

**AN ANALYSIS ON *MURABAHAH* APPLIED IN
BANK TABUNGAN NEGARA (BTN) SYARIAH MALANG BRANCH**

THESIS

Presented to the State Islamic University of Malang
In partial fulfillment of the requirement for degree of
SARJANA EKONOMI (SE)

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**MANAGEMENT DEPARTMENT
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THE STATE ISLAMIC UNIVERSITY OF MALANG
2007**

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This is dedicated to

Allah subhanahuwata'ala

My beloved Mother... Mother... Mother... and father

My beloved brothers, little brother, sister, brother in

law and sisters in law

My beloved Faculty

BTN Syariah Malang Branch

My beloved PMII

*"It is little bit of Allah's sovereignty that reflected by who
hope his bless in every breath she takes"*

(Rida,1 april 2007)

MOTTO

وَكَذَبًا كُنْتُمْ وَإِنْ بَيَّعْتُمْ فِي لَهْمَا بُورِكَ وَبَيَّنَّا صَدَقًا فَإِنْ يَنْقَرًا حَتَّى قَالَ أَوْ يَنْقَرًا لَمْ مَا بِالْخِيَارِ الْبَيَّعَانِ
بَيَّعْتُمْ بَرَكَةً مُحَقَّتٌ

“The seller and the buyer have a right to decide the alternative as long as both disassociate yet, their transaction is blessed when both of them are honest and explain the truth but when they lie and hide the truth maybe they will get the profit but they fade the blessing from it.” (Bukhari 1937)

Only the truth will set you free (letto, 2005)

CERTIFICATE OF THE AUTHORSHIP

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Certify that thesis I wrote to fulfill the requirement for the degree of Sarjana Ekonomi (S1) in economics faculty of State Islamic University of Malang entitled **“AN ANALYSIS OF MURABAHAH APPLIED IN BTN SYARIAH MALANG BRANCH”** is truly my original work. I do not incorporate any materials previously written or published by another person except those indicated in quotations and bibliography. Due to this fact, I am the only person responsible for the thesis if there is any objection or claim from others.

Malang, April 2007

The researcher,

Barida Hidayati

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Bismillahirrahmanirrahiim

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Malang, April 2006

The Researchers

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ABSTRACT

Hidayati, Barida 2007 THESIS. Title : “ An analysis on *murabahah* applied in BTN Malang branch”

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Based on the syariah bank progress, this research is held. It is specified on the murabahah financing. The murabahah is one of the financing products that based on the Islamic trading principle that is preeminence the honest between the seller and the buyer. According to the definition of murabahah, the researcher focuses on the transparency which has strong relation with it. This research investigates the transparency process in BTN Syariah including the transparency pre-akad, akad and after akad.

To answer the focused problem of the research which has to know about the application and the problem of Murabahah applied in BTN Syariah especially on its transparency, this research is designed using qualitative method. To collect the data the researcher uses interview, observation and documentation, while for verifying data the researcher uses source triangulation and method triangulation. The data collected and verified is analyzed using Miles and Hubberman analysis method. The research result is described in narration, table, picture and audio visual description.

Based on the methodology described above the researcher concludes that murabahah transparency is done well in BTN Syariah Malang Branch, even it is found many problem on it. The problem found is identified on pre akad, on akad and before akad. the problem on pre akad is found around the bank explanation and the client understanding, the akad problem is found around the akad reading and the akad signing while the after akad problem is found around the accelerate payment formula. To solve the problem the researcher completes the thesis with the recommendations for BTN Syariah Malang Branch not only that the researcher also give some recommendations for next researcher to improve this thesis further.

CHAPTER I

INTRODUCTION

A. THE RESEARCH BACKGROUND

Most of Indonesian people are Moslems who hold Islamic rules tightly. Therefore, Islamic bank is approved well in Indonesia. The Islamic banking progress is shown by high profit issued year by year which mostly derived from *murabahah*, taking more than 50% of all Islamic banks' income, as seen in the table below

Table 1.1
Composition of Financing of Islamic Banks (Million IDRs)

Item of Financing		Month (2006)					
		June	July	Aug	Sept	Oct	Nov
Musyarakah Financing	Amount	2,099,122	2,206,084	2,298,641	2,336,017	2,340,342	2,327,692
	Share	11.56%	11.91%	12.07%	11.88%	11.65%	11.42%
Mudharabah Financing	Amount	3,560,848	3,636,451	3,697,849	3,842,979	3,949,879	3,966,193
	Share	19.61%	19.63%	19.42%	19.54%	19.66%	19.45%
<i>Murabahah</i> Receivable	Amount	11,778,333	11,843,364	12,118,566	12,449,101	12,628,938	12,857,789
	Share	64.85%	63.92%	63.66%	63.31%	62.87%	63.05%
Salam Receivable	Amount	-	-	-	-	-	-
	Share	0	0	0	0	0	0
Istisna' Receivable	Amount	293,359	301,079	303,335	303,440	314,370	346,185
	Share	1.62%	1.63%	1.59%	0.15%	1.56%	1.70%
Others	Amount	430,464	540,250	619,201	731,005	854,455	893,561
	Share	2.37%	2.92%	3.25%	3.72%	4.25%	4.38%
Total		18,162,126	18,527,228	19,037,592	19,662,542	20,087,984	20,391,420

Sources : Islamic Banking Statistic August-November 2006, browsed from www.bi.go.id

Based on the table above *murabahah* is a popular financial product of financing in Islamic banking. Not only in Indonesia, but also in most of Islamic banks around the world are dominated by *murabahah* financial product, such as Malaysia (86.2%), Bahrain (69.9%), Bangladesh (61.0%), Emirate (96.3%), Jordan (43.9%), and Turkey (17.3%). In those countries, other funding and financial products just take a little part from the entire system of Islamic banking (Mu'alim, 2004)

The majority percentages of this kind of finance are used for consumptive activity. More than 90% of *murabahah* financing is deals with an instalment purchase of motor payment (Modal Magazine, 2003; 82).

Other side Mu'alim (2004) says about the specific comparison. He compares between the *murabahah* and the *mudharabah* only. The truth main principle of banking is profit sharing (*mudharabah*) which has changed by *murabahah* as consumptive financing

Bambang (Riaupos.com; 2005) says that *murabahah* surpasses other products on three points. First *murabahah* is implicable; second it is predicable, third it is unnecessary to know the customers deeply

Those descriptions about *murabahah* domination are completed by Triyuwono in his journal (2000) that informs about the costumer's perception and preference on Islamic banking. He says that the

customer consumes Islamic bank's product rationally. This reason makes the customer consider about the advantages they will get.

According to the preliminary survey, Bank Tabungan Negara *Syariah* (BTNS) is chosen as the object because it has *murabahah* domination in its financing composition. Besides, it has been identified as one the bank that specifies the property which uses *murabahah* as the *akad* (agreement). This is the distinctive features of BTNS that distinguishes it from other *Syariah* which becomes the reason why the researcher prefers it to be the research object.

Based on the arguments above we know there are two perspectives that make *murabahah* dominates the financial product. Those are bank perspective and customer perspective. Those will be the base of this research

B. THE RESEARCH PROBLEM

Based on the background written above, there are many considered questions that *murabahah* becomes the most desirable financial product.

The significant problems of this research are formulated in the questions below:

1. How is the application of *murabahah* in BTN *Syari'ah* Malang branch?
2. What problems are faced by BTN *Syari'ah* Malang in applying *murabahah* and how is the solution?

C. THE RESEARCH OBJECTIVE

Related to the focused problem elaborated in this research, the objectives of the research are:

1. Describing the application of *murabahah* in BTNS Malang branch
2. Identifying problems and recommending its solutions in applying *murabahah* at BTNS Malang Branch.

D. SCOPE AND LIMITATION

To simplify the analysis, the researcher sets some scope and limitation on this research. The scope and limitation is focused on the financial transparency process of *murabahah* categorized previously, on and after *akad*. The researcher takes the transparency because it is strongly related with the *murabahah* main concept that told the seller to divulge the main cost, the margin and the related expenses to the buyer. The researcher determines the *akad* as the standard process because the *akad* is an instrument which distinguishes *Syariah* banking with conventional banking

E. THE RESEARCH SIGNIFICANCE

There are three points of significance of the research as the following:

1. For academicians :

This research will enrich the reference on *murabahah* as a guide to conduct further researches on similar fields.

2. For the related instances :

This research helps them to know more the potential of *murabahah* finance. It also can be used as one of measuring standards on Islamic financial products. Furthermore, they can identify what problems are faced by Islamic banking in *murabahah* practice.

3. For the government :

This research has some benefits such as a picture of the economic condition of Indonesian people on the recent banking system, as one of reference applications for Islamic banking regulation and as a standard result on applicable Islamic banking system policies.

CHAPTER II

REVIEW OF THE RELATED THEORY

A. RELATED RESEARCH THEORY

A.1 *Murabahah*

A.1.a Definition of *Murabahah*

Many views explain the definition of *murabahah* in various ways. Surachman says that *murabahah* is derived from *rabiha yarbahu*, it is takes a profit on selling price more than purchasing. The *murabahah* distinctive feature is profit known on seller and purchaser, so the seller has to tell how many incurred for getting the commodity to the purchaser.

Utsmani (2006) says that *Murabahah* is a particular kind of sale where the seller mentions the cost of the sold commodity he has incurred, and sold it to other person by adding some profit or mark-up thereon.

Murabahah was originally an exchanging transaction in which a buyer purchases items from a seller at a specified profit margin payable to the seller (www.bankislam.com) that indicates that the seller will divulge his costs accurately, such as the profit margin agreed both of them

Widodo (1994; 49) views *murabahah* as the exchanging transaction of commodity with deferred payment. Here, the buyer will pay at subsequent date in validity period on purchasing price as much as the main cost remain with additional profit ratified consent.

On Arifin's view (200; 32) *Murabahah* lays contract where the commodity hands over the principle price (the incurred price added with profit agreed) that is paid in subsequent day in lump sum

Antonio says (2001; 101) *bai'I al murabahah* is a transaction commodity with aggregate price including profit and cost known by both parties. In *ba'I al murabahah* the seller must tell the main price he spends for and the profit he takes as addition for the commodity.

