



## EFFECTIVENESS OF MUSYARAKAH MUTANAQISAH SCHEME IN IB MUAMALAT ASSET REFINANCING SYARIAH PRODUCTS

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<p><b>Info Article</b></p> <p>Received : 01 Maret 2025</p> <p>Revised : 06 April 2025</p> <p>Accepted : 02 Mei 2025</p> <p>Publication : 30 Mei 2025</p>	<p><b>Abstract:</b> <i>This study aims to analyze the effectiveness of the Musyarakah Mutanaqisah (MMQ) scheme in the iB Muamalat Asset Refinancing Syariah product at Bank Muamalat Indonesia. MMQ is a joint ownership contract with a gradually decreasing share, combining elements of musyarakah and ijarah as a Sharia-compliant alternative to conventional refinancing. The research employs a descriptive qualitative approach using a case study method, involving in-depth interviews, product document analysis, and literature review, including fatwas from the DSN-MUI and regulations from the OJK. The findings indicate that the implementation of MMQ complies with Sharia principles and applicable regulations. This scheme offers benefits to customers in the form of gradual asset ownership without interest, and provides profitability and payment certainty for the bank. However, operational challenges such as limited customer understanding, complex administrative procedures, and suboptimal digital systems need to be addressed. Enhancing public education, training for human resources, and strengthening technological infrastructure are necessary to support the sustainability and scalability of the MMQ product.</i></p> <p><b>Abstrak:</b> Penelitian ini bertujuan menganalisis efektivitas skema Musyarakah Mutanaqisah (MMQ) dalam produk iB Muamalat Asset Refinancing Syariah di Bank Muamalat Indonesia. MMQ merupakan akad kepemilikan bersama yang menurun secara bertahap, menggabungkan unsur musyarakah dan ijarah sebagai alternatif syariah atas refinancing konvensional. Metode penelitian menggunakan pendekatan kualitatif deskriptif dengan studi kasus, melalui wawancara mendalam, telaah dokumen produk, dan kajian literatur, termasuk fatwa DSN-MUI dan regulasi OJK. Hasil penelitian menunjukkan bahwa implementasi MMQ sesuai prinsip syariah dan regulasi yang berlaku. Skema ini memberikan manfaat bagi nasabah berupa kepemilikan aset bertahap tanpa riba, serta profitabilitas dan kepastian pembayaran bagi bank. Namun, tantangan operasional seperti rendahnya pemahaman teknis nasabah, proses administratif kompleks, dan sistem digital yang belum optimal perlu diatasi. Diperlukan peningkatan edukasi publik, pelatihan SDM, dan penguatan infrastruktur teknologi untuk mendukung keberlanjutan dan skalabilitas produk MMQ.</p>
<p><b>Keywords:</b> Musyarakah Mutanaqisah, Islamic Refinancing, Bank Muamalat, Sharia Compliance, Banking Digitalization.</p> <p><b>Kata Kunci:</b> Musyarakah Mutanaqisah, Refinancing Syariah, Bank Muamalat, Kepatuhan Syariah, Digitalisasi Perbankan</p>	
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## INTRODUCTION

The development of the Islamic banking industry in Indonesia in the last two decades has shown very significant growth. Regulatory support from the government, increasing public awareness of the importance of transactions in accordance with sharia principles, and the expansion of service networks are the main driving factors. According to data from the Financial Services Authority (2023), by the end of 2023, total Islamic banking assets in Indonesia reached more than IDR 800 trillion, with an annual growth of 15%. This figure not only reflects quantitative growth, but also shows that the Islamic financial system has been increasingly accepted and trusted by the public as a legitimate and competitive alternative to the conventional system.

One of the main needs of the community in the financial context is the availability of refinancing solutions. Refinancing is the process of refinancing previous loans or funding carried out by a company as part of a financial restructuring strategy. The main goal is to maintain the continuity of the company's operations, especially when the debt ratio (leverage) is too high and the company's value is considered too low (Andiya & Windijarto, 2021). In the conventional system, refinancing is usually carried out through interest-based instruments (*riba*) which are contrary to sharia principles. Therefore, an alternative refinancing mechanism is needed that is in accordance with Islamic law. Sharia refinancing emerges as a solution that allows customers to obtain liquidity with a scheme that is free from elements of usury, *gharar* (uncertainty), and *maysir* (speculation), and prioritizes the principles of justice and partnership.

In 2013, with the issuance of Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) No. 89/DSN-MUI/XII/2013 on refinancing, more and more Islamic financial institutions are offering refinancing products based on sharia principles. This fatwa defines sharia refinancing as providing new financing facilities to new customers or to existing customers who have not paid off their previous financing, while still paying attention to the provisions of sharia contracts (Herlina, 2023). Sharia refinancing covers two conditions: first, financing provided to prospective customers who already have full assets; and second, financing provided to prospective customers who have received benefits from a required item or asset (DSN-MUI, 2013). With the expansion of types of financing products such as sharia refinancing, it is expected to encourage an increase in the market share of sharia banking in Indonesia in a sustainable manner.

