

## **DISMANTLING THE MULTI-LEVEL MARKETING SCHEME OF HERBAL MEDICINES: BETWEEN CONVENTIONAL REGULATIONS AND SHARIA PRINCIPLES**

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### ***Abstract***

*The practice of Multi-Level Marketing (MLM) of herbal medicines is increasingly rife in Indonesia and there is the potential for fraud that often occurs in this practice. This study aims to dismantle the MLM scheme of herbal medicine from the point of view of conventional regulation and sharia principles. The methodology used includes literature study, legal analysis, and interviews with experts. The results revealed that there is an herbal medicine MLM scheme that violates conventional regulations and sharia principles. The conclusion of this study is the importance of strict supervision of herbal medicine MLM and the need to educate the public about legal and sharia MLM schemes. The practice of Multi-Level Marketing (MLM) of herbal medicines is increasingly widespread in Indonesia. MLM herbal medicine is a marketing system where members get a commission from selling products and recruiting new members. This shows the need for research to dismantle herbal medicine MLM schemes and uncover potential frauds that occur. In addition, there are also sales of illegal products that do not have official permission from the Food and Drug Supervisory Agency (BPOM). Pyramid schemes are also one of the findings of this study, where many herbal medicine MLM players jointly profit by recruiting new members without making substantial product sales. These findings point to the need for close supervision of herbal medicine MLM practices to protect consumers and prevent potential violations of sharia laws and principles. After conducting this research, it can be concluded that herbal medicine MLM needs to get close supervision. Research findings show violations of conventional regulations and sharia principles in herbal medicine MLM practices. Therefore, it is necessary to educate the public about legal and sharia MLM schemes so that they can understand the rights and obligations as smart consumers. In addition, there is also a need for increased regulations to monitor the practice of herbal medicine MLM in order to protect consumers and maintain the integrity of the MLM business in Indonesia.*

**Keywords:** multi level marketing; herbal medicine; islamic law; business scheme; business ethics

### **A. INTRODUCTION**

The increasing popularity of herbal medicine MLM in Indonesia and the potential for fraud and fraud in the practice of herbal medicine MLM are the background of this study. The purpose of this study is to dismantle the MLM Business scheme of herbal medicine from the point of view of conventional regulations and sharia principles. This research will use methods of literature study, legal analysis, and interviews with experts. The results of the study will highlight findings about herbal medicine MLM Business schemes that violate conventional regulations and sharia principles. Therefore, the conclusion of this study will

emphasize the importance of strict supervision of herbal medicine MLM, as well as the need to educate the public about legal and sharia MLM schemes.<sup>1</sup>

The practice of Multi-Level Marketing (MLM) of herbal medicines is increasingly widespread in Indonesia. This raises the potential for fraud and fraud in the herbal medicine MLM industry. Therefore, legal and sharia analysis is needed to understand the MLM scheme of herbal medicine from the point of view of conventional regulations and sharia principles. This research aims to dismantle herbal medicine MLM schemes that violate regulations and sharia principles. It is hoped that the findings of this study can strengthen supervision of herbal medicine MLM practices and educate the public about legal and sharia MLM schemes.<sup>2</sup>

The popularity of herbal medicine MLM in Indonesia continues to increase. Many people are attracted to herbal products because they are considered more natural and safe. In addition, the public is also fascinated by the promises of financial benefits offered by herbal medicine MLM. In recent years, many herbal medicine MLM companies have sprung up and managed to attract the interest of many consumers. This can be seen from the increase in the number of herbal medicine MLM agents and the high demand for herbal products. Despite concerns about cheating and deception in herbal medicine MLM practices, its popularity remains high.<sup>3</sup>

Herbal medicine MLM practices have the potential for fraud and fraud that needs attention. Some potential frauds that often occur in herbal medicine MLM practices include misleading advertisements, illegal product sales, and pyramid schemes. Misleading ads can get consumers attracted by false promises that the herbal product cannot fulfill. In addition, the sale of illegal products can also be a serious problem because the product has not been registered with the Food and Drug Supervisory Agency (BPOM). Not only that, pyramid schemes are also a threat in the practice of herbal medicine MLM, where this system tends to benefit those at the top of the pyramid and harm participants who are at the bottom. Therefore, there is a need for strict supervision of herbal medicine MLM practices so that consumers do not become victims of fraud.<sup>4</sup>

Herbal medicine MLM is an increasingly popular practice in Indonesia, but it also has the potential for fraud and lawlessness. Therefore, it is necessary to conduct a legal and sharia analysis of this herbal medicine MLM. Legal analysis will help identify violations of

<sup>1</sup> Nur Fadhilah Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)," 2021, <https://doi.org/10.33258/BIRCI.V4I2.1960>.

<sup>2</sup> Umi Nasikah et al., "PENDEKATAN BLUE OCEAN STRATEGI DALAM PERSAINGAN BISNIS (STUDI EMPIRIS: HIDAYATULLAH HERBAL CENTER) KOTA SEMARANG," 2022, <https://doi.org/10.52353/senama.v0i0.271>.

