

TRANSFORMATION OF *IJARAH* CONTRACT: THE REVIEW OF THE CONCEPT AND ITS IMPLEMENTATION IN ISLAMIC BANKING

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Abstract: *Innovations in sharia banking products and services in Indonesia continue to experience significant developments. This is important to do to answer the needs of recent financial transactions. Various financing products with various contracts have been applied by Islamic financial institutions. One of the products developed is ijarah-based financing. However, different viewpoints regarding the legal validity of ijarah with its various types are still being discussed among academics and practitioners. The concept of ijarah itself was practiced in early Islamic era and continues to be practiced today in various contemporary financial transactions. This study aims to review the process of transforming ijarah principles to the development of their varieties, as well as related legal and regulatory provisions as a basis for implementation in the development of financing products in Islamic banking and finance. This research was a qualitative research using a literature study approach with descriptive analysis. This study concludes that several texts from the al-Qur'an and Sunnah explain the concept of ijarah and its permissibility according to sharia. Nash explains at least two types of ijarah, namely ijarah in service and asset leases. Both were revealed in the provisions contained in the KHES, PBI, as well as several DSN MUI fatwas. These regulations form the basis for implementing ijarah, IMBT, and IMFID in various sharia banking products and services.*

الملخص: لا تزال الابتكارات في المنتجات والخدمات المصرفية المتوافقة مع الشريعة الإسلامية في إندونيسيا تشهد تطورات مهمة. من المهم القيام بذلك لتلبية احتياجات

المعاملات المالية المعاصرة. تم تطبيق منتجات تمويلية مختلفة بعقود مختلفة من قبل المؤسسات المالية الإسلامية. أحد المنتجات التي تم تطويرها هو التمويل المستند إلى الإجارة. ومع ذلك ، لا تزال وجهات النظر المختلفة بشأن الصلاحية القانونية للإجارة بمختلف أنواعها قيد المناقشة بين الأكاديميين والممارسين. كان مفهوم الإجارة نفسه يمارس في العصور الإسلامية المبكرة ، ولا يزال يُمارس اليوم في مختلف المعاملات المالية المعاصرة. تهدف هذه الدراسة إلى مراجعة عملية تحويل مبادئ الإجارة إلى تطوير أصنافها ، فضلاً عن الأحكام القانونية والتنظيمية ذات الصلة كأساس للتنفيذ في تطوير منتجات التمويل في الصيرفة والتمويل الإسلامي. هذا البحث هو بحث نوعي باستخدام منهج دراسة الأدب مع التحليل الوصفي. خلصت هذه الدراسة إلى أن هناك عدة نصوص من القرآن والسنة توضح مفهوم الإجارة وجوازها شرعاً. يشرح ناش نوعين على الأقل من الإجارة ، وهما الإجارة في شكل عقد خدمة وتأجير الأصول. تم الكشف عن كلاهما في الأحكام الواردة في تجميع قوانين الإقتصاد الإسلامي ولوائح المصرف المركزي الإندونيسي والعديد من فتاوى الهيئة الشرعية الوطنية لمجلس العلماء الإندونيسي. هذه اللوائح هي الأساس لتنفيذ الإجارة ، الإجارة المنتهية بالتملك، والإجارة الموصوفة في الذمة في مختلف المنتجات والخدمات المصرفية الإسلامية.

Abstrak: *Inovasi pada produk dan layanan perbankan syariah di Indonesia terus mengalami perkembangan signifikan. Hal tersebut penting dilakukan untuk menjawab kebutuhan transaksi keuangan kontemporer. Berbagai produk pembiayaan dengan beragam akad telah diaplikasikan oleh lembaga keuangan syariah. Salah satu produk yang dikembangkan adalah pembiayaan berbasis ijarah. Namun demikian, perbedaan sudut pandang terkait keabsahan hukum atas ijarah dengan ragam jenisnya masih menjadi perbincangan di kalangan para akademisi dan praktisi. Konsep ijarah sendiri telah dipraktekkan di awal masa Islam, dan terus dipraktekkan hingga saat ini pada berbagai transaksi keuangan kontemporer. Penelitian ini bertujuan untuk mengulas proses transformasi prinsip ijarah hingga perkembangan ragamnya, serta ketetapan hukum dan regulasi yang terkait sebagai pijakan implementasi dalam pengembangan produk pembiayaan di perbankan dan keuangan syariah. Penelitian ini merupakan penelitian kualitatif dengan menggunakan pendekatan studi pustaka dengan analisis deskriptif. Penelitian ini menyimpulkan bahwa terdapat beberapa*

nash dari al-Qur'an dan sunnah yang menjelaskan konsep ijarah dan kebolehan secara syariah. Nash tersebut menjelaskan sedikitnya dua jenis ijarah, yaitu ijarah dalam bentuk sewa jasa dan sewa aset. Keduanya diturunkan dalam ketentuan yang termuat dalam KHES, PBI, serta beberapa fatwa DSN MUI. Regulasi tersebut menjadi dasar implementasi ijarah, IMBT, dan IMFD dalam berbagai produk dan layanan jasa perbankan syariah.

Keywords: ijarah, IMBT, IMFD, Islamic banking.

INTRODUCTION

Islamic banking is an essential element in Islamic economics and finance development. Efforts to develop Islamic banking are carried out by optimizing various Islamic banking products and services while referring to sharia principles and provisions as the foundation. In general, Islamic banking carries out the function of raising and channelling funds, as well as products and other banking services. Table 1 shows the operational principles of Islamic banking with various sharia operating principles currently widely implemented in various Islamic banking business activities.

Table 1. Islamic Banking Operational Principles

No	Activity	Operational Principles
1	Funding	<p>Wadiah Principle:</p> <ul style="list-style-type: none"> - <i>Wadi'ah yad dhamanah</i> <p>Mudharabah Principles:</p> <ul style="list-style-type: none"> - <i>Mudharabah muthlaqah</i> - <i>Mudharabah muqayyadah</i>
2	Financing	<p>Trading Principle:</p> <ul style="list-style-type: none"> - Financing of <i>murabahah</i> - Financing of <i>salam</i> - Financing of <i>istishna'</i> <p>Ijarah Principle</p> <p>Syirkah Principle</p> <ul style="list-style-type: none"> - Financing of <i>musyarakah</i> - Financing of <i>mudharabah</i>

3	Other services	- <i>Wakalah</i> - <i>Kafalah</i> - <i>Sharf</i> - <i>Qardh</i> - <i>Rahn</i> - <i>Hiwalah</i> - <i>Ijarah</i> - <i>Wadi'ah</i>
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Source: www.ojk.go.id, 2021 (processed data)

The development of Islamic banking products and services today cannot be separated from fiqh provisions as a basis.¹ Transactions carried out in these products and services refer to the implementation of the contract. Apart from *mudharabah*, the *ijarah* contract is one of the dominating contracts in the implementation of Islamic banking products and services.² Until now, *ijarah* has been implemented in various financing products such as multi-service financing and banking services, ranging from transfers, and sharia cards, to haj management financing. It can be seen from several DSN MUI fatwas provisions, which regulate the requirements of these products and services by describing the implementation of *ijarah* contracts.

Along with the increasing demand and market needs,³ the principle of *ijarah* has developed at the level of implementation. Currently, *ijarah* contracts are growing into the implementation of *ijarah* combined with sales and purchase contracts or grants, such as in *Ijarah Muntahiyah bi al-Tamlik* (IMBT).⁴ The IMBT principle has also been implemented in various innovations in Islamic banking financing products to meet market needs. Apart from IMBT, the principle of *ijarah* has also developed with the principle of *al-ijarah*

¹ Khtoibul Umam, "Legislasi Fikih Ekonomi Perbankan: Sinkronisasi Peran Dewan Syariah Nasional Dan Komite Perbankan Syariah," *Jurnal Mimbar Hukum* 24, no. 2 (2012): 357–75, <https://doi.org/10.22146/jmh.16139>.