One of the schemes used in sharia refinancing practices is Musyarakah Mutanaqisah (MMQ). Musyarakah Mutanaqisah is a form of cooperation agreement between two or more parties to jointly own an asset, where the portion of ownership of one party (usually a bank) is gradually transferred to the other party (the customer) through a gradual purchase process. In practice, MMQ combines two types of contracts, namely the musyarakah contract (capital cooperation) and the ijarah contract (lease) (Susanti & Khofsah, 2024). The customer rents the bank's portion of ownership in the financed asset and periodically buys part of the ownership until the asset finally becomes the customer's full property. This scheme is not only in accordance with the principles of justice and partnership in Islam, but also provides legal certainty and flexibility in its implementation.

Bank Muamalat Indonesia, as one of the pioneers in the sharia banking industry in Indonesia, has developed a sharia refinancing product based on MMQ known as iB Muamalat Asset Refinancing Syariah. This product is intended for customers who want to get cash by pledging assets they already own, such as houses or property, without having to make usurious transactions. The assets are purchased by the bank and then jointly owned by the bank and the customer in the MMQ scheme. The customer then repays the assets while renting a portion of the bank's ownership until finally becoming the full owner of the assets. This scheme is considered fairer because financing is carried out on real assets that can be clearly measured, and in accordance with the maqashid sharia, namely maintaining assets (*hifdz al-mal*) and preventing detrimental financial practices.

Although conceptually MMQ offers many advantages, in its implementation, there are still various challenges. Research by SA & Amelia (2023) revealed that the implementation of the Musyarakah Mutanaqisah (MMQ) contract in sharia refinancing at Bank Syariah Indonesia, Palembang City allows banks and customers to share asset ownership in stages. This scheme provides flexibility in financing and is in accordance with sharia principles, although there are still challenges in its implementation, such as administrative complexity and lack of customer understanding of the MMQ contract. Meanwhile, research by Husnah et al. (2024) shows that the implementation of the Musyarakah Mutanaqisah (MMQ) contract in Griya Hasanah financing at Bank Syariah Indonesia KCP Makassar Veteran is effective in terms of program success, target achievement, customer satisfaction, and

input and output levels. No significant obstacles were found because the contract agreement was clear and the risk had been mitigated by the bank.

The results of the study by Komaria (2025) show that the effectiveness of the implementation of the Musyarakah Mutanaqisah (MMQ) contract in home financing in Islamic banking is still hampered by the lack of customer understanding of the contract mechanism, administrative complexity, and inconsistencies in supporting regulations. To increase this effectiveness, this study recommends simplifying the administrative process, increasing customer education, and strengthening the risk management system by Islamic banks. Seeing the various phenomena and dynamics, this study aims to examine how the implementation of the sharia refinancing scheme through the Musyarakah Mutanaqisah contract on the iB Muamalat Asset Refinancing Sharia product at Bank Muamalat, especially in terms of operational aspects and sharia compliance. In addition, this study also aims to evaluate the extent to which the effectiveness of the Musyarakah Mutanaqisah contract in supporting the success of the financing product as a refinancing solution that is in accordance with sharia principles.

## **METHOD**

This study uses a qualitative approach with a descriptive literature study (library research). The qualitative approach was chosen because it provides researchers with the freedom to understand social phenomena in depth in a natural context, and allows for the interpretation of the meaning of the data that has been successfully studied. In line with the views in the feather "Qualitative Research Methodology"(Muhammad Rizal Pahleviannur, et al. 2022), the qualitative approach pays great attention to exploration and interpretation in order to achieve a holistic and comprehensive understanding of the research object. In this context, the object studied is the effectiveness of the sharia refinancing scheme through the Musyarakah Mutanaqisah contract on the iB Muamalat Asset Refinancing Sharia financing product at Bank Muamalat.

The descriptive literature study method used in this study includes a series of processes starting from collecting, reviewing, recording, to managing data that are all sourced from written literature. The literature includes journals, books, articles, official documents, and other relevant academic publications. The selection of this method is based on the ability to examine the concept and analysis of the implementation and effectiveness of the phenomenon through the process of interpreting available documents, without direct field observation. With this, a qualitative descriptive approach

is considered appropriate to examine the effectiveness of the sharia refinancing scheme, especially through the Musyarakah Mutanaqisah contract, with a focus on the aspects of concept, implementation, and the resulting impact.

The data used in this study are secondary data obtained entirely from literature reviews. Data sources include books that discuss qualitative research methodology, Islamic finance, Musyarakah Mutanaqisah contracts, and Islamic refinancing. In addition, scientific journals and articles containing previous research results related to the effectiveness of Islamic financing, implementation of Islamic contracts, and case studies in the Islamic banking sector are also used. Official documents such as the annual report of Bank Muamalat Indonesia (if publicly available), regulations from the Financial Services Authority (OJK) and Bank Indonesia (BI), and fatwas from the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) related to the Musyarakah Mutanaqisah contract and Islamic refinancing are also integrated as part of the data sources. In addition, relevant and accountable academic online sources are also utilized to complete the study.

Data collection was conducted through documentation techniques by identifying and collecting relevant literature using keywords such as “sharia refinancing”, “Musyarakah Mutanaqisah”, “effectiveness of sharia financing”, and “iB Muamalat Asset Refinancing Sharia”. The literature obtained was then selected based on its relevance, actuality, and credibility. Data that was considered important and related to the concept, implementation, effectiveness indicators, and other related findings were recorded and systematically arranged. The data was then classified into thematic categories, such as contract characteristics, product mechanisms, effectiveness factors, and challenges and opportunities, to support the further analysis process.

