

The Relevance of *Wrddhi Grhiyad* Concept as a Basis of Money Loan Agreement in the Transaction of Pakraman Village Credit Institution in Bali

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ABSTRACT

Village credit institution obtains its philosophical roots from Hindu religion, as it is regulated in the book of Sarasamuccaya in part I (Purpose of life), sloka 15 and sloka 16. Sloka has its definition in which purpose to fulfill kama (happiness), artha (wealth) and moksa (freedom from the binding of happiness, worldly pleasures) as humanity purpose of life. It is a must that human has an obligation to remind that such needs should be fulfill along with dharma (religion). Pakraman village credit institution as Hindu business entity should make the value and adat/custom law as a guidelines in the operational system of village credit institution, include also in creating product and money loan agreement. The concept of Wrddhi Grhiyad should be included in the village credit institution operational system that based on awig awig. The essence of Wrddhi Grhiyad is a money interest that may obtain where the money has increased. Loan based on Wrddhi Grhiyad used based on the basis of catur warna based on type of work. The implementation of Wrddhi Grhiyad in its basis form stimulated by strong will to implement spiritual value in business life, yet if the concept of Wrddhi Grhiyad implemented in the Pakraman village credit institution operational system in Bali, it will fulfill the prosperity of life based on Dharma as it is called as Dharma Sidhiyarta. The fulfillment of prosperous society in Hindu concept known as Dandha Niti called as Catur Purusa Artha (dharma, artha, kama, moksa)

Keywords: Wrddhi grhiyad, loan agreement, credit institution

INTRODUCTION

The effort to develop Indonesia community is such a work that needs such a capital and sustainably action. Capital is the most important thing in economy activity in which it means within the existence of capital, business activity will goes successfully, though there is adagio that said capital is not above all things, yet without capital we can do nothing.

Capital that used to create economic growth may source from national source and foreign source. Some of the sources may classify, as society saving that become potential capital in economy activity. Yet this potency may bring advantages for economic development, so that it will need to circulate for group of society who needs capital for the purpose of productive activities. In the effort of maintaining monetary cycle and needs of capital, the existence of institution that has authorities to maintain monetary issue is needed, in which this institution known as financial institution.

Bank is a financial institution that has authorities to circulate funds for the purpose, such as: work capital, investment, and consumption, while non-bank financial institution use for the purpose of investment. However, this does not mean non-bank financial institution allows circulating fund for the purpose of work capital and consumption

Based on Law number 10 years 1998 on the amendment of Law number 7 years 1992 on Bank, it is defined that banking financial institution consists of commercial bank and village

bank. Both of commercial bank and village bank may choose to conduct its business on the basis of conventional and/or sharia principles.

Latest development of banking world in these days as it is also in accordance with Law number 10 year 1998 on Banking provide recognition upon the existence of conventional bank and bank with sharia principle. The existence of bank with sharia principle is known as sharia bank, or a type of bank, which operates without the role of interest. Syria bank is a type of financial/banking institution that develops based on the basis of Al-Qur'an and Hadiths Nabi SAW, or in another meaning sharia bank is a type of financial institution which has main business in provide financing and other service in payment traffic and money circulation that operates in coherence with Islamic Syria Principle

One of the spirit in existence of sharia principle is based on the opinion that the interest system operates by conventional financial institution is haram. Based on this consequence, Islam ought to find solution above the financial system that work on the basis of interest. One of the develop system to avoid the practice of *ribawi*, by inventing profit sharing system or known as *mudharabah*. Thing that need to assure in the practice of sharia bank is where the business character of this institution has its own identity that distinct itself from the common business practice in conventional banking practice. Business that operates in sharia banking system also full of sharia value and law that not only prioritize material profit. Yet Islam also use as a guidance in the core of business in sharia banking system, in order to make the business of sharia banking different with other practice of conventional banking business system

In Bali itself, there is typical financial institution that known as village credit institution, that operates its activities based on Hindu values or concept.

Village credit institution which will abbreviate as LPD (Lembaga Perkreditan Desa/Village Credit Institution) is a type of LPD that work under the jurisdiction of village service non LPD own by custom village, since the establishment of Perda Bali Province number 3 year 2001 on Pakraman village.

LPD is a type of pakraman village community financial institution that has communal nature and work in the field of economy social, though it has its religious aspect. The existence of LPD that belong to the society custom village community also needs for its recognition, respect, protection and being provide with space of living in the strong life of nation

Capital circulation from LPD to village krama also has its role in enhancing growth rate of small/micro industry, so that it will bring such an effect on the economic growth of village krama. Yet, related with this issue it will need a further studies whether as its role as Hindu community financial institution, it is a common practice to apply the aspects of credit agreement based on Hindu. Yet in this relationship, Hindu has its own aspect called as *Wrddhi Grhiyad* that need for its further studies for the essence of its meaning. It is also relates with its importance relevance to study, so that it will become the background of equitable loan agreement.

Pakraman LPD in Bali that use Hindu concept in its work has willingness to operate economy system that based on Hindu value. The appliance of moral loan circulation or as it is based in Hindu concept as *Daana Yang Satvika* and the concept of good/halal interest appliance or based in Hindu concept called as *Wrddhi Grhiyad* is a newbie and has not reach to an agreement to be applied in conventional banking system, yet also in LPD above the determination of interest concept based in Hindu concept as it is applied in banking system, especially in financial institution in Bali, like LPD Pakraman which has growth and develop from the society environment, as it is needed by Balinese society. The loan concept in Hindu

also known as *Wrddhi Grhiyad* as it is the same with the loan concept in Islamic (Mudharabah) sharia bank.

The recent LPD Pakraman in Bali in its operational action and product has not applied the concept of loan based on Hindu (*Wrddhi Grhiyad*), because in its application LPD Pakraman Bali work in coherence with the regulation established by Bali Development Bank, which will abbreviate as BPD Bali as supervisor bank of LPD Pakraman in Bali. Though, there is urgency to make the concept of *Wrddhi Grhiyad* become one of the main regulations in determining bank interest from BPD Bali, which has authority upon supervising LPD Pakraman in Bali

THE RELEVANCE OF *WRDDHI GRHIYAD* CONCEPT AS A BASIS OF MONEY LOAN AGREEMENT IN THE TRANSACTION OF PAKRAMAN VILLAGE CREDIT INSTITUTION IN BALI

Loan activity is an activity that is needed to support the development of economic activities and to improve people's lives. Financial institutions are involved with the activities of lending and borrowing money, which is means conventional bank. The existence of banks and LPD as a financial institution owned by pakraman village in Bali has shown a lot of support toward capital fulfillment for economic activities by giving loan. What to be concern on loan activities is what in return may give to the borrower to the lender. This yield known as interest and interest that give by financial institution is justified according to Hindu.

An activity to have interest based on Hindu is a type of activity that justify by Hinduism as long as the activity will bring profit for both parties. An activity to have interest can be seen in Manawa Dharmasastra VIII.142 that explained:

Dvikam trikam catuskam ca pancakam ca satam samam, masasya vrdhim grhiyad varnanam anupurvasah".

(Only two in each hundred, three, four and five and no more than that, he/she may accept interest per month based on the class regulation)

The meaning of above sloka is that the money interest only allowed charging for two percent and maximum for five percent for the borrower who has resulted profit in its work (*vrdhim grhiyad*). The interest that charged should be in accordance with the classification of work.

The term "*Vrdhim Grhiyad*" means to take what have resulted. *Vrdhim* or *Wrdhim* means develop, while *Grhiyat* or *Grhiyad* means to take. The meanings of *Vrdhim/Wrdhim Grhiyad* adalah money interest that may take where the money has growth for the purpose of goodness and has resulted on "*have*" (*punia*).

The meaning of interest based on sloka VIII.142 in Manawa Dharmasastra is acceptable, because the interest that has regulates by the lender allowed to take when the money has resulted or bring profit for borrower

To conduct a money interest for the purpose of goodness based on Manawa Dharmasastra VIII.140 mentioned:

Vasisthavihitam vrdhim srjedvittavi vardhinim, asittibhagam grhniyan masa dvarddhusikah sate".

(The party who is in charged with money interest may take into account as an additional of capital, as an interest, it is allowed by Vasistha and take into account per month in the amount of eighty parts of a hundred)

But in Manawa Dharmasastra VIII.141 mentioned:

“Dvikam satam va grhniyad satam dharma manusmaran, dvikam satam hi grhnano na bhavatyartha kilbisi”

(By remembering the obligation of good person, he/she may accept two per hundred, because they only takes two per hundred and they are not sinful because of the result)

The essence of interest according to the Hindu concept perfectly acceptable in today's conditions, because the money interest should be taken after the loan has been granted to a person in favorable result. The implementation of Grhiyad Wrddhi will bring positive impact to improve the welfare of village krama particularly and Balinese society generally. Bank or LPD Pakraman can simply set an interest rate to the borrower, but this condition would be detrimental to parties, the borrower and the lender itself. This means that the money that obtain interest will have purpose, not only to increase profits for the bank / LPD, but in the other side with the use Wrddhi Grhiyad it will bring the economy of village krama, and finally will result in a happy, fair and prosperous society as it is mentioned in Sarasamuccaya 262.

An activity to gain interest based on Hindu Holy Scripture must start with a good management, and an analysis toward the parties that allows obtaining money to borrow, in order to increase people society or village krama economy condition in an agreement. Yet the practice to provide loan is make into an agreement, so that it will have authority and legal protection for both parties that conduct loan agreement.

An important issue to be considered in the practice of loan agreement is the requirement for the validity of agreement itself, since an agreement which is resulted without considering the requirement of valid agreement itself, will resulted in null and void condition. Related with the requirement of agreement as it is regulates in article 1320 Indonesia Civil Code, stated that there are 4 aspects for the validity of an agreement:

1. Consent between those who bound in the agreement
2. Parties capacity to make an agreement
3. Specific subject
4. An admissible clause

Agreement in Manawa Dharmasastra also known as Karanam , which in the explanation of VIII.154 Sloka stated that the agreement or Karanam must be specific and the agreement may means verbally or unwritten as long as it is conduct in front of witness. It means that the agreement or karanam may consider valid with unwritten agreement between parties.

Rules on agreement regulates in Artha Sastra in Book seven chapter VI part 112 that regulates on “ conditional agreement, unconditionally and without defector”

Agreement that regulates in Manawa Dharmasastra and in Artha Sastra imply that agreement in Hindu may conduct in unwritten and written way, meaning that consent is the core of a agreement or karanam, although in Sloka VIII.154 allows agreement or karanam emphasis on trust element, and this statement strengthened again in Book seven chapter vi.112.13, stated that

Because you want to conquer an evil enemy, hasty, insulting, slow, or do not know, he must create trust with the agreement and said. 'Our alliance' without specifying the place, time or purpose, and after finding enemy weak points, attack; these (agreement) is a type of unconditional agreement ”.

This kind of trust is the earliest occurrence of agreement, includes also loan agreement in LDP, because trust aspect toward village krama or village krama trust toward LPD resulted on loan relation. However, to strengthen the law in a written way, it is intended as accurate

evidence, so that the parties that conduct loan agreement will remember their obligation and legal implication upon the violence of agreement.

The agreement that creates legal effect is an unflawed agreement, or disability occurs in the agreement are not known with disabilities. The disabilities as it is regulates in article 1321 Indonesia Civil Code may happen due to:

No agreement is of any value if granted by error, obtained by duress or by fraud

In Artha Sastra Book Seven Chapter VI.112. 16 stated that:

Of the agreement, (there is occur) desire an agreement that has not been held, sticking to an agreement that has been made, put aside agreements that made and to fix what is improper.

While there is fault in a agreement, then the agreement may in null and void condition as it is regulates in article 1449 Indonesia Civil Code stated that:

Contracts concluded under duress, or due to error or fraud, shall result in a legal claim to nullify such agreement.

Indonesia civil code, Manawa Dharmasastra or Artha Sastra regulates on a valid agreement, however when there is agreement that has default condition, then the agreement may in null and void as it is regulates in Artha Sastra and there is modification in the agreement, so that it will fix the agreement itself

The loan agreement that conducts by LPD in written form may make in a standard contract that has prepared by LPD. Such consent in the form of agreement may determine about the parties that will conduct the loan agreement.

The parties based on Manawa Dharmasastra in sloka VIII.141 stated "*na bhavatyartha kilbisi*" that means to obtain artha like that does not mean someone sinful (*kilbisi*). Moreover, related with this explanation it is said in sloka VIII.141 stated that: related with the loan for each month, it is divided into four categories:

- a. *Brahmana* (priest)
- b. *Ksatriya* (leader)
- c. *Vaisya* (merchant)
- d. *Sudra* (worker)

Agreement based on Artha Sastra Book Three Chapter 1 part 57 regulates on "Transaction Determination (valid and invalid). The parties that consider as invalid agreement based on Artha Sastra regulates in Book Three Chapter 1.57.12.

Based on the explanation from the parties who are able and unable to conduct such agreement above, it can be concluded that principally the requirement of parties who are able or unable to perform an agreement based on Indonesia Civil Code and based on Hindu value, occurs similarity. Even the parties who cannot perform the agreement will describe in more complete aspect, rather than it regulates in Indonesia Civil Code. This condition show that Hindu is regulates various aspect in life, includes also in an agreement.

The parties who able to conduct loan agreement based on Hindu value are:

1. LPD as village financial institution
2. Village krama, that divides into four type of worker. The classification of the work from village krama, aims to determine the sum of interest provide for each class based on each work or earned income. The difference in determining loan based on

each work and earn obtain by village krama, and it will bring justice value in loan agreement based on Hindu value.

The parties entered into an agreement in the terms of national civil law in terms of Manawa Dharmasastra and Artha Sastra, that the parties must comply what has been agreed, as it is in accordance with Article 1338 Indonesia Civil Code, namely:

All legally executed agreements shall bind the individuals who have concluded them by Law. They cannot be revoked otherwise than by mutual agreement, or pursuant to reasons, which are legally declared to be sufficient. They shall be executed in good faith.

Such a consent without cause, or a type of agreement that made due to fraud or forbidden, as it is regulates in article 1335 Indonesia Civil Code is included in inadmissible clause. The term of inadmissible clause regulates in Srasamuccaya 264. The regulation on inadmissible clause also stipulated in Artha Sastra Book three, Chapter 1.57.3. That determine:

“For those who perform (such a transaction) will lead for its existence and will be punished with lowest fine for the harmful action.”

What means by above word, if loan agreement in LPD with Wrddhi Grhiyad concept Based on fraud factor, for example a fraud happen in the case to pay the interest, Although the loan has resulted, or the borrower admit as weak economy class, so That he/she will receive an easier interest facility or the facilities offer by Wrddhi Grhiyad concept. If this issue is proven, the fraud action will classified as inadmissible reason and it will give legal implication such as the sanction that goes along with LPD regulation of each pakraman village.

Wrddhi Grhiyad is one of the many values of local wisdom possessed by the Balinese, that may applicable and relevant to be used as guidelines in the management of financial institutions especially LPD Pakraman, in which its legal basis is awig awig, which was supposed to be in the management of LPD pakraman that use the values of local wisdom comes from the teachings of Hinduism. It is also the same with Syria banking system that uses Islamic value in its operational methods. Even, the existence of Islamic banks have recognized in Republic of Indonesia. A juridical normative recognition has been provided in Indonesia legal system, which is in Law number 7 year 1992 on Banking that introduce “sharing principle” in national banking activities

A business characteristic of Syria banks is having its own distinct identity with the common mainstream of business practice in conventional banking practices. Syria Bank in its operational system and product development based on Al-Quran and the Hadist of Prophet Muhammad SAW. LPD is a financial institution owned by Pakraman in Bali that have a legal basis awig awig Pakraman village. LPD Pakraman in carrying out its financial activities is not solely engaged in socio-economic field mission, but it will rather keep cultures and aspects of religious life.

One of the encouragement to introduce the application of Wrddhi Grhiyad concept in LPD transaction is based on the idea that the interest system operates by conventional bank is haram based on syariah bank, so that syariah bank use profit share system to avoid the practice of ribawi. Based on these consequence, LPD Pakraman should apply the concept of Wrddhi Grhiyad, where the imposition of interest is not forbidden, yet the imposition of interest will apply when the provided fund has develop and resulted.

LPD Pakraman, in its process of looking for profit not only based on the calculation of worldliness materially beneficial, but it also concerns the process that leads to gain happiness through Yadnya Spiritual and Dana – punya through the concept of Wrddhi Grhiyad. If this Grhiyad Wrddhi concept can implement Bali Pakraman LPD operational system, then life

welfare will be achieved by Dharma called Dharma Sidhiyartha. This Welfare achievement is in line with the opinion of Rsi Usana namely: Public peace in Dandha Niti concept will be achieved as so-called "Catur Purusa Artha": Dharma, Artha , Kama in the world (sekala) to get Moksha (niskala).

Table 1. Difference between Sharia Bank, Conventional Bank and LPD Pakraman

| <i>Character</i> | <i>Sharia Bank</i> | <i>Conventional Bank</i> | <i>LPD Pakraman*</i> | <i>LPD with Wrddhi Grhiyad Concept**</i> |
|------------------------------|--|---|-------------------------------------|---|
| Existence and Legality | Islamic Law and Positive Law | Positive Law | Awig-awig and Positive Law | <i>Manawa Dharmasastra, Sarasamuccaya, Awig-awig Manawa</i> |
| Product Legal Basis and Akad | Islamic Law and Positive Law | Positive Law | Awig-awig and Positive Law | <i>Dharmasastra, Sarasamuccaya, Awig-awig</i> |
| Function | Economy and Social (Religious) | Economy | Economy and Religious Cultural | Economy Religious and culture |
| Business Orientation | Profit and Falah Oriented | Oriented Profit | Economy social and cultural economy | Economy religious and culture |
| Operational Principle | Based on sharia principle) profit sharing, sales, lease and loan | Based on conventional principle on interest | Based on interest concept | Based on Wrddhi Grhiyad concept |
| Investment | Halal | Halal & Haram | <i>Dharma</i> | <i>Dharma</i> |
| Bank Relation with customer | Partnership and Equal | Debitor and Creditor | <i>Village krama and member</i> | <i>Village krama and member</i> |
| Profit Determination | Cooperative agreement | One sided by bank | One sided by LPD | Based on <i>Wrddhi Grhiyad</i> concept |
| Real Use of Fund | Real (<i>User of real funds</i>) | Creator of money supply | Fund collector, fund circulator | Fund collector, fund circulator |
| Monitoring | Bank Indonesia, the National Sharia Board and Sharia Supervision | Bank Indonesia | Local Development Bank of Bali | Specific institution like Sharia |

Source: Adapted from various sources

* Current LPD

** Research recommendation

The confidence between the reason to apply Wrddhi Grhiyad concept in LPD Pakraman operational system will provide such a great benefit above all parties (Bali provincial government, LPD and Village krama Pakraman). Village krama Pakraman will gain relief in conduct various loan transactions. In the other aspect, the concept of Wrddhi Grhiyad will bring positive effect for the development of LPD Pakraman in long term action. A significant changes also happen upon business value, work, and to give such a life perspective into spiritual value, that may become the main enhancement in the development process of Wrddhi Grhiyad in LPD in a long term action. Yet, the role of custom in Hindu community life in Bali will enhance the realization of the development and application of Wrddhi Grhiyad concept.

