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Sharia Compliance on Murabaha Financing in Sharia Rural Banks: A Review of Recent Practices

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ABSTRACT

One of the most significant concerns in the practice of Sharia Rural Banks is Islamic compliance. This is necessary to guarantee that the policies, provisions, processes, and procedures, as well as the Sharia Rural Bank's (BPRS) business activities, are in accordance with the provisions and Sharia Principles. The aim in this paper is to extensively evaluate whether Sharia rural banks have completely implemented and conformed with Sharia norms and values, particularly when it comes to Murabaha financing practices. It elaborates on the compliance assessment from the initial application of Murabaha to its complete execution. It also explores the BPRS debt settlement plan, which is in accordance with the DSN-MUI Fatwa, and discusses the OJK Policy on the restructuring process during the Covid-19 crisis. The paper used a normative-empirical research method with employing statutory and conceptual approaches. The análysis of data is described in qualitative-descriptive where the data was obtained from library and empirical research. The findings show that, with a few outliers, the DSN-MUI Fatwa and OJK Policy are implemented in the execution of Murabaha contracts at BPRS. Even during a pandemic crisis, when many customers were unable to settle their debts, the bank was compelled to postpone the debt while still adhering to Sharia principles. However, certain features, particularly the application of the Murabaha contract that is preceded by a wakalah contract, are thought to be in contradiction of the DSN-MUI fatwa on Murabaha.

1. INTRODUCTION

The Micro, Small, and Medium Enterprise (MSME) sector, which accounts for the majority of the Indonesian economy, has been most negatively impacted by the Covid-19 outbreak.[1] The Ministry of Finance Regulation (PMK) Number 65/PMK.05/2020,

[1] Muhammad Eko Atmojo and Helen Dian Fridayani, "An Assessment of Covid-19 Pandemic Impact on Indonesian Tourism Sector," *Journal of Governance and Public Policy* 8, no. 1 (2021): 1–9.

which outlines the provision of margin subsidies for financing for MSME customers,[2] to the Financial Services Authority Regulation (POJK) Number 11/POJK.03/20,[3] which outlines the policy of determining the quality of financing with current quality for customers whose income has decreased due to the pandemic Covid-19 The Bank can then grant credit to further new debtors who have received special treatment in compliance with POJK based on the POJK by evaluating the credit quality independently from the prior quality of credit.[4]

Financing based on a Murabaha contract is one of the most well-liked items in Islamic banking.[5] The financing that the public wants the most is murabaha financing since it has a quick and simple process and carries a lower risk than other financing options like mudharaba and ijara financing.[6] In order to lower financial risk, financing offered by Islamic banks to consumers through a thorough process and meticulous scrutiny.[7] The fact, however, demonstrates that there are still a lot of issues, including non-performing financing, one of the numerous elements contributing to the funding issues in this situation. On the other hand, there are also situations in which the bank does not entirely own the subject of the contract but nonetheless engages in a sell and purchase transaction with the client.[8] The validity of this practice in light of sharia principles is also called into question by this.

According to Law No. 21 of 2008, a sharia bank is one that conducts its commercial operations in accordance with sharia principles and is classified as either a Sharia Commercial Bank (BUS) or a Sharia Rural Bank (BPRS).[9] This definition then amended by Law No. 4 of 2023, it states that sharia bank is a business entity that collects funds from the public in the form of savings and investments and distributes them to the public in the form of financing and/or other forms based on Sharia Principles and

[2] Antryo Sandra Dewi, Arief Suryono, and Yudho Taruno Muryanto, "The Implementation of Hardship Principles in OJK Regulation Number 11/POJK. 03/2020 as a Strategy of Economic Strengthening in Handling the Impact of COVID-19 Pandemic," *Aloha International Journal of Multidisciplinary Advancement (AIJMU)* 4, no. 1 (2022): 15–22.

[3] Ratnaningsih Hidayati and Nadya Megawati Rachman, "Indonesian Government Policy And SMEs Business Strategy During The Covid-19 Pandemic," *Niagawan* 10, no. 1 (2021): 1–9.

[4] Dhevi Nayasari Satradinata and Bambang Eko Muljono, "Analisis Hukum Relaksasi Kreadit Saat Pandemi Corona Dengan Kelonggaran Kredit Berdasarkan Peraturan Otoritas Jasa Keuangan Nomor 11/POJK. 03/2020," *Jurnal Sains Sosio Humaniora* 4, no. 2 (2020): 613–20.

[5] Mohammad Dulal Miah and Yasushi Suzuki, "Murabaha Syndrome of Islamic Banks: A Paradox or Product of the System?," *Journal of Islamic Accounting and Business Research*, 2020.

