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The Role of Sharia Financial Institutions in Improving the Indonesian Economy: Focus on Murabahah Financing

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Abstract: *This research is a literature study that examines the role of sharia financial institutions in improving the Indonesian economy with a focus on murabahah financing. The methodology used involves in-depth analysis of existing literature to produce a solid understanding of how Islamic financial institutions can contribute to the economy through murabahah financing. This study relies on relevant secondary data and literature analysis to provide a meaningful contribution to academic and policy-related understanding. The research results show that the implementation of murabahah financing by sharia financial institutions provides financial solutions in accordance with sharia principles, helps people own interest-free homes, and increases bank profitability and liquidity. Apart from that, murabahah financing also helps sharia financial institutions attract more customers and increase public trust in sharia-based financial services. It also plays a role in supporting financial inclusion, especially for communities that are underserved by conventional financial institutions. Overall, murabahah financing not only provides direct benefits for customers and banks, but also contributes positively to economic growth and welfare of Indonesian society.*
Keywords: *Murabahah, Sharia Financial Institutions, Islamic Economics*

1. Introduction

The development of Islamic financial institutions shows extraordinary growth both at home and abroad (Wahab, 2022) . The economy in Indonesia is getting better day by day, driven by the existence of sharia financial institutions which help the Indonesian economy to improve. With the increasing development of Sharia Financial Institutions which are able to give birth to many fields including sharia banking and sharia financing institutions which have their own advantages compared to conventional financial institutions, where Sharia Financial Institutions follow the principles of Islamic sharia, one of which is related to profits obtained from profit sharing. , not from flowers. Likewise with Baitul Maal Wat Tamwil (BMT) and Sharia Banking, both of which apply sharia principles (Suhono, 2023) .

Law Number 10 of 1998 concerning banking recognizes the existence of consistency between traditional banks and sharia banks (dual banking system) so that products from sharia banking can be expanded and remain in accordance with the basic principles of sharia and the existence of Law no. 21 of 2008 concerning Sharia Banking, the existence of sharia banks is increasingly strengthening. There are three types of sharia bank financing based on the principles, namely, the principle of profit sharing (mudharabah and musyarakah), the principle of buying and selling (murabahah, salam and istisna), and the principle of leasing (ijarah and ijarahmintahiyah bitamlik or IMBT) (Syihabuddin & Mubarokah , 2021) .

One of the sharia products available at sharia financial institutions in Indonesia is murabahah. Based on PSAK 102 concerning murabahah accounting, murabahah is a sale and purchase agreement for goods at the acquisition price plus the agreed profit and the seller must disclose the cost of purchasing the goods to the buyer. PSAK 102 is an accounting statement, which looks at how the process of recording financing products using a buying and selling system starts from the transaction process between parties related to the Islamic financial institutional system. PSAK No. 102 explains that murabahah financing can be carried out with orders and without orders, that financial institutions provide goods according to the buyer's order or purchase goods whether there is a buyer or not, so that the accounting treatment of murabahah financing transactions can be regulated regarding recognition, measurement, presentation and disclosure (Hamida & Khotijah, 2022) .

Murabahah is a sale and purchase transaction of goods at the purchase price of the goods plus a margin agreed upon by the parties, where the seller informs the purchaser of the purchase price in advance. Payment for a sale and purchase agreement can be made in cash or credit. What differentiates murabahah from other buying and selling is that the seller must inform the buyer of the price of the basic goods he is selling and the amount of profit obtained (Syafitri, 2022) . According to Fatwa no. 111/DSN-MUI/IX/2017 Regarding Murabahah Sale and Purchase Agreements, the ba'i al-murabahah contract is a sale and purchase agreement for goods by confirming the purchase price to the buyer and the buyer pays the excess price as a profit. The contract is explained in the fatwa that the profit obtained by the seller is the result of the difference in the purchase price and selling price of the goods, not from interest or other additional costs. In practice, murabahah contracts can be made in cash or credit according to the agreement between the seller and the buyer.

