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The Application of Murabahah Contract in Credit-Based Sale and Purchase: Implications for Consumer Protection

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Abstract

Purpose – This research aims to understand the application of Murabahah contracts in credit-based buying and selling in Islam and its implications for consumer protection.

Methodology – This study uses a normative approach to understand the legal basis of murabahah. In addition, a study was conducted on the regulations governing Islamic financial institutions, to see how murabah contracts are applied in credit transactions.

Findings – The findings of the study show that although this contract is in principle in accordance with sharia, there are several challenges in its implementation, such as information transparency, risk management, and the fulfillment of consumer rights. The legal implications of these findings include the need for increased supervision, customer education, and regulatory updates to ensure consumer protection.

Implications – The results of the study provide recommendations to strengthen the Islamic banking system through increasing accountability in the implementation of murabahah contracts to create a fair relationship between banks and customers and support sharia-based economic growth.

Originality – This study conducts a comprehensive study related to contract regulations and Murabahah contract practices, and especially its implications for consumer protection.

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1. Introduction

In the sharia-based financing system, the transactions that are often used are murabahah, especially in financial institutions such as Islamic banking. This contract allows customers to acquire goods by paying in installments based on the cost of goods plus profit margin according to the agreement. From the perspective of Islamic law, murabahah contracts aim to accommodate the financing needs of customers without involving the element of riba, which is prohibited by sharia (Ismal, 2018).

However, the implementation of murabahah contracts often encounters various challenges, especially related to aspects of transparency and consumer protection. In practice, it is not uncommon for there to be a lack of clear information about the cost structure, profit margin, and

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penalty mechanism in case of late payment. This has the potential to harm consumers who basically need legal protection in every transaction (Triyanto, 2020). In addition, murabahah contracts that are supposed to reflect the values of justice and honesty are often abused by financial service providers who do not understand or do not comply with sharia principles in their entirety (Huda & Nasution, 2019).

The study of the application of murabahah contracts from the perspective of Islamic law is important to ensure that these transactions run on the sharia corridor and do not cause losses to any party. Furthermore, it is important to evaluate the extent to which regulations and policies related to consumer protection in the sharia financing system have been able to accommodate the interests of consumers. Thus, this research is expected to contribute to the development of the Islamic financial system that is not only in accordance with Islamic values, but also pays attention to aspects of justice and protection of consumer rights (Antonio, 2021).

Therefore, this study will discuss the following things: (1) How is the concept of applying murabahah contracts in credit-based buying and selling in Islamic law?; (2) The extent to which the implementation of murabahah contracts can provide a guarantee of compliance with sharia principles in credit transactions?; and (3) What are the legal implications of murabahah contracts on consumer protection, especially related to transparency and fairness in contracts? This research contributes to a comprehensive understanding related to the implementation of murabahah contracts, especially how its implications are for consumer protection.

2. Research Methods

Research related to the application of murabahah contracts in credit-based buying and selling often uses a qualitative approach. This approach aims to understand the concept of Islamic law in depth through the analysis of literature, legal documents, and fatwas of sharia institutions. This research also involves the study of texts on classical and modern books that are relevant to the murabahah contract (Ali, 2020).

In the study of Islamic law, normative research methods are often applied to analyze the legal basis of murabahah contracts regulated in muamalah fiqh and positive law in Indonesia. This research involves a study of the regulations governing Islamic financial institutions, to see how murabahah contracts are applied in credit transactions (Rahmat, 2019).

This study also uses a descriptive method to describe how murabahah contracts are applied in credit-based buying and selling practices. The main goal is to analyze the extent to which sharia principles, such as fairness and transparency, are applied to protect consumers from potential losses due to unethical practices (Fauzan, 2019). The data collected was then analyzed to evaluate the suitability between the theory of murabahah contracts and its practice in the context of credit-based buying and selling (Nurhayati, 2021).

3. Results and Discussion

3.1 The Application of the Murabahah Contract in Credit-based Buying and Selling According to Islamic Law

The murabahah contract is one of the sales and purchase contracts that is often used in credit-based financing practices in Islamic financial institutions that act as sellers who first buy goods from third parties at the customer's request, then sell them to customers at the cost price plus the agreed profit margin. This contract has fulfilled the pillars and conditions of buying and selling in Islam, such as the existence of sellers, buyers, goods being traded, clear prices, as well as ijab and qabul. The principle of transparency in this contract ensures that the transaction is free from elements of fraud and riba (Antonio, 2001).