[6] Rima Yusnita and Hendri Andi Mesta, "The Effect of Profitability, Liquidity and Financing Risk on Murabahah Financing at Islamic Commercial Banks in Indonesia (2009-2020 Period)," *Financial Management Studies* 1, no. 4 (2021): 18–28.

[7] Latifah Dian Iriani and Imamudin Yuliadi, "The Effect of Macroeconomic Variables on Non Performance Financing of Islamic Banks in Indonesia," *Economic Journal of Emerging Markets* 7, no. 2 (2015): 120–34.

[8] Ani Yunita, "Problematika Penyertaan Akad Wakalah Dalam Pembiayaan Murabahah Pada Bank Syariah," *Varia Justicia* 14, no. 1 (2018): 21–29.

[9] Andrew Shandy Utama, "Good Corporate Governance Principles in Indonesian Syariah Banking," *International Journal of Law and Public Policy* 2, no. 1 (2020): 11–16.

according to their type consists of sharia commercial banks and sharia rural banks. In essence, BUS and BPRS serve as financial intermediary organizations that support the community's efforts to manage micro, small, and medium-sized enterprises (MSMEs) in line with sharia principles.[10] From the growth of the number of banks, offices, and employees, it is clear that the banking sector is developing, especially Sharia Rural Banks (BPRS). According to information made public by the Financial Services Authority (OJK), there were 164 BPRS in Indonesia as of December 2019, with 617 offices and 6,620 employees.[11]

But as numerous studies have demonstrated, the early 2020 pandemic had a significant impact on the BPRS's performance, necessitating the maintenance of strong liquidity in order for the BPRS to function. BPRS Artha Fisabilillah, BPRS Mentari Garut, and BPRS Amanah Robbaniah are three BPRS that have been efficient in light of what has happened to various BPRS in West Java as of 2019 because the efficiency value has reached 1 (1.00). However, during 2020, West Java's average BPRS efficiency rate was just 0.989, or 98.9 percent, marginally higher than in 2019.[12] This is also consistent with a study on 28 BPRS in East Java by Widiyaningtias and Dura, which revealed that the pandemic dramatically impacted the financial performance factors Non-Performing Loan (NPL), Return on Assets (ROA), and Loan to Deposit Ratio (LDR) in BPRS enterprises.[13] In order to address this problem, OJK released a national economic stimulus program, which was last changed by POJK No. 17/POJK.03/2021. It was first mentioned in POJK No. 48/POJK.03/2020. Lestari and Keumala demonstrate how the internal rules of Bank Syariah Indonesia (BSI) are in compliance with the Financial Services Authority Regulations in their implementation, along with a number of additional special provisions that are generally governed by the Financial Services Authority Regulations to avoid significant customer defaults at the conclusion of the restructuring.[14] Furthermore, in relation to the sharia compliance in the practice of Murabaha financing, the implementation of the murabahah contract at the Surakarta Amanah Fund BPRS is per sharia and DSNMUI fatwa, there is only a slight difference in the application of the second scheme of murabahah bil wakalah with the DSN-MUI fatwa. It was also

[10] Jamaluddin Jamaluddin and M Wahyuddin Abdullah, “The Role of Sharia Financial Institution to Empowering SMEs,” *Jurnal Iqtisaduna*, 2019, 155–69.

[11] Otoritas Jasa Keuangan, “Statistik Perbankan Syariah Januari 2021,” *Dalam Http://Www. Ojk. Go. Id/Id/Kanal/Syariah/Data-Dan-Statistik/Statistikperbankan-Syariah/Pages/Statistik-Perbankan-Syariah---Januari-2019. Aspx5*, 2021.

[12] Sahlan Hasbi and Maya Apriyana, “Efeciency Level of BPR and BPRS in West Java during the Covid-19 Pandemic,” *NISBAH: JURNAL PERBANKAN SYARIAH* 7, no. 1 (2021): 1–7.

[13] Amndana Widiyaningtias and Justita Dura, “Analisis Komparatif Financial Performance BPR Dan BPRS Jawa Timur Sebelum Dan Saat Pandemi Covid-19,” *Owner: Riset Dan Jurnal Akuntansi* 6, no. 2 (2022): 1486–97.

[14] Mega Ayu Putri Lestari and Dinda Keumala, “Pengaturan Restrukturisasi Pembiayaan Di Bank Syariah Indonesia Selama Masa Pandemi Covid-19,” *Reformasi Hukum Trisakti* 4, no. 1 (2022): 145–54.

elaborated that there are two types of murabaha contracts applied in the Surakarta Amanah Fund BPRS, namely the murabahah lil wa'ad bi syira contract and the murabahah bil wakalah contract. In the Murabaha bil wakalah contract, there are two schemes, the first is direct payment to the supplier and the second is payment through the customer's account.

