Murabahah Financing in Islamic Banking: Case Study in Indonesia

Atina Shofawati *

The existence of Islamic Banking is essential to increase the welfare of Muslim society. Islamic Banking can do their role through doing intermediary function between surplus unit and deficit unit. Intermediary function can run by applying Islamic mode of financing. Islamic Financing consists of mudharabah, musharakah, murabahah, salam, istishna, and ijarah. This paper will identify the practices of murabahah in Islamic Banking in Indonesia because murabahah financing dominate the Islamic financing in Islamic Banking in Indonesia. This paper will explain the fiqh and regulation from Shariah Board for murabahah financing in Islamic Banking in Indonesia and then describe the practice of murabahah financing in Islamic Banking in Indonesia. This paper use descriptive qualitative method. The result was expected can give comprehensive views on fiqh and regulation from Shariah Board and then the practices of murabahah financing in Islamic Banking in Indonesia and give the advice to improve practices of murabahah financing in Islamic Banking in Indonesia.

Keywords: Murabahah, Islamic Banking, Indonesia

Field of Research: Banking and Finance

1. Introduction

Islamic finance industry especially Islamic banking has grown significantly over time in both Indonesia and the world at large. The growth is not separated from the greater public confidence in the existence of Islamic banks. This can be evidenced by the ever-expanding customer base of Islamic banks. At the beginning of the establishment of Islamic banks in Indonesia, especially Islamic bank customers are customers that are based on the religiosity factor in choosing Islamic banks, where religious spiritual motivation becomes the dominant factor in directing customers to choose Islamic banks. However, at this time along with the growth of sharia banking industry, customer motivation in choosing Islamic banks are not only dominated by customers who base their motivations on the spiritual motivation but has been developed with the customer base by financial motives in choosing Islamic banks benefit. This is because as business entities, Islamic banks can provide its customers with a wide range of both religiosity and financial benefits. As a business entity of Islam, Islamic banks have to achieve the vision of Al Falah, is happy in this world and the hereafter. This vision should be reflected in the programs and business activities of Islamic banks to benefit spiritual fulfillment, and financial as well as social.

Therefore, in carrying out its operations, Islamic banks run some business activities to meet the needs of its customers. Activities of Islamic banks in addition to running the intermediary function, social function, and the function of investment, Islamic banks also provide services in payment traffic is typically known as fee-based

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income. In general, Islamic banks earn income from operations primarily financing and fee-based income products. Product development based on the sharia contract of financing. In general, the underlying contract is a product development contract of financing such tijarah mudharabah, musharaka, murabaha, salam, istisna and ijarah. Use of sharia contract underlying the development of financial products is what distinguishes Islamic banks financing products and conventional banks.

In this study, will focus on the implementation of murabahah financing of Islamic Banks in Indonesia. This is because murabahah financing most widely used by customers of Islamic banks in Indonesia. Therefore it is very important to know that the implementation of murabahah financing in Islamic banking in Indonesia have fulfilled shariah compliant according to fiqh or classic practice and compliant with the fatwa from National Sharia Council about murabahah financing. The result of this study can describe how far the implementation of murabahah financing in Indonesia compliant with the fiqh or classic practice and also compliant with the fatwa from National Sharia Council about murabahah financing.

There are some studies investigate about murabahah financing practice in Indonesia. Usanti (2013) investigate standard contract in murabahah financing in Islamic banking. Usanti (2013) explain that in the practice of Islamic banking, murabahah financing contract is poured in the form of standard contract, recipient customer of financing facilities that are not given the opportunity to negotiate a clause in murabahah financing agreement. The existence of standard clauses in murabahah financing in Islamic banks are not in conflict with Islamic principles. Standard contract on murabahah financing in some Islamic banks have loaded clauses that match the characteristics of the murabahah financing and have a minimum load requirement which must exist in the contract as specified in the Fatwa from National Islamic Council formulated in Bank Indonesia Regulation. Cahyono (2011) investigate the application of fatwa from National Sharia Council (DSN MUI) about murabahah against murabahah financing practice in Islamic micro finance (LKMS) in Surakarta, Central Java, Indonesia. Cahyono (2011) show that application DSN MUI fatwa against the practice of murabahah financing conducted by LKMS in Surakarta during the period of 2010 have not been fully applied, especially on general provisions as to the type or Murabaha models. Buchori, et al. (2004) in Ascarya (2007: 221-222) explain comparison of main characteristics murabahah in classical literature and practice in Indonesia. Principal Characteristics which be compared cover : the purpose of the transaction; transaction stage; transactions process; status of ownership of the goods at the time of contract; calculation of margin rate; the nature of the goods by the customer ordering; tenor; method of payment transaction; collateral and disclosure of cost price and margin.

This study different with another study which also investigate the practice of murabahah financing. This study analyses the implementation of murabahah financing in Islamic banking in Indonesia which is compared with the classic practice based on the research of Buchori, et.al (2004) and further will be compared with fatwa from National Sharia Council about murabahah financing.

This study will be organized by describing the composition of murabahah financing in Islamic Bank in Indonesia and then the implementation of murabahah financing from review of jurisprudence, fiqh or classic practice and the Fatwa from
National Shariah Council (DSN-MUI) in Indonesia as well as to describe the practice of murabahah financing in Indonesia.

Based on the above explanation, the problem statement of this study are: How far the implementation of murabahah financing in Islamic Banking in Indonesia compliant with fatwa from National Shariah Council in Indonesia about murabahah financing? How far the implementation murabahah financing in Islamic Banking in Indonesia compliant based on the review from jurisprudence, fiqh or classic practice and the Fatwa from National Shariah Council in Indonesia about murabahah financing?

2. Literature Review

There are some studies about murabahah financing in Indonesia. Usanti (2013) emphasizes that standard contract in murabahah financing made by Islamic banks must contain at least the minimum requirements as specified in the fatwa of DSN-MUI that has been stated in Bank Indonesia Regulation. Therefore this paper only explain about one of aspect in implementation murabahah financing that is standar contract for murabahah financing. Cahyono (2011) emphasizes any aspect of application murabahah financing in Islamic microfinance in Surakarta and they are compared to fatwa of DSN-MUI about murabahah. The study of Cahyono (2011) shows that LKMS in Surakarta during the period of 2010 have not been fully applied DSN MUI fatwa on Murabahah, especially the type or Murabahah models. Buchori, et al. (2004) in Ascarya (2007: 221-222) compare of main characteristics murabahah in classical literature and practice in Indonesia. Problem statements in this research were not answered by the previous study. The goal of problem statement in this studi to describe: 1) How far the implementation of murabahah financing in Islamic Banking in Indonesia compliant with fatwa from National Shariah Council in Indonesia, Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah; 2) How far the implementation of murabahah financing in Islamic Banking in Indonesia compliant based on the review from jurisprudence, fiqh or classic practice and the Fatwa from National Islamic/Shariah Council in Indonesia about murabahah financing.

Murabahah is a term of Islamic fiqh which means a specific form of trading when the seller said the acquisition cost of the goods, including the cost of goods and other charges incurred for acquiring goods and level of profit (margin) of the desired (Ascarya, 2007:81 - 82).

The level of this advantage can be in the form of lump sum or a certain percentage of the cost of acquisition. Payments can be made on the spot (cash) or can be done at a later date to be mutually agreed. Therefore, murabahah does not in itself contain the concept of delayed payment (deferred, payment), as it is generally understood by most people who know murabahah only in conjunction with financing transactions in Islamic banking, but do not understand the Islamic Jurisprudence. Murabahah simple chart can be seen in Figure 1 (Ascarya, 2007:82).
Pillars of the murabahah contract that must be met in the transaction there are a few, namely (Ascarya, 2007:82):
1) contract actors, namely Ba’i (the seller) is the party that has the goods to be sold, and musyti’ri (the buyer) are parties who need and will buy goods;
2) the object of the contract, namely mabi ‘(merchandise) and tsaman (price), and
3) shighah, namely Ijab and qabul

Murabahah was originally a concept of buying and selling that has absolutely nothing to do with financing. However, the form of buying and selling is then used by the Islamic banking by adding some other concepts that become the form of financing (Ascarya, 2007:82).

Murabahah contract forms include (Ascarya, 2007: 89-90):
(a) Simple Murabahah
Murabahah is the simplest form of murabahah contract when the sellers market their goods to the buyer at a price corresponding acquisition cost plus a profit margin desired.
(b) Murabahah to Subscribers
This form of murabahah involves three parties, namely the subscribers, the buyer and seller. Form of murabahah is also involved as an intermediary buyers for their expertise or because the buyer will need financing. This is the form of murabahah which is applied Islamic banking in financing.

2.1 Process To Signing Murabahah Contract In Practice Of Banking

Before the murabahah contract is signed, the process is usually done as follows (Purnamasari, 2011: 48-50):
1. Customers determine the choice of items to be purchased.
2. After determining the purpose of financing, the customer then submit an application to the bank to get financing by attaching all of requirements which is demanded by bank.
3. Bank analyses the ability of customers and determines the scheme of financing which will be used to finance the customers’ goals. If the purpose to buy an item that is already available on the market, can be determined murabahah scheme.
4. Customers can act as the attorney of the bank to make purchases directly from the supplier or the original owner, after first conducting negotiations on the price of goods, specifications, method and place of payment.

5. After negotiations finalized, prospective customers will submit an application to the bank to take over the assets by sending the complete document of its binding notification and the letter of client requesting.

6. Bank checks whether the document is compliant with the introduction requirement.

7. If the precedent conditions are met, the bank will give a consent letter of expropriation of assets or in the practice called offering letter.

8. Signing murabahah contract.
   At the time of signing the murabahah contract, signed as well as attachment: Goods Receipt and Disbursement Application for Funding (SP3).


10. Payment of the installments of purchase price

2.2 Murabahah Financing

Ascarya (2007:237-238) explain murabahah financing:
   a. On every new request of murabahah, the bank per internal regulations are required to explain the essence of murabahah financing and application conditions. It is to be explained, among others, include: the essence of murabahah financing as a form of sale and purchase between the bank and the customer, definitions and terminology, terms and conditions, and procedures for implementation.
   b. Banks are required to ask customers to fill out application forms of murabahah financing, and on the form shall be informed:
      1) The types and specifications of items to be purchased
      2) Estimated price of the goods
      3) Advances owned, and
      4) The terms of payment.
   c. In processing an application for murabahah financing is required, bank conduct an analysis of:
      1) Completeness of required administrative
      2) The legal aspects
      3) Personal Aspects
      4) Aspects of the goods to be bought and sold, and
      5) The financial aspect.
   d. Bank submits a response to the petition referred to as a sign of pre-contract agreement.
   e. Banks ask for advance of purchases to customers as a sign of consent of both parties to do the murabahah.
   f. Banks must make a purchase of goods to the supplier prior to sale and purchase agreement with a customer is done.
   g. Bank make payments directly to the bank account of the supplier.
   h. At the time of signing the murabahah contract between the customer and the bank, the contract agreement shall be informed (Ascarya, 2007:237-238):
      1) Definition and essence of murabahah financing
      2) The position of a bank customer as a buyer and as a seller
3) Ownership of goods by banks as evidenced by supporting documents
4) Rights and obligations of customers and banks
5) Items sold must be a real object (physical assets)
6) The purchase price and the agreed margin and can not be changed
7) The terms of payment agreed
8) Warranty
9) Certain conditions that will affect the sale and purchase transaction (terms and conditions), among others:
   - A ban on the application of a buy-back guarantee on the purchase agreement
   - Murabahah contract can only be rescheduling, and
   - Circumstances when a customer is unable to repay its obligations as a result there is no desire to pay or inability to pay.
10) The definition of the force majeure condition which can be used as a basic reference that the bank will not experience a loss (impaired) by factors that are specific, and
11) An institution that will serve to complete dispute between the bank and its customers in the event of a dispute.
   i. Bank deliver or ship items to customers.
   j. The Bank shall have a standard procedure to assign actions taken in order rescheduling outstanding obligations.

2.3 Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 About Murabahah

That many people require assistance disbursements of the bank based on the principle of trading. That in order to assist communities to establish and improve well-being and a variety of activities, Shari’ah banks need to have a murabahah facility for the require it, ie sell an item by asserting purchase price to the buyer and the buyer paid for it with prices as profit.

Word of God in Al Qur’an Surat al-Baqarah [2]: 275:
"... And Allah has made buying and selling and proscribe usury ....

<table>
<thead>
<tr>
<th>First - General Provisions Murabahah in Islamic Bank</th>
</tr>
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<tbody>
<tr>
<td>1. Bank and the customer must perform the murabahah contract-free usury.</td>
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<tr>
<td>2. Traded goods are not forbidden by the Shari’ah Islam.</td>
</tr>
<tr>
<td>3. Bank finance part or all of the purchase price of goods the agreed qualifications.</td>
</tr>
<tr>
<td>4. Bank purchase necessary items for customer on behalf of the bank itself, and this purchase should be valid and free of usury.</td>
</tr>
<tr>
<td>5. Banks must convey on all matters relating to the purchase, for example if the purchase is made in debt.</td>
</tr>
<tr>
<td>6. The bank then sells the goods to the customer (buyer) with a selling price valued at the purchase price plus profits. In this regard, the Bank shall notify honestly the cost of goods to the customer and the following necessary costs</td>
</tr>
<tr>
<td>7. Customer pay the agreed price of the goods at a certain time period that has been agreed upon.</td>
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<tr>
<td>8. To prevent tampering or damage to the contract the bank may hold a special agreement with customers.</td>
</tr>
</tbody>
</table>
9. If banks wish to delegate to customers to buy goods from third parties, murabahah sale and purchase agreement must made after the goods, in principle, belong to the bank.

**Second- Terms of Murabahah to the Customer:**

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<table>
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<tbody>
<tr>
<td>1.</td>
<td>Clients apply for request and promise of purchase goods or assets to the bank.</td>
</tr>
<tr>
<td>2.</td>
<td>If the bank receives the request, it must prior purchase of assets which is legally ordered with the merchant.</td>
</tr>
<tr>
<td>3.</td>
<td>Banks then offers these assets to customers and customers should receive (buy) it in accordance with the promise that have been agreed, because the promise legally binding; then both parties should make a contract of buying and selling</td>
</tr>
<tr>
<td>4.</td>
<td>In this sale banks was allowed to ask customers to pay a deposit when signing a preliminary ordering agreement</td>
</tr>
<tr>
<td>5.</td>
<td>If the client then refused to buy the item, the real cost of bank to be paid from the deposit.</td>
</tr>
<tr>
<td>6.</td>
<td>If the down payment is less than the value of the loss must borne by the bank, the bank can reclaim the remainder losses to customers.</td>
</tr>
</tbody>
</table>

7. If the down payment use contracts of ‘urbun as an alternative to advance cash, it is:
   a. if the customer decides to purchase the goods, he stay paid the rest of the price
   b. if the customer canceled the purchase, advance cash belong banks maximum of the losses incurred by banks as a result of the cancellation, and if the payment is not insufficient, the customer must pay off the deficiency.

**Third - Assurance in Murabahah:**

1. Assurance in murabahah is allowed, so that customers serious with the order.
2. Bank may require the borrower to provide collateral which can be held.

**Fourth- Debit in Murabahah:**

1. In principle, debt settlement of clients in murabahah transactions have nothing to do with the other transaction which is carried by customer with third parties on the goods. If customers resell the goods with profit or loss, it is still obliged to complete debt to the bank.
2. If the customer sells the goods prior to the installment ends, he is not required to immediately repay the entire installment.
3. If the sale of the goods caused loss, customer still have to resolve the debt as early agreed. He should not slow down for installment payment or ask the loss was calculated.

**Fifth- Delay in Payment of Murabahah**

1. Customers who have the ability is not justified to delay debt settlement
2. If customers delay payments on purpose, or if one party does not fulfill its obligations, then the settlement through Board of Shariah Arbitration after no agreement was reached by consensus.

**Sixth- Bankrupt in Murabahah:**

If the customer has been declared bankrupt and failed to complete debt, bank had to postpone the bill until it becomes able to return, or by agreement.
3. The Methodology and Model

This study used qualitative research methods. Qualitative research methods are research methods used to examine the natural objects, (as his opponent was an experiment) where the researcher is the key instrument, data collection techniques are triangulation (combined), data analysis is inductive, qualitative research and the results further emphasize the significance of the generalization (Sugiyono, 2013:1). In qualitative research, the data collection is not guided by the theory, but it will be guided by the facts which have been found during the field survey. Therefore, the data analysis is inductive based on the facts which have been found and then can be constructed into a hypothesis or theory (Sugiyono, 2013: 3).

This study uses literature study to explain the problem of the research. Therefore the type of data in this study is secondary data which includes both book and journal literature and also magazine which are related to the murabahah financing. Then this research uses the fatwa of National Islamic Council on murabahah contract to analyse the problem statement. This study was equipped with primary data from field data in the form of murabahah financing which was practiced by one of Islamic Banking in Indonesia in 2014. Because of this study uses literature study so the data or study period in this research compliant with the study period of the literature publication which was referred in this study:

1. Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 About Murabahah
5. Cahyono, Andi (2011)
7. Purnamasari, Irma Devita (2011)
8. Usanti, Trisadini Prasastinah (2013)

The research data was analysed using comparative analysis (comparative analysis). First, the study analyses the implementation of murabahah financing in Islamic Banking in Indonesia compare with fatwa from National Shariah Council in Indonesia about murabahah financing (Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah). Second, the study analyses the comparison of murabahah financing based on a review of fiqh or classical practice with murabahah financing practices were applied in Islamic Banking in Indonesia. This comparison based on the research of Buchori, et al. (2004). Buchori, et al. (2004) in Ascarya (2007: 221-222) explain comparison of main characteristics of murabahah in classical literature and practice in Indonesia. The comparison covers principal characteristics: the purpose of the transaction; transaction stage; transactions process; status of ownership of the goods at the time of contract; Calculation of margin rate; the nature of the goods by the customer ordering; tenor; method of transaction payment; collateral and disclosure of cost of goods and margin. Then the study analysis based on this comparison will be equipped by comparison with Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah and another relevant theory about murabahah financing.
4. The findings

Murabahah financing dominate all of modes of financing in Islamic Bank in Indonesia. Financing composition of Islamic Commercial Bank and Islamic Business Unit in Indonesia can be seen in Table 1 below.

Table 1: Financing Composition of Islamic Commercial Bank and Islamic Business Unit in Indonesia

<table>
<thead>
<tr>
<th>Akad</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murabahah</td>
<td>16.553</td>
<td>22.486</td>
<td>26.321</td>
<td>37.508</td>
<td>56.365</td>
<td>88.004</td>
</tr>
</tbody>
</table>

Source: Islamic Banking Statistics, December 2012

4.1. Practice Murabahah

Murabahah financing commonly practiced by Islamic banking in Indonesia also have differences with the classical concept of murabahah. Differences in the fundamental characteristics of murabahah financing according to classical literature and the practice in Indonesia can be seen in Table 1 (Ascarya, 2007:221-222).

Table 2: Comparison of Main Characteristics Murabahah in Classical Literature and Practice in Indonesia

<table>
<thead>
<tr>
<th>Principal Characteristics</th>
<th>Classic Practice</th>
<th>Practice in Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>The purpose of the transaction</td>
<td>Trading activities</td>
<td>Financing in the framework of the provision of facilities / items</td>
</tr>
<tr>
<td>Transaction stage</td>
<td>two-stage</td>
<td>one stage</td>
</tr>
<tr>
<td>Transactions process</td>
<td>(i) Vendor buy goods from the manufacturer. (ii) the seller sells the goods to the buyer</td>
<td>Bank as the seller may delegate to the customer to purchase goods from manufacturers for resale to customers</td>
</tr>
<tr>
<td>Principal Characteristics</td>
<td>Classic Practice</td>
<td>Practice in Indonesia</td>
</tr>
<tr>
<td>Status of ownership of the goods at the time of contract</td>
<td>Goods have been owned by the seller when the buyer made a sale contract.</td>
<td>Owned by a seller of goods is not clear when a sale contract with the buyers do.</td>
</tr>
</tbody>
</table>
### Calculation of margin rate

<table>
<thead>
<tr>
<th>Calculation of margin rate</th>
<th>(i) The calculation of earnings using real transaction costs</th>
<th>i) Calculations using benchmark the above rate prevailing in the money market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(ii) The calculation of earnings are lumpsum and wholesale.</td>
<td>(ii) The calculation of earnings per annum and uses percentage is calculated based on outstanding balance (outstanding) financing.</td>
</tr>
</tbody>
</table>

### The nature of the goods by the customer ordering

- Not Written
- Two opinions: Binding and Non-Binding

### Disclosure of cost of goods and margin

- must be transparent
- must be transparent

### Tenor

- very short
- Long-term (1-5 years).

### Method of transaction payment

- Cash and carry
- With a mortgage (Ta'jil)

### Collateral

- without collateral
- There collateral / guarantee additional


Murabahah is one of the products of Islamic banking which attracted many people. Because of this contract becomes easy and precise alternative for a variety of financing or loans in the conventional banking which is certainly loaded with riba. Many scholars of fiqh and also various national and international institutions, allowing contemporary murabahah contract. National Institute of Jurisprudence, DSN (National Sharia Board) under the MUI, also allows a murabaha contract, as stated in his fatwa no: 04/DSN-MUI/IV/2000. This fatwa of DSN, an umbrella and guidelines for Islamic banking in running murabaha contract. But what about the practice of Islamic banks against Murabahah fatwa? DSN in his fatwa No: 04/DSN-MUI/IV/2000, on Murabahah stated: “Bank customers purchase necessary items on behalf of the bank itself, and this purchase should be valid and free of usury.” (Muhammad Arifin Baderi, Majalah Pengusaha Muslim. Edisi 25).

Which Islamic banks actually implement this provision, so that goods traded have actually been purchased by the bank? In practice, Islamic banking, just do a murabahah contract if the customer has made a purchase in advance and partial payments the value of the goods (read: pay cash advance). Are there any banks who dare to write in their financial statements that he never had any assets and then resell it to customers? According to Muhammad Arifin Baderi (Majalah Pengusaha Muslim Muslim. Edisi 25), banks in Indonesia, sharia either labeled or not, merely serves as an intermediary. That is, the bank’s role in financing only, and not to buy goods, for later resale. Because both regulation and in fact, the bank is not allowed to perform practical commercial practice. With this provision, the bank may not be able to buy the necessary customer on behalf of the bank itself. As a result, the bank has violated the provisions of the above DSN MUI (Muhammad Arifin Baderi, Majalah Pengusaha Muslim. Edisi 25).
According to Karim (2011), refer to his hands-on experience as sharia supervisory board as well as consultant, he has listed 25 common mistakes in Islamic Banking Practices in Indonesia in example the common mistake in murabaha financing. Object of Murabaha is left blank or not specific (Sharia concern: arkanul murabaha, i.e. certainty of object). Selling price of Murabaha is left blank; Profit margin of Murabaha is stated in percentage per annum and Profit margin of a single Murabaha contract (not under Murabaha Master Agreement) is left blank and only referred to LIBOR + X% (Sharia concern: arkanul murabaha, i.e. certainty of price).

Based on Table 2, according to classic practice of murabahah, tenor of murabahah financing is very short. While according to practice in Indonesia, tenor of murabahah financing is long-term (1-5 years). According to Fatwa from National Shariah Board NO: 04/DSN-MUI/IV/2000 on Murabahah stated: “Customer pay the agreed price of the goods at a certain time period that has been agreed upon.” DSN-MUI in this fatwa does not decided certain tenor of murabahah financing in Indonesia. The practice of Murabahah financing for the entrepreneur in one of Islamic Bank in Indonesia in 2014, tenor of murabahah financing until 7 years.

Based on Table 2, the method of transaction payment for murabahah financing based on classic practice is cash and carry while method of payment transaction for murabahah financing based on practice in Indonesia with a mortgage (Ta'jil). The practice of murabahah financing in Indonesia suitable with the Fatwa from National Shariah Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain about debt in Murabahah: 1. In principle, debt settlement of clients in murabahah transactions have nothing to do with the other transaction which is carried by customer with third parties on the goods. If customers resell the goods with profit or loss, it is still obliged to complete debt to the bank; 2. If the customer sells the goods prior to the installment ends, he is not required to immediately repay the entire installment; 3. If the sale of the goods caused loss, customer still have to resolve the debt as early agreed. He should not slow down for installment payment or ask the loss was calculated. This fatwa also explain about delay in payment of Murabahah: 1. Customers who have the ability is not justified to delay debt settlement; 2. If customers delay payments on purpose, or if one party does not fulfill its obligations, then the settlement through Board of Shariah Arbitration after no agreement was reached by consensus.

