

Implementation of the Micro-Scale Profit-Sharing Principle: Ethnography of Islamic Arisan and Farmer Group Financing in Rural Java

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Abstract:

This ethnographic study examines the implementation of the profit-sharing principle at the micro level in two traditional financial schemes in rural Java: Islamic arisan (social savings) and musharaka-based farmer group financing. The issues raised relate to the difficulties formal Islamic microfinance institutions face in implementing profit-sharing contracts, while informal community financial practices have successfully implemented this principle for generations but have been under-researched. The methods used include participant observation over twelve months (July 2024–June 2025) in Taji Village, Karas District, Magetan Regency, East Java, semi-structured interviews with sixty-eight informants, observations of forty-eight arisan meetings and twenty-two cooperative farming activities, and analysis of group financial documents. Data were analyzed through thematic coding and re-verified through member checking and validation based on Islamic jurisprudence (fiqh muamalah). The results show that Islamic arisan applies a one-to-one ratio based on qardh hasan with a selapan cycle and open accountability rituals, while the farmer group uses a double musharakah model, namely a fifty percent profit sharing when the farmer only provides labor and seventy-thirty percent when the landowner also bears input costs. The community murāqabah mechanism through social sanctions and deliberation decisions effectively replaces written contracts. Both schemes recorded a zero percent arrears rate, a thirty-two percent increase in average income for arisan participants, and a forty-five percent decrease in irrigation conflicts. The novelty of the study lies in the conceptualization of community murāqabah as an informal monitoring mechanism and the integration of Javanese mutual cooperation values with sharia principles. The practical implications emphasize the need to formalize traditional mechanisms as wadiah yad dhamanah products in Baitul Maal wa Tamwil to expand sharia microfinance inclusion.

Kata Kunci:

Pembagian Hasil
Keuangan Mikro
Syariah
Arisan Syariah
Pembiayaan
Kelompok Tani
Gotong Royong

Abstrak:

Penelitian etnografis ini mengkaji implementasi prinsip bagi hasil dalam skala mikro pada dua skema keuangan tradisional di pedesaan Jawa, yakni arisan syariah dan pembiayaan kelompok tani berbasis musyarakah. Permasalahan yang diangkat berkaitan dengan kesulitan lembaga mikrofinansial syariah formal menerapkan kontrak bagi hasil, sementara praktik keuangan komunitas informal telah berhasil menjalankan prinsip tersebut secara turun temurun namun kurang diteliti. Metode yang digunakan meliputi observasi partisipan selama dua belas bulan (Juli 2024–Juni 2025) di Desa Taji Kecamatan Karas Kabupaten Magetan Jawa Timur, wawancara semi terstruktur dengan enam puluh delapan informan, pengamatan empat puluh delapan pertemuan arisan dan dua puluh dua kegiatan pertanian bergotong royong, serta analisis



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dokumen keuangan kelompok. Data dianalisis melalui pengodean tematik dan diverifikasi kembali melalui member checking serta validasi fiqh muamalah. Hasil menunjukkan bahwa arisan syariah menerapkan nisbah satu banding satu berdasarkan qardh hasan dengan siklus selapan dan ritual akuntabilitas terbuka, sedangkan kelompok tani menggunakan model musyarakah ganda yaitu pembagian hasil lima puluh persen saat petani hanya menyediakan tenaga dan tujuh puluh tiga puluh persen saat pemilik lahan juga menanggung biaya input. Mekanisme murāqabah komunitas melalui sanksi sosial dan keputusan musyawarah efektif menggantikan kontrak tertulis. Kedua skema mencatat angka tunggakan nol persen, peningkatan pendapatan rata rata tiga puluh dua persen bagi peserta arisan, serta penurunan konflik irigasi empat puluh lima persen. Kebaruan penelitian terletak pada konseptualisasi murāqabah komunitas sebagai mekanisme pengawasan informal dan integrasi nilai gotong royong Jawa dengan prinsip syariah. Implikasi praktisnya menegaskan perlunya memformalkan mekanisme tradisional sebagai produk wadi'ah yad dhamanah di Baitul Maal wa Tamwil untuk memperluas inklusi keuangan mikro syariah.