² Sriono, "Telaah Terhadap Perjanjian Sewa Menyewa (Al *Ijarah*) Dalam Perbankan Syariah," *Jurnal Ilmiah "Advokasi"* 01, no. 01 (2013): 88–98.

³ Luhur Prasetyo and Unun Roudlotul Janah, "Cryptocurrency as Money: Islamic Monetary System Perspective," *Al-Tahrir* 22, no. 1 (2022): 71–94, <https://doi.org/10.21154/altahrir.v22i1.3617>.

⁴ Husna Ni'matul Ulya, "Penerapan Akad *Ijarah Muntahiyah Bittamlik* (IMBT) Pada Transaksi Lembaga Keuangan Syariah," *El-Wasathiyah: Jurnal Studi Agama* 6, no. 1 (2018): 21–38.

al-maushufah fi al-dzimmah (IMFD).⁵ It is also a solutive answer from Islamic law for various innovation developments and contemporary transaction patterns.

The digital era, marked by the emergence of various digitalization patterns in all sectors, has changed the paradigm, including in financial transactions and banking products. Multiple forms of innovation and development continue to be carried out to respond to market demands so that they can keep abreast of the times but are still guided by sharia principles.⁶ On the other hand, differences of opinion among Islamic fiqh and economics experts also occur, particularly in assessing the legal validity of transactions using the *ijarah* principle and its derivatives.⁷ For this reason, a reconstructive study of *ijarah* is needed, which departs from its basic concept to the level of its implementation in Islamic banking.

Research and studies on the conception and implementation of *ijarah* have been carried out in academic studies. Hasanudin & Yaqin examined the development of *ijarah* from the concept of classical fiqh to its application to the development of Islamic banking products. The study found that the *ijarah* principle is generally implemented in several banking products, particularly in banking services. This finding emphasizes the study of the six fatwas issued by the DSN MUI, which are directly related to *ijarah*.⁸ Furthermore, studies regarding the principle of *ijarah* had also been reviewed by Ahmadi by critically examining the concept of *ijarah* in the Compilation of Sharia Economic Law (KHES).⁹ Both of these studies focus more on

⁵ Rega Felix and Lastuti Abubakar, "Application of Al-Ijarah Al-Maushufah Fi Al-Dzimmah for Infrastructure Project Financing in Indonesia," *Yuridika* 35, no. 1 (2020): 129–51, <https://doi.org/10.20473/ydk.v35i1.9021>.so the Islamic bank should become one of the financial institutions for a financing infrastructure project. One of the products of Islamic bank is lease based contract or ijarah. In 2016, the Indonesian Islamic Scholars Council (MUI

⁶ Bustami and Muhammad Lutfi Hakim, "Strategy of Cash Waqf Development on Gerakan Wakaf Produktif at Baitulmaal Munzalan Indonesia Foundations in Digital Era," *Al-Tahrir* 20, no. 1 (2020): 97–119.

⁷ Hasanudin Hasanudin and Ainul Yaqin, "The Transformation of Ijârah: From Fiqh to Sharia Banking Products," *AL-IHKAM: Jurnal Hukum & Pranata Sosial* 14, no. 1 (2019): 72–98, <https://doi.org/10.19105/al-lhkam.v14i1.1893>.

⁸ Hasanudin and Yaqin.

⁹ Bagus Ahmadi, "Akad Bay', Ijarah Dan Wadi'Ah Perspektif Kompilasi Hukum Ekonomi Syariah (KHES)," *Epistemé: Jurnal Pengembangan Ilmu Keislaman* 7, no. 2 (2012): 311–36, <https://doi.org/10.21274/epis.2012.7.2.311-336>.

studying the principles of *ijarah* on aspects of positive legal basis and fatwas.

In addition, a study regarding the implementation of *ijarah* and IMBT in Islamic banking has been carried out by Polindi. This study found that *ijarah* and IMBT are solutions to provide low-cost financing for customers, in addition to conformity with sharia principles. However, the focus of this study is more limited to the implementation of *ijarah* and IMBT in mortgage financing products.¹⁰ Further studies are needed regarding the implementation of *ijarah* in other banking products and the development of *ijarah* such as the implementation of IMBT and *al-ijarah al-maushufah fi al-dzimmah* (IMFD).

Specifically, studies related to IMFD have also been carried out with a review from several perspectives. Fuadi focused his study on the implementation of this contract on Islamic banking products in Indonesia. In addition, the study also examined the reasons for the non-optimal implementation of these contracts in national banking products.¹¹ At a more practical level of study, Felix & Abubakar reviewed the implementation of the IMFD in infrastructure projects. The study criticized regulations in Indonesia that were considered not ready to accommodate the performance of the IMFD in infrastructure projects.¹² In addition, Faruq Ahmad et al., in their research entitled *Takyif Fiqhi on the Permissibility of Ijarah Mawsufah fi al-Dhimmah: A Critical Analysis*, concluded that there is no disagreement among classical fiqh scholars regarding the IMFD which is considered an independent Islamic financial product.¹³ From this research, studies

¹⁰ Miko Polindi, "Implementasi *Ijarah* Dan *Ijarah* Muntahia Bit-Tamlik (IMBT) Dalam Perbankan Syariah Di Indonesia," *Al-Intaj: Jurnal Ekonomi Dan Perbankan Syariah* 2, no. 1 (2016): 29–36.

¹¹ Nasrul Fahmi Zaki Fuadi, "Implementasi Akad *Al-Ijarah* *Al-Maushufah* *Fi Al-Dzimmah* Sebagai Alternatif Pembiayaan Di Lembaga Keuangan Syariah Indonesia," *Indonesian Journal of Islamic Literature and Muslim Society* 4, no. 2 (2019): 211–32, <https://doi.org/10.22515/islimus.v4i2.1750>.

¹² Felix and Abubakar, "Application of *Al-Ijarah* *Al-Maushufah* *Fi Al-Dzimmah* for Infrastructure Project Financing in Indonesia." so the Islamic bank should become one of the financial institutions for a financing infrastructure project. One of the products of Islamic bank is lease based contract or *ijarah*. In 2016, the Indonesian Islamic Scholars Council (MUI

¹³ Abu Umar Faruq Ahmad, Abu Talib Mohammad Monawer, and Lukman Ayinde Olorogun, "Takyif Fiqhi on the Permissibility of *Ijarah* *Mawsufah* *Fi Al-*

related to IMFD are generally associated with its implementation in certain Islamic banking products, such as infrastructure project financing.

Based on several previous studies, this research will explore the transformative aspects of the *ijarah* principle, which departs from classical fiqh theory and is derived from favourable legal provisions, which include regulations and fatwas. Furthermore, this study also aims to examine aspects of the application of the *ijarah* principle with its various derivative contracts, including IMBT and IMFD, in Islamic banking products and services in Indonesia. The novelty raised from this research is to integrate the developments of *ijarah*, IMBT, and IMFD from theory, and regulations, to their application in Indonesian Islamic banking.

