

Conference Paper

Sharia Compliance on Mortgage Product With *Ijarah Muntahiya Bittamlik* Contract in Islamic Permata Bank

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Abstract

One of the differences indicator between conventional bank and Islamic bank is sharia compliance. As a financial institution based on Islamic values, the activity must be accordance with Islamic rules. The purpose of this research to determine how the implementation of sharia compliance on *ijarah muntahiya bittamlik* contract in Islamic Permata Bank. This research used primary data through interviews and questionnaire with a population of 100 respondents. For the sampling used purposive sampling technique to become 80 respondents, because the sample in this research only the mortgage customer with *ijarah muntahiya bittamlik* contract in Islamic Permata Bank. The method of this research used descriptive quantitative approach to describe the characteristics of respondents and interpretation of the answers from respondents about implementation of sharia compliance on *ijarah muntahiya bittamlik* contract.

Keywords: Sharia Compliance, *Ijarah Muntahiya Bittamlik*, Mortgage, Islamic Permata Bank

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1. Introduction

Islamic banks in Indonesia currently are still very confused to use *ijarah* contracts on financing products. It is caused the lack of understanding about *ijarah* contract and the complexity of contract mechanism (Effendi, 2013). The development of *ijarah* contracts currently is very rarely used for financing products compared with other contracts, such as *murabahah* and *musyarakah* contracts which are currently the most dominant used in financing products in Islamic banks. This development can be seen in more detail in Figure 1 as follows:

Based on Figure 1, the *ijarah* contract has fluctuated annually and there is no significant increase. So this makes the challenge for Islamic banks how to make this *ijarah*

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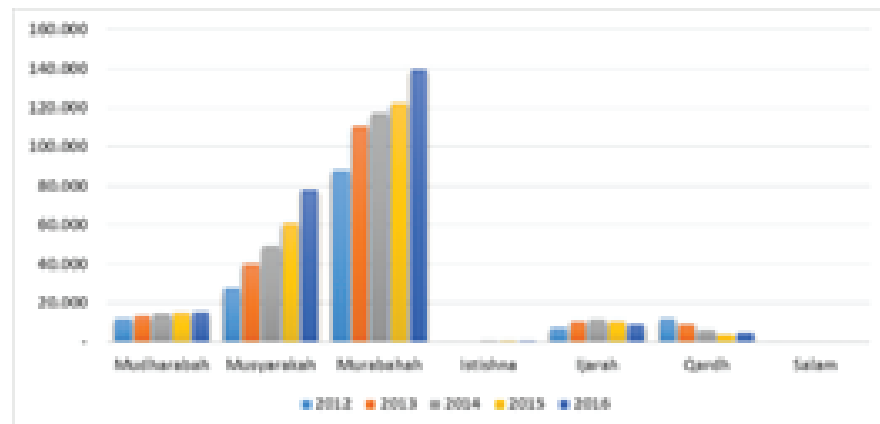


Figure 1: The Growth of Financing by Islamic Commercial Bank and Islamic Business Unit (Source: Islamic Banking Statistics (2017)).

contract equivalent to other contracts and can be used in all Islamic banks, because currently only a few Islamic banks use the *ijarah* contract.

In the situation of not being interested in the *ijarah* contract, there is one Islamic bank that uses the *ijarah muntahiya bittamlik* contract, that is Islamic Permata Bank. It turns out that *ijarah muntahiya bittamlik* contract is favored by Islamic Permata Bank of financing distribution. The *ijarah muntahiya bittamlik* contract is used for mortgage financing products and vehicle financing. The *ijarah muntahiya bittamlik* is a lease contract with the transfer of ownership of the leased property by selling or granting at the end of the contract. So, *ijarah muntahiya bittamlik* contract is asset ownership (Ascarya, 2012).

The desire to own a home currently is becoming a major for each individual and the effort to own a house is not an easy thing, because the amount of land is increasingly limited resulting in increasingly expensive housing prices. From these problems, there is a golden opportunity for Islamic Permata Bank to offer financing to buy a house for the community in order to fulfill their wishes. Financing to buy the house uses mortgage products with sharia principles (Heykal, 2014). There is a difference between mortgage financing in Islamic banks and conventional banks, mortgage financing in Islamic banks in the agreement in accordance with Islamic principles and determine the amount of income not only the amount of financing provided, but how quickly the financing turnover is carried out. Whereas conventional banks in their agreements still use the interest system (*riba*) and the amount of credit given will determine profits (Haris, 2007).

Mortgage financing in Islamic Permata Bank having a very significant increase, so Islamic Permata Bank has a commitment to develop mortgage financing products, especially mortgage financing products with the *ijarah muntahiya bittamlik* contract.

Judging from Islamic Permata Banks financial report annual in 2016, the total financing is Rp. 10,80 trillion compared to 2015 is Rp. 6,55 trillion. The increase was caused by the mortgage financing, which can be seen in more detail in Table 1 as follows:

TABLE 1: Development of Mortgage Financing in Islamic Permata Bank.

Years	Total Mortgage Sharia Financing (in rupiah)
2012	7,34 trillion
2013	11,98 trillion
2014	17,06 trillion
2015	6,55 trillion
2016	10,80 trillion

Source: Annual Report of Permata Bank (2017)

Based on Table 1, the financing of mortgages in Islamic Permata bank having a very significant increase and the increase in 2013 was caused to mortgage financing with the *ijarah muntahiya bittamlik* contract. So that is one of the reasons for Islamic Permata Bank to develop the *ijarah muntahiya bittamlik* contract on mortgage products. The mortgage financing with the *ijarah muntahiya bittamlik* contract at Islamic Permata Bank is carried out for a period of up to 20 years and for the asset ownership first became the name of the bank of the next will be moved ownership to customer after the lease period finished.

There is a problem that makes a particular challenge for Islamic banks especially Islamic Permata Bank, that is the public still considers the products and mechanisms in Islamic banks not to be different from conventional banks. According to the results of a survey and research by Bank Indonesia, there were found public doubts about the compliance of Islamic banks towards Islamic values. The most critical is the aspect of fulfill the compliance of Islamic banks to Islamic principles in financing products (Mulazid, 2016). This is a very important task for Islamic banks to provide clear information to the public about the activities carried out, the financing products and mechanisms in Islamic banks. These problems affect for sharia compliance factors in Islamic banks.

Islamic banks must fulfill a compliance with Islamic principles. This is one of the parameters to assess all activity is carried out by Islamic banks whether they are in accordance with Islamic principles or not yet in accordance with the contract and the various conditions it uses. For that, sharia compliance has the purpose that all Islamic bank operational activities can be ascertained to accordance with sharia Islamic principles (Shiddiq, 2010).

2. Literatur Review

Islamic bank is a financial institutions that operate in accordance with Islamic principles. Fulfillment of compliance with Islamic values is one that differences between Islamic banks and conventional banks. Allah SWT says in QS. Adz-Dzariyat verse 56:

وَمَا خَلَقْتُ الْجِنَّ وَالْإِنْسَ إِلَّا لِيَعْبُدُونِ ٥٦

“And I have not created the jinn and the men except that they should serve Me.” (QS. Adz-Dzariyat: 56)

Every human being has a purpose in life to seek the pleasure of Allah SWT, because the soul that obtains the pleasure of Allah SWT is a soul that gets calm and is kept away from the feeling of anxiety in his life. Like that in the human activities must be in accordance with Islamic principles, it can be said as worship. This is associated with operational activities in Islamic banks, if in accordance with Islamic principles it can be called worship and will get blessings from Allah SWT.

Sharia compliance is the loyalty of Islamic banks to Islamic principles and must be applied to all operational activities carried out by Islamic banks, and their functions to ensure the policies, procedures and business activities carried out by Islamic banks (Ilhami, 2009). Based on Bank Indonesia Regulation Number 13/2 / PBI /2011 about concerning the implementation of the compliance function of Islamic banks, the sharia compliance is an obligation to fulfill Islamic principles that have characteristics, integrity and credibility in Islamic banks.

The element that has the authority and competence to conduct sharia compliance supervision is the Sharia Supervisory Board. The Sharia Supervisory Board carries out duties and has great responsibility for supervision in Islamic banks. The Sharia Supervisory Board functions as part of the stakholder in Islamic banks (Mirakhor, 2008). The task of the Sharia Supervisory Board is directing, consulting, evaluating and controlling (Chapra, 2008). The Sharia Supervisory Board takes a leading role in overseeing the operations in Islamic banks and providing advice to directors to run in accordance with Islamic principles.

Sharia compliance has a related relation to financing products run by Islamic banks, such as mortgage financing products using the *ijarah muntahiya bittamlik* contract. Mortgage products are one of the Islamic bank products that facilitate the community to buy a house, apartment or shop as a business activity. The mechanism of mortgage products in Islamic banks is different from conventional banks. This is evidenced in conventional banks still using a credit system and referring to interest rates (*riba*) while

in Islamic banks it is carried out with several options according to needs, such as mortgage financing with *murabahah* contract (profit margin), *ijarah muntahiya bittamlik* contract (rent-purchase), *istishna* contract (order), and *musyarakah mutanaqisah* contract (gradual ownership) (Opera, 2016).

The mortgage product with *ijarah muntahiya bittamlik* contract is financing with a lease contract which ends with the transfer of ownership of the goods. The *ijarah muntahiya bittamlik* contract is a lease financing contract that ends by selling or granting at the end of the contract (Vejsagic, 2014). According to the Fatwa of the National Sharia Board Number 27/DSN-MUI/III/2002, *ijarah muntahiya bittamlik* contract is a lease contract which is accompanied by the choice of transfer of ownership rights to the object rented to the lessee after the lease period has finished. The *ijarah muntahiya bittamlik* contract is a combination of leasing and selling-buying contracts (Antonio, 2005). The *ijarah muntahiya bittamlik* contract is part of the *ijarah* contract, in its use the *ijarah* contract is divided into two types are leasing contracts (*ijarah wa iqtina*) and lease contract that end in ownership (*ijarah muntahiya bittamlik*) (Kamali, 2007). The legal basis of the *ijarah muntahiya bittamlik* contract is stated in QS. Al-Baqarah verse 233 which reads:

...وَإِنْ أَرَدْتُمْ أَنْ تَسْتَرْضِعُوا أَوْلَادَكُمْ فَلَا جُنَاحَ عَلَيْكُمْ إِذَا سَأَلْتُمْ مَّا آتَيْتُم بِالْمَعْرُوفِ وَاتَّقُوا اللَّهَ وَاعْلَمُوا
أَنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ ۚ ۲۳۳

“...But if both desire weaning by mutual consent and counsel, there is no blame on them, and if you wish to engage a wet-nurse for your children, there is no blame on you so long as you pay what you promised for according to usage; and be careful of (your duty to) Allah and know that Allah sees what you do.” (QS. Al-Baqarah: 233)

The *ijarah muntahiya bittamlik* contract is described as a wage that must be given to the employee for the reward of the work he has done. The provision of wages is used to meet the needs of these employees and the amount of the wages is a mutual agreement. This is related to the *ijarah muntahiya bittamlik* contract, the lease price must be mutually agreed and known by both parties between the party that rents (muajir) and the tenant (musta'jir) (Rafiq, 2005). According to the Fatwa of the National Sharia Board, the terms of the *ijarah muntahiya bittamlik* contract are:

1. Parties wishing to conduct lease-purchase financing must carry out the *ijarah muntahiya bittamlik* contract and the agreement must be mutually agreed.

2. The transfer contract of ownership, either by buying and selling or grants, can only be done after the *ijarah muntahiya bittamlik* contract is completed.
3. If one of the parties does not fulfill its obligations or a dispute occurs between the two parties, then the resolution of the problem is through the Sharia Arbitration Agency if it does not find a meeting point through deliberation.

According to AAOIFI (2008), installments of the *ijarah muntahiya bittamlik* contract are fully recognized as costs during the lease, must be a mutual agreement by both parties and may not exceed the basic costs. If the *ijarah muntahiya bittamlik* contract is canceled, the rent paid by the lessee must be divided into two considerations, the first consideration for use rights and ownership; and the second the goods must be returned to the tenants when the lease is canceled (Ghuddah, 2007). This is related to the risk of the *ijarah muntahiya bittamlik* contract. According to Ghani (2018), the risks involved in financing products with the *ijarah muntahiya bittamlik* contract are:

1. Risk mitigation that depends on the scope and conditions that apply or are not consistent with investment risk.
2. Increasing lease financing will be very difficult if customers are experiencing economic constraints.
3. The customer cancels the purchase of the item at the end of the contract. This causes losses to those who have the goods.

3. Methodology

The method used in this research is descriptive method using a quantitative approach that aims to describe the characteristics of respondents and the interpretation of the answers from respondents about the implementation of sharia compliance in the *ijarah muntahiya bittamlik* contract. The object in this study is sharia compliance on mortgage products using the *ijarah muntahiya bittamlik* contract and the subject is a mortgage financing customer using the *ijarah muntahiya bittamlik* contract in Islamic Permata Bank Bintaro Branch Office. This study uses primary data obtained directly through interviews and questionnaires with a population of 100 respondents. For the sampling use the purposive sampling technique to become 80 respondents, because only the mortgage financing customers needed with the *ijarah muntahiya bittamlik* contract.

4. Result

The respondent has different characteristics, so the authors classify the characteristics of respondents. Based on the results of research in the field, it is known the general description of the characteristics of respondents as follows:

TABLE 2: Respondents Based On Gender.

No	Gender	Frequency (People)	Percentages (%)
1	Male	41	51,3
2	Women	39	48,8
Total		80	100,0

Source: Data of the results (2018)

Based on the field findings that the majority of the mortgage product with *ijarah muntahiya bittamlik* contract customers in Islamic Permata Bank are male. This proves that men as the head of the household are able to manage their finances well to buy a house and provide for their family.

TABLE 3: Respondents Based On Age.

No	Age of Respondent (Year)	Frequency (People)	Percentages (%)
1	29-33	9	11,3
2	34-38	21	26,3
3	39-43	16	20,0
4	44-48	16	20,0
5	49-53	8	10,0
6	54-58	7	8,8
7	59-63	3	3,8
Total		80	100,0

Source: Data of the results (2018)

Based on the findings of the field that most of the mortgage product with *ijarah muntahiya bittamlik* contract customers are 29 years to 58 years old. This is in accordance with the procedure of Islamic Permata Bank to obtain mortgage financing must be 21 years old to 55 years old (employee) and 65 years old (entrepreneur / professional).

Based on the findings of the field, the varying income per month for the mortgage product with *ijarah muntahiya bittamlik* contract customers. This is because the main

TABLE 4: Respondent Base On Monthly Income.

No	Monthly Income	Frequency (People)	Percentages (%)
1	3-4 Juta	14	17,5
2	4-5 Juta	27	33,8
3	5-7 Juta	26	32,5
4	7-10 Juta	13	16,3
Total		80	100,0

Source: Data of the results (2018)

requirement for obtaining financing for mortgage loans is to have a steady and sustainable income.

Customers' perceptions of sharia compliance in the *ijarah muntahiya bittamlik* contract are very diverse, so the interpretation criteria for the score are based on the answer score. In interpreting the score there are several questions which consist of five very important indicators regarding the mechanism of the *ijarah muntahiya bittamlik* contract according to the Fatwa of the National Sharia Board of the Indonesian Ulema Board are:

1. The *ijarah muntahiya bittamlik* contract must be free of maysir, gharar, riba and zhalim.
2. The object of the *ijarah muntahiya bittamlik* contract is in accordance with Islamic principles.
3. During the lease period, the object of the *ijarah muntahiya bittamlik* contract belongs to the tenant.
4. The rental price for the object of the *ijarah muntahiya bittamlik* contract must be clear and unchanged during the contract period
5. Ownership of the object will move after the lease period ends

Based on the results of the questionnaire data processing shows the total total score of the five indicators above amounted to 1542 from 80 respondents and 25 items

in question. To intercept the interpretation of scores based on the answer scores as follows:

$$\begin{aligned} \text{The Value Maximum Score} &= \text{Maximum score} \times \text{Total of question} \times \text{Total of respondent} \\ &= 1 \times 25 \times 80 \\ &= 2000 \end{aligned}$$

$$\begin{aligned} \text{Percentage} &= \frac{\text{Total of question}}{\text{The Value Maximum Score}} \times 100\% \\ &= \frac{1542}{2000} \times 100\% \\ &= 77,1\% \end{aligned}$$