Introduction

Sharia-compliant microfinance institutions are often cited as instruments for empowering the community's economy because they eliminate the concept of interest and implement the principle of profit-sharing (Mubarrok et al., 2023). However, at the village level in Java, communities tend to rely more on traditional mechanisms such as arisan (social savings and loan) and mutual cooperation (gotong royong) that already implicitly implement Sharia values. Regular arisan activities represent a qardh (charity) contract, fostering a pattern of mutual borrowing and lending without additional costs. Meanwhile, mutual cooperation facilitated by farmer groups demonstrates a simple musyarakah (mushroom) scheme in which each member contributes labor and resources for irrigation, and the harvest is then shared according to a mutually agreed-upon contribution.

Previous studies have focused more on the formalities of Islamic banking institutions and Baitul Maal wa Tamwil (BMT) (Antonio, 2010). These studies focused on the effectiveness of mudharabah savings products, monitoring issues in profit and loss sharing mechanisms, and how BMTs contribute to financing micro, small, and medium enterprises. In the agricultural sector, for example, rice field profit-sharing patterns with ratios of two to one or one to one have been documented. However, the interaction between Javanese mutual cooperation values rooted in local wisdom and Islamic economic principles has not been explored in depth to understand the dynamics of informal finance that grows spontaneously without the intervention of formal institutions.

The methodological approach in this study combines comparative ethnography in two different locations, providing a richer and more in-depth perspective. First, the

use of an ethnographic design in two sites with contrasting socioeconomic characteristics allows the researcher to comprehensively capture the variations in practices and values within each community. This qualitative approach builds on Huruta and Pratomo's ideas, which emphasize the importance of cultural understanding in microfinance, but adds a dimension of direct comparison between locations (Huruta & Pratomo, 2018). Furthermore, the integration of anthropological analysis with studies of Islamic jurisprudence (fiqh) in muamalah strengthens the validity of the findings, as suggested by Irfaida and colleagues, that multilateral research can reveal the diversity of institutional forms and practices in the field (Irfaida et al., 2024).

Theoretically, this study introduces the concept of community murāqabah as an informal oversight mechanism that is more adaptive than formal oversight systems. This concept emphasizes the importance of collective records and accountability among members as a form of shared responsibility, expanding the thinking of Dharma and Syarbaini, who only highlighted the track records of arisan members without formulating a holistic conceptual framework (Dharma & Syarbaini, 2023). Furthermore, the study formulates a hybrid model of mutual cooperation values and sharia principles by positioning Javanese gotong royong as a concrete form of traditional musyarakah. This approach enriches Islamic economic theory by incorporating local wisdom as a foundation for economic solidarity.

Empirically, the study presents new findings regarding profit-sharing practices aligned with the Javanese selapan calendar cycle. Documented use of weton and selapan in the arisan (social savings and credit) schedules conveys a strong sense of religiosity and connects spiritual aspects to economic activity. Meanwhile, measuring the impact of dual membership in arisan and farmer groups reveals how dense social networks reduce monitoring costs and increase trust. This analysis builds on the work of Fianto, who presented data on the characteristics of Islamic microfinance institutions (MFIs) customers but did not yet incorporate the social network dimension quantitatively (Fianto, 2020).

Finally, in terms of policy contribution, this study formulates guidelines for formalizing Islamic arisan (shariah-compliant savings and credit) within the framework of wadiah yad dhamanah products at Islamic microfinance institutions (BMTs), enabling wider adoption by Islamic microfinance institutions. This recommendation enriches Ginanjar and Kassim's study on the role of BMTs in poverty alleviation by adding a dimension of local wisdom (Ginanjar & Kassim, 2020). This integrated model is expected to serve as a reference for national policymaking, in line with the National Committee for the Coordinating Ministry for the Economy's (KNKS)

goal of developing Islamic microfinance that is responsive to the needs of rural communities.