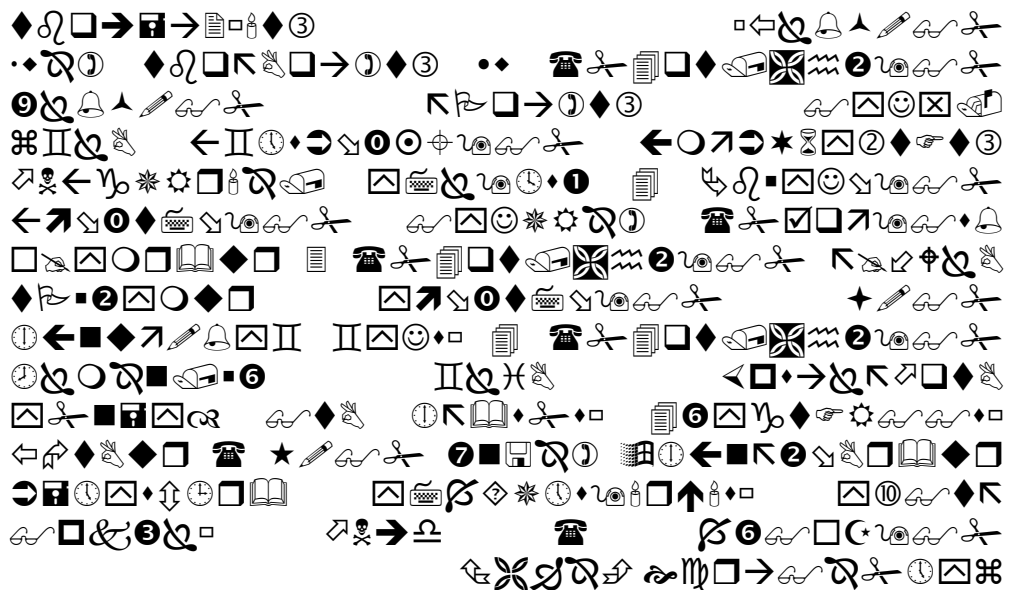
On DSN fatwa (2000) the meaning of *murabahah* is some transactions where bank (as the seller) sells some commodity with the main price added with the mark up. This bank has to inform the main price, the mark up and the related expenses honestly.

Based on the definitions above *murabahah* concluded as a kind of transaction that the seller has to divulge the main price, the mark up and the related expenses to the buyer accurately

A.1.b Fundamental Law of *Murabahah*

Murabahah does not have certain decisive law permitted in this kind of transaction. Nevertheless, based on general concept *murabahah* can be allowed in particular fact. The following are the concept inferred from the holly *quran* and *hadith*

Al Baqarah 275



The meaning: *Those who swallow down usury cannot arise except as one whom Shaitan has prostrated by (his) touch does rise. That is because they say, trading is only like usury; and Allah has allowed trading and forbidden usury. To whomsoever then the admonition has come from his Lord, then he desists, he shall have what has already passed, and his affair is in the hands of Allah;*

and whoever returns (to it)-- these are the inmates of the fire; they shall abide in it.

An Nisa' 29



The meaning: O you who believe! Do not devour your property among yourselves falsely, except that it be trading by your mutual consent; and do not kill your people; surely Allah is Merciful to you.

On hadith

1. On Muhammad prophet hadith profiled by al Baihaqi and Ibnu Majjah, corrected by Ibnu Hibban then, From abu sa'id al khudri that Rasullah said "*virtually the transaction done on willingness both of parties* "

2. From Suhaib Ar Rumi RA, Rasullalah said "*three kinds there is enveloped by favor of blessing, deferred transaction, muqarradhah (shared profit) and mixed wheat with flour in order to complete household needed does not any mind to sell it*"

Ijma

Fatwa no 04/DSN-MUI/IV/2000 describes the legality of the *murabahah*. In this fatwa, *murabahah* is regulated generally. This talks about the agreement, the object, the mechanism, the principles, the requirement and other. (For more look at A.1.d about Fatwa MUI page 10)

Fundamental laws mentioned above are inducted by *fiqh* that states the base of all *muamalah* thing is permitted except when there is postulate prohibiting it

A.1.c. Basic Rules of *Murabahah*

As mentioned above *murabahah* is a part of general transaction that has a specific feature divulged by many views. The following are the features according to different view:

1. On Muhammad view (2004)
 - a) The buyer must have enough knowledge about related expenses, the main cost, and the mark up that determined in numerical and percentage
 - b) The object is payable money
 - c) The object is under seller's possession and handovered to the buyer
 - d) Instalment deferred payment
2. On Karimsyah view
 - a) *Murabahah* is based on direct and indirect orders
 - b) Indirect order has a tied feature
 - c) The settlement can be on the spot or on the *instalment* payment method
 - d) The bank may gives discount to the customer who :

1. Pays the obligatory rapidly
 2. Settles the obligatory before the subsequent date
- e) Consent price on *murabahah* finance is main cost added with the mark up that has to divulge to the buyer
- f) The bank may ask guarantee for this financing
- g) The bank may ask *urbun* as purchasing advance when the agreement is signed
- h) When the default happened the bank may take the fines except the customer is proved in unable for settling
3. On Islamic finance view
 - a) The end user settles the amount outstanding in one lump sum upon delivery or thereafter.
 - b) The settlement date must be specified.
 - c) The bank maintains ownership of the purchased items until delivery.
 - d) The bank bears all the costs and risks of ownership until delivery.
 - e) The end user and bank must pre-agree and specify the mark-up to be applied.
 - f) The goods subject to the transaction must be specified.
 - g) The cost of the required items and other relevant costs must be specified prior to the contract.

- h) In the event of default by the end user, the bank only has to recourse the items financed and no further mark-up or penalty may be applied to the outstanding sum. The seller may alternatively require the buyer to make a pre-specified donation to an agreed charity.
- i) The item purchased by the bank cannot be under the ownership of the bank but must instead belong to a third party at the time of contract.
- j) The seller may require the buyer to furnish security for the due payment but only at the time during the delivery of the purchased items to the buyer.

4. On Meezanbank view

- a) The subject of sale must exist at the time of the sale. Thus, not anything that may not exist at the time of sale can be sold and its non-existence makes the contract void.
- b) The subject matter should be in the ownership of the seller at the time of sale. If he sells something that he has not acquired himself then the sale becomes void.
- c) The subject of sale must be in physical or constructive possession of the seller when he sells it to another person. Constructive possession means a situation where the possessor has not taken physical delivery of the

commodity yet, it has come into his control and all rights and liabilities of the commodity are passed on to him including the risk of its destruction.

- d) The sale must be instant and absolute. Thus a sale attributed to a future date or a sale contingent on a future event is void. For example, 'A' tells 'B' on 1st January that he will sell his car on 1st February to 'B', the sale is void because it is attributed to a future date.
- e) The subject matter should be a property having value. Thus a good having no value cannot be sold or purchased.
- f) The subject of sale should not be a thing used for an un-Islamic purpose.
- g) The subject of sale must be specifically known and identified to the buyer. For Example, 'A' owner of an apartment building says to 'B' that he will sell an apartment to 'B'. Now the sale is void because the apartment to be sold is not specifically mentioned or pointed to the buyer.
- h) The delivery of the sold commodity to the buyer must be certain and should not depend on a contingency or chance.
- i) The certainty of price is a necessary condition for the validity of the sale. If the price is uncertain, the sale is void.

- j) The sale must be unconditional. A conditional sale is invalid unless the condition is recognized as a part of the transaction according to the usage of the trade.

A.1.d. MUI FATWA

1. The General *Murabahah* Postulate

Indonesia Shariate Council fatwa no 04/DSN-MUI/IV/2000 on *murabahah* states that following

First: General principle of *murabahah* on Islamic banking

- a) The agreement is free from usury
- b) Not doing transaction on illicit commodity
- c) The bank finances the consent commodity either partly or totally
- d) The bank purchases the commodity on its favour, which should be confirmed and free from usury.
- e) The bank should inform about many thing related with the commodity purchasing
- f) The bank then, sells the commodity to the customer in main cost price added by profit margin. In this case, the bank has to be honest in telling the truth about it and about the related expenses.
- g) The customer has to pay the commodity on consent validity date.
- h) To prevent the commodity from damage and the misuse, the bank may make a particular agreement.

- i) If the bank favours the purchase to the customer, the agreement is done after the commodity is in the bank's possession

Second: *murabahah* customer regulation

- a) The customer proposes and promises to buy some commodity from the bank
- b) When the proposal is received, the bank has to purchase the ordered commodity legally.
- c) The bank then offers the commodity to the customer, and the customer has to receive the offer as the agreement they have done. Because the agreement is legally binding, so both parties have to make the next transaction contract.
- d) The bank may ask for an advance payment for settling when the agreement is signed
- e) When the customer refuses the commodity, the real expenses are paid from the advance payment
- f) When the advance payment is less than the incurred cost for buying the commodity, the bank may ask the customer to remain the incurred cost
- g) If the advance payment is used as *urhun* contract, the customer can pay the settlement price when he has decided to buy the commodity. If the customer does not purchase it, the advance payment becomes the bank's right.

2. The cash Discount Of *Murabahah*

Indonesia Shariate Council fatwa no 16/DSN-MUI/IX/2000 about Discount of *Murabahah*

First: General Regulation

- a) The price is consent price between the customer and the bank
- b) The selling price as the price and related cost incurred is added with the consent mark up
- c) If the commodity discounted by the supplier, the discount becomes customer's right and the main price is discounted price.
- d) When the price is discounted after agreement, the discount is shared based on signed agreement.
- e) The discount sharing when the agreement is signed should be written on the agreement.

Second: When one of the parties does not fulfill the duty or disputes it, it will be finished through *syariahte* Arbitrate Institution after some negotiation.

3. The Advance Payment

Indonesia Shariate Council fatwa no 13/DSN-MUI/IX/2000 about Advance payment

First: General Regulation

- a) The Bank may ask the advance payment in consent of both parties

- b) The amount of the advance payment is decided based on the agreement of both parties
- c) If the customer canceled the agreement, the customer has to give the advance payment as amends of the cancellation
- d) When the advance payment is less than bank's financial lost bank may ask the customer to complete it.
- e) When the advance payment is more than the bank's financial lost, the bank has to return the residue of the advance payment.

Second: When one of the parties does not fulfill the duty or disputes it, it will be finished through Shariate Arbitrate Institution after some negotiation.

4. The reduction Amount Of *Murabahah*

Indonesia Shariate Council fatwa no 46/DSN-MUI/II/2005 about Reduction Amount of *Murabahah*

First: General Regulation

- a) The bank may give the reduction to the customer who has paid the obligatory on subsequent termed date or to the customer who has default payment.
- b) The amount of reduction is decided by the bank
- c) The reduction is not written on agreement.

Second:

- a) When one of the parties does not fulfill the duty or disputes it, it will be finished through Shariate Arbitrate Institution after some negotiation.
- b) This postulate is available from legitimation date until the subsequent date. It will be changed when something is proved wrong.

5. The reagreement of *Murabahah*

Indonesia Shariate Council no 49/DSN-MUI/II/2005 about Reagreement of *Murabahah*

First: General Regulation

The bank may do reagreement to the prospect default customer by the requirement as follow:

- a) The agreement of *murabahah* is stopped in the following:
 - 1) The object of *murabahah* is sold by customer to the bank on market price
 - 2) The customer settles the remain debt from the price
 - 3) The excess of price on remain debt can be earned payment for *ijarah* agreement or becomes apart of *mudharabah* and *musyarakah*
 - 4) The less of selling price on remain debt becomes the customer debt that determinated the payment by the bank and customer consent.

b) The Bank and the customer can make reagreement on :

- 1) *Ijarah Muntahiyah Bit Tamlik* on the object that refers to Indonesia Syariahte Council no 27/DSN-MUI/III/2002/ on *Ijarah Muntahiyah Bit Tamlik*
- 2) *Mudharabah* on the object that refers to Indonesia Syariahte Council no 07/DSN-MUI/IV/2000/ on *Mudharabah* financing (*Qiradh*)
- 3) *Musyarakah* on the object that refers to Indonesia Syariahte Council no 08/DSN-MUI/IV/2000/ on *musyarakah* financing.

Second: When one of the parties does not fulfill the duty or disputes it, it will be finished through Shariate Arbitrate Institution after some negotiation.

6. The settlement Of *Murabahah*

Indonesia Shariate Council no 47/DSN-MUI/II/2005 about Settlement of *Murabahah*

First: general regulation

The bank may do force settle the *murabahah* financing to the default costumer in way

- 1) The object of *murabahah* or other guarantee is sold by the customer to or through the bank on market price
- 2) The customer settles the remain debt from the selling gain

- 3) The bank has to return the over of selling price on remained debt to the customer. Customer has to pay the less of selling price as debt. The bank should discharge the customer who is incapable of paying the remained debt.

Second:

- a) When one of the parties does not fulfill the duty or disputes it, it will be finished through *Syariahte* Arbitrate Institution after some negotiation.
- b) This postulate is available from legitimation date until the subsequent date. It will be changed when something is proved wrong.

7. The rescheduling Of *Murabahah* Payment

Indonesia Shariate Council no 48/DSN-MUI/II/2005 on Rescheduling Of *Murabahah* Payment

First: General Regulation

The bank may reschedule the default customer in requirement as the following:

- a) Not giving addendum on remaining debt
- b) The rescheduling expenses is real expenses
- c) The tolerant settlement time is based on consent of both parties.

Second: When one of the parties does not fulfill the duty or disputes it, it will be finished through Shariate Arbitrate Institution after some negotiation.

A.1.e. *Murabahah* Mechanism

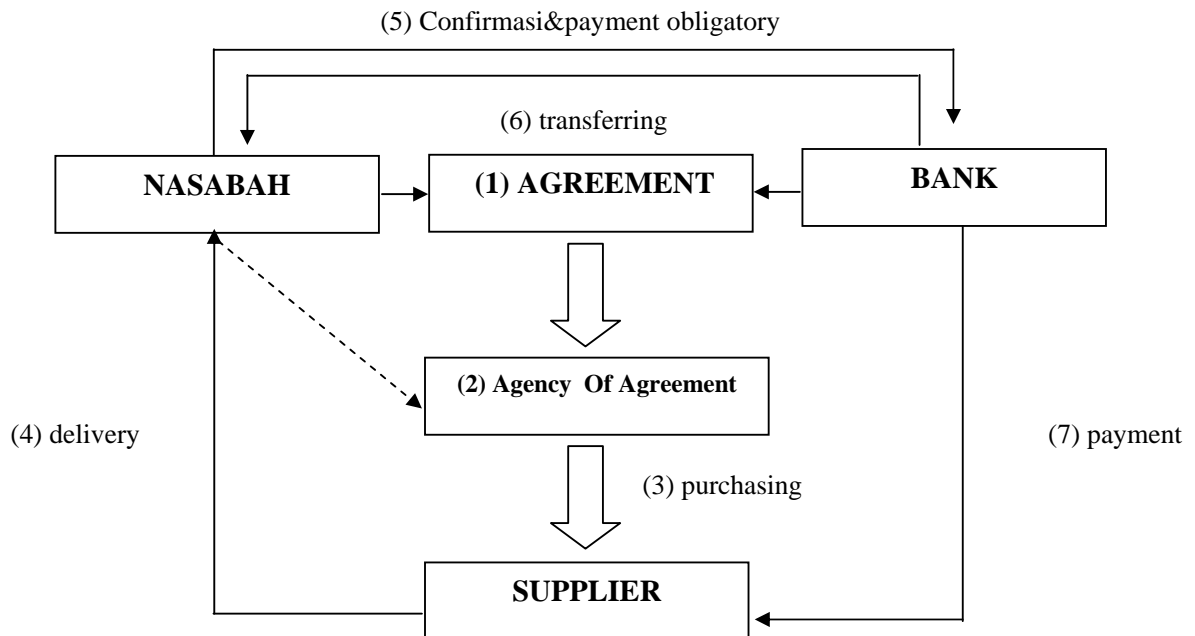
The mechanism of *murabahah* is divided into two kinds of mechanism; there are direct *murabahah* method and indirect *murabahah* method.

Bank takes a role as direct seller on direct *murabahah* method. As Usmani said that *murabahah* mechanism have many steps namely :

1. The bank and customer sign the agreement that wrote the promise of selling and buying at certain commodity on certain price between them.
2. The agency of the agreement is signed by both parties in which pointed by the bank to do the transaction.
3. The customer buys the commodity on bank's favour
4. The customer informs that he had bought the commodity and makes some offer for the bought commodity to the bank.
5. Bank approves the customer's offer

the above process is summarized in the following figure

Figure 2.1
Indirect *Murabahah* Mechanism



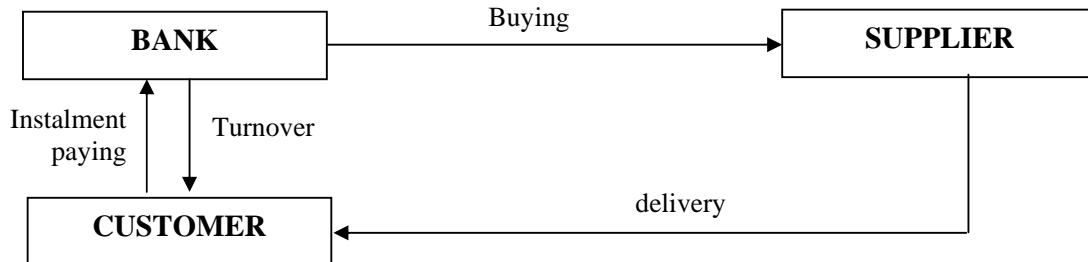
Furthermore, Riflan (2001; 26) tries to explain about direct *murabahah* mechanism as the following steps:

- Bank buys the commodity from the supplier for the customer.
- The bank turnovers the commodity to the customer as consent price, including the profit stipulated.
- The customer has to settle the debt, during liquidity date.

Usually the settle is in *instal* form.

To describe the steps, Riflan presents direct *murabahah* picture as the following

Picture 2.2
Direct Murabahah Mechanism



Source: Riflan Muhammad, 2001; 26

A.2 Islamic Banking

A.2.a The Definition of Islamic Banking

Another terminology of Islamic banking is *syariah* bank. In encyclopedia, Islamic bank is defined as financial institution that gives credit, services on traffic payment and money circulation by Islamic laws.

A.2.b Historical Background of Islamic Banking

Indonesia started to adhere dual system of banking named by Islamic banking and conventional banking in 1992 while before it Indonesia adheres the conventional banking only.

The background of this banking appearance was the postulate that states about the illicit of banking rate. In order that the banking rate defected

The foundation of Islamic banking act on statute no 7/1992 and no 72/1992 explains the profit sharing. Based on that statute the first Islamic banking is Bank Muamalat Indonesia (BMI). The overtake statute is statute no 10/1998 in which followed by Central Bank Director Letter 12 Mei 1999 that regulates the conventional bank, and conventional bank which based on *syariah* principles (Utary,2006;7)

A.2.c The Differences of Islamic Banking with Conventional Bank

Actually Islamic and conventional banking has many sameness and differences. Antonio tries to distinguish them on four aspects as follow:

1. Legality aspect
2. Structure of organization
3. Financing field
4. Work environments

Those aspects are described by Antonio on the table below:

Table 2.1
Islamic Banking and Conventional Banking Differences

ISLAMIC BANKING		CONVENTIONAL BANKING	
1.	Islamic lawful investment only	1.	Islamic lawful and unlawful investment
2.	Sharing profit or leasing principle	2.	Interest rate banking
3.	Customer partnership	3.	Debtor and creditor relationship
4.	Collect and allocated funds under Islamic underseer committee	4.	No underseer committee to control banking activity
5.	Profit and <i>falah</i> oriented	5.	Profit oriented

Source: Antonio, 2001; 34

A.2.d The Product of Islamic Banking

Financing or loan is applied by Islamic banking in many kinds of system. Organized by the decree of Indonesian Islamic banking director 32/34/kepdir date 12th of May 1999 chapter VI, section 28 on concern Islamic banking, mentions that banks has to apply the *syariah* principle in all financial matter including :

- a) Collecting fund from public in
 1. demand deposit (*giro*) which is based on *wadi'ah* principle
 2. Saving which based on *wadi'ah* or *mudharabah* principles
 3. Investment account which is based on *mudharabah* principle
- b) Allocating funds through
 1. *Murabahah*
 2. *Istisna'*

3. *Ijarah*

4. *Salam*

c) Finance which is based on:

1. *mudharabah* principle

2. *musyarakah* principle

d) other finance which is based on:

1. *Hiwalah* principle

2. *Rahn* principle

3. *Qard* principle

The following is the explanation of the above principles

1. *Murabahah*

Murabahah is defined as the finance where the bank provides funds to buy needed commodity. In practice the method *murabahah* is selling-buying processes in aggregated price including incurred cost (expense additionally) and stipulation profit. The seller has to disclose the price clearly on deferred payment of mutual consent validity date of both parties

2. *Mudharabah*

Mudharabah is defined as the finance for those who have potential skill but do not have enough equity to concern. The bank will provide full finance to fund them. The bank as the *shohibul mal* (wealth owner) lends the money to them in order to concern well.

The profit-shared ratio is usually in 30%:70%; 35%:65%; 40%:60 up to consent a both. In principle, the bank and the customer will bear the loss together when it happens to the customer

3. *Ba'i al istisna*

Ba'i al istisna is defined as ordering contract signed by producer and the order party to make certain commodity.

4. *Ijarah*

Ijarah is defined as an agreement between the commodity owners with the leaser. The agreement permits the leaser to take utility from leased commodity in which the leaser has to pay certain money written on agreement paper.

5. *Musyarakah*

Musyarakah is defined as lending and funding totally. The bank provides funds to financing the project, in which bank included in management of project. The relation a both is as partner in business. *Musyarakah* is based on shared profit (*mudaharabah*) principle. The profit-shared ratio usually at 50:50 or others based on the seller and buyer mutual consent.

6. *Ba'i bi tsamani Ajil*

Ba'i bi tsamani Ajil is similar to *murabahah* but the payment uses instalment method.

7. *Ba'I as salam*

Ba'I as salam is defined as transaction in clearly intangible commodity. The seller explains about the quality, quantity; quality of commodity to the buyer. The seller has no possession on it. *Ba'I as Salam* uses deferred payments method to settle the transaction.

8. *Hiwalah*

Hiwalah can happen when two parties that have an agreement to transfer. It shows that one person who has obligatory wants to transfer his duty to other parties. This case is called by *hiwalah*.

9. *Rahn*

Rahn is recognized by customer as a pawning. *Rahn* based on *ta'awun* principle. *Ta'awun* principle can be elaborated to volunteer help and wholehearted devotion. It is not important for *rahn* to take a profit in its transaction. *Rahn* is prevailed to all of the wealth, involving moving and idle wealth.

10. *Qard al Hasan*

Qard al Hasan is defined as financing policy given by Islamic banking without quoted shared profit from object (customer). In case, the customer has to return amount of money financed by Islamic banking without addition rate. When the object (customer) was incapable of paying his obligatory in certain

amount on validity date termed. Islamic banking prohibited to punish him. The bank does not claim the customer to pay back the loans.

A.3 The Usury, Interest and Profit-Sharing

A.3.a The Usury

A.3.a.1 Usury definition

Usury is defined in various definitions. On his book Antonio (2001) presents the definition of usury from many sources such as Badr ad Din al Ayni, Imam Sarakhsi, Raghīb al Asfahani, Imam an Nawawi, Qatadah, Zaid bin Tsabit, Mujahid, Ja'far ash Shadiq, dan Imam Ahmad bin Hanbal but from the definition above there one point caught it is addendum from something. Finally, usury is defined as the act of lending money at an exorbitant or illegal rate of interest.

A.3.a.2 Kinds of Usury

In general, usury is grouped into two kinds. There are receivable-liability usury and selling usury. The former is divided into *Qardh* usury *jahiliyah* usury. While the latter is divided into *fadhil* usury and *nasi'ah* usury Antonio (2001; 41)

a) *Qardh* Usury

Qardh Usury is a benefit or amount of the certain excess signed to the debtor

b) *Jahiliyah* Usury

Overpaid debt from the main debt mount caused by the debtor is unable to pay for his/her debt in determined date.

c) *Fadhl* Usury

Bartering the same kind of commodity with the different rating and measuring. While the commodity bartered is included on the kind of *ribawi* commodities.

d) *Nasi'ah* Usury

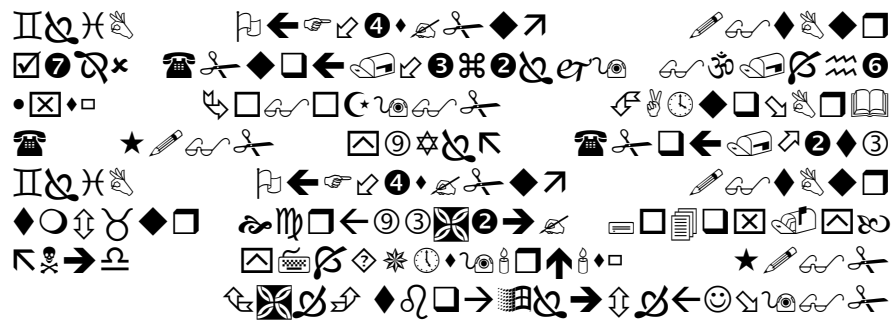
Nasi'ah Usury is bartering the *ribawi* commodities in deferment way.

B.2.a.3 Usury Prohibition

Al Quran

In al Quran there are some phases in course of interdiction of the existence of the usuries

In the First phase is the assumption that usury helps people to get closer to Allah SWT is refused

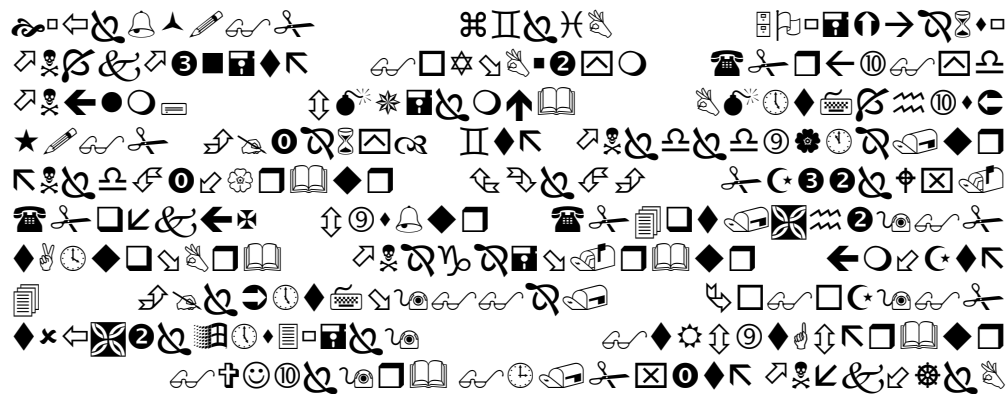


The meaning : *And whatever you lay out as usury, so that it may increase in the property of men, it shall not increase with Allah; and whatever you give in charity, desiring Allah's pleasure-- it is these (persons) that shall get manifold.*

In the second phase, usury is described as something ugly. Allah

SWT menaces that he will give requite to the yahudi people who take the usury.

An Nisa 160-161



The meaning : *Herefore for the iniquity of those who are Jews did We disallow to them the good things which had been made lawful for them and for their hindering many (people) from Allah's way.[4.161] And their taking usury though indeed they were forbidden it and their devouring the property of people falsely, and We have prepared for the unbelievers from among them a painful chastisement.*

In the third phase, usury is illicit caused by the multiple addendum

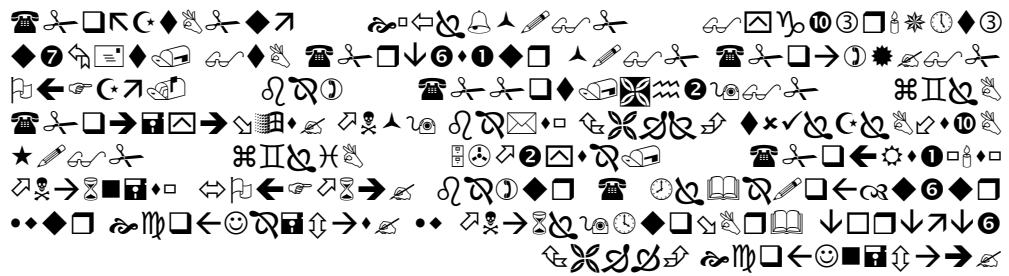
Al Imran 130



The meaning : *O you who believe! Do not devour usury, making it double and redouble, and be careful of (your duty to) Allah, that you may be successful.*

In the fourth phase, Allah SWT clearly and coherently prohibits any illicit of addition type which is taken from the debt

Al Baqarah, 278-279



The meaning: *O you who believe! Be careful of (your duty to) Allah and relinquish what remains (due) from usury, if you are believers. But if you do (it) not, then be apprised of war from Allah and His Apostle; and if you repent, then you shall have your capital; neither shall you make (the debtor) suffer loss, nor shall you be made to suffer loss.*

A.3.b Interest

A.3.b.1 Interest Definition

In dictionary cited by Muhammad (2000), interest is defined as addendum responsibility for loaned money. According to the other opinion, interest is defined as amount of money paid or calculated for the capital using, where the amount is usually expressed with one storey; level or percentage concerning capital that named as a rate of interest capital

A.3.b.2 Relationship between Interest and Usury

From its definition and history, it can be concluded that interest and usury have the same substance. The meaning of both is addition money which is usually generalized in percentages.

A.3.b.3 MUI Fatwa

The Religious Advices of Indonesia Moslem council Decision Number 1 year 2004 about interest stated:

"Interest practice in this time has fulfilled the usury criterion happened in Rasulullah SAW era, Yes this is *Nasi' Ah* usury. Thereby, interest practice is inclusive of one of usury form, and the usury is illicit. Its practice is unlawful, although the practice conducted by bank, assurance capital market, judgment, Co-Operation, other Financial Institution and also that conducted by individual"

A.3.c Profit - Sharing

Generally, profit-sharing principle in syari'ah banking application can be done with four main *akad* (agreement) there are *al musarakah*, *al mudharabah*, *al muzara'ah* and *al musaqah*. Further, those *akad* are not only based on profit sharing principle but also based on income sharing

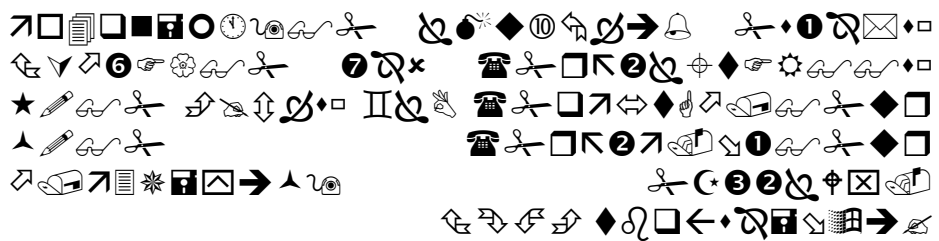
A.3.c.1 Fundamentally law

Al Quran

Al Muzamil 20

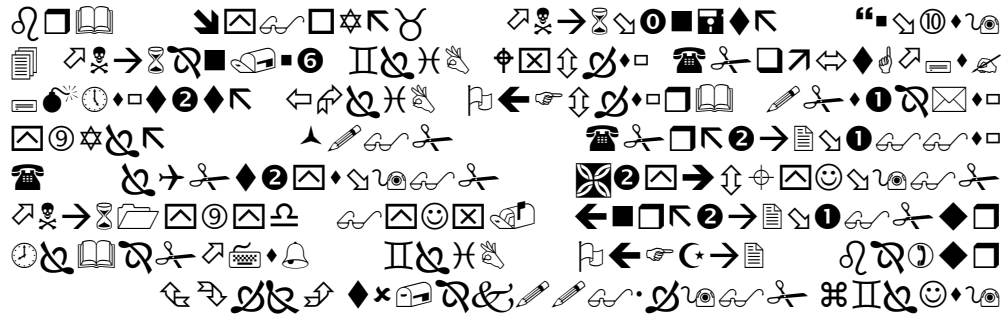
The Meaning : [73.20] *Surely your Lord knows that you pass in prayer nearly two-thirds of the night, and (sometimes) half of it, and (sometimes) a third of it, and (also) a party of those with you; and Allah measures the night and the day. He knows that you are not able to do it, so He has turned to you (mercifully), therefore read what is easy of the Quran. He knows that there must be among you sick, and others who travel in the land seeking of the bounty of Allah, and others who fight in Allah's way, therefore read as much of it as is easy (to you), and keep up prayer and pay the poor-rate and offer to Allah a goodly gift, and whatever of good you send on beforehand for yourselves, you will find it with Allah;that is best and greatest in reward; and ask forgiveness of Allah; surely Allah is Forgiving, Merciful.*

Al jumu'ah 10



The Meaning : [62.10] *But when the prayer is ended, then disperse abroad in the land and seek of Allah's grace, and remember Allah much, that you may be successful.*

Al Baqarah 198



The Meaning : [2.198] *There is no blame on you in seeking bounty from your*

Lord, so when you hasten on from "Arafat", then remember Allah near the Holy Monument, and remember Him as He has guided you, though before that you were certainly of the erring ones.

Hadith

From Suhaib Ar Rumi RA, rasullallah said “ *three kind there is enveloped by favor of blessing, deferred transaction, muqarradhah (shared profit) and mixed wheat with flour in order to complete household needed does not any mind to sell it*”

B.2.c.3 Different Between Interest and Profit-Sharing

Table 2.2
Interest and Profit-Sharing Differences

Interest	Profit-Sharing
The assumption for the interest	The assumption for the profit-

determination is benefit assumption	sharing determination is loss and profit probability
The percentage based on the money debt amount	The profit-sharing ratio based on the profit obtained
There is no considering for the debtor financial situation (loss/profit) in interest settlement	Profit sharing depends on the profit obtained. When the enterprise is bankrupt the financial loss is suffer not only the customer but also the bank
The interest payment is not increase even the customer get the manifold profit	The profit sharing is increase prorata as the profit increasing
the interest law is distrusted by a lot of conviction	There is no doubt for profit sharing law

Source: Antonio, 2001

B. PREVIOUS RESEARCHES

There have been many researchers investigated the same object, for instance the research conducted by Muazizah (2004). She takes collateral, condition of economic, characteristic, capacity and capital as the research variables in BPRS Bumi Rinjani Batu. She found that *murabahah* rises up the profitability of BPRS Bumi Rinjani Batu.,

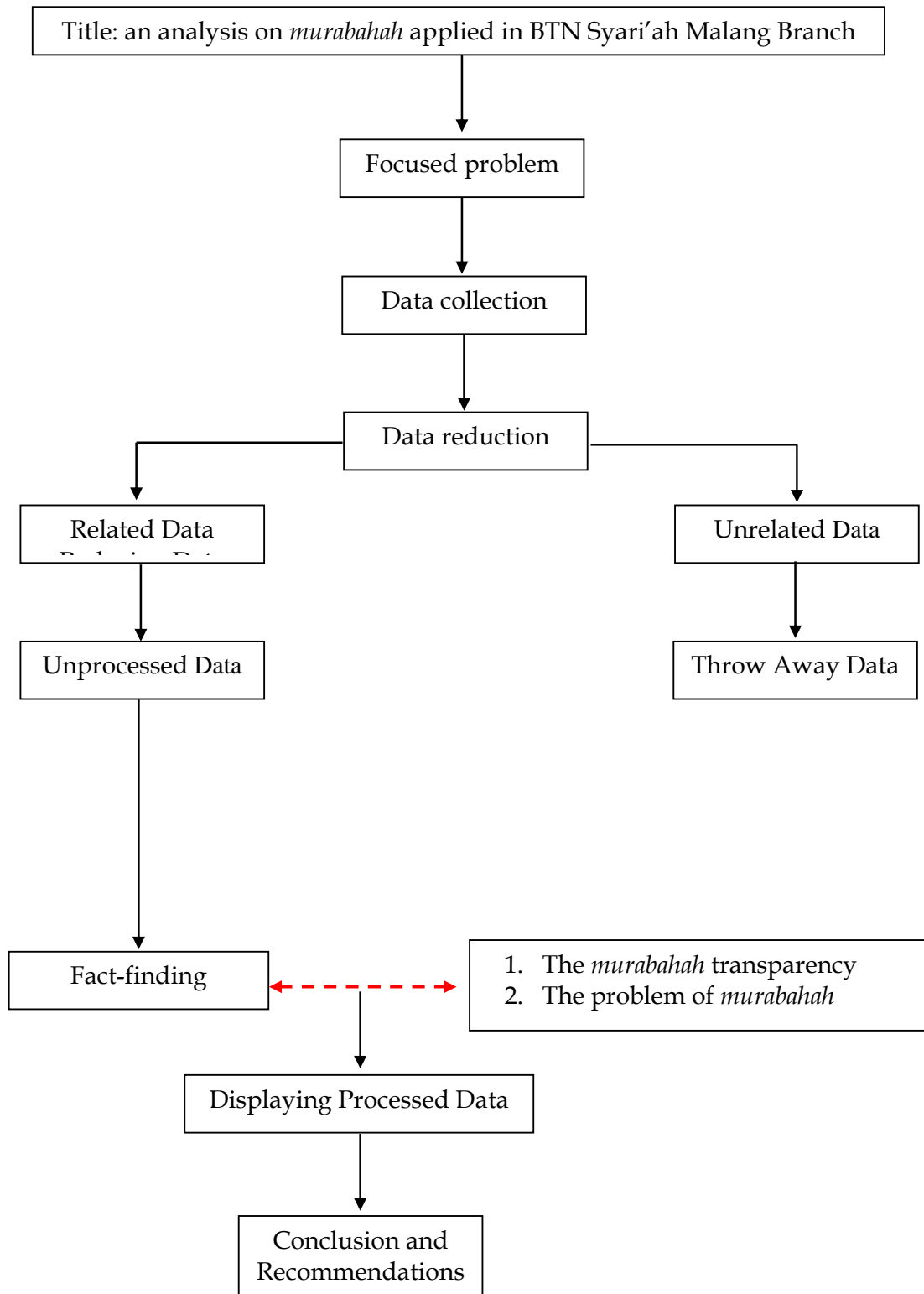
Rahmawati (2003) emphasized her research on *murabahah* by doing profitability ratio analysis at *BPRS Bakti Haji Malang*. She uses

descriptive qualitative design to explain the concept, process, agreement, return, margin analysis and applicable system. She also uses liquidity, solvability and rentability ratio on her research. The results of the research imply the increasing number of customer from year by year caused by tight credit requirement of conventional bank.

Bahaudin on his thesis "*evaluation of murabahah financing product practice on*" (2004) says that *murabahah* in the practice is not as that in the assumption. The study case is at the Yogyakarta *syari'ah* BNI. He found that BNI *Syari'ah* Yogyakarta has been still dominated by *murabahah* financing product that is up to 97% of the total financing.

Different from those previous studies this researcher focuses on the application of *murabahah*. Here the researcher is not use the ratio in her research but she uses descriptions.

Picture 2.1
FRAMEWORK OF THE RESEARCH



CHAPTER III

RESEARCH METHOD

A. RESEARCH DESIGN

The research is designed with qualitative method specified to descriptive method. This method is defined by Moleong (2004, 6) as the research that meaningful for understanding the phenomenon that happened on object of the research involving perception on behaviour, motivation and holistical action. The way to present the result of the *murabahah* is by arranging words and sentences and description discourses.

B. RESEARCH LOCATION

The location of this research is Bank Tabungan Negara (BTN) *Syariah* at Jln. Ade Irma Suryani no 24 Malang.

According to the aim of the research that focused on *murabahah* financial product, the researcher has selected BTN *Syariah* as the object of the research because BTN *Syariah* has segmentation on property business dominated by *murabahah* finance. Beside that, BTN *Syariah* has shown much progress.

C. DATA COLLECTION

This research uses triangulation to verify the data, triangulation is defined by Sugiyono (2006; 270) as the data collection procedure that mixes sources and method data collection.

To collect the data, the researcher uses participant observation, unstructured interview and documentation. :

a) Participant observation

The participant observation is defined as observation process in which the researcher observes what people do, listens to what they say and participates in their activity.

b) Unstructured interview

Unstructured interview is defined as the interview that is not planned ahead of time. The researcher ask questions as the opportunity arises and then listens closely and uses the subject responses to decide on the next question

c) Documentation

The document can be divided in to two kinds of document; they are primary document and secondary document. The primary document is the document that written by someone who has had firsthand experience with the phenomenon understudy, the secondary document is the document that written by someone

who may have heard about an event from others, but did not experience with it.

D. DATA VALIDATION

To verify data the researcher use triangulation. It is consist of method triangulation and source triangulation. According to Patton view cited by Moleong (2002, 178) source triangulation is the validation that compares and cross checks the information through different time and tools in qualitative method, while method triangulation is defined as the data validation that cross the data in various data collection method.

E. DATA ANALYSIS

To analyze the collected data the researcher takes four steps to present the research, those are:

1. Reducing Data

Reducing Data is defined as data procession which involves simplifying, taking important data, focusing on important data and deciding the data correlation. In the particular reducing data can be elaborated as follows:

a) Simplifying the data

In this point, the researcher tries to reduce all information which is not related to *murabahah*.

b) Creating the categorizes

In this point, the researcher creates the categories that support the answer of focus problem in the first chapter.

2. Displaying data

On the display of data, the researcher arranges the data on correlation and comparison. In this case, the researcher tries to formulate the data in the comparison and the correlation between practical of *murabahah*, and the theoretical

3. Conclusion

Conclusion is the last steps of data analysis which divulges the main result of the research.

CHAPTER IV DISCUSSION

This chapter consists of three kind of discussion. They are the potrait of Bank Tabungan Negara Syariah Malang Branch (BTNS), the data validation, the data description and the data analysis.

A. THE PORTRAIT OF BTN SYARIAH MALANG BRANCH

The following portrait of BTNS begins with its historical followed by vision and mission, description of its structure and its job, then its products.

1. B T N *Syariah* Malang Branch history

The history of Islamic bank is started from the high society enthusiasm for exploiting Islamic bank services. The Islamic banking respects on the health competitive, the honesty, and the justice. The society prefers to choose Islamic bank services in order to avoid illicit things such as usury, interest, *gharar* and others. Beside that heart-faith reason, the society decides to consume Islamic banking based on their subjective perspective on economics advantages. It is shown by the Islamic banking's clients that consist of not only Moslem client but also non-Moslem client. This is why

Islamic banking is not moslem's bank system only but also general possession bank system in the whole world.

After talking about Islamic banking in general, the following is about BTNS Malang branch. Actually, BTNS is one of the BTN Conventional units. Therefore, BTNS is named by BTN *Syariah* Branch Office (SBO), but in this journal BTN *Syariah* Branch office will wrote as the Bank Tabungan Negara *Syariah* only (BTNS) the opinion of this Islamic unit appears at the stakeholder general meeting on 16th of January 2004. The *syariah* unit established not only as one of the BTN equipment to get the market share but also as the existence of its grace religious activity. Furthermore, BTN *Syariah* is established in order to support the economic government policy specifically and to take apart of the Indonesia development generally.

The beginning of 2005 BTN established at least five *syariah* branch offices in several cities, and established two additional offices at the end of the 2005. BTNS Malang branch was established concurrently with BTN Solo on 1st of December 2005. It is located at Jln. Ade Irma Suryani no 2-4 Malang on the beneath floor of BTN Conventional building. In Its opening ceremony the director of BTN Iqbal Latanro signed on a particular inscription which was

also followed by mayor deputy of Malang Drs. Priyo utomo and KH Ali Maschan Musa (the head of PWNU of East Java).

2. Vision and mission

a. The Vision of BTNS Malang is to become the business strategic unit in notable and healthy BTN landing on Islamic financial services in order to keep on accentuate the major benefits

b. The Mission of BTN *Syariah* Malang are :

1. Supporting the BTN's profit achievement goal,
2. Giving the best financial service quality in financing properties and other related products in order to satisfy the client to achieve the expected market share,
3. Performing the *syariah* banking management to raise the BTN's resilience on business space alteration and the share holder value,
4. Balancing the repletion of whole stake holder's consequences and giving the excitement to the clients and employees

3. Structure and job description

BTN *Syariah* Malang uses line and staff chart organization, in which the leader gives the authority to his officer. Furthermore, the officers moderate their own staff according to their work area.

Nevertheless, the staffs still hold the responsibility to the leader directly even it is moderated by the officer.

BTN *Syariah* Malang employee structure consists of 13 people with the following detail.

Table 4.1
Employees Structure of BTN Malang

NO	DESCRIPTION	EDUCATION	GENDER	QUA
1.	Branch Manager	S2	male	1
2.	Operational Head	S2	male	1
3.	Retail Head	S2	male	1
4.	Financing Officer	S1	male	1
		S1	female	2
5.	Costumer service	S1	female	1
6.	Teller	D3	female	1
7.	Accounting&Controlling	S1	female	1
8.	Financing Administration	S1	male	1
9.	Transaction Procession	S1	male	1
10.	Driver	Senior High School	male	1
11.	Security	Senior High School	male	1
TOTAL				13

Source : BTNS Malang branch data base, 2006

That table is performed based on the stream responsibility as a figure draft below.