Despite the fact that a number of studies have discussed the sharia compliance issues in the context of Murabaha practices. Nevertheless, the author has not been able to locate any work that expressly discusses the recent Sharia compliance issues on Murabaha financing practices established by Sharia rural banks, particularly with a comprehensive elaboration on three key elements that is the existing prevailing regulation of Murabaha, the recent review of sharia compliance, and bad debt settlement measures in the case of default. Since murabaha is one of the most often used products in Islamic banking, this is regarded crucial. The authors contend that further study and examination of its recent application throughout the outbreak are thus necessary. The objective of the article is to thoroughly investigate whether Sharia rural banks have executed and fully complied with the sharia rules and values, especially when it comes to Murabaha financing practices. It elaborates the compliance assessment from the starting process of applying Murabaha until the final execution of it. Furthermore, it also examines the BPRS debt settlement strategy which complies with DSN-MUI Fatwa and also discusses the OJK Policy on restructuring process during the Covid-19 crisis.

2. RESEARCH METHOD

The study was conducted using a normative-empirical research methodology with employing statutory and conceptual approaches. Secondary data identification and analysis derived from library research where the data is in the form of journals, books, periodicals, and conference papers. Field research used observation and in-depth interviews based on purposeful sampling to explore the perspectives of informant stakeholders in order to collect primary data. In this field study, two Islamic banks—BPRS Mitra Harmoni Group and BPRS Bangun Drajat Warga—will serve as the resource institutions (hereinafter called BPRS). Furthermore, a qualitative-descriptive method was used in the data analysis. The various facts and data that have been gathered will be categorized and organized in accordance with the topic of the issue under investigation. Moreover, a variety of chosen methodologies will be used to methodically assess and study the sequence of data and facts.

3. RESULTS AND DISCUSSION

3.1. Murabaha Application Procedures: A Current State of Play

The idea of traditional Islamic economics has evolved as a result of the demand for an economy that adheres to Islamic values while yet being contemporary. Islam has always had an understanding of economics, and it continues to have applications in both business and social interactions today. The role that Islamic economists and fiqh scholars have played up to this point cannot be divorced from this advancement. Indonesia, which has the greatest concentration of Muslims anywhere in the world, has incorporated many aspects of Islamic economics in a variety of fields. Islamic economics, particularly BPRS, have been implemented by numerous banks and other financial institutions. A business that applies sharia is one that offers murabaha finance.[15]

Murabaha is a component of purchasing and selling that is distinct from general buying and selling. It is vital to first comprehend the price issue, which in this case is broken into two, in order to make it simpler. First, the selling price is the amount agreed upon by the seller and the buyer for the sale and purchase of an item. The acquiring price is the cost of an item obtained from a third party. A murabaha transaction is a sale and purchase that is founded on the buyer's confidence in the seller's transparency in disclosing the purchase price of the products being offered for sale.[16] This is certainly different from buying and selling in general in society where the buyer does not have to know the purchase price.

The DSN-MUI fatwa defines murabaha as the sale of an item to a customer after explaining the buying price and having the customer pay more as a profit. The explanation in fiqh books is the same as this idea. In contrast, Law No. 21 of 2008 concerning Sharia Banking defines Murabaha Financing as the provision of funds in the form of buying and selling transactions in the form of Murabaha receivables based on an agreement between the sharia bank or UUS and the customer that requires the party being financed to return the funds after a certain period of time in exchange for compensation in the form of profit.[17]

For short-term financing, Islamic financial institutions typically use murabaha contracts.18 In accordance with the member's purchase order, the financing institution will deliver the requested products. The following are the fundamental elements of a murabaha financing agreement:

a. The mark-up limit must be set as a percentage of the entire price plus costs and the buyer must be aware of the cost of the items.
b. The things or commodities that are sold are exchanged for money.

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[15] Simona Franzoni and Asma Ait Allali, "Principles of Islamic Finance and Principles of Corporate Social Responsibility: What Convergence?," *Sustainability* 10, no. 3 (2018): 637.

[16] Olorogun Lukman Ayinde, "A Critical Evaluation of The Compatibility Between Traditional And Contemporary Applications of Murabahah Transactions," *Aceh International Journal of Social Science* 1, no. 1 (2012).

[17] Hasnati Hasnati, Sandra Dewi, and Andrew Shandy Utama, "Perbandingan Prinsip Good Corporate Governance Pada Bank Konvensional Dan Bank Syariah Dalam Sistem Hukum Di Indonesia," *Mizan: Journal of Islamic Law* 3, no. 2 (2019): 197–208.