Apart from that, murabahah contracts can also be made by paying in installments over a certain period of time. This provides flexibility for buyers to be able to pay according to their financial capabilities. Thus, the murabahah contract is an alternative in buying and selling transactions which are regulated according to sharia and do not involve the element of usury. Therefore, more and more financial institutions are starting to adopt the murabahah system in their business activities to meet the needs of people who want transactions that comply with sharia principles. With the convenience of paying in installments, buyers can get the products they want without having to pay in full in cash. This is of course a solution for those who want to own goods but don't have enough money at the moment. Thus, the practice of murabahah in buying and selling transactions can reach more consumers and expand market acceptance for financial institutions that implement it. Apart from that, transparency and fairness are also added values in murabahah contracts, making it an attractive choice for people who care about sharia principles in their lives.

2. Literature review

Sharia Financial Institutions

Sharia financial institutions are financial institutions that operate based on sharia principles in Islam (A. & Wirani, 2020) . These principles include the prohibition of usury, the prohibition of maisir (gambling), the prohibition of gharar (uncertainty), as well as other haram prohibitions in Islam. Sharia financial institutions are also known as Islamic financial institutions or sharia-based financial institutions. In practice, sharia financial institutions offer various financial products and services that comply with sharia principles, such as murabahah, mudharabah and musyarakah contracts.

Islamic financial institutions also pay special attention to justice, transparency and social responsibility (Arif & Suud, 2023) . With these principles, Islamic financial institutions are expected to provide wider benefits to society, not only from a financial perspective but also from a moral and social perspective. In addition, Islamic financial institutions also have strict monitoring and audit mechanisms to ensure that their operations remain in accordance with established sharia principles (Siti & Fauzatul, 2024) . Through this holistic approach, Islamic financial institutions are expected to make a positive contribution to the economy and overall welfare of Muslims. Thus, it is hoped that sharia financial institutions can become the main choice for Muslims who want to make transactions in accordance with religious principles. Apart from that, the existence of sharia financial institutions is also expected to strengthen the Muslim economy and provide alternative solutions to financial problems faced by society. By continuing to develop themselves and maintaining consistency in implementing sharia principles, sharia financial institutions are expected to continue to provide sustainable benefits to society and the economy at large.

Murabaha Financing

Linguistically, murabahah comes from the word ribh which means developing and growing in business (Fadhillah & Tambunan, 2022) . Murabahah is a sharia banking financing product which is carried out in the form of a sale and purchase transaction (bai' or sale). However, Murabahah is not an ordinary buying and selling transaction between one buyer and one seller as is known in the world of trading business outside of sharia. In a Murabahah agreement, the Bank finances the purchase of goods or assets required by its Customer by first purchasing the goods from the goods supplier and after legal ownership of the goods is in the hands of the Bank, the Bank then sells them to the customer by adding a mark up or margin or profit to the Customer. The bank must be informed of the bank's purchase price from the supplier and agree on how much mark up/margin is added to the bank's purchase price. In other words, the sale of goods by banks to customers is carried out on a cost-plus profit basis (Triska & Kamaliah, 2023) .

Murabaha financing consists of two syllables, namely financing and murabahah. Financing is the provision of facilities to provide funds to meet the needs of parties who have a unit deficit. According to Banking Law Number 10 of 1998 paragraph 12, financing is in accordance with sharia principles, namely by providing money or compensation. An agreement that can be reached by agreement between the bank and another party that requires financing for refunds or bills after a certain period of time or profit sharing. In the Statement of Financial Accounting Standards (PSAK) No. 102 Murabahah Statement of Financial Accounting Standards (PSAK) is a guideline or instructions for preparing accounting financial reports which contains regulations related to the process of recording, preparing, treating and presenting financial reports carried out by financial institutions, both conventional financial institutions and sharia financial institutions (Lestari , 2022) .

3. Research methods

library research with a focus on murabahah financing and reviews of sharia financial institutions. Primary data sources were obtained using the literature method to answer how sharia financial institutions and murabahah financing can play a role in improving the Indonesian economy. This methodology relies on in-depth analysis of existing literature to produce a solid understanding of the role Islamic financial institutions and murabahah financing can play in improving the Indonesian economy. Selecting relevant references and conducting thorough analysis will ensure this literature study makes a meaningful contribution to academic and policy understanding of the topic. The emphasis on secondary data analysis and relevant literature is expected to provide a comprehensive understanding.

4. Results and Discussion

Implementation of Murabahan Financing in Sharia Financial Institutions

One implementation of murabahah financing in sharia financial institutions is the existence of a house purchase mechanism through a murabahah financing scheme (Nasution, 2021) . In this scheme, customers will choose the house they want and submit an application to a sharia bank to buy it. After the Islamic bank approves the application, they will buy the house at a certain price and then sell it back to the customer at the agreed price, including a profit margin for the bank.

This process allows customers to own a house according to sharia without having to pay interest, because sharia banks do not use an interest system in murabahah financing transactions. Apart from that, the murabahah financing scheme also provides flexibility to customers in determining payment terms that suit their financial capabilities (Lilis, 2024). Thus, the implementation of murabahah financing in sharia financial institutions provides solutions that comply with sharia principles for people who want to own a house halally.

Apart from that, murabahah financing can also provide benefits for banks in terms of portfolio diversification and increasing profitability (Chuzaimah, 2023). With murabahah financing, sharia banks can attract more customers who need home construction without violating sharia principles. This can also improve the bank's image as a financial institution committed to sharia principles. Apart from that, with murabahah financing, Islamic banks can also increase their liquidity through reselling financed assets to customers.

Thus, murabahah financing not only provides benefits for customers who need home financing, but also for sharia banks themselves. By increasing the number of customers and liquidity, Islamic banks can continue to develop and compete in the financial market. Apart from that, adopting murabahah financing can also be one of the strategies of sharia banks in facing competition with conventional banks, because it can attract the interest of customers who prefer financial products that comply with sharia principles. In this way, sharia banks can attract more customers and increase public trust in sharia-based financial services. Apart from that, murabahah financing also helps Islamic banks to expand market share and reduce credit risk. That way, Islamic banks can continue to grow and develop sustainably, and make a positive contribution to the economy as a whole.

The Role of Murabahah Financing in the Indonesian Economy

Murabahah financing has an important role in the Indonesian economy. With murabahah financing, sharia banks can provide financial solutions that comply with sharia principles to the public (Budiono, 2017). This can help increase people's access to financial services that are safe and in accordance with religious values. Apart from that, murabahah financing can also be an attractive alternative for people who want to avoid usury in financial transactions. Thus, murabahah financing can help strengthen the sharia economy in Indonesia and make a positive contribution to overall economic growth.

Murabahah financing also provides benefits for Islamic banks in increasing their profitability, because the bank will gain profits from the difference in buying and selling prices of goods (Sari, et al). Apart from that, murabahah financing can also help people meet their consumption and investment needs without having to be burdened by high interest rates. Thus, murabahah financing not only provides financial solutions that comply with sharia principles, but also provides real benefits for economic growth and the welfare of society at large.

Murabahah financing has been proven to be an effective financial instrument in supporting overall economic growth (Latifah, 2020). This financing provides benefits for Islamic banks in increasing their profitability, because the bank will gain profits from the difference in buying and selling prices of goods. Apart from that, murabahah financing can also help people meet their consumption and investment needs without having to be burdened by high interest rates. Thus, murabahah financing not only provides financial solutions that comply with sharia principles, but also provides real benefits for economic growth and the welfare of society at large.

Murabahah financing also makes it easy for people who want to purchase goods on credit, but still in accordance with sharia principles. With a payment system in the form of installments, people can get the goods they need without having to pay in full in cash. This of course makes it easier for people who want to meet their consumption and investment needs without having to be burdened by high interest rates. Apart from that, murabahah financing also provides price certainty for buyers, so they don't need to worry about adverse price changes. Thus, the murabahah financing system is very suitable for people who want certainty in purchasing goods on credit. Apart from that, with a fixed price guarantee, buyers don't need to worry about price fluctuations that could harm them. That way, this system provides benefits for buyers and also guarantees fairness in buying and selling transactions.

