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EVALUATING CONTRACT COMPLIANCE AND FINANCING ALIGNMENT IN PRODUCTIVE AND INVESTMENT PRODUCTS AT BMI SHARIA COOPERATIVE

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Abstract

The financing scheme of Benteng Mikro Indonesia (BMI) Sharia Cooperative includes several financing products, specifically productive financing and investment financing products. Productive financing uses the murabahah and musharakah contracts, while investment financing employs istisna and ijarah contracts. This study aims to conduct an in-depth analysis of the compatibility of contracts with the products used in BMI's sharia cooperative financing products. The research method applied is descriptive qualitative, using data collection techniques such as interviews and secondary data gathered from the BMI Sharia Cooperative website, reports, and guides. The study results indicate that the murabahah contract in productive financing and the istisna contract in investment financing are consistent with the DSN-MUI fatwa. However, the ijarah contract in investment financing is not fully aligned, particularly in the determination of ujrah (compensation), which is based on the amount of money lent rather than the benefits received. Additionally, while the musharakah contract is generally suitable, it is less appropriate for products based on agriculture or livestock, as returns are typically seasonal, based on the harvest period rather than monthly.

Keywords: Contract, Financing, Sharia Cooperative

Introduction

The role of Sharia cooperatives within communities, especially for those with limited access to banking services, has become a solution for meeting financial needs. The presence of Sharia cooperatives can serve as an effective alternative to reduce the public's reliance on online loans, which have become increasingly prevalent (Shofa, 2020).

In an era of globalization and economic complexity, Sharia cooperatives play a strategic role in providing financing alternatives that align with Islamic economic principles. Particularly, investment financing in Sharia cooperatives is crucial in supporting the development of a Sharia-based economy, empowering cooperative members, and achieving sustainable economic goals (Rusydiana, 2018).

The purpose of Sharia cooperatives is to enhance the welfare of their members and society at large, contributing to a fair economic order based on Islamic principles. Based on this objective, Sharia cooperatives have several key functions and roles: First, to develop the potential and skills of specific members and the general public to improve socioeconomic well-being. Second, to strengthen human resources by fostering professionalism (fatnah), consistency, and steadfastness (stichkomah) in applying Islamic economic and Sharia principles. Third, to promote the development of a national economy based on family principles and economic democracy. Fourth, to act as an intermediary between financing sources and fund utilization, ensuring optimal asset utilization. Fifth, to strengthen group members' ability to work collaboratively and manage the cooperative effectively. Sixth, to create and expand employment opportunities. Seventh, to promote the development of productive businesses for its members (Sofiani, 2014).

Sharia cooperatives were established to advance the shared prosperity of cooperative members and society in general and to contribute to a humane and fair economic order in line with Islamic principles. The growing market share of Sharia cooperatives supports the empowerment of the lower-middle class by providing financing to small and medium enterprises (Marlina, 2017).

Several contracts in Sharia cooperative financing include musharakah, which is a partnership contract. This aligns with Sharia cooperatives as both encompass capital contributions, including capital deposits and mandatory savings, and profit sharing agreed upon in the annual general meeting. Another contract is mudharabah, a form of partnership that can be implemented with members or non-members in a Sharia cooperative. For example, a cooperative may provide business capital to a member, with the cooperative as the shahibul maal (capital provider) providing 100% of the capital to the mudharib (manager), with profit sharing agreed upon. The murabahah contract can also be used as an alternative to meet the needs of members through Sharia cooperatives. For instance, in vehicle purchases, the cooperative may facilitate it through a murabahah contract, purchasing the vehicle with an agreed margin, thereby earning a profit and helping members avoid riba (usury). The ijarah contract is also used, which entails an agreement with clear benefits or tasks for a specified compensation and timeframe (Anshori, 2021).

Benteng Mikro Indonesia (BMI) Sharia Cooperative offers investment financing products using the istisna, ijarah, and wakalah bil ujrah contracts, and it also provides productive financing for business activities using the ijarah, murabahah, and musharakah contracts. BMI Sharia Cooperative uses unique terms for its product names (Komarudin, 2024).

The ijarah, istisna, and wakalah bil ujrah contracts are relatively less common for investment financing in other Sharia financial institutions, while contracts like ijarah, murabahah, and musharakah, although typically used for productive financing, can also be applied to investment contracts. Therefore, the author will conduct a study on the contracts used in investment and productive financing products at BMI Sharia Cooperative to determine their alignment with Sharia principles through an in-depth and comprehensive analysis.

