The existence of Murabahah in Bank Aceh Syariah based on the Fatwa of Majelis Ulama Indonesia No 111/DSN-MUI/IX/2017

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ABSTRACT
Financing in Islamic banks today is dominated by Murabahah contracts. The purpose of existing research is to explain how the existence of Murabahah financing in Islamic banking serves the community and assess whether the contracts executed comply with the Fatwa of Majelis Ulama Indonesia. This research is a library-research focused on examining and discussing modern and classical literature. Data collection is conducted through documentation methods from various sources including national and international journals, as well as books. The data is then analyzed using content analysis, which includes descriptive analysis and scientific analysis of premium messages. The findings of this research indicate that Murabahah financing is predominantly conducted by Islamic banks for community financing. In the application of Murabahah financing, Islamic banks act as fund providers rather than sellers. The Murabahah contracts in classical figh have undergone changes, which have been criticized by various segments of society. It is noted that there are contemporary issues arising in Murabahah financing transactions that do not align with Sharia principles and the Fatwa of Majelis Ulama Indonesia.

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INTRODUCTION
Islamic Sharia is the way of life for humanity and is created to lead. It is a path taken by mankind to guide them towards happiness in this world and the Hereafter (\textit{fa\'alah}) through the laws and calls contained in the Holy Quran and Hadith. These laws regulate all aspects of human life, including \textit{Mu'amalah} and \textit{Ubudiyyah}. Apart from the principles of Sharia economics as mentioned earlier, there is also a moral economy within Islamic Sharia law, commonly known as the Golden Five, which consists of equality, freedom, participation, justice, and accountability. These Golden Five serve as common principles that form the basis of Sharia economics (Maulidizen & Taqiuddin, 2017). Similar to conventional banking institutions, Islamic banking functions as an intermediary institution, storing society’s money and channeling it back to those in need in the form of financing (Yuliana, 2013).

Financing philosophy in Islamic banking must be carried out while fulfilling and enhancing both economic and Sharia aspects. \textit{Murabahah} is currently the most widely used form of financing. Following research, Islamic banks have implemented \textit{Murabahah} financing as their main financing method, accounting for 85%. In Pakistan, \textit{Murabahah} financing has reached 87% since 1984. In Dubai Islamic Bank, Murabahah financing accounts for 82%. Even for over 10 periods, the Islamic Development Bank (IDB) has used Murabahah for 73% of its total financing. While Islamic banking...
actually emphasizes Profit and Loss Sharing (PLS) as its flagship product, such as *Musharakah* and *Murabahah*, this financing method has faced significant criticism from Muslim scholars (Maulidizen & Borhan, 2016).

Scholars argue that Islamic banking has not eliminated interest and risk-sharing but rather disguised interest under the guise of Islam in its practice. There is still debate about the validity of *Murabahah* financing among fiqh scholars. Some scholars prohibit it because Murabahah is not considered a legitimate sale but rather a scheme to obtain interest. Others permit it, considering it a valid sale. Some fiqh scholars view *Murabahah* as *bay al-inah*, which is prohibited, while others see it as *bay atayni fi bay’ah* (Maulidizen, 2018b).

Islamic banks in Indonesia have experienced rapid growth because the society understands that interest and predetermined returns are considered usury prohibited by Islamic law. Due to this understanding, in 1950, Muslim scholars and Islamic economists agreed to establish interest-free banks. According to Law No. 3 of 2004 concerning Bank Indonesia, banking institutions aim to store money from the Indonesian society and redistribute it. Although Islamic banking in Indonesia has grown rapidly, many people perceive it as merely a label used to attract sympathizers of Islam to the economic field.