Based on the draft figured above there is job description in each partial of the employees such as the description below:

a. Branch Manager

1. Doing control on every activity in branch office he leads,
2. Doing sell activity in branch office leaded
3. Deciding the strategy to achieve the funding, financing, and servicing targets,
4. Deciding the strategy to maximize the income, efficient cost in branch office, government's *syariah* branch office, and *Syariah* cash reserves office
5. Deputizing the BTN on every formal activity in his working area.
6. Developing the competency of the employees
7. Motivating the employee on their job
8. Upholding the BTN Brand image in its working area
9. Maintaining the relationship with external stakeholder to support branch office in target achievement
10. Giving clearly disposition and distribute authority to the officer.
11. Ensuring the notification reported accurately to the internal either external stakeholder.

12. Insuring the quality and the business growth in leaded branch office,

b. Operational Head

The operational head moderates Accounting&Controlling, Financing Administration, and Transaction Procession. The operational head has job description as following:

1. Insuring the productivity and the capability the operational employee on its moderation,
2. Managing the branch daily operational to insure affectivity and efficiency,
3. Authorizing the transaction as its authority
4. Insuring the high quality on marketing product, credit administrating, and general administrating
5. Insuring the branch office's asset to be protected
6. Insuring the rapidity and the accuracy of the operational transaction process

c. Accounting&Controlling

1. Ensuring the integrity and the accuracy of financial branch report
2. Ensuring that all existing report have been made and reported on schedule

3. Ensuring the branch obedient on the existing policy and procedure
 4. Ensuring all the transaction have been noted correctly
 5. Ensuring the transaction evidences have been file orderly and correctly.
 6. Doing internal branch control
 7. Coordinating the follow up inspection
- d. Financing Administration
1. Ensuring the main document and supporting ones kept safety and completely.
 2. Ensuring the financing process trustable and accurate as well as the existing policies and procedures
 3. Doing the financing analysis
- e. Transaction Procession
1. Conducting the daily operational transaction
 2. Maintaining the hardware and software tools
 3. Maximizing the efficient and the control on back office
 4. Ensuring the standard quality and the transaction process rapidity on the good limitation
 5. Analyzing the operational and recommending it for the improvement to the central office.

6. Guarding the branch bank office from deviations and mistakes

f. Retail Head

The head of retail moderates the Financing Officer, the Costumer service and the teller. The retail head has job description as following:

1. Doing the authorization function for non-financial activity according to the regulation
2. Doing the beneath control on the supervised employee.
3. Doing the service quality level on the superior client
4. Evaluating and monitor the service quality in retail service unit continually as well as the front liner standard services.
5. Recommending the target of funding, financing, feebased, and the product feature using gradation
6. Formulating and recommend the strategy of funding, financing, feebased, and the product feature using gradation achievement
7. Motivating the subordinate employees
8. Maintaining the relationship with the external stakeholders that concern with the responsibility concerning of the branch office

9. Reporting the achievement target and the activity on its controlling area to the branch manager
 10. Ensuring the facilities requirement retail service have been filled by the responsible work unit
 11. Supervising all the activity in retail service work unit
- g. Financing Officer
1. Following the economic growth, business chances, and the competition in order to get the market share
 2. Ensuring the financing target achievement has been ascertained on the tidy portfolio
 3. Giving the service quality to the superior client
 4. Ensuring all the interview has been done correctly
 5. Ensuring the accuracy and the rapidity of work process
 6. Ensuring the agreement has been done well
 7. Ensuring all claim has been settled correctly
- h. Costumer service
1. Selling and founding the product
 2. Giving the good quality of services to the client
 3. Explaining the *syariah* bank product to the client
 4. Having a good knowledge and capability on professional services attitude

i. Teller

1. Giving the superior quality of services to all client
2. Ensuring the effective and efficient process on the teller area
3. Approving the saving withdrawal and over limited settling to the teller service

4. BTN *Syariah* Malang Product

Generally, all of financial institution has two main activities in their work, Likewise BTN *Syariah* Malang. It has two main activities funding and financing. Those activities are manifested in seven products in BTN *Syariah* Malang. They are three types funding and four types financing. The detail products are as follow:

a. Funding

1. *Syariah* demand deposit

Syariah demand deposit (Giro) is the client deposit on giro based on the *Wadi'ah Yad Dhammanah* principle that the withdrawal process can be done every time by cheque, bilyet giro, or other media.

2. Batara saving

Batara saving is devided into two kinds of saving they are:

- a. *Wadi'ah* batara saving

Wadi'ah batara saving is the client deposit based on the *wadi'ah yad dhammah* that can be withdrawn every time. There is no additional requirement except on the willingness *athaya* (gift)

b. *Mudharabah* batara saving

Mudharabah batara saving is the client deposit based on the *al mudharabah mulaqah* principle that defined as the cooperation between the *shahibul maal* and the *mudharib* who has responsibility on funds managing. The profit earned is shared based on the *nisbah*/ratio that approved on the *akad* (Agreement) of opening account. The withdrawal can be done based on the exact requirement.

3. *Syariah* deposit

Syariah deposit is client fund investment that the withdrawal is regulated on defined time based on the *akad*. This product is formed on *Al Mudharabah* principle form.

b. Financing

1. *Istishna*

Istishna financing is the *syariah* financing system where the bank will order some object or build home, which has been ordered by the instalment paying.

2. *Multiguna* financing

Multiguna financing is one of the financing products that are used for motorcycle and car financing. This financing is based on *murabahah* principle in which the selling price consists of main price and the mark up that divulged honestly to the client as the buyer. It is used to frame motorcycle and car financing

3. *Syariah* Property Credit

Syariah property credit is one of financing based on *murabahah* which is used to finance the property purchasing.

4. *Musyarakah* Financing

Musyarakah Financing is one of financing product that based on *musyarakah* principle. This financing is used for many antiquary activities such as residence constriction, antiquary, agriculture, and many financial services

5. The Composition of BTNS Malang branch

BTNS has 340 products of financing and 801 products of funding as the following.

Table 4.2
Existed Funding Products

<i>Syariah</i> demand deposit		Batara Saving		<i>Syariah</i> Deposito	
Unit	Nominal	Unit	Nominal	Unit	Nominal
27	332.000.000	705	3.268.000	69	5.365.000

Source: realization product report at BTNS Malang branch 2006

Table 4.3
Existed Financing Products

<i>Murabahah</i>				<i>Mudharabah</i>			
KPR Syari'ah		Multiguna Syari'ah		Musyarakah		Mudharabah	
Unit	Nominal	Unit	Nominal	Unit	Nominal	Unit	Nominal
311	Rp25,334,550,000	20	Rp469,250,000	8	Rp2,367,195,746	1	Rp100,000,000

Source: realization product report at BTNS Malang branch 2006

From the table above, it is found that the funding is dominated by saving product (705 units), this is caused by the high value of the financing product. Here, the client who takes financing product (supplier or user) has to have account in BTNS. Most of the clients do the transaction from their account including the BTNS' debt settlement on the supplier and the client's debt financing settlement on the BTNS.

Murabahah has totally dominated the financing product for four months respectively as it is the only product published by BTNS. However, in the future BTNS realize other financing (*musyarakah* and *mudharabah*) even though the *murabahah* is still favoured.

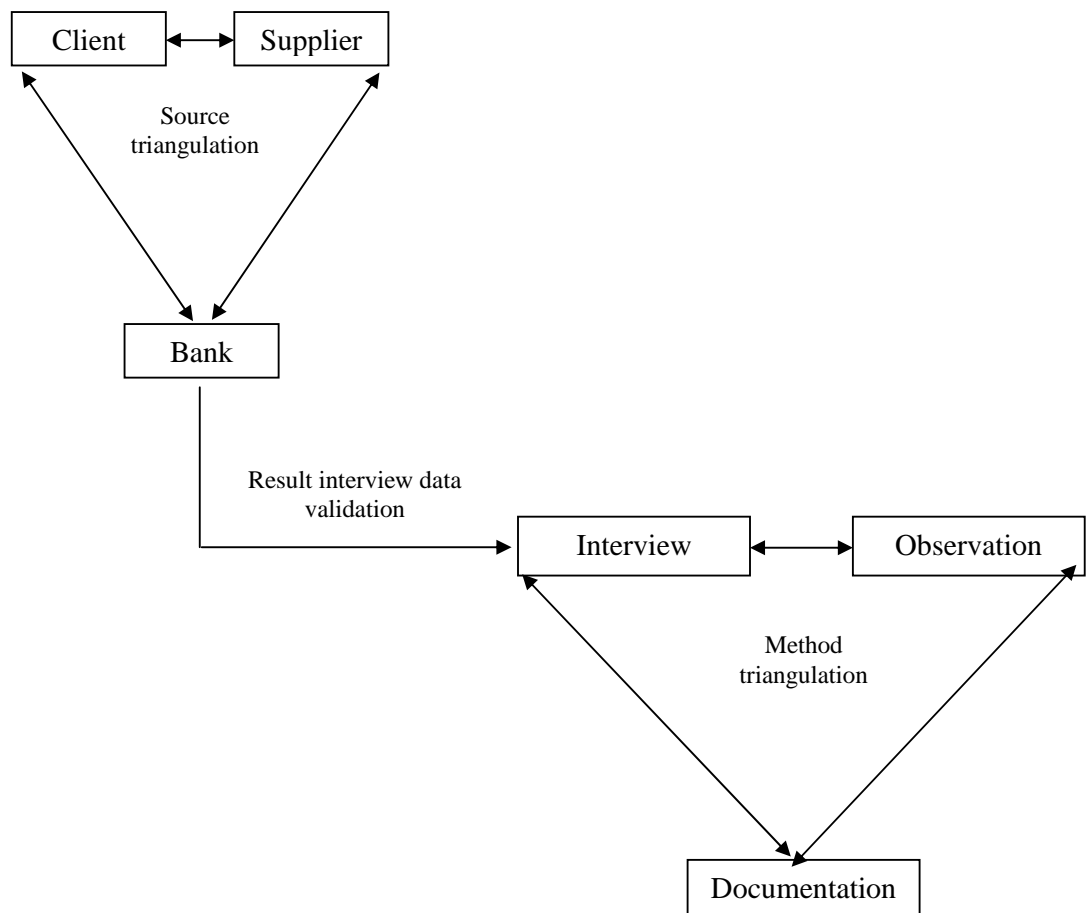
B. DATA VALIDATION

To verify the data, the researcher uses source and method triangulation (Moleong, 2002; 178). Each triangulation is applied in different field. The source triangulation is only used for interview

data verification and the method triangulation is used for interview, observation, and documentation data verifying.

Using interview technique, the researcher interviews client, supplier and BTNS Malang (BTNSM). Each interview results is crosschecked, the client interview result is cross checked to the bank and supplier interview result, the bank interview results is cross checked to the client and supplier interview result in continues process. The method triangulation is also crosschecked using interview result, observation and documentation. Those methods are figured in the following picture.

