



## SHARIA HYBRID CONTRACT COMPLIANCE OF ISLAMIC MICROFINANCE INSTITUTIONS IN JEPARA REGENCY

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### ABSTRACT

*The purpose of this study was to examine the sharia compliance of the Hybrid Contract of the Syariah Microfinance Institution (LKMS) in Jepara Regency. This type of research is a Field Research, using a content analysis approach; to interpret data not as a series of physical events, but as symbolic symptoms to reveal the meaning contained in a text, and the understanding of the message presented. The research object selected was BMT in Jepara Regency which applies contract and unique hybrid products, namely BMT Mitra Muamalah (Mitramu) which has the product "Gold Pawn" and BMT Harapan Bersama (HARBER) which has a Musyarakah Mutanaqishah (MMq) product. The results showed that the Musyarakah Mutanaqishah (MMq) financing agreement at BMT Harapan Bersama (HARBER) Jepara was in accordance with the DSN-MUI fatwa NO: 73 / DSN-MUI / XI / 2008. Rahn's contract which is run by BMT Mitra Muamalah Jepara is in accordance with the DSN-MUI Fatwa Number: 25 / DSN-MUI / III / 2002, and Fatwa DSN-MUI Number: 26 / DSN-MUI / III / 2002.. Weak internal and external supervision at Cooperative entities, the implementation of hybrid contracts in the field is prone to deviations and falling to "Riba".*

**Keywords:** *Sharia Compliance, Hybrid Contract, Islamic Microfinance.*

#### Article History

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## **INTRODUCTION**

Indonesian Ministry of National Development Planning (2019), noted that the Muslim population is currently 1.84 billion people, will grow 27.7% of the world's total population in 2030. This data is a potential for Islamic Financial Institutions to expand in services. Islamic Finance has grown from half a million dollars in 1970, to more than one trillion USD in 2009. Global MFIs serving poor Muslims have quadrupled (CGAP, 2013). Asset growth averaged 14% per year. Ernst & Young estimates that global Islamic Finance assets will reach 3.4 trillion USD in 2018 with an average growth of 19% from 2014 to 2019.

Global Syariah Microfinance Institution, is projected to grow with a growth of 19.7% until 2019 (Kustin, 2015). Islamic Microfinance is developing in several Muslim countries such as Indonesia, Malaysia, Pakistan, Bangladesh, and in various regions. This institution is a movement for effective poverty alleviation. Challenges in developing Sharia Micro Financial Institutions are limited markets, less competent human resources, and governance management problems (Azmi & Thaker, 2020). Currently, Islamic financial institutions have not implemented sharia principles, especially in profit and loss sharing products (Obaidullah & Khan, 2011), potentially violating sharia (Shafii et al., 2014), there is still a gap between sharia compliance between the concept and reality (Gazali et al., 2017).

Islamic banking must use a hybrid contract (*al uqud al murakabah*), in its products to compete with conventional banking, because transactions that occur in the modern world, with the speed of changing information technology, demand dynamic sharia banking with its products. So the solution is with a hybrid contract. The implementation of the hybrid contract is due to ownership problems; legal framework; default on payment; profit sharing; tax; moral hazard; comparison of rental rates (Qureshi, et al., 2016). So, the sharia compliance test is important, to assess the benefits of the existence of Islamic Micro Finance, for the community (Nurnazli, 2014), (Nurhadi, 2018), (Herlyanto & Oktavendi, 2019).

In terms of language, a hybrid contract means combining contracts. Hybrid contracts are "combining several material contracts in one contract - thus, rights and obligations are the legal consequences of one contract." (Imrani, 2006). Hybrid contracts have recently become an interesting topic in the world of banking in Indonesia, especially the stakeholders of Islamic banking. This topic is not new to *muamalah fiqh*. However, contemporary *fuqoha* realizes that, today's financial transactions require to use multiple contracts, answering transactions that are increasingly complex. Currently, there are almost no contracts in Islamic banking that purely arise from one contract (Mihajat, 2014).

