



## Sharia Leasing Transaction System in the Financial Industry

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### ABSTRACT

The sharia leasing system applies to all financing carried out and innovated according to sharia principles and in line with concepts in sharia principles. In addition, this system still has weaknesses: high capital investment does not prevent those who carry out these activities from breaking their promises. Therefore, regulations are needed that regulate more precisely to minimize this. This study uses a critical analytical review method based on a literature review using data from journals, books and information from the internet. The results of the analysis show that contract-based financing companies that finance the company's operations are in accordance with sharia principles. Sharia leasing can apply the principles of efficiency, innovation, and compliance with sharia norms.

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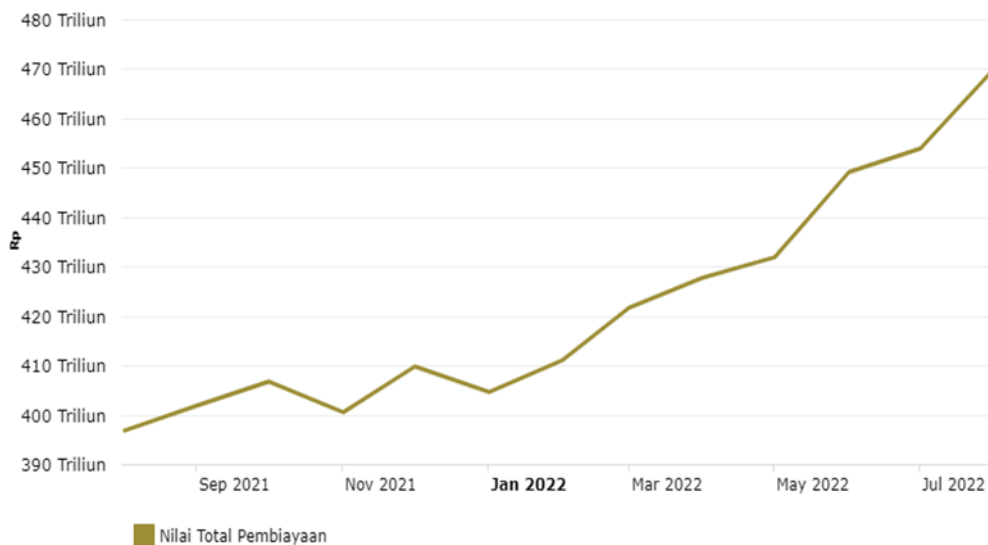
## INTRODUCTION

The business activities of the financial services sector are currently growing and advancing, reflected in the great enthusiasm of the public to take part in financial services activities followed by the provision of innovative products and an increase in the number of business locations in the financial services sector. Of course this can have a positive impact on the economic growth of the Indonesian people.

The trend of funding for Islamic commercial banks and sharia business actors in Indonesia will continue to increase throughout 2022. Islamic commercial banks are

banks that operate based on sharia principles. Sharia business units are work units of ordinary commercial banks engaged in sharia-based banking activities. There are several types of contracts commonly known in Islamic finance such as murabaha, mudharabah and ijarah. confirm the purchase price to the buyer, and the buyer pays the higher price for the seller's agreed profit. Mudharabah is a business cooperation contract between two parties, in which the first party (shahib mal) provides all the capital and the second party (mudharib) acts as manager, then the business profits are divided according to the agreement. There is also ijarah, which is a contract to transfer the right to use an item for a certain period of time with the payment of a rental fee (ujrah). According to data from the Financial Services Authority (OJK), the total funding value of all types of contracts by banks and sharia business units in Indonesia reached IDR 470 trillion in August 2022, an increase of 18.51% year-on-year (year-to-year). During the January-August 2022 period, this trend also continued to increase on a monthly basis, as shown in the chart below:

Figure 1. Total Value of UUS Sharia Commercial Bank Financing in Indonesia



Source: Financial Services Authority (OJK), December 2022

The ability of an Islamic financial institution to be successful in attracting investors depends not only on the level of profitability of the institution, but also on the perception that the institution is truly concerned with the limits outlined by Islam. Islam teaches the prohibition of usury to be used in economic life so that it has contributed to the

emergence of many Islamic financial institutions in various parts of the world over the last three decades. and investment banks, insurance companies (takaful), leasing and mudharabah companies and other non-governmental organizations (Umer Chapra and Khan 2008) .

The definition of sharia financing is based on the Regulation of the Chairman of the Capital Market and Financial Institution Supervisory Agency No. PER-03/BL/2007 explains that leasing is a financial activity in which capital goods are transferred either with options ( *capital lease* ) or without options ( *operating lease* ) for the use of tenants, as well as installments within a certain period of time in accordance with sharia principles that are being and will be regulated by DSN-MUI.