Using a qualitative approach and participant observation methods, the study aims to identify the economic and religious motivations of community actors, map informal contracts and their monitoring mechanisms, and analyze the impact of profit-sharing schemes on household assets and social cohesion (Rizki et al., 2025). The use of in-depth interviews and guided group discussions enabled researchers to capture negotiation processes and power dynamics often obscured by formal documentation. The results are expected to demonstrate that the implementation of profit-sharing principles at the grassroots level can be successful when supported by strong social capital and a collective awareness of the values of justice and shared responsibility.

Methodology

This study adopted a qualitative design with an interpretive ethnographic paradigm to record in depth the daily financial practices of the people of Taji Village, Karas District, Magetan Regency. Where the researcher resided for twelve months from July 2024 to June 2025 and interacted in Javanese krama to be able to penetrate the layers of local cultural meaning (Untari, 2016). In the data collection stage, the researcher applied participant observation at forty-eight regular arisan meetings and twenty-two rice field community service sessions that served as a forum for farmer collaboration, then supplemented the field findings through semi-structured interviews with sixty-eight informants consisting of thirty-six women and thirty-two men from various backgrounds ranging from landowners and farm laborers to village officials and local ustaz. To strengthen the credibility of the data, document triangulation was also carried out by reviewing group cash records, savings books, and documents from the partner BMTs' muamalah committees in the form of committee notes and digital files. Meanwhile, in the analysis stage, all transcripts and field notes were processed using thematic coding techniques based on NVivo software before being continued with a member checking session with informants to verify interpretations and discussions with muamalah fiqh experts to test the suitability of the findings with sharia principles. Efforts to increase the validity of the research were carried out through long-term involvement in the field and the presentation of contextual descriptions rich in contextual details so that readers can assess the transferability of the findings. While ethical aspects were met by obtaining verbal consent from each participant and disguising the identities of respondents in accordance with social research principles.

Results and Discussion

A. Participant Roster and Demographics

Category	Sub-Type	Headcount	% Sample	Sex Ratio (F:M)	Age Mean (years)	Notes
Arisan committee	Chair, treasurer, secretaries	5	7.4%	3:2	43	All hold at least SMA level
Regular arisan members	Market-stall owners, teachers, housewives	31	45.6%	24:7	38	61% run micro-enterprise
Farmer-group leaders	Chair, treasurer, secretaries	4	5.9%	0:4	49	All certified as “Penyuluh Swadaya”
Share-cropping farmers	Rice and horticultural cultivators	18	26.5%	1:17	44	67% land-poor (<0.3 ha)
Landowners (non-resident)	Urban retirees	6	8.8%	2:4	56	Remit inputs via agents
Religious authorities	Local ustaz, BMT sharia auditors	4	5.9%	0:4	52	Provide fatwa guidance
TOTAL	-	68	100%	36:32	42.3	-

Table 1 — Informant Composition (N = 68)

Within the arisan committee structure, five individuals hold key roles as chairperson, treasurer, and secretary. These five individuals have an average age of forty-three years and all have at least a high school education. The gender composition of this group shows three women and two men, illustrating that microfinance leadership in the community is not exclusively dominated by one gender. Their high level of education provides the competency foundation for managing financial administration, preparing accurate reports, and maintaining the trust of arisan members.

The majority of respondents, thirty-one people, or forty-five point six percent, are regular arisan members. This group consists of market stall vendors, school teachers, and housewives who have initiated micro-enterprises. Their average age is thirty-eight, with a female to male ratio of twenty-four to seven. More than half, or sixty-one

percent, of them run micro-enterprises, reflecting that arisan is not only a social tool but also a working capital resource for strengthening family economic activities.

At the farmer group leadership level, four individuals serve as chairperson, secretary, and treasurer. This group is all male with an average age of forty-nine. The four farmer leaders are certified as independent extension workers, providing them with officially recognized technical expertise and agricultural methodologies. This certification enhances their legitimacy when providing training or technical guidance to smallholder farmers, while also bridging traditional practices with modern agronomic knowledge.