Investment products in the context of financing in financial institutions differ in meaning from investment products in the context of funding. Investment products for funding are financial institution products designed to raise funds from the public by offering a higher return rate than standard savings, such as through deposits or bonds. In contrast, investment products related to financing refer to financing products where customers participate in a financing or credit scheme, where the customer acts as the fund manager and the bank as the capital provider. In Sharia financial institutions, contracts used include partnership-based contracts such as musharakah or mudharabah (Hidayatullah, 2020).

The implementation of Sharia principles in investment financing involves several aspects to ensure alignment with Islamic values. Below are some commonly applied Sharia principles in investment financing; Mudharabah: A profit-sharing principle between the capital provider (*shahib al-mal*) and the capital manager (*mudarib*). In investment, this principle may be implemented through joint investment schemes, where profits and losses are shared according to prior agreement (Israhadi, 2014). Musharakah; A principle of partnership between two or more parties for specific business purposes. In investment, this principle can take the form of investment partnerships, with risks and profits shared proportionally among partners (Sari, 2017). Ijarah; A lease or asset usage principle involving payment of rent. This can be implemented in investment through leasing schemes, where assets are leased for investment purposes (Polindi, 2016). Murabahah; A cost-plus sale principle. In investment, this is applied through asset sales with a pre-agreed profit margin (Afrida, 2016). Wakalah; An agency or representation principle where one party acts as an agent for another. In investment, this principle can be applied by having an investment fund managed by an agent or investment manager on behalf of the investor (Nugraheni, 2017). Kafalah; A principle of guarantee. In investment, this could mean providing guarantees on capital or project performance (Nugraheni, 2017). Avoidance of Gharar (uncertainty) and Maisir (gambling): These principles guide Sharia-compliant transactions, emphasizing the avoidance of high speculation or uncertainty in investments (Ramly, 2019).

In Sharia-based investment financing, transparency, fairness, and social responsibility are also important factors to consider. Additionally, institutions offering Sharia investment products should have a Sharia supervisory board and Sharia audit procedures to ensure compliance with Sharia principles.

A comprehensive understanding of investment financing concepts within Sharia cooperatives is essential. Explaining the Sharia principles underpinning investment financing, such as mudharabah, musharakah, and others, provides a strong conceptual foundation. Investment financing in Sharia cooperatives involves pooling funds from cooperative members to be invested in Sharia-compliant investments. Key aspects of Sharia cooperative investment financing include; Member Participatio, Investment financing in Sharia cooperatives involves active participation by cooperative members. Members contribute capital for investment in projects or activities compliant with Sharia principles. Mudharabah and Musharakah Principles, Sharia cooperatives may apply mudharabah (profit-sharing) or musharakah (partnership) principles in investment financing. Members may jointly invest in projects and share profits based on prior agreements (Istan, 2018). Sharia-Compliant Projects, Investments made by Sharia cooperatives should comply with Islamic principles, avoiding sectors such as gambling, riba (interest), or industries associated with haram products. Transparency and Accountability, Sharia cooperatives should maintain transparency and accountability in managing investment funds. This includes sharing investment project information, financial results, and profit distribution with cooperative members. Risk Management, Risk management is an essential aspect of Sharia-compliant investment financing. Cooperatives should have policies in place to manage risks and protect member interests. Sustainability and Development, Sharia cooperative investment financing should contribute positively to economic and social development. Investment projects should support sustainability and have long-term positive impacts. Sharia Contracts, All transactions and investment financing in Sharia cooperatives should be based on Sharia contracts consistent with Islamic principles, involving clear and Sharia-compliant agreements. Inclusive Finance Approach, Sharia cooperatives can adopt an inclusive finance approach by providing opportunities for members with limited funds to participate in investments, allowing all members to benefit from investment activities (Rafsanjani, 2017).

It is crucial to note that implementing investment financing in Sharia cooperatives must adhere to Sharia regulations and applicable laws and involve supervision by a qualified Sharia body. Additionally, educating cooperative members about Sharia principles is key to the successful development of sustainable investment financing.

Methods

The research method used is qualitative research, as this approach is considered suitable for outlining research procedures that can yield descriptive data in the form of written or spoken words, whether directly or indirectly, from the parties involved in the study.

The data sources used include primary and secondary data. Primary data is obtained directly from the research object, specifically through interviews with informants, such as the manager of BMI Sharia Cooperative. Secondary data refers to the data used by the researcher, obtained from sources like books, journals, articles, and other literature related to the research subject, including the Sharia Cooperative website, Sharia Cooperative guides or manuals, relevant Sharia cooperative regulations, and DSN-MUI fatwas.

The data analysis technique employed is qualitative data analysis, which involves data that cannot be directly analyzed or measured with numerical values. The approach used is descriptive analysis, a method that focuses on current events, phenomena, or conditions. According to Hubberman and Miles, data analysis consists of several stages, including: data reduction, data display, and verification. The researcher will analyze the compatibility of the contracts used in productive and investment financing by reviewing data from interviews, reports, and the BMI Sharia Cooperative website in relation to legal contract compliance through regulations and DSN-MUI fatwas (data reduction). The analysis results will then be presented in descriptive form related to the application of contracts in productive and investment financing (data display), and finally, verification will be conducted by concluding the alignment or misalignment of contract application in productive and investment financing.

Results and Discussions

Result

Based on the data obtained from interviews and the Sharia cooperative website, the discussion on financing contracts in the Sharia cooperative indicates that the contracts used for each product serve different purposes according to the type of product offered. The following table presents data on the contracts used for each financing product and the purpose of each product.

Table 1 Financing Products in Sharia Cooperative

Contract	*Product*	*Types of Product*	*Product Purpose*
Murabahah	MMU/MMM	Productive	Business
Ijarah	MMC	Investation	Post-Education Payments
Musyarakah	MMT	Productive	Farming
Istishna	MTG/MTS/MTA	Investation	Construction

Murabahah Contract

The murabahah contract is used in the Mikro Mitra Usaha (MMU) and Mikro Mitra Mandiri (MMM) products, with the key difference between the two products being the maximum loan amount. The Mikro Mitra Usaha allows for a maximum of 20 million IDR, while the Micro Independent Partner provides amounts above 20 million IDR. For example, if a member has a small grocery store business and intends to increase their business capital by adding more items to sell, they can apply for murabahah financing. In this arrangement, the member is asked to prepare a budget plan listing the items they plan to purchase to stock their store, with the quantity of items aligning with the requested financing amount. The cooperative then provides funds to the member for the purchase of these items (under a wakalah contract, where the cooperative entrusts the member to buy items using the cooperative's funds). The member subsequently makes monthly payments to the Sharia cooperative in the form of installments, with a margin rate of 2%–2.5%.

Figure 1 Murabahah financing scheme in sharia cooperatives

Unlike the murabahah contract commonly used in Islamic banking, which is often applied to consumer financing products, the murabahah contract in BMI Sharia Cooperative is used for productive purposes, such as the need to purchase additional inventory or capital goods like machines, vehicles, and other tools that support business capital growth. Therefore, this contract is applied to the Mikro Mitra Usaha (MMU) or Micro Independent Partner (MMM) products, which are essentially designed to help members expand their businesses.

Ijarah Contract

Based on the interview, the ijarah contract is only found in the MMC (Mikro Mitra Cendekia) product, which is for educational expenses. This product is designed to pay educational bills or redeem diplomas for members or their children that are being held by the school. The member submits a request for payment or settlement of educational expenses to the Sharia cooperative. If approved, the cooperative will send an officer to visit the school to confirm and pay the educational bill. The ujrah charged by the Sharia cooperative is 15% of the educational amount provided, with the ujrah being based on the benefit of the cooperative sending an officer to confirm and settle the educational bill.

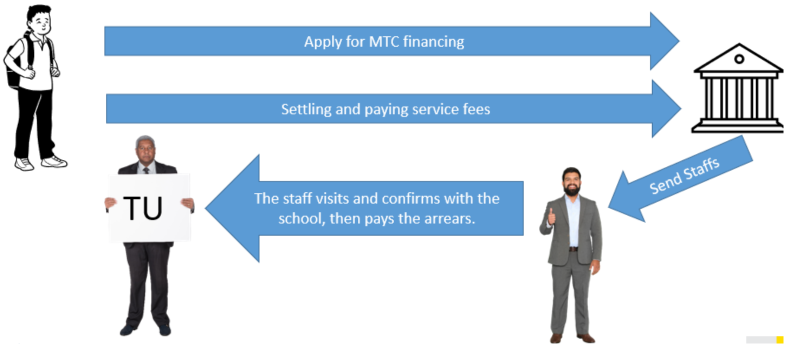

Figure 2 Ijarah financing scheme in sharia cooperatives

The MMC (Mikro Mitra Cendekia) financing scheme is a financing product in the field of education. Unlike general educational financing in Islamic banks or other financial institutions, where financing is provided before the customer registers or pays the education fees, the educational financing product at BMI Sharia Cooperative is designed to help members settle outstanding educational fees or redeem diplomas that are being held by the school due to unpaid bills. Therefore, it can be concluded that this type of financing is post-education, not pre-education, meaning this financing is provided to members after they or their children have completed their education.

Musyarakah Contract

The musyarakah agreement stipulated by sharia cooperatives is contained in the MMT (Mikro Mitra Tani/Ternak) product, where this product is aimed at farmers or breeders who need additional funds in order to increase the productivity of their agriculture or livestock. The scheme is, farmers apply for MMT financing to a sharia cooperative, the sharia cooperative then transfers a certain amount of funds to the farmer to the member's account at the sharia cooperative according to the amount of funds submitted. Farmers can withdraw funds from sharia cooperative accounts in stages according to their needs, for example for seeds, fertilizer, maintenance costs and harvest costs. The profit sharing ratio is 65% for farmers and 35% for sharia cooperatives. Members pay financing installments in monthly installments.

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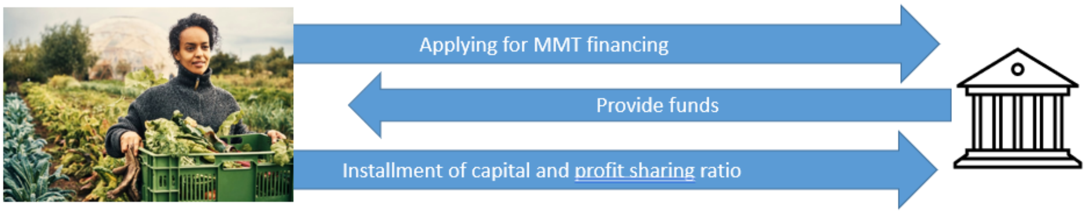

Figure 3 Musyarakah financing scheme in sharia cooperatives

Just like MMM or MMU financing which uses a Murabahah agreement, sharia cooperatives claim that the determined profit sharing ratio is considered smaller when compared to conventional cooperative interest and conventional banking interest. Because the profit sharing ratio determined is greater for members than for sharia cooperatives with a distribution of 65% for members and 35% for sharia cooperatives.

Istishna Contract

The Istishna contract for investment products in Sharia Cooperatives, in terms of application, is in accordance with the DSN MUI fatwa. Where the istishna contract that takes place is an ordinary istishna, where the seller or product maker is part of a sharia cooperative, namely a consumer cooperative that provides building goods for house construction purposes, bathroom and water source.

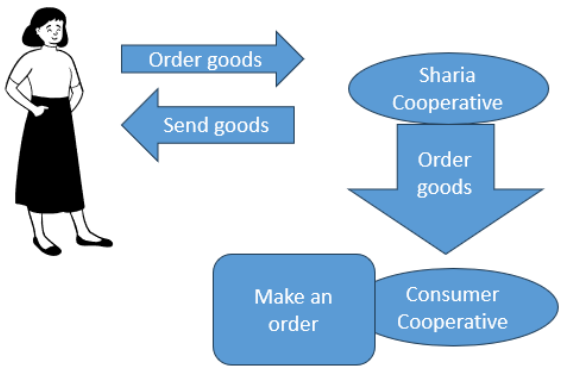

Figure 4 Istishna financing scheme in sharia cooperatives

Even though the term investment product is used, this financing is actually consumer financing used for the construction or construction of houses, bathrooms and water sources. This type of financing is called an investment product because this product is a reward for members who have good achievements while being members of the cooperative, including using productive financing products with a minimum membership of 2 years.

Discussion

Based on the research findings presented, it is known that each financing product, whether productive financing or investment financing, uses a different contract in accordance with the product's characteristics. Some products also have specific features based on the contract used. The following table shows the Product Characteristics:

Table 2 Characteristics of Financing Products

Contract	Product	Characteristics Products
Murabahah	MMU/MMM	- Business capital increase - Capital is directly used for purchasing goods - Members receive goods instead of money
Ijarah	MMC	- Includes Qardh and Ijarah contracts - Qardh contract is for loans - Ijarah contract is for cooperative services
Musyarakah	MMT	- Monthly installments and profit-sharing payments
Istishna	MTG/MTS/MTA	- The cooperative has a consumer cooperative to meet members' needs - Not parallel Istishna

Murabahah Contract

Based on the presented findings, it can be concluded that the murabahah financing implemented in the sharia cooperative is in accordance with the DSN MUI fatwa. Murabahah is a sale and purchase contract with a predetermined profit margin agreed upon between the cooperative and its members. However, in this case, the sharia cooperative has set the margin based on the amount of funds disbursed: if the amount is below 20 million, the margin is 2.5%, whereas for amounts above 20 million, the margin is 2%.

This compliance is evident in the implementation of the selling price determination mechanism, transparency in profit margins, and clarity regarding the goods being transacted. The sharia cooperative has correctly applied the murabahah principles by selling goods to members with an agreed profit margin, free from any element of riba (usury).

The reduction in margin as the amount of financing increases serves as a reward given by the sharia cooperative to members with a good track record and performance in murabahah financing under the Mikro Mitra Usaha (MMU) scheme. These members can then apply for the Independent Mikro Mitra Mandiri (MMM) scheme, which offers a higher financing ceiling but with a lower margin.

This system is designed to encourage cooperative members to upgrade their financing level from MMU to MMM, incentivized by a 0.5% margin reduction. Additionally, members applying for MMU financing will be motivated to ensure timely repayment of both the principal and the margin each month. This helps them build a good financial record, eventually allowing them to move up to the MMM level, which offers a higher financing ceiling.

Ijarah Contract

Based on the explanation of the MMC product discussed in the findings, it can be concluded that the MMC product involves both the Qardh and Ijarah contracts. Qardh contract refers to a loan agreement where no additional charges of any kind are allowed. Ijarah contract refers to a lease agreement for services or goods, where the lessor has the right to charge a fee based on the benefit derived from the service or goods utilized.

According to the DSN MUI fatwa, the sharia cooperative should determine the ujrah (fee) for members applying for MMC financing based on the benefit obtained by the cooperative from the member. The benefit in this case is the bill payment service for the member’s education costs.

However, in the MMC product, the Ijarah contract does not fully comply with the DSN MUI fatwa, particularly in the determination of ujrah (fee/lease). The fatwa states that ujrah in an Ijarah contract must be based on the benefit of the leased goods or services, not on the loan amount. In practice, however, the ujrah charged by the sharia cooperative is instead based on the amount of financing provided to members, which contradicts sharia principles. Since an Ijarah contract should focus on the benefit provided rather than the loan or financing aspect, the cooperative needs to revise its Ijarah mechanism to ensure compliance with sharia regulations.

Musyarakah Contract

The Musyarakah contract applied in sharia cooperative financing is generally in accordance with the DSN MUI fatwa. Musyarakah is a partnership contract between two or more parties who share capital and profits based on mutual agreement. However, in the context of agricultural and livestock financing, the Musyarakah contract may be less suitable. This is due to the nature of agricultural and livestock businesses, where yields are typically not obtained monthly but rather according to the harvest schedule. If loan repayment is due before the farmer has harvested their crops, there may be challenges in determining income.

The Musyarakah contract can still be applied in agriculture and livestock, but the installment payments for capital and profit should be scheduled based on harvest periods rather than monthly payments. For example, if a Musyarakah contract is set for one year in the agricultural sector with two harvests per year, then capital and profit repayments should also be made twice a year. The same principle applies to livestock farming—if the livestock can only be sold at specific times, then payments should align with those periods. However, if the agricultural or livestock products are harvested daily, weekly, or monthly, then repayments can be made monthly, with profits being accumulated from daily or weekly harvests.

Based on this discussion, the Musyarakah contract in the MMT (Micro Mitra Tani/Ternak) product can still be applied, provided that capital and profit repayment schedules are adjusted according to the type of agriculture/livestock and the member’s harvest cycle. If harvesting is daily, weekly, or monthly, payments can be made monthly, with profits accumulated over one month. If harvesting occurs beyond one month, repayment schedules should be adjusted to match the harvest period of the member.

Istishna Contract

The Istishna contract used by Koperasi Syariah BMI follows the regular Istishna model, which involves only two parties in the agreement. This scheme does not comply with DSN MUI Fatwa No. 32/DSN-MUI/IX/2002 concerning Islamic bonds (sukuk), which utilizes Istishna in an investment context. Additionally, this scheme also does not align with DSN MUI Fatwa No. 22/DSN-MUI/III/2002 on parallel Istishna, because the cooperative owns its own company that specializes in providing building materials (Komarudin, 2024).

Based on the findings and discussion, it can be concluded that the implementation of the Istishna contract in the MMG/MMT/MMS products complies with sharia principles. However, the terminology used does not refer to investment financing but rather consumer financing.

The sharia cooperative uses the term investment financing to differentiate it from productive financing, which is allocated to business sectors such as MMM and MMT. Investment financing is provided as a reward for members who have a good track record in other financing schemes.

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