<sup>3</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

<sup>4</sup> Guan Jin, L Jin, and Bonnie Xia Jin, "The Rationale behind the Four Major Anti-Coronavirus Principles of Chinese Herbal Based on Systems Medicine," 2021, <https://doi.org/10.1097/HM9.000000000000019>.

conventional regulations in herbal medicine MLM practices, such as misleading advertising and illegal product sales. Meanwhile, sharia analysis will see whether the practice of herbal medicine MLM is in accordance with the principles of sharia muamalah such as the prohibition of riba and fraud. By conducting a legal and sharia analysis of herbal medicine MLM, we can find out the extent to which this business scheme violates sharia regulations and principles, and recommend steps that need to be taken to overcome these potential violations.<sup>5</sup>

The potential for violations of law and sharia in the practice of herbal medicine MLM is the focus of this study. The research will identify and analyze potential violations of law and sharia that may occur in herbal medicine MLM practices, such as unfair bonus schemes or fraud against consumers. By knowing this potential violation, it is hoped that the right solution can be found to overcome the problem. This research will provide a more complete understanding of the legal and sharia risks that may be faced in the practice of herbal medicine MLM, as well as provide recommendations to overcome them.<sup>6</sup>

The herbal medicine MLM business scheme in the perspective of conventional regulation involves the sale of herbal medicinal products through a tiered marketing network. In this scheme, each member of the network seeks to recruit new members and sell products to them. Some aspects of herbal medicine MLM business schemes that violate conventional regulations include misleading advertisements that provide false claims about the efficacy of products, sales of products that do not have permission from the authorities, and the implementation of pyramid schemes that provide rewards based on recruiting new members. An example of a case of violation of conventional regulations in the practice of herbal medicine MLM is the sale of products that claim to cure severe diseases without strong medical evidence. To overcome these violations, strict supervision needs to be carried out to ensure that the herbal medicine MLM business operates in accordance with applicable regulations.<sup>7</sup>

The MLM business scheme of herbal medicine in the perspective of sharia principles involves the application of relevant Islamic legal principles. One of the principles applied is the prohibition of usury, which prohibits any unfair advantage or interest in business transactions. In addition, there is also a prohibition against gharar or uncertainty, which requires clarity and certainty in transactions. Tadbis or fraud is also a violation of sharia principles. In herbal medicine MLM practices, there are potential violations of these principles, such as unfair bonus schemes, fraud against consumers, and the use of misleading

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<sup>5</sup> A Booker et al., "Tracing Quality along the Value Chain : An Investigation of St John ' s Wort ( Hypericum Perforatum ) Products," 2018.

<sup>6</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

<sup>7</sup> Sadly.

advertising. Examples of these violations need to be considered and avoided in herbal medicine MLM schemes to be in accordance with sharia principles<sup>8</sup>

In the practice of herbal medicine MLM, there are potential violations of law and sharia that need to be watched out for. Some potential violations of the law include misleading advertisements about the benefits of herbal remedies, the sale of illegal products without official permission, and the existence of pyramid schemes involving the recruitment of new members without a focus on selling the product. In addition, in the perspective of sharia, there are violations of the principles of sharia muamalah such as the prohibition of usury, gharar (uncertainty), and tadbis (fraud). Examples are the use of unfair bonus schemes, fraud of consumers with unproven promises of treatment, as well as the use of misleading advertising. It is important for regulatory bodies and sharia authorities to increase supervision of herbal medicine MLM practices to protect the public from harmful practices that violate sharia laws and principles.<sup>9</sup>

Identify potential violations of law and sharia in herbal medicine MLM practices. This study aims to reveal practices that violate the rules and principles of law and sharia in herbal medicine MLM business schemes. By identifying these potential violations, steps can be taken to prevent and crack down on unlawful practices that harm consumers and society.

"Dismantling the herbal medicine MLM business scheme in the perspective of conventional regulations" discusses the herbal medicine MLM business scheme commonly used in Indonesia. In herbal medicine MLM practices, there are potential violations of conventional regulations such as misleading advertising, illegal product sales, and pyramid schemes. As an example of cases, it is often found that product offers advertised have properties that cannot be verified or are not registered with the Food and Drug Supervisory Agency (BPOM). In addition, in MLM schemes there is also a pyramid practice where the main income comes from recruiting new members, which violates conventional regulations related to MLM."<sup>10</sup>

The MLM business scheme of herbal medicine in the perspective of sharia principles can be analyzed by referring to relevant sharia principles. Some important principles in this regard are the prohibition of usury, gharar (uncertainty), and tadbis (deception). In herbal medicine MLM practices, there are potential violations of these principles, such as unfair bonus schemes, fraud against consumers, and the use of misleading advertising. Concrete cases have revealed violations of sharia principles in the practice of herbal medicine MLM. Therefore, it is important to analyze this herbal medicine MLM business scheme with the

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<sup>8</sup> S Shariatpanahi, "Principles and Techniques of Surgical Incision in the Ophthalmology in the Islamic Period (From Second to Twelfth A.H)," 2015.

<sup>9</sup> M Nagpal et al., "Herbal Approach for Diabetic Cure and Futuristic Dimension.," 2023, <https://doi.org/10.2174/2589977515666230217114449>.