Picture 4.2
Data Triangulation



1. The analysis and field fact-finding

According to the triangulation method above, the collected data can be presented as a follow:

- a. Explanation and understanding

From the source triangulation, this item has been verified well. Even client interview result does not support the data. Further, the client told that he did not know what *murabahah* is, they just know how much they must pay for settling the debt. This is caused by the client's considerations on interest rate advantage. The client pays more attention to interest percentage than profit margin amount.

- b. Mechanism of *murabahah*

From the source triangulation, this item has been verified well and becomes a valid data. The interview result states that *murabahah* mechanism is begun from the clients/supplier proposal processed in 3 days by the account officer (AO). After the proposal is processed, the AO will inform the proposal approval, then BTNS will held the *akad* among supplier, BTNS and the user (client).

When those interview data results are crosschecked with documentation and observation results, they were supporting each others information. From those triangulation methods, those data are marked as valid data.

c. Advance payment

This information is gathered from supplier, client and BTNS. Each of them mentions the same statement that advance payment is paid to the supplier. After verified in source, the data is verified in technique. In that verification, all techniques supports the information except that from documentation. The documentation (the agreement sheet in fourth and eighth paragraph) said that the advance payment has to be paid to the bank. However, the data is still valid. Based on the researcher's confirmation the advances payment is paid to the supplier directly in order to keep the process effective and efficient.

d. The *murabahah* object

This information is gathered from the documentation and observation. From those methods the object can be described as having rightful on Islamic regulation object, not for illicit motif and having money value.

e. The contract

The contract consists of the maturity date, the financing tenor, the amount of financing and the agreement schedule which are decided by BTNS. Those items support each other, therefore the datum is valid and there is no problem in source and technique triangulation test.

f. The *akad* mechanism

From the triangulation tests, this datum has been verified well. There are no differences between the techniques and the sources of data. All of the collected information state that there is no standard mechanism for *akad*. Therefore, the datum is valid.

g. The collateral

From the triangulation tests, this datum has been verified well. There are no differences between the techniques and the sources data result. All of the collected information state that the collateral consists of the land certificate and the building permission (IMB). Based on that description, this datum becomes valid.

h. Cash discount

This cash discount datum is obtained from the resercher's interview with BTNS operational head. He says that all the cash discount is returned to the buyer. BTNS never takes the discount. Even there is no other data supporting it, this datum is categorized as valid. The reason is the interviewee is the direct executant of this cash discount.

i. The settlement

This datum consists of instalment debt payment, acceleration payment and extra payment. The first two are gathered from

interview, observation and documentation. There is no datum available for extra payment because there is no extra payment happened in BTNS Malang. The instalment debt payment is one way to settle the financing debt in common, while acceleration payment is one way to settle all the outstanding financing debt in particular time. Both of the data support each other in source triangulation and in technical triangulation. Therefore, this data are valid.

j. The arrears

From the information gathered, the clients who run up the instalment have to pay the penalty; it is regulated in agreement sheet in first provision. The arrears information is collected from interview, documentation and observation. It is verified well both in source triangulation and method triangulation. Therefore, this datum is valid.

k. The adjudication

The adjudication data is gathered from interview and documentation. The researcher did not find the adjudication data from the observation process. It is because there is no adjudication happened in BTNS. BTNS chooses the auction way to adjudicate the debt financing. This information is stated by the operational head and supported by the agreement sheet in 14, 15, 16 provision.

The description above is one reason for the researcher to mark the datum valid.

l. The *akad* conversion

The datum of *akad* conversion is obtained from interview. There is no other data gathered from documentation nor observation. The interview informs that *akad* conversion is regulated in BTNS. There is no client or case stipulation for the *akad* conversion.

m. The *akad* rescheduling

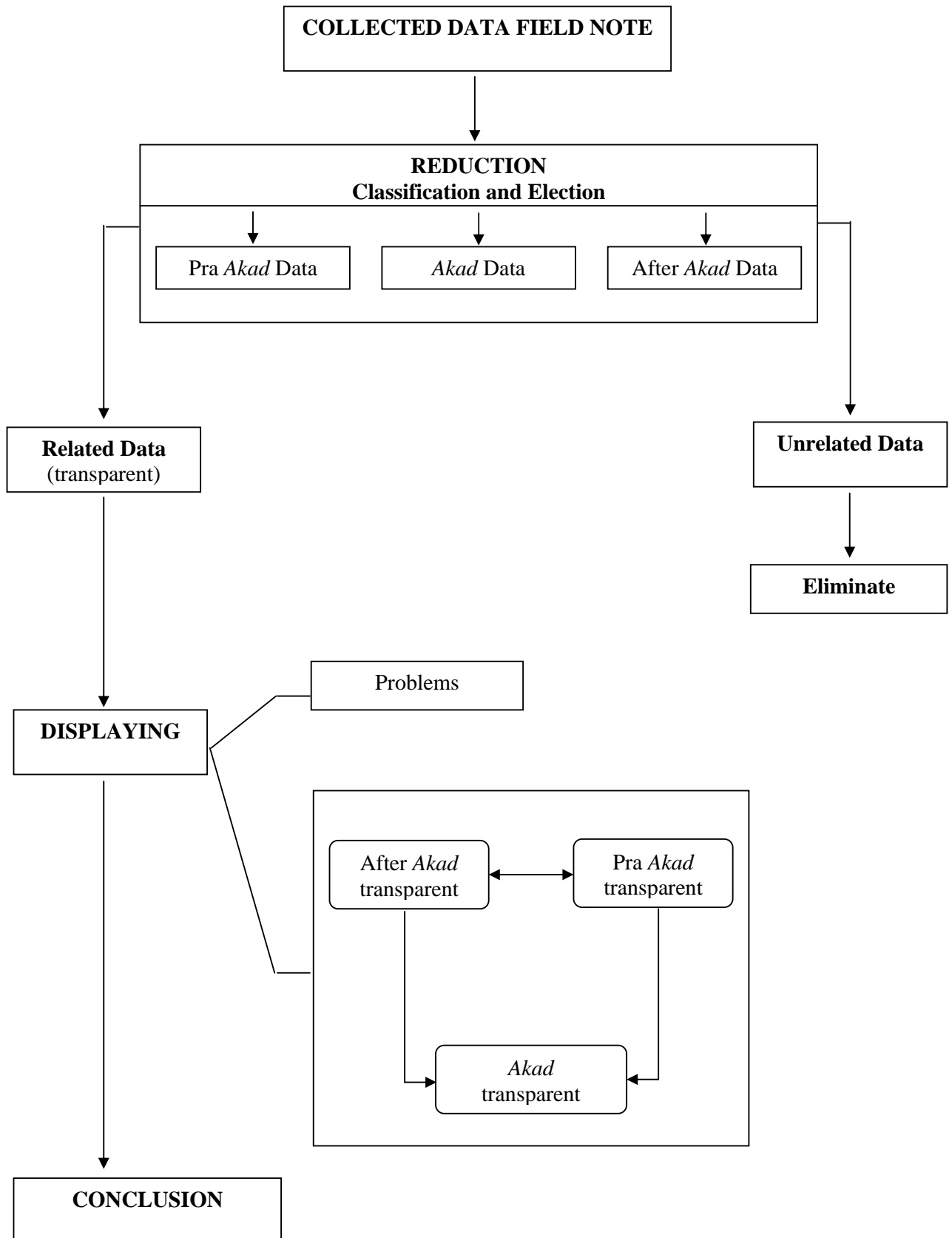
The *akad* rescheduling is obtained from interview. There is no other data gathered from documentation nor observation. The interview informs that *akad* rescheduling is not regulated in BTNS. There is no client or case stipulation for the *akad* rescheduling

C. DATA ANALYSIS

1. The flowchart of data analysis

According to Miles and Hubberman is data analysis method, this research treats the data as the following chart.

Picture 4.3
The Flowchart of Miles and Hubberman Data Analysis



D. DATA REDUCTION

According to Sugiyono (2001; 279) this stage consists of the data categorization, the data election and the data elimination. It is done to make the researcher to threat, describe and analyze the data easily.

1) Data categorization

- a. The data of pre *akad* consist of the explanation and understanding, the financing mechanism, the advances payment, the object and contract.
- b. The data of *akad* consist of the *akad* mechanism, the collateral, and the cash discount.
- c. The data of after *akad* consist of the settlement, the arrears, the adjudication, the *akad* conversion, and the *akad* rescheduling

2) Data election

Based on the scope and limitation in the first chapter, the researcher elects the data that explain about the transparency only. The transparency data is elected from pre *akad* data, *akad* data, and after *akad* data.

3) Data elimination

Based on the data election, there are some related data and unrelated data. The unrelated data are saved for a moment in order to focus on the analysis of the scoped topic.

E. DATA DISPLAYING

In qualitative method, the reduced data are displayed on narrative display. This display is divided into fact-finding display and fact-finding problems display.

1) Pre *akad* transparency

a. Fact-finding

The fact-finding pre *akad* transparency is gathered from the interview result, the observation and the documentation. The interview consists of the client interview and bank interview. The client interview is done to three clients met by the researcher on the field. They are Mr. Faiz (23 November 2006) Mr. Rusdi (21 February 2007) and Mrs. Indah (5 March 2007), While bank interview is done to two BTNS employees. They are Fitri (the customer service /CS of BTNS) and Fera (the account officer /AO of BTNS) on 19 February 2007.

Both interview results show the pre *akad* transparency well. The client interview results show the client's understanding about the bank's explanation. According to Fitri, the bank firstly explains about the differences between bank mark up and interest. This is done in order to replace the client's mindset about the interest in conventional bank with the profit-share (markup on *murabahah*) in addition the CS also gives the

explanation about the requirement, the expenses, the maturity date and the margin clearly. The explanation is not only given by CS but also by AO. Further the AO explains more specifically than CS, the AO explains the margin of the proposed financing, the insurance, the expenses for *akad*, the arrears fine and others. This explanation is done by the AO when the client-financing proposal is approved and before the day *akad* is done.

b. Fact-finding problem

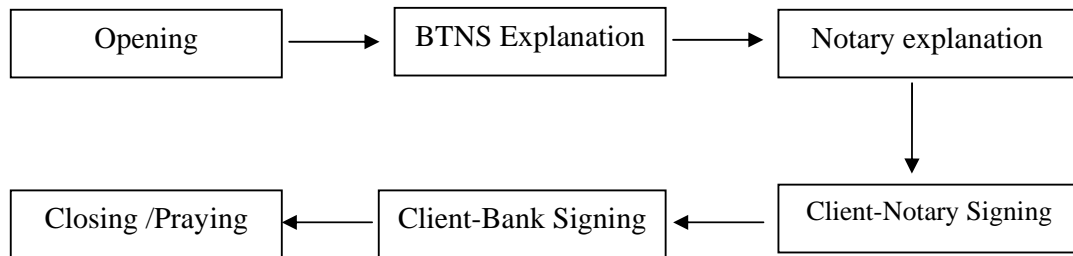
The problem that the researcher found in the field is the client's understanding. Some of the clients do not know about the *murabahah* is. They just remember about the interest rate they take. Actually, the interest rates they mean are the margin taken by BTNS. This indicates that the clients still assume that the margin is similar with the interest rate in conventional bank. Further, the client states the reason of choosing BTNS Malang as the financer; they say that BTNS Malang has flexible, easier and transparent procedure. This indicates that the choice is based on the economic advantages. This is in contrast with the view of Triyuwono (2000) that states the reason of mentioned by economic advantages is factories while individually more on spiritual.