Sharia Microfinance Institutions (LKMS), such as Baitul Maal Wat Tamwil (BMT) use the *Murabahah*, *Mudharabah*, *Musyarakah*, *Ijarah*, *Istishna* and *Salam* contracts. Currently these contracts have changed with the combination of contracts so that they are applicable in today's Islamic banking world. Hybrid contracts such

as Musharaka Mutanaqishah (MMq) in principle can be practiced with modifications according to the characteristics of Islamic banking (Mohammad Osmani & Faruk Abdullah, 2010), and become a solution for Islamic Financial Institutions (Balgis, 2017), even though the implementation is not as expected and tends to deviate from DSN-MUI and fatwa from AAOIFI (Basyariah, 2018). In Malaysia, the implementation of MMq is inefficient and high risk (Subky et al., 2017).

In Jepara Regency, there are currently 12 BMT members of the Indonesian BMT Association (PBMT), which provide financial services, including funds (fund rising), financing (lending) and services. The results of preliminary observations found that fund rising and lending products as well as fee base income for LKMS in Jepara Regency have used hybrid contracts. BMT's sharia compliance with classic contracts such as Mudharabah, has fulfilled sharia principles as stipulated in the DSN-MUI Fatwa (Ainiyah & Qulub, 2019), both financing products and savings products (Khudori, 2018). However, the role of the Sharia Supervisory Board (DPS) in Islamic Microfinance Institutions has not been optimal in supervision (Fatmawati & Usnan, 2018).

In a survey of BMT employees in Jepara Regency, 85% stated that BMT had complied with sharia principles, the rest were still doubtful (Anwar & Edward, 2016). Sharia compliance with contracts based on Natural Certainty Contract (NCC), such as Murbahah and Ijarah, BMT in Jepara Regency has fulfilled sharia principles (Bonita & Anwar, 2018), but contracts based on Natural Uncertainty Contract (NUC), namely the syirkah contract; BMT in Jepara Regency has not fulfilled sharia principles (Susilo & Anam, 2018). Sharia compliance research on the Hybrid Contract of Islamic Microfinance Institutions in Jepara Regency has never been carried out, and it is the novelty of this research. So the hybrid contract sharia compliance test on BMT in Jepara district becomes very urgent.

## **LITERATURE REVIEW**

### **Definition of Hybrid Contract**

Contemporary jurists define; hybrid contract as "an agreement between two parties to carry out a contract, which contains two or more contracts, for example a sale and purchase contract with a lease, grant, wakalah, qardh, muzara'ah, sahrif (currency exchange), syirkah, mudharabah, legal consequences of the collected agreement, rights and obligations are one unit, not separate, as the legal consequences of one contract." (Hammaad, 2005). Meanwhile, Imrani (2006) defines a hybrid contract "The set of several material contracts, which are contained by a contract, either jointly or reciprocally, so that the rights and obligations it causes are as a result of the law of one contract". Basically, there is no prohibition in sharia regarding the merging of two contracts in one transaction, either the exchange contract (business) or the tabarru

'contract. This is based on the generality of the arguments, ordering to fulfill (wafa) the conditions and contracts.

### **Hybrid Contract in Islamic Financial Institutions**

Arbouna (2007) argues that the combination of contracts should not violate sharia compliance and contain usury, gharar and jahalah, but a combination of contracts is needed nowadays, responding to financial markets and capital markets. Hybrid contracts must prioritize the fulfillment of sharia principles. According to Agustianto (2014), fiqh muamalah re-actualization is needed to answer the challenges of the era and the rapid development of Islamic banks. Islamic banking can compete, not only in the local market but also in the global market. The combination of contracts is a necessity, so that the current Islamic banking products and services use a hybrid contract (Mihajat, 2014). The problem is, the Islamic economic literature in Indonesia, develops a theory that sharia prohibits two contracts in one contract transaction (two in one).

Criticism of the hybrid contract came from both past (salaf) and contemporary scholars and scholars. Murtadho (2013) is concerned about the potential for a shift in realizing the ideal syari'ah, to become only the formality of shari'ah. Vejzagic (2014) suggests that the Ijarah Mumtariah bi at Tamlik contract as a form of hybrid contraction in Islamic banking has the potential for Islamic banks to compete with conventional banks in the property sector. Solé (2007) found that there are still many conventional bank “mirroring” practices in Islamic banking, especially in the treasury sector for the interbank money market. Siddiqi (2006) rejects the practice of the Tawarruq contract, which is practiced by Islamic banks in Malaysia, because it does not comply with sharia compliance, and is contrary to the spirit and philosophy of Islamic banks themselves. Profit sharing contracts have the potential to be developed in the future, to eliminate violations of the principles of sharia and justice (Rahman et al., 2016).