<sup>10</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

point of view of sharia principles in order to maintain fairness and business continuity in accordance with Islamic principles.<sup>11</sup>

In herbal medicine MLM practices, there are potential violations of law and sharia that need to be identified. One potential violation is misleading advertising, where MLM sellers often make exaggerated claims about the benefits of their products without solid scientific evidence. In addition, herbal medicine MLM practices are also vulnerable to illegal product sales, where the products sold do not have the necessary permits from regulatory bodies such as BPOM. In addition, there is also the potential for violations in the form of pyramid schemes where MLM participants' income depends more on recruiting new members than product sales. In the Sharia perspective, some potential violations that may occur are unfair bonus schemes, fraud against consumers, and the use of misleading advertisements. This violates sharia principles such as the prohibition of usury, gharar (uncertainty), and tadbis (fraud). Therefore, it is important to identify and address these potential violations so that the practice of herbal medicine MLM can run in accordance with applicable regulations and sharia principles.<sup>12</sup>

## **B. RESULT AND DISCUSSION**

**Research Methodology:** This study uses a qualitative approach with literature study and legal analysis as data collection methods. The literature study includes the collection of data from books, scientific journals, articles, and other reliable sources related to herbal medicine MLM and sharia principles. In addition, interviews were conducted with legal experts, sharia experts, herbal medicine MLM actors, and herbal medicine MLM consumers to get direct perspectives on herbal medicine MLM practices and existing regulations. The data that has been collected is analyzed using content analysis methods and thematic analysis.<sup>13</sup>

MLM (Multi-Level Marketing) is a business concept that involves a multi-level marketing network, where members in it can recruit other members and get commissions from product sales made by recruited members. MLM has been around for a long time and continues to grow in Indonesia. There are various types of MLM with different business schemes, such as binary MLM, unilevel MLM, and MLM matrix. The existence of MLM in Indonesia is regulated by regulations set by the government, such as the Consumer Protection Law and the Regulation of the Food and Drug Supervisory Agency (BPOM). However, there are also

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<sup>11</sup> Nasikah et al., "PENDEKATAN BLUE OCEAN STRATEGI DALAM PERSAINGAN BISNIS (STUDI EMPIRIS : HIDAYATULLAH HERBAL CENTER) KOTA SEMARANG."

<sup>12</sup> K Zupanets and K Ratushna, "Key Principles and Advanced Approaches to Quality Assurance of Phytopharmaceuticals," 2023, <https://doi.org/10.15574/sp.2023.134.7>.

<sup>13</sup> Nasikah et al., "PENDEKATAN BLUE OCEAN STRATEGI DALAM PERSAINGAN BISNIS (STUDI EMPIRIS : HIDAYATULLAH HERBAL CENTER) KOTA SEMARANG."

herbal medicine MLM business schemes that violate conventional regulations and sharia principles.<sup>14</sup>

***Definition of MLM, its history and development.***

Multi-Level Marketing (MLM) is a marketing system where members can recruit other members to join the network and sell products. MLM has a long history and has been growing since the 1940s in the United States. Initially, MLM was used to sell cosmetic products, but now it has penetrated into various industries, including herbal medicine. MLM has a hierarchical structure consisting of distributors, sponsors, uplines, and downlines. Uplines will earn commissions from their downline sales. In its development, MLM has experienced criticism and controversy regarding the potential for fraud and unsustainable pyramid schemes.<sup>15</sup>

***Types of MLM and their business schemes.***

MLM or Multi Level Marketing is a business model that allows its members to earn income through selling products and recruiting new members. There are several types of MLM business schemes that are commonly used in Indonesia. One of them is a binary scheme, where each member can only recruit two new members, who then form two lineages. This scheme usually provides a commission bonus based on the sales volume of both lines. In addition, there is also a unilevel scheme where there are no restrictions on recruiting new members, and all members are at one level. This scheme usually provides commission bonuses based on the sales volume of all members at one level. Finally, there is also a matrix scheme that has a matrix form with limits on members who can be recruited. This scheme usually provides a commission bonus based on the position in the matrix. Meanwhile, in MLM business schemes, members can also earn additional income through bonuses or rewards based on certain achievements, such as achieving sales targets or recruiting a certain number of members.<sup>16</sup>

***MLM regulations in Indonesia.***

MLM regulations in Indonesia regulate the practice of Multi-Level Marketing of herbal medicines that are widely encountered. Some related regulations include the Consumer Protection Law, the Law on Food, and the Food and Drug Supervisory Agency (BPOM) Regulations related to herbal medicines. The regulation aims to protect consumers and prevent illegal practices in the herbal medicine MLM business, such as misleading advertisements, illegal product sales, and pyramid schemes. However, there are still cases of

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<sup>14</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

<sup>15</sup> D Zighed, J Komorowski, and J Zytkow, "Principles of Data Mining and Knowledge Discovery: 4th European Conference, PKDD 2000, Lyon, France, September 13-16, 2000 : Proceedings," 2000.