The implementation of murabahah contracts has been designed to be in accordance with sharia principles. One of the characteristics of this contract is the openness regarding the cost of goods and profit margins, which is the main indicator of fairness in the transaction. In addition, goods or objects of sale must be halal and belong to financial institutions before being sold to customers. This process ensures that the transaction has a legal basis of ownership, in accordance with the provisions of Islamic law (Mardani, 2014).

The implementation of murabahah contracts also faces challenges in practice, especially in ensuring that financial institutions carry out contracts in accordance with sharia principles. For example, in some cases, there was a discrepancy between the contract used and its implementation, such as the imposition of late fines that resembled interest. Therefore, strict supervision from Islamic financial authorities is urgently needed to maintain the integrity of murabahah contracts and protect consumer rights (Rivai & Buchari, 2013).

The murabahah contract is an effective solution in providing credit-based financing without violating sharia principles. With consistent implementation and adequate supervision, this contract not only supports the economic needs of the community, but also contributes to the development of a fair Islamic financial system (Muhammad, 2018).

3.2 The Application of the Murabah Contract in Providing Assurance of Compliance with Sharia Principles

The application of murabahah contracts in sharia credit transactions is one way to ensure compliance with sharia principles. The murabahah contract involves a purchase and sale transaction between a financial institution and a customer, where the financial institution first buys the goods desired by the customer, then sells them back to the customer with an agreed profit margin. In this process, the aspect of transparency is very important, especially in explaining the cost of goods and profit margins, to avoid the element of riba which is prohibited in Islam (Syukri, 2022).

Islamic financial institutions that implement murabahah contracts are obliged to ensure that transactions carried out comply with sharia principles. This includes compliance with the prohibition of usury, fairness in pricing, and transparency in the disclosure of additional costs. One of the efforts carried out is through the establishment of the Sharia Supervisory Board (DPS) which is tasked with ensuring that all contracts and transactions are in accordance with sharia (Ascarya, 2007).

In practice, murabahah contracts are applied with a mechanism for purchasing goods by financial institutions based on consumer demand. After the goods are acquired, the financial institution sells them back to consumers with an agreed profit margin. This process is carried out through several stages, ranging from offers, agreements, to payments by consumers in cash or installments (Karim, 2004).

The murabahah contract not only ensures the halalness of the transaction but also provides protection to the customer. One of the main principles in this contract is that the goods traded must be halal and legally owned by financial institutions before being sold to customers. This is in accordance with the provisions of Islamic law which requires the existence of legal ownership before the transaction occurs, to avoid fictitious or unclear transactions that can contain elements of gharar or uncertainty (Fauzi, 2021).

The murabahah contract provides a guarantee of compliance with sharia principles by ensuring that every transaction is carried out fairly and transparently. In addition, this contract provides an alternative financing that is free from the element of riba, thus supporting the development of the sharia economy. With compliance with sharia principles, public trust in Islamic financial institutions can continue to increase (Ismail, 2011).

In addition, the implementation of murabahah contracts is supported by strict regulations and supervision from sharia authorities. This includes monitoring contract documents, ownership of goods, and the payment settlement process. Thus, the implementation of this contract not only provides a guarantee of compliance with sharia, but also increases public trust in the Islamic financial system. The murabahah contract is a clear example of how sharia principles can be integrated in modern economic practices without sacrificing the basic values of sharia (Hidayah, 2020).

The use of murabahah contracts that are consistent with sharia principles also contributes to the development of the Islamic economy more broadly. With the guarantee of compliance with sharia, customers not only get economic benefits, but also feel calm that the transactions carried out are in line with Islamic teachings. This shows that murabahah contracts can be an effective instrument to encourage fair and sustainable finance (Arifin, 2019).

3.3 Legal Implications of the Murabahah Contract on Consumer Protection

Murabahah contracts have significant legal implications for consumer protection, especially in terms of transparency and fairness. One of the basic principles in the murabahah contract is openness regarding the cost of goods and the agreed profit margin. This transparency provides legal certainty to consumers, so that they know the details of transactions and avoid the practice of riba which is prohibited in Islamic law (Antonio, 2001).