According to Table 2, based on classic practice, murabahah financing without collateral while according to practice in Indonesia, there collateral/ guarantee additional in murabahah financing. The practice of murabahah financing in suitable with the Fatwa from National Shariah Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain about assurance in murabahah. Assurance in murabahah is allowed, so that customers serious with the order. Bank may require the borrower to provide collateral can be held. Purnamasari (2011: 54) states that basically, in murabahah allowed bail, with orders that customers seriously. Because of this, the bank may ask customers to provide assurance that can be held. In any murabahah contract is applied in practice, it usually is instituted a guarantee. In murabahah scheme is simple (in the sense of murabahah incurred in connection with the purchase of goods where the goods are sold by the bank with a certain margin), which serve as collateral for the repayment to the bank customer is usually the goods sold. This fatwa was encouraged by the field data in this research. According to the practice of Murabahah financing for the entrepreneur in one of Islamic Bank in Indonesia in 2014, customer must fulfill family identity, legal of
the firm, financial report, saving account, financing account, tax payment, property right of building as assurance or collateral, administration cost, insurance cost, notary public cost.

Based on Table 2, the nature of the goods by the customer ordering according to classic practice of murabahah is not written and it has two opinions: binding and non-binding while the nature of the goods by the customer ordering according to practices in Indonesia is written and binding. The practice of murabahah financing in Indonesia suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General Provisions Murabahah in Islamic Bank: 1. Bank and the customer must perform the murabahah contract-free usury; 8. To prevent tampering or damage to the contract the bank may hold a special agreement with customers. This fatwa also explain Terms of Murabahah to the Customer: 1.Clients apply for and promise of purchase goods or assets to the bank; 2. If the bank receives the request, it must prior purchase assets which is the legally ordered with the merchant; 3. Banks then offer these assets to customers and customers should receive (buy) it in accordance with the promise that have been agreed, because the promise legally binding; then both parties should make a contract of buying and selling; 4. In this sale banks is allowed to ask customers pay a deposit when signing a preliminary ordering agreement.

Standard contract on murabahah financing in Islamic banks are not in conflict with Islamic principles throughout the contract meets the validity of the contract, namely the harmony and fulfill the requirements murabahah contract, does not violate the element of gharar are prohibited by sharia, maysir, usury, unjust and unlawful object and not violate the principles of sharia agreement, namely freedom of contract, konsensualisme, honesty, good faith, equality, balance, fairness, and trustworthy. Standard contract on the murabahah financing contract in some Islamic banks have loaded clause according to the characteristics of the murabahah financing and who have a minimum load requirement which must exist in the contract as specified in the fatwa from National Islamic Council which is defined in the Bank Indonesia Regulation (Usanti, 2013).

Based on Sharia principle juncto Regulation of Bank Indonesia No. 9/19/PBI/2007 about the Implementation of Sharia in the Activity Fund Raising and Fund Distribution Services and Services for Sharia Banks. In Article 9 and Article 10 Regulation of Bank Indonesia No.7/46/PBI/2005 about Akad or contract of the collection and Disbursement for Banks Conducting of Business based on Sharia Principles, set (Usanti, 2013):

First, activity in the form of distribution of funds based on Murabahah financing applies requirement at least as follows: Bank financing provides funding based on the contract of sale of goods; period of payment of the price of goods by the customer to the bank is determined by the bank and also the customer agreement; Bank may finance part or also the entire purchase price of the goods which have been agreed upon qualifications, in which case the bank represents to customers (wakalah) to purchase the goods, then Murabahah should be done after the goods become the property of the bank; Bank may ask the customer to pay a deposit or urbun current signed an initial agreement by the customer ordering goods; Bank may require the borrower to provide additional collateral other than those financed by the bank; deal margin should be determined once at the beginning of the contract and did not change during the period
of the contract; installment financing during the period of the contract must be made proportionally.

Second, according to Usanti (2013) in case the bank asks the customer to pay a deposit or urbun then the following provisions shall apply: 1. in advance, if the customer refuses to buy goods after paying the down payment, then the bank must pay the real cost of the deposit and the bank must refund the excess payment to the customer. However, if the value of the down payment is less than the value of the loss to be borne by the bank, then the bank may ask for further payment of the remaining loss to customers; 2. in terms urbun, if customers fail to buy goods, then urbun who have paid into the bank's customers a maximum of losses incurred by the bank as a result of such cancellation, and if urbun insufficient, customers are required to pay off the deficiency.

In a Murabahah financing banks can provide a piece of the total payment obligation only on where the customer has made the payment obligations in a timely manner and / or where the customer experience a decrease in the ability of payment. Large chunks of Murabahah to customers should not be agreed in the contract and submitted to the bank policy (Article 10 of the Islamic Banking Regulation). The provisions of the Fatwa of Islamic National Council of murabahah was stated in Bank Indonesia Regulation in particular on Article 9 and Article 10, so that the standard contract made by Islamic banks must contain at least the minimum requirements as specified in the fatwa of DSN-MUI that has been set forth in Regulation of Bank Indonesia (Usanti, 2013).

Based on Table 2, transactions process according to classic practice of murabahah are: (i) Vendor buy goods from the manufacturer; (ii) the seller sells the goods to the buyer. While transactions process according to practice in Indonesia, bank as the seller may delegate to the customer to purchase goods from manufacturers for resale to customers. The practice of murabahah financing in Indonesia suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General Provisions Murabahah in Islamic Bank : 9. If banks wish to delegate to customers to buy goods from third parties, murabahah sale and purchase agreement must made after the goods, in principle, belong to the bank.

Based on Table 2, transaction stage according to classic practice of murabahah are two-stage. While according to practice in Indonesia, transaction stage is one stage. The practice of murabahah financing in Indonesia suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General Provisions Murabahah in Islamic Bank : 4. Bank purchase necessary items for customer on behalf of the bank itself, and this purchase should be valid and free of usury; 9. If banks wish to delegate to customers to buy goods from third parties, murabahah sale and purchase agreement must made after the goods, in principle, belong to the bank.

Based on Table 2, the purpose of the transaction according to classic practice of murabahah is trading activities. While according to practice in Indonesia the purpose of the transaction is financing in the framework of the provision of facilities / items. The practice of murabahah financing in Indonesia suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General
Provisions Murabahah in Islamic Bank : 3. Bank finance part or all of the purchase price of goods the agreed qualifications.

Based on Table 2, status of ownership of the goods at the time of contract according to classic practice of murabahah is goods have been owned by the seller when the buyer made a sale contract. While status of ownership of the goods at the time of contract according to practice in Indonesia, owned by a seller of goods is not clear when a sale contract with the buyers do. This condition have not been regulated clearly according to the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah.

Based on Table 2, calculation of margin rate according to classic practice of murabahah are: (i) The calculation of earnings using real transaction costs; (ii) the calculation of earnings using real transaction costs. While according to practice in Indonesia calculation of margin rate are: (i) calculations using benchmark the above rate prevailing in the money market; (ii) the calculation of earnings per annum and uses percentage is calculated based on outstanding balance (outstanding) financing. This condition have not been regulated clearly according to the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah.

Based on Table 2, according to classic practice of murabahah, disclosure of cost of goods and margin must be transparent. While according to practice in Indonesia, disclosure of cost of goods and margin also must be transparent. This is the principal characteristics of classic practice of murabahah financing which have similarity with the practice of murabahah financing in Indonesia. This condition is suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General Provisions Murabahah in Islamic Bank : 5. Banks must convey on all matters relating to the purchase, for example if the purchase is made in debt; 6. The bank then sells the goods to the customer (buyer) with a selling price valued at the purchase price plus profits. In this regard, the Bank shall notify honestly the cost of goods to the customer and the following necessary costs.

According to Ascarya (2007:223) some deviation murabahah financing that should be highlighted are as follows:

a) Lack of information from the bank to explain fully the essence of murabahah financing and other information relating to the existence of such products.
b) In a murabahah financing, binding of purchase contract generally precedes the ownership of the goods carried by the bank. It is obviously better to have violated the principles of fiqh itself and universal law that the right to sell a derivative right of ownership.
c) In a murabahah financing practices are representative / power of attorney/wakalah, which in essence has violated two principles : first , the essence of the seller who has the obligation and the ability to provide the goods, and second, the essence itself murabahah ( Murabahah : an agreement to buy goods for third parties book, with a base price transparency and margin ).
d) In practice of murabahah financing there are practice of financing disbursement to the next customer account and further customers are required to make payments to suppliers. This will give rise to an appearance of debit and credit transactions between banks and customers, and not buying or selling transaction.
The things mentioned above is a major concern in standardization murabahah contract issued by Bank Indonesia in the framework of the provisions of Islamic purification by looking at the minimum requirements under the terms of jurisprudence ( Ascarya , 2007:223 ).

Murabahah financing is one of mode of financing which dominate financing contract in Islamic Banking in Indonesia. Therefore, Islamic Banking must develop new product development based on murabahah financing which fulfill sharia compliant and can meet the need and want from customer. Government must give the rule and regulation to give healthy condition to improve the development of murabahah financing in Indonesia. National Shariah Council must control the implementation of murabahah financing in Islamic Banking in order to obey the shariah compliant.

5. Summary and Conclusions

The implementation of murabahah financing in Islamic banking don't fully reflect the fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. Fatwa No: 04/DSN-MUI/IV/2000, on Murabahah stated: "Bank customers purchase necessary items on behalf of the bank itself, and this purchase should be valid and free of usury." But in practice, Islamic banking, just do a murabahah contract if the customer has made a purchase in advance and partial payments the value of the goods (read : pay cash advance). According to Karim (2011) there are some common mistakes in murabaha financing. Object of Murabaha is left blank or not spesific (Sharia concern: arkanul murabaha, i.e. certainty of object). Selling price of Murabaha is left blank;Profit margin of Murabaha is stated in percentage per annum and Profit margin of a single Murabaha contract (not under Murabaha Master Agreement) is left blank and only referred to LIBOR + X% (Sharia concern: arkanul murabaha, i.e. certainty of price).

The implementation of murabahah financing in Islamic Banking in Indonesia don't fully reflect the implementation of murabahah financing according to classic practice based on the research of Buchori, et al. (2004). The differentiation between murabahah financing in Islamic Banking in Indonesia and classic practice based on the research of Buchori, et al. (2004) cover some aspects: The purpose of the transaction; Transaction stage; Transactions process; Status of ownership of the goods at the time of contract; Calculation of margin rate; The nature of the goods by the customer ordering; Tenor; Method of transaction payment; and Collateral. Eventhough there is any similarities in aspect of disclosure of cost of goods and margin must be transparent between classic practice and the implementation of murabahah financing in Islamic Banking in Indonesia. Then the analysis of the study based on the comparison based on the research of Buchori, et al. (2004) will be equipped by comparison with Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah and another relevant theory about murabahah financing. The implementation of murabahah financing in Islamic banking in Indonesia which reflect the fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah cover some aspects: 1) According to practice in Indonesia the purpose of the transaction is financing in the framework of the provision of facilities / items. This is suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain Bank finance part or all of the purchase price of goods the agreed qualifications; 2) According to practice in Indonesia, transaction stage is one stage. This is suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa
explain Bank purchase necessary items for customer on behalf of the bank itself, and this purchase should be valid and free of usury; 9. If banks wish to delegate to customers to buy goods from third parties, murabahah sale and purchase agreement must made after the goods, in principle, belong to the bank; 3) Transactions process according to practice in Indonesia, bank as the seller may delegate to the customer to purchase goods from manufacturers for resale to customers. This is suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain that if banks wish to delegate to customers to buy goods from third parties, murabahah sale and purchase agreement must made after the goods, in principle, belong to the bank; 4) The nature of the goods by the customer ordering according to practices in Indonesia is written and binding. This is suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain Bank and the customer must perform the murabahah contract-free usury; To prevent tampering or damage to the contract the bank may hold a special agreement with customers. This fatwa also explain Terms of Murabahah to the Customer: 1). Clients apply for request and promise of purchase goods or assets to the bank; 2. If the bank receives the request, it must prior purchase of assets which is legally ordered with the merchant; 3. Banks then offer these assets to customers and customers should receive (buy) it in accordance with the promise that have been agreed, because the promise legally binding; then both parties should make a contract of buying and selling; 4. In this sale banks was allowed to ask customers to pay a deposit when signing a preliminary ordering agreement; 5) Method of transaction payment for murabahah financing based on practice in Indonesia with a mortgage (Ta'jil). This suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain about debt in murabahah and delay in payment of murabahah; 6) According to practice in Indonesia, there collateral / guarantee additional in murabahah financing. This practice of murabahah financing suitable with the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain about assurance in murabahah and provide collateral; 7) According to practice in Indonesia and classic practice of murabahah financing, disclosure of cost of goods and margin must be transparent. The similarity at the aspect of transparent suitable with the to the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This fatwa explain General Provisions Murabahah in Islamic Bank : 5. Banks must convey on all matters relating to the purchase.

The implementation of murabahah financing in Islamic banking in Indonesia which have not been regulated at the fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah cover some aspects: 1) Status of ownership of the goods at the time of contract according to practice in Indonesia, owned by a seller of goods is not clear when a sale contract with the buyers do. This condition have not been regulated clearly according to the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah; 2) According to practice in Indonesia calculation of margin rate are: (i) calculations using benchmark the above rate prevailing in the money market; (ii) the calculation of earnings per annum and uses percentage is calculated based on outstanding balance (outstanding) financing. This condition have not been regulated clearly according to the Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah; 3) According to practice in Indonesia, tenor of murabahah financing is long-term (1-5 years). Fatwa from National Shariah Board NO: 04/DSN-MUI/IV/2000 on Murabahah does not decided certain tenor of murabahah financing in Indonesia.
Based on the above explanation, some aspects of Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah have been implemented by Islamic Bank in Indonesia, but only little aspect of Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah which haven’t been fully implemented by Islamic Bank in Indonesia. Therefore the implementation of murabahah financing in Islamic Banking in Indonesia can fulfill shariah compliant with fatwa from National Sharia Council in Indonesia, Fatwa from National Sharia Board NO: 04/DSN-MUI/IV/2000 about murabahah. While the implementation murabahah financing in Islamic Banking in Indonesia based on the review from jurisprudence, fiqh or classic practice according to the research of Buchori, et al. (2004) show the differentiation in some aspects cover: The purpose of the transaction; Transaction stage; Transactions process; Status of ownership of the goods at the time of contract; Calculation of margin rate; The nature of the goods by the customer ordering; Tenor; Method of transaction payment; and Collateral. Eventhough this comparison show the similarities in one aspect which explain disclosure of cost of goods and margin must be transparent between classic practice and the implementation of murabahah financing in Islamic Banking in Indonesia.

These studies have some limitations. This study uses literature study to explain the problem statement. Data or study period in this research compliant with the study period of the literature publication which was referred in this study and the field data from the practice of murabahah financing from one of Islamic Banking in Indonesia in 2014. There are some opinions or fatwa from Shariah Board or Fatwa from National Sharia Board ( DSN-MUI) which explain about murabahah financing, but the result analysis in this study only based on from the Fatwa of National Sharia Board NO: 04/DSN-MUI/IV/2000 about Murabahah. This study also explain the analysis of the implementation murabahah financing in Islamic Banking in Indonesia based on the review from jurisprudence, fiqh or classic practice according to the research of Buchori, et al. (2004) in Ascarya (2007: 221-222) which explain the comparison of main characteristics murabahah in classical literature and practice in Indonesia.

References


