

## Bai' Al-Wafa And Hybrid Contract In Bmt Sidogiri East Java

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### Kata Kunci :

Bai' al-wafa; hybrid contract 2; KHES

### Abstrak

Beberapa lembaga keuangan syariah telah menerapkan bai' al-wafa' meskipun belum ada fatwa DSN MUI yang mengaturnya secara langsung. Perdebatan akademik berimplikasi pada perbedaan praktik di lapangan. Bagi individu atau kelompok yang memandangnya haram, akad ini tidak dijalankan dan mereka lebih memilih gadai. Sementara itu, bagi kelompok yang membolehkannya, mereka menerapkan akad bai' al-wafa' dengan merujuk pada pendapat yang memperbolehkannya. Penerapan bai' al-wafa' sangat bergantung pada rujukan mana yang dijadikan dasar. Penelitian ini menggunakan pendekatan kualitatif dengan metode deskriptif-analitis berbasis studi lapangan. Lokasi penelitian adalah BMT Sidogiri. Sumber data diperoleh dari pengelola BMT. Pengumpulan data dilakukan melalui wawancara, observasi, dan dokumentasi. Data kemudian dianalisis sesuai dengan karakteristik penelitian kualitatif. Penelitian ini menghasilkan beberapa temuan. Pertama, mekanisme bai' al-wafa' di BMT Sidogiri sesuai dengan pendapat mazhab Hanafi yang memandang akad ini termasuk dalam 'urf. Kedua, dalam analisis fikih muamalah, akad bai' al-wafa' di BMT Sidogiri diperbolehkan karena memenuhi syarat sah akad dan mengandung sisi kemaslahatan. Ketentuan kebolehan bai' al-wafa' diatur dalam Kompilasi Hukum Ekonomi Syariah pasal 112 hingga 115. Ketiga, untuk menghindari anggapan ribawi, BMT menerapkan akad ganda, yaitu bai' al-wafa' dengan ijarah.

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### Keywords :

Bai' al-wafa; hybrid contract 2; KHES

### Abstract

*Some Islamic financial institutions have implemented bai' al-wafa' although there is no DSN MUI fatwa that regulates directly. This academic debate results in different applications. For a person or group who views it as haram, this contract is not carried out. They prefer pawn. For groups that allow it, they apply the bai' al-wafa contract by referring to the opinions that allow it. The application of bai' al-wafa depends on which reference is used as a basis. The research uses a qualitative approach with an analytical descriptive method based on field studies. The research locus is BMT Sidogiri. Data sources are taken from BMT managers. Data collection is done by interview, observation, and*

*documentation. The data were analyzed in accordance with the characteristics of qualitative research. This research produced several findings. First, the mechanism of bai' al-wafa is in accordance with the opinion of the Hanafi school of thought which views that this contract includes 'urf. Second, in the analysis of muamalah fiqh, the bai' al-wafa contract at BMT Sidogiri is allowed because it contains the requirements of a valid contract and contains a side of benefit. The provisions for the permissibility of bai' al-wafa>' are regulated in the Compilation of Sharia Economic Law articles 112 to 115 Third, to avoid the assumption of ribawi, BMT applies multiple contracts, namely bai al-wafa with ijarah.*



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## INTRODUCTION

The bai' al-wafa transaction is a transaction conducted over a long period of time, such as one year or two years. This causes the selling value of immovable property, such as agricultural land, to increase over time. Thus, when the object of a bai' al-wafa transaction reaches maturity and sufficient funds are available for repayment, there will be an excess amount of money returned. This is due to the change in currency value between the time of the initial sale and the second sale conducted to restore the rights of the landowner (Hidayat, 2022).

The concept of bai' al-wafa was introduced by Hanafi scholars and was compiled in 1286 H/1869 CE in the book *Majallah al-Ahkam al-Adliyah*, which became the codification of civil law in the Ottoman Empire (Hidayat, 2022). In Indonesia, the term bai' al-wafa is explicitly mentioned in the Compilation of Sharia Economic Law (KHES) through Supreme Court Regulation No. 2 of 2008, specifically in Articles 112–115. This provides legal strength and protection for the implementation of bai' al-wafa in Indonesia. Thus, there is a similarity between the Ottoman Empire and Indonesia in terms of transforming fiqh rules on bai' al-wafa into state regulations (*qanun*) (Hidayat, 2022).