IJARAH IN AL-QUR'AN AND HADITH

Ijarah is one of the contracts in *fiqh muamalah* studies which comes from the Arabic *al-ajr*. In Arabic, *al-ajr* has synonyms as *al-thawab* (reward), *al-jaza' al-hasan* (rewards of virtue), and *al-'iwadh* (return).¹⁴ What forms the basis of *ijarah* transactions is the principle of transfer of use rights without any transfer of property rights. In this way, the concept of *ijarah* is defined as the right to benefit from goods or services with the obligation to provide specific compensation for using these goods or services.¹⁵

Literally, *ijarah* is the sale and purchase of benefits. In terms, *ijarah* is defined as a contract for permissible benefits in return. In another expression, *ijarah* is interpreted as a contract that transfers beneficial ownership of an item in exchange for compensation. The existence of compensation indicates the difference between *ijarah* and *tabarru'* contracts such as grants, wills, or *i'arah*.¹⁶

From its understanding, it is understood that *ijarah* is a contract of buying and selling benefits. Based on this concept, most scholars

Dhimmah: A Critical Analysis," *International Journal of Islamic Thought* 17 (2020): 1–14, <https://doi.org/10.24035/ijit.17.2020.165>.

¹⁴ Sayyid Sabiq, *Fiqh As-Sunnah* (Kairo: Daar al-Hadits, 2004), 948.

¹⁵ Miko Polindi, "Filosofi Dan Perwujudan Prinsip Tauhīdullah, Dan Al-'Adālah, Dalam Ijārah, Dan *Ijarah* Muntahia Bi-Tamlīk (Imbt)," *EkBis: Jurnal Ekonomi Dan Bisnis* 1, no. 1 (2017): 1–11, <https://doi.org/10.14421/ekbis.2017.1.1.998>.

¹⁶ Wabbah Al-Zuhaili, *Al-Mu'amalat Al-Maliyah Al-Mu'ashirah* (Damaskus: Dar al-Fikr, 2002), 72.

prohibit *ijarah* on fruit-bearing trees. It is because fruit is the same as goods, while *ijarah* only applies to benefits, not goods. It is the same as *ijarah* over cattle grazing land, which is also prohibited. Because the grass that the livestock eat is goods, livestock grazing land cannot be used as an object of *ijarah*. However, there are exceptions for hiring the services of a woman for breastfeeding due to an urgent need. Malikiyah scholars also allow the rental of male animals to fertilize their female animals. In addition, the majority of scholars also allow the rental of bathrooms.¹⁷

Regarding this view, Ibn Qayyim stated that the opinion that the object of *ijarah* is benefits, not goods, is wrong. He believes that goods that appear slowly, and the primary goods are fixed, then the law is as 'benefits'. Just as the fruit grows from trees, water in wells, and milk in animals, all these things grow little by little, and the essential goods are fixed. Therefore, these items are judged as 'benefits'.¹⁸

Most fiqh scholars agree that *ijarah* is valid if it fulfills its pillars. An *ijarah* contract is a contract that is permissible according to the *ijma'* of the scholars until now, without any conflict. It is due to the human need to benefit from the *ijarah* object.¹⁹ The pillars of *ijarah* agreed upon two contracting parties (*mu'jir* and *musta'jir*), *shighah* (*ijab qabul*), *ujrah*, and benefits.²⁰ In addition, most scholars also state that *ijarah* is a common and binding contract like buying and selling. Therefore, an *ijarah* contract cannot be cancelled unilaterally without justifiable reason. The legal consequences that arise from an *ijarah* contract are ownership of the benefits of the leased object for the lessee and ownership of *ujrah* for the lessor. It is because *ijarah* is a *mu'awadhah* contract in the form of buying and selling benefits. It refers to the command of Allah Swt. to fulfill the contract that was held, as His word in surah al-Maidah verse 1.²¹

يَا أَيُّهَا الَّذِينَ آمَنُوا أَوْفُوا بِالْعُقُودِ...

O believers! Honour your obligations.

¹⁷ Wahbah Al-Zuhaili, *Al-Fiqh Al-Islami Wa Adillatuh* (Damaskus: Dar al-Fikr, 1985), Vol. 4, 731-732.

¹⁸ Al-Zuhaili, Vol. 4, 733-734.

¹⁹ Al-Zuhaili, *Al-Mu'amalat Al-Maliyah Al-Mu'ashirah*, 72.

²⁰ Al-Zuhaili, *Al-Fiqh Al-Islami Wa Adillatuh*, Vol. 4, 731.

²¹ Al-Zuhaili, Vol. 4, 758.

Wahbah al-Zuhaili divides *ijarah* into two forms. First, *ijarah* for benefits, where the object of *ijarah* is the benefit of an item or asset. Second, *ijarah* for work, where the object of *ijarah* is a particular job. *Ijarah* for benefits is permitted to be applied to goods that are permissible according to sharia to be utilized. So that *ijarah* benefits for prohibited items are not allowed.²²

Ijarah is a contract that emphasizes the principle of benefits. From this basic concept, *ijarah* is interpreted in two senses. First, *ijarah* is interpreted as buying and selling for the benefit of an item or object. This concept is more commonly known as leasing activities. Meanwhile, secondly, *ijarah* is interpreted as a transaction to benefit human resources.²³ From these two concepts, it can be seen that *ijarah* is a transaction for benefits, either from goods or objects or services and human labour. For *ijarah* activities carried out, there are consequences to providing compensation for the benefits received. This compensation is known as wages, salaries, or other terms. In terms of fiqh, wages are called *ujrah*.

The Qur'an does not explicitly explain the concept of wages. However, there are several verses that describe the concept of wages which is implicitly explained. One of them is a statement affirmed by Allah Swt. in surah al-Taubah: 105.

وَقُلْ اَعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ وَسَتُرَدُّونَ اِلَىٰ عِلْمِ الْغَيْبِ وَالشَّهَادَةِ فَيُنبِّئُكُمْ بِمَا كُنْتُمْ تَعْمَلُونَ

And say (Prophet Muhammad), “Do (as you will), for Allah will see your deeds, and (so, will) His Messenger and the believers. And you will be returned to the Knower of the unseen and the witnessed. And He will inform you of what you used to do.”

Imam Ibn Kathir interpreted the verse to mean that the verse was a threat from Allah Swt. for those who disobey His orders, on the Day of Judgment, their deeds will be shown before Him, His Messenger, and before those who believe.²⁴ The interpretation of this verse explains to humans that every action they take will have

²² Al-Zuhaili, Vol. 4, 759.

²³ Fathor Rahman, “Konsep Kompensasi Tafsir Al-Qur'an Dan Hadist Pendekatan Tematik,” *Jurnal Qolamuna* 2, no. 2 (2017): 233–54.

²⁴ Abu Fida Ismail Ibn Katsir, *Tafsir Al Quran Al Azhim* (Kairo: Daar al 'Aqidah, 2008), Vol. 2, 482.

reciprocal consequences. That is why every human being will get a proper reward for every deed he does, good or bad.

Furthermore, Allah Swt. confirms that there will be a reward for those who do good. It is expressed in surah al-Zumar verses 34-35.

لَهُمْ مَا يَشَاءُونَ عِنْدَ رَبِّهِمْ ذَلِكَ جَزَاءُ الْمُحْسِنِينَ لِيُكَفِّرَ اللَّهُ عَنْهُمْ أَسْوَأَ الَّذِي عَمِلُوا وَيَجْزِيَهُمْ أَجْرَهُمْ بِأَحْسَنِ الَّذِي كَانُوا يَعْمَلُونَ

They will have whatever they desire with their Lord. That is the reward of the doers of good. So that Allah will turn off from them (even) the worst in their deeds and give them their reward according to the best of what they have done.

In this verse, Allah Swt. Explicitly explain will give wages for what humans do. Through the text, it can be understood that every human action will have consequences in the form of appropriate rewards. This reward is a reward received for a job done by humans. In this regard, Allah Swt. has also confirmed in surah al-Thalaq verse 6.

...فَلَنْ أَرْضَعَنَ لَكُمْ فَاتُوهُنَّ أُجُورَهُنَّ وَأَنْتُمْرُوا بَيْنَكُمْ بِمَعْرُوفٍ وَإِنْ تَعَاَسَرْتُمْ فَمَنْزِعُ لَهُ أُخْرَى

...And if they breastfeed for you, then give them their payment and confer among yourselves in the acceptable way; but if you are in discord, then there may breastfeed for the father another woman.

The concept of work is also emphasized in the Qur'an by being associated with employing other people. This is as stated in surah al-Qashash verse 26.

قَالَتْ إِحْدَاهُمَا يَا أَبَتِ اسْتَأْجِرْهُ إِنَّ خَيْرَ مَنِ اسْتَأْجَرْتَ الْقَوِيُّ الْأَمِينُ

One of the two (women) said, "O my father, hire him. Indeed, the best one you can hire is the strong and the trustworthy."

Apart from that, Rasulullah saw. has also practiced the concept of *ijarah*. This refers to the hadith narrated by Bukhari (2159) and Muslim (1202) from Ibn Abbas, he said:

أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ اخْتَجَمَ وَأَعْطَى الْحَجَّامَ أَجْرَهُ

"That the Prophet Saw. Had himself cupped and gave the cupper his pay" (narrated by Ahmad, Bukhari, and Muslim).

On the other hand, Rasulullah saw. reminded his people to respect the workers. He ordered Muslims who employ their Muslim

brothers to pay their wages to them on time and not to delay the payment of their wages. It is an obligation for a Muslim to fulfill the rights of other Muslim brothers. In this regard, Rasulullah saw. stated in a hadith.

أَعْطُوا الْأَجِيرَ أَجْرَهُ قَبْلَ أَنْ يَجِفَّ عَرْفُهُ

Give the hireling his wages before his sweat dries (narrated by Ibnu Majah and Imam Thabrani) *al-Mu'jam al-Shaghir*, 34.

In connection with the system of remuneration for services provided by a person, Rasulullah saw. confirms to inform the right of wages to be given to people who work. This is confirmed in the hadith of the Prophet Muhammad.

مَنْ اسْتَأْجَرَ أَجِيرًا فَلْيُعَلِّمُهُ أَجْرَهُ

Whoever employs a worker should inform his wages (narrated by Ibnu Majah)

Wages are very closely related to *ijarah*, on the basis that *ijarah* is a form of taking advantage of an item or service. Thus in *ijarah* transactions, wages must be submitted at the beginning of the contract. It is confirmed in several hadiths above. However, it is possible that the amount of wages is not stated at the beginning of the contract, but it is still required to provide a commensurate wage.

In another hadith, Rasulullah saw. also reminds regarding clear wages and does not harm the parties in the contract. This is as stated in a hadith narrated by Abu Daud (3391), Rasulullah Saw. said:

كُنَّا نَكْرِي الْأَرْضَ بِمَا عَلَى السَّوَابِي مِنَ الزَّرْعِ وَمَا سَعَدَ بِالْمَاءِ مِنْهَا، فَتَبَاتَا رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عَنْ ذَلِكَ، وَأَمَرْنَا أَنْ نُكْرِيَهَا بِذَهَبٍ أَوْ وَرَقٍ

In the past, we used to lease land for what grew by the streamlets and for what was watered from them. The Messenger of Allah (saw) forbade us to do that, and commanded us to lease it for gold or silver” (narrated by Abu Daud).

The hadith contains a prohibition on wages taken from crops grown from land which are objects of rent. This prohibition is interpreted as a concern that the concept could potentially harm the lessor if the quality of the crops that grow is not commensurate with

the rental value of the land. On this basis, Rasulullah saw. ordered the payment of land rent in money.²⁵

There are at least two types of wages when viewed from the aspect of their mention in the contract.

1. *Al-Ajr al-Musamma*, namely the wages mentioned at the beginning of the contract. This wage is valid and permissible according to sharia if each contracting party agrees.
2. *Al-Ajr al-Mitsliy*, namely wages whose amount is determined based on the level of performance and commensurate with the work conditions.

Regarding the law, *ijarah* has been agreed upon permissibility by scholars. This legal provision refers to the Qur'an which is described in surah al-Qashash verses 26-27.

قَالَتْ إِحْدَاهُمَا يَا أَبَتِ اسْتَأْجِرْهُ إِنَّ خَيْرَ مَنِ اسْتَأْجَرْتَ الْقَوِيُّ الْأَمِينُ قَالَ لِيَ أَرِيدُ أَنْ أَنْكِحَكَ إِحْدَى ابْنَتِي هَاتَيْنِ عَلَى أَنْ تَأْجُرَنِي ثَمَنِي حَجَجٌ فَإِنْ أَتَمَمْتَ عَشْرًا فَمِنْ عِنْدِكَ وَمَا أُرِيدُ أَنْ أَمْسُقَ عَلَيْكَ سَتَجِدُنِي إِنْ شَاءَ اللَّهُ مِنَ الصَّالِحِينَ

One of the two (women) said, “O my father, hire him. In fact, the best people you employ are people who are strong and trustworthy.”

He (the women's father) said, “indeed, I wish to wed you one of these, my to daughters, on (the condition) that you serve me for eight years; but if you complete ten, it will be (as a favour) from you. And I do not wish to put you in difficulty. You will find me, if Allah wills, from among the righteous.”

Departing from various verses in the al-Qur'an and Sunnah, it is known that *ijarah* has been implemented at the time of the Prophet Muhammad. Even today, the practice of *ijarah* continues to experience development in line with the development of human economic aggregation. The development of the implementation of *ijarah* occurred from the individual scale, *ijarah* in the family sphere,

²⁵ Yulia Hafizah, “Konsep *Ijarah* Dalam Tinjauan Hadis Dan Relevansinya Terhadap Pengembangan Ekonomi,” *Researchgate.Net*, no. January (2020): 16, https://www.researchgate.net/profile/Yulia-Hafizah/publication/338547444_KONSEP_IJARAH_DALAM_TINJAUAN_HADIS_DAN_RELEVANSINYA_TERHADAP_PENGEMBANGAN_EKONOMI/links/5e1be22f92851c8364c8de87/KONSEP-IJARAH-DALAM-TINJAUAN-HADIS-DAN-RELEVANSINYA-TERHADAP-PENGEMBA.

to *ijarah* in the national scope. Including currently, the practice of *ijarah* has been widely applied to sharia financial and banking products.²⁶

DEVELOPMENT OF *IJARAH* FROM FIQH TO ISLAMIC BANKING AND FINANCE PRODUCTS

The practice of *ijarah* has been widely applied to daily practice. Starting from the practice of *ijarah* at the time of the Prophet Muhammad. by employing cupping workers. In this case, Rasulullah saw. ordered to pay wages to cup workers. The example of the teachings of the Prophet Muhammad was to employ the closest people in the community, as exemplified in relation to employing cupping workers.²⁷ The simple practice of the *ijarah* concept has now developed into activities at the institutional level, such as Islamic Financial Institutions.²⁸

Currently, several Islamic Financial Institutions have high-value assets. These assets are then leased to the public to meet the community's need for the benefits of these assets.²⁹ The rental of these assets is expected to minimize operational costs if done through an asset purchase scheme. Therefore, *ijarah* is applied to be an alternative to buying and selling transactions because *ijarah* financing is defined as financing carried out under a leasing scheme, leasing or selling a commodity and service to customers who need this.³⁰

²⁶ Husain Insawan, "Al-Ijarah Dalam Perspektif Hadis; Kajian Hadis Dengan Metode Maudhu'iy," *Li Falah: Jurnal Studi Ekonomi Dan Bisnis Islam* 2, no. 1 (2017): 137–54.

²⁷ Insawan.

²⁸ Parmujianto, "Sharia Life Insurance Business and Risk Management Based on Sharia Principles: Regulatory Perspective," *Al-Tahrir* 21, no. 2 (2021): 395–414.

²⁹ Muhammad Utsman Syibair, *Al-Mu'amalat Al-Maliyah Al-Mu'ashirah Fi Al-Fiqh Al-Islamiy* (Amman: Dar al-Nafa'is, 2007), 321.

³⁰ Zaida Rizqi Zainul and Khairannis, "Analisis Pengelolaan Dana Haji Pada PT. Bank Aceh Syariah," *Equilibrium: Jurnal Ekonomi Syariah* 7, no. 2 (2019): 240–58, <https://doi.org/10.21043/equilibrium.v7i2.5757>. BPKH has managed haj funds, one of which is by placing on Islamic bank products. The Islamic banks selected as managers and recipients of Hajj fund deposits are 31 Islamic banks. One of them is Bank Aceh Syariah. This study aims to determine the management of Hajj funds in Bank Aceh Syariah. The method used is descriptive analysis with a qualitative approach. The results of this study indicate that the management of Hajj funds at PT. Bank Aceh Syariah uses the wadiah yad dhamanah contract. Hajj funds at Bank Aceh Syariah are

In terms of fiqh, *ijarah* is applied in two forms. *First, ijarah* is carried out in the form of a service lease. That is giving wages or rewards for the benefits of services provided. The person who employs is known as *musta'jir*, while the worker is called *ajir*. The wages given are called *ujrah*. *Second, ijarah* is carried out in the form of a lease on assets. It is the transfer of the right to use or utilize a particular item with the determination of the rental fee. People who rent goods are called *musta'jir*, while people who rent out are called *mu'jir* or *muajjir*. The rental fee charged is called *ujrah*.³¹

Related to the two forms of *ijarah*, Malikiyah scholars provide different terms. Jaih Mubarak explained that a lease whose object is a person's labour or services is called *ijarah*. However, if the lease is carried out with the object being the benefit of the goods, it is called *al-kara'*. On the other hand, in contemporary practice, *ijarah* is known as a lease. Based on the classification and pattern of *ijarah*, leasing activities in Islamic Financial Institutions are carried out in financial leases (lease purchase) and operating leases (lease).³²

Regardless of the form, *ijarah* has been applied for a long time. *Ijarah* is a normal business activity, as is the practice of buying and selling, which has been in force for a long time. However, for some conditions and policies, such as the provision of a tax rate that makes the selling price high, several countries impose *ijarah* as a form of financing. It is applied to *sukuk ijarah*, home financing, personal

channeled to financing products so that they can be useful to increase profitability and maintain the liquidity of Aceh's banks. In addition, pilgrims also benefit in the form of returns from the management of the pilgrimage fund which is used to subsidize the pilgrimage departure funds of pilgrims.”, author: [“dropping-particle”:””, family”:”Zainul”, given”:”Zaida Rizqi”, non-dropping-particle”:””, parse-names”:false, suffix”:””, dropping-particle”:””, family”:”Khairannis”, given”:””, non-dropping-particle”:””, parse-names”:false, suffix”:””,], container-title:”Equilibrium: Jurnal Ekonomi Syariah”, id:”ITEM-1”, issue:”2”, issued:”date-parts”:[[“2019”]], page:”240-258”, title:”Analisis Pengelolaan Dana Haji Pada PT. Bank Aceh Syariah”, type:”article-journal”, volume:”7”, uris: [“http://www.mendeley.com/documents/?uuid=20107804-da6a-43ea-bd44-21dc3e12c306”]], mendeley:””, formattedCitation:”Zaida Rizqi Zainul and Khairannis, “Analisis Pengelolaan Dana Haji Pada PT. Bank Aceh Syariah,” Equilibrium: Jurnal Ekonomi Syariah 7, no. 2 (2019

³¹ Ulya, “Penerapan Akad *Ijarah* Muntahiya Bittamlik (IMBT) Pada Transaksi Lembaga Keuangan Syariah.”

³² Hafizah, “Konsep *Ijarah* Dalam Tinjauan Hadis Dan Relevansinya Terhadap Pengembangan Ekonomi.”

financing, and *ijarah*-based asset financing. From there, several Islamic Financial Institutions, including Islamic banks, used the *ijarah* principle to financing their customers.³³

Ayub in Hafizah explains that the *ijarah* application applied in Islamic banks is generally carried out for quite a long time. This condition allows the lessor to use the amortization of the cost of the asset with the market value of return on its capital. In terms of the contract, this concept is carried out with a financial lease called the IMBT contract. In practice, the Islamic bank will determine the amount of the rental fee by calculating the total cost of purchasing the leased object plus the profit level to be taken during the rental period. The total amount is calculated and divided by the rental period to determine the monthly rental fee.

In other forms, *ijarah* is carried out in the form of an operating lease. In this case, the party who leases the asset gives the asset to the lessee for a certain period. This form does not result in a transfer of ownership of assets. Generally, this operating lease is applied to goods of high value or long production times. *Ijarah* applications have been widely used in various Islamic banking products and services. Even in Malaysia, the principle of *ijarah* has also been implemented in *sukuk* instruments. *Sukuk ijarah* in Malaysia is a product that is quite popular and widely adopted in the *sukuk* market.³⁴ In addition, *ijarah* has been applied to sharia credit card products such as the Baytik *Ijarah* card issued by the Kuwait Finance House.³⁵

In the context of *ijarah* in general, the application of *ijarah* has also experienced developments in its mechanism, such as the

³³ Hafizah.

³⁴ Abdul Rahman Ateeyah Sharif and Adam Abdullah, "Impact of Time Value of Money Theory in *Ijarah* Sukuk Genuineness: The Case of Bahrain and Malaysia," *International Business Research* 11, no. 7 (2018): 56–63, <https://doi.org/10.5539/ibr.v11n7p56>; Nursilah Ahmad and Syazwani Abd Rahim, "Sukuk *Ijarah* vs. Sukuk Musyarakah: Investigating Post-Crisis Stock Market Reactions," *International Journal of Humanities and Management Sciences* 1, no. 1 (2013): 87–91.

³⁵ Sutan Emir Hidayat, Ahmad Rafiki, and Nawar Fouad Ajaj, "Customers' Satisfaction Towards Baytik *Ijarah* Card: A Case Study of Kuwait Finance House-Bahrain," *International Journal of Excellence* ... 5, no. 2 (2015): 1–15, https://www.researchgate.net/profile/Ahmad-Rafiki/publication/316191375_Customers'_satisfaction_towards_Baytik_Ijarah_Card_A_case_study_of_Kuwait_Finance_House_of_Bahrain/links/58f5fb950f7e9b6f82e9a36e/Customers-satisfaction-towards-Baytik-Ijarah-Card-A-c.

application of *Ijarah mawsufah fi al-dhimmah* (IMFD). IMFD is a form of *ijarah* that is applied as an Islamic financial product which involves the sale of assets that are being produced or built to be delivered to buyers in the future. Generally, IMFD is applied in leasing offices, houses, and other properties. In the classical fiqh literature, it has been discussed under the general scope of leasing and forward sale contracts. However, in the context of modern Islamic finance practices, Islamic banks and financial institutions have upheld their use as independent financial instruments.

***IJARAH* IN THE REVIEW OF REGULATION AND FATWA**

Ijarah is an essential contract in financing Islamic banking operational activities to meet industry, corporate and public needs. The contract is the main thing to ensure conformity of banking services and products with sharia principles.³⁶ In the formal legal aspect, the provisions regarding *ijarah* are outlined in the Compilation of Islamic Economic Law (KHES) in chapter XI in articles 295-334.³⁷ In the implemented implementation, *ijarah* must include the use of the *ijarah* object in the contract. Meanwhile, if this is not stated with certainty, then the object of *ijarah* is used based on general rules and habits.

KHES also regulates *ujrah* payments in *ijarah* transactions. *Ujrah* can be paid as money, securities, and other objects based on an agreement. In addition, *ujrah* payments in *ijarah* transactions can also be made with or without a down payment, initial payment, payment after the *ijarah* object has been used, or owed based on an agreement.³⁸ In addition, a number of things are also stipulated in the KHES, including the conditions for implementing and completing the *ijarah*, the use of the *ijarah* object, the maintenance of the *ijarah* object, and liability for damages and the value and term of the *ijarah*. Other explanations stipulated in the KHES are the types of *ijarah*

³⁶ Karim Ullah, Wafi Al-Karaghoul, and Shafiullah Jan, "Collaborative Islamic Banking Service: The Case of *Ijarah*," *Business & Economic Review* 9, no. 2 (2017): 187-202, <https://doi.org/10.22547/ber/9.2.8>.

³⁷ Direktorat Jenderal Badan Peradilan Agama, *Kompilasi Hukum Ekonomi Syariah* (Jakarta: Mahkamah Agung Republik Indonesia, 2011).

³⁸ Direktorat Jenderal Badan Peradilan Agama, 82.

objects, the return of *ijarah* objects, *al-ijarah al-muntahiyah bi al-tamlík* (IMBT), and safe deposit boxes.³⁹

Along with the development of modern transactions, *ijarah* in various forms, such as IMBT has given birth to fatwa decrees from various organizations and associations of scholars in the field of fiqh. For example, the fatwa issued by *Al-Nadwah al-Fiqhiyyah al-Ula* in Kuwait in 1987 concluded that IMBT is a permissible contract with an *ijarah* contract and grants. In addition, IMBT has also determined its permissibility based on Decree Number 44 organizations of international fiqh scholars in *Majma' al-Fiqh al-Islamiy al-Dauliy* which was held in Kuwait in 1988.

Some people see the IMBT concept as a hybrid contract or *uqud murakkabah* (multi-contract). IMBT is also called *ijarah wa al-iqtina'* or *ijarah thumma al-bai'*.⁴⁰ Based on these arguments, there are differences of opinion regarding the IMBT law. The idea that prohibits IMBT is based on the view that IMBT contains a combination of two contracts in one transaction which is not permitted in Islam. Referring to the DSN MUI fatwa Number 27/DSN-MUI/III/2002, IMBT is a lease agreement with an option to transfer ownership of the object being rented after the lease period. If you look at the basis of the fatwa, the forbidden form of multiple contracts does not occur in IMBT. It is because the option of transferring ownership rights is carried out in the form of a promise (*wa'ad*), where one party binds itself to take action against the other party. It is a solution to the needs of modern transactions in society.⁴¹

If examined further, it is found that at least five specific fatwas describe the concept of *ijarah* with its various types. The five fatwas include fatwa Number 09/DSN-MUI/IV/2000 concerning *ijarah* Financing, fatwa Number 112/DSN-MUI/IX/2017 concerning *Ijarah* Contracts, fatwa Number 27/DSN-MUI/III/2002 concerning

³⁹ Ahmadi, "Akad Bay', *Ijarah* Dan Wadi'Ah Perspektif Kompilasi Hukum Ekonomi Syariah (KHES)."

⁴⁰ Muhammad Bako and Shehu U. R. Aliyu, "Attaining Financial Inclusion through *Ijarah* Contract: Assessing the Potentials of *Ijarah-Wa-Iqtina* in Venture Financing of Tricycles in Kano Metropolis, Kano State, Nigeria," *International Journal of Islamic Business & Management* 2, no. 2 (2018): 9–18, <https://doi.org/10.46281/ijibm.v2i2.204>.

⁴¹ Hafizah, "Konsep *Ijarah* Dalam Tinjauan Hadis Dan Relevansinya Terhadap Pengembangan Ekonomi."

Al-ijarah al-muntahiyah bi al-tamlik, as well as fatwa Number 101/DSN-MUI/X/2016 concerning *Al-ijarah al-maushufah fi al-dzimmah* Contract and fatwa Number 102/DSN-MUI/X/2016 concerning *Al-ijarah al-maushufah fi al-dzimmah* Contract for Home Ownership Financing Products (PPR) Indent. These five fatwas are fatwas that outline a review of Islamic law regarding *ijarah* contracts and their specific types.

Fatwa Number 112 is the main fatwa that discusses the basic concept of *ijarah*. In the fatwa, various terminologies related to *ijarah* are explained. In addition, this fatwa also provides direction regarding the implementation of *ijarah* contracts in various Islamic banking financial services and products. At least eight fatwas stipulating the implementation of *ijarah* contracts in several Islamic banking and financial products and services. Some of these fatwas include fatwa Number 24/DSN-MUI/III/2002 regarding Safe Deposit Box, fatwa Number 29/DSN-MUI/VI/2002 concerning Financing of Hajj Management for Islamic Financial Institutions, fatwa Number 44/DSN-MUI/VIII/2004 concerning multiservice Financing, as well as fatwa Number 42/DSN-MUI/V/2004 concerning Sharia Charge Card. Besides that, there are several other relevant fatwas relating to the implementation of *ijarah* contracts, such as SBSN *Ijarah*, as well as Sales and Lease Back.

In particular, IMBT provisions have been regulated in several regulations and policy guidelines. The legal provisions outlined in the several fatwas above regarding *ijarah* have been passed down to Bank Indonesia Regulations, which are the operational basis of Islamic banking in Indonesia. Among the regulations related to IMBT are PBI Number 7/46/PBI/2005, which regulates the implementation of contracts in collecting and distributing funds for banks that carry out business activities based on sharia principles. One of the contracts described in the PBI is the *ijarah* scheme which is interpreted as a leasing transaction for an item or remuneration for a service within a certain time. These activities are carried out through payment of rent or compensation for services.

In addition, BI also issued PBI Number 9/19/PBI/2007 which regulates the implementation of sharia principles in fundraising activities and channelling funds and Islamic banking services. Among the contracts stipulated in this PBI are *ijarah* contracts in

fund distribution activities. Furthermore, BI also issued regulatory provisions regarding financing restructuring for Islamic banks and Islamic business units through PBI Number 10/18/PBI/2008. This regulation was issued to provide a guideline for Islamic banks to help customers experiencing financial difficulties fulfil their obligations, including those related to *ijarah* financing.

IMPLEMENTATION OF *IJARAH* IN ISLAMIC BANKING

In general, *ijarah* is applied to several products and services in Islamic Financial Institutions. Along with the development of Islamic finance, the principle of *ijarah* contract has developed by following the results of the *ijtihad* of *fiqh* scholars with various *fiqh* provisions and issued fatwas. In its implementation, Islamic banks apply *ijarah* to services in the form of leasing. However, the current implementation of *ijarah* is more dominated by IMBT contracts because it makes it easier for bank operations.⁴² In addition, from a study, *ijarah* is considered more attractive to the public than the principle of buying and selling such as *murabahah*.⁴³ Referring to the data released by the OJK in December 2022, *ijarah* financing in Indonesia has reached IDR 6.7 trillion.⁴⁴ Even though it has decreased compared to the amount of *ijarah* financing in the previous year, the data shows that *ijarah*-based financing is still quite attractive to the public and has the potential to increase.

Ijarah is an important financing agreement to be offered by Islamic banking to meet the demands of its customers.⁴⁵ Islamic banking

⁴² Muhaimin, Sumiati Sumiati, and Budi Sutrisno, "Kajian Yuridis Pembiayaan *Ijarah* Perbankan Syari'Ah Menurut Hukum Positif," *Jurnal Jatiswara* 33, no. 1 (2018): 1–13, <https://doi.org/10.29303/jatiswara.v33i1.151>.

⁴³ Hechem Ajmi et al., "Principal-Agent Preferences in Imperfect Market: Theoretical Analysis on *Murabahah* and *Ijarah*," *Journal of Islamic Monetary Economics and Finance* 5, no. 1 (2019): 117–44, <https://doi.org/10.21098/jimf.v5i1.1050>.

⁴⁴ Otoritas Jasa Keuangan, "Statistik Perbankan Syariah," *Statistik Perbankan Syariah Desember 2022* (Jakarta, 2022).

⁴⁵ Mohamud Said Yusuf and Mohamad Yazid Isa, "The Impact of *Ijarah/Lease* Financing on Malaysian Islamic Bank Performance," *International Journal of Islamic Business* 6, no. 1 (2021): 49–58, <http://www.e-journal.uum.edu.my/index.php/ijib/article/view/14595>; Nurdianawati Irwani Abdullah and Asyraf Wajdi Dusuki, "A Critical Appraisal of Al-*Ijarah* Thumma Al-Bay ' (AITAB) Operation : Issues A Critical Appraisal of Al-*Ijarah* Thumma Al-Bay ' (AITAB) Operation : Issues and Prospects," in *4th International Islamic Banking and Finance Conference*, 2015, 1–15.

generally incorporates several major changes and adjustments in the structure of *ijarah* contracts to comply with Islamic principles.⁴⁶

1. *Ijarah*

In Islamic banking business activities, *ijarah* is considered difficult to do. It is because the *ijarah* contract application has a level of complexity in its implementation. It is considered to be one of the shortcomings in *ijarah*-based financing. Even so, *ijarah*-based financing is still quite attractive to the public in obtaining financing from Islamic banks. Therefore, *Ijarah* is generally applied by Islamic banks in product financing funds and banking services. OJK reported that the amount of *ijarah* financing that had been disbursed as of December 2022 reached IDR 6.7 trillion. This amount includes the syndication financing, financing through channelling, financing through executing, and other *ijarah*.⁴⁷ In fiqh literature, there are two types of *ijarah*: *ijarah* for the lease of services and *ijarah* for the lease of assets or property. The first type is widely applied to Islamic banking services, while the second type is usually used to investment or financing activities in Islamic banking.⁴⁸

Ijarah implemented in Islamic Financial Institutions services and products must comply with several basic provisions. These main principles include that the services transacted are halal services, meet the requirements for the validity of *ijarah* transactions, and there must be clarity regarding *ijarah*, so there are no disputes. Departing from these basic principles, there are differences between *ijarah* and interest schemes. Rent is the result of business initiatives and efficiency. In addition, productive business leasing is necessary to create value. The owner of the capital in the rental scheme determines the product's pattern, size, and benefits. Rent also does not lead to laziness because there is a tendency for an element of loss.⁴⁹

⁴⁶ Muhammad A. Atmeh and Jamal Abu Serdaneh, "A Proposed Model for Accounting Treatment of *Ijarah*," *International Journal of Business and Management* 7, no. 18 (2012): 49–56, <https://doi.org/10.5539/ijbm.v7n18p49>.

⁴⁷ Otoritas Jasa Keuangan, "Statistik Perbankan Syariah."

⁴⁸ Muhaimin, Sumiati, and Sutrisno, "Kajian Yuridis Pembiayaan *Ijarah* Perbankan Syaria' Ah Menurut Hukum Positif."

⁴⁹ Rosita Tehuayo, "Sewa Menyewa (*Ijarah*) Dalam Sistem Perbankan Syariah," *Tahkim* 14, no. 1 (2018): 85–94, <https://doi.org/10.33477/thk.v14i1.576>. meaning that if the lease term ends, the item is returned to the owner of the leasing object leases that generally does not require the services of a financial institution. Another case

One of the implementations of *Ijarah* in Islamic banks is multi-service financing. Multi-service financing is financing provided by Islamic banks to customers to obtain benefits from service. In practice, multi-service financing can now be applied to the education sector. It is because the education sector currently requires several cost components, both direct and indirect costs.⁵⁰

Several banking products and services currently use and apply *ijarah* contracts. Among them are the sharia card service, which implements three types of contracts: *kafalah*, *qardh*, and *ijarah*. It refers to the DSN MUI fatwa regarding sharia cards. In addition, *Ijarah* is also applied to various multi-service financing products. Under certain conditions, it is permissible to have collateral guarantees required by the party who rents out to the lessee as confirmed in the DSN MUI fatwa regarding *ijarah*.

2. *Ijarah Muntahiyah bi al-Tamlik (IMBT)*

IMBT is the most commonly applied *ijarah* contract in Islamic banks. The presence of the IMBT concept has emerged from commercial practice in the UK. The IMBT contract process continues to develop until it also appears in Muslim countries nowadays. This concept is also considered one of the solutions for Islamic financial institutions to meet the demands of recent transactions.⁵¹ In its implementation, the IMBT concept is like credit buying and selling when viewed from the pattern of payments made in instalments.⁵²

IMBT is also known as *ijarah wa al-iktina'*. This contract is a combination of leasing movable and immovable property by giving the lessee an option to purchase the object for lease at the end of the lease term. In the recording, referring to PSAK 59, *ijarah* financing can be used to finance the leasing of goods and lease them back to

in practice because of known Islamic banking financing based on lease agreement - so-called *Ijarah* lease. In Islamic banking, *al-Ijarah* divided into 2 types namely: *mutlaqah Ijarah* or leasing, operating lease is a process that we usually encounter in daily economic activity. In the context of Islamic banking, *Ijarah* is a lease contract in which a bank or financial institution renting equipment (equipment

⁵⁰ Annisa Eka Rahay and Neneng Nurhasanah, "Kontruksi Akad *Ijarah* Pada Fatwa DSN MUI Tentang Pembiayaan Multijasa," *Laa Maisyir: Jurnal Ekonomi Islam* 7, no. 1 (2020): 86–102.

⁵¹ Sa'ad bin Turkey Al-Khatslan, *Fiqh Al-Mu'amalat Al-Maliyah Al-Mu'ashirah* (Riyadh: Dar al-Shami'i, 2012), 144.

⁵² Syibair, *Al-Mu'amalat Al-Maliyah Al-Mu'ashirah Fi Al-Fiqh Al-Islamiy*, 322.

customers. In other forms, it can also be applied by purchasing goods and renting them out to customers.⁵³

Currently, several Islamic banks have applied IMBT. In this contract, there is a leasing agreement between the Islamic bank and the customer and an option to transfer ownership rights to the goods leased by the Islamic bank at the end of the lease period. The presence of IMBT is intended so that products and services at Islamic banks avoid the occurrence of two contracts at the same time in one leased object. The transfer of ownership rights to the leased goods is carried out with two options. First, selling the leased goods to the lessee at the end of the lease period. Second, donating the rented goods to the lessee after the lease period ends. It is the difference between *ijarah* and IMBT.⁵⁴

Characteristically, IMBT is similar to a *murabahah* contract. The difference between the two lies in the object of the transaction. The objects of *murabahah* transactions are goods, while the objects of *ijarah* transactions are goods and services. The similarity between *ijarah* and *murabahah* makes their application in Islamic banks in financing have the same treatment. In reality, applying *ijarah* contracts and IMBT in Islamic banks is still relatively rare, even though the *ijarah* contract and IMBT can benefit both the customer and Islamic bank sides. From the customer side, the advantage is additional capital to increase investment, while for sharia banks this contract can accelerate the distribution of funds and improve good investment patterns.⁵⁵

Under certain conditions, IMBT is carried out with a *wakalah* contract. In this case, the Islamic bank, as the party that will lease the goods, must own the lease object in advance. Therefore, Islamic banks need to make purchases. Referring to the DSN MUI fatwa Number 04 concerning *murabahah*, it is emphasized that the sale and

⁵³ Sriono, "Telaah Terhadap Perjanjian Sewa Menyewa (Al *Ijarah*) Dalam Perbankan Syariah."