Leasing was first introduced in Indonesia in 1974. When the Minister of Finance issued a joint decree with the Minister of Industry and Trade No. 122/MK/2/1974, No.32/M/KS/2/1974 and No. 30/Kph/197 dated 7 February 1974 concerning licensing of leasing activities, that leasing means a contract that has its own characteristics and is different from contracts such as installments or bank loans. So that Leasing can be interpreted as renting out goods to certain parties. Leasing is a contract between a lessor and a lessee or an agreement to rent out a certain type of production asset that the lessee chooses or determines. The ownership of the capital goods belongs to the lessor, while the lessor uses the capital goods only on the basis of a predetermined lease for a certain period of time.

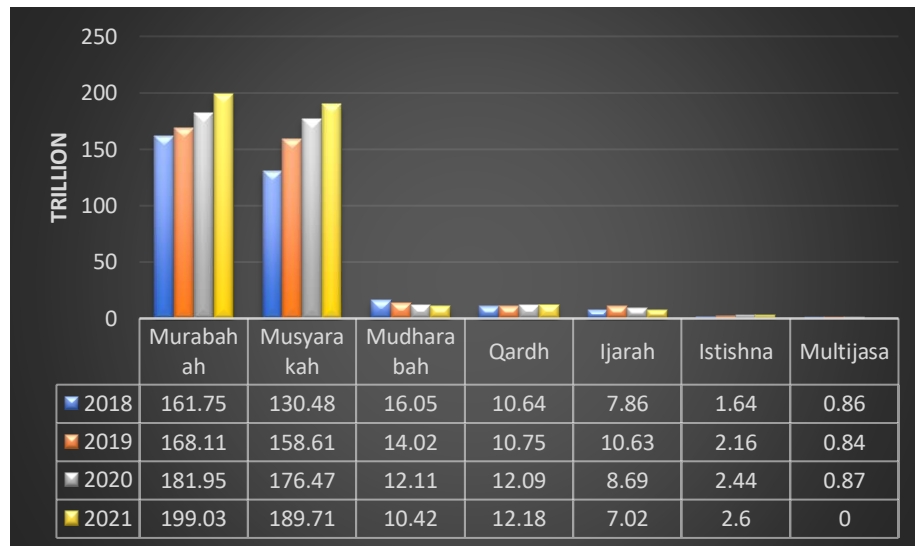
In Islamic finance, a sharia-style lease may be called *an ijarah* . In *ijarah* all financing is carried out and innovated according to sharia principles and in harmony with concepts in sharia rules. It is this sharia principle that can prevent *ijarah* from the elements of *usury*, *maitsir* and *gharar* . These three things are most often found in the world of financial business. In the *ijarah principle* , all Islamic banking and Islamic capital market activities are based on the existence of a contract (agreement).

The leasing system has something that equates to the concept of leasing in Islamic principles. In addition, this system still has weaknesses, namely the large amount of capital used does not rule out the possibility that there will be broken promises from those who carry out these activities. Therefore, it is necessary to have

legal provisions that regulate in more detail so that this can be minimized. At the time of Rasulullah SAW, al-ijarah was also carried out with friends by carrying out work services, and leasing land. This is the basis that can be used for leasing transactions in Indonesia because there are similarities in these terms.

Currently, financial companies that use Islamic principles operate in independent businesses such as Islamic banking. Resilience to the crisis caused by the Covid-19 pandemic has also become a driving factor for the business world's demand for sharia banking. Figure 2 shows the development of financing in Islamic banking.

Figure 2. Sharia Banking Financing



Source: Financial Services Authority (OJK), December 2022

The table above shows that over the past few years the financing channeled by Islamic banking has increased. In 2021 the distribution of sharia banking financing will experience a growth of 6.90% ( yoy ). The highest growth was for the Murabaha contract, which amounted to IDR 17.08 trillion. Meanwhile, for Ijarah contracts, it decreased by IDR 1.67 trillion. However, even though the ijarah contract has decreased, it can still be supported by financing from other contracts as indicated by an increase in financing of IDR 27.21 trillion. Indonesia's population, which has now reached 237.55 million people, represents a large market share for marketing sharia financing products, one of which is sharia leasing financing products. Ease of procedures and implementation of leasing financing makes this type of financing an

alternative in choosing sharia financing products.

Research conducted by (Maulida and Iswdani 2021) proves that the operational mechanisms carried out by Islamic Banks and Conventional Banks are not much different. However, the difference is reflected in the contract process that is carried out. For financing institutions, PT FIF Syariah uses a *murabahah contract* with consumers, uses a *wakalah bil ujroh contract* with PT Bank Syariah Mega Indonesia and a *tabarru contract* with PT Astra Buana Unit Syariah as insurance services. Conventionally still using leasing. Moreover, the difference in profit taking is obvious. Sharia uses profit margins and conventional uses interest rates. In the case of late payment by Islamic banks based on *ta'zir*, the results are donated to social funds, whereas conventionally they are subject to fines and the funds will be included in the company's income.