Field data indicate that the bai' al-wafa contract serves as a supplementary loan provided by Baitul Maal Wat Tamwil (BMT) UGT Sidogiri, Wonokerto branch, acting as the buyer (creditor), to its members as sellers in need of funds, with the condition that the sold property can be repurchased by the seller. The funding source used by BMT to provide loans to members comes from members' savings, ensuring smooth financing through bai' al-wafa (Kudus & Nagfir, 2022). The buyer is free to utilize the collateral property but is prohibited from selling it to other parties. Community response to the implementation of bai' al-wafa financing at BMT UGT has been highly effective, as it facilitates easier access to financing services.

Bai' al-wafa has also drawn the attention of scholars from different schools of thought, particularly regarding the conditions, pillars, and practices of such transactions. Differences in opinions emerge, especially concerning its legal validity. Although there have been many discussions on this concept, comprehensive analysis

from the perspectives of the four major schools — Hanafi, Maliki, Shafi'i, and Hanbali — remains limited. This study is considered significant in formulating, critiquing, and re-examining bai' al-wafa>, particularly in its practical application in Indonesia.

In terms of implementation, bai' al-wafa has become one of the alternative transaction models in Islamic financial institutions. Field data reveal that several Islamic financial institutions practice this transaction. Research findings show that the motivation of BMT UGT Sidogiri, Wonokerto branch, in applying bai' al-wafa lies in the fact that BMT functions not only as a social institution but also as a profit-oriented entity. Bai' al-wafa financing contracts are widely used by BMT members because they are perceived as profitable and simple. Compared to profit-sharing contracts (*mudharabah*), bai' al-wafa is more practical, as the financing markup can be structured to ensure BMT profitability while avoiding uncertainties associated with profit and loss-sharing ventures (Kudus & Nagfir, 2022).

At BMT ar-Roudloh, however, the bai' al-wafa financing did not align with the written contract. The financing involved two contracts in a single transaction, namely sale and *ijarah*, and also contained elements of *ta'alluq*, which is prohibited in Islamic law. From an accounting perspective, bai' al-wafa transactions at BMT ar-Roudloh did not comply with PSAK 107 standards on *ijarah* (Syamsiyah, 2017).

The implementation at these two BMTs suggests that bai' al-wafa transactions have been practiced in various Islamic financial institutions. This is also related to the legal recognition of muamalah products regulated under KHES and the National Sharia Council. However, in DSN fatwas, the term bai' al-wafa is only mentioned in relation to the special regulation on Sharia-compliant Repo of Securities (SBS), as stated in the National Sharia Council Fatwa No. 94/DSN-MUI/IV/2014 (Badilag, 2023). This fatwa refers to the decision of the International Fiqh Academy of the OIC No. 66 on bai' al-wafa>, issued at its 7th session held on 9–14 May 1992 in Jeddah, which ruled that the essence of bai' al-wafa is a usurious loan and a form of legal stratagem (*hilah*) for *riba*. The majority of scholars thus declare bai' al-wafa invalid and impermissible under Islamic law (Badilag, 2023).

The scholarly debate on the status of bai' al-wafa has been ongoing. Schools such as Shafi'i, Maliki, and Hanbali reject its validity, while the Hanafi school deems it permissible. These diametrically opposed positions stem from differing methodologies of legal reasoning, whether based on textual evidence (*nas*) or considerations of public interest (*maslahah*). On the other hand, the implementation of bai' al-wafa has been permitted under certain conditions as stipulated in KHES, regulated by Supreme Court Regulation No. 2 of 2008, which consists of 796 articles across four books: Book I on Legal Subjects and Property (3 chapters, 19 articles); Book II on Contracts (29 chapters, 655 articles); Book III on Zakat and Gifts (4 chapters, 60 articles); and Book IV on Sharia Accounting (7 chapters, 62 articles).

The issues surrounding this topic can be identified as follows. First, they relate to differences among scholars regarding the validity of bai' al-wafa>, specifically concerning its overlap with sale (*bai'*) and pledge (*rahn*), as well as its conditions and

pillars in relation to the essence of muamalah. Second, the implementation in practice remains inconsistent, as bai' al-wafa is often conflated with *rahn* or *murabahah*, despite KHES already being codified in Indonesia. However, KHES tends to differ from the opinions of the majority of scholars. Third, in practice, bai' al-wafa at financial institutions tends to refer to KHES, whereas sharia transaction regulations should be based on DSN-MUI fatwas, and to date, there is no specific DSN fatwa on bai' al-wafa in financial institutions.