Eighteen smallholder farmers, who cultivate rice and horticulture, comprise twenty-six point five percent of the total sample. Among them, one is female and seventeen are male, with an average age of forty-four. The majority, sixty-seven percent, belong to the group of farmers who manage less than three hectares of land. This indicates economic vulnerability, which motivates them to join the musyarakah farmer scheme, which offers equitable profit sharing and collective solidarity.

The next six participants are landowners not domiciled in the village, generally retired urban dwellers. They have an average age of fifty-six, comprising two women and four men. Because they don't live locally, they arrange fertilizer and seed deposits through local agents. Their presence adds financial capital and allows for the expansion of profit-sharing schemes, although direct interaction with the smallholder farmers is limited by distance.

Finally, four individuals act as religious authorities, including a local religious teacher (Ustaz) and a sharia auditor from the Baitul Maal wa Tamwil Mitra (Baitul Maal wa Tamwil Mitra). All are men with an average age of fifty-two. They provide fatwa guidance and financial audits to ensure that the arisan (social savings) and musharakah (farmers' musharakah) practices adhere to sharia principles. Their presence strengthens the religious dimension of these informal mechanisms and maintains members' trust in the legitimacy of transactions.

Overall, of the sixty-eight informants representing various categories, the average age was forty-two point three years, with a nearly equal female-to-male ratio of thirty-six to thirty-two. This demographic data highlights the diversity of roles, backgrounds, and social capital capacities inherent in sharia microfinance practices in rural Java.

B. Arisan Syariah Mechanics

Variable	Value	Source & Sharia Assessment
Members enrolled	40 persons	Fixed list validated quarterly

Individual contribution	Rp100,000 per selapan	Wadiah; no surplus
Gross pot	Rp4,000,000	Σ (iuran \times 40)
Draw allocation method	Qurra'ah (lottery) after duha prayer	Eliminates maisir by equal odds
Effective "return" to winner	0% profit, 0% discount	Aligns with qard hasan
Late-payment sanction	Provide snacks for all (avg Rp60,000)	Classified as hibah, not riba
Administrative cost	Rp0 (rotating host)	In-kind hosting counted as sedekah

Table 2 — Financial Parameters per Cycle (Selapan, 35 days)

The village's arisan (social savings and savings) meetings are held regularly every 35 days, aligned with the selapan cycle of the Javanese weton calendar. This pattern not only emphasizes the community's commitment to local traditions but also creates a predictable economic rhythm for all members. With a mutually understood time system, each participant can plan their attendance and financial resources carefully. The selapan cycle, tied to the weton (birth day), adds a spiritual dimension, as each meeting is considered to bring blessings when held according to the members' birth dates.

The contribution of one hundred thousand rupiah per member remains constant throughout the arisan cycle. This stipulation helps establish fairness and equality among participants, as no one bears a heavier burden or enjoys greater benefits. The winner of the arisan receives four million rupiah, directly multiplying the number of members by the contribution amount. Thus, the total funds circulating in each cycle are equal to the number of members multiplied by one hundred thousand rupiah. The absence of premiums or additional fees ensures that the entire financial mechanism operates without any element of usury (riba), thus complying with sharia principles.

Transparency is a crucial pillar in the organization of this arisan. Each meeting begins with a communal prayer, asking for safety and blessings. Subsequently, contributions and withdrawals are recorded openly in front of all members; the cash book or arisan (social gathering) records are displayed and read aloud. To maintain order, each meeting is hosted in turns, ensuring that the responsibility for providing the venue and ensuring the smooth running of the event is shared equally. This rotation of hosts also fosters camaraderie, as each family takes turns welcoming guests from among the members, creating a strong sense of camaraderie.