The idea is that to increase the potential for two-wheeled vehicle financing, Islamic financing and *leasing financing* must have accelerated innovation in managing efficiency, innovation, and *fintech strategies* (Utami, Barowi, and Ghofur 2020) . This is done so that sharia *leasing* can survive in the face of the conventional vehicle *leasing industry* . Mainly because it aims to realize the benefit of the people.

Adira Conventional obtains income from interest-based rental contracts, while Adira Syariah adopts a *Murabahah* (sale and purchase) contract which derives income from margin. At Adira Conventional, if the customer cannot continue with the installments, Adira will withdraw the goods and the customer must pay interest while Adira will resell the goods and the proceeds from the sale will become the company's income. On the other hand, for Adira Syariah, if the customer fails to pay the installments, the goods are recalled and then resold. When selling the product, if there is a difference between the sales proceeds and the debt, the difference will be returned to the customer (Wahyuni, Fasa, and Suharto 2021) .

The problem faced by sharia *leasing* is the weak public perception of banking products so that when a problem occurs it will be difficult to settle it (Rini 2021) . The sharia business context in its development prioritizes adherence to leasing agreements with sharia principles, especially in meeting the needs of industrial capital expenditure and public consumption financing. Alternative financing through Sharia

leasing is an option for the community when capital expenditure and consumables are required to run a business according to Islamic religious principles. Financing through *leasing* is a form of financing that is very easy to process and execute so that it is considered a more attractive form of payment for use by the public. However, the lack of public knowledge regarding leasing transactions, especially those that are guided by sharia, has led to a lot of misuse of the leasing process so that it does not fulfill the sharia context itself.

Seeing this, this study aims to provide an overview of sharia leasing transactions in the financial industry in Indonesia

## **THEORETICAL BASIS**

The term leasing is a translation from English, leasing, which comes from the word leasing, which means rent or more generally leasing. However, leasing and an ordinary lease contract are not the same thing. Leasing and leasing are characterized by several separate terms and criteria, because in the sense of leasing includes the properties of objects in the form of capital goods, periodic payments within a certain period of time, the existence of options and the calculation of the residual value of the goods (Sunaryo 2017) .

Financial leasing is a leasing activity in which the lessee, in addition to paying a fixed rent, acquires the production facility at an agreed final price. If the lessee is unable to pay the rent at the end of the lease term, the property remains the property of the landlord (leasing company). Contracts are verified as leases (Subagyo and et al 2005) .

In financial leasing, the leasing company, like the lessor, is the party that finances the acquisition of capital goods. The lessee selects the necessary production equipment and, on behalf of the leasing company as the capital owner, orders, tests and maintains the production equipment that is the object of the leasing transaction. During the lease term, the lessee makes periodic lease payments, the amount of which is the result of the total amount plus the residual value. If there is a return on the purchase price and interest on the fixed assets financed, this is income for the leasing company (Sunaryo 2017) .

The characteristics of a *finance lease* include (Sunaryo 2017) :

1. Capital can be in the form of movable or immovable assets, the maximum useful life of which is in accordance with the economic life of the goods
2. Capital goods remain the property of the lessor until the option is exercised
3. Rent, which is paid in monthly installments, includes the purchase price of the goods and other fees and benefits expected by the lessor
4. The rental price and the number of options must cover the price of the item and the expected return from the rental company
5. The duration of the rental contract is relatively long
6. Tenants are responsible for maintenance costs, damage, taxes and insurance
7. The lessor cannot terminate the lease unilaterally
8. At the end of the contract, the lessee has the option to return or buy production equipment or extend the contract period.

In leasing there are usually three main parties, namely lessors, lessors and suppliers such as sellers or suppliers of capital goods. However, because financing sometimes requires large funds and is associated with risk, it is not uncommon for banks and insurance companies to participate in leasing contracts.

Finance leases consist of several transactions, including the following (Subagyo and et al 2005) :

1. Direct Finance Contract: This is a leasing transaction in which the lessor purchases goods at the request of the lessor and at the same time leases them to the respective lessors.
2. Sale and rental: The lessor intentionally sells its capital goods to the lessor in order to enter into a lease between the lessor and the lessee if the lessor is the seller of the goods during the lease. This method is usually used to increase the tenant's working capital.

A lease or agreement is usually made in writing and contains various terms,

including the terms of the lease. The terms of the contract include the useful life of the goods, the amount and method of payment of the lease, the specifications of the goods to be leased, as well as the terms of delivery at the end of the lease agreement.