Some people believe that Islamic banking is just a conventional bank using Islamic terminology in its products, starting contracts with basmalah, and having all employees wearing Muslim attire and greeting with salaam. However, many Islamic banking products are still conducted in ways prohibited by Islamic law. The skepticism of society towards Islamic banking cannot be denied because the connotation of banking has never been synonymous with Sharia. Even during the establishment of Islamic banks, many people did not believe in the success of Muslim economics and the integration of banking with Sharia itself. *Murabahah* is one form of financing in Islamic banks. *Murabahah* is a sale of goods with added profit based on the agreed-upon markup from the original price. There are two characteristics of *Murabahah*, the seller is obliged to provide information about the purchase price of the product and inform about the profit added to that cost. From these issues, the purpose of this article is to explain *Murabahah* from a fiqh perspective, critique *Murabahah* financing, *Murabahah* in modern Islamic financial institutions, and offer pricing solutions for *Murabahah* financing in modern Islamic financial institutions to address existing issues.

**RESEARCH METHOD**

This research is a literature review employing a qualitative descriptive approach, which aims to describe or explain the application of Murabahah financing in Islamic banks. The study utilizes data collection methods through documentation, including various articles and books. Subsequently, it undergoes content analysis, which involves analyzing descriptive data or scientific analysis of the premise’s message. The data analysis methods include deductive, inductive, and comparative approaches.

**RESULT AND DISCUSSION**

**Understanding Murabahah Financing**

*Murabahah*, etymologically derived, stems from *ribhu* or profit, indicating mutual benefit. From a terminological perspective, it refers to a transaction involving the sale of goods with an agreed-upon profit margin. *Murabahah* financing entails a sale contract specifying the purchase price and the agreed-upon profit between the seller and the buyer. This characteristic of agreed-upon profit entails the seller disclosing the original price of the goods and specifying the profit margin to the buyer.

According to Sharia banking laws, Murabahah involves a financing agreement where the seller clearly discloses the cost price to the customer or buyer, who then pays a higher amount as per the agreed-upon profit margin. In Sharia-compliant banking management, *Murabahah* products utilize either Bay Bithaman ‘Ajil or Mu’ajjal, which are deferred payment or installment methods of financing. Therefore, *Murabahah* financing involves a trade transaction where the bank acts as the seller and the customer as the buyer (Maulidizen, 2019a).
This financing mechanism, categorized under certain return transactions, ensures predetermined profits. In the case of property financing, the bank informs the customer about the purchase price from the developer and negotiates the profit margin accordingly. In Islamic jurisprudence, a financing transaction is considered a form of sale where the seller obtains the desired profit alongside the product. While there are no direct references to Murabahah in the Quran or Hadith, scholars interpret it within the context of general principles of trade, profit, and loss. Ibn Humam defines Murabahah as a form of business transaction based on an initial agreement, supplemented with profit, borne by the buyer. The agreed-upon profit can be a fixed amount or a percentage of the purchase price. Various scholars, including Ibn Qudamah and Imam Malik, provide interpretations of Murabahah as a sale involving a known purchase price and an additional profit. They base the validity of Murabahah on established trade practices, emphasizing mutual agreement between the parties (Maulidizen, 2018b).

According to Sharia principles, Murabahah necessitates a transparent contract where the seller informs the buyer about the purchase price and additional profit. This ensures the validity of the transaction and meets the needs of both parties. Thus, Murabahah involves selling goods at an agreed-upon price, including the cost and profit margin, with consensus among all contracting parties (Qudamah, 1978). In summary, Murabahah is a business transaction in which the agreed-upon profit and acquisition cost are disclosed between the seller and the buyer (customer). The sale price in Murabahah comprises the cost price plus the agreed-upon profit, determined through mutual agreement.

Legal Basis of Murabahah Financing
Allah SWT explicitly declares the permissibility of trade and the prohibition of usury (Quran, Al-Baqarah:275). Ibn Humam, a Hanafi jurist, asserts that since the permissibility of muamalah contracts is clearly stated in the Quran, there is no need for additional evidence specifically mentioning Murabahah. This is because muamalah rulings are generally inferred from the Quran and are inclusive of the requirement to conduct Murabahah transactions. The Quran provides guidance that a transaction is deemed valid only when each party fulfills their obligations as per the mutual agreement. For instance, in a muamalah contract, the buyer must make payment according to the agreed-upon price, and the seller must deliver the purchased goods (Quran, Al-Maidah [5]:2). Furthermore, anyone entering into an agreement must fulfill their commitments (Quran, Al-Isra [17]:34).

