



Dispute Resolution of Sharia Cooperative Business Financing through Local Institutions of the Sasak Tribe Community

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Abstract

The growth and development of sharia cooperatives in West Nusa Tenggara, particularly on Lombok Island, have shown steady progress in recent years. This condition has had a positive impact, notably by expanding access to microfinance for local communities. However, business dynamics do not always unfold as expected. While some cooperative members are able to fulfill their obligations on time, others may delay or even fail to meet their responsibilities, potentially leading to disputes. When such disputes arise, they must not be ignored—efforts to resolve them are essential. In the literature, two models of dispute resolution are commonly recognized: litigation and non-litigation. This study focuses on two main issues: first, the urgency of resolving sharia cooperative business financing disputes through local institutions of the Sasak tribe; and second, the prospects of utilizing these local institutions for such dispute resolution. This research employs a normative-empirical method with a socio-legal approach. The findings indicate that the involvement of Sasak tribal institutions in dispute resolution is highly urgent. This is reinforced by the convergence between the principles of sharia cooperatives and those upheld by local dispute resolution mechanisms. Furthermore, the prospects for resolving sharia cooperative financing disputes through local institutions are promising, supported by a legal framework that recognizes and legitimizes the role of these institutions at the local government level. To effectively implement dispute resolution through local institutions, there is a need to strengthen the human resources involved—particularly those with knowledge of sharia economics and cooperative management—among both cooperative administrators and traditional leaders. This research is expected to contribute as a reference for business practitioners in addressing disputes between cooperatives and their members.

Keywords: sharia cooperatives, local institutions, dispute resolution

I. Introduction

The growth and development of sharia cooperatives in West Nusa Tenggara province, particularly on the island of Lombok, in recent years has continued to show an increase. Based on data from 2020 to 2023, the number of sharia cooperatives on the island of Lombok is 880 units spread across 5 (five) districts / cities. In more detail the data is as follows:

Table 1. Data on Sharia Cooperatives in districts/cities on the island of Lombok

No	District Name	Number of Sharia Cooperatives				Total per Dist/City
		2020	2021	2022	2023	
1	Mataram City	28	16	16	17	77
2	North Lombok Regency	47	11	11	11	80
3	East Lombok Regency	38	70	74	74	256
4	Central Lombok Regency	13	110	117	118	358
5	West Lombok Regency	27	29	26	27	109
Total Number of Lombok Island						880

Source: processed from NTB Satu Data

On the one hand, this development has a positive impact, namely expanding access to microfinance for the community. On the other hand, business dynamics do not always go as expected. Sometimes cooperative members can fulfill their obligations in accordance with the agreement or contract. But there is also a condition where cooperative members are late or even fail to fulfill their obligations in accordance with the agreement so that it can lead to disputes. This shows that disputes are a legal phenomenon that can occur anywhere, including in business interactions between sharia cooperatives and their members. In anthropological studies, this phenomenon is inseparable (inherent) in human life, especially in heterogeneous and multicultural societies¹. Therefore, disputes cannot be ignored, because their presence will always color human life. There must be an effort to resolve it so as not to cause disintegration in the common life.²

In the legal literature, two models of dispute resolution are known, namely through court procedures (litigation) and out-of-court procedures (non-litigation). Litigation dispute resolution is carried out through examination before a judge in a judicial institution³. However, bringing or resolving business financing disputes in sharia cooperatives to court does not seem to be the right choice. It is feared that this can harm the spirit of kinship and togetherness in building cooperatives and can affect the level of trust of members in cooperatives. In addition, bringing the dispute to litigation will also be time-consuming and costly.

Along with the development of time and circumstances, the community's need for dispute resolution through litigation has gradually become less effective. This has led to the development of various customary legal institutions or community traditions in resolving disputes. The dispute resolution process that was born in the social interaction of the community through

¹ I Nyoman Nurjaya, "Memahami Kedudukan Dan Kapasitas Hukum Adat Dalam Politik Pembangunan Hukum Nasional," *Perspektif* 16, no. 4 (September 27, 2011): 236; I Nyoman Nurjaya, "Constitutional and Legal Recognition Over Traditional Adat Community Within The Multicultural Country of Indonesia: Is It a Genuine or Pseudo Recognition," *Perspektif* 20, no. 2 (May 28, 2015): 68.

² Christos N. Kyrrou and Robert A. Rubinstein, "Cultural Anthropology Studies of Conflict," in *Encyclopedia of Violence, Peace, & Conflict* (Elsevier, 2008), 515, accessed February 18, 2025, <https://linkinghub.elsevier.com/retrieve/pii/B9780123739858000453>.

³ Atful Munawar, "Arbitrase Sebagai Alternatif Penyelesaian Perkara Dalam Hukum Positif Dan Hukum Islam," *Kosmik Hukum* 22, no. 3 (September 29, 2022): 234.

traditional local institutions outside the court is known as Alternative Dispute Resolution (ADR).⁴ In the Sasak community in Lombok, dispute resolution through local institutions is usually carried out by consensus by referring to local wisdom and religious values. In that context, the presence of local institutions in the Sasak community in resolving out-of-court sharia cooperative business financing disputes should be considered.

Referring to previous research, this research complements and presents new ideas about dispute resolution, particularly sharia cooperative financing disputes. Research conducted by Ayup Suran Ningsih⁵ examines the risks and benefits of resolving business disputes through ADR. The results show that ADR is a dispute resolution solution that is in accordance with the noble values of the nation and the right solution to be applied for business practitioner. Similar research by Aulia Rahmi⁶ shows that the settlement of sharia cooperative disputes by deliberation is in line with the Compilation of Sharia Economic Law (KHES). From these two research, it appears that dispute resolution through ADR mechanisms is the right choice. However, these two studies have not yet reached the study of the existence of local institutions as out-of-court dispute resolution institutions. For this reason, this research examines the urgency and prospects of local institutions of the Sasak tribe in resolving sharia cooperative financing disputes.

II. Research Problems

Based on the above background, the focus of this research problem is first what is the urgency of resolving sharia cooperative business financing disputes through local institutions of the Sasak tribe community. Second, what is the prospect of resolving sharia cooperative business financing disputes through local institutions of the Sasak tribe community.

III. Research Methods

This research is empirical normative research using statutory approach, conceptual approach and socio legal approach. The research was conducted on the island of Lombok which is an area that has local institutions (*Bale Mediation, Majelis Krama Desa, Bale Sangkep Desa*) that function to assist the community in resolving disputes. The types of legal materials used in this research are primary, secondary and tertiary legal materials. In addition to these three legal materials, this research is supported by field data obtained through field studies conducted through interviews

IV. Result and Discussion

1. The Urgency of Resolving Sharia Cooperative Business Financing Disputes through Local Institutions of the Sasak Tribe Community

As a financial institution as well as a financial intermediary that grows from, by and for members, the relationship that is built between sharia cooperatives and their members in every transaction is based on the principle of kinship. Sri Edi Swasono calls it the triple-co term, namely co-ownership, co-determination and co-responsibility as a form of solidarity in the frame of the

⁴ La Ode Angga, "Mediasi Pertanahan Sebagai Model Alternatif Penyelesaian Sengketa Hak Ulayat Antara Masyarakat Adat Desa Eti Dengan Pemerintah Di Kabupaten Seram Bagian Barat Provinsi Maluku," *Kosmik Hukum* 20, no. 2 (July 22, 2020): 115.

⁵ Ayup Suran Ningsih, "Alternative Dispute Resolution as Soft Approach for Business Dispute in Indonesia," in *Proceedings of the 2nd International Conference on Indonesian Legal Studies (ICILS 2019)* (Presented at the Proceedings of the 2nd International Conference on Indonesian Legal Studies (ICILS 2019), Semarang, Indonesia: Atlantis Press, 2019), 26-33, accessed December 20, 2022, <https://www.atlantis-press.com/article/125922696>.

⁶ Aulia Rahmi, "Pola Penyelesaian Sengketa Ekonomi Syariah Di Koperasi Simpan Pinjam Syariah (KSPS) Tinjauan Kompilasi Hukum Ekonomi Syariah," *AL-AQAD* 2, no. 1 (March 16, 2022): 174-184.

principle of kinship.⁷ Thus, every economic activity, including those carried out through sharia cooperatives, is an effort to realize the lives of members to be better and more prosperous so that it can contribute to improving the economy of its members.⁸ For this reason, every member of the cooperative must prioritize honesty and willingness to carry out the commitments bound in the agreement or contract.⁹

The implementation of the principle of kinship in sharia cooperatives manifests itself when running a business that must be in accordance with the principles of the cooperative. Referring to Article 5 paragraph (1) of Law Number 25 of 1992 concerning Cooperatives, the principles of cooperatives include: membership is voluntary and open, management is carried out democratically, the distribution of SHU is proportional to the amount of member services, providing limited returns on capital and independence. From these principles, in the context of resolving financing disputes, there is a common thread that brings together Islamic cooperatives with the local institutions of the Sasak tribe, namely the principle of kinship. This principle is a fundamental part of the management of sharia cooperatives and is one of the principles in dispute resolution in the local institutions of the Sasak tribe.

Starting from the above description, the implementation of the principle of kinship in sharia cooperatives should not be reduced only to the aspect of business management. This principle must be interpreted more broadly, including in the settlement of financing disputes between sharia cooperatives and their members. The way to resolve disputes that are in line with the principle of kinship can be done through consensus deliberation, a dispute resolution practice commonly practiced by the Sasak tribe community.

In addition to the principle of kinship, the principles of sharia cooperatives that are in line with the principles of dispute resolution are divinity, willingness, openness, democracy/equality and justice.¹⁰ The principle of voluntariness in the dispute resolution process through local institutions is a mandatory requirement. Without the willingness and openness of the parties, it is impossible for the mediation process to resolve disputes. Likewise, the principle of democracy in cooperative management, can not only be interpreted as the will and decisions of the members in managing the business. In handling disputes between members and cooperatives, the spirit of democracy should be prioritized. In the process of resolving disputes in local institutions, the principle of democracy means that the parties to the dispute are given the same opportunity to express their complaints, problems and personal views related to the dispute at hand. This is important because in the dispute resolution process, the parties have a very important role in finding a solution to the dispute they face.

The next cooperative principle that is very relevant to dispute resolution through local institutions is the principle of justice. The principle of justice in financial institutions including sharia cooperatives is reflected in the principle of providing compensation in accordance with the contribution of capital and services/efforts of members in advancing the cooperative business.¹¹

⁷ Mubyarto, *Ekonomi Kerakyatan* (Jakarta: Lembaga Suluh Nusantara bekerjasama American Institute For Indonesian Studies (AIFIS), 2014), 155.

⁸ Zurina Shafii, Rose Ruziana Samad, and Rochania Ayu Yunanda, "Shari'ah Governance in Shari'ah Based Cooperatives in Malaysia and Indonesia," in *Research in Corporate and Shari'ah Governance in the Muslim World: Theory and Practice*, ed. Toseef Azid, Ali Abdullah Alnodel, and Muhamad Azeem Qureshi (Emerald Publishing Limited, 2019), 279, accessed February 26, 2025, <https://www.emerald.com/insight/content/doi/10.1108/978-1-78973-007-420191024/full/html>.

⁹ Erie Hariyanto and Moh Hamzah, "Bibliometric Analysis of the Development of Islamic Economic Dispute Resolution Research in Indonesia," *JURIS (Jurnal Ilmiah Syariah)* 21, no. 2 (December 30, 2022): 221.

¹⁰ Aminudin Ma'ruf, Agung Dwi Wijayanto, and Sausan Liski Aulia, "Application of Islamic Values of Sharia Cooperatives in Indonesia," *Maqdis: Jurnal Kajian Ekonomi Islam* 8, no. 1 (June 12, 2023): 39-42.

¹¹ Aishat Abdul-Qadir Zubair, "An Analysis of Dispute Resolution Mechanisms in the Islamic Banking and Finance Industry in Malaysia," *Jurnal Hukum Novelty* 11, no. 2 (August 17, 2020): 164; Lola Akin Ojelabi and Mary Anne Noone,

This principle should also be interpreted more broadly, not just in the aspect of reward that is reflected in the distribution of the remaining results of operations (SHU). Justice in the dispute resolution process in the local institutions of the Sasak tribe is collective, meaning that the process of resolving financing disputes must pay attention to the interests of the cooperative as an institution, including members who are not involved in the dispute. The solution produced in the process of consensus (mediation) must reflect not only the interests of the parties to the dispute but also the sustainability of the cooperative.

Thus, dispute resolution by consensus (mediation) through local institutions of the Sasak tribe is very much in line with the spirit of cooperatives, especially sharia cooperatives. This condition also shows how dispute resolution in the community is still very thick with cultural values and cannot be separated from the influence of Islamic law.¹² In Sasak society the relationship between adat and religion is reflected in the expression “*adat game luih game*” (adat is based on religion or shara’) and “*agame bewadah, beteken, betatah adat*” (adat adorns/embellishes religion).

Furthermore, the convergence between the values of local institutions and the principles of cooperatives shows that the principles of dispute resolution in the local institutions of the Sasak people are in line with the demands of the modern world, especially the settlement of sharia cooperative financing disputes. Some important points of local wisdom values in the local institutions of the Sasak people in dispute resolution that are in line with the principles of sharia cooperatives can be identified as follows:¹³

a. Divinity and self-control

In Sasak community, this principle of divinity is found in the expression “*betegel leq reden Neneq*”. This principle means that in reconciling the dispute must be based on the spirit to carry out the orders of Allah SWT. This means that whatever results are obtained in local institutions must be carried out with full responsibility by expecting the pleasure of Allah SWT. For a mediator, this principle means that when mediating the disputing parties, it must be embedded in the heart that whatever the outcome of the mediation process is as long as it is intended for Allah, it will be recorded as worship.

b. Equality

The Sasak community refers to this principle in an expression “*doe sopoq, bareng ngepe*”. This means that dispute resolution in local institutions should not discriminate against gender, ethnicity, religion or social status. All people have equal standing and rights to be treated equally. For this reason, the mediator must ensure that the parties are equal before the law. People who ask for their disputes to be mediated in local institutions must be ensured to obtain their rights in accordance with applicable rules. This principle is very important because it will eliminate or at least reduce the subjectivity of the mediator in helping the parties resolve their dispute.

c. Kinship and harmony

Sasak custom “*awak sopoq, saling peririq, saling angkat, saling ajinin, saling sedok*”. The application of the principle of harmony / kinship in dispute resolution is an effort by the mediator to reconcile the parties to the dispute so that the mediation process prioritizes the

“Jurisdictional Perspectives on Alternative Dispute Resolution and Access to Justice: Introduction,” *International Journal of Law in Context* 16, no. 2 (June 2020): 103–107.

¹² Nita Triana, “Reconstructing Sharia Economic Dispute Resolution Based on Indonesian Muslim Society Culture,” *Ijtima' iyya Journal of Muslim Society Research* 2, no. 1 (March 31, 2017): 112.

¹³ Nasri, Lalu Sajim Sastrawan, and Lalu Sabardi, *Mengenal Bale Mediasi* (Mataram: Bale Institute, 2021), 60–63.

spirit of kinship. In addition, the spirit of harmony/family in resolving disputes will also ensure the establishment of a comfortable, respectful and loving atmosphere between the parties. With such an atmosphere, it will create intimacy so that the atmosphere built in the mediation process will be able to find a bright path in finding the best solution to the dispute faced.

d. Consensus deliberation

Sasak custom: "*Soloh*" in the dispute resolution decision-making process, it must apply the principle of deliberation to reach consensus based on the rule of law and the rule of ethics that are recognized and / or agreed upon together. Therefore, the decision-making system in dispute resolution through local institutions must be oriented towards efforts to from time to time close the distance between the parties. This shows that the way of resolving disputes by deliberation for consensus according to the principles in Alternative Dispute Resolution which avoids hostility between the parties has been deeply rooted in the Sasak community

e. Justice

Sasak custom: "*endeq naraq bine kire, tarik nyacap*". The principle of justice to be achieved in the local wisdom-based mediation process is communal justice. Justice where no party feels disadvantaged by any peace agreement taken by the parties facilitated by the mediator. This justice is very important to uphold as a joint of the life order of a society that still upholds religious and customary values. The higher the value of communal justice is realized, the more the integrity and harmony of community life will be maintained.

In addition to the convergence above, there are at least three reasons why local wisdom values including important local institutions need to be empowered and functioned in the settlement of sharia cooperative financing disputes, namely:¹⁴

- a. Every community grows and develops with traditions or local wisdom that has long been embedded in their daily lives. Many values of wisdom have been integrated into their lives and used as a foothold in facing and overcoming various life problems.
- b. It is not easy to adopt a legal norm as part of foreign religious and cultural values, especially if it is taken for granted. This will have an impact on the process of rebuilding and can even lead to the deconstruction of local wisdom values of the community.
- c. There is a new tendency or awareness of the importance of making breakthroughs that are cross-cultural understanding by making efforts to converge local values with the spirit of modernism to create synergy towards success.

Departing from this, the existence of local institutions of the Sasak tribe as an alternative dispute resolution institution outside the court can actually be a catalyst in realizing a more equitable dispute resolution. This is possible because the dispute resolution mechanism through local institutions is rooted in the traditional system (customary law), based on self-regulation, and in the current context there is room for integration with the formal legal system (court). The United Nations Commission on Legal Empowerment of the Poor has even recognized the importance of using non-formal dispute resolution mechanisms that grow and are familiar with community life.¹⁵

¹⁴ Agus Triyanta, *Hukum Ekonomi Islam Dari Politik Hukum Ekonomi Islam Sampai Pranata Ekonomi Syariah* (Yogyakarta: FH UII Press, 2012), 195.

¹⁵ David McQuoid-Mason, "Could Traditional Dispute Resolution Mechanisms Be the Solution in Post-Colonial Developing Countries - Particularly in Africa," *Oñati Socio-Legal Series* 11, no. 2 (2021): 594.

2. Prospects for Dispute Resolution of Sharia Cooperative Business Financing through Local Institutions of the Sasak Tribe Community

The existence of local institutions in dispute resolution is closely related to the values of local wisdom that live and develop in the community. Local wisdom or traditional knowledge as conveyed by Natalia Hanazaki¹⁶, is a term that is often used to refer to a set of knowledge, beliefs, value systems, norms that are compiled, embraced, and practiced by local communities that are adaptive based on their understanding and experience in interacting with the environment. Sean Byrne¹⁷ quoting Eko and Putranto provides almost the same understanding, namely "local wisdom as including a set of philosophical values and knowledge shared by a group or society based on their interactions with their natural and social surroundings".

Understanding dispute resolution through local wisdom-based institutions (*musyawarah mufakat*) as a customary dispute resolution mechanism, can be interpreted as an effort to revive the cultural values of the community that have been forgotten due to the strong understanding of legal positivism. As a nation rich in cultural values, customs and traditions, the state should provide space and facilitate the community to empower local wisdom values, including in resolving sharia cooperative business financing disputes. The essence of dispute resolution through local institutions is to maintain the balance and harmony of human relations. On this side, the spirit of integrity and the spirit of kinship in cooperatives is very much in line with the spirit of local institutions in resolving disputes.

The practice of dispute resolution by consensus through local institutions is a customary practice that has long lived and developed and recognized by the laws and customs of various regions in Indonesia, including the Sasak tribe in Lombok NTB¹⁸. Research conducted by LP3ES in 2006 on forms of dispute resolution in the Sasak community in Lombok showed that generally people avoided resolving cases in court and tended to use the help of community leaders (*dusun* heads, village heads and religious leaders). In resolving civil disputes, for example, out of 90 cases, around 34 cases (38%) went through the court and 56 cases (62%) were resolved through mediation/peace. The choice of settlement through peaceful channels, by the Sasak people in Lombok because it is considered simpler, low cost, the process is fast and the most important thing is that the kinship is maintained.¹⁹

The practice of dispute resolution through local institutions in the Sasak tribe can also be confirmed from research conducted by the World Bank in 2004. The research sought to identify dispute resolution mechanisms and institutions, processes, norms and actors involved in dispute resolution at the local level based on local wisdom on the island of Lombok. Some important points from the research are:²⁰

- a. There is a customary village structure, which the Sasak people call *pemusungan* with integrated leadership consisting of *Pemangku Adat*, *Penghulu* and *Pemusungan*. This Trias Politica model

¹⁶ Natalia Hanazaki, "Local and Traditional Knowledge Systems, Resistance, and Socioenvironmental Justice," *Journal of Ethnobiology and Ethnomedicine* 20, no. 1 (January 4, 2024): 1.

¹⁷ Sean Byrne, *Civil Society, Peacebuilding and Economic Assistance in Northern Ireland: Local Knowledge, Wisdom and Practices*, Routledge studies in peace and conflict resolution (Abingdon, Oxon ; New York, NY: Routledge, 2024), 5.

¹⁸ Muh. Arief Syahroni, Arief Rachman Hakim, and Frans Simangunsong, "Bale Mediation As A Dispute Settlement Institution Outside The Court (Study On Bale Mediation, East Lombok Regency, West Nusa Tenggara)," *International Journal Of Community Service* 2, no. 4 (November 30, 2022): 467.

¹⁹ Suhardi Suryadi, "Pengembangan Lembaga Mediasi Di NTB Catatan Pengalaman" (Presented at the Prosiding Seminar Pengembangan Kelembagaan Untuk Mendukung Mediasi Komunitas Melalui Peran Pemerintah, Pengadilan dan Lembaga Swadaya Masyarakat, Mataram, NTB, November 25, 2014), 33.

²⁰ Takdir Rahmadi, "Pilihan-Pilihan Model Kelembagaan Mediasi Di Luar Pengadilan" (Presented at the Prosiding Seminar Pengembangan Kelembagaan Untuk Mendukung Mediasi Komunitas Melalui Peran Pemerintah, Pengadilan dan Lembaga Swadaya Masyarakat, Mataram, NTB, November 25, 2014), 12-13.

- is a local initiative that integrates the roles of customary institutions, religious leaders and village government.
- b. Trias Politica (village heads, traditional leaders and religious leaders) play a role in developing informal mechanisms for dispute resolution. The Kyai, or Tuan Guru, acts as an advisor as well as a mediator who offers solutions to conflicts/disputes that occur in the community. Despite having a religious background, in mediating and offering solutions Tuan Guru does not require the application of sharia or Islamic law.
 - c. The main types of conflicts or disputes can be handled in the form of:
 1. internal conflicts between community members,
 2. conflicts between communities, and
 3. conflicts between communities and external parties such as private investors or the government
 - d. Informal systems usually handle:
 1. customary cases that are not accommodated in national law and which are resolved by local customary institutions
 2. family and household disputes, which include violence against women and marriage, or divorce proceedings are usually referred to religious leaders, or to adat leaders
 3. minor criminal cases (theft, fights) are often brought to the village administration, and depending on local rules, either resolved by this office or given to adat leaders to mediate between the parties
 4. land disputes are the most dominant type of dispute

In line with the above conditions, in an interview with the management of Islamic cooperatives, it is hoped that the existence of local institutions can help resolve disputes that occur between cooperatives and members. Sarni, one of the administrators of the BMT Tunas Harapan Syariah Cooperative said:²¹ "We hope that there is an institution that can assist in resolving disputes in cooperatives without having to go to the police or to court. So far, when there is a dispute that we cannot resolve ourselves, we end up taking it to the police".

What Sarni said shows that the need for a non-formal institution in resolving financing disputes in Islamic cooperatives is very necessary. It is unfortunate if disputes that occur between Islamic cooperatives and their members, which are civil disputes, must end up in the police. This condition is certainly not right because it can create a bad impression for Islamic cooperatives, besides that civil disputes are not the authority of the police.

The expectations of the sharia cooperative management above are in line with the spirit of the local government. This can be seen from the recognition by local governments of local institutions as dispute resolution institutions. At the NTB provincial level, the recognition of local institutions is emphasized through NTB Provincial Regulation Number. 9/2018 on Bale Mediation. This local regulation is a legal innovation carried out by the provincial government in institutionalizing alternative dispute resolution at the local level. In addition, the presence of Bale Mediasi can also be seen as a recognition by the local government of the values of local wisdom, especially in dispute resolution.

The NTB provincial government's innovation then inspired several districts/cities on the island of Lombok to do the same. There are 5 (five) districts/cities that currently have regulations governing local institutions as out-of-court dispute resolution institutions. In more detail, the districts/cities referred to are as follows:

²¹ Sarni, "Interview," January 10, 2025.

Table 2. Regulation of district/city local institutions on the island of Lombok

No	District Name	Type of Regulation	Name of Local Institution
1	Mataram city	Regional Regulation of Mataram City Number 3 of 2015 concerning Krama Adat Sasak	Krama Adat Sasak
2	Mataram city	Mataram Mayor Regulation Number 40 of 2019 concerning Bale Mediation	Bale Mediasi
3	West Lombok Regency	West Lombok Regent Regulation Number 47 of 2019 concerning Bale Mediation	Bale Mediasi
4	North Lombok Regency	North Lombok Regent Regulation Number 20 of 2017 concerning Guidelines for Majelis Krama Desa	Majelis Krama Desa (MKD)
5	Central Lombok Regency	Central Lombok Regent Regulation Number 35 of 2019 concerning Bale Mediation	Bale Mediasi
6	East Lombok Regency	East Lombok Regent Regulation Number 37 Tahun 2019 concerning Establishment of Bale Mediation	Bale Mediasi

Source: Bale Mediasi NTB, 2024

The existence of local institutions in dispute resolution reflects the importance of preserving and integrating local wisdom values into the national legal system. The consensus-based mechanisms rooted in community traditions, as practiced by the Sasak people in Lombok, demonstrate that culturally grounded approaches are not only relevant but also more effective in resolving conflicts peacefully, efficiently, and at low cost, while maintaining social harmony. The formal recognition by local governments—through regional regulations such as those establishing Bale Mediasi—strengthens the strategic role of local institutions as alternative dispute resolution mechanisms outside the court system, including in cases involving Islamic cooperative financing disputes. This study, therefore, is significant in promoting a model of dispute resolution based on substantive justice, emphasizing not only legal certainty but also utility and the human values embedded in community practices.

V. Conclusion

The results showed that the existence of local institutions of the Sasak tribe as an alternative dispute resolution institution out of court is very urgent to function to resolve sharia cooperative financing disputes. This is reinforced by the convergence between the principles and principles of sharia cooperatives and the principles of dispute resolution in the local institutions of the Sasak tribe. In addition, enabling local institutions can be a catalyst in realizing more equitable dispute resolution. This is possible because the dispute resolution mechanism through local institutions is rooted in the traditional system (customary law) which is based on self-regulation, and in the current context there is room for integration with the formal legal system (courts).

In addition, the prospect of local institutions to resolve sharia cooperative business financing disputes is very open, this is supported by the existence of a legal umbrella initiated by

the NTB provincial government through Regional Regulation Number 9 of 2018. The presence of this regional regulation then inspired several districts / cities on the island of Lombok to do the same by issuing legal umbrellas in the form of district/city regulations and regent/mayor regulations. The existence of these various legal umbrellas is evidence of the local government's recognition of local institutions, especially in resolving disputes. On the other hand, to realize the settlement of Islamic cooperative business financing disputes through local institutions, it is necessary to strengthen human resources related to Islamic economics, especially Islamic cooperatives for administrators and traditional leaders involved in local institutions.

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