Sharia leasing is a contract system that finances the right to use an object with its own capital and requires the user to make payments within a certain period of time. Simply put, sharia leasing is a system that facilitates this, because it can provide capital (usually in the form of a vehicle) with limited leasing rights without ownership (Editor of OCBC NISP 2022) .

Although the process is generally the same as traditional leasing, Islamic leasing has several regulations based on certain principles and pillars. In practice, Muajjir is used as the title of landlord. At the same time, the recipient of the lease is referred to as Musta'jiri. Well, the process or payment of rent itself is called Ijarah.

One of the obligations in implementing the sharia leasing mechanism is to comply with certain principles, including: not containing gharar, there is a balance, not having interest, being natural, prioritizing the common good, not containing tyranny, no practice of bribery, and being fair.

Based on the character of sharia leasing and conventional leasing can be distinguished as follows (Anwari 1987) (Soemitra 2010) :

No	Difference	Sharia Leasing	Conventional Leasing
1	Interest rate	It has no interest rates at all, but enters into a contract (Mudharabah) to determine profit sharing	Using two types of interest rates (fixed and floating)
2	Financing System	Operating lease (without option rights) and finance lease (with option rights)	Credit
3	Contract	Mudharabah, the profit margin obtained in the first transaction will be paid by the leasing party (musta'jir)	Interest based
4	Consequence	Taking some profit on the rental. However, the musta'jir's installment fees will remain the same	If there is a credit delay, the item will be withdrawn

Some of the advantages or advantages of sharia leasing (Nur 2007) include: financing capital equipment relatively quickly without complicated requirements, can be used as a source of business capital to remain productive for a certain period of time, is considered much more effective for those who cannot afford to buy new goods, can get a sharia car or motorbike rental according to preferences because the network is wide. Apart from the advantages mentioned, sharia leasing also has disadvantages, especially if you pay late. However, the losses incurred are usually not as high as conventional leasing.

The sharia leasing mechanism (Indonesian Accounting Association 1984) includes: after successfully completing installments, Islamic banks can sell the leased goods to *musta'jir* (customers). So it can be said that Islamic banking is the same as buying goods with cash, which is then paid in installments by *Musta'jir*. During the *Ijarah* process, it can be concluded that the benefits have passed between the two parties. In leasing Islamic motorbikes, for example, Islamic banks buy motorcycles that must be paid in installments by the customer until it is paid off. So there are profitable transfers, ie. the customer received the motorbike and the bank managed to pay for it. *Musta'jir* can process all payment transactions up to installment payments. The amount of this part must of course be mutually agreed between the parties. Since Islamic leases are equity financing based on Islamic pillars, it is not legal to state interest rates in the transaction process. This is because interest is considered a practice of usury which is forbidden in Islam. One of the most important Islamic mechanisms when renting a motorbike or car is agreeing on a rental price. This means that each party must have one vote so that no one feels disadvantaged.

## **RESEARCH METHODOLOGY**

The type of research used is a literature study. The literature study method is a series of activities related to methods of collecting library data, reading and taking notes, and managing research materials (Zed 2008) . Literature study is an activity that is required in research, especially academic research whose main objective is to develop theoretical as well as practical aspects. Literature studies are carried out by

each researcher with the main objective of finding a foundation for obtaining and building theoretical foundations, frameworks, and determining temporary assumptions or also known as research hypotheses. So that researchers can group, allocate organize, and use a variety of literature in their field. The focus of this research is related to the sharia leasing transaction system in the financial industry with data sources from journals, the internet and other literature.

## **RESULTS AND DISCUSSION**

### **Sharia Leasing in Indonesia**

A financing institution, also known as multifinance, is one of the non-bank financial institutions in Indonesia that has financing products, both productive and consumptive (Sembiring, Sumampouw, and Manoppo 2016) . Meanwhile, according to the Regulation of the Minister of Finance Number 84/PMK.012/2006, a Financing Company is a business entity outside a bank and a non-bank financial institution specifically established to carry out activities that fall within the business sector of the financial institution sector. Currently finance companies are divided into two, namely conventional financing and financing based on sharia principles.

Finance companies conducting business activities based on sharia principles are required to channel funds for financing activities based on sharia principles (Ishak 2018) . Referring to sharia principles, all financing distributed by finance companies can be in the form of investment components, financing receivables, or leasing receivables. In addition, Islamic finance companies must have a Sharia Supervisory Board, which consists of at least two members and one chairman (Lailatul, Hobvi, and Zunaidi 2022) . DPS members are appointed at the general meeting of shareholders at the suggestion of the Indonesian Ulema Council (Adnan and Uyuni 2023) . The Sharia Supervisory Board is also tasked with providing advice and suggestions to directors, overseeing sharia aspects of the operational activities of finance companies, and acting as a mediator between finance companies and DSNMUI (Prayitno and Setyowati 2020) .

