

# FINANCIAL INCLUSION AND MUQASAH AR-RIBHI IN REPAYMENT BEFORE THE DUE DATE OF MURABAHAH FINANCING IN BMT

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## **Abstract**

*Baitul Maal wat Tamwil (BMT), as a representation of an inclusive financial institution, must have a special strategy to attract and expand access to people who need financing. The portion of Murabaha financing is the largest attracting customer interest from the total financing at Islamic financial institutions in Indonesia, including BMT, compared to other contracts. Therefore, implementing a policy on Murabaha financing at BMT basically supports financial inclusion. One of the strategies implemented by BMT is to provide a Margin discount (Muqasah Ar-Ribhi) in Repayment Before due date on Murabaha financing at one of the BMTs in South Sumatra, namely BMT Assyafi'iyah Berkah Nasional, Tugumulyo Ogan Komering Ilir Branch, South Sumatra. The research data was obtained through a qualitative study process sourced from BMT. Primary data related to the application of the Muqasah Ar-Ribhi Application in Repayment Before due date in Murabaha Financing at BMT As-Syafi'iyah, was obtained through interviews with both management and customers, and supported by several archives and documents from BMT. Secondary data is sourced from books, journals, and records related to Margin deductions (Muqasah Ar-Ribhi) or inclusion of financial institutions. This research begins with a desk review of secondary data and materials from previous studies, then continues with observations, interviews, and case studies. Research data were analyzed following three stages of Huberman's analysis: data reduction, data display, and data verification. The results of the study indicate that BMT As-Syafi'iyah applies a policy of giving margin discounts, whose accounting application is in accordance with PSAK 102, where the profit of Murabaha is recognized proportionally. Regarding the amount of the margin discount given to the buyer, it is left to BMT's policies and considerations. The research findings also show that the existence of this policy has accelerated the expansion of access for other customers who need financing, so that it can be said to support the inclusion of financial institutions.*

*Keywords: BMT, Financial Inclusion, Muqasah Ar-Ribhi, Murabahah*

## INTRODUCTION

In the conditions of the COVID-19 pandemic, the government is currently trying to encourage the increase in Islamic financial inclusion as part of the financial inclusion program for all Indonesians, as well as to assist the national economic recovery. One of the efforts to encourage increased economic growth is through the implementation of the National Strategy for Financial Inclusion (SNKI) in accordance with Presidential Regulation (PERPRES) No. 82 of 2016 and amended by Presidential Decree No. 114 Year 2020 (Econ, 2021).

The financial inclusion index in Indonesia continues to increase, both in terms of account ownership and in terms of account use. The account ownership index increased from 31.3% in 2014 to 61.7% in 2020. Meanwhile, the account usage index increased from 59.74% in 2013 to 81.4% in 2020. In line with the development of financial inclusion growth, Indonesia has a population of 273.5 million people and 87.17% are Muslims. This is illustrated that Indonesia is ranked 4th out of 73 countries in the development of the global sharia economy. This achievement has increased significantly compared to 2018 which was ranked 10th. Indonesia's Islamic financial assets are US\$99.2 billion or 3.44% of the total global Islamic financial assets (Global Islamic Economy Indicator 2020/2021).

One of the indicators in Islamic finance is Baitul Maal wat Tamwil (BMT). BMT is an Islamic Microfinance Institution that can support increasing financial inclusion, and is very strategic and feasible to facilitate changes in the people's household economy, especially for Muslims, so that they become more prosperous than before. Since the establishment of the Inkopsyah BMT 1998 as the parent association, the BMT industry has also improved. This is shown by the strong and serious commitment of the management and members involved in raising the Inkopsyah BMT. Currently, there are 4,500 BMTs throughout Indonesia (KNEKS, 2018).

Baitul Maal wa Tamwil (BMT) as a representation of an inclusive financial institution must have a special strategy to attract and expand access to people who need financing. One strategy that can be an attraction for BMT is to provide a discount margin or *muqasah ar-ribhi*. *muqasah ar ribhi* motivates customers to take financing and complete it on time. This paper aims to analyze the BMT strategy in the application of *muqasah ar ribhi* which is associated with financial inclusion.