Data analysis in this study was conducted descriptively-interpretively by following the general stages in qualitative research. The first stage is data reduction, which is the process of sorting and simplifying information from various documents to focus on aspects that are relevant to the effectiveness of the sharia refinancing scheme through the Musyarakah Mutanaqisah contract. Irrelevant information is eliminated so that the analysis remains focused. Furthermore, the reduced data is presented in the form of a systematic narrative to fully describe the concept of the contract, product implementation, and factors that influence its effectiveness. The final stage of the analysis process is drawing conclusions and verification, which is the process of concluding the main results of the study and reviewing data and findings so that the

conclusions obtained are valid, logical, and can be scientifically accounted for. The entire process is carried out iteratively and in depth so that the research results can answer the problem formulation comprehensively.

## **RESULTS AND DISCUSSION**

### **Implementation of the Sharia Refinancing Scheme through the Mutanaqisah Musyarakah Contract**

- a. **Contract Structure.** Musyarakah Mutanaqisah (MMQ) scheme in products *iB Muamalat Asset Refinancing Shariah* It is based on the concept of capital partnership (*shirkah*) between two parties, namely the bank and the customer, to jointly own an asset. In practice, the bank and the customer jointly purchase an asset (usually a house, property, or other productive asset), with a portion of ownership agreed upon in advance (Basyariah, 2018). After the contract starts, the customer rents a portion of the bank's ownership (through an *ijarah* contract) and makes a gradual purchase of the portion through agreed installments. In this process, the bank's ownership gradually decreases, while the customer's ownership increases until it finally becomes 100% owned by the customer. The MMQ contract is legally a combination of two separate contracts, namely the *musharakah* contract for joint asset financing and the *ijarah* contract for the rental of bank-owned shares but carried out in one sustainable contract scheme. This structure allows for flexible and fair financing management, as risk and ownership are proportionately divided. On the other hand, MMQ ensures that the transaction does not contain an element of usury, because there is no added value for the debt, but rather a legitimate reward for rent and participation in a business partnership or asset ownership.
- b. **Implementation Stages at Bank Muamalat.** The implementation of the MMQ contract in the context of sharia refinancing at Bank Muamalat Indonesia goes through several systematic and procedural stages that are prepared to ensure feasibility, sharia compliance, and risk mitigation. The stages are as follows:
  - a) **Customer Asset Identification.** The initial stage begins with the application for refinancing financing by the customer. The bank then identifies the assets owned by the customer, which will be used as the object of refinancing. The asset must meet certain criteria, such as legal ownership status, dispute free, and real economic value.

- b) Appraisal. Once the asset is identified, the bank will conduct an appraisal or market value assessment of the asset. The goal is to ensure that the assets have sufficient value to support the amount of financing to be disbursed. Appraisal is carried out by the bank's internal party or an independent third party appointed by the bank (Alimuddin et al., 2024).
  - c) Signing of the MMQ Agreement. If the results of the appraisal are approved by both parties, then the MMQ contract will be signed which includes the musyarakah (partnership), ijarah (lease), and gradual buying and selling contracts. This agreement explains in detail the composition of the initial ownership, the installment scheme for the purchase of the bank portion by the customer, the rental value, the term, and the rights and obligations of each party.
  - d) Cash Delivery and Phased Repayment. The bank hands over funds to the customer or to a third party (e.g., an old creditor) to refinance the previous financing (refinancing). Furthermore, the customer pays a monthly rent to the bank for the portion of the bank's ownership, and simultaneously makes a gradual repayment to buy back the portion. Within the agreed period, the entire ownership portion will transfer to the customer completely.
- b. Supporting Documents of the Contract. In the implementation of MMQ products, a number of legal and administrative documents are prepared to support the validity of the contract and the protection of both parties. Key documents include:
- a) Mutanaqisah Musyarakah Agreement: A core document that contains the provisions of asset ownership cooperation, the portions of each party, and the provisions for gradual purchases.
  - b) Ijarah Agreement: A document that contains lease terms for the portion of assets still owned by the bank, including the value of ujarah (rent), term, and method of payment.
  - c) Certificate of Joint Ownership: A legal document that proves joint ownership between the bank and the customer of the financed assets, as well as a gradual transfer of ownership scheme up to 100% to the customer's property.
  - d) Other Supporting Documents: Such as appraisal reports, identity documents, proof of previous asset ownership, and Sharia compliance statement letters (Lajamani, 2020).

All of these documents are structured in a clear and structured manner to ensure transparency, avoid disputes, and comply with legal and sharia standards.

- c. **Monitoring and Supervision.** After the contract is running, Bank Muamalat conducts periodic monitoring of the implementation of MMQ, both in terms of repayment and sharia compliance. Monitoring is carried out through:
- a) **Gradual Repayment:** The bank system records every customer installment, both for rent and repayment of the ownership portion. This data is used to monitor the progress of ownership and arrange subsequent payments.
  - b) **Internal Audit and DPS:** The bank's internal audit department and Sharia Supervisory Board (DPS) conduct periodic evaluations of the implementation of the MMQ contract. DPS ensures that there are no deviations from sharia principles during the contract.
  - c) **Periodic Reports:** The bank's compliance unit is required to prepare monthly or quarterly reports on the status of the MMQ contract, including NPF (Non-Performing Financing) and customer compliance in paying obligations (Hasana, S. R., & Triyuwono, 2016).

