related to procedural consistency, risk evaluation, and decision-making transparency. These conditions underscore that corrective justice under *maqāṣid al-sharīʿah* requires not only protective intent but also accountable, risk-based restructuring policies to ensure fair and sustainable contractual restoration.

d. Dispute Resolution and Customer Protection in Sharia Home Ownership Financing

Dispute resolution and customer protection in Sharia home financing at the Sharia Branch of Bank Sulselbar require analysis within a framework of substantive and corrective justice rooted in *maqāṣid al-sharīʿah*. Islamic law and Islamic banking literature position dispute resolution mechanisms not merely as formal rights enforcement tools, but as means to preserve public interest, restore contractual balance, and protect weaker parties from disproportionate losses. The principles of *ṣulḥ* and *al-wasāṭah* emphasise deliberation and mediation as primary conflict resolution methods in Islam, as they encourage voluntary, ethical, and just agreements (Haeratun & Hariati, 2024; Ramadhani et al., 2025).

Field findings at the Sharia Branch of Bank Sulselbar indicate that disputes in home financing are not addressed repressively from the outset. Interviews with bank officials affirm that prior to collateral execution, customers are afforded opportunities to resolve obligations independently, including selling collateral assets privately to obtain optimal value (Anugrah Lutfi, 2025). This practice aligns with corrective justice and *maqāṣid* values by providing space for recovery and preventing greater economic harm to customers. Such staged approaches affirm that auctions constitute ultimum remedium after all peaceful efforts fail.

Deliberation and mediation as forms of Alternative Dispute Resolution are particularly relevant in Islamic banking disputes due to their compatibility with justice and *muʿāmalāt* ethics. Empirical studies indicate that mediation in Islamic banking consumer disputes provides substantial benefits due to its speed, flexibility, and win–win orientation compared to adversarial litigation (Fransisco et al., 2025). These findings align with practices at Bank Sulselbar that prioritise internal resolution and intensive communication prior to formal dispute escalation. From a *maqāṣid al-sharīʿah* perspective, such approaches support property protection and preserve contractual harmony.

Time and cost efficiency represent key advantages of ADR mechanisms in resolving Sharia home financing disputes. Normative legal literature emphasises that mediation and other ADR mechanisms are generally resolved within relatively short timeframes at significantly lower cost than litigation in religious courts, which often involves lengthy and complex processes (Ramadhani et al., 2025). Such efficiency has direct implications for customer protection, as prolonged disputes may exacerbate financial and psychological burdens and undermine bank–customer relationships.

Maintenance of business relationships constitutes another important rationale for preferring mediation. Literature emphasises that mediation enables parties to sustain long-term cooperation by focusing on mutually beneficial agreements, unlike litigation which positions parties adversarially (Muslih, 2021). Field findings indicate that Bank Sulselbar views relationship sustainability as part of the ethical responsibility of Islamic financial institutions, consistent with *maqāṣid* objectives of preserving social and economic stability.

Institutionally, the existence of the Indonesian Banking Dispute Resolution Alternative Institution facilitated by the Financial Services Authority demonstrates relatively high success rates in resolving consumer disputes through ADR (Muslih, 2021). However, literature also identifies implementation challenges, including limited availability of mediators proficient in Islamic banking and Islamic law, low public awareness, and limited enforceability of mediation outcomes unless formalised through peace deeds (Ramadhani et al., 2025). These challenges remain relevant as structural obstacles to strengthening effective customer protection.

Beyond mediation, sharia arbitration is positioned as a non-litigious alternative with more formal characteristics and binding decisions. The National Sharia Arbitration Board is legally recognised as a dispute resolution institution for Islamic economic disputes based on *muʿāmalāt* principles (Elvia et al., 2023; Fitriyah & Soviana, 2021). Literature emphasises that sharia arbitration offers advantages of confidentiality, speed, and legal certainty due to the final and binding nature of decisions (Widjaja, 2025). These advantages provide sharia legitimacy and legal certainty for Islamic banking actors.