## **LITERATURE REVIEWS**

### **A. Financial Inclusion**

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Financial inclusion is a key enabler to reducing poverty and boosting prosperity (world bank, 2021).

The financial industry that is growing very rapidly is not necessarily accompanied by access to adequate finance. In fact, access to financial services is an important requirement for the involvement of the wider community in the economic system. In this context, this low access is due to low income levels, complicated bank operational procedures, lack of financial and banking education, high bank administration costs and the distance of the bank from their place of residence. For this reason, the idea emerged to implement an inclusive financial strategy in order to encourage economic activities for groups of people who have not yet enjoyed financial services, thereby promoting income distribution and poverty alleviation. (Bank Indonesia, 2021).

The World Bank (2010) revealed that there are at least four types of financial services that are considered vital for people's lives, namely fund storage services, credit services, payment system services and insurance, including pension funds. These four aspects are the basic requirements that every society must have to get a better life. Increasing public access to financial institutions is certainly a problem of complexity that requires cross-sectoral coordination involving banking authorities, non-bank financial services and other ministries or institutions that pay attention to poverty alleviation efforts, so a comprehensive and comprehensive policy is needed in a National Strategy for Financial Inclusion.

Inclusive finance is a strategy to achieve broader economic development goals, namely poverty reduction and improvement of community welfare, as well as part of a strategy to achieve financial system stability, with the objectives (Bank Indonesia, 2014):

- 1) Making financial inclusion strategy part of the grand strategy of economic development, poverty alleviation, income distribution and financial system stability. The poor and marginalized are groups that have limited access to financial services. The objective of financial inclusion is to provide access to a wider range of financial services for every citizen, but there is a need to give greater focus to the poor.

- 2) Providing financial services and products that meet the needs of society. The concept of financial inclusion must be able to meet all the different needs of different segments of the population through a comprehensive set of holistic services.
- 3) Increase public knowledge about financial services. The main obstacle to financial inclusion is the low level of financial knowledge. This knowledge is important so that people feel safer interacting with financial institutions.
- 4) Increase public access to financial services. Barriers for the poor to access financial services are generally in the form of geographical problems and administrative constraints. Resolving these problems will be a fundamental breakthrough in simplifying access to financial services.
- 5) Strengthening the synergy between banks, microfinance institutions, and non-bank financial institutions. The government must ensure not only the empowerment of branch offices, but also regulations that allow for the expansion of formal financial services. Therefore, the synergy between Banks, Micro Financial Institutions (MFIs), and Non-Bank Financial Institutions is especially important in supporting the achievement of financial system stability.
- 6) Optimizing the role of information and communication technology (ICT) to expand the scope of financial services. Technology can reduce transaction costs and expand the formal financial system beyond just savings and credit services.

## **B. Baitul Maal wa Tamwil**

The word Baitul maal comes from Arabic which means treasure house or state treasury, which is an institution held within the Islamic government to take care of state financial matters or who are tasked with receiving, save, and distribute state money in accordance with Islamic law (Mardani, 2017). Baitul Maal Wat Tamwil (BMT) is an institution consisting of two terms, namely baitul maal and baitul tamwil. Baitulmaal is more directed on non-profit fundraising and disbursement efforts, such as zakat, infaq and alms. Meanwhile, Baitul Tamwil leads to business collection and distribution of commercial funds. These efforts become an integral part of BMT, because the institution as asupporting the economic activities of small communities based on the Islamic law. This institution was established with the intention of facilitating the community which are not covered by the services of Islamic banks or BPRS. The operational principle is based on the principle of profit sharing, buying and selling, ijarah, and deposit

(wadi'ah). Therefore, although similar to Islamic banks, BMT has its own market share, namely the unreachable small community who are not bankable (Huda & Heykal, 2013). BMT's core business is Micro, Small and Medium Enterprises (MSMEs). MSMEs are the largest economic sector in Indonesia, although individually the economies of MSMEs are small. In addition, MSMEs also absorbs more than 80% of the national workforce, thus this sector has an impactful leverage in strengthening the halal value chain. In addition, MSMEs also have a role in achieving key indicators or achievements in equity, welfare effects, and the nation's economic independence (KNEKS, 2018).

### **C. Murabaha**

Murabaha as the most popular mode of Islamic financing with more than 75% in total transactions (Tlemsani, 2020). Murabaha is a sale and purchase contract for an item at a price agreed upon between the seller and the buyer, previously the seller stated the acquisition price of the item and the amount of margin earned (Rivai, 2008). The amount of profit obtained from murabaha financing is expressed in the form of a certain percentage of the purchase price, for example 5% or 15%. This contract is a form of natural certainty contract because in murabahah it is determined what the required rate of profit is. The portion of murabahah financing is currently the largest of the total financing in Islamic financial institutions in Indonesia, which contributes around 60%. This description gives an indication that murabahah contracts are more dominant in Islamic financial institutions compared to other contracts. This is partly due to the transparent margin determination system because in murabahah the cost of goods and profits are agreed upon between the two parties (OJK, 2021).

### **D. Muqasah Ar-ribhi**

One of the benefits obtained by customers in murabahah financing include a reduction in profit / margin when paying off before maturity or early repayment, this reduction in margin is called muqasah ar-ribhi. Muqasah ar-ribhi is a reduction in margin discount provided by Islamic financial institutions to customers when customers make repayments before maturity or early repayments. This murabahah financing period can be provided in short, medium and long terms according to the customer's ability and the amount of financing provided by the Islamic financial institution. This murabaha payment discount is a reduction in the obligations of the final buyer given by the Islamic financial institution as the seller. BMT provides a discount or muqasah from the remaining customer debt which is financed in installments/credit.

Repayment discounts are given to customers who pay off part or all of the murabahah financing funds carried out before maturity during the payment period with applicable terms and agreed by both parties.

Based on the Fatwa of DSN MUI Number: 23/DSN-MUI/III/2002 concerning Repayment Discounts in Murabahah, it stipulates that if a customer in a murabahah transaction makes payment on time or earlier than the agreed time, Islamic financial institutions may give a deduction from the payment obligation. Provided that it is not agreed upon in the contract. The amount of the discount as referred to above is left to the Islamic Financial Institution policy and consideration (DSN-MUI, 2002).

The margin discount (*muqasah ar-ribhi*) in the payment of murabahah has been stated in PSAK Syariah 102 concerning murabahah. Paragraph 16 states that the seller may give a discount at the time of settlement of the murabahah receivable if the buyer (a) makes the payment on time; or (b) make repayment of payments earlier than the agreed time. Then paragraph 26 which states that the discount on repayment of murabahah receivables given to buyers who pay them off on time or earlier than the agreed time is recognized as a deduction from murabahah profits. Paragraph 27 states that the granting of a discount on the repayment of murabahah receivables can be made using one of the following methods: (a) given at the time of settlement, namely the seller reduces the murabahah receivable and murabahah profit; or (b) given after settlement, i.e. the seller receives payment of the receivables from the buyer and then pays a discount on the settlement to the buyer. Then paragraph 28 states that the discount on murabahah installments is recognized as follows, if it is caused by the buyer paying on time, it is recognized as a deduction from the murabahah profit, and if it is caused by a decrease in the buyer's ability to pay, it is recognized as an expense (IAI, 2019).

## **RESEARCH METHODS**

The research data was obtained through a qualitative study process sourced from BMT. Primary data related to the application of the *Muqasah Ar-Ribhi* Application in Repayment Before due date in Murabaha Financing at BMT As-Syafi'iyah, was obtained through interviews with both management and customers, and supported by several archives and documents from BMT. Secondary data is sourced from books, journals, and records related to Margin deductions (*Muqasah Ar-Ribhi*) or inclusion of financial institutions. This research begins with a desk review of secondary data and materials from previous studies, then continues with

observations, interviews, and case studies. Research data were analyzed following three stages of Huberman's analysis:

1. **Data reduction:** The data obtained from the interviews are recorded in the notes field. Interviews were conducted with the head of BMT. Data reduction is a process of selection, simplification, and abstraction. The way to reduce data is to do selection, make a summary or brief description, classify to patterns by transcribing interviews.
2. **Data display:** is a collection of information arranged so that provides the possibility of drawing conclusions and taking action. So that the data presentation does not deviate from the the main problem, then the data presentation in matrix form.
3. **Data Verification:** The next step is the stage of drawing conclusions based on the findings and verifying the data.