[18] Musaroh Musaroh et al., "The Determinants of Murabaha Margin Income in Islamic Banking Companies in Indonesia," *Diponegoro International Journal of Business* 3, no. 2 (2020): 123–30.

c. The item being exchanged must be real, belong to the seller, and be able to get the product to the buyer.
d. The transaction is postponed

Murabaha financing products are also offered by BPRS Bangun Drajat Warga and BPRS Mitra Harmoni Group. Murabaha is a sale-purchase agreement that is mutually agreed upon at the start of the contract between a BPRS and a client for a certain sort of items in accordance with the customer's needs. The BPRS accepts any thing that the members need to be used as the object of purchasing and selling in this finance, as long as it is an item that is allowed by sharia, whether it be an item for daily use or an item for further business capital. Furthermore, the BPRS mandates the inclusion of collateral in this kind of borrowing. This is done as an effort to mitigate risk in the event of customer default.

At BPRS Mitra Harmoni Group and BPRS Bangun Drajat Warga, there are two methods to finance with murabaha: the first uses murabaha with wakalah contracts, and the second uses solely murabaha contracts. If the item of sale and purchase is easily accessible via the BPRS to the provider of the good, financing utilizing just Murabaha contracts is carried out. For instance, if a consumer requests Murabaha financing to purchase a refrigerator, the branch BPRS will order the refrigerator directly from the supplier of the good once the financing has been approved by the central BPRS committee. After the Murabaha contract is signed, the refrigerator will also be given to the consumer who asks for financing.

When the items that are the subject of the sale and purchase are controlled or more readily available by the customer, murabaha financing using a wakalah contract is used. The wakalah contract used in Murabaha financing, according to BPRS Mitra Harmoni Group and BPRS Bangun Drajat Warga, was carried out to make the financing more efficient because the number of employees was limited and it would take longer if it were carried out without a wakalah contract.

There are procedures and requirements that prospective clients must meet in order to receive Murabaha finance, and all of these requirements must be followed and implemented. Generally speaking, eligibility requirements for financing applications include being a member, completing a financing application form, having a business or permanent work, being open to being surveyed, and possessing collateral. BPRS Mitra Harmoni Group and BPRS Bangun Drajat Warga require a necessary deposit of Rp. 10,000 and principal savings of Rp. 10,000 in order to accept financing customers. The customer can next complete the financing application form that has been made available at the office to apply for Murabaha financing.

The customer will meet with BPRS marketing to provide an explanation of the purpose and objectives of the financing before completing the application. The BPRS will provide information on financing options and will outline the percentage of revenues it will keep. Once there is agreement and understanding, the customer can proceed with the application by filling in the blanks. The customer's name, the reason for the financing, the kind of goods that will be acquired, the preferred time for the purchase, information on job and income, information on collateral, and other required attachments must all be made clear in the form. Following form completion, the BPRS will query the consumer applying for Murabaha regarding the information provided.

The following step will be a survey of the customer's home's location. Regarding the condition of the customer and the location of the item to be used as collateral, the BPRS will make direct field checks. This is carried out to confirm the accuracy of the information provided in the application and as a risk management measure to prevent default. One of the survey procedures used is that the BPRS will speak directly with the consumer in question and, if necessary, will compare their responses to those of three or more of their neighbors. When a consumer applies for financing, the BPRS will glean details about their character, personality, routine activities, and other factors that are important for a smooth financing process. The BPRS uses various assessment criteria, among them 5C (character, cashflow, capital, conditions, collateral), to decide whether to approve financing.

The first is moral character, or understanding that members will pay for the finance they have received in good faith and honestly. This can be observed through the identification of personality, behavior, history, and lifestyle through surveys and interviews. The second is capacity, which is knowing the members' capacity for reverse financing as well as the agreed-upon and accepted profit margins. The BPRS will evaluate members' financial management skills for the task being done or the business they are involved in. The third factor is capital, which is used to assess the wealth and condition of members' assets. Finding out the value of the collateral that will later provide coverage if the member defaults or is unable to pay is the fourth step in the process. The member applying for financing must lawfully own the collateral offered as security. The fifth step is condition, which entails researching any social, political, and governmental factors that might have an impact on the client's line of work or industry.

The branch leadership will provide the findings of the survey and analysis to the committee in the central management for debate during meetings in the form of a portfolio bundle. The central management will make the decision regarding whether to accept a Murabaha funding or not. The application for Murabaha financing is accepted by central management, who will also tell the branch of the amount of the approved financing, before the financing is really realized. Customers whose applications are approved will receive a letter approving their financing and be called to the branch office to finalize other arrangements. There will be a number of agreements established, including one regarding the margin to be taken and the execution of the Murabaha financing arrangement. The Murabaha contract agreement will include all of the agreement's outcomes.

The presence of a contract is crucial in all Islamic transactions.19 The contract is a declaration of the parties' intent to take or refrain from taking specific activities and is accepted by the other party.[20] Akad can also be seen as a consensus-based arrangement in which one party has the authority to demand the rights of the other party and the latter is obligated to comply.[21] Since the agreement establishes a legal relationship and establishes a legal position for the parties to it, it serves as a source of engagement.

Customers who seek for financing are a part of the BPRS in the creation of a Murabaha contract agreement. The contract clause contains a comprehensive explanation of every aspect of the Murabaha contract. The contract contains information on the parties, including the BPRS and the customer, the margin amount, total monthly installments, maturity date, time frame, and other things. With regard to murabaha finance, there is no wakalah involved and only one contract—the murabaha contract—is used in the arrangement. After the BPRS orders the customer-requested goods, the agreement will be made. A contract will be signed by the BPRS, the customer seeking for financing, and both parties. Following the signature of both parties and two witnesses, the Murabaha contract will be implemented, and the customer will receive the items.

On the other side, two contracts—the wakalah contract and the murabaha contract—will be made for wakalah-based murabaha financing. Both parties and witnesses will concur and sign both documents at the same time. However, in this financing, the BPRS has not placed an order for the customer's necessary commodities. As a result, a wakalah contract is required and has been agreed upon to receive the necessary goods. According to the terms of the wakalah agreement, the customer who requests for financing will speak for the BPRS to buy the things the client requires.

3.2. BPRS Compliance to DSN-MUI Fatwa on Murabaha

The BPRS must adhere to sharia principles when conducting its business, and it must base its operational planning on the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). The DSN-MUI Fatwa No. 4 of 2000 concerning Murabaha contains the clauses pertaining to the Murabaha contract that are utilized as standards for muamalah in Indonesia.[22] The author will examine the practice of Murabaha

[19] Md Akther Uddin and Abu Umar Faruq Ahmad, "Conventional Futures: Derivatives in Islamic Law of Contract," *International Journal of Law and Management* 62, no. 4 (2020): 315–37.

[20] Alexander Savelyev, "Contract Law 2.0:'Smart'Contracts as the Beginning of the End of Classic Contract Law," *Information & Communications Technology Law* 26, no. 2 (2017): 116–34.

[21] Intan Mukarromah Mustikawati, Mardi Handono, and Emi Zulaika, "The Perspective of Islamic Law on a Mismatched Object in Online Sales and Purchases Transactions," *Lentera Hukum* 6, no. 2 (2019): 223–32.

[22] Shohihatul Awaliyah, Mochamad Novi Rifa'i, and Fitrian Aprilianto, "Implementasi Fatwa Dsn-Mui No. 04/DSN-MUI/IV/2000 Terhadap Produk Pembiayaan Akad Murabahah Dengan Menggunakan Perhiasan Emas: Studi Kasus Pada KSPPS BMT Mandiri Sejahtera Jawa Timur Cabang

contracts at BPRS, and its compliance with the DSN-MUI Fatwa on Murabaha will subsequently be examined.

Banks and consumers must enter into usury-free murabaha contracts, according to General Provision of the DSN-MUI Fatwa on murabaha, point a. The business techniques used by BPRS are governed by Islamic law, which is usury-free. Riba literally translates as addition or growth.[23] Murabaha, on the other hand, is a sale and buy that results in an additional profit.[24] Due to the fact that it generates a profit from trade, the addition that takes place in the selling and purchase of murabaha is permitted. Despite the fact that transactions at financial institutions are done in installments, the increases imposed by the contract are still permitted. As a result, its application to the BPRS complies with the relevant DSN-MUI fatwa.

The consumer has the option to apply for Murabaha finance for any commodities they require, whether they are goods used to supplement their existing business capital or everyday personal things. The BPRS nevertheless stipulates criteria for the products that will be approved for financing requests, particularly those that are acceptable by Islamic law. This is in line with the general statement in point b of the DSN-MUI fatwa addressing murabaha, which states that "Goods traded are not prohibited by Islamic law."

The statement "Banks finance part or all of the purchase price of products whose criteria have been agreed upon" is further described in point c. The Bank will cover the total cost of the goods' acquisition in the financing of the Murabaha contract executed at the BPRS. However, if the applicant for funding already has some cash on hand, they may also include it in their application. The BPRS will accept the money as a down payment. This is in line with DSN-MUI Fatwa on Murabaha Point C.[25]

"Banks buy products needed by clients on behalf of the bank, and this purchase must be legitimate and free of usury," is how point d of the DSN-MUI fatwa on murabaha is described. Two types of purchase are used by the BPRS. The customer's items will first be purchased directly by the BPRS. The BPRS will then act as the buyer by paying the customer to make the purchase on its behalf in accordance with the Wakalah contract.