Yazid (2019), through statistical analysis, found that the R-Square ( $R^2$ ) value of 0.809 indicates that the MSME variable can be explained by the bai' al-wafa financing variable by 80.9%, with the remaining 19.1% explained by other variables not included in the model. The independent variable (bai' al-wafa financing) overall accounts for 80.9% of the variance in the dependent variable (MSMEs), while the remaining 19.1% is explained by other factors not examined in this study. Siti Nur Shoimah, Dyah Ochtorina Susanti, and Rahmadi Indra Tektona (2021) found that in practice there is also a margin component inconsistent with the concept of bai' al-wafa, which by principle should not generate profit (margin), and thus does not comply with sharia. The proposed solution is to combine the bai' al-wafa system with a *murabahah* contract.

This research differs from that of Yazid and Shoimah in terms of field analysis. The present field study aims to reaffirm the reality of bai' al-wafa transactions at BMT Sidogiri in terms of mechanisms, fiqh muamalah analysis, and multiple-contract transactions.

## METHODS

This research is qualitative in nature. It is analytical, aiming to accurately describe the characteristics of an individual, condition, symptom, or a particular group, or to determine the frequency or distribution of certain phenomena and their interrelations (Sugiyono, 2004). The researcher seeks to understand the issues in the field that serve as the research locus, elaborate on the problems, present qualitative data, and compare the empirical reality with the theoretical framework under study.

The research method applied is descriptive-analytical. Descriptive-analytical research takes the problem or focuses on the existing issues at the time of the study, processes and analyzes the findings, and then draws conclusions (Sugiyono, 2008).

Observation (Arikunto, 2003) is directed toward providing a general overview of Islamic financial institutions and the process of bai' al-wafa transactions. Interviews are directed toward the managers of Islamic financial institutions, focusing on the requirements, components, mechanisms, and procedures of bai' al-wafa in such institutions. Documentation is intended to obtain data regarding the procedures and mechanisms of bai' al-wafa in Islamic financial institutions (Surakhmad, 2023). The data sources are obtained from the management of BMT UGT Sidogiri. These data are used to examine the processes, mechanisms, and procedures of bai' al-wafa transactions.

## RESULT AND DISCUSSION

### The Mechanism of Bai' al-Wafa in BMT Sidogiri

BMT UGT Sidogiri Cooperative received the award as *The Best Islamic Micro Finance 2014* with assets exceeding IDR 50 billion from Karim Consulting Indonesia. The Chairman of BMT UGT Sidogiri, H. Mahmud Ali Zain, also received the "Nahnu Ansorulloh" award from the Central Board of Ansor Youth Movement (GP Ansor). The award was presented by the Chairman of GP Ansor, Nusron Wahid, at the *Apel Kebangsaan Banser* to commemorate the 80th anniversary of GP Ansor (bmtnusantara, 2023).

Article 39 paragraph (1) of Law No. 1/2013 categorizes BMT as a Microfinance Institution (MFI) that must comply with the provisions of Law No. 1/2013. The article stipulates that upon enactment of the law, Village Banks, Village Granaries, Market Banks, Employee Banks, Village Credit Institutions (BKD), District Credit Institutions (BKK), Small Business Credit (KURK), District Credit Institutions (LPK), Village Production Banks (BKPD), Rural Credit Enterprises (BUKP), Baitul Maal wa Tamwil (BMT), Muhammadiyah Baitul Tamwil (BTM), and/or other equivalent institutions may continue operating for up to one (1) year from the date of enactment (Fauzi, 2023).

According to Article 5 paragraph (1) of Law No. 1 of 2013 on Microfinance Institutions, BMT's legal status as an MFI can only take the form of either a cooperative or a limited liability company. If established as a cooperative, it is subject to Law No. 25 of 1992 on Cooperatives and supervised by the Ministry of Cooperatives and SMEs. If established as a limited liability company, supervision falls under the Financial Services Authority (OJK) in accordance with Law No. 21 of 2011 concerning the OJK (Dewi, 2017).

Field data show that the transaction is carried out according to procedure. BMT does not sell the asset to parties outside its members when a member sells the asset to BMT. This reflects the bai' al-wafa transaction. Once the asset becomes BMT's property, it is leased back to the member, thus combining bai' al-wafa with *ijarah*. This combined transaction is incorporated into the "Multi Jasa Barokah" financing product.

In this scheme, the handover of the asset to BMT takes place through a bai' al-wafa transaction. Once the asset is under BMT ownership, BMT manages it by generating profit through *ijarah*. The lease component follows the DSN-MUI fatwa, as BMT, being a financial institution, is bound by DSN guidelines. The lease is based on the asset acquired through bai' al-wafa and follows the principle of *ijarah li al-a'yan*. In practice, the customer sells the asset to BMT, and BMT leases the same asset back to the member. The lease contract (*akad ijarah*) is explicitly stated and documented.