⁵⁴ Polindi, "Filosofi Dan Perwujudan Prinsip Tauhīdullah, Dan Al-‘Adālah, Dalam Ijārah, Dan *Ijarah* Muntahia Bi-Tamlīk (Imbt)."

⁵⁵ Muhaimin, Sumiati, and Sutrisno, "Kajian Yuridis Pembiayaan *Ijarah* Perbankan Syari’ah Menurut Hukum Positif."

purchase contract of *murabahah* is carried out after the goods “in principle” become the property of the Islamic Financial Institutions.⁵⁶

Provisions “in principle” in Islamic bank ownership are interpreted as ownership after the Islamic bank approves the customer’s application for home financing. So when an Islamic bank confirms the purchase of a house to the developer, then “in principle” the Islamic bank has bought the house. However, there has been no flow of funds to the developer in accounting. Furthermore, Islamic banks are committed to making payments for buying houses to developers who are represented by customers. The use of a *wakalah* contract is intended to prove legally that the customer has received financing from an Islamic bank. In addition, this is also intended to show that the customer already knows that Islamic banks have purchased houses from developers.⁵⁷

Currently, many Islamic banks apply IMBT to mortgage financing. IMBT is seen as a contract in accordance with mortgage products because it makes it easy for customers to own a house at the end of the rental period. The ownership mechanism on IMBT is carried out with one of the following options:⁵⁸

- a. Grants are considered assets with the fair value of the object being leased and, at the same time recognized as income for other operations
- b. Steps are taken to purchase assets before the expiration date at the same price as the remaining lease payments are recognized in the amount of cash paid
- c. Steps are taken to purchase assets before the expiry date at a reasonable price to be recorded in the amount of cash paid
- d. An asset purchase scheme is carried out in instalments and recognized at a cost.

Despite its advantages and disadvantages, IMBT is still not a superior contract for mortgage products. Generally, mortgage

⁵⁶ Harun Santoso and Anik Anik, “Analisis Pembiayaan *Ijarah* Pada Perbankan Syariah,” *Jurnal Ilmiah Ekonomi Islam* 1, no. 02 (2017): 106–16, <https://doi.org/10.29040/jiei.v1i02.33>.

⁵⁷ Santoso and Anik.

⁵⁸ Polindi, “Filosofi Dan Perwujudan Prinsip Tauhīdullah, Dan Al-‘Adâlah, Dalam Ijârah, Dan *Ijarah* Muntahia Bi-Tamlik (Imbt).”

products are dominated by sale and purchase agreements (*murabahah*) and gradual ownership (*musyarakah mutanaqishah*).

3. *Al-Ijarah al-Maushufah fi al-Dzimmah* (IMFD)

Al-ijarah al-maushufah fi al-dzimmah (IMFD) is formed from three main words. *Ijarah* is the main word that has been understood as a leasing contract. *Maushuf*, meaning that which is characterized or can be interpreted as something limited and determined based on specific characteristics. The following word *fi al-dzimmah*, means independents. In this case, the service seller guarantees the supply of goods used as the contract's object by referring to the agreed criteria and characteristics.⁵⁹

IMFD is a new thing in the *ijarah* scheme. This contract is a leasing contract for goods or services. Still, when the agreement is made, the object for rent is only explained in terms of specifications, criteria, nature, characteristics, and quality. To eliminate *gharar*, the specifications for the leased thing must be stated at the time of the contract. The implementation of the IMFD contract has been regulated in the DSN MUI fatwa Number 101/DSN-MUI/X/2016.⁶⁰

The absence of a leased object at the time of the contract is the main characteristic of IMFD. This is a similarity between the IMFD and buying and selling greetings or *istishna'*. The fiqh scholars agree on the permissibility of greeting and *istishna'* because of the needs and demands of contemporary transactions. Therefore the concept of IMFD, which is similar to the concept of *salam* and *istishna'*, makes the same legal conclusion for IMFD.⁶¹

In Islamic banking products, the IMFD contract is applied as complementary to the MMQ contract in the mortgage product sector. IMFD is devoted to housing units that have not yet been built. The condition of housing units that have not been completed cannot become an object for rent under a pure *ijarah* scheme. For this reason, this is a difference in the IMFD which may be applied even

⁵⁹ Fuadi, "Implementasi Akad Al-Ijarah Al-Maushufah Fi Al-Dzimmah Sebagai Alternatif Pembiayaan Di Lembaga Keuangan Syariah Indonesia."

⁶⁰ Ahmad Syaichoni, "Ijarah Maushufah Fi Al-Dzimmah Dalam Kajian Muamalah Kontemporer," *Jurnal Syntax Transformation* 1, no. 10 (2020): 766–76.

⁶¹ Syaichoni.

though the housing unit that is the object of the lease has not yet been completed.⁶²

Specifically, IMFD has generally applied to Indent Housing Financing (PPR) products. This product is offered for home financing purposes where the property being financed has not been completed or is under construction. Because tenants cannot carry out the use of goods, Islamic banks apply IMFD so that it is possible to apply for instalment payments while waiting for the completion of the project development. In addition, IMFD can also be used to education financing products, Sukuk.⁶³ The implementation of IMFD on pivot PPR has also been stipulated in the legal provisions in the fatwa of DSN MUI.

CONCLUSION

Ijarah is closely related to the wage system. Rasulullah saw. had practiced the principle of *ijarah* and the provision of wages for services received. The fiqh scholars classify *ijarah* into two types in general, namely *ijarah* in the form of service lease and asset lease. Both are justified in sharia. *Ijarah* provisions have also been stipulated in the positive law contained in the KHES, several derivative regulations such as Bank Indonesia Regulations, and the fatwa of DSN MUI. At an implementation level, the principle of *ijarah* has been applied in several Islamic banking products and services. In addition, the development of contemporary financial transactions also allows the implementation of *ijarah* by combining it with the principles of buying and selling or grants as in the IMBT contract. Furthermore, the *ijarah* which is currently developing has also been implemented as a lease for services that were not available at the time of the contract, namely by following IMFD provisions. The results of this research are expected to provide input for academics and practitioners in developing Islamic banking, particularly by optimizing the *ijarah*, IMBT, and IMFD schemes in various contemporary Islamic banking products. Regulators need to carry out massive socialization to all Islamic banking to encourage the development of *ijarah* applications to increase the distribution of financing to the public. In addition,

⁶² Syaichoni.

⁶³ Fuadi, "Implementasi Akad Al-*Ijarah* Al-Maushufah Fi Al-Dzimmah Sebagai Alternatif Pembiayaan Di Lembaga Keuangan Syariah Indonesia."

ijarah-based product development innovations also need to be carried out massively while still referring to sharia provisions and fatwas issued by fatwa authorities.

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