### **The Law of Hybrid Contracts**

DSN-MUI has issued 130 fatwas in 2020. The DSN-MUI fatwa is a fatwa that is dominated by hybrid contracts. The fatwas made above in 2010 are fatwas that respond to the contemporary needs of the dynamic world of Islamic Banking. The current DSN-MUI fatwas are fatwas that cannot be separated from the Hybrid Contract (Herlyanto & Oktavendi, 2019). The rules for understanding the editorial of Al-Qurán and Al-Hadith in legal istimbath must be based on maqashid sharia. Methods such as qiyas, istihsan, maslahah mursalah and methods of developing jurisprudence in Islamic law are methods of legal development based on mada maqashid sharia. This is necessary, because a result of ijthihad on a matter can only be carried out if the maqashid has determined the logical reason (illat) (Nurhadi, 2018).

Imrani (2006). dividing multi contracts into five, namely; al-'uqûd al-mutaqâbilah, al-'uqûd al-mujtami'ah, al-'uqûd al-mutanâqidhah wa al-mutadhâdah wa al-mutanafiyah, al-'uqûd al-mukhtalifah, and al-'uqûd al-mutajanisah . Two kinds of the

first and second; al-'uqûd al-mutaqâbilah, and al-'uqûd al-mujtami'ah, are the commonly used multi-contracts. According to Agustianto (2014), hybrid contracts are divided based on current practices, in banking and other Islamic finance both in insurance, the capital market and other Islamic financial institutions. So that the hybrid contract can be used to become a lot of contemporary transaction contracts in Islamic banking and finance. According to Imrani (2006), the legal status of multiple contracts does not have to be the same as the contracts that build it. For example the bai' and salaf contracts which are clearly prohibited as stated in the hadith of the Prophet S.A.W, if the two contracts stand independently, the bai' and salaf contracts can be allowed. In other words, the laws of building contracts do not automatically become the laws of multi-contracts. This is corroborated by several opinions of scholars, the majority of Hanafiyah ulama, some Malikiyah ulama, Syafi'iyah ulama, and Hanbali argue that multi-contract law is valid and permissible according to Islamic law.

Jumhur ulama 'prohibits baiataini fi baiatin, but the scholars' still have different opinions, in interpreting the reasons for prohibiting transactions such as in the hadith. According to Sheikh Nazih Hamaad, it is related to the meaning of baiataini fi baiatin; The prohibition of Al-'Uqud Al-Murakkabah or Hybrid Contract due to several reasons: because it is prohibited because of religious texts, because it is to usury, because it causes usury to fall and because it causes it to fall into gharar (Hammaad, 2005).

## **METHODOLOGY**

### **Type of Research**

This research is a phenomenological qualitative research; application of hybrid contracts in Islamic microfinance institutions (Miles et al., 2014). This study uses a content analysis approach. Content analysis is used to better understand data, not as a series of physical events, but as a symbolic symptom to reveal the meaning contained in a text and gain an understanding of the message presented. Content analysis presents three conditions, namely objectivity, systematic approach and generalization (Denzin & Lincoln, 2013). The object of research is BMT in Jepara Regency, PBMT members who have hybrid kontrak products and are unique. Of the 12 BMTs, BMT Mitra Muamalah (Mitramu) which has the product "Rahn Pawn Gold" and BMT Harapan Bersama (HARBER) which has Musyarakah Mutanaqishah (MMq) products are selected. This content analysis approach is to identify and analyze the LKMS Hybrid Contract in Jepara Regency

Based on the source, research data are grouped into two types, primary data and secondary data. Primary data were obtained from structured interviews and in-depth interviews with leaders, employees of LKMS and clients of LKMS in Jepara Regency. Secondary data were obtained from reports, booklets, magazines, journals and other data relevant to the research theme

## **Data Collection**

Data collection techniques used in this study; Interview, observation and documentation. Interviews and observations were conducted, documented in essay form, then collected by sampling, to strengthen documentation from interviews and observations. The current Covid 19 pandemic requires the use of information technology such as Zoom, Google Meet, Skype and others, to obtain data and information as a substitute for the limitations of obtaining data like normal times. In addition, to strengthen secondary data to strengthen research results, secondary data can be obtained from financial reports, contracts and other supporting documents from LKMS in Jepara Regency.