The terms of use and duration of the lease are agreed upon between the *mu'jir* (lessor) and the *musta'jir/ajir* (lessee). In an *ijarah 'ala al-a'yan* contract, the *musta'jir* may sublease (*al-ijarah min al-batin*) unless prohibited by the *mu'jir*. Furthermore, in such a contract, the *musta'jir* is not liable for damages unless caused by negligence (*taqsir*), misuse (*ta'addi*), or breach of conditions (*mukhalafah al-syurut*) (DSN, 2017).

BMT UGT Sidogiri applies the Hanafi perspective of *muamalah* as previously explained. This practice of leasing back to the seller resembles a “Leaseback & Sale” arrangement, closely related to *bai’ al-wafa*. It can also be seen as a form of *bay’ al-istighlal*, which some jurists consider permissible. However, the Islamic Fiqh Academy in Jeddah (1412 H/1992 CE) prohibited this practice (al-Mashro, 2016). Some continue to advocate for its permissibility by rebranding the contract under different names to legitimize it.

Hammad (2005) discussed leasing an asset back to its seller as a lease that ends with ownership, which was validated under the 2000 decision of the Islamic Fiqh Academy. In practice, however, the lease no longer resembles a lease ending with ownership. Hussein Hamed Hassan also commented on this issue (al-Mashri, 2016).

In general, the requirements for transactions at BMT are standardized. Every customer must provide proof of identity and collateral. This is consistent with the documentation study of loan application requirements.

In determining eligible customers, BMT UGT Sidogiri conducts a comprehensive, accurate, and objective analysis covering the following aspects:

- a. **Character**, evaluation through interviews to assess the applicant’s integrity and commitment to repayment.
- b. **Capacity**, assessment of the applicant’s ability to repay, with financing limits based on repayment capacity rather than loan amount requested or collateral value.
- c. **Condition**, assessment of potential future challenges that may affect repayment, considering not only past performance but also business prospects.
- d. **Collateral (Rahn)**, assets pledged as security to cover potential losses.

In analyzing applications, BMT considers: (1) **Trust** – confidence that the financing extended will be repaid; (2) **Time Frame** – the period between financing disbursement and repayment, with *bai’ al-wafa* financing limited to a maximum of two years; (3) **Degree of Risk** – the longer the financing term, the higher the risk exposure.

The requirements and procedures are set according to Islamic law: written contracts, collateralized financing, interest-free, mutually agreed terms, and absence of *gharar*.

Decisions on financing applications are within the authority of BMT officials:

- a. Rejection, applicants are informed with reasons provided.
- b. Approval, granted if the applicant meets all requirements.

Once approved, applicants sign the *bai’ al-wafa* contract. Financing is disbursed within 15 days, failing which the contract is void.

Among BMT’s financing products, *bai’ al-wafa* is most preferred by members as it is considered simple and practical. For example, members may sell their motorcycles to BMT for cash, with the agreement that they may repurchase them later, while continuing to use the motorcycles since BMT leases them back.

Operationally, the bai' al-wafa product at BMT UGT Sidogiri involves two contracts in one transaction: a sale contract and an *ijarah* contract. When a member needs cash, they sell an asset to BMT at an agreed price, with the agreement that it can be repurchased at a later date. Meanwhile, BMT leases the asset back to the member, often citing lack of storage capacity as the reason. Most assets involved are movable goods, such as motorcycles. BMT profits from daily rental payments.

At maturity, when the customer repurchases the asset, ownership is transferred back at the original sale price, along with accumulated rental payments. However, there is controversy, as in practice the assets are often not physically transferred at the time of sale, raising concerns of formality without substance. Moreover, customers are effectively compelled to lease back the asset, ensuring profit for BMT through rental fees.

In essence, the bai' al-wafa product at BMT is structured as a sale contract in which customers sell valuable assets to BMT for cash. BMT pays the agreed price, and the *ijab qabul* (offer and acceptance) occurs between the customer (seller) and BMT (buyer).

### **Analysis of Fiqh Muamalah on Bai' al-Wafa Transactions at BMT Sidogiri**

Based on field observations conducted at BMT UGT Sidogiri, the bai' al-wafa product emerges from customers who need cash and thus sell their valuable assets (typically vehicles/transportation) to the BMT, but only for a temporary period, as eventually, the item will be repurchased by the same customer. This bai' al-wafa product involves two contracts: a sales contract (bai') and a lease contract (*ijarah*). The asset sold by the customer to BMT is leased back to the same customer for one or two years.