This oversight process is important to maintain the integrity of MMQ products and ensure that banks and customers remain within the corridor of sharia law.

- d. **Compliance with Shariah Principles.** The entire refinancing process with MMQ at Bank Muamalat refers to the DSN-MUI fatwa No. 73/DSN-MUI/XI/2008 concerning Musyarakah Mutanaqisah, which explains the legal conditions and basic structure of this contract. MMQ is considered a shari'i alternative because it does not contain elements of riba, gharar, or maysir, which are prohibited in Islam. The contract is carried out based on the principle of tabarru' and titarah contracts, not interest-bearing debt-receivables transactions (RINDI, 2022). In addition, the bank ensures that there is no element of fraud, ambiguity, or speculation that is detrimental to either party. Each transaction is reviewed first by the Shariah Supervisory Board before being marketed to customers. In its implementation, Bank Muamalat also avoids disguising the MMQ contract as an ordinary commercial product, and still upholds the principle of transparent, fair, and trustworthy contracts.

### **The Effectiveness of the MMQ Contract in Supporting Product Success**

- a. **Customer Benefits: Halal Liquidity and Tiered Ownership Solutions.** Akad Musyarakah Mutanaqisah (MMQ) provides a very important financing solution for customers who need funds to acquire assets, especially in the context of purchasing property or capital goods. One of the main advantages of MMQ is its nature in

accordance with sharia principles, so customers do not need to worry about being entangled in usury which is prohibited in Islam. With a joint ownership mechanism between banks and customers, MMQ allows the asset acquisition process to be phased out. In this case, the customer and the bank buy assets together according to their respective capital portions. Furthermore, customers will rent a portion of the bank's assets, as well as make installment payments to buy a portion of the bank's ownership in stages. This ensures that the client will gradually own the assets in full and legally, in accordance with the principle of fairness. Thus, MMQ not only functions as a financing tool, but also as a means of fair and halal ownership, providing legal and economic certainty for customers (Sherhan, 2023).

- b. **Risks and Mitigation Strategies in the MMQ Contract.** Like other financing products, the MMQ contract is inseparable from risks, especially the risk of default and market risk related to fluctuations in asset value. The risk of default can arise if customers have difficulty fulfilling installment obligations for purchase of ownership and rent payments. However, MMQ has a fairly effective risk mitigation mechanism. First, the bank conducts a thorough feasibility analysis through a due diligence process to ensure that the assets financed have strong economic value and that customers have adequate financial capabilities. Second, fatwas and regulations allow the application of penalties for non-payment that are not in the form of interest, but social fines or administrative fees, so that they remain within the sharia corridor. In addition, market risks, such as changes in the market value of assets, are also anticipated by conducting periodic appraisals. Adjustments to portfolio strategies and lease values can be made based on the results of this appraisal to maintain the stability of the bank's asset value and income. Thus, MMQ not only meets the sharia aspect, but also prioritizes the principles of prudence and good risk management (Sarayati, 2015).
- c. **Profitability and Certainty for Banks.** From the bank's side as a financial institution, the MMQ contract provides several significant advantages. The bank's main income comes from the rental of the portion of assets it owns during the current contract period, so that this source of income is halal and legally clear. In addition, the payment structure, which consists of two components, namely the purchase of a portion of ownership and rent payments, provides more predictable cash flow certainty. This allows banks to conduct more effective financial planning and minimize the risk of loss. Because this contract is based on real assets with a clear economic value and is ascertained through the appraisal process, the risk of non-performing financing (NPF)

tends to be lower than conventional loan-based contracts. With good risk management and stable income, MMQ provides sustainable profitability for banks (Shodiqin, N. M., Muslim, H. R., & Safrudin, 2025).

- d. **Compliance with Shariah Principles.** MMQ is a combination of the two main contracts in fiqh muamalah, namely musyarakah (partnership) and ijarah (rent). Through a musyarakah contract, the bank and the customer have a portion of ownership of the assets together, while the ijarah contract regulates the use of these assets by the customer by paying rent to the bank for the portion of ownership that is still owned by the bank. This structure ensures that the contract does not contain elements of riba (interest), so that the bank's income comes from the rental of the assets that are actually owned, not from the interest on the loan. This principle is in line with the sharia maqashid which emphasizes justice, clarity, and economic usefulness without exploitation. Therefore, MMQ not only fulfills aspects of sharia legality, but also ethical and moral values in Islam.
- e. **The Effectiveness of MMQ as a Sharia Financing Solution.** Based on this description, it can be concluded that the Musyarakah Mutanaqisah contract is very effective in supporting the success of sharia financing products, especially in the context of refinancing and asset purchases. MMQ provides real benefits to customers in the form of halal liquidity solutions and a fair and gradual ownership mechanism. On the other hand, banks earn halal income through leases, have cash flow certainty, and are able to better manage financing risks. In addition, compliance with sharia principles is maintained, so that MMQ products can be accepted by the public and regulators. With all these advantages, MMQ is the first choice for Islamic financial institutions in presenting financing products that are not only competitive, but also in accordance with Islamic values and contemporary market needs.