In the context of Islamic financial institutions, murabahah contracts are often used in financing to provide consumers with access to certain goods or services. Transparency in the disclosure of cost of goods and profit margins is an important element that ensures consumers obtain sufficient information before the contract takes place (Ali, 2021).

Transparency in murabahah contracts has implications for the formation of mutually beneficial legal relations between the two parties. Non-transparency, such as the concealment of additional costs, can be categorized as a form of gharar (uncertainty) that is prohibited in Islam. Therefore, Islamic financial institutions must ensure that every cost incurred has been agreed upon by consumers through a clear contract and free from fraudulent elements (Fauzan, 2019).

In addition to transparency, justice is also an important aspect of the murabahah contract. In Islamic law, justice is realized through an agreement made voluntarily between the two parties, without any element of coercion or manipulation. Islamic financial institutions are required to explain all the terms and conditions in the contract in detail to consumers. This not only protects consumers from potential losses, but also strengthens the integrity of the contract as a legal form of transaction according to Islamic law (Rivai & Buchari, 2013).

Justice is the main pillar in the murabahah contract. This includes fairness in pricing, granting information rights, and risk sharing. Islamic financial institutions must avoid exploitative practices against consumers, such as setting unreasonable profit margins. In addition, consumers also have the right to get complete information related to the goods that are the object of the contract (Hasan, 2020).

The principles of fairness and transparency in murabahah contracts aim to protect consumers from harmful practices, such as concealment of information or the application of burdensome conditions. In this contract, Islamic financial institutions have an obligation to explain all provisions related to goods, such as quality, price, and financing tenor. Information imbalances between banks and consumers can cause legal losses for consumers, which is contrary to the principle of justice in Islam (Rahmat, 2020).

In terms of consumer protection, the murabahah contract also includes arrangements that ensure that the goods traded are of the same quality as the description provided by the financial institution. This provision aims to avoid gharar (uncertainty) that can harm consumers. With a mechanism like this, consumers have legal guarantees that protect their rights in murabahah-based transactions (Mardani, 2014).

Furthermore, the implementation of murabahah contracts in the modern Islamic banking system is often complemented by supervision from the sharia supervisory board. The role of DPS is very important in ensuring that all transaction procedures are carried out in accordance with sharia principles. This adds a layer of protection for consumers, while maintaining trust in the Islamic financial system (Ascarya, 2011).

Transparency is the main element in ensuring consumer protection in murabahah contracts. Islamic financial institutions must provide clear information about the cost of goods, profit margins, and other additional costs to consumers. This can reduce the potential for misunderstandings and disputes between the two parties (Antonio, 2001).

To support transparency, financial institutions can provide contract documents that are easy for consumers to understand. In addition, there needs to be an effort to educate consumers about their rights and obligations in the murabahah contract (Ascarya, 2007). The role of the Sharia Supervisory Board is very important in ensuring that the implementation of the murabahah contract is in accordance with sharia principles. DPS must supervise every stage of the transaction, starting from the purchase of goods by financial institutions to sales to consumers. This supervision includes verification of the validity of goods and the determination of reasonable profit margins (Karim, 2004).

The application of digital technology can increase the effectiveness of the implementation of murabahah contracts. Digital systems allow for greater transparency and accountability in the transaction process. For example, the use of technology-based applications to record all transaction details and provide access to consumers to monitor their payment status (Ismail, 2011).

In addition to supervision and technology, education to consumers is an important strategy to ensure their protection. This education includes an understanding of the concept of murabahah contracts, consumer rights, and dispute resolution mechanisms. With adequate knowledge, consumers can be more active in ensuring that their rights are fulfilled (Rahmat, 2019).

4. Conclusion

The murabahah contract in credit-based buying and selling is a legal sharia financial instrument and can be applied if it meets the requirements and is in harmony with buying and selling in Islam. Its application must pay attention to the principles of justice, transparency, and do not contain elements that are prohibited in sharia

Transparency and fairness in murabahah contracts are not only legal obligations but also moral responsibilities for Islamic financial institutions. The implementation of these two principles can improve consumer protection, reduce potential disputes, and strengthen trust in the Islamic financial system.

Strategies to increase the effectiveness of the implementation of murabahah contracts include transparency, supervision, adoption of digital technology, and consumer education. With optimal implementation, consumer protection can be more guaranteed, thereby increasing public trust in Islamic financial institutions.

Author Contributions

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