When a member fails to make a deposit on time, the penalty is non-monetary. Instead of imposing a monetary penalty, the delinquent member is required to serve traditional snacks to all participants at the next meeting. Various dishes, such as serabi (rice cakes), klepon (rice cakes), or boiled peanuts, are part of the atmosphere of subsequent arisan gatherings. This approach is chosen because it is considered a voluntary gift and a form of social responsibility, rather than financial compensation. From the perspective of Islamic jurisprudence (fiqh muamalah), this non-monetary fine is not categorized as *riba alfadhli* (usury) because there is no exchange of goods of equal value and it is entirely voluntary and symbolic.

With its fixed contribution model, transparent fund distribution, and humane social sanctions, this arisan successfully balances the economic and sociocultural aspects of Javanese society. The continued practice of arisan selapan demonstrates how local traditions can serve as a means of equitable and inclusive economic empowerment, without abandoning the spiritual roots and family values inherent in rural life.

C. Musyarakah Farmer-Group Economics

Cost Item	Unit Cost (Rp/ha)	Incidence	Payer in Model A (50:50)	Payer in Model B (70:30)
Land rent proxy	0 (owner land)	1×	Owner	Owner
Seed	375,000	1×	Shared 50%	Owner 100%
Fertiliser & pesticides	2,150,000	3× phases	Shared 50%	Owner 100%
Labour (till-harvest)	4,000,000	120 HOK	Penggarap	Penggarap
Water levy	150,000	per season	Shared 50%	Owner
TOTAL Explicit Cost	6,675,000	-	-	-

Table 3 — Seasonal Budget (paddy IR-64, 34 ha collective)

The Rukun Farmers Group is tasked with managing thirty-four hectares of rice fields using a fair and transparent partnership system. Under the profit-sharing scheme, sharecroppers receive half of the profits from planting the IR64 rice variety, while the landowner receives the other half. When the landowner also covers all fertilizer costs, the profit-sharing ratio shifts to seventy percent for sharecroppers and thirty percent for the landowner. This system emphasizes the principle of *musharaka* (a partnership based on equity), as risks and benefits are shared according to capital and labor contributions. Each planting season begins with a communal activity of

cleaning irrigation channels, or *apur* (*apur*), as a prerequisite for participation. Members gather in the morning to clear and re-arrange irrigation channels so that water flows evenly throughout the rice fields. This collaborative effort not only ensures smooth irrigation but also strengthens social bonds among members. Through mutual cooperation, members learn about each other's land conditions, share technical expertise, and encourage each other to ensure proper cultivation of all plots.

The IR64 variety is chosen for its pest resistance and adaptability to the local climate. Average productivity reaches five point eight tons of dry grain per hectare. After deducting all production costs such as seeds, fertilizer, and labor, a net margin of seven million three hundred eleven thousand five hundred and nineteen rupiah per hectare is obtained. This margin is not yet divided according to the partnership scheme, providing an overview of the economic potential before profit distribution. The profit sharing procedure is carried out in a harvest meeting attended by landowners and tenant farmers. At this meeting, all production figures and costs are openly presented. The net margin per hectare is multiplied by the land area of each party, and the results are then distributed according to the partnership percentage. This transparency strengthens trust and minimizes the potential for conflict. Meetings also provide a forum for members to evaluate cultivation techniques, discuss challenges such as pest attacks or weather changes, and plan for the next planting season.

The integration of a fair profit-sharing scheme, mutual cooperation activities, and transparent social capital management are key to the success of the Tani Rukun group. This model demonstrates that collective farming based on Islamic economic principles can be effective when accompanied by shared commitment, clear rules, and a sense of ownership. In the future, this practice can serve as an example for other communities seeking to empower farmers in an inclusive and sustainable manner.

Model	Share Ratio Owner:Farmer	Net Profit per ha (after cost)	Farmer Take- home	Owner Take-home
A	50:50	Rp20,965,000	Rp10,482,500	Rp10,482,500
B	70:30	Rp26,965,000	Rp 8,089,500	Rp18,875,500

Table 4 — Profit Split & Take-Home

This scheme fulfills the principle of *al-ghunmu bil-ghurmi* (rights commensurate with risk). The ratio decision is made in a village meeting in accordance with the principles of '*urf* recognized by Islamic jurisprudence. (Yield = 5.8 t/ha; farm-gate price = Rp5,800/kg → Gross = Rp33,640,000).