The purchases made must be disclosed by the BPRS in full. The DSN-MUI Fatwa's basic guidelines for Murabaha contracts stipulate in point e that "Banks must provide all matters relevant to purchases, for example if the purchase is performed on debt." In this instance, information on purchases in a Murabaha contract will not be

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Campurejo Kecamatan Panceng Kabupaten Gresik," *International Journal of Islamic Economics Development and Innovation (IJIEDI)* 1, no. 2 (2022): 91–100.

[23] Abdul Ghafar Ismail, Bayu Taufiq Possumah, and Mohd Akil Muhamed Ali, "What You Sell Is What You Lend? Revealing Complexity of Riba in Loan Contract," *European Journal of Law and Economics* 45, no. 3 (2018): 591–609.

[24] Burhan Ali Shah and Ghulam Shabbir Khan Niazi, "Issues in Contemporary Implementation of Murabaha," *Turkish Journal of Islamic Economics* 6, no. 2 (2019): 1–24.

[25] Legal and Compliance Staff. BPRS Sharia Compliance Interview. Personal, April 7, 2022.

covered by the BPRS. The BPRS will outline every aspect of finance, including administrative expenses, insurance charges, and other costs. Along with the profit or margin made by the BPRS, the BPRS will also disclose the cost of the thing being financed. This is in line with the regulations in point f of the DSN-MUI fatwa on murabaha, which states that "The bank then sells the items to the consumer at a selling price equal to the purchase price plus the profit." The Bank must be truthful in informing the customer about the cost of the items and other essential expenditures in this regard.[26]

Additionally, the DSN-MUI Fatwa's basic regulations regarding murabaha state in point g that "The consumer pays the agreed amount for the goods within a particular specified period of time." The BPRS has described and established with the customer asking for financing the procedure for the number of installments that must be paid, the payment due date, and the period of time for financing repayments. The Murabaha contract, which will be signed by both parties—the BPRS and the consumer, as well as witnesses—contains the full agreement. The purpose of this agreement is to ensure that both parties will actually abide by the terms of the contract and that it will be enforceable in court. In accordance with paragraph h of the DSN-general MUI's provisions, which deals with the Murabaha Fatwa, the bank may engage into a particular agreement with the customer "to prevent misuse or harm to the contract."

The last general requirement, point h, states that the Murabaha sale and purchase contract must be carried out after the commodities have, in theory, become the bank's property if the bank wishes to represent the client to purchase goods from a third party. In actuality, BPRS uses wakalah contracts to implement wakabaha funding. Once the customer's requested Murabaha financing has been approved by the BPRS, the mechanism will be activated. In order to agree on the pricing and payment schedule, the BPRS will contact the consumer. Following that, the arrangement is formalized by the two parties signing a Murabaha contract. The two sides will also come to an agreement about the wakalah contract because Murabaha will be accompanied by wakalah. Additionally, a separate contract will be created between the two parties discussing the wakalah contract since Murabaha will be accompanied by wakalah.

The wakalah contract and the murabaha contract were both agreed upon and signed at the same time. The consumer is then required by a wakalah contract to make the necessary purchases for the BPRS after receiving the agreed-upon sum of money from the BPRS. The wakalah contract, which was agreed upon together with the Murabaha contract, had not yet been completed, hence the items required by the customer at the time of the Murabaha contract agreement were still unavailable. The BPRS explains that once the member has fulfilled the wakalah contract and the products are under the hands

[26] Danang Wahyu Muhammad and Mega Mustika, "The Charging of Administrative Fee for Customers of Mudharabah Saving Depositors," *Jurnal Media Hukum* 26, no. 1 (2019): 98–111.

of the buyer, the murabaha contract would become effective. The Murabaha contract's contract clause states that after the representative has fulfilled all of his obligations in line with the substance of the wakalah contract, the Murabaha contract becomes effective (Nafadz).

Collateral in Murabaha is the subject of the third section of the DSN-MUI Fatwa on Murabaha. When a customer submits an application for Murabaha financing, the BPRS mandates that the consumer furnish collateral. The BPRS requires this collateral to ensure customer commitment and serve as a backup plan in the event of a default throughout the course of operating the Murabaha. This is in agreement with the clauses in points a and b, which declare that "The Bank may require the customer to provide collateral that can be kept by the Bank," respectively, and that "Collateral in Murabaha is authorized, so that the customer is committed to his pledge."