The Role of LKS in Encouraging Financial Inclusion

Sharia Financial Institutions (LKS) play a significant role in expanding financial access for communities who are underserved by conventional financial institutions. In the context of inclusive finance, LKS focuses on providing products and services that comply with sharia principles, so that they can be accessed by communities who not only need financial support, but also want to maintain halal transactions (Bank Indonesia, 2020). One of the approaches taken by LKS is through murabahah financing, which makes it easy for low-income people to obtain business capital without having to be caught up in high interest rates. This financing model, which is based on a sale and purchase agreement with a clear profit margin set at the start, provides certainty and security for the recipient of the financing (Iqbal & Mirakhor, 2017).

The inclusive financial program implemented by LKS in various regions in Indonesia has helped stimulate the local economy and improve community welfare. For example, through murabahah financing, many MSMEs can develop their businesses in a more stable and sustainable manner. A study by Bank Indonesia shows that LKS has succeeded in providing financial access to people who previously did not have such access, especially in rural and remote areas (Bank Indonesia, 2022). This program not only provides working capital financing, but is also often accompanied by training and business mentoring, so that beneficiaries have the ability to better manage and develop their business (Suprayogi, 2021).

However, the challenges faced by LKS in encouraging financial inclusion are quite complex. One of the main challenges is the low level of sharia financial literacy among marginalized communities, who often do not understand the benefits and how sharia financial products such as murabahah work (Abdullah & Hassan, 2019). Apart from that, uneven infrastructure and technology are also obstacles in reaching remote areas. However, various solutions have been attempted, such as collaboration with local institutions and the development of digital platforms to expand the reach of sharia financial services (Karim & Moeljadi, 2021). With the right and sustainable approach, LKS can continue to contribute significantly in supporting financial inclusion in Indonesia.

The Social and Economic Role of LKS in Sustainable Development

Sharia Financial Institutions (LKS) have an important role in supporting sustainable development goals (SDGs) by implementing fair and ethical sharia financial principles. LKS's contribution to sustainable development is not only limited to economic aspects, but also includes social and environmental dimensions. Through murabahah-based financing, LKS can help reduce poverty by providing access to the capital needed for poor people to start and develop their businesses (Ismail, 2020). Murabaha financing also ensures that every transaction is based on fair and transparent value, which can encourage more ethical and sustainable business practices (Bank Indonesia, 2022).

In supporting sustainable development, LKS also plays a crucial role in funding green and environmentally friendly projects. Murabahah financing can be used to support projects aimed at reducing carbon emissions, increasing energy efficiency, and promoting more sustainable use of resources. For example, LKS can provide financing for renewable energy projects such as solar or wind power plants, which not only reduce negative impacts on the environment, but also increase access to sustainable energy for communities (Karim & Moeljadi, 2021). By supporting these projects, LKS contributes to the achievement of broader sustainable development targets.

Apart from that, LKS is also actively involved in the Corporate Social Responsibility (CSR) program which is designed to support social and economic development. LKS CSR programs often focus on education, health and community economic empowerment. For example, LKS can support scholarship programs for the education of children from low-income families, or provide microfinancing for small businesses managed by women (Financial Services Authority, 2021). Thus, LKS not only helps communities improve their quality of life directly, but also supports long-term sustainable development through initiatives that empower and develop local potential (Ismail, 2020).

5. Conclusion

Sharia financial institutions play a significant role in supporting the Indonesian economy through the fair and ethical implementation of sharia principles. Sharia financial institutions not only offer financial products and services that are in line with Islamic religious values, but also contribute to increasing financial inclusion, especially for communities that are underserved by conventional financial institutions. One of the superior products of sharia financial institutions is murabahah financing, which allows buying and selling transactions with clear and transparent profit margins. This financing model provides a safe and sharia-compliant alternative for people who want to avoid usury, as well as providing fair financial solutions. Murabahah financing, with the principles of transparency and fairness, has proven its effectiveness in supporting people's consumption and investment needs. This not only provides safer financial solutions that comply with sharia principles, but also contributes to increasing people's access to financial services, which in turn drives more inclusive and sustainable economic growth. Apart from that, Islamic financial institutions also play a role in supporting social and economic development through social responsibility programs and financing environmentally friendly projects. In this way, Islamic financial institutions not only provide financial benefits, but also support broader sustainable development goals, creating a significant positive impact on the welfare of society as a whole.

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