## **Data Analysis**

The data analysis process in qualitative research, according to (Miles et al., 2014), are: first, data reduction is the process of selecting, focusing on simplifying, abstracting and changing the rough data, which is obtained from written records in the field. Second; Presentation of data is an activity when there are various kinds of information that can be compiled, thus giving the possibility to draw conclusions and take action. The form of qualitative data presentation is narrative text (in the form of field notes). Third. Conclusion is drawn by researchers continuously while in the field. Starting from the early stages of data collection, the researcher begins to look for the meaning of things, noting the regularity of patterns (in theoretical notes), explanations, possible configurations, causal pathways, and propositions.

Miles et al., (2014), argues that a study needs to be tested for the validity of the data so that the data that has been obtained can be accounted for. Data validity testing techniques using triangulation techniques. This is to test the validity which cannot be done with several statistical test tools. According to Miles et al. (2014), triangulation is essentially a multimethodal approach that researchers take when collecting and analyzing data. There are three types of triangulation, namely technical triangulation, source triangulation, time triangulation

## **RESULT**

Islamic financial institutions, both banking and non-banking such as LKMS, are required to follow the DSN-MUI fatwas. Most of the fatwas, are mergers of two or more agreements (Arfan, 2017). The theoretical merger of contracts is a synthesis of existing contracts, mixed and adapted to the needs, into a new covenant that is integrated and constitutes one unit (Murtadho, 2013).

BMT Harapan Bersama (HARBER) and BMT Mitra Muamalah in Jepara District have implemented Hybrid Contracts in their financing products, and are unique to other BMTs in Jepara Regency, which have not implemented hybrid

contracts or have just implemented them. The findings in the field of sharia compliance from the two contracts in the two BMTs are described as follows:

### **Implementation of Musyarakah Mutanaqishah (MMq) at BMT Harapan Bersama (HARBER) Jepara Regency**

Basically, in Indonesia there is no permanent musyarakah (permanent partnership), except for short-term projects whose payments are due, or according to project completion. The practice of Musyarakah LKMS in Indonesia is substantively a musyarakah mutanaqishah (diminishing partnership). However the fatwa on musyarakah mutanaqishah was only issued by the DSN MUI No. 73 / DSN-MUI/2008. Since the issuance of fatwa No. 73, Sharia Financial Institutions in Indonesia have not applied it, until the issuance of a fatwa in 2013, concerning the guidelines for implementing the Musyarakah Mutanaqishah in financing products, namely fatwa DSN-MUI No. 01/DSN-MUI/X/2013

The key informants of this research are leaders and employees who can explain various research questions:

1. Bisri Mustain: Position of Branch Manager at BMT Harapan Bersama Keling, Jepara Regency.
2. Ony Asrof Mustagfiri: Position as Marketing at BMT Harapan Bersama Keling Jepara Regency.
3. Abdul Fatah: As a member who finances MMq at BMT Harapan Bersama Keling Jepara Regency. Work as an entrepreneur, address in the village of Rolet RT 25 Kelet.
4. Sulistyowati: As a member who finances MMq at BMT Harapan Bersama Keling, Jepara Regency. Work as a Housewife. Address Kelet RT 32/05.
5. Siti Fatimah: As a member who finances MMq at BMT Harapan Bersama Keling, Jepara Regency. Work as a food trader. Kelet Bengkok Pentol's address is Rt 17 Rw 03.

The Musyarakah Mutanaqishah (MMq) contract at BMT HARBER Keling Jepara, is a hybrid contract between Ijarah, Murabahah, Rahn Tasjily, and Musyarakah. In practice, BMT buys a portion of the members' ownership of goods, so that it becomes a syirkah (cooperation), the members then buy a portion of the ownership of the BMT, so that ownership of BMT assets (goods) or capital (syarik) decreases, due to the gradual purchase by members. Members make installment payments, then the assets are used as joint ownership and used as collateral for financing. After completing the settlement, all BMT ownership nishab is transferred to the members.

The MMq financing process at BMT HARBER, begins with the financing division employee explaining the procedures, methods, terms and types of financing. Then the members fill out the financing application form, complete the initial administrative requirements as a condition for applying for financing. The

requirements for submitting MMQ financing at BMT Harapan Bersama include: Becoming a member of the KSPPS BMT HARBER, filling in the submission form, submitting: the applicant's ID card, the applicant's husband / wife / parent's / family's ID card, a copy of the family card, a copy of the STNK, a copy of the BPKB, Copy of certificate or other proof of guarantee.