CONCLUSION

1. LPD Pakraman as community financial institutions on custom communities in Bali is traditional institutions that are not merely nuanced socio-economic, but it also has cultural-religious character, relating to compliance and enforcement obligations of skala world (nature of life in the world) and niskala (natural life in heaven), from village krama pakraman and the limited operational area on pakraman village area, so that it will form a community financial community. LPD generally has its function as financing agreement for various religious activities, cultural heritage preservation and village environmental conservation, which is also in the context of maintaining the integrity of the Pakraman social system. LPD get its roots of philosophical from Hindu religion, since it is regulated in Sarasamuccaya in part 1 (purpose of life), sloka 15 and sloka 16. Those sloka implies in order to fulfill with the needs of kama (happiness), artha (wealth), and moksa (freedom from bind of pleasures and worldly pleasures) as humanity purpose of life, so it will be best for human to remind well that kind of needs should be fulfilled by Dharma (religion). LPD Pakraman as a Hindu business entity should make value and custom law as guidelines in LPD operational; include also to create a product and loan agreement. Wrddhi Grhiyad should be included in LPD operational that base in awig awig. What becomes the essence of Wrddhi Grhiyad is the money interest that may take when the money has growth for goodness and has brought “punya” (result). Wrddhi Grhiyad regulates in Manawa Dharmasastra VIII.142. The meaning of sloka VIII.142 is that money interest may apply when the money has resulted on profit. Interest that obtains in the concept of Wrddhi Grhiyad will be borne based on type of work from borrower/ village krama of borrower. The imposition of interest in the concept of Wrddhi Grhiyad is not consider as sinful
2. Life pattern of Balinese are very religious, with a very strong Hindu influences. The existence of strong belief above religious value in Balinese life makes it difficult to identify which is Balinese aspect of life that originating from culture, tradition or Bali indigenous tradition and which aspect may influenced from religion. This condition due to the purpose of the law and the concept of the Hindu community living in Bali is to achieve balance and harmony in relationship between God, human beings and the environment, which is often referred to as the Tri Hita Karana. The livelihood of the Balinese, when associated with the application of the LPD Pakraman Wrddhi Grhiyad concept in Bali , where LPD Pakraman act as a populist institution that drives the economy of village communities especially in indigenous areas (Pakraman villages) , which is the basis of LPD in Bali. Implementation of the Wrddhi Grhiyad concept basically stimulated by the strong desire by many parties to apply spiritual values in business life. Generally, encouragement to apply spiritual values in business life is enhancing by several things: (1) problems of traditional work, which weighs the work itself, but the result is not much. Work is just simply to meet the needs of standard or merely survive, (2) employment problem when someone working under the greedy business owners and prioritizing profits alone, (3) problems of white-collar work , where work is the only purpose of life, to put economic value terms in major, so it appears the concept of a workaholic. LPD Pakraman itself, in the process of looking for a profit is not only based on the calculation of worldliness materially beneficial, but it also based on the process that leads to gain happiness through Yadnya Spiritual and Dana – punya through the implementation of Wrddhi Grhiyad concept. If this Grhiyad Wrddhi concept can be implemented in the operational system of Pakraman LPD in Bali, then life welfare will be achieved by Dharma as it is called Dharma Sidhiyartha . Welfare achievement will be in line with the thinking of Rsi Usana in which opinion: Welfare society in the concept of Dandha Niti will fulfill as it is called “catur purusa

artha”: Dharma, Artha, Kama in world (sekala) to reach Moksa (niskala). The faith to apply Wrddhi Grhiyad concept in LPD Pakraman operational system, will provide huge advantages toward many parties. Village krama custom will enjoy relief in conduct various loan transaction. On the other hand, this concept will provide positive effect toward LPD development long term action. A significant change above business value, work, perspective on way of life and spiritual value will become the main stimulation toward Wrddhi Grhiyad concept in LPD for a long term action.

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