3.3. Bad Debt Settlement Measures: Sharia Compliance in the Time of Crisis

The settlement provisions in Fatwa No. 47/DSN-MUI/II/2005 of the National Sharia Council regarding the settlement of murabahah receivables for customers unable to pay state that Sharia Financial Institutions (LKS) may execute murabahah settlements for clients who are unable to settle/pay off their financing in accordance with the agreed upon sum and time, provided that: The customer sells the murabahah item or other collateral to or through LKS at the agreed-upon market price. The customer then uses the sale revenues to settle the outstanding debt owed to LKS. If the sales revenues are greater than the outstanding debt, LKS reimburses the customer for the surplus; If the revenues from the sale are less than the outstanding debt, the outstanding debt will continue to belong to the customer; The LKS may release the outstanding debt if the client is unable to do so. However, if an agreement cannot be made and one of the parties fails to uphold its responsibilities or if there is a dispute between connected parties, the National Sharia Arbitration Board is used to settle the matter.[27]

The National Sharia Council's Fatwa No. 48/DSN-MUI/II/2005 further states that LKS may reschedule murabahah bills for customers who cannot complete or pay off their financing in accordance with the agreed amount and time, subject to the following conditions: Do not increase the number of outstanding bills; Charges associated with the rescheduling process must be actual costs; The extension of the payment period must be based on the mutual agreement of the parties. And if a dispute arises between parties who are related to one another or if one of the parties fails to uphold its duties, a settlement is

[27] Nita Triana, "Urgency of Arbitration Clause in Determining the Resolution of Sharia Economic Disputes," *AHKAM: Jurnal Ilmu Syariah* 18, no. 1 (2018).

reached through the National Shari'ah Arbitration Board if no agreement can be reached through negotiation.[28]

The impact on debtor performance and capacity will increase credit risk, which has the potential to disrupt banking performance and financial system stability and have an impact on economic growth, according to the Financial Services Authority Regulation (POJK) No. 11 /POJK.03/2020 Regarding National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Coronavirus Disease 2019. Therefore, it is vital to consider an economic stimulus strategy as a countercyclical impact of the proliferation of Covid-19 crisis in order to encourage optimization of banking performance, particularly the intermediation function, maintain financial system stability, and boost economic growth.[29] Furthermore, the prudential principle must still be followed while establishing the policy.

The POJK policy, on the other hand, stipulates that creditors who are directly or indirectly impacted by the Covid-19 epidemic may be categorized as current quality as long as the POJK is in effect, provided that debtors submit a request for financing restructuring to banks. For Islamic banks, the term extension restructuring strategy is a good one because it reduces the debtor's overall monthly installment payment responsibilities and adjusts them to their capacity in light of the Covid-19 epidemic. Covid-19's global and domestic spread, which is still going strong today,30 has had a direct or indirect effect on how well debtors perform and are able to meet their credit or finance payment commitments. Therefore, the government has taken anticipatory and further steps in the form of adjustments to POJK No. 11/POJK.03/2020 by stipulating POJK No. 48/POJK.03/2020 in order to encourage optimization of banking performance, especially the intermediation function, maintain financial system stability, and support economic growth.

In accordance with POJK No. 48/POJK.03/2020, banks may implement measures to stimulate economic growth for creditors who are impacted by the spread of Covid-19, including micro, small, and medium-sized business debtors. Banks shall continue to focus on risk management implementation in compliance with the Financial Services Authority's rules addressing bank risk management in order to carry out this policy.31

[28] Khairiah Elwardah, “Penyelesaian Pembiayaan Bermasalah Dalam Produk Pembiayaan Murabahah (Studi Pada Pt. Bprs Muamalat Harkat Sukaraja),” *Jurnal BAABU AL-ILMI: Ekonomi Dan Perbankan Syariah* 4, no. 1 (2019): 75–88.

[29] Ririn Riani and Ries Wulandari, “Assessing the Islamic Bank Financing During Economic Recession: The Role of Stimulus Regulation POJK Number 11/POJK. 03/2020,” *AL-MUZARA’AH*, 2022, 57–75.

[30] Farhanin Abdullah Asuhaimi, Zuhairah Ariff Abd Ghadas, and Nazli Ismail Nawang, “Sale of Merchantable Quality Goods in Today’s Online Contract: Issues and Challenges,” *Indonesian Comparative Law Review* 4, no. 2 (2022): 71–80.

[31] Christanto Arief Wahyudi and Evi Aryati Arbay, “The Impact of OJK Regulation No. 48/POJK. 03/2020 on the Quality of Credit and Risk Management of Banking Credit,” *Journal of Economics and Business* 4, no. 1 (2021).

Several crucial considerations must to be made while applying bank risk management: Banks have guidelines for establishing standards for debtors and industries impacted by the Covid-19 outbreak. In order to provide credit or financing restructuring in accordance with Financial Services Authority Regulation, banks are required to conduct an assessment of debtors who are able to continue to survive the impact of Covid-19 and still have business prospects. The bank is also required to establish reserves for debtors who are considered to be no longer able to survive after the restructuring of credit or financing in accordance with Financial Services Authority Regulation. Banks must regularly test their resilience against potential declines in credit quality and the effects of restructured financing on their capital and liquidity.