BMT HARBER employees conduct a survey to their residence, place of business, and guarantees to members who apply for financing. After conducting a survey by the BMT, the analysis stage is then carried out, in which the analysis of financing includes 5C (Character, Capacity, Capital, Condition and Collateral). Character (character) includes: honesty, association / social, religious obedience, and obedience to pay obligations. Capacity (ability) includes: able in the family, capable of working / business, capable of financial management, and able to pay obligations). Capital (capital) includes: capital in work, first / additional capital). Conditions (conditions) include: household conditions, personal business conditions / prospects, environmental business conditions, post debt business conditions). Collateral (guarantee) includes: adequacy of guarantee value, guarantee marketability, security and legality). After being analyzed, it was concluded that the BMT party was accepted or rejected. The implementation of the Musyarakah Mutanaqishah (MMq) Akad at BMT HARBER Jepara can be explained as follows:

1. MMq is a BMT HARBER syirkah product with members. Joint ownership (Syarkah Inan), between BMT and members, with a certain share of ownership, then the share of BMT ownership will experience a decrease (diminishing partnership). Installments made by the customer to the BMT means the purchase of ownership of the BMT by the member.
2. BMT and Members both include capital for property / asset ownership. The syirkah capital in musyarakah mutanaqisah can be in the form of money or goods ('urudh). In the case of syirkah capital in the form of goods ('urudh), then taqwim al-'urudh must be carried out (valuation of the price of goods / assets in a certain currency agreed by the parties). For the valuation of goods or assets belonging to members, a reasonable price is determined in the framework of partial purchases by BMT.
3. BMT represents the members to manage the property / asset. Before members acquire property / assets, they must pass several stages including the survey, analysis, and conclusions from the BMT. The survey is carried out to members, namely by directly visiting the member's house, place of business, and guarantees to members who apply for financing. The survey results are then analyzed by the BMT, in analyzing the financing here includes 5C, namely (Character, Capacity, Capital, Condition, and Collateral). Which includes: Then the results of the analysis concluded whether the member's submission was accepted or rejected.



4. The member rents the property / asset. Where the submission of financing after being accepted by the BMT, the member will pay the rental of the proposed property / asset. Where the payment is in installments every month and for a predetermined period of time.
5. The Member then purchases the property / asset gradually within a certain period, and the entire BMT part becomes the property of the Member. In that condition, the property / asset will fully belong to the Member after making a settlement.

Based on tracing transactions on the MMq contract on one of the members. Supra motorbike for Rp. 10.000.000, - belong to the member which is bought by BMT, then it becomes joint ownership between the member and BMT. Gradually the members bought BMT's ownership of the goods. Transaction tracing found that the portion (hisshoh) of both parties was 35% from BMT and 65% from the members (as agreed). The price of the motorbike is IDR 10,000,000. BMT and Members each provide an amount of capital, BMT of Rp. 3,500,000 and members of Rp. 6,500,000, -, in the form of a Honda Supra motorcycle. The portion of BMT's existing in joint assets in the form of a Honda Supra motorbike of Rp. 3,500,000 is sold to members for Rp. 3,780,000. The first party (BMT) is obliged to promise to sell all of its hishshah gradually and the second party (Member) is obliged to buy it.

### **Implementation of Gold Rahn (Pawn) at BMT Mitramu Jepara**

The basis for implementing Gold Pawning at BMT Mitra Muamalah Jepara, is (Fatwa DSN-MUI Number: 25/DSN-MUI/III/2002 concerning RAHN) and (Fatwa DSN-MUI Number: 26/DSN-MUI/III/2002 concerning RAHN EMAS ), as well as BMT Mitramu internal regulations with the approval of the Internal Sharia Supervisory Board (DPS) of BMT Mitramu. BMT Mitramu's gold pawn product is a hybrid contract from the Rahn contract with the Ijarah and Ujroh contracts. Gold Pawn Procedure at BMT Mitramu Jepara, can be seen from the chart in this section:

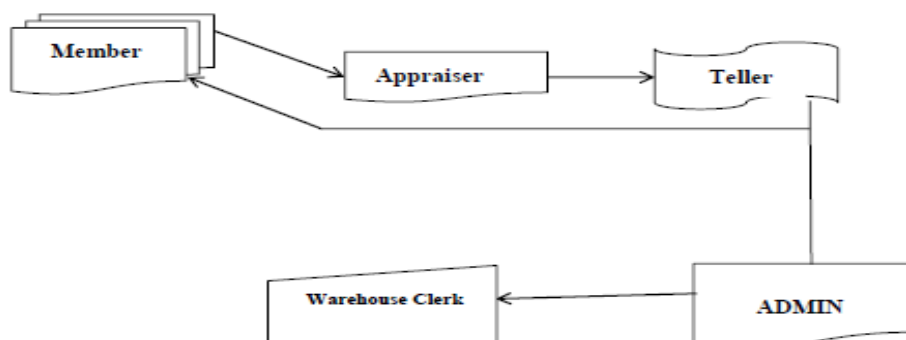


Figure 1  
BMT Mitramu Jepara Gold Rahn Disbursement Flowchart

From the figure above, it can be explained:

1. Gold security belonging to members, brought to the office, equipped with original purchase documents, KTP and other administrative requirements. Collateral (Gold) belonging to the member, is submitted to the appraiser to check the authenticity and quality or gold caratization.
2. After the value and price is estimated by an appraiser, an SBP (Loan Proof) is issued, recorded in the collateral receipt book, and submitted to the warehouse.
3. SBP is submitted to the Teller in triplicate, to be submitted to the Manager for approval of loan disbursement.
4. After disbursement, the triple document is submitted to the members, white as proof of delivery of collateral, yellow is submitted to the admin for data input on the computer, blue is submitted to the warehouse clerk, as proof that the goods have been stored in the warehouse. The warehouse clerk checks the authenticity of the gold, rusts it according to the estimator's recommendation and records it in the collateral catalog.

Gold pawning at BMT Mitra Muamalah is a short-term financing, with a high level of security, with a term of 30 days (one month). In practice, this contract is a hybrid contract between the Pawn (Rahn) and the Ijarah contract. Profit obtained by BMT Mitra Muamalat from Ujrah for Ijarah (rental) storage warehouse (Rahn). Ujrah is calculated per 10 days, as shown in the following table:

Table 1  
The amount of Gold Pawning Ujrah at BMT Mitramu Jepara

No	Karatisation	Term	Ujrah Rate
1.	Good Gold (Karat > 70%)	Per 10 days	Rp. 2.500/gram
2.	Middle Gold (karat > 50%)	Per 10 day	Rp. 1.750/gram
3.	Lower Gold (karat > 30%)	Per 10 days	Rp. 1.200/gram

Source: BMT Mitramu data processed, 2020

The loan size is based on caratization, gold price and maximum estimated value, as shown in the following table:

Table 2  
Calculation of Ujrah and loan amount, Rahn contract at BMT Mitra Muamalat Jepara

Price per gram	Appraisal Standar	Karatisation	Weight (gram)	Appraisal	Loan Plafon (80%)	Ujroh per 10 days
1.000.000	90%	900.000	10	9.000.000	7.200.000	60.000
1.000.000	50%	500.000	10	5.000.000	4.000.000	35.000
1.000.000	30%	300.000	10	3.000.000	2.400.000	20.000

Source: BMT Mitra Muamalah data prosessed, 2020

The table shows, the gold price is measured based on the current price, and according to the gold price in the market. Loans are calculated based on the maximum estimate of the price of gold, and the weight of gold, the quality or caratization of the gold. Good gold, weighing 10 grams, the maximum value of the loan is Rp. 7.2 million, ujarah per 10 days is Rp. 60,000, -. 10 grams of gold with medium caratization, the maximum loan is Rp. 4 million, with ujarah per 10 days is Rp. 35,000, while the lower gold weighing 10 grams, the maximum value of the loan is Rp. 2.4 million with ujarah per 10 days is Rp. 20,000. BMT Mitra Muamalah Jepara charges administrative fees, which are recognized as administrative incomem this expense is not based on a percentage of the loan.