2) *Akad* transparency

a. Fact-finding

The fact-finding on pre *akad* transparency is gathered from the interview, the observation and the documentation. From the interview to Fera (AO), it is found that BTN does not have a standard mechanism of *akad*. The *akad* mechanism can be figured as following chart.

Table 4.4
***Akad* Mechanism**



The table above can be explained as follow. In the opening the AO sends on greeting and says that they want to do *akad* that day, then the AO explains about *murabahah* and *wakalah akad*, continued by the explanation by the notary. After both explanations, the bank verifies clients understanding about the explanation. If the client understood well, the *akad* will continue on the *akad* signing. The *akad* signing consists of *murabahah*, *wakalah* and notary document signing. After the entire document is signed, the bank after closes the *akad* by

praying but usually the *akad* is only closed by the closing utterance.

b. Fact-finding problem

On the *akad* the researcher found that the document signed by the client is legitimated by notary. However, in fact-finding all the *akad* document is read by bank Account Officer. This case is riskable because the mistakes in reading *akad* become the bank's responsibility. According to the legitimation, all *akad* must be the notary responsibility. The researcher also found a problem in *akad*, and *ijab-qobul* (take-give). As we know *akad* in *syariah* bank is one of financing instrument that differs the *syariah* bank with conventional bank. When *ijab-qabul* of *akad* is done in written document , it seems like the conventional agreement.

In addition, the researcher has found some problem in signing. Based on the fact finding, *akad* does not have standard mechanism. The signing between *Murabahah Akad*, *Wakalah* and notary document is done irregularly. At the time the *murabahah* is signed before *wakalah* and document notary, the document notary is signed before *murabahah* and *wakalah*. Actually the first signing is on *Wakalah* before *Murabahah* and notary document. This refers to its function as one of the letter of authority in

purchasing. Here the bank gives the authority to purchase the commodity to the client as the agent of bank. So the *murabahah* is not signed before the bank gives the authority on the *wakalah* sheet.

3) After *akad* transparency

a. Fact-finding

Most of the after *akad* transparency fact-finding is obtained from documentation which is on the settlement of financing. The settlement is divided into three kinds of settlement, instal payment; accelerate payment and extra payment. Nevertheless, the transparency analyses just describe the instal payment and accelerate payment.

1) The transparency on instal payment

The instalment is arranged transparently as shown by the following formula.

Table 4.5
Monthly Instal Payment

Monthly instalment =	Main debt + {(main x margin) x tenor}
	tenor (in month)

The formula above can be illustrated by the example below.

$$\text{Monthly instalment} = \frac{\text{Rp. 30.000.000} + \{(\text{Rp. 30.000.000} \times 11.82\%) \times 10\}}{120 \text{ month}}$$

$$\text{Monthly instalment} = \frac{\text{Rp. 30.000.000} + \text{Rp. 35.000.000}}{120 \text{ month}}$$

$$\text{Monthly instalment} = \mathbf{\text{Rp. 545.550}}$$

That monthly instalment consists of the main instalment debt and margin instalment debt. Each instalment can be formulated as the following pattern.

Main debt
Main instalment = $\frac{\quad}{\text{Tenor}}$

Main debt x margin
Margin instalment = $\frac{\quad}{\text{tenor}}$

The example

$$\text{Main instalment} = \frac{\text{Rp. 30.000.000}}{120 \text{ bulan}}$$

$$\text{Main instalment} = \text{Rp.250.000,00}$$

The example

$$\text{Margin instalment} = \frac{30.000.000 \times 11.82\%}{120 \text{ bulan}}$$

$$\text{Margin instalment} = \text{Rp. 295.500,00}$$

$$\text{Total instalment} = \text{Rp.250.000} + \text{Rp.295.500} = \mathbf{\text{Rp. 545.500}}$$

Based on the formula mentioned above, the BTNS gives the instalment schedule to the client in order to arrange client instalment and to keep the payment transparent.

2) The transparency on accelerate payment

Based on the payment tenor, this accelerate payment is divided into two kinds of acceleration; it was acceleration under five years and acceleration more than five years.

a. Under five years acceleration

The clients who want to settle the debt under five years must pay the outstanding debt excluding the margin in that month followed by the double multiple margin of the financing.

b. More than five years acceleration

The clients who want to settle the debt more than five years must pay the outstanding debt excluding the margin in that month followed by the four multiple margin of the financing.

On the field, the researcher found one client who accelerates her payment. She says that BTNS was transparent enough for the debt procedure settling. When she proposes to settle the debt forward, the AO explains the detail nominal that must be paid by the client. The nominal involves the outstanding, the double margin and the related expenses. The counting formula can be noted as a following,

Table 4.6
Accelerate Payment Formula

The nominal to be paid	=	(outstanding debt + margin)+(2xmargin)
Saving balance nominal	=	Rp. X
Total payment	=	Rp. Y

The illustration

Mr. X has financing debt in BTNS Malang with the following detail financing

Main debt	=	Rp. 29.000.000
Margin	=	Rp. 11.82%
Tenor	=	10 years (120 month)
Begin at	=	2/03/2006
Finish at	=	2/03/2016

He wants to accelerate his debt payment during the year.

Further, he wants pay all the financing debt on 2 January 2007. Therefore, he must pay the nominal counted below

First, to make the financing schedule the information above is put on the following formula.

$$\begin{array}{l} \text{Main instalment} = \frac{\text{Rp. 29.000.000}}{120 \text{ month}} \\ \text{Main instalment} = \text{Rp. 241.666} \end{array} \quad \begin{array}{l} \text{Margin instalment} = \frac{29.000.000 \times 11.82\%}{120 \text{ month}} \\ \text{Margin instalment} = \text{Rp. 285.650} \end{array}$$

$$\text{Total instalment} = \text{Rp. 241.000} + \text{Rp. 285.500} = \mathbf{\text{Rp. 527.316}}$$

Second, we have to make the financing instalment schedule from the nominal counted above. The financing schedule can be seen in the appendix.

Third, based on the financing instalment we put the information on the following formula.

$$\text{The nominal to be paid} = (\text{Rp. 26.341.674} + \text{Rp. 241.666}) + (2 \times 241.666)$$

$$\text{The nominal to be paid} = \text{Rp. 27.066.672}$$

Saving balance nominal = $\frac{\text{Rp. 452.307}}{\text{Rp. 26.614.365}}$

Total payment = Rp. 26.614.365

The last, Mr. X has to pay the accelerate payment

Rp. 26.614.365

That transparency illustration has been done by the BTNS to all clients who accelerate their payment.

3) The extra payment

The next settlement method is the extra payment. Here the researcher did not find the client who makes the extra payment. Therefore the researcher just presents the data as what has been collected in the field.

The regulations for the client who do the extra payment are, First, for who want to make extra payment between 5-30 instal payments is recognized as double margin including the margin at that month and the new balance are used to reduce the main debt.

Second, for who want to make extra payment more than 30 instalments recognized as triple margin including the margin that month while the new balance are used to reduce the main debt.

b. Fact-finding problem

Based on the description above the researcher found many problems of the after *akad* transparency such as in the accelerate payment. Even the transparency is done good enough but the BTNS still applies some addendum that may causes the usury assumption. This becomes a problem, shown the multiple addendum which has been paid by the client in accelerate payment. The outstanding debt must be paid without any addendum like multiple margin required in BTNS. Based on the fatwa MUI no.46/DSN-MUI/II/2005 the cash discount is given to the client who has paid the debt rapidly. Here the BTNS does not give some cash discount but take some addendum from the debt.

F. THE DATA CONCLUSION ANALYSIS

The *murabahah* transparency application in BTNS is proven to be the best in transparency services. It is compatible with the definition of *murabahah* that emphasizes the transparency of the price between the seller and the buyer. The transparency has strong connection with the honesty in trading as it is one of the honesty manifests. The honesty is one important thing on the transaction. Such as what Yusuf Qardhawi (2001; 293) states that the honesty as one of the main faith of morality

and the dominant prophet characteristic. Further, the honest transaction brought the blessing on trading, such as what mentioned in Prophet Muhammad hadith

“The seller and the buyer have a right to decide the alternative as long as both disassociate, their transaction is blessed when both of them are honest and explain the truth but when they lie and hide the truth maybe they probably will get the profit but they fade the blessing from it.”
(*Bukhari bab buyu no 1937*)

The problems found are almost on the technical problems such as the client explanation-understanding problem, the responsibility of the document *akad* legality problem and the accelerate payment problem. These problems are due to the BTNS being established one year ago therefore it still needs many improvements.

This research concludes that the transparency in pre, during and after *akad* in BTNS have been done well even there are many problems found.

CHAPTER V

CONCLUSION AND RECOMENDATION

A. CONCLUSION

Based on all descriptions and analysis this research result can be conclusion is as follow

1. The application of *murabahah* in BTNS Malang before, during and after *akad* was transparent enough
2. There are some problems in *murabahah* application namely
 - a. Insufficient clients understanding about the *murabahah* concept
 - b. The responsibility of the *akad* document legality and the *akad* signing
 - c. The addendum on the accelerate payment

B. RECOMMENDATION

This recommendation refers to the related institutions (BTNS Malang) and the next researchers

1. Recommendation for related institutions
 - a. To solve the insufficient clients understanding, the bank is supposed to give more explanation about *murabahah* concept to the clients. The explanation is not only on the nominal or the

economic advantages but also that involving knowledge of syariah banking.

- b. To prevent the disputes, the researcher recommends the entire document including *akad murabahah* and *wakalah* is read by the notary. However the bank still has to verify the clients understanding on the bank's document that is read by the notary.

To keep the *akad* confirmed; the researcher recommends the standard *akad* as follow steps

- 1) The *akad* opening with *salam* by AO
 - 2) The explanation about the *akad*, the position of seller and buyer, and the object by AO
 - 3) Reading *murabahah*, *wakalah*, and notary document by notary
 - 4) Verifying the client understanding and give some time to the client for asking.
 - 5) Signing *wakalah akad*
 - 6) Signing *murabahah akad*
 - 7) Signing document notary
 - 8) *Ijab qobul* between the client and the bank
 - 9) Closing with praying, *salam* and some suggestion by bank
- c. To keep away from the usury assumption, the researcher recommends the accelerate formula as follow,

1. Accelerate payment = Main outstanding debt (at the month) + margin

This alternative has advantages, such as the first alternative is keeping way from the usury assumption effectively and made the client more convenient indirectly it will increase the profit they will get.

2. Recommendation for the next researcher

This thesis is only focused on the *murabahah* transparency applied in BTNS Malang branch office. Based on the fact-finding on this research, many problems have to be researched, such as,

- a. To know the *murabahah* application from Islamic law perspective the researcher can focus on the *murabahah* and *akad* mechanism.
- b. To know the *murabahah* socialization from the marketing perspective the researcher can focus the research on the client perception
- c. To know about the *murabahah* from the *syariah* accountancy, the researcher can focus on the *murabahah* inventory.

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