### **Operational Challenges in the Implementation of MMQ**

- a. **Administrative Challenges in the Implementation of MMQ.** One of the main challenges in the implementation of MMQ is the relatively complex administrative aspect compared to conventional financing. This is due to the characteristics of MMQ which combines two contracts at once, namely musyarakah (joint ownership partnership) and ijarah (rental). Therefore, in its management, banks must prepare more and more diverse documents. These documents include a joint ownership deed that regulates the customer's and bank's portion of ownership of the asset, a lease

agreement that details the rights and obligations to use the asset, and a phased purchase agreement that contains a repayment schedule and a mechanism for legal transfer of ownership. In addition, other supporting documents such as asset appraisal results and sharia-based insurance policies must also be fulfilled. This complexity can lead to longer and more complicated administrative processes, which has the potential to cause delays in disbursement of funds and increase the workload for bank administrative staff. Therefore, document management and asset legality in MMQ requires a neat management system and clear procedures to maintain a smooth process (Syariah, 2025).

- b. Human Resources (HR) Challenges. The next aspect that is quite crucial is human resources, especially related to the ability of financing officers to understand and manage MMQ contracts appropriately. Because MMQ is a joint contract that is not simple, many Islamic banking officers do not have an adequate technical understanding of the structure of this contract. They need to master various things, ranging from the basic concepts of musharakah and ijarah, the preparation of a scheme for repayment and payment of rent in stages, to the legal and sharia implications of each contract. This lack of training and education risks causing errors in the implementation of contracts, such as document inconsistencies, incorrect installment calculations, and violations of sharia principles that can cause disputes with customers. Therefore, strengthening the capacity of human resources through intensive training and special education about MMQ is very important so that this product can be implemented correctly and efficiently.
- c. Technology Challenges: Automation and Monitoring Systems. In terms of technology, the main challenge faced is the lack of an automation system that supports the tracking and monitoring of MMQ transactions as a whole. The MMQ contract requires detailed recording and supervision of several crucial matters, namely the portion of customer and bank ownership that always changes along with repayment installments, periodic rent payments, and the gradual transfer of asset ownership rights. However, many Islamic financial institutions currently do not have a fully integrated and automated system to handle such complexity. As a result, the tracking process is often done manually, which increases the risk of recording errors and delays in updating ownership and payment data. In addition, the lack of real-time monitoring facilities for financed assets makes it difficult for banks to make strategic decisions, such as risk management and rent adjustments. For this reason, the development of

information technology that supports automation and real-time monitoring is an urgent need so that MMQ operations can run more effectively and efficiently.

Overall, these operational challenges need to receive serious attention by Islamic banks so that the implementation of the MMQ contract can run smoothly and provide maximum benefits for both customers and financial institutions. Appropriate efforts include simplifying administrative processes, increasing human resource capacity through specialized training, and investing in technology to support effective automation and monitoring.

### **Customer's Perception of the MMQ Scheme**

The Musyarakah Mutanaqisah (MMQ) scheme in sharia financing products generally receives a positive response from the majority of customers. Many customers consider that the MMQ contract is a form of fair financing because it places both the bank and the customer as partners in asset ownership. With this system, customers feel they have more control over the assets purchased gradually, in contrast to conventional lending systems that tend to charge debts at a fixed interest without real ownership of the assets. In addition, MMQ is considered to be in line with sharia principles because it is free from usury, transparent, and provides legal certainty and clear ownership rights. This makes MMQ a financing solution that not only meets financial needs, but also religious values that are very important to the Muslim community (Ibrahim & Hasan, 2023).

However, despite generally receiving a positive assessment, there are still major obstacles related to the level of customer understanding of the MMQ concept itself. Many customers do not fully understand how this contract mechanism works in detail, such as the gradual co-ownership process, the role of leasing for a portion of the bank's assets, and the implications of rights and obligations during the current contract. This ignorance often leads to confusion and uncertainty, which can ultimately lead to distrust or concern for the product. This misunderstanding can also risk causing misunderstandings in the implementation of contracts, for example related to instalment payments or rights to assets. To overcome this, more massive and structured socialization and education are needed from the bank to prospective customers and customers who have used MMQ products. This education can be done through various media, ranging from direct counseling, seminars, digital educational materials, to special consulting services that make it easier for customers to understand their rights and obligations. By providing transparent and easy-to-understand information, it is hoped that customers will be more

confident and comfortable using the MMQ scheme as a financing option that is in accordance with sharia principles while meeting their economic needs. In addition, this increase in sharia literacy will also strengthen the bank's reputation as a financial institution that is not only financially competent but also adhered to religious principles, thereby creating a healthy and harmonious long-term relationship between banks and customers.

### **Comparison of MMQ vs Murabahah vs IMBT**

- a. **Asset Ownership.** In the MMQ contract, ownership of assets is carried out in stages. This means that the customer and the bank start with joint ownership (*musyarakah*), where the bank owns part of the assets and the customer owns the other part. During the financing period, customers gradually buy a portion of the bank's ownership until they finally become the full owner of the asset. This model reflects a sustainable and transparent partnership as the transfer of ownership takes place in proportion to the payments made (Yulianto, 2019). Unlike MMQ, in the Murabahah contract, asset ownership is completely transferred to the customer from the moment the purchase and sale transaction is carried out. The bank buys goods or assets first, then sells them to customers with an agreed profit margin. Since ownership transfers directly at the beginning of the contract, the customer is fully responsible for the assets from that point on. Meanwhile, in the IMBT contract, asset ownership remains in the hands of the bank during the current financing tenor. The customer only rents the asset (*ijarah*), and the new ownership will transfer after all payments are completed at the end of the contract period. This model makes the bank bear greater ownership risk during the lease period.
- b. **Risk for Banks.** The risks faced by banks in MMQ are in the middle category. Since banks still own some of the assets together with the customer, the risk of default or asset impairment must be managed together. However, because there are gradual purchases and rentals, this risk can be minimized with strict monitoring and sharia-compliant penalty mechanisms. In the Murabahah contract, the bank's risk tends to be low because asset ownership directly passes to the customer once the contract is completed. Banks act as sellers who earn margin profits, and credit risk is more related to the customer's ability to pay installments. Because ownership has already been transferred, the risk of fluctuations in asset value is less for banks (Yulianto, 2019). On the other hand, in IMBT, the bank's risk is relatively high because the bank retains

ownership of the asset until the lease period ends. If the customer fails to pay off, the bank must bear the risk of losing the value of the asset and the difficulty of reselling. In addition, administrative risks and asset maintenance become a burden on the bank during the lease period.

- c. **Transparency Level.** MMQ is known to have a high level of transparency because the structure of the contract is clear, involving two contracts at once (*musyarakah* and *ijarah*) each of which has well-defined rights and obligations. The customer understands that some of the assets are jointly owned and they also lease the bank's shares, so that the gradual transfer of ownership process can be clearly monitored. *Murabahah* and *IMBT* have a sufficient level of transparency, but tend to be simpler than MMQ. In *Murabahah*, direct buying and selling transactions and selling prices and profit margins have been agreed upon, so that customers know the costs that must be paid. At *IMBT*, although the concept of hire purchase is clear, the complexity of the transfer of ownership at the end of the lease period is sometimes not understood in detail by customers, so transparency can be less optimal than MMQ.
- d. **Conformity with Shariah Principles.** These three contracts are generally in accordance with sharia principles, but the level of conformity is different. MMQ is considered to have a very high level of suitability because it prioritizes partnerships, fair risk sharing, and avoids elements of *riba* and *gharar*. This model is also in accordance with the sharia *maqashid* because it emphasizes fairness and balance between banks and customers. *Murabahah* is also considered sharia-compliant, as long as the profit margin applied is transparent and does not cause an element of usury. As a purchase and sale contract, *Murabahah* is easy to understand and widely accepted in Islamic banking practices. *IMBT* in accordance with sharia as long as the hire purchase contract is carried out according to the rules, but the risk of full ownership of the bank during the lease period and the potential complexity in asset transfers are concerns so that the contract remains in accordance with the principles of fairness and transparency.

Overall, MMQ offers a phased ownership model with balanced risk and high transparency, making it ideal for customers who want a fair and in-depth sharia financing solution. *Murabahah* is suitable for customers who want direct ownership with a relatively simple process and low risk for banks. Meanwhile, *IMBT* provides an alternative to hire and purchase with greater bank risk, so it requires more mature risk management and understanding.

### **Legal Compliance and Internal Oversight**

- a. **The Role of Internal Audit and Sharia Supervisory Board (DPS).** Internal audits in Islamic financial institutions not only focus on financial and operational aspects, but also on compliance with Islamic principles that are the main foundation of the products and services offered. In the context of MMQ, which is a joint contract of *musyarakah* (partnership) and *ijarah* (rent), the role of the Sharia Supervisory Board (DPS) is very crucial and strategic (Lestari & Oktaviana, 2020). DPS is responsible for conducting a routine review of all contract documents, agreement structures, and contract implementation in the field. They ensure that the implementation of MMQ is completely in accordance with the principles of *musharakah* and *ijarah* that have been set, such as ensuring that there are no elements of *riba* (interest), *gharar* (ambiguity or uncertainty), and *maysir* (speculation or gambling) in the entire process. One of the important aspects that is supervised is the process of transferring asset ownership which must run gradually and transparently, in accordance with sharia agreements and provisions. In addition, DPS also supervises the use of MMQ financing funds. They ensure that the funds used to purchase assets are actually from halal sources and do not come from activities that are prohibited by sharia, and that the assets purchased also comply with sharia criteria, so that they are not used for prohibited sectors (e.g., liquor, gambling, or usury businesses). If irregularities or inconsistencies are found in the audit process, DPS is authorized to provide recommendations for improvements to both the contract structure, operational mechanism, and system governance so that the MMQ contract remains valid and in accordance with sharia principles.
- b. **Legal Compliance: OJK Regulations and DSN-MUI Fatwa.** In addition to sharia compliance supervised by DPS, the implementation of the MMQ contract must also meet the provisions of applicable national regulations, especially regulations from the Financial Services Authority (OJK). MMQ as one of the sharia financing products is under the supervision of the OJK which has strict rules related to financing governance, risk management, reporting, and customer protection. Islamic financial institutions are required to comply with all provisions in OJK Regulations, such as the OJK Regulation (POJK) regarding sharia financing which regulates governance standards, risk management, and transparent reporting mechanisms. In addition, the institution must provide complete and clearly documented documentation in order to be legally and accountably audited. This ensures that the MMQ contract is not only sharia-compliant, but also has strong formal legal force so that the protection of

customers and banks is guaranteed (Maulida et al., 2020). On the other hand, the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) is the main sharia guideline that must be strictly followed by Islamic financial institutions. DSN-MUI Fatwa No. 73/DSN-MUI/XI/2008 specifically regulates the *Musyarakah Mutanaqisah* contract, stipulates technical rules and basic principles for the implementation of contracts, ranging from partnership structure, gradual purchase mechanism, to fair lease provisions. In addition, other fatwas related to *ijarah*, transfer of ownership, and repayment mechanisms are also mandatory references so that the MMQ contract remains in the correct corridor of sharia law.

- c. **Periodic Evaluation and the Need for a Digital Surveillance System.** The implementation of MMQ involving the gradual transfer of asset ownership and periodic rent payments demands constant supervision and evaluation. In order for the implementation of the contract to run smoothly and in accordance with the provisions, institutions need to build a digital supervision system that is able to conduct real-time monitoring. This digital system must be able to record and track any changes in the portion of customer ownership of assets, calculate the amount of rent to be paid based on the portion of the bank's ownership, and provide early warning if there are delays in payments or suspicious transactions. Thus, the monitoring process becomes more efficient and accurate, reducing the risk of human error that may occur if management is done manually. In addition, the digital system also supports the tasks of DPS and compliance units to conduct sharia audits based on historical and real-time data. With the existence of information technology, compliance reports to regulators such as OJK and Bank Indonesia can be prepared quickly, accurately, and well documented. This system also makes it easy to store all legal documents, contracts, and communication with customers in a structured and secure manner. Data security and transparency are the added value of this system, as customers can get clear information about the calculation of rent and the purchase of their portion of ownership. The reliability of this system also increases the accountability of all parties involved in MMQ transactions, thereby building higher trust from customers and stakeholders. Legal compliance and internal supervision are the main foundations in ensuring the sustainability and validity of MMQ products in Islamic financial institutions. The active role of the Sharia Supervisory Board in internal audit, compliance with OJK regulations and DSN-MUI Fatwa, as well as the implementation of a modern digital supervisory system is essential to:

- a) Maintaining the integrity and conformity of the contract with sharia principles,
- b) Minimize legal and operational risks,
- c) Improving the efficiency of management and transaction transparency,
- d) Building customer trust and maintaining the institution's reputation.

Without effective oversight and a good compliance system, MMQ products are vulnerable to operational irregularities and violations of sharia principles and national regulations, thus threatening the sustainability and public confidence in sharia financing as a whole.

### **Potential for Future MMQ Product Development**

The Musyarakah Mutanaqisah (MMQ) contract is a form of sharia financing that has unique characteristics in the form of a gradual asset ownership partnership between customers and financial institutions. MMQ not only meets sharia principles, but also offers high flexibility and transparency. Thus, MMQ has great potential to continue to be developed into a superior product in the Islamic finance industry, especially in the face of technological developments and increasingly dynamic market needs.

#### **a. Digitalization: Integration with Mobile Banking Platforms**

One of the most crucial development strategies for MMQ products is the digitization of services. In today's technological era, the transformation of services to digital platforms, especially mobile banking, is a must so that sharia products such as MMQ can be more easily accessed by the wider community (No ISMADY, 2024).

- a) **Ease of Online Application and Simulation.** Through integration with mobile banking applications, customers can apply for MMQ financing online without having to come directly to the branch office. The process of uploading documents that was previously complicated and time-consuming can now be done quickly and practically. In addition, customers can use the interactive simulation feature to calculate and see in real-time the portion of ownership they already own, the rent that must be paid, and the repayment schedule. This kind of transparency is essential to build trust and ensure that customers understand all financing mechanisms.
- b) **Automatic Monitoring and Reminders.** Digitalization also allows banks to automatically send notifications and reminders to customers regarding installment maturities, increases in ownership portions, or asset appraisal needs. This helps reduce the risk of late payments and ensures a smooth repayment process. In this

way, the client feels more helped and encouraged to be disciplined in fulfilling his obligations.

- c) **Process Efficiency and Use of Big Data.** Digital integration opens up opportunities for financial institutions to utilize big data and machine learning technology to optimize risk management. In-depth data analysis can help predict customer payment behavior, identify potential market segments, and design MMQ products that are more personalized and tailored to each customer's needs. With this technology, risk management becomes more accurate and product development is increasingly innovative.

#### b. Sharia Fintech: Collaboration for a Crowdfunding-Based Refinancing Model

The sharia fintech phenomenon provides great opportunities for the development of MMQ through innovative strategic collaborations.