The assessment category to determine the interpretation criteria for the overall total score with the formula according to Riduwan and Akdon (2010) in the following ways:

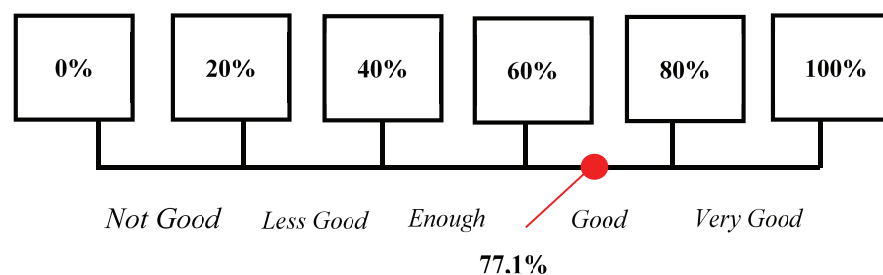


Figure 2: The Description Of Total Overall Indicator Score (Source: Data of the results (2018)).

Based on Figure 2 about the interpretation of the total score of all indicators, the number of respondents answers to customer perceptions of sharia compliance on mortgage products with the *ijarah muntahiya bittamlik* contract in Islamic Permata Banks is in the good category. This can be seen from the percentage results of 77.1% of each indicator.

The first indicator, the *ijarah muntahiya bittamlik* contract must be free of maysir, gharar, riba and zhalim is the basic principle for determining a financing product that has complied with Islamic principles. According to Sugianto (2011), the system in Islamic banks must be met with provisions to avoid gharar and maysir transactions, objects and all investments must be halal, and ensure the implementation of the concept of benefit from the beginning of the process until the end of the investment.

The second indicator, the object of the *ijarah muntahiya bittamlik* contract in accordance with Islamic principles is the object to be used must be lawful and has a good aim.

According to Adiwarmarman Karim (2014), one of the reasons for prohibiting a transaction in the *muamalah* field if it is forbidden, such as buying a house to be used as a gambling place, even though the purpose is to buy a house but use the house for illegal activities.

The third indicator, during the lease period of the object of the *ijarah muntahiya bittamlik* contract owned by the lessee as stated in the Fatwa of the National Sharia Board that the contract begins with the lease agreement and ends with the ownership of the asset after the lease agreement is complete.

The fourth indicator, the rental price of the object *ijarah muntahiya bittamlik* contract must be clear and unchanged during the contract period, as seen from the agreement on the cost of renting the goods each month and the costs do not change until the end of the contract. According to Islamic law regarding unchanged rental prices will provide benefits to customers when the BI interest rate is stable so that the rental price agreement does not change until the end of the contract.

The fifth indicator, ownership of objects will move after the lease period ends in accordance with the Fatwa of the National Sharia Board, namely if the *ijarah muntahiya bittamlik* agreement ends, the leased object can transfer ownership to the tenant (*musta'jir*) by buying or donating from the party who rents (*muajir*).

5. Conclusion

Based on the results of the study, customers perceptions of sharia compliance on mortgage products with the *ijarah muntahiya bittamlik* contract in Islamic Permata Bank are in the good category. This can be seen in the indicators fulfilled by Islamic Permata Bank and in accordance with the Fatwa of the National Sharia Board of the Indonesian Ulema Board Number 27/DSN-MUI/III/2002 concerning *ijarah muntahiya bittamlik*, which is free of maysir, gharar, usury and zhalim; objects of the *ijarah contract muntahiya bittamlik* in accordance with Islamic principles, during the lease period the object of the *ijarah muntahiya bittamlik* contract belongs to the lessee, the rental price of the object of the *ijarah muntahiya bittamlik* must be clear and does not change during the contract period and the ownership of the object will move after the lease period ends.

Suggestions for future researchers, it is expected that after reading this research it can be an inspiration and able to open other ideas to deepen the sharia compliance level in the *ijarah muntahiya bittamlik* contract in other sharia financial institutions which

are jointly aimed at increasing sharia compliance agencies, products, operations and contracts in Islamic financial institutions in Indonesia.

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