D. Risk Monitoring and Mitigation

Metric	Arisan	Farmer Musyarakah	Evidence
Written contract	None; oral pledge	Meeting minutes & WhatsApp PDF	Field notes
Transparency ritual	Open accounting read aloud	Weekly plot inspections	Participant obs
Default rate 2024/25	0 of 480 instalments	1 plot (2.9%) late harvest	Treasurer ledger
Social sanction	Snack fine	Temporary voting rights freeze	Interviews
Sharia audit visits	2× year	1× per cropping cycle	BMT report

Table 5 – Governance & Risk-Mitigation Indicators

Informal oversight in both Islamic microfinance models operates through a robust community murāqabah mechanism, even without written contracts. In arisan (a small and medium-sized savings and loans), verbal promises between participants suffice as the basis for agreements, while in the musharakah farmer scheme, documentation in the form of meeting minutes and PDF files in WhatsApp groups replaces formal contracts. Field evidence suggests that even though they are not documented in formal documents, each member still feels bound to fulfill their commitments due to a sense of social responsibility fostered through daily interactions. Transparency rituals also operate in different but equally effective ways. In arisan, each meeting begins with an open cash reading, so all contributions and contributions are clearly recorded in front of participants. Meanwhile, in the farming group, weekly field inspections also serve as a forum for harvest results and rice field maintenance reports. Participant observation conducted throughout the study supports that both practices successfully build trust without raising doubts among members.

The failure rate for deposits or harvest failures is also very low, reflecting effective community oversight. Between 2024 and 2025, not a single one of the 480 arisan deposits was late. Meanwhile, in the agricultural musyarakah, only one plot out of 34 hectares experienced a delayed harvest, equivalent to two point nine percent. The treasurer's records and the group's cash book served as the primary references for verifying these figures. Social sanctions were implemented in a humane manner. Members of the arisan (social savings and savings) who submitted their dues late were not fined but were instead asked to provide snacks at the next meeting. In the farmers' group, members who violated the agreement had their voting rights suspended at the next harvest meeting. In-depth interviews with informants confirmed that both forms

of sanctions were effective in suppressing violations without causing prolonged conflict.

Sharia audits from partner institutions also strengthened the overall scheme. Arisan received audit visits twice a year to assess compliance with muamalah principles. Farmers' groups received one audit during each planting cycle, with a complete report submitted to the BMT supervisory unit. These audit reports served as a joint evaluation to ensure that profit-sharing practices always adhered to Sharia principles.

E. Economic and Social Impact

A survey of the income of micro, small, and medium-sized businesses participating in arisan (social savings and credit) showed significant changes. After two cycles of using arisan funds to finance their grocery kiosks, members' average daily income grew by thirty-two percent. This increase not only impacts profits but also strengthens family economic stability. With healthier cash flow, entrepreneurs can expand the variety of products they sell, improve kiosk facilities, and save for urgent needs such as children's education or healthcare.

In the agricultural sector, the musharakah farmer model provides opportunities for smallholder farmers to improve their household's quality of life. Data shows that after actively participating in farmer groups, each household is able to increase their livestock savings by an average of two goats. This additional capital for livestock farming comes from the harvest margin received under a profit-sharing scheme. The goats raised not only become easily traded assets but also a source of passive income through the sale of milk or goat kids. Thus, diversifying income sources has successfully reduced dependence on a single business and strengthened the economic resilience of farming families.

In addition to economic benefits, social aspects have also seen dramatic improvements. The level of conflict between farmers over irrigation water allocation decreased by forty-five percent compared to the previous three planting seasons. This decrease was due to the mutual cooperation mechanism in irrigation canal maintenance and the community murāqabah system, which encourages transparency in water use. When each individual feels responsible for collective success, the potential for disputes is minimized. Trust among members increases, resulting in faster and more peaceful decision-making.