Islamic finance companies are required to submit a report on their business activities on the 10th of each month. In addition, Sharia Financing Companies must

also obtain a statement of conformity with Sharia from the Sharia Supervisory Board with a copy of the DSN (Soemitra 2010) . OJK believes that the sharia banking industry will continue to grow in the next few years. Even during the Covid-19 pandemic, Islamic banking was very stable in terms of assets, financing provided, and deposits (Puspitasari 2022) .

One of the advantages of the Islamic banking industry lies in the basis of financing carried out. One of them is the underlying asset or contract model with the real economy. The Islamic banking industry is also not left behind in digitizing every product (Aysan and et. al. 2022) . Digitalization does indeed have a positive impact on business growth in the current era of technological disruption (Muafi and et. al. 2021) . Every industry must be ready to move to face dynamic changes. The Islamic banking industry has adapted to existing technological developments. Sharia banks have updated their services in order to increase the efficiency of work processes and improve the quality of customer service (Rahmayati 2021) . Banks have made long-term investments for the future through digitization, and it is projected that digital services will become one of the main drivers of sustainable growth in the banking industry (Zuo, Strauss, and Zuo 2021) .

Sharia Financial Assets in 2021 were recorded at 2,050.44 trillion or experienced a growth of 13.82%. The largest portion of these assets is owned by the Islamic Capital Market with a large portion of assets of 60.27% and is the sector with the highest growth among other sectors of 14.83%. With a market share of 33.83%, Islamic Banking experienced a growth of 13.94%. Meanwhile for Sharia IKNB with the smallest portion of 5.9% experiencing growth of 3.9% the above conditions can be reflected in table 1.1 below:

Table 1. Islamic Financial Assets in 2021

<b>Islamic Financial Assets</b>	<b>Share of Islamic Financial Assets</b>	<b>Assets (Trillion Rp)</b>	<b>Number of Institutions</b>
Syariah banking	33.83%	693,80	12 Islamic Commercial Banks (BUS) 21 Sharia Business Units (UUS) 164 Islamic People's Financing Banks (BPRS)
IKNB Syariah	5.90%	120.81	59 Sharia Insurance 33 Sharia Financing Companies 6 Venture Capital 10 Sharia Pension Funds 105 Other Sharia IKNB
Sharia Capital Market (Excluding Sharia Shares)	60.27%	1235.83	1 Sharia Investment Management  60 Sharia Investment Management Units 69 State Sukuk (Outstanding) 189 Corporate Sukuk (Outstanding) 289 Sharia Mutual Funds (Outstanding)
<b>Total</b>	<b>100%</b>	<b>2050.44</b>	

Source: Financial Services Authority, 2021

Until now, the total number of Islamic financial institutions in Indonesia is 471

units. With so many institutions, the market share of Islamic finance to national finance is 10.16%. Within the last 4 years, the market share of Islamic finance to national finance has continued to grow. Since 2017, the market share for 2021 has grown by 1.92% as shown in the chart below.

**Figure 3. Market Share of Islamic Finance on National Finance**

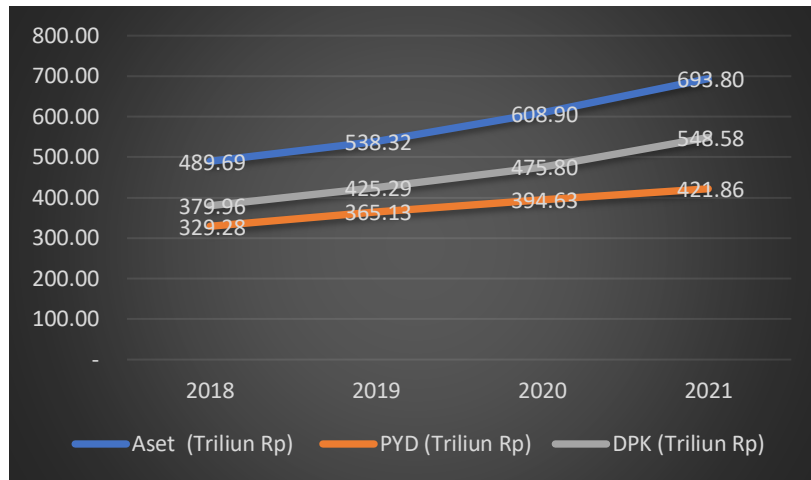


Source: Financial Services Authority, 2021

Looking at the graph shows that there has been a positive development in the development of Islamic finance from year to year, including during the Covid-19 pandemic. Covid-19, which has become a separate threat to the financial industry, has received a positive response from sharia finance with a positive trend with asset growth and its market share in national finance.