## **RESULT AND DISCUSSION**

Based on the results of interviews with respondents, BMT Assyafi'iyah Tugumulyo Branch is more ominantly using a murabahah bil wakalah contract, namely the seller represent the purchase to the customer. BMT Assyafi'iyah Tugumulyo apply that the customer signs the wakalah contract first, this is because BMT represents for customers to buy their own goods. After it finishes the wakalah contract, then the murabahah contract can be carried out and then Payment for the goods can be paid in installments.

At the beginning of the contract, the BMT provides information about a margin reduction when paying off before maturity and if the customer fails to pay at maturity, the BMT will take 2 (two) times the margin (additional payment) and the customer must pay it off within 1 year. (one) month from the maturity date. If the customer pays off half of the total installment, then BMT asks for 1 (one) time margin. Then if the customer pays off before half of the total installment, then BMT Assafi'iyah asks for 2 (two) times the margin. However, there are other provisions from the BMT for customers who get a disaster and cannot pay their installments to get a facility to get a reduced margin on their financing. In this case, the statement is in accordance with PSAK 102 as stated in paragraph 17, namely experiencing a decrease in the ability to pay and asking for discounts with reasons that are acceptable to the seller. Then, in determining how much margin is required by BMT when customers make payments before maturity, it is the policy of BMT Assyafi'iyah itself.

Criteria for customers who are muqasah ar ribhi in murabahah financing, including:

1. Repayment before maturity, this discount is given to customers who make repayments earlier than the agreed time. Then this customer has a good record of installment payments before applying for repayment before maturity.
2. Decreased ability to pay, this discount is given to customers who are included in the criteria for problems, decreased business turnover, and customers who are no longer able to pay installments.
3. Easing the installment period, this relief can be provided by BMT Assyafi'iyah Tugumulyo in accordance with the policies of each BMT.

The provision of *muqasah ar ribhi* provides motivation for customers to work well and pay off installments. This strategy is success to attract and expand access to people who need financing. *Muqasah ar ribhi* motivates customers to take financing and complete it on time. Strategies to attract customers will help government programs in terms of financial inclusion which is poverty reduction and improvement of community welfare, as well as part of a strategy to achieve financial system stability.

BMT is also able to become a community empowerment program and facilitate people who are not bankable to be empowered in terms of the economy (Maftukhatusolikhah and Dwi, 2019). This can be explained, among others, in the following ways:

- 1) BMT because it is a cooperative legal entity can create an atmosphere or climate that allows for the development of community potential with efforts to encourage, motivate, and raise awareness of its potential and strive to develop it.
- 2) BMT strengthens the potential or power possessed by the community (empowering), seen from more positive steps including concrete steps and involves providing various inputs (inputs) and opening access to various opportunities (opportunities) that will make the community become more empowered, with the existence of special programs for underprivileged community groups such as the BMT Joint Responsibility Financing Product, because general programs that apply to all, do not always reach the marginalized or lowest strata of society.
- 3) BMT prevents the weak from becoming weaker due to lack of power in the face of the strong. Because it can prevent the occurrence of unequal competition, as well as exploitation of the strong against the weak. Increased income made by the poor by utilizing available resources, increasing public awareness of efforts to improve the



welfare of poor families in their environment, increasing group independence (marked by stronger group capital, neater group administration system and wider group interaction with other groups). in the community), as well as increasing community capacity and income distribution, marked by an increase in the income of poor families who are able to meet their basic needs and basic social needs.

BMT can also be said to be a representation of the Financial Inclusion program which is defined as the right of everyone to have full access and services from financial institutions in a timely, convenient, informative, and affordable manner, with full respect for their dignity and worth. BMT basically assists the government in achieving broader economic development goals, namely poverty reduction and improving community welfare, as well as part of a strategy to achieve financial system stability.

## **CONCLUSION**

The results of the study indicate that BMT As-Syafi'iyah applies a policy of giving margin discounts, whose accounting application is in accordance with PSAK 102, where the profit of Murabaha is recognized proportionally. Regarding the amount of the margin discount given to the buyer, it is left to BMT's policies and considerations. The research findings also show that the existence of this policy has accelerated the expansion of access for other customers who need financing, so that it can be said to support the inclusion of financial institutions.

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