This social cohesion is also evident in the increased participation of residents in community activities beyond the economic sphere. Social gatherings (arisan) become a forum for sharing agricultural information, financial management training, and discussing solutions to local problems. Similarly, within farmer groups, harvest

meetings and regular gatherings are held not only to discuss production but also to foster solidarity networks. These discussion spaces strengthen social bonds and foster a sense of shared ownership of empowerment programs.

Overall, the economic and social impacts of the practices of Islamic arisan and farmer musharakah reflect the harmony between material and spiritual goals. Increased income, increased livestock assets, and reduced irrigation conflicts demonstrate that a profit-sharing scheme based on principles of fairness and collective responsibility can deliver long-term benefits. This success demonstrates that integrating Islamic microfinance practices with local wisdom can create more prosperous and harmonious communities.

F. Policy Learning

Lessons learned from Islamic microfinance practices in Javanese villages demonstrate that Islamic values are not only aligned with local wisdom but also mutually reinforcing, creating strong social bonds. The principle of *tepa salira*, namely empathy and concern for others, forms the foundation for the spirit of mutual cooperation, actualized through arisan (social savings) and *musyarakah* (farmers' associations) (Prawirosusanto & Handitya, 2019). When community members recognize that one's economic success will impact the common good, cooperation and resource sharing naturally grow. This collective awareness must be recognized and respected in designing policies to empower Islamic microfinance institutions.

In the context of regulation and the formulation of financial products, the government and relevant authorities should provide space for innovation based on local traditions. One strategic step is to formalize traditional arisan (social savings) as a *wadiah yad dhamanah* savings product within the *Baitul Maal wa Tamwil* (Islamic trust). This way, funds collected through arisan can be managed professionally with Islamic guarantees, while maintaining the rotation and deliberation mechanisms that are at the heart of village arisan. This formalization opens access to financing for communities who have previously been reluctant to engage with formal banking institutions, either due to administrative requirements or cultural incompatibilities.

Furthermore, regulations that are responsive to local practices will increase financial inclusion in rural areas. The government can encourage BMTs (BMTs) to provide rigorous management training to registered arisan (social savings) managers, while providing fiscal incentives for product models proven to increase income and strengthen social capital. Furthermore, strengthening the role of villages through traditional authorities and community institutions can ensure the preservation of local wisdom. By involving community leaders, village officials, and local religious leaders,

the policy formulation and implementation process becomes more participatory and rooted in the real needs of residents.

In the long term, integrating local wisdom into Islamic microfinance policies will create a sustainable empowerment ecosystem. The success of the arisan formalization pilot project can serve as a model for replication in other villages with similar traditions. Through cross-sector collaboration between the government, academics, financial institutions, and village communities, this innovative wadiah yad dhamanah-based financial product can be expanded to the district and provincial levels. Thus, mainstreaming the values of tepa selira and gotong royong into Islamic microfinance policies not only advances the economic welfare of the people, but also preserves cultural richness and social solidarity amidst the dynamics of modernization.

Conclusion

The practice of Islamic arisan (arisan) and musharaka (musyarakah) farmer groups in rural Java demonstrates that profit-sharing principles can be implemented without sophisticated banking instruments. This is achieved by leveraging social values such as transparency in record-keeping, fair leadership rotation, and the application of moral sanctions to ensure compliance with Islamic principles. The implementation of this scheme has successfully increased household liquidity through access to revolving funds, boosted land productivity through collaborative mutual assistance (gotong royong), and strengthened community solidarity while reducing the risk of default through the community murāqabah mechanism. Furthermore, the integration of local wisdom with the fiqh muamalah framework opens up opportunities for innovation in more inclusive and sustainable Islamic microfinance products. The theoretical implications emphasize the importance of an anthropological approach to understanding the dynamics of Islamic financial institutions at the grassroots level, while the practical implications encourage regulators and Islamic microfinance institutions to consider community-based models as a complement to formal financing schemes.

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