Islamic banking as a part of Islamic financial institutions also contributes to creating these conditions. Islamic banking assets currently account for more than one-third of the assets of Islamic financial institutions. During the economic recovery after the Covid-19 pandemic, the Islamic banking industry continued to record positive growth. In 2021 it can be said that the growth of Islamic Banking Assets in the last 4 years is 13.94% ( yoy ). The high growth of Islamic banking assets was influenced by the growth of PYD and DPK managed by Islamic banking. The total assets, PYD and DPK of Islamic banking in 2021 have reached IDR 6 93.80 trillion, IDR 421.86 trillion and IDR 548.58 respectively.

**Table 3. Growth of Islamic Banking**



Source: Financial Services Authority, 2021

One of the Islamic Banking products is Sharia Leasing. In general, leasing means financing equipment (Sudirman 2022) , namely financing equipment/capital goods, to be used in the production process of a company, either directly or indirectly. Leasing comes from the word leasing which means to rent. So, sharia leasing is a financing activity in the form of capital goods through a *finance lease* or *operating lease* for use by the lessee for a certain period of time based on installment payments according to sharia principles (Maulida and Iswdani 2021) .

The emergence of sharia leasing practices is an answer to the public's need for expansion of sharia finance through sharia financial institutions. Head Regulations (BAPPEPAM 2007) Decree No. Per-03/BL/2007 and No. Per-04/BL/2007 issued Regulations concerning Financial Companies Conducting Activities Based on Sharia Principles, namely Regulations concerning Sharia Principles and Activity Arrangements. A contract-based financial company that is used to fund company activities based on sharia principles. As an implementation platform for Islamic finance companies, contracts used for sharia-based funding activities are initially private or agreed upon between people. Now they have been taken over by financial institutions, which creates problems of its own. In the form of sharia, this lease leasing transaction is called *ijarah*

With the development of sharia trade law in Indonesia, the *Ijarah* Convention has

evolved to meet the needs of local communities. Later, an agreement was made called *ijarah Rompiiya bi at tamlik* (IMBT) which means that the lease is between the owner of the object being leased with the option to transfer ownership of the object being leased by means of sale or donation (transfer) at certain times in accordance with the lease agreement. -rent.

Ijarah and operating leases in terms are not at all different (Nur 2007) . Al-Ijarah is a contract of transferring usufructuary rights over goods or services within a certain time limit through the payment of rental wages without being followed by a transfer of ownership of the goods. Another contract is the al-Ijarah al-Muntakiya bi al-Tamlik contract, which is a leasing contract that ends with the transfer of ownership of the object of the contract from the lessor (mu'ajir) to the lessee (musta'jir) through a sale and purchase contract or grant, after the expiration of the lease term. rent. Ijarah Muntakiya Bi al-Tamlik is commonly known as IMBT. IMBT is a new contract to build a rental agreement through the maqashid ash shariah approach with the masalah mursalah method (Arwan 2019) .

In the research conducted (Umam 2011) IMBT provisions stipulate that the party entering into this contract must first enter into an Ijarah contract. All agreements on the transfer of property rights, either by buying and selling or by giving, can only be implemented after the ijarah period has expired. The legal status of the agreement on the transfer of assets agreed at the beginning of the ijarah contract is null and void and not legally binding. Fulfillment of this promise requires the signing of a transfer of ownership agreement, which will be implemented after the end of the ijarah period. This is in line with the fatwa contained in Fatwa No. 2 (DSN-MUI 2002) No. 27/DSN-MUI/III/2002 concerning Al Ijarah al Muntakiyah bi al-Tamlik.

In addition, ijarah Mutahiyyah bittamlik can be interpreted as a finance lease because there is an option right for the lessee or musta'jir, who can transfer their ownership at the end of the lease term. In implementing sharia lease agreements, there are several ways of transferring ownership of assets that occur in ijarah lumpurhiyyah bittamlik, which can be done with grants, buying and selling, and gifts (Pasi, Fitra, and Batubara 2023) . The difference between the two is also the difference in the term of the agreement. There is a certain time limit, but in leasing ijarah

contracts, the time period can be uncertain. In the leasing contract, the lessee will be fined if there is a delay in installment payments. Penalties for late installment payments are called *dayn*, addition and extension of the payment period. In Islam, this is called *usury nasi'ah* because of the addition of debt payments.

### **Sharia Leasing Operational Practices**

Viewed from the party who rents out, leasing only applies to the rental of goods. Therefore, what is rented is limited to the benefits of the goods themselves. In *ijarah* tenants can be in the form of goods or services/labor. *Ijarah* if it is applied to get profit from goods is called *rent* while to get profit from labor/services is called *rent*.

For leasing, there is only one payment method Not Contingent to Performance. This means that the cost of leasing does not depend on the performance of the leased item (Mukaromah and Anam 2021) . There are two payment methods for *ijarah* namely *ijarah* which is paid according to the performance of the rental property and *ijarah* which is independent of the performance of the rental property. *Ijarah* is paid according to the implementation of the leased property which is called *ijarah*, salary or *rent*. Meanwhile, *ijarah* which is paid without depending on the performance of the goods rented is called *ju'alah*, or success fee.

From the point of view of transfer of ownership, we can see that there are two forms of leases, namely operating leases and financial leases. In operating lease there is no transfer of ownership of assets at the beginning or end of the lease term. Meanwhile, financial leases allow the lessee to choose whether to buy or not the leased asset at the end of the lease term. Therefore, the transfer of ownership remains optional and will be carried out at the end of the lease period.

### **Problems in implementing sharia leasing**

In renting and buying, there are two different forms of *muamalah* in the same process, namely renting and buying. So far, there are at least two things that need to be studied, namely the difference between rent and purchase, as well as the location of two contracts at the same time in the *muamalah* process. In *Muammara* Islamic law, the difference between renting and buying is very different. A lease (*ijarah*) is a contract for the benefit of goods, services, or people for a specified fee, usually in the

form of money ('aqdun 'alal benefit bi 'iwadh). Therefore, the lessee will only receive the benefits that are included in the item rented. The item itself becomes the property of the lessor.

This situation is very different from buying and selling. According to syar'iy, buying and selling (al bai`) is defined as mubadalatu malin bi malin tamlikan wa tamallukan 'ala sabilit taradhi, namely exchanging assets on the basis of mutual respect for merchandise and other merchandise (including money) which means to replace one another other. goods will be transferred from the seller to the buyer. Conversely, money or goods (if exchanged) are the direct property of the buyer to the seller. This transaction can be paid in installments (credit) or cash. Obviously, the fundamental difference between renting and buying is who owns the goods at the end of the transaction period. Therefore, a contract entered into between a lease and a sale is very different from a sales contract, because the lessee can only use the property during the term of the lease. The sales contract ends with the transfer of property rights from the seller to the buyer and from the buyer to the seller.

Rasulullah SAW forbade the occurrence of two different contracts in one muamalah activity. "Rasulullah SAW forbade (Muslims) two contracts in certain contract processes," as Imam Ahmad had narrated about Rasulullah SAW. This hadith implies that it is not permissible for someone to make two different contracts in a certain muamalah process. For example, it is not permissible for someone to say, "I sold my goods to someone on condition that someone sells other things to me. I sold this item to someone for 10 million in installments for 5 years, but if someone can't buy it halfway, the goods it still belongs to me and the money that someone donates to me will be considered rental money as long as someone uses it. In the previous muamalah there were two contracts at once, namely selling goods as well as buying goods the buyer in one contract, the business buyer in one contract, and buying and selling and contracting a lease in one contract. All of this contrasts with the previous attitude of Rasulullah SAW.

Based on this, it appears that in muamalah financial leasing (commonly referred to as 'leasing') there are two contracts at once in a particular muamalah process. This violated the order of the Prophet Muhammad. In fact, according to Islamic law, if there

is a lease agreement, the lease agreement will remain valid until the end of the lease term. The sales contract remains a sales contract. If the sale and purchase agreement is in the form of installment payments and the buyer does not pay off his purchase obligations at the agreed time, then the contract is still a sale and purchase contract and cannot be changed or converted into a contract. This will be a rental contract.

In practice, this type of muamalah seems to favor the lessor (leasing company) over the lessee. In addition, when the buyer considers the product installment payment as the "purchase price". For some reason, I can't get the money back. In the end, at the end of the installment period, what he dreamed of had to be returned, just rent it out. Even if, of course, the logical rental price is lower than the installment purchase price. In addition, the problem of leasing becomes greater when interest rates are associated with high interest rates. Allah SWT says: "And Allah has justified buying and selling and forbidding all usury" (QS. Al Baqarah [2]: 275).

### **Use of information technology as an innovation in implementing Sharia leasing efficiency**

The concept of efficiency in Islamic economics is based on allocative efficiency or pareto efficiency. In the concept of Islamic economics, efficiency encourages efforts to increase waqf (increasing the limit of production possibilities) with two important points (Karim 2003) . First, the concept of justice is not detrimental and not wrongful. These two concepts are zakat, infaq and alms where if someone wants to increase the utility of others, then he must increase his personal utility by issuing alms by maximizing input. In addition, the distribution and allocation of resources is carried out with maximum benefit with equal endowments and unequal endowments. With these two conditions, the Fund can simultaneously achieve equity and efficiency.