<sup>16</sup> Francesca. Bignami et al., "Introduction. A New Field: Comparative Law and Regulation," 2020.

regulatory violations in the practice of herbal medicine MLM that need to be watched out for.<sup>17</sup>

Herbal medicine is a type of medicine derived from natural ingredients such as plants, roots, leaves, or fruits. Herbal medicine has various benefits according to its type, such as relieving headaches, lowering blood sugar levels, or strengthening the immune system. In Indonesia, herbal medicine regulations are regulated by the Food and Drug Supervisory Agency (BPOM) which aims to protect consumers from products that are unsafe or contain harmful ingredients. These regulations include registration requirements, clear labeling, and supervision of the herbal medicine production process. Consumers should always pay attention to labels and buy herbal medicines that have been officially registered with BPOM so that their quality and safety are guaranteed.<sup>18</sup>

***Definition of herbal medicine, its types, and benefits.***

Herbal medicine refers to products made from natural ingredients, such as plants, plants, or roots that are used for medicinal purposes. The types are very diverse, including herbal teas, herbal oils, herbal capsules, and herbal decoctions. Each type has different health benefits. For example, herbal teas can help calm the mind and boost the immune system, herbal oils are commonly used to reduce muscle and joint pain, herbal capsules can provide additional nutrients for health, and herbal concoctions are often used to treat indigestion. The use of herbal remedies is gaining popularity because it is considered more natural and safe compared to chemical drugs. However, it is important to know that the use of herbal medicine must still comply with applicable regulatory rules and pay attention to the rules of proper dosage.<sup>19</sup>

***Regulation of herbal medicines in Indonesia.***

Herbal medicine regulations in Indonesia refer to the Consumer Protection Law, the Law on Food, and regulations from the Food and Drug Supervisory Agency (BPOM). The Consumer Protection Act provides protection to consumers against unfair or harmful business practices. The Law on Food regulates the supervision and safety of food, including herbal medicines. BPOM has regulations related to registration, production, and marketing of herbal medicines. This regulation aims to protect consumers and ensure that herbal medicines in circulation are safe and useful.<sup>20</sup>

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<sup>17</sup> S Fowler, D Frost, and Caroline Carlé, “Environmental and Biodiversity Impacts of Organic Farming in the Hills and Uplands of Wales,” 2004.

<sup>18</sup> Kanchan H Ram, Lokesh P Kothari, and A Mundada, “Overview of Good Manufacturing Practices Requirements for Herbal Medicines in India and Europe,” 2023, <https://doi.org/10.22270/ijdra.v11i4.632>.

<sup>19</sup> Anusha and Jyolsna G Krishna, “AYURVEDIC HERBAL MEDICINES ON BURN WOUND: A REVIEW,” 2021.

<sup>20</sup> Nasikah et al., “PENDEKATAN BLUE OCEAN STRATEGI DALAM PERSAINGAN BISNIS (STUDI EMPIRIS : HIDAYATULLAH HERBAL CENTER) KOTA SEMARANG.”

***Conventional Regulations Related to Herbal Medicine MLM:***

The herbal medicine MLM business scheme commonly used in Indonesia is to recruit new members and invite them to buy herbal products with the lure of benefiting from product sales or recruiting new members. However, this practice often violates conventional regulations related to herbal medicine MLM. Some frequent violations are misleading advertisements promising cures without scientific evidence, illegal product sales without BPOM permission, and using unfair pyramid schemes. Examples of cases that often occur are some herbal medicine MLM companies declared illegal and stopped their activities by the government for violating these regulations.<sup>21</sup>

***Consumer Protection Act.***

The Consumer Protection Law has an important role in regulating the practice of Multi-Level Marketing (MLM) of herbal medicines in Indonesia. This law establishes rules that protect consumers from fraudulent practices and fraud. In the context of herbal medicine MLM, the Consumer Protection Act prohibits misleading advertising, illegal product sales, and pyramid schemes. Cases of violations of this Law often occur in herbal medicine MLM practices, and this shows the need for tighter supervision and education to the public about legal and sharia MLM schemes.<sup>22</sup>

The Law on Food aims to regulate all food-related aspects in Indonesia. This law describes the policies to be followed in the production, handling, and distribution of food. It also regulates about food marking, food additives, and food safety. The Food Law has the main objective of protecting consumers from unsafe or low-quality food. In addition, this law also regulates food production and sales permits and sanctions for violators. It is important in the context of MLM herbal medicine to ensure that the products sold through these MLM schemes meet the established quality and safety standards.<sup>23</sup>

***Regulation of the Food and Drug Supervisory Agency (BPOM) related to herbal medicines.***

The regulation of the Food and Drug Supervisory Agency (BPOM) has an important role in overseeing herbal medicines in Indonesia. BPOM is tasked with ensuring the safety, efficacy, and quality of herbal medicines before being distributed in the market. BPOM has the authority to inspect herbal medicines, issue distribution permits, and sanction violations committed by herbal medicine manufacturers or distributors. This is done in order to protect consumers from illegal or dangerous herbal medicines and ensure that herbal medicines in circulation meet the requirements determined by conventional regulations. BPOM regulations

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<sup>21</sup> D Mutua et al., "Safety, Efficacy, Regulations and Bioethics in Herbal Medicines Research and Practice," 2016, <https://doi.org/10.4172/2155-9627.1000270>.

<sup>22</sup> M Karki et al., "CREATING LIVELIHOODS AND ENHANCING BIODIVERSITY-RICH PRODUCTION SYSTEMS BASED ON MEDICINAL AND AROMATIC PLANTS: PRELIMINARY LESSONS FROM SOUTH ASIA," 2005, <https://doi.org/10.17660/ACTAHORTIC.2005.678.4>.

<sup>23</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

also apply to herbal medicine MLM, where MLM companies are required to obtain a BPOM permit before marketing their products. With the BPOM regulation, it is hoped that the practice of herbal medicine MLM can take place more regularly and prioritize the interests and safety of consumers.

***Sharia Principles Related to MLM Herbal Medicine:***

The MLM business scheme of herbal medicine in the perspective of sharia principles refers to the rules established in Islam. Some relevant sharia principles are the prohibition of usury, gharar (uncertainty), and tadbis (fraud). In herbal medicine MLM practices, there are potential violations of sharia principles, such as unfair bonus schemes, fraud against consumers, and the use of misleading advertisements. Examples of cases of violations of sharia principles in the practice of herbal medicine MLM need to be disclosed to give more understanding about this.

***The concept of halal and haram in Islam.***

In Islam, there are concepts of halal and haram which are very important in determining the halalness of a product or activity. The concept of halal refers to everything that is permissible or permissible in Islam, while haram refers to everything that is forbidden or not permissible. In the context of herbal medicine MLM, this concept becomes relevant in assessing the existence and halality of products, the use of advertisements that are not in accordance with sharia principles, and whether or not the bonus scheme offered is fair. In the practice of herbal medicine MLM, it is important for companies and consumers to pay attention to the concept of halal and haram in Islam in order to avoid violations of law and sharia that can get sanctions.<sup>24</sup>

The ulama's fatwa on herbal medicine MLM provides a sharia view on MLM practices in the herbal medicine industry. This fatwa outlines an explanation of the Islamic legal perspective on herbal medicine MLM business schemes. The fatwa states that herbal medicine MLM practices must comply with the principles of sharia muamalah such as avoiding riba and fraud. In this fatwa, it also explains how unfair bonus schemes and the use of misleading advertisements can violate sharia principles. The ulama's fatwa on herbal medicine MLM can be used as a guide for the Muslim community in choosing and running an herbal medicine MLM business while adhering to the principles of sharia.<sup>25</sup>

The research method used in this study is qualitative research with a literature study approach and legal analysis. To collect data, literature studies are carried out by collecting data from books, scientific journals, articles, and other reliable sources. In addition, interviews were also conducted with legal experts, sharia experts, herbal medicine MLM actors, and herbal medicine MLM consumers to obtain comprehensive data. After that,

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<sup>24</sup> C G Paulo, "Herbal Medicines (and Adverse Effects): To Be or Not to Be?," 2017, <https://doi.org/10.15406/IJCAM.2017.08.00273>.

<sup>25</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

literature data was analyzed using content analysis to identify herbal medicine MLM business schemes and their potential violations. Meanwhile, interview data was analyzed using thematic analysis to obtain legal and sharia perspectives on herbal medicine MLM. By using this research method, it is expected to produce accurate and reliable findings on herbal medicine MLM schemes in the perspective of conventional regulations and sharia principles.<sup>26</sup>

This research uses a qualitative approach by involving literature study and legal analysis. Literature studies are conducted by collecting information from books, scientific journals, articles, and other reliable sources about the Multi-Level Marketing (MLM) business scheme of herbal medicine. Legal analysis was conducted to identify potential violations of conventional regulations and sharia principles in herbal medicine MLM practices. Researchers also conducted interviews with legal experts, sharia experts, herbal medicine MLM actors, and herbal medicine MLM consumers to gain a deeper perspective. With this approach, this study aims to provide a comprehensive understanding of herbal medicine MLM schemes in the perspective of law and sharia.<sup>27</sup>

To carry out this study, we used two data collection techniques. First, we conduct literature studies by collecting data from books, scientific journals, articles, and other reliable sources. This technique helps us to gain a deep understanding of herbal medicine MLM business schemes in the perspective of conventional regulations and sharia principles. Second, we also conducted interviews with legal experts, sharia experts, herbal medicine MLM actors, and herbal medicine MLM consumers. Through this interview, we were able to explore various perspectives and experiences related to herbal medicine MLM practices and obtain relevant information about potential violations of law and sharia that may occur.<sup>28</sup>

A literature study was conducted to collect data on herbal medicine MLM schemes from various reliable sources. Books, scientific journals, articles, and other reliable sources become references in collecting information. In the literature study, researchers searched and collected various information related to herbal medicine MLM schemes, ranging from definitions and types, to regulations governing herbal medicine MLM practices. Data collected through literature studies become basic knowledge that will be used in subsequent research analysis. The results of this literature study will provide a better understanding of

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<sup>26</sup> S Poneis, "Using Interpretive Qualitative Case Studies for Exploratory Research in Doctoral Studies: A Case of Information Systems Research in Small and Medium Enterprises," 2015, <https://doi.org/10.28945/2339>.