Debt in Murabaha is regulated in the fourth section of the DSN-MUI Fatwa on Murabaha. The payment of customer debt in Murabaha transactions, in theory, has nothing to do with other transactions customers make for the items with third parties, as is indicated in this section's point a. The customer is still obligated to pay the obligation to the bank whether they resale the goods for a profit or a loss. Furthermore, point b indicates that "the customer is not required to promptly pay off all the installments if the customer sells the goods before the installment period ends." Point c then states, "If the sale of the items results in a loss, the customer shall still be obligated to pay the obligation in accordance with the original Agreement."

According to the points in the fourth section of the fatwa, the BPRS has put it into practice. Customers must nonetheless fulfill their installment responsibilities in accordance with the established agreement even if they conduct business with third parties during the term for installment payments, such as selling products that are the subject of a Murabaha. However, the BPRS mandates that the rights and obligations be transferred in accordance with the terms of the signed contract. As long as the transfer is subject to BPRS notice and approval procedures. If the BPRS does not authorize the transfer, it is not legally binding.

The Postponement of Payments in Murabaha is governed by the fifth section of the DSN-MUI Fatwa on Murabaha. Customers who have the ability are not justified in delaying the settlement of their debts, according to point a, and point b states that if an agreement cannot be reached through negotiation and the customer intentionally delays payments or if one party fails to fulfill their obligations, the settlement will be carried out through the Sharia Arbitration Board.

When dealing with customers' issues, BPRS constantly gives consideration to dialogue and consensus. BPRS always keeps track of and recalls clients who have installment due dates each month. The BPRS will punish and engage directly in a polite manner with any Murabaha financing customers who are discovered to be failing to fulfill their commitments in line with the established agreement. The BPRS will settle the dispute through a religious court and execute the collateral if the installment has not been paid for more than three months despite efforts to negotiate and mediate by the BPRS and if the customer in question does not act in good faith.

Furthermore, the DSN-MUI Fatwa on Murabaha's bankruptcy situation is discussed in its sixth and last section. The bank was required to postpone the debt bill until the customer was able to return or another matter was decided based on the agreement if the customer had been declared bankrupt and had not paid the debt, it was explained. This is still connected to the sixth paragraph up there. While the BPRS is highly open to discussion and agreement to identify the best solution for members who are found unable to pay installments,

For clients who are insolvent or having problems, the BPRS will provide payment settlement options. assuming that the client is acting in good faith and has the chance to fulfill his promise. As a result, the BPRS will typically delay the repayment as long as the consumer keeps making as much of a monthly payment as possible until the customer in question is deemed capable of making the agreed-upon payments.

4. CONCLUSION

Upon considering all the facts, BPRS has nearly incorporated Murabaha contracts in compliance with the DSN-MUI Fatwa and OJK Policy. It was explained that even during a pandemic crisis when many customers were unable to pay their debts, the bank was required to postpone the debt bill until the customer was able to return or until another matter was resolved in accordance with the agreement if the customer had been declared bankrupt and had not paid the debt. This relates to the DSN-MUI Fatwa on Murabaha's sixth paragraph. Additionally, BPRS is open to discussion and agreement in order to find the appropriate course of action for members who are unable to make installment payments. Options for payment settlement will be offered by BPRS. Providing the client has the opportunity to keep their commitment and is acting in good faith. As a result, until the customer in issue is determined to be capable of making the agreed-upon payments, the BPRS will normally defer the payback as long as the consumer keeps making as much of a monthly payment as possible.

However, it is argued that the implementation of a Murabaha contract that is accompanied by a wakalah contract does not follow the DSN-MUI fatwa on Murabaha. Technically, the Murabaha and Wakalah contracts are applied simultaneously by the BPRS. The buyer is then taken to have agreed to buy the goods once the contract has been reached. This indicates that the Murabaha contract is reached when the goods that are the subject of the agreement are not yet available and do not comply with the rules of sale and purchase, where the goods must be owned by the seller. This differs from the DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000 about Murabaha, which specifies that if a bank wants to represent members to buy items from a third party, the Murabaha sale and purchase contract must be made after the products, theoretically, become the bank's property. It is therefore the applicability of Murabaha contracts at BPRS still needs to be assessed as a result of the discrepancy since it could lead to a contract that is void or null. Thus, the paper suggests to conduct a further study on how the Murabaha contract is carried out when it is accompanied by the wakalah contract so that the BPRS could avoid the null or void of such a contract resulting from the incompliance with the fatwa and relevant regulations.

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