There are four basic stages in management planning related to efficiency, namely 1) the initial stage of setting goals or a set of company goals including the effective use of resources; 2) the second stage by formulating the situation by collecting information, especially financial data and statistics; 3) The third stage identifies all facilities and obstacles that require information from internal and external environmental factors; and 4) The last stage is to develop a plan or series of activities to achieve the goal. Further explained about the factors that influence planning,

namely 1) the time needed to carry out effective planning; 2) it often takes time to proceed with each planning step, without complete information about alternative variables; and 3) the amount of time included in the plan must be considered.

Particular attention to innovation relates to product and service development firms (Beaver and Christopher 2002) with 'order-winner' tactics. Innovation is any activity that cannot be generated with one stroke, but rather a long and cumulative process, which includes many decision-making processes, from the discovery of an idea to its implementation in the market ( Urabe, Child, and Kagono 1998) . Process innovation consists of 3 (three) actions, namely 1) listening, which is carried out between companies and translators where the greatest opportunity to obtain new information and greater competitive advantage; 2) Interperson or follow-up on company information sources and ideas, technology and resources, and the development of innovative significance for certain products, and 3) Broadcast, namely the dissemination of radical innovations can be carried out because new levels of innovation may not be ready to accept these innovations, it is necessary using proactive measures to facilitate the assimilation and adoption of new meanings through advertising and marketing (Moroni, Arruda, and Araujo 2015) .

The World Economic Forum (WEF) describes fintech as the use of innovative technologies and business models in the financial sector. Meanwhile, the Financial Stability Board (FSB) stated that Fintech is an innovation in the financial sector through the use of technology that creates new business models. Services offered include savings and loans (loans and deposits, investments and electronic payments (e-payment) (Ajar Ekonomi.com, 2018). Digital finance is financial services delivered via cell phones, personal computers, the internet or cards connected to digital devices. a reliable Payment system (Ozili 2018) .

POJK Number 77/POJK.01/2016 which is the basis for information technology-based money lending services. However, in the implementation of Investree and Sharia Funds, there are still things that must be provided and completed by financial service institutions that carry out sharia-based transactions. In carrying out sharia transactions, financial service institutions must comply with sharia-based service delivery regulations issued by related parties. Compliance with sharia principles is an

obligation for financial service institutions that carry out business activities according to sharia principles. In implementing the service activities of Islamic Financial Services Institutions, things that must be considered include the following (Sutedi 2009) . The five technical aspects of Fintech cover security and privacy, data engineering, hardware and infrastructure, application and management and service capital for the foundations of building active Fintech solutions (Gai, Qiu, and Sun 2018) .

## **CONCLUSION**

In general, leasing means financing of equipment, namely financing of equipment/capital goods, to be used in the production process of a company either directly or indirectly. A contract-based financial company that is used to fund company activities based on sharia principles. As an implementation platform for Islamic finance companies, contracts used for sharia-based funding activities are initially private or agreed between people and then taken over by financial institutions. In the form of sharia, this lease leasing transaction is called *ijarah*.

*Al-Ijarah* is a contract of transferring usufructuary rights over goods or services within a certain time limit through the payment of rental wages without being followed by a transfer of ownership of the goods. Another contract is the *al-Ijarah al-Muntakiya bi al-Tamlik* contract, which is a leasing contract that ends with the transfer of ownership of the object of the contract from the lessor (*mu'ajir*) to the lessee (*musta'jir*) through a sale and purchase contract or grant, after the expiration of the lease term. *Ijarah Muntakiya Bi al-Tamlik* is commonly known as IMBT. IMBT is a new contract to build a rental agreement through the *maqashid ash syariah* approach with the *maslahah mursalah* method. For leasing, there is only one payment method Not Contingent to Performance. That is, the cost of leasing does not depend on the performance of the leased item. If there is a rental agreement, the rental agreement will remain valid until the end of the lease period. The sales contract remains a sales contract. If the sale and purchase agreement is in the form of installment payments and the buyer does not pay off his purchase obligations at the agreed time, then the contract is still a sale and purchase contract and cannot be changed or converted into a contract. This will be a rental contract.

The concept of efficiency in Islamic economics is based on allocative efficiency or pareto efficiency. In the concept of Islamic economics, efficiency encourages efforts to increase waqf in which there are two concepts namely First, the concept of justice is not detrimental and not wrongful. Implementation of the concept of sharia financing is inseparable from the creation of innovations from each financing institution. Innovation is any activity that cannot be generated with one stroke, but rather a long and cumulative process, which includes many decision-making processes, from the discovery of an idea to its implementation in the market. Compliance with sharia principles is an obligation for financial service institutions that carry out business activities according to sharia principles.

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