Nevertheless, integration of sharia arbitration into the national legal system continues to face challenges. Literature notes that national legal frameworks have not fully accommodated sharia standards explicitly within general ADR regimes, alongside uneven institutional infrastructure and human resource competence across regions (Fitriyah & Soviana, 2021). These challenges limit customer access to sharia arbitration and affect the effectiveness of legal protection. Consequently, regulatory harmonisation between sharia arbitration and international principles remains essential to enhance public and global financial confidence.

Contemporary literature also emphasises the importance of tiered integration between negotiation, mediation, and arbitration as a complementary ADR continuum (Ramadhani et al., 2025). Field findings at Bank Sulselbar indicate that dispute resolution mechanisms follow such tiered patterns, beginning with internal mechanisms, followed by mediation, and culminating in legal or arbitral avenues if peaceful efforts fail (Ilham Muchtar, 2025). This pattern reflects dispute resolution design consistent with justice, good faith, and collective welfare values.

Customer legal protection in Sharia home financing is also inseparable from national regulatory frameworks. Consumer Protection Law and Sharia Banking Law provide normative foundations for customers' rights to clear information, transaction security, and fair dispute resolution mechanisms (Astutik et al., 2019; Maryani, 2022). Literature emphasises that these principles must be internalised within standard Sharia home financing contracts to balance legal positions between banks and customers and prevent harmful clauses (Andara et al., 2020).

Accordingly, synchronisation between empirical findings and literature demonstrates that dispute resolution and customer protection mechanisms in Sharia home financing at the Sharia Branch of Bank Sulselbar have progressed towards a *maqāṣid*-based justice model. Tiered approaches, utilisation of ADR, and avoidance of premature repressive measures reflect efforts to preserve substantive justice and contractual sustainability. However, strengthening mediator capacity, harmonising sharia arbitration regulations, and enhancing customer legal literacy remain essential agendas to ensure effective and consistent customer protection.

4. CONCLUSION

Research conducted at the Sharia Branch of Bank Sulselbar reveals a close interconnection between Sharia home financing practices, mechanisms for handling problematic financing, and dispute resolution within the framework of *maqāṣid al-sharīʻah* as the dominant theoretical lens. Field findings demonstrate that the application of contractual justice, corrective justice, and customer protection functions not only as normative obligations under positive law, but also as ethical instruments sustaining bank–customer relationships. Persuasive approaches through intensive communication, financing restructuring, and tiered dispute resolution stages—ranging from internal settlement and mediation to arbitration or litigation—illustrate operational implementation of *ḥifẓ al-māl*, *maṣlaḥah*, and prevention of *mafsadah*. The practice of allowing customers to sell collateral independently prior to state auction affirms corrective and proportional orientations in addressing default, thereby preventing unilateral imposition of losses. Conversely, the study also identifies vulnerabilities arising when restructuring lacks adequate risk assessment and strengthened sharia governance, potentially leading to accumulation of problematic financing and erosion of substantive justice principles. The theoretical implication of this research lies in reinforcing *maqāṣid al-sharī'ah* as an integrated analytical framework for empirical Islamic banking studies, particularly in simultaneously examining contractual justice, corrective justice, and dispute resolution mechanisms. Practical implications require Islamic banks to strengthen *maqāṣid*-based standard operating procedures, enhance human resource capacity in mediation and Islamic economic law, and expand education on customer rights and obligations to prevent disputes from the pre-contractual stage. Policy implications point towards the need for harmonising consumer protection regulations, ADR, and sharia arbitration to ensure enforceability without sacrificing substantive justice values. Overall, this research affirms that the success of Sharia home financing depends not solely on formal contractual compliance, but on consistent application of *maqāṣid al-sharī'ah* throughout the entire financing cycle, from contract design and risk management to dispute resolution, thereby strengthening public trust, Islamic banking stability, and contributions to sustainable social justice.

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