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The Sharia Business Model Od the Housing Provident Fund (HPF) of Republic of Indonesia

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ABSTRACT

This study introduces a sharia model of the HPF of republic of Indonesia. since, the Housing Provision Fund promotes housing investment and enables early house purchase for individuals with low income. The aim of this paper is presently sharia business model of provident fund and its implementing strategies to reduce the population of those needing adequate housing of Indonesian. This paper operates an extensive literature review explains the existing of housing provident fund model based on the sharia principle. The business model of the housing saving agency of the Republic of Indonesia in accordance with Sharia standards is a relatively new. It is designed to be fair and strives to achieve the ultimate goals of Sharia by establishing the Housing Savings Agency (HSA). An implementation of the Sharia business model in the Indonesian government's housing provident fund can be replicated in other Muslim countries. As far as we know, this research is the first in the literature to present a conceptual idea and model for the sharia business model of housing provident fund that complies with Sharia principles.

ABSTRAK

Studi ini memperkenalkan model syariah dari Tabungan Perumahan Rakyat Republik Indonesia. Tabungan Perumahan Rakyat mempromosikan investasi perumahan dan memungkinkan pembelian rumah lebih awal bagi individu dengan pendapatan rendah. Tujuan dari penelitian ini adalah model bisnis syariah dana penyediaan perumahan dan strategi implementasinya untuk mengurangi jumlah penduduk Indonesia yang membutuhkan perumahan yang layak. Artikel ini menggunakan tinjauan literatur yang ekstensif untuk menjelaskan keberadaan model tabungan perumahan rakyat berdasarkan prinsip syariah. Model bisnis yang sesuai dengan Syariah untuk dana tabungan di Republik Indonesia adalah mekanisme yang relatif baru yang beroperasi berdasarkan prinsip-prinsip Syariah. Mekanisme ini dirancang untuk menjadi adil dan berusaha untuk mencapai tujuan utama Syariah dengan membentuk Tabungan Perumahan Rakyat (Tapera). Implementasi model bisnis Syariah dalam tabungan perumahan rakyat pemerintah Indonesia dapat direplikasi di negara-negara Muslim lainnya. Sejauh yang kami ketahui, penelitian ini adalah yang pertama dalam literatur yang menyajikan ide konseptual dan model untuk model bisnis syariah untuk dana jaminan perumahan yang sesuai dengan prinsip-prinsip syariah.

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1. INTRODUCTION

The impact of Islamic finance has viewed significant development in recent decades (Madah Marzuki et al., 2023). Islamic Significant progress has been made in the growth of Islamic housing finance as an example of accountability of Islamic institutions to the well-being of low-income people in their pursuit for quality of the life. The purpose of this is to

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promote the growth of social housing, it is consistent with the main goal of sharia law (maqasid al sharia) and the tenets of Islamic finance. to achieve social justice. Furthermore, the maqasid alsharia of an Islamic business, finance and economy encompass the holistic economic advancement of both individuals and society (Alkhan & Hassan, 2021). Housing inequality is not only unjust, but it also has negative implications for sustainable economic and long-term growth in society (X. Zhang et al., 2021). The Housing Saving Agency's affordable housing program offers subsidized finance to facilitate homeownership, thus building an integrated housing security system. Moreover, promoting social justice, since the social justice is the social system's primary value is fairness. As Rawls argues that socioeconomic inequality is justifiable only on the condition that all members of society are afforded equitable opportunities and that measures are in place to provide compensation for vulnerable groups (H. Chen et al., 2023).

The public housing Savings is an effective approach for addressing the requirements of adequate and reasonably priced housing for individuals with low incomes. To reduce inequality in the economy while achieving complete social justice for the entire Indonesian population. For people, having access to housing is a necessity. Affordable housing is in critical demand, especially among individuals with low-income. Since affordability of housing can facilitate the provision of enhancing human health, labor productivity, and socioeconomic progress as a whole (Alhajri, 2022). Housing inequality is not only unjust, but it also has negative implications for sustainable economic (X. Zhang et al., 2021). The Housing Provident Fund's program to offer subsidized finance to facilitate homeownership, thus building an integrated housing security system. Moreover, promoting social justice, since the social justice is the social system's primary value is fairness. As Rawls argues that socioeconomic inequality is justifiable only on the condition that all members of society are afforded equitable opportunities and that measures are in place to provide compensation for vulnerable groups (H. Chen et al., 2023). The public housing Savings is an effective approach for addressing the requirements of adequate and reasonably priced housing for individuals with low incomes. To reduce inequality in the economy while achieving complete social justice for the entire Indonesian population. For people, having access to housing is a necessity. Affordable housing is in critical demand, especially among individuals with low-income. Since affordability of housing can facilitate the provision of enhancing human health, labor productivity, and socioeconomic progress as a whole (Alhajri, 2022).

Housing is an important need for individuals. However, on circumstances where the official market is unable to provide this requirement, people may turn to informal alternatives like refugee settlements (Debele & Negussie, 2023). The increase in assets from housing provident funds contributes to the financing of affordable housing. (G. Zhang et al., 2023). In order, number of factors, including rapid urbanization, economic difficulties, high unemployment rates, poverty, and natural disasters related to climate change, have contributed to an increase in the need for adequate and affordable housing internationally (Moghayedi et al., 2023). These factors to obtain adequate and affordable housing through the application of Shariah instruments has been an important factor in the promotion of key aspects of maqasid shariah.

The maqasid shariah is also for an environmentally sustainable economic transformation (Hasan, 2022). Its relevance to the Agenda for Sustainability Development. The implementation of strategies to provide affordable housing, as well as the facilitation of social programs that encourage community engagement and integration. Moreover, It encourages growth that is both sustainable and sustainable, and it improves the quality of life in the city as a whole (Ibrahim et al., 2023). Furthermore, numerous governments execute policies and initiatives to encourage homeownership. The underlying rationale for these behaviour is the conviction that homeownership fosters social and economic stability, more over to promote equality, ensure financial stability, and strengthen democratic systems (Kholodilin et al., 2023). Furthermore, in an effort to assist households in fulfilling their housing needs, a number of Asian governments have instituted centralized mandatory savings programs.

Indonesia as the majority muslim country established Sharia business model of the housing provident fund. The objectives of the HPF are to furnish financial assistance for addressed residential acquisitions. The affordable margin on mortgages financed by the fund is frequently lower than that of Islamic bank financing. The establishment of the Housing Provident Fund (HPF) in 2016. The aim of the housing provident fund of republic Indonesia, as stated into the Government of Indonesia Act Number 4 of the Year 2016 on Public Housing Savings is in order to collect and provide long-term, low-cost, long-term financing for housing financing in order to meet participants' needs for appropriate and affordable housing.

There are many studies on the benefit of the HPF business model that expected to increase the rate of homeownership (Zhou, 2020). The implementation of these strategies generates significant cost reductions for households whose income is insufficient to purchase adequate housing for their members (Ezennia, 2022). In order to established wealth accumulation for low income people through the affordable housing program, which generates substantial capital gains for homeowners (He et al., 2020). Scholarly discourse has consistently centered on the Housing Provident Fund (HPF) and implementation of affordable housing initiatives (Moghayedi & Awuzie, 2023). Nonetheless, the present study emphasized the lack of research on the Islamic business model of the Housing Provident Fund. Therefore, understanding and exploring the Islamic business model of public housing savings in Indonesia is very important in the dynamics of public housing programs and the landscape of housing finance for low-income people.

In this study, we employed a qualitative methodology to investigate and comprehend the business model of public housing savings based on Sharia principles. The results of this research make multiple contributions to the current body of literature. First, they build on the literature of Shariah-based public housing savings business models by discussing the implementation process of the transactions used in the public housing savings business model. In addition, they highlight the interrelated of shariah contracts among stakeholders of housing provident fund of republic of Indonesia. Second, the study's findings enhance the literature on sharia-compliant public housing savings business models and may be utilized by other nations in the adoption of sharia business frameworks. Third, the study enriches recent studies on the sharing economy by illuminating the international evolution of the Shariah sharing business model. Lastly, this study provides practical insights for Islamic finance industry players who may find our model useful when developing their international business models and expansion plans. developing their business models and international expansion plans relating to affordable housing.

The following parts of this work are organized as outlined. A framework of relevant literature is presented in the following part, which is then followed by a description of the various methodological approaches that were utilized. The results of the investigation are subsequently presented and evaluated. The findings of the study are then presented and analyzed in the following step. Subsequently, a comprehensive summary of the study is provided, which includes conclusions and implications.

2. LITERATURE REVIEW

Comparative literature on public housing savings is abundant. Certain scholarly articles endeavor to ascertain the advantages of public housing savings in various nations. Examining the fundamental mechanisms involved in the administration of public housing savings to determine the most effective management model. This knowledge preserves then be applied in other nations for implementation purposes. Although there has been a thorough discussion over the Housing Provident Fund (HPF) and its policy relevance. The current body of scholarship regarding the HPF mostly centers on its impact on housing market reform, the challenges faced during its development, and its correlation with home ownership (Lu & Wan, 2021). However, academics, government regulators, and others have conducted discussions on the Islamic business model for housing provident funds infrequently. This section provides a comprehensive examination of the Islamic Business Model, the housing provident fund, and governmental regulations.

Sharia Business Model

In Indonesia, many sectors present opportunities for sharia-compliant businesses, including sharia finance, shariah housing financing, sharia property. The economic development of Indonesia's sharia sector demonstrates a consistent annual increase (Firman Menne, 2022). All types of economic transactions, including the Housing Provident Fund, are allowed in Islam, except where they obviously contradict Sharia standards. Further, it is important that all transactions ensure justice for all parties involved (Ribadu & Wan, 2019). The operation and procedures of the business must be absent of any components that are essentially forbidden, such as *riba*, *gharar*, *maysir*, and *haram* objects.

Ensuring the legality and integrity of Islamic financial goods and services requires complete compliance to the rules of Shariah. To achieve this requirement, the housing provident fund must build the appropriate operational framework and infrastructure to ensure that the execution of housing provident fund financial transactions aligns with Shariah principles.

Organizations operating under an Islamic business model must ensure that their company operations and transactions strictly comply to sharia compliance (Alnori & Alqahtani, 2019). The organization should engage in permitted activities, including as transactions with halal purposes and requiring the mutual permission of the parties involved. It should additionally abstain from conducting prohibited activities, such as usury, gharar, tadelis, and any other transaction that would render muamalah contracts invalid. Moreover, circumstances that lead to the nullification of the housing provident funds business contracts. The concept of the business model as a method for attaining, strategizing, and comprehending exceptional organizational performance is now extensively acknowledged by professionals, strategy consultants, and scholars, respectively (Shinkle et al., 2023). It is not unfamiliar in the field of management literature (Matricano, 2020). However, in the range of finance literature, the Business Model has been acknowledged as an essential management instrument that may be translated into a number of ratios on the balance sheet and the income statement (Palmieri et al., 2024). The connection between business models and profitability may reflect the feasibility of strategic objectives within the financial industry and, therefore, the sustainability of financial institutions, thus explaining the significant interest in this relationship (Bolívar et al., 2023).

Sharia business model not only encourage ethical behavior but also develop a unique financial structure based on lawful and fair profit (Al-aaidroos et al., 2019). Islamic Business Model based on the Islamic commercial transaction (fiqh al muamalat), form a significant area of study within Islamic jurisprudence (al-Fiqh). Typically, Islamic jurists derived these instructions by means of consensus, Qiyas (analogical reasoning), al-Quran, al-Sunnah (prophetic narrations), and al-Sunnah (prophetic narrations) (Md Kausar Alam & Muhammad Shahin Miah, 2024). The aim of the Islamic business model is to achieve the purpose of Islamic law. The protecting and upholding the fundamental rights of every member of society is the ultimate maqashid sharia, according to Imam Al-Ghazali's five objectives of Sharia (maqashid al-Sharia). The objectives involve safeguarding faith, life, rationality, future progeny, and possessions (Leena Haniffah et al., 2023), and this in accordance with some elements of Sustainable Development Goals (SDGs) (Widiastuti et al., 2022). The goals of the public housing savings business model for Sustainable Development Goals (SDGs) closely align with the principles of maqashid sharia.

The Housing Provident Fund and Sharia Contract of Business Model of The Housing of Indonesia Government

The English term "contract" frequently translates into the Arabic word "Aqd" (plural "Uqud"), which is a noun originating with the root word "Aqda," which literally means "bond" or "tie" (Al-Umari & Alqudah, 2023). However, in classical texts (turast) legal literature, the term "aqd" (contract) is commonly employed to refer to bilateral transactions that involve a proposal from one party and its acceptance by another (Uddin & Ahmad, 2020). The contracting business refers to a company's capacity to effectively carry out its obligations, adjust to shifts and demands in the market, and successfully accomplish its objectives (Mahamid, 2024). Business-to-business transaction are founded on contractual agreements, with the relational aspect of these contracts stemming from the mutual acknowledgment and regard between the client and provider (Ojansivu et al., 2022). The business model for establishing and cultivating a long-term business-to-business relationship typically involves dividing the relationship into multiple stages (Mols, 2022). The contracts are executed when multiple parties engaged in a business transaction establish their relationship and begin to improve their mutual dedication in terms of financial business transactions, such as BP Tapera transferring funds to a Sharia Bank for housing financing intended for Low Income People for Tapera participants.

The housing provident fund management contract provides a notable benefit in the form of a monetary incentive, where the company designates a portion of the savings to its employees. Housing savings can lead to a change in individuals' behavior, shifting from a propensity to consume to an attitude to save (Mustafa et al., 2023). The Housing Saving Agency has formulated a business structure aimed at enabling low-income individuals in Indonesia to achieve homeownership by providing them with accessible and cost-effective housing financing options. The Indonesia government implemented its own Housing Provident Fund (HPF) Scheme in 2016. As mandate of the Government of Indonesia legislation no. 1/2011 on Housing and Settlement Areas, delegates that the establishment of housing and settlement areas should be a well-coordinated and integrated process that encompasses planning, development, utilization, and control. This includes the development of institutions, funding and finance systems, and the connection of the people. A procedure of

settlement areas aims to establish a residential environment and an area for activities that support planned, comprehensive, integrated, and sustainable livelihoods in accordance with spatial plans.

The Housing Provident Fund is a compulsory savings program established by the government, which entails employees and employers making regular payments from their monthly salaries to support prospective affordable housing acquisitions (M. Chen et al., 2020). The mortgages funded by the government through HPF program often have cheaper interest rates compared to loans provided by banks for commercial housing. The affordable housing program in Indonesia by the public housing saving agency (BP Tapera) offers a financing period of up to 20 years, with a fixed interest rate of 5%. The Housing Provident Fund of Indonesia accepts contributions exclusively from employed individuals and self-employed individuals whose income is equivalent to or greater than the regional minimum wage. Investments in the HPF are refunded in accordance with fund policies upon the participant's retirement. These based on the government legal framework for the Public Housing Savings Agency (BP Tapera) in accordance with Government Regulation (PP) 25/2020, concerning the execution of public housing savings to the article 4 of the 2016 Indonesian Constitution defines the housing provident fund, or public housing savings (Tapera), as a periodic deposit made by participants over a designated timeframe. The funds can solely be utilized for housing finance or returned with the yield investment and the principle of the savings once the participation has ended.

According to Article 4 of the 2016 Indonesian Constitution concerning the housing provident fund (Tapera), the Islamic business model of the housing provident fund consists of three fundamental activities: Tapera Fund collection, investment, and financing. These activities collectively constitute the management of the public housing savings (Tapera). The purpose of the Tapera Fund Collection is to gather money from Participants. The accumulated monies are entrusted to the management of the Custodian Bank. The Tapera Fund aims to enhance the net asset value of the fund. These investments can be facilitated using Sharia-compliant investment methods. Bringing sustainable finance efforts of the housing financing for low-income people to achieve the positive impacts of sustainable finance and facilitate sustainable growth in developing nations, through the housing financing program. The sustainable finance model prioritizes the promotion of sustainable socioeconomic and environmental well-being, with an emphasis on long-term sustainability.

3. METHODOLOGY

A research method refers to a systematic approach used to do research, encompassing a set of strategies for collecting data. This study uses a qualitative analysis to examine laws and regulations so as to deliver a comprehensive exposition of the Islamic business strategy pertaining to the Islamic Housing Provident Fund of Indonesia. The qualitative research can be conducted by employing existent data, such as legal documentation (Izadi et al., 2023). This study undertook an in-depth review of the available legal documentation relating to the housing provident fund. By reviewing multiple documents, articles and papers, the writers were able to construct the essay (Cisneros Chavira et al., 2023), more over the writers were able to write the business model of housing provident fund and discuss upon the notion of a housing provident fund.

Documentary analysis describes a thorough examination and evaluation of these documents. (Price et al., 2021). An examination of documents pertaining to important laws and regulations can easily demonstrate and educate BP Tapera participants regarding the sharia Business Model. The data collected are of a secondary source and sourced from the official website of the Housing Provident Fund in Indonesia (BP Tapera) at <https://tapera.go.id/> and the official publication issued by BP Tapera, such as a book. Its objective is to visually depict the flow of the Tapera business model. The operation of the Public Housing Savings Management Agency (Tapera) is primarily governed by the current legislation and regulations. These laws encompass the requirements for collecting funds, investing funds, and financing funds.

As qualitative research methodology using document analysis, this study consists of a careful review and assessment of legal constitutions, acts about the Housing Provident Fund (HPF) in Indonesia that are available to the public and were sourced from reliable government sources. (G. Zhang et al., 2023). By viewing the legal documents under examination as discourses that construct and constitute their own social reality, document analysis can also be viewed as discourse analysis. This study reveals and explains the Islamic business model of Public Housing Savings. We analyse the

legislation and the relevant regulations pertaining to the BP Tapera.

4. RESULT AND DISCUSSION

Indonesia's Regulation of Islamic Principles

The Indonesia regulation of Housing Provident Number 3 of 2020, titled "The implementation of Sharia principles in the operational activities of Housing Provident Funds", The operation's management of the Housing Provident Fund with Sharia Principles, also known as the Tapera Fund, is a system and mechanism that promotes funding, investment, and housing financing in accordance with Sharia Principles. The Act No. 21/2008 on Islamic Banking states that the Sharia Principles are founded on the principles of fairness, benefit, equilibrium, and universality (*rahmatan lil 'alamin*). In the area of Islamic finance, the sharia principle is an investment procedure that follows the principles of Islamic Jurisprudence. It underscores justice and forbids all immoral, speculative, or usurious practices. (Ghlamallah et al., 2021; Smolo et al., 2023). Sharia principles involve business transactions that are absent of usury, *maisir* (gambling), *gharar* (uncertainty), *haram* (prohibited), and *zalim* (unjust) (Boubker et al., 2021). Furthermore, according to the Indonesian Constitution, particularly Article 4 of the year 2023, highlights the advancement and fortification of the financial sector. The explanation of shariah principle is a legal principle in Islam, the Sharia principle is established upon fatwas and declarations of Sharia compliance that are issued by an authorized institution specializing in the determination of Sharia.

According to Act No. 21/2008 on Islamic Banking, usury refers to the prohibited growth of income in exchange transactions involving goods of varying quality, quantity, and delivery time, or in lending and borrowing transactions where the borrower must repay an amount exceeding the principal due to the elapse of time. In Islamic finance, *Riba* refers to transactions that involve the imposition or accrual of interest. This is within complete contradiction to sharia business practices, as sharia law promotes the use of risk-sharing agreements, where all parties participating in a transaction share both the benefits and drawbacks (Bakhouché et al., 2022). *Maisir* is a term used to describe a transaction that relies on unpredictable and arbitrary results. These commercial transactions involve a substantial level of speculation or gambling (Rabbani et al., 2021). *Gharar* being an Arabic word used to describe a transaction where the object involved is undetermined, unowned, unknown to exist, or undeliverable at the time of the transaction, unless it is particularly regulated by sharia law. Moreover, the notion of "gharar" encompasses commercial transactions that include significant risk, uncertainty, or hazard in business transaction (Haruna et al., 2023). *Haram* refers to transactions that are prohibited in accordance with sharia law. *Zalim* refers to a transaction that brings injustice upon the other party involved. The transaction derived from *haram* (illegitimate) benefit should be purified (Orhan et al., 2022).

The Housing Provident Fund and Shariah Contract of Business Model of The Housing of Indonesia Government

The Housing Provident Fund (HPF) of Indonesia possesses significance a housing fund that is mandatory, mutually aiding, compensatory, and long-term. It was established as a means of compulsory savings to aid in home finance. The Housing Provident Fund (HPF), as stated in Act number 4/2016 with regard to Tapera, refers to a regular deposit made by participants within a specific timeframe. This fund can only be used for housing finance purposes and/or refunded, along with the investment returns, upon the completion of participation. The Housing Provident Fund (BP Tapera) is a state entity that is legally recognized and was founded under the Housing and Settlement Area Law (Law No. 1/2011). BP Tapera aims for collecting and provide sustainable, low-cost long-term financing for housing to meet participants' requirements for appropriate and affordable housing.

According to Section 21 of Law No. 4/2016 on the Housing Provident Fund, the Tapera Fund can be invested using either conventional principles or sharia principles. Therefore, BP Tapera provides sharia business model for the Housing Provident Fund, a program dedicated to providing members with affordable house finance as well as operational investment management in accordance with Sharia regulations. The business model of the housing provident funds, according to the regulations of Law Number 4 of 2016 about Public Housing Savings, participants who choose for Sharia principles will have their funds managed in a comprehensive Sharia-compliant way. This includes the processes of collection, investment, and housing financing, as depicted in the accompanying business process diagram:

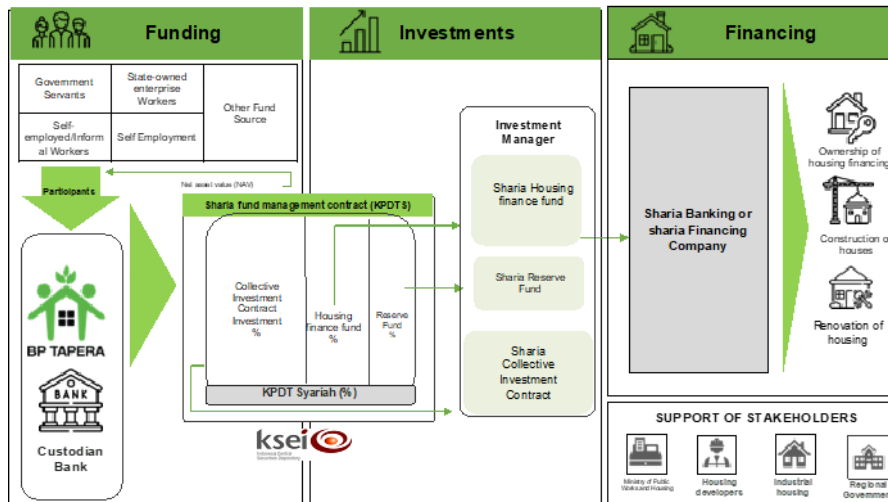


Figure 1: Sharia Business Model of the Housing Provident Fund (source: internal source)

Tapera members, henceforth denoted as participants, consist of all foreign and Indonesian nationals who have paid deposits and possess a visa valid for a minimum of six months of employment in Indonesian territory, as mentioned Law No. 4 of 2016, Article 1, Letter 3). We have identified the contracts utilized in the transaction and operation of the Tapera business model, as mandated by Law No. 4 of 2016 related to the Public Housing Savings, specifically article 5 which outlines the management of Public Housing Savings. This management encompasses three main aspects:

1. The collection of Tapera funds

BP Tapera serves a crucial and vital function in the financial system by providing financing for housing finance to individuals with low income. The management of Housing Provident Funds might utilize the Wakalah contract to work with participants. In this contract, the principle (muwakkil) grants permission to the agent (wakil) to perform specific duties on their behalf. The participant savings rate is fixed at 3% of salaries for worker participants and income for self-employed participants, maximum range of salary regulated by regulation. The employer and workers share the responsibility of contributing to the worker participant deposits, with the employer contributing 0.5% and the workers contributing 2.5%. The Tapera sharia participant savings product utilizes a wakala bi al ujah contract in its agreement. Participants assume the role of authorizers, with BP Tapera serving as the designated authority responsible for overseeing the management of funds contributed by participants.

BP Tapera will manage the collective deposits of Tapera participants and other funds to achieve optimum of yield of Investment. The process of managing savings to get maximum returns is referred to as investment. BP Tapera selects Investment Managers and Custodian Banks to execute collective investment agreements for the purpose of investing the Tapera Fund, as mandated by the Indonesian constitution Number 4 of 2016 on Public Housing Savings.

2. The investment of Tapera funds

The Indonesian constitution number 4 of 2016, under titled Public Housing Savings has article 21, the investment of the housing provident fund may take the following forms: The deposits in sharia-compliant financial institutions, Government debt securities (sukuk) issued by the central government, Government debt securities (sukuk) issued by regional governments, Sharia-compliant securities related to housing and settlement areas. Other types of investments that are both secure and profitable, in accordance with the laws and regulations. Sukuk have certifications that represent proportional interests in the ownership of tangible assets, usufructs, services, or

designated projects or investment activities (Sa'ad et al., 2022). Sukuk are issued using 14 contracts, which can be classified into four categories: asset-based contracts (e.g., Ijara), debt-based contracts (e.g., Murabaha, Salam, and Istisna), equity-based contracts (including Musharaka, Muzara'a, Muqasa, and Mugharasa), and agency-based contracts (e.g., Wakala) (Alandejani, 2022).

The agreement between BP Tapera and the custodian bank employs wakalah bil ujah contract, whereas the agreement between BP Tapera and the Investment Manager utilizes either wakalah bil ujah or wakalah bil istitsmar contract. The agreement between the Investment Manager and the Custodian Bank in establishing a Collective Investment Contract by using of wakalah bil ujah contract.

3. The provision of Tapera Fund Financing to support low-income people in acquiring housing financing

As stated in Article 29 of Law No. 4 of 2016 on Public Housing Savings, the allocation of housing finance to eligible Tapera participants is regulated. The Sharia Bank or Sharia Finance Company obtains funds from the Custodian Bank and transfers assets in the form of securities (sukuk) to the Custodian Bank of the same value. Regulation No. 3 of 2020 governs the application of Sharia principles in the administration of housing savings accounts by the Public Housing Savings Management Agency.

BP Tapera facilitates sharia housing financing for Low-Income People through an affiliated bank that has a collective agreement with BP Tapera. The affiliated sharia bank will issue private placement securities (sukuk) that will be bought by BP Tapera. The funds obtained from the issuing of these private placement securities (sukuk) will be utilized to allocate Tapera mortgages to Tapera participants who fulfill the eligibility criteria. The financing given can be utilized for the acquisition of newly constructed houses that are readily available for purchasing, housing construction, or housing renovation. The securities (sukuk) issued to the Public Housing Savings Management Agency is Mudharabah Sukuks.

Mudharabah Sukuks as credentials that underlie projects or activities conducted under a partnership formed via a trust agreement (Mudharabah contract). The Mudharabah Sukuk involves a mudarib who will manage the project (Razak et al., 2019). Additionally, there is the presence of the capital owner (Rabbul-Mal) who supplies the necessary funds for the project. In the context of Sukuk, the mudarib serves as the issuer of the Sukuk certificate, whereas the subscribers are the capital providers who contribute the Mudharabah capital. The certificate holders own the assets of the Mudharabah contracts and obtain a share of the profits according to the required parameters. (Katterbauer et al., 2022).

The profits and losses sharing (PLS) method has applied to an asset side through the use of participation financing, such as Mudarabah or Musharakah contracts, to finance investments (Boubakri et al., 2023). However, the dissimilarity among Mudarabah and musharakah grounded in their particular contractual arrangements. Mudarabah is founded on trust, whereas musharakah involves substantial capital engagement (Islam & Ahmad, 2020).

Tapera housing funding may be provided through either a Sharia Bank or a Sharia funding Company through putting into a contractual agreement with the participants:

- a. Murabahah, or cost-plus financing, is an Islamic financial transaction in which the seller reveals both the cost and profit margin to the buyer. (Fayyad, 2023). Primary process in murabaha entails the purchase and subsequent sale of goods, rather than the act of lending money (Wijaya & Moro, 2022). Sharia banks facilitate the purchase of housing for low income household.
- b. Musharakah mutanaqisah (MMQ), also known as diminishing partnership, is a contractual arrangement that combines the principles of musharakah (partnership) and ijara (lease) (Abdul Jabar et al., 2018). The Musharakah Mutanaqisah agreements are favourable for buyers of homes, as they adhere to Shari'ah law and are deemed lawful (Selim, 2020).
- c. Istis'na is a type of business agreement that specifies the criteria based on its basic features (Kalimullina & Orlov, 2020). Istisna' mostly pertains to the construction or circulation of innovative objects.

- d. The affordable housing asset can be leased to the Tapera membership through an Ijarah Muntahiya Bit Tamlik contract, which is a long-term agreement that ends with ownership. This contract enables the transfer of the property to the lessee upon completion of a certain period. In addition, an Ijarah (lease) agreement can be utilized exclusively for the rental of residential premises. (Mohd Daud et al., 2021).

5. CONCLUSIONS

The business model of the Housing Provident Fund in Indonesia is sophisticated; however, it serves an essential purpose in addressing the housing demands for people with a low income. This study discovered that the HPF model is investigated with regard to applicable rules and regulations. Specifically, that model encourages individuals to cultivate saving behavior, emphasizing their awareness of their financial circumstances. The Housing Provident Fund facilitates the attainment of affordable housing for individuals with low incomes.

The Housing Provident Fund is assisting individuals in obtaining a livable residence to enhance their standard of living and achieve financial security. The Housing Provident Fund Management (BP Tapera) plays a significant role in managing housing provident fund for public workers (PNS) and middle-income individuals in Indonesia. Finally, it is essential to examine the advantages of the Housing Provident Fund in order to fulfill its objectives of accumulating and providing stable, long-term, low-cost financing for housing, with the aim of addressing the need for suitable and affordable housing for participants. To established social justice for the Indonesian people.

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