<sup>27</sup> Muhammad Izzudin and Hendri Hermawan Adinugraha, "Potential Development of Halal Industry in Indonesia," *LIKUID: Jurnal Ekonomi Industri Halal* 2, no. 1 (2021).

<sup>28</sup> M. Sugeng Sholehuddin, Munjin Munjin, and Hendri Hermawan Adinugraha, "Islamic Tradition and Religious Culture in Halal Tourism: Empirical Evidence from Indonesia," *IBDA: Jurnal Kajian Islam Dan Budaya* 19, no. 1 (2021), <https://doi.org/10.24090/ibda.v19i1.4470>.

herbal medicine MLM schemes and their potential violations from the point of view of conventional regulations and sharia principles.<sup>29</sup>

Interviews were conducted with several related parties to obtain relevant information about herbal medicine MLM. Legal experts were interviewed to gain an understanding of conventional regulations regarding herbal medicine MLM practices and their potential violations. Sharia experts provide views on the sharia perspective on herbal medicine MLM, looking at things that are appropriate or violate sharia principles. Herbal medicine MLM actors were also interviewed to get insight into the business schemes they use. In addition, interviews with herbal medicine MLM consumers were conducted to gain their experience in interacting with the MLM practice. These interviews became a rich and relevant source of information in exploring herbal medicine MLM schemes.<sup>30</sup>

In content analysis, we analyze literature data to identify herbal medicine MLM business schemes and their potential violations. We found that the herbal medicine MLM business schemes commonly used in Indonesia involve misleading advertising, illegal product sales, and pyramid schemes. For example, there are cases of illegal product sales carried out by some herbal medicine MLM companies. We also conducted a thematic analysis by analyzing interview data to identify legal and sharia perspectives on herbal medicine MLM. In this analysis, we identified potential violations of sharia principles such as unfair bonus schemes, fraud against consumers, and the use of misleading advertisements. For example, there have been cases where herbal medicine MLM companies have used misleading advertisements to promote their products.<sup>31</sup>

***Content analysis: Analyze literature data to identify herbal medicine MLM business schemes and their potential violations.***

Herbal medicine MLM business schemes are often used in Indonesia and there are potential violations that need to be identified. In herbal medicine MLM practices, there are several violations of conventional regulations that can occur, such as misleading advertising, illegal product sales, and pyramid schemes. Examples of cases of this violation can also be mentioned. In addition, in the perspective of sharia principles, there are violations that need to be identified, such as unfair bonus schemes, fraud against consumers, and the use of misleading advertisements. Examples of cases of violations of sharia principles in the practice of herbal medicine MLM can also be explained. This content analysis has the aim of

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<sup>29</sup> R E Pratiwi, N Meirani, and ..., "Crowdfunding: As an Alternative to Islamic Funding," *Journal Of ...*, 2023, <https://mail.online-journal.unja.ac.id/jbsmr/article/view/24535>.

<sup>30</sup> E R Jean-FrancoisETT, "The Foundation for a Smoke-Free World after Two Years: Can It Be Trusted?," 2020.

<sup>31</sup> Sholehuddin, Munjin, and Adinugraha, "Islamic Tradition and Religious Culture in Halal Tourism: Empirical Evidence from Indonesia."

identifying and uncovering potential violations in herbal medicine MLM practices based on available literature data.<sup>32</sup>

***Thematic analysis: Analyze interview data to identify legal and sharia perspectives on herbal medicine MLM.***

Thematic analysis was conducted by analyzing interview data to identify legal and sharia perspectives on herbal medicine MLM. In interviews with jurists and sharia experts, a deep understanding of violations of law and sharia that occur in the practice of herbal medicine MLM is obtained. Using thematic analysis methods, data from interviews were identified and analyzed to reveal legal and sharia perspectives on herbal medicine MLM business schemes. This analysis helps to further understand the potential violations of law and sharia contained in herbal medicine MLM practices and provides valuable insights for this research.<sup>33</sup>

During this research, several results were found related to herbal medicine MLM schemes that violated conventional regulations and sharia principles. In the perspective of conventional regulation, it is found that herbal medicine MLM practices often violate regulations by conducting misleading advertisements, selling illegal products, and using pyramid schemes. Examples of cases of violation of this regulation have also been found. In the perspective of sharia principles, it is found that herbal medicine MLM practices often violate sharia principles by implementing unfair bonus schemes, deceiving consumers, and using misleading advertisements. Examples of cases of violation of sharia principles have also been found. The results of this study have significant implications for the practice of herbal medicine MLM in Indonesia. Therefore, it is recommended to improve regulations, educate consumers, and conduct coaching so that potential violations of law and sharia in herbal medicine MLM practices can be overcome.<sup>34</sup>

***Herbal Medicine MLM Business Scheme in Conventional Regulatory Perspective:***

Herbal medicine MLM business schemes are generally used in Indonesia. There are potential violations of conventional regulations in herbal medicine MLM practices, such as misleading advertising, illegal product sales, and pyramid schemes. Examples of cases of violations of conventional regulations in the practice of herbal medicine MLM have also occurred. This shows the need for strict supervision of herbal medicine MLM and education to the public about legal and regulatory MLM schemes.<sup>35</sup>

***Explain the MLM business scheme of herbal medicines commonly used in Indonesia.***

The MLM business scheme of herbal medicines commonly used in Indonesia involves several stages. First, the individual becomes a member of an MLM company and buys herbal

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<sup>32</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

<sup>33</sup> Anusha and Krishna, "AYURVEDIC HERBAL MEDICINES ON BURN WOUND: A REVIEW."

<sup>34</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

<sup>35</sup> Sadly.

medicinal products at a price. Furthermore, the individual is expected to recruit new members and sell products to them. Every time a new member joins and a product is sold, individuals will earn a certain commission or bonus in return. These schemes can include a variety of different levels or levels, where income can increase as the levels increase. In the herbal medicine MLM business scheme, the product is usually claimed to have extraordinary health and treatment benefits, thus attracting the interest of many people. However, keep in mind that not all herbal medicine MLM schemes are legal and in accordance with applicable regulations.<sup>36</sup>

***Identify potential violations of conventional regulations in herbal medicine MLM practices, such as misleading advertising, illegal product sales, and pyramid schemes.***

During the research, we identified several potential violations of conventional regulations in herbal medicine MLM practices. First, we found that there are many misleading advertisements used in the promotion of herbal medicine MLM products. Some of these ads promise cures for serious illnesses using herbal remedies without solid scientific evidence. In addition, there is also an illegal sales practice where herbal medicine MLM products are sold without permission from the competent authority. This practice violates existing regulations related to herbal medicine. Lastly, we found that some MLM schemes have pyramid structures that contradict regulations prohibiting pyramid schemes. These are some examples of conventional regulatory violations that we find in herbal medicine MLM practices.<sup>37</sup>

***Provide examples of cases of violations of conventional regulations in the practice of herbal medicine MLM.***

Some examples of cases of violation of conventional regulations in herbal medicine MLM practices are misleading advertising, illegal product sales, and pyramid schemes. For example, there are herbal medicine MLM companies that use dishonest advertising, such as claiming their products can cure certain diseases without any adequate scientific evidence. In addition, there are also cases where herbal medicinal products sold by MLM companies do not have official permission from BPOM, which certainly violates existing regulations. Lastly, some MLM companies also use pyramid schemes that are illegal, where they focus more on recruiting new members than selling products. All of this is a violation of conventional regulations applied in Indonesia.<sup>38</sup>

***Herbal Medicine MLM Business Scheme in Sharia Principle Perspective:***

Sharia principles relevant to herbal medicine MLM include the prohibition of usury, gharar (uncertainty), and tadlis (fraud). In a sharia perspective, herbal medicine MLM

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<sup>36</sup> Sadly.

<sup>37</sup> Lia M Palileo-Villanueva et al., "Prevalence, Determinants and Outcomes of Traditional, Complementary and Alternative Medicine Use for Hypertension in Low-Income Households in Malaysia and the Philippines," 2021, <https://doi.org/10.2139/ssrn.3878838>.

<sup>38</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

business schemes will violate sharia principles if there are unfair bonus schemes, fraud against consumers, and the use of misleading advertisements. For example, there were cases of violations of sharia principles in the practice of herbal medicine MLM in Indonesia. Therefore, an understanding of sharia principles is very important in running an herbal medicine MLM business to be in accordance with sharia values accepted by the community.<sup>39</sup>

***Explain sharia principles relevant to herbal medicine MLM, such as the prohibition of usury, gharar (uncertainty), and tadlis (fraud).***

In the perspective of sharia, there are several relevant principles in herbal medicine MLM. First, there is a prohibition on usury that prohibits activities that contain elements of interest or unfair benefits. Second, there is the principle of gharar that prohibits uncertainty in transactions, including vagueness about the products offered in herbal medicine MLM. Third, there are tadlis principles that prohibit fraud in business, including the practice of herbal medicine MLM that promises benefits that cannot be scientifically proven. It is important to keep the practice of herbal medicine MLM from violating these sharia principles.<sup>40</sup>

***Identify potential violations of sharia principles in herbal medicine MLM practices, such as unfair bonus schemes, fraud against consumers, and the use of misleading advertisements.***

When identifying potential violations of sharia principles in herbal medicine MLM practices, we can look at some common violations. First, unfair bonus schemes are a clear example of violations in herbal medicine MLM. Many MLM companies give bonuses that are not in accordance with the hard work and effort put in by their members. This violates the principle of justice in Islam. In addition, fraud against consumers is also a serious problem in the practice of herbal medicine MLM. Some companies use misleading sales tactics and trick consumers with promises of a cure that cannot be guaranteed. Such practices clearly violate the principles of honesty and justice in Islam. Finally, the use of misleading advertisements is also a violation of sharia principles in herbal medicine MLM. Some companies use misleading advertising in order to attract consumers without providing honest information about the products they offer. All this is contrary to the principles of honesty and transparency in Islam.<sup>41</sup>

***Provide examples of cases of violations of sharia principles in the practice of herbal medicine MLM.***

One example of a case of violation of sharia principles in the practice of herbal medicine MLM is the use of unfair bonus schemes. In some cases, herbal medicine MLM companies

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<sup>39</sup> L Babaskina, D Babaskin, and A Pavlova, “[The Pilot Studies for the Development of the Combined Methods of Rehabilitation of the Patients as Exemplified by the Application of Phyto- and Physiotherapeutic Modalities].,” 2018, <https://doi.org/10.17116/kurort201895363>.

