

## Revitalization of Ijarah Agreements in Islamic Banking Service Products

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### Abstract

This paper explores the revitalization of the ijarah contract in Islamic banking, focusing on its contemporary applications and implications in Islamic law (muamalah fiqh). The ijarah contract, historically used for leasing tangible assets, has evolved into modern forms such as ijarah muntahiyah bi al-tamlik (IMBT) and multi-service ijarah. IMBT incorporates an option for the lessee to purchase the leased asset at the end of the contract, catering to diverse financial capacities. On the other hand, multi-service ijarah extends beyond tangible assets to encompass services like education and healthcare financing. Through a qualitative literature review, this research underscores the importance of adapting Islamic financial instruments to contemporary societal needs. It discusses the legal foundations of ijarah, drawing from Quranic verses, Hadiths, and contemporary legal frameworks such as Islamic banking laws. The study also elucidates the principles and conditions governing ijarah contracts, highlighting their flexibility and applicability in diverse economic contexts. The findings underscore that the revitalization of ijarah contracts has enabled Islamic banking to offer innovative financial solutions while adhering to Sharia principles. By integrating traditional Islamic contracts with modern financial practices, Islamic banks can meet the evolving demands of society effectively. This research contributes to the understanding of Islamic finance by showcasing the adaptability and relevance of ijarah contracts in contemporary economic environments.

**Keywords:** Ijarah Contract, Islamic Banking Service Products, Revitalization

### Introduction

Muamalah fiqh is a fiqh that discusses human-to-human transactions in relation to Islamic law (Ningsih, 2021; Santoso, 2022; Soemitra, 2021). An ijarah contract is a contract that is very much needed by the community in general because, with the ijarah contract, a person does not have to have goods for needs that are only needed once or several times, with the ijarah contract (Avdukic & Asutay, 2024; Baranuri et al., 2023). The community can take advantage of many things, not only to own an item but can use waku, places, and others for more important needs (Abubakar Siddique et al., 2023). For people who sometimes need to drive a car to do something or to cover a certain distance, but that need is not needed every day, they need to drive a car only for activities that really cannot be reached by using a motorcycle, such as when a family member is sick, the rain is very heavy, so that people like this only need a car in certain circumstances, and there

is no need to own the car, a case like this can be solved with an ijarah contract (Billah et al., 2024; Rohim & Hakim, 2023).

One of the products of distributing funds from Islamic banks to customers is financing based on lease agreements or lease contracts (ijarah) (Yuli & Rofik, 2023). The ijarah contract is a contract that is often used by today's society if, in the past, the ijarah contract was enough to rent over an item or hire a person to do a job (Ahmad et al., 2023; Kashi et al., 2024; Soedarmono & Yusgiantoro, 2023). The previous statement is an example of a classic ijarah contract where its use is less flexible when applied in modern times today, but for now, Islamic banking uses ijarah contracts in modern transactions, such as renting a lease that ends with ownership or in muamalah fiqh is often referred to as ijarah muntahiya bit tamlik (IMBT), renting several services or multi-service ijarah, this form of ijarah is one example of the revitalization of the ijarah contract so that it is more useful and useful for the community (Menne et al., 2022; Uluyol, 2024; Wijaya & Moro, 2022).

Islamic banking is greatly helped by the revitalization of existing contracts in Islamic law because to innovate and emerge new products, Islamic banking needs to adjust, and sometimes it is necessary to combine existing contracts in Islamic economic law so that it can keep up with the times and meet the increasingly complex needs of society.

If the community dwells only on the classic ijarah contract, the ijarah contract itself will not develop and will not provide much benefit to the community. With the revitalization of the ijarah contract, it is hoped that the institution can further develop many products by using the ijarah contract and provide more benefits for the wider community. According to contemporary jurists and experts in Islamic finance, Ijarah has great potential as an alternative to interest in a financial system that is in accordance with the developing Islamic law. Ijarah is permissible according to the *ijma'* of the scholars and the jurists (Alshater et al., 2022).

The primary objective of this research is to explore and analyze the revitalization of ijarah contracts within Islamic banking. It aims to examine how traditional ijarah contracts have evolved to meet contemporary societal needs, particularly through adaptations like ijarah muntahiya bit tamlik (IMBT) and multi-service ijarah. By conducting a qualitative literature review, the study seeks to elucidate the legal foundations, principles, and conditions governing ijarah contracts in Islamic law (muamalah fiqh). Furthermore, it aims to highlight how the revitalization of ijarah contracts enables Islamic banks to innovate and develop new financial products that adhere to Sharia principles while addressing the complex economic needs of modern society. Through this exploration, the research aims to contribute to the understanding of Islamic finance and its relevance in contemporary economic environments.