The process begins with a sales contract accompanied by the condition that the asset will be repurchased later. That same asset is then leased under an *ijarah* contract. This corresponds with the definition of bai' al-wafa in the Compilation of Sharia Economic Law (KHES), which states that bai' al-wafa is a sale with the right of repurchase, whereby the seller can repurchase the asset once the agreed time has elapsed.

The existence of an *ijarah* contract within bai' al-wafa is also permitted, as explained by some scholars who allow assets sold under bai' al-wafa to be leased back to the seller. According to *Majallat al-Ahkam al-'Adliyah*, this results in a combination of bai' al-wafa with *ijarah*, thus creating two parallel contracts in practice. Furthermore, the permissibility of bai' al-wafa is regulated under KHES Articles 112–115 (Hidayat, 2022). This practice is applied as an alternative to prevent society from engaging in usurious practices. The Hanafi school justifies it through *istihsan urfi* (juristic preference based on customary practice), meaning that the validity of bai' al-wafa derives from its acceptance and benefit in society.

This view is consistent with opinions of several Hanafi and Shafi'i scholars who recognize bai' al-wafa as valid. They argue that the sale itself is lawful, and the

additional condition of repurchase does not invalidate the contract since it is external to the main contract. The essential pillars and conditions of a valid sale are fulfilled, with only one additional stipulation: that the asset must be repurchased by the original seller at the agreed time. Abu Hanifah himself, if not relying on *istihsan*, allowed such contracts on the basis of '*urf*' (custom), considering that communal practices have legal weight if they do not harm either party (al-Zuhaili, 2006).

The role of '*urf*' (customary practice) is therefore central in validating this contract. As Harun (2016) notes, '*urf*' can influence juristic reasoning, as long as the practice does not contradict Sharia principles and protects the interests of contracting parties.

In practice, the rental fee (*ujrah*) becomes a source of profit for BMT UGT Sidogiri, consistent with its character as a profit-oriented business institution. This is permissible according to several regulations on *ijarah*, including DSN-MUI Fatwa No. 09/DSN-MUI/IV/2000, since BMT leases back the purchased asset to the seller for an agreed period, during which the customer is required to pay daily or periodic *ujrah*.

The bai' al-wafa mechanism thus involves a buy-back scheme in which BMT Sidogiri first purchases an asset from a customer under a bai' al-wafa contract and subsequently leases the same asset back under an *ijarah* contract. BMT, therefore, acts as both the first buyer and the second seller, while the customer is the first seller and later the second buyer. However, BMT requires the customer to repurchase the asset at maturity and to pay rental fees agreed upon during the initial contract.

The Hanafi school justifies this scheme under *istihsan urfi* as a valid sale because it reflects beneficial and widely accepted social practices. Ibn Abidin also allowed bai' al-wafa, arguing that it serves as a preventive mechanism against *riba*. He considered bai' al-wafa outside the scope of the Prophet's prohibition of conditional sales. Conversely, other jurists such as Imam Shafi'i considered bai' al-wafa a corrupt (*fasid*) sale, while Ibn Taymiyyah declared it void (*batil*), likening it to a trust-based sale that misleads the community.

From the perspective of Islamic jurisprudence, the bai' al-wafa transaction fulfills the general requirements and pillars of a valid sale, in line with Qur'anic injunctions (QS al-Baqarah: 275), Hadiths (reported by al-Baihaqi and Ibn Majah), and *ijma'* (consensus). However, in terms of asset delivery, it may be deemed *fasid* because one of the conditions of contract formation (*syurut al-in'iqad*), namely actual delivery of the object, is not fully met. This contradicts Article 76 of KHES, which stipulates the obligation of asset delivery in sale contracts.

#### 1. Hybrid Contracts in Bai' al-Wafa Transactions at BMT Sidogiri

At BMT UGT Sidogiri, a hybrid contract (*al-'uqud al-murakkabah*) is applied by combining bai' al-wafa and *ijarah*. This is carried out between BMT and its members on the basis of mutual benefit.

Hybrid contracts, or *al-'uqud al-murakkabah* in modern fiqh literature, have become a polemical issue in Islamic banking and finance, not only in Indonesia but also across the Muslim world, as many institutions are innovating with new Sharia-compliant financial products. The controversy primarily concerns the legality of such



contracts, which at times may conflict with established principles of Islamic commