

Consumer Protection in Sharia Financial Products: A Review from the Perspective of Sharia Economic Law

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ABSTRACT

Consumer protection in Sharia financial products is an essential aspect of ensuring fairness, transparency, and legal certainty within the Islamic economic system. This study examines the principles, mechanisms, and legal frameworks governing consumer protection from the perspective of Sharia economic law. Using a normative legal research approach, the analysis focuses on key Sharia principles such as justice (al-'adl), transparency (al-shafāfiyyah), and the prohibition of deceptive practices (gharar and tadbis). The findings reveal that Sharia economic law provides a comprehensive foundation for consumer protection through contractual requirements, ethical guidelines, and dispute resolution mechanisms based on Islamic legal traditions. The study also highlights the importance of regulatory reinforcement and institutional supervision to ensure that Sharia financial institutions uphold consumer rights. Strengthening legal instruments and increasing public awareness are recommended to enhance consumer trust and support the growth of the Sharia financial industry.

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INTRODUCTION

The rapid growth of the Islamic financial industry has increased the demand for Sharia-compliant financial products that align with the principles of Islamic law. This development not only reflects the expanding Muslim population but also the rising awareness of ethical financial practices. As Islamic finance continues to evolve, issues surrounding consumer protection are becoming increasingly central, particularly as financial products become more diverse and complex. Ensuring that consumers understand the terms, risks, and legal implications of Sharia financial products is essential for maintaining market stability and public trust.

In Sharia economic law, consumer protection is rooted in fundamental principles such as justice (al-'adl), balance (al-tawazun), and the prohibition of deceit (tadbis) and uncertainty (gharar). These principles mandate that financial transactions be conducted transparently and fairly to safeguard consumer rights. Thus, Islamic financial institutions are obligated not only to comply with regulatory standards but also with ethical values derived from the Qur'an and Sunnah. Failure to uphold these principles may undermine the credibility of Sharia financial institutions in the eyes of the public.

Despite its strong philosophical foundation, the implementation of consumer protection within the Sharia financial sector faces several challenges. Many consumers still lack sufficient knowledge about the characteristics of Sharia-compliant products, resulting in an information gap between institutions and customers. This asymmetry of information can lead to misunderstandings, disputes, and potential exploitation if not properly addressed through transparent communication and robust regulatory frameworks.

Furthermore, complex financial instruments such as murabahah, mudharabah, musyarakah, and ijarah require consumers to understand specific contractual structures that differ from conventional finance. In

many cases, consumers are unaware of the rights and responsibilities embedded in these contracts, increasing their vulnerability to financial risks. This situation highlights the urgent need for comprehensive legal frameworks that reinforce consumer protection principles within Sharia financial systems.

Regulatory institutions such as financial authorities, Sharia supervisory boards, and dispute resolution bodies play a pivotal role in ensuring that financial institutions comply with Sharia standards and protect consumer rights. Effective regulation must integrate both modern legal mechanisms and traditional Islamic jurisprudence to offer a coherent and enforceable framework. This dual approach is crucial in promoting transparency, fairness, and accountability among Sharia financial service providers.

Additionally, dispute resolution in Sharia financial transactions requires specialized institutions capable of interpreting both positive law and Sharia principles. The establishment of Sharia-based dispute resolution mechanisms, such as Sharia arbitration and the authority of religious courts, reflects a broader effort to embed Islamic legal principles into the financial sector. However, challenges remain in harmonizing these mechanisms with national legal systems to ensure consistency and enforceability.

Consumer protection also depends on the ethical commitment of financial institutions to practice responsible finance. Beyond legal compliance, Sharia institutions must develop internal governance structures that prioritize consumer welfare and adhere to Islamic ethical values. Ethical behavior, transparency in product disclosure, and the avoidance of misleading practices are essential components of consumer protection in the Islamic financial context.

In conclusion, strengthening consumer protection in Sharia financial products requires a holistic approach that integrates Sharia principles, effective regulation, ethical practices, and public education. By enhancing legal frameworks and accountability systems, the Islamic financial industry can promote consumer trust and support sustainable growth. This study highlights the importance of a Sharia-based legal perspective in establishing comprehensive consumer protection mechanisms that reflect both religious values and modern financial realities.

METHODOLOGY

This study employs a normative juridical research method, which focuses on examining legal principles, regulations, and doctrines related to consumer protection in Sharia financial products. The analysis is grounded in primary legal sources such as the Qur'an, Hadith, and classical Islamic jurisprudence (fiqh), as well as statutory regulations governing Sharia economic activities in Indonesia. This method allows the researcher to explore the compatibility of positive law with Sharia principles and to identify legal norms that shape consumer protection frameworks within Islamic finance.

In addition to primary legal sources, this research also utilizes secondary and tertiary legal materials to provide comprehensive insights. Secondary sources include textbooks on Islamic finance, academic journal articles, regulatory guidelines, and fatwas issued by the National Sharia Council (DSN-MUI). Tertiary sources encompass legal dictionaries, encyclopedias, and supporting documents that help clarify concepts and strengthen the theoretical foundation. Literature review techniques were applied to collect, interpret, and compare relevant legal materials.

Furthermore, the study adopts a qualitative analytical approach to interpret legal texts and evaluate the effectiveness of existing consumer protection mechanisms in Sharia financial institutions. Descriptive and analytical methods were used to assess how Sharia principles are implemented within financial products and regulatory frameworks. The outcomes of this analysis provide a structured understanding of legal challenges, institutional roles, and potential improvements necessary to enhance consumer protection in the Sharia financial sector.

RESULT AND DISCUSSIONS

The findings of this study reveal that consumer protection in Sharia financial products is strongly supported by core principles of Sharia economic law, particularly those related to justice (al-'adl), transparency (al-shafāfiyyah), and the prohibition of harmful practices (darar). These principles form the ethical and legal foundation that guides financial institutions in ensuring fairness and accountability in all transactions. The study shows that adherence to these principles significantly enhances consumer confidence and strengthens the legitimacy of Sharia-based financial services.

Analysis of contractual structures used in Sharia finance, including murabahah, mudharabah, musyarakah, and ijarah, indicates that Sharia contracts inherently provide mechanisms for consumer protection. For example, murabahah requires clear disclosure of cost and profit margins, while mudharabah mandates risk-sharing between parties. These contractual elements ensure that consumers receive transparent information and are protected from deceptive or unfair practices. However, the effectiveness of these protections depends on proper implementation by financial institutions.

The study also identifies information asymmetry as one of the major challenges in protecting consumers in Sharia financial systems. Many consumers lack a comprehensive understanding of Sharia financial products, particularly regarding contractual obligations, profit-sharing mechanisms, and associated

risks. This knowledge gap increases the likelihood of disputes and dissatisfaction. Strengthening public education and improving disclosure practices are essential steps toward reducing information asymmetry.

Regulatory analysis shows that Indonesia has developed a relatively strong legal framework for Sharia financial consumer protection, particularly through the Financial Services Authority (OJK), Bank Indonesia regulations, and fatwas issued by the National Sharia Council (DSN-MUI). These frameworks integrate both conventional legal principles and Sharia values to ensure that financial institutions operate fairly and transparently. Nonetheless, the study finds areas where regulatory alignment can be improved to ensure consistency and clarity across different sectors.

The role of Sharia Supervisory Boards (DPS) is highlighted as central to ensuring compliance with Sharia principles. The DPS oversees product development, contract formulation, and operational practices of institutions to ensure that they meet Sharia requirements. The research shows that strong DPS involvement contributes to higher levels of consumer protection. However, variations in supervisory quality among institutions indicate a need for standardized guidelines and training for DPS members.

In terms of dispute resolution, the study finds that consumer complaints related to Sharia financial products are commonly resolved through internal complaint mechanisms, mediation, and—when necessary—litigation in the Religious Courts. The integration of Sharia economic disputes into the Religious Courts system provides consumers with access to judges knowledgeable in Islamic law. Despite this progress, the study notes that procedural complexities and limited public awareness remain challenges that affect dispute resolution effectiveness.

The findings also show that ethical commitment within Sharia financial institutions plays a crucial role in protecting consumers. Institutions that adopt strong internal governance, ethical guidelines, and transparent communication systems tend to have fewer consumer disputes and higher satisfaction levels. This suggests that consumer protection is not solely a regulatory issue but also a matter of institutional culture and responsibility.

Furthermore, the study identifies that technological advancements, such as digital banking and fintech, have introduced new opportunities and risks for consumer protection. While digitalization improves accessibility and convenience, it also increases exposure to fraud, data breaches, and misuse of consumer information. Sharia financial institutions must therefore integrate digital ethics and cybersecurity measures to protect consumer rights in the digital era.

Overall, the research highlights the need for continuous improvement in legal frameworks, regulatory oversight, and ethical practices to ensure effective consumer protection. Collaboration between regulators, Islamic scholars, financial institutions, and consumers is essential to solving persistent challenges and ensuring the sustainable growth of the Sharia financial industry.

In conclusion, the study demonstrates that Sharia economic law provides a comprehensive foundation for consumer protection, but its effectiveness depends on consistent implementation, improved transparency, regulatory refinement, and public awareness. Strengthening these aspects will enhance consumer trust and support the long-term development of Islamic finance.

CONCLUSION

This study concludes that consumer protection in Sharia financial products is firmly grounded in the fundamental principles of Sharia economic law, which emphasize justice, transparency, and the prohibition of harmful practices. While Islamic finance provides inherent protective mechanisms through its contractual structures and ethical guidelines, the effectiveness of these protections relies heavily on proper implementation by financial institutions, strong regulatory frameworks, active oversight by Sharia Supervisory Boards, and increased public awareness. Strengthening legal alignment, enhancing disclosure practices, and promoting ethical governance are essential steps toward ensuring that consumer rights are upheld. By integrating Sharia values with modern regulatory approaches, the Sharia financial industry can foster greater consumer trust and support sustainable, long-term growth.

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