## **Research Methods**

This research uses a literature study, namely by looking for relevant data. A Literature Review is a description or description of literature that is relevant to a certain

field or topic. The literature provides an overview of what has been discussed or talked about by the author, the theories and hypotheses that support it, the research problems proposed or asked, and the appropriate methods and methodologies. The approach used is a qualitative approach.

The reference to the theory obtained is to use literature studies and then used as a tool to analyze data. The type of data used using secondary data is obtained from journals, books, and the internet. The author uses the descriptive analysis method, namely analyzing and describing the data obtained and providing an understanding of the problems taken.

## Results and Discussion

The term *ijarah* comes from the word *ajr*, which means 'awdh (change), so *tsawab* (reward) is often also called *ajr* (wage). Meanwhile, in terms of *ijarah*, it means a type of contract to benefit from the way of replacement. Almost the same meaning is also stated by Hanafiyyah, which states that *ijarah* means an agreement on a benefit with its successor.

*Ijarah* the meaning of *bay' al-manfa'ah*, which is buying and selling between malls with benefits. Here it can be seen that there is a difference between *bai'* and *ijarah*, namely in terms of the object. If the object of buying and selling lies in the goods themselves, while the object of *ijarah* lies in the benefits of the goods. Therefore, the goods that can be used as the object of *ijarah* are only the goods that can be taken advantage of.

*Ijarah* can be divided into *ijarah bi al-quwwah* and *ijarah bi al-manfaah*. *Ijarah* is said to be *ijarah bi al-quwwah* if what is rented is in the form of services or human labor, while *ijarah bi al-manfaah* if what is rented is in the form of goods. However, the two *ijarahs* have the same principles, namely renting or renting something (Maulana, 2021).

The legal basis of *ijarah* is in the Qur'an passage Surah At-thalaq (65) verse 6;

فَإِنْ أَرْضَعْنَ لَكُمْ فَارْتُدُّنَهُنَّ أَرْضَهُنَّ

"Then if they nurse (children) for you, then give them their reward"

And the hadith about wages, narrated by Ibn Umar r.a.:

حَدَّثَنَا الْعَبَّاسُ بْنُ الْوَلِيدِ الدِّمَشْقِيُّ حَدَّثَنَا وَهْبُ بْنُ سَعِيدِ بْنِ عَطِيَّةَ السَّلْمِيِّ حَدَّثَنَا عَبْدُ الرَّحْمَنِ بْنُ زَيْدِ بْنِ أَسْلَمَ عَنْ أَبِيهِ عَنِ عَبْدِ اللَّهِ بْنِ عَمْرٍو قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ أَعْطُوا الْأَجِيرَ أَجْرَهُ قَبْلَ أَنْ يَجِفَّ عَرْقُهُ

"Narrated to us [Al Abbas bin Al Walid Ad Dimasyqi] said, narrated to us [Wahb bin Sa'id bin Athiah As Salami] said, narrated to us ['Abdurrahman bin Zaid bin Aslam] from [his father] from [Abdullah bin Umar] he said, "The Messenger of Allah (peace and blessings of Allaah be upon him) said: "Give a reward to the worker before his sweat dries up."

The basis of *ijarah* products in positive law can be found in Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning banking. We can read this in the provisions of Article 1, paragraph (13), which defines Sharia principles. The legal basis has specifically been regulated through Law Number 21 of 2008

concerning Islamic banking, among others, namely, article 1 number (25), which states that financing is the provision of funds or bills which are equivalent to it in the form of lease transactions in the form of *ijarah* or hire purchase in the form of *ijarah muntahiyah bi at-tamlik* (MH et al., 2020).

According to the majority of scholars, the pillars of *ijarah* are: *aqid* consisting of *mu'jir* (the person who rents) and *musta'jir* (the person who rents), *shigat* in the form of *ijab* and *qabul*, *ujrah* in the form of rent or wages and benefits of rented goods. While the *ijarah* conditions are: the conditions for the occurrence of the contract (*in'iqad* conditions) related to the *aqid*, the contract, and the object of the contract. The conditions related to *aqid* are intellect and puberty. The condition for the continuity of the contract (*nafadz*) is the fulfillment of property rights or territory (power). The conditions for the validity of *ijarah* consist of the agreement of both parties, the object of the contract must be beneficial, the object of the contract must be fulfilled, the benefits of the object of the contract must be the benefits allowed by the *sharia'*, the object that is rented must be avoided from defects (Hamdi & Junaedi, 2022).

There are two types of *ijarah*, namely, *ijarah* for the benefit called renting rent; in this case, the object of the contract is the benefit of an object. The second *ijarah* on work, which is called wages; in this case, the object of the contract is a person's practice or work. *Al-ijrah*, which is beneficial, for example, renting a house, vehicle, clothes, and jewelry. If the benefit is a benefit that is allowed by the *sharia* to be used, then the jurists agree that it can be used as an object of rent.

*Al-ijarah*, which is a job, is employing someone to do a job. *Al-ijarah* like this, the law is permissible if the type of work is clear, such as construction workers, tailors, factory workers, salon workers, and so on. *A-ijarah* like this is usually private, such as paying a housekeeper, and a union one, that is, a person or a group of people who sell services for the benefit of the public, such as pouring brooms, factory workers, and so on. The majority of scholars allow the two *ijarah* above (Hamdi & Junaedi, 2022). Meanwhile, the end of the *ijarah* contract is due to several things, namely the death of one of the parties who performed the contract, *iqalah*, namely cancellation by both parties, damage to the rented goods, and the completion of the lease period.

### **Ijarah Muntahiyah Bi Al Tamlik**

The definition of *ijarah muntahiyah bi al tamlik* is: a lease agreement accompanied by an option to transfer ownership of the property leased to the tenant after the completion of the lease period. In other words, *ijarah muntahiyah bi al tambik* is a contract for distributing funds for the transfer of use rights (benefits) to an item within a certain time with the payment of rent (*ujroh*), between the finance company as the lessor (*mu'ajjir*) and the lessee (*musta'jir*) along with the option of transferring the ownership of the goods to the tenant after the completion of the lease period. The nature of this transfer of ownership is what distinguishes it from ordinary *ijarah* (Maulana, 2021).

In *ijarah muntahiya bi al tamlik*, the transfer of property rights occurs in two ways, namely: first, the lessor promises to sell the leased goods at the end of the lease period,

second, the lessor promises to donate the leased goods at the end of the lease period. The option to sell goods at the end of the lease period is usually taken when the tenant's financial ability to pay rent is relatively small. Because the rent paid is relatively small, the accumulated rental value that has been paid until the end of the rental period is not enough for the purchase price of the goods and the profit margin set by the bank. Therefore, to reduce the shortage, if the tenant wants to own the item, he must buy the item at the end of the period. Meanwhile, the option to donate goods at the end of the lease period is usually taken if the tenant's financial ability to pay rent is relatively large. Because the rent paid is relatively large, the accumulated rent at the end of the lease period is sufficient to cover the price of goods and the profit margin set by the bank.

### **Ijarah Multijasa**

In addition to *ijarah muntahiyah bi al-tamlik*, there are also other *ijarah* such as multi-service *ijarah*, multi-service *ijarah* is financing provided by LKS (Sharia Financial Institution) to customers in obtaining benefits for a service. The law of multi-service *ijarah* financing is permissible (*jaiz*) by using an *ijarah* contract or *kafalah* (Baranuri et al., 2023). DSN MUI views Sharia Financial Institutions (LKS) as Islamic financial institutions need to respond to the growing needs of the community related to services, for example, banks provide financing of a certain amount of money to customers that can be used for education costs, health care costs, marriage costs, motor vehicle tax payment fees and debt payment costs, so it is necessary to establish a fatwa that regulates the financing, namely the fatwa of the National Sharia Council no.44/DSN-MUI/VIII/2004 concerning multi-service financing. This multi-service financing can use *ijarah* contracts and *kafalah* contracts. The service can be in the form of goods or services in the form of wages, fees/*ujrah* (rewards), *ujrah* in *ijarah* must be agreed upon at the time of the contract, but in a difficult condition sometimes one or the parties consider it necessary to review the amount of *ujrah* that has been agreed (Rohim & Hakim, 2023).

The use of teaching contracts in products in Islamic banking is in great demand by the community, because even though it uses sharia principles, it still develops products that are in accordance with the needs of the community, such as the use of the *muntahiyah bi al-tamlik* *ijarah* contract which is commonly used by the community to own houses, motorbikes, cars and other needs, while the multi-service *ijarah* contract is also no less often used by the community, such as paying for school, health costs and so on. With the advent of the revitalization of *ijarah* contracts in Islamic banking products, it is hoped that it can provide more benefits as much as possible, and can provide solutions to a wide range of problems.

### **Conclusion**

The revitalization of *ijarah* contracts carried out by Islamic banking is very helpful for the community in meeting needs and solving problems in daily life, with two forms of *ijarah* contract revitalization carried out, namely the *muntahiyah bi al-tamlik* *ijarah* contract and multi-service *ijarah*, the two forms of *ijarah* contract revitalization have resulted in many products, such as sharia leasing, which is commonly used for cars,

motorcycles and houses and multi-service ijarah which can be used to fulfill daily needs such as paying for school, health financing, marriage and others.

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