- a) **Partnership with Sharia Fintech Platform.** Islamic financial institutions can collaborate with fintech platforms to develop an equity crowdfunding-based MMQ refinancing model. In this scheme, investors from the public can jointly finance customer assets and get a share of rent or profits according to sharia principles. This model expands capital sources, reduces dependence on banks' internal funds, and provides opportunities for the wider community to invest in halal and profitable projects.
- b) **Hybrid Model Development.** MMQ can also be developed into a hybrid product by combining musyarakah, wakalah, and mudharabah contracts. This hybrid model offers greater flexibility, making it easier to adjust the contract structure according to the customer's financing characteristics and risk profile. These innovations help financial institutions reach a wider and more diverse market segment, including those that have not been touched by traditional Islamic banking products.
- c) **Broader Financial Inclusion.** Through fintech, MMQ products can be accessed by the unbanked or underserved segment, namely people who do not have access to formal banking services. Sharia-based credit scoring technology and risk analysis algorithms can help manage financing risks so that financing remains safe and profitable. Thus, financial inclusion is increasing, and MMQ products are becoming an inclusive halal financing solution.

#### c. Broader Market Segmentation

The development of MMQ products also needs to be directed at diversifying market segments in order to meet the needs of various specific customer groups.

- a) MSMEs (Micro, Small, and Medium Enterprises). MSMEs are one of the segments that have great potential for MMQ products. The MMQ structure allows MSMEs to have important assets such as production equipment, machinery, operational vehicles, and business premises gradually without significantly burdening business cash flow. With flexible rental schemes and definite ownership, MSMEs can more easily develop their businesses sustainably with halal financing and in accordance with Sharia principles (Wahyudi et al., 2024).
- b) Civil Servants and Professionals. This segment typically has a relatively good fixed income and financial stability, making it suitable for using MMQ in financing homes, apartments, vehicles, or other assets. MMQ products can be designed with a long tenor and no interest, providing gradual certainty of ownership that is very attractive to professionals who prioritize aspects of sharia and investment security.
- c) Sharia Property and Developer Sector. MMQ can also be developed as a partnership solution between Islamic banks and property developers. In this case, the bank plays the role of an initial capital partner that helps fund the construction of sharia housing projects. Furthermore, the property can be sold in stages to end-users with the MMQ mechanism, providing ease of ownership for the community while supporting the growth of the sharia property sector.

Table 4.1. The potential for future MMQ development is very large and strategic if supported by three main pillars:

Strategic Pillar	Opportunities Created
Digitization	MMQ services are fast, transparent, and easily accessible through mobile banking applications, increasing customer convenience and trust.
Sharia Fintech	Development of crowdfunding-based refinancing and investment, expanding access to capital and financial inclusion, and opening up opportunities for contract model innovation.
Market Segmentation	Adjustment of MMQ products for various segments such as MSMEs, ASN, professionals, and the property sector, so that products are more relevant and in demand.

This development will not only increase MMQ's competitiveness in the Islamic financial market, but also strengthen MMQ's position as an inclusive, sustainable, and adaptive halal financing solution to the needs of the times. With the support of digitalization, fintech collaboration, and the right market segmentation, MMQ is able to become an important pillar in the growth of the modern Islamic finance industry.

The MMQ scheme has proven to be effective as a financing product in accordance with sharia principles and can be a solution for asset refinancing financing as applied at iB Muamalat. Although MMQ's sharia compliance is very good, the main challenge still lies in the technical aspects of implementation and literacy of customers and human resources of financial institutions. The future development of MMQ is very potential and broad, especially if it is supported by the advancement of digitalization and the improvement of the quality of human resources in Islamic banking.

## CONCLUSION

Based on the results of research and analysis on the implementation of the Musyarakah Mutanaqisah (MMQ) contract in the iB Muamalat Asset Refinancing Sharia product at Bank Muamalat Indonesia, it can be concluded that MMQ is one of the most relevant and effective sharia financing innovations to answer the needs of asset financing with sharia principles. The MMQ scheme offers a fair partnership structure between banks and customers through a phased asset ownership system combined with lease (*ijarah*), thereby fulfilling the elements of fairness, transparency, and sustainability. In terms of benefits, MMQ provides halal liquidity solutions for customers without having to be involved in usury transactions, as well as guaranteeing gradual asset ownership with a clear and secure structure. For banks, MMQ presents potential profitability through rental income, certainty of repayment, and relatively low non-performing financing (NPF) risk because it is based on real assets.

From the aspect of sharia compliance, the implementation of MMQ has referred to DSN-MUI Fatwa No. 73/DSN-MUI/XI/2008, and is carried out with active supervision by the Sharia Supervisory Board (DPS) through periodic audits and review of contract structures. Compliance with OJK regulations is also a formal legal basis in practice. However, the effectiveness of MMQ implementation still faces a number of operational challenges, such as administrative complexity, limited technical understanding by bank officers, and in-optimal information technology systems in tracking repayment and asset ownership. In addition, public literacy towards MMQ is still low, so more massive and sustainable education is needed. Nonetheless, MMQ has great potential to be developed in the future. Digitizing services through mobile banking, collaboration with Islamic fintech for crowdfunding-based financing, and expansion into market segments such as MSMEs, civil servants, professionals, and the property sector are strategic opportunities that can increase MMQ's competitiveness. This development needs to be supported by a

qualified technology system, competent banking human resources, and a high commitment to sharia values and prudential principles.

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