Table 3  
Pawn Administration Fee at BMT Mitra Muamalah Jepara

Cluster	Minimal Loan	Maximal Loan	Fee
A		≤ 500.000	5.000
B	501.000	1.000.000	10.000
C	1.001.000	3.000.000	15.000
D	3.001.000	5.000.000	20.000
E	5.001.000	10.000.000	40.000
F	10.001.000	20.000.000	50.000
G	≥ 20.000.000		100.000

Source: BMT Mitra Muamalah data processed, 2020

### Gold Guarantee Auction

Within 10 days, members make repayments to get a gold guarantee back. Payment procedure; Members come to the office with an SBP (Loan Proof), and the original KTP is submitted to the cashier. The cashier calculates the ujarah and loan, gives a repayment slip, then submits the SBP to the Admin. Admin gives SBP to warehouse officers to get collateral that has been paid off. The loan extension procedure and guarantee auction process can be seen in the following flow:

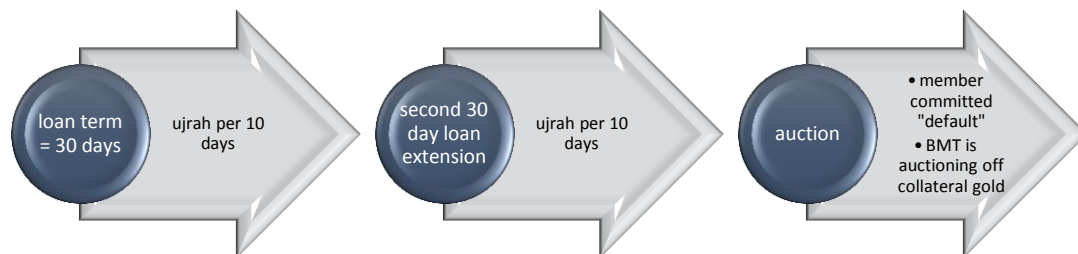


Figure 2  
Gold Pawn Auction Mechanism at BMT Mitramu Jepara

If the deadline agreed by the members cannot pay off, BMT Mitra Muamalah will auction off collateral. Members are given a time limit of up to 30 days after maturity, to make loan repayments, and can be extended by paying their Ujrah only. However, if the deadline is not paid, BMT Mitra Muamalah according to the contract will auction off collateral (gold).

The amount of money from the auction of collateral, if there is a difference greater or less than the loan. If the difference in the amount of the auction proceeds is greater, it will be returned to the members, on the other hand, if it is smaller, then it is the member's obligation to pay it according to the agreement in the contract.

### **Shariah Hybrid Contract Compliance for Islamic Microfinance Institutions (LKMS) in Jepara Regency**

The results and discussion can be concluded that from the evidence of implementation of the Musyarakah Mutanaqishah (MMq) financing contract at BMT Harapan Bersama, it is in line and in accordance with the DSN-MUI fatwa NO:73/DSN-MUI/XI/2008. The Rahn Akad implemented by BMT Mitra Muamalah Jepara, is in accordance with the DSN-MUI Fatwa Number: 25/DSN-MUI/III/2002 concerning RAHN, as well as (DSN-MUI Fatwa Number: 26 / DSN-MUI / III / 2002 concerning RAHN GOLD). BMT Mitramu and BMT Mitra Muamalah are entities of the Sharia Savings and Loans and Financing Cooperatives (KSPPS) that are weak in regulation and supervision, both by the relevant agencies and internal supervision from DPS. This is different from banking which is regulated by BI (Bank Indonesia) or the supervision carried out by OJK (Financial Services Authority). Sharia Compliance BMT relies on regulation and internal supervision (self regulation), if internal supervision is strong, then sharia compliance will be strong, but if internal supervision is weak, then sharia compliance will also weaken.

### **CONCLUSION**

The application of hybrid contracts in Islamic microfinance institutions is a new phenomenon. A new breakthrough, where microfinance institutions have only implemented classic contracts such as Murabahah, Ijarah, Musyarakah, Mudharabah, Salam and Istisna'.

Hybrid Contract, as a financing contract, has been implemented in two BMTs in Jepara Regency; namely BMT Harapan Bersama which has implemented the Musyarakah Mutanaqishah (MMq) contract, a combination of the Ijarah, Murabahah, Rahn Tasjily, and Musyarakah contracts. The BMT Mitra Muamalah (Mitramu) Gold Pawn Agreement is an amalgamation of the Rahn, Ijarah, Qard and Ujrah contracts. The implementation of the two contracts is in accordance with the DSN-MUI fatwa, but the implementation in the field lacks internal and external supervision, so it is prone to deviations and leads to usury.

It is recommended that Islamic microfinance institutions be more innovative in implementing hybrid contracts for their products for consumer needs.

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