Hence, adherence to agreements is considered obligatory in Islam. The Quran emphasizes mutual benefit in all forms of cooperation (Quran, Al-Maidah [5]:2), urging trustworthiness in agreements, especially in matters related to weights and measures (Quran, Al-Isra [17]:35). All agreements should be executed with justice, willingly, and free from anything detrimental or invalid (Quran, An-Nisa [4]:29). Transactions involving buying and selling must be lawful and compliant with Islamic law (Quran, Al-Maidah [5]:4). Allah sternly warns against those who engage in fraudulent or unfair agreements (Quran, Al-Muttaaffifin [83]:1-3).

Several Hadiths provide the basis for the shariah principles of Murabahah. Although Murabahah is not explicitly mentioned, these Hadiths establish principles related to contractual validity, deferred transactions, proper conduct in borrowing, and the requirement for mutual consent in transactions: (a) A Hadith narrated by Imam al-Bukhari, Imam Abi Dawud, and at-Tirmidhi states: “Muslims may enter into contracts with any stipulations except those that make the lawful unlawful or the unlawful lawful” (at-Tirmidhi, 1967); (b) Another Hadith mentions blessings in deferred transactions among other practices (Ibn Majah, 1395); (c) A Hadith advises proper conduct in borrowing (al-Bukhari); and (d) Yet another Hadith emphasizes mutual consent in transactions (al-Albani, 1986).

Fiqh Principles and Fatwa Regarding Murabahah Financing
Islam is a religion that can be practiced anytime and anywhere. This fundamental quality of Islam is supported by legal instruments that enable it to adapt to changing times. They all operate in the field of transactions. The fundamental principle of Islamic law is that everything is permissible unless there is evidence prohibiting it (in the Quran and Hadith) (Al-Suy, 1399 H), formulated by scholars after
understanding the underlying philosophy of Islamic law. The basis of this strategy is outlined in Al-Anam: “And why should you not eat of that upon which the name of Allah has been mentioned while He has explained in detail to you what He has forbidden you, excepting that to which you are compelled. And indeed do many lead [others] astray through their [own] inclinations without knowledge. Indeed, your Lord - He is most knowing of the transgressors” (Al-An’am [6]:119).

This indicates that Shariah delineates what is prohibited in great detail but does not specify or limit what is permissible (mandatory). Therefore, modern transactions that do not violate Shariah can be utilized in today’s era. Parties involved in transactions have a duty to ensure that their actions do not harm others or themselves. In general, “avoiding harm and preventing harm” is emphasized (Al-Nadwi, 1999; Al-Zarqā’, 1918).

Many fatwas from scholars indicate the obligation of Murabahah, such as the advisory fatwa from Bayt al-Tamwil al-Kuwaiti (Sheikh Badr al-Mutawalli ‘Abd al-Basit), when asked about the bank’s obligation to purchase goods in cash and then sell them to customers at a higher price after considering operational costs. The advisor from Bayt al-Tamwil al-Kuwaiti (Sheikh Badr al-Mutawalli Abd al-Bas) stated that many scholars’ fatwas imply the obligation of Murabahah. He emphasized that customer’s requests to purchase from the bank constitute a promise. He argued that this promise must be fulfilled because, besides being supported by many hadiths, it also facilitates mankind, although he acknowledged differences of opinion among legal experts regarding the obligatory status to fulfill the promise. Furthermore, it was stated at the first Islamic Finance Seminar held in Dubai in May 1979 that Murabahah transactions involve promises made by customers and financial institutions that must be fulfilled (Al-Qardhawi, 1987). Due to the Shariah evidence requiring this, Sheikh Bin Baz stated that Murabahah transactions are required if the goods sold truly become the property of the Bank and the transfer of ownership occurs legally.