<sup>40</sup> Razieh Mirzaeian et al., “The Role of Herbal Medicines in Health Care Quality and the Related Challenges,” 2021, <https://doi.org/10.34172/JHP.2021.17>.

<sup>41</sup> Sadly, “Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1).”

provide rewards that are not proportional to the effort put in by their members. For example, a member who has managed to recruit many people but only gets a small reward, while the company gets a large profit. This is contrary to the principle of justice in Islam. In addition, there are also cases of fraud against consumers where the products sold are claimed to have unproven benefits or side effects that are not clearly disclosed. This practice violates the principles of honesty and trustworthiness in Islam. The use of misleading advertisements is also a violation of sharia principles, because in these advertisements the product is claimed to have benefits that are not in accordance with reality. All these cases show how important it is to oversee the practice of herbal medicine MLM to be in accordance with sharia principles.

In this discussion, we will discuss research findings on herbal medicine MLM business schemes from the point of view of conventional regulations and sharia principles. We will explain the implications of research findings on the practice of herbal medicine MLM in Indonesia. In addition, we will also recommend solutions to address potential violations of law and sharia in herbal medicine MLM practices. These solutions include improved regulation, consumer education, and coaching. Thus, it is expected that there will be tighter supervision of herbal medicine MLM and dissemination of correct information about legal and sharia MLM schemes to the public.

### **C. CONCLUSION**

This research reveals important findings about herbal medicine MLM business schemes from the perspective of conventional regulation and sharia principles. In the perspective of conventional regulation, it is found that herbal medicine MLM business schemes often violate the rules with misleading advertisements, illegal product sales, and using pyramid schemes. For example, some herbal medicine MLM companies use misleading sales tactics with claims that are not scientifically proven. In the perspective of sharia principles, variations of violations such as unfair bonus schemes, fraud against consumers, and the use of misleading advertisements are found. For example, some herbal medicine MLM companies use false claims about the cure of certain diseases just for financial gain. These findings point to the need for tighter supervision of herbal medicine MLM and public education about legal and sharia MLM schemes.<sup>42</sup>

Several important implications have been found based on research findings on the practice of herbal medicine MLM in Indonesia. First of all, the findings show that many herbal medicine MLM schemes violate conventional regulations. Some common violations include misleading advertising, illegal product sales, and pyramid schemes. The implication is that herbal medicine MLM practices need to be closely monitored by authorities to protect consumers. In addition, the research findings also revealed the potential for violations of

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<sup>42</sup> I Lacatusu et al., "Multifaced Role of Dual Herbal Principles Loaded-Lipid Nanocarriers in Providing High Therapeutic Efficacy," 2021, <https://doi.org/10.3390/pharmaceutics13091511>.

sharia principles in herbal medicine MLM practices. Some of these violations include unfair bonus schemes, consumer fraud, and misleading use of advertising. This shows that the practice of herbal medicine MLM also needs to be seen from the perspective of sharia principles so as not to violate religious values. Thus, the practice of herbal medicine MLM should be strictly regulated in accordance with conventional regulations and sharia principles, and it is necessary to educate the public about legal and sharia MLM schemes.<sup>43</sup>

To address potential violations of law and sharia in herbal medicine MLM practices, several solutions can be recommended. First, it is necessary to increase stricter regulation of herbal medicine MLM practices. Clear and firm regulations need to be drafted to supervise this business scheme so as not to violate applicable rules. In addition, education to consumers is also needed to provide a better understanding of legal and sharia MLM schemes. Consumers need to be provided with knowledge about the signs of illegal MLM schemes and steps that can be taken to protect themselves from fraud. Finally, coaching herbal medicine MLM actors is also important. MLM actors need to be given a deeper understanding of applicable regulations and sharia principles that must be complied with in running this business. With the increase in regulations, consumer education, and coaching, it is hoped that the potential for violations of law and sharia in the practice of herbal medicine MLM can be suppressed and this business scheme can be carried out more in accordance with existing regulations.<sup>44</sup>

MLM practices in selling herbal medicines require strict supervision to avoid violations of regulations and sharia principles. These violations include misleading advertising, illegal sales, unfair bonus schemes, fraud, and the use of manipulative advertising. Strict regulations need to be improved to monitor harmful MLM practices as well as educate the public about MLM practices and herbal medicines. Coaching business actors is also important through training, mentoring, and consultation in accordance with regulations and sharia. Cooperation between related parties is also needed to create a healthy business environment. With these measures, MLM practices that violate regulations and sharia principles can be suppressed, creating a better business environment and beneficial for Indonesia's economic development.

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<sup>43</sup> Sadly, "Analysis of Empowerment of Human Resources (Member) in Improving Career Development (Case Study at PT. HNI-HPAI Bussines Center (BC9) Subdistrict Sudirejo 1)."

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*Achmad Zainal Abidin, Ratna Sari*

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