**Pillars and Conditions of Murabahah Financing**

The conditions and pillars of a Murabahah contract must comply with the general conditions and pillars of buying and selling, namely: 1) The presence of two parties (seller and buyer), 2) The contract’s expression (offer and acceptance), and 3) The subject matter and price. Considering that Murabahah is one of the valid types of transactions, it must also meet several specific requirements, including: the seller disclosing the actual cost or capital of the item to be sold to the buyer; 2) Agreement between the seller and buyer on the predetermined profit amount, which is added to the capital, and the sum of both constitutes the selling price of the Murabahah contract; 3) The buyer having the right to cancel the contract if there is an error in determining the cost price or actual capital of the item; 4) The item and price not being ribawi (restricted) as per the rulings of Ibn Qudamah in 1972 and Wahbah in 1989 (Al-Zuhayli, 1989).

According to Hasan, the presence of these five conditions will ensure the validity of the contract and prevent usury (Hasan, 2014). According to Shubair, jurists consider Murabahah as a type of sale contract because it requires the seller to disclose the cost price of the purchased goods before determining the selling price (Shubair, 1998). Buyers have the right to choose (khiiyar) whether to continue the transaction or cancel it if it turns out that the information about the cost price is incorrect. They can either keep the item at the correct price or return it. However, the buyer must authorize the purchase if the item is no longer owned by them. Nevertheless, the seller must reduce the price or price difference regardless of whether the item still exists or not (Al-Sharbini, n.d.). Although all schools agree that Murabahah is a valid tool in business, they differ in specific aspects, particularly in setting prices and profit margins.

The principles of Murabahah are questioned, contested, or avoided by a small group of Islamic scholars and economists. For example, Siddiqi raised concerns about the use of Murabahah instruments by Islamic financial institutions as a means of providing credit to customers who make deferred payments (Siddiqi, 1991). This could potentially allow investors to generate predetermined profits without considering various risks. In terms of price determination, scholars from the Hanafi school argue that the seller should calculate various costs related to the goods, while the Malik school divides additional costs into three categories. The Shafi’i school, similar to the Hanbali school,
emphasizes that payments received by the seller or payments made to third parties—all work done unintentionally—should not be included in determining the selling price unless approved by the buyer.

The sales agreement is a contract between the seller and the customer, usually a financial institution, where the seller purchases the desired goods needed by the customer and the bank finances the purchase. The bank then sells the goods to the customer at a predetermined price, providing a profit margin to the financial institution, and the customer pays in full or in installments within a specified period. Al-Imam al-Shafi’i was the first to propose such a contract; Sami Hamoud was the only one to implement it. The main characteristics of Murabahah and its conditions are as follows: promising to assist the customer or buyer in financing or the bank in purchasing ordered goods. The Murabahah sales contract is carried out between the bank and the customer after the goods have become the property of the bank, and the sales contract between the bank and the original seller, the owner of the goods, is attempted after the goods have truly become the property of the bank and the customer.

The unauthorized buyer is only responsible for fulfilling his promise after ordering the goods. This is because allowing the bank to profit is a principle. The bank will increase the price of the goods if payment is made in installments because the payment is delayed. After the agreement is made at the beginning of the contract, the bank is not allowed to increase the selling price or the amount of installment payments in any way. According to Hasan, the Murabahah contract entails risks or guarantees that the bank must bear before delivering the goods to the customer, so it is necessary to distinguish between the period of conducting business and the Murabahah contract (Hoque et al., 2019).

**Benefits and Risks of Murabahah Financing**

In line with the nature of trade (tijarah), Murabahah transactions entail several benefits as well as risks that need to be avoided. Shariah-compliant banks often provide financing for mosques, one of which is the profit derived from the difference between the seller’s purchase price and the customer’s selling price. By adhering to various laws, financing risks can be minimized to avoid greater losses. Antonio lists the following dangers that need to be avoided: (a) Negligence or carelessness; Customers intentionally fail to pay installments; (b) Fluctuating frutive prices refer to the increase in market prices of a product after the bank has purchased it for the customer (Antonio, 2001). The purchase and sale prices cannot be changed by the bank; and (c) Customer rejection: Customers may reject the goods delivered for various reasons. They may have been damaged during shipment, preventing the customer from accepting them, or insurance may be required to cover the damage. Another possibility is the customer’s perception that the specifications of the goods are different from what was ordered.

**Implementation of Murabahah Financing in Islamic Banks**

In the literature of fiqh muamalah, particularly in discussions of buying and selling, there are four concepts related to the profit received by the seller in Murabahah transactions. These four concepts are categorized as varieties of buying and selling based on price, namely: firstly, al-wadhat, where the seller sells the goods to the buyer at a price lower than the purchase price; secondly, al-ta’liyat, where the seller sells the goods to the buyer at the same price as the purchase price; thirdly, al-musawarat, which is a sale where the selling price is agreed upon between the seller and the buyer regardless of the purchase price; and fourthly, al- Murabahah (Maulidizen, 2018a). Because the definition above mentions the existence of agreed-upon profit, the characteristic of Murabahah is that the seller must inform the buyer of the purchase price of the goods and state the amount of profit added to that cost. For example, if someone buys a camel for 30 dinars, with expenses amounting to 5 dinars, when offering the camel for sale, they would say, I am selling this camel for 50 dinars, with a profit of 15 dinars.

Shariah banks have different operational methods compared to conventional banks. Shariah banks provide interest-free services to their customers. In the operational system of Shariah banks,
payment and receipt of interest are prohibited in transactions. Shariah banks do not operate on an interest-based system, neither in the interest received from customers who borrow money nor in the interest paid to depositors in the bank.

The Shariah Banking Law Number 21 of 2008 states that Shariah banking covers everything related to Shariah banks and Shariah business units, including institutions, business activities, and the methods and processes of conducting business activities. Shariah banks are banks that conduct their business activities based on Shariah principles (BUS), Shariah Business Units (UUS), and Rural Islamic Bank (BPRS). One of the products offered by Bank Aceh is Shariah microfinance. Financing is an activity of Shariah banks in channeling funds to parties other than banks based on Shariah principles. The provision of funds in the form of financing is based on the trust given by the fund owner to the fund user. The fund owner trusts the fund recipient, believing that the financing provided will be repaid. The financing recipient is entrusted by the financing provider, and therefore, the financing recipient is obliged to repay the financing received according to the agreed-upon time frame in the financing agreement.

Financing is the provision of money or claims that can be equated based on an agreement or consensus between the bank and other parties, requiring the funded party to repay the money or claim after a certain period of time in return for profit or profit sharing. The concept of financing in Shariah banks is not fundamentally different from the concept of credit in conventional banks. The difference between the credit provided by conventional banks and the financing provided by Shariah banks lies in the expected profit. For conventional banks, profit is obtained through interest, while for Shariah banks, it is in the form of returns or profit sharing.

Microfinance is a business financing activity involving the gathering of funds loaned to micro (small) businesses managed by micro-entrepreneurs, namely individuals from lower-income groups. As for what constitutes a micro-business according to Minister of Finance Regulation Number 40/KMK.06/2003 dated January 29, 2003: 1) Productive businesses owned by families or individuals, 2) Maximum annual sales of Rp. 100 million, 3) Maximum credit applied for is Rp. 50 million. The existence of micro, small, and medium-sized enterprises (MSMEs) in the Indonesian economy has a very positive contribution, including in creating job opportunities, providing goods and services, and distributing business opportunities to distribute national income. With the role of micro, small, and medium-sized enterprises, their position in national economic development becomes very important.

According to the Republic of Indonesia Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), micro-entreprises are productive businesses owned by individuals and individual business entities that have a net worth (excluding land and buildings) of up to Rp. 50,000,000 (fifty million Indonesian rupiahs) and annual sales (turnover/year) of up to Rp. 300,000,000 (three hundred million Indonesian rupiahs). Bank Indonesia, the Department of Industry, and Trade limit micro-enterprises based on the assets owned (excluding land and buildings), stating that micro-enterprises are businesses with assets of less than Rp. 100,000,000 (one hundred million Indonesian rupiahs).

The Empowerment Principles of Micro, Small, and Medium Enterprises according to Law Number 20 of 2008 are: (1) Encouraging self-reliance, cooperation, and entrepreneurship of Micro, Small, and Medium Enterprises to work independently; (2) Implementing transparent, accountable, and fair public policies; (3) Developing businesses based on regional potential and market-oriented in accordance with the competencies of Micro, Small, and Medium Enterprises; (4) Enhancing the competitiveness of Micro, Small, and Medium Enterprises; and (5) Conducting integrated planning, implementation, and control (Maulidizen, 2019b).

The purpose of establishing this financing is to fulfill the needs of goods or other necessities for customers. This financing does not complicate customers with confusing requirements; thankfully, with this financing, customers are sufficiently assisted in overcoming fund shortages. The people who apply for this financing are customers who already have businesses in traditional markets or in home-based stores to meet the need for funds, so that their stores can sustain or grow. Due to the unstable economic conditions, with this financing, people can at least maintain or develop their existing businesses so that they do not lose their livelihoods. There must be an agreement between the bank
and the customer that the bank obliges the customer to repay the funds with daily installments within a certain period as agreed upon.

The supporting factors for the distribution of Murabahah financing are the smoothness of customer installments. Furthermore, the improving economic conditions prompt Bank Aceh to provide financing to customers with productive businesses or for business development. This is in line with interviews with respondents stating that Murabahah financing is provided to customers in need of funds, either for capital or for business development in accordance with Sharia principles. Meanwhile, the supporting factors for the distribution of Murabahah financing include transportation facilities. In addition to government support to reduce the financial burden on the population, cooperation is also aimed at improving people’s lives through bus services with high service standards.

The supporting factors in the implementation of the Murabahah financing system at Bank Aceh are: (1) Shared risk or profit sharing in all transactions; (2) Clear pricing, as well as the smoothness of customer installments, and (3) Cooperation between the bank and the local population to improve the quality of the government’s economy in accordance with Islamic law. Since customers may not be able to pay the agreed installment amount as agreed upon in the initial sale, the bank cannot determine the smoothness of the installment from the customer’s side. Instead, the bank only analyzes whether the customer can afford to pay the installment. Like the operational activities of general banking, Bank Aceh also provides services such as fund gathering through savings and fund disbursement through financing to customers. However, in the implementation, there are also obstacles to the Murabahah sale and purchase financing system at Bank Aceh. Bank Aceh Syariah is almost similar to Islamic banking in Indonesia.

Bank Aceh Syariah provides this financing facility with the hope of facilitating people in realizing their dreams of improving their living standards. With this facility, the bank also gains profit or margin from the price difference between the seller and the customer, as agreed upon by both parties. Furthermore, one respondent explained about Sharia Micro Financing at Bank Aceh. The financing procedure is similar to financing procedures in other banks, with the only difference being the size requirements of the financing. The purpose of this financing procedure is to ensure the feasibility of financing; each stage must be carried out with a more in-depth analysis, usually looking at the background of potential customers, income, personality, character, and customer saving cycles.

This financing has an easy and fast process, so it does not complicate customers in applying for financing to meet their business needs. Customers must meet the requirements and documents required by the bank. Bank Aceh uses analysis, namely using the 5C analysis: Character, Capacity, Capital, Collateral, Condition. However, in this Sharia Micro Financing product, the bank does not analyze Collateral because customers do not need to provide collateral. Character: Bank Aceh analyzes the customer’s background, willingness to pay, and lifestyle. Capacity: the bank analyzes the customer’s ability to repay all debts. Capital: the bank also analyzes the customer’s source of funds or capital. Condition: the economic condition experienced by the customer for the future, whether they can repay their debts or not.

In order to help people improve their welfare, Bank Aceh Syariah provides Murabahah Financing facilities for Sharia Micro products for those in need. With this facility, people can feel comfortable and easy to obtain the goods they need. Therefore, Murabahah in Sharia Micro products is an alternative to meet people’s needs. The financing process must be carried out very carefully and cautiously. The financing provision process includes customers applying for financing, after which the bank will evaluate the customer. In this case, the bank must be careful to avoid unwanted situations.

Financing supervision is an effort to control the implementation of financing, so that the assumed requirements and targets can be met as the basis for financing approval. Generally, financing supervision is carried out using 2 methods, including indirect supervision and direct supervision. Financing supervision, which is the object of this research, is supervision conducted on the financing process starting from financing application to financing settlement. Supervision in financing is very important to minimize the risk of Murabahah financing.
In the context of lending in conventional banks, collateral plays an important role in ensuring loan repayment when due. However, in the context of Islamic law (fiqh), collateral is not an absolute pillar or condition that must be fulfilled in Murabahah, and it can potentially hinder the flow of funds to small businesses. Essentially, collateral is only intended to ensure that the customer does not play around with their orders. Therefore, the bank may request collateral to be held. In its operational technique, the goods ordered can serve as one of the acceptable collaterals for debt repayment.

As mentioned in the basic framework for the preparation and presentation of Financial Statements of Islamic Banks, banks may request customers to provide collateral for Murabahah receivables, including in the form of goods purchased from the bank. Additionally, the bank may request a down payment from the customer at the time of the contract if both parties agree. The down payment becomes part of the Murabahah receivable payment if the Murabahah is carried out. However, if the Murabahah is canceled, the down payment is returned to the customer after deducting any losses with mutual agreement. If the down payment is less than the bank's loss, the bank may accept additional payment from the customer. Requesting collateral for debt is not inherently blameworthy. The Quran commands Muslims to write down their debts and, if necessary, request collateral for those debts. On several occasions, the Prophet provided collateral to his creditors for his debts. Collateral is one way to ensure that creditors’ rights are not violated and to avoid consuming others’ wealth unlawfully.

CONCLUSION

The discussion delves into the intricacies of Murabahah contracts within Islamic finance, shedding light on both their operational mechanisms and associated risks. These contracts, characterized by the sale of goods with deferred payment, are subject to various challenges that demand proactive management and mitigation strategies. The enumerated risks include instances of customer negligence, where borrowers intentionally default on payments, leading to financial losses for the financing institution. Moreover, the volatile nature of market prices presents another challenge, as goods purchased by the bank may appreciate in value post-purchase, limiting the bank’s ability to adjust selling prices accordingly. Customer rejection of delivered goods poses yet another risk, often stemming from discrepancies between the ordered and received items or the condition of goods upon delivery. To address this, insurance coverage is recommended to protect against potential losses incurred from rejected shipments. Furthermore, the contractual nature of Murabahah transactions means that once signed, ownership of the goods transfers to the customer, granting them the freedom to sell the acquired assets. This resale possibility introduces the risk of default or further complications, particularly if the customer fails to fulfill their financial obligations. In navigating these risks, collateral and insurance emerge as vital tools for safeguarding the interests of financing institutions, providing a buffer against potential losses. Additionally, careful consideration of customer profiles, financial capacities, and market conditions is essential to preemptively address and mitigate risks associated with Murabahah contracts. In essence, while Murabahah contracts offer a Sharia-compliant financing option, their effective implementation requires a comprehensive understanding of associated risks and proactive risk management strategies to ensure the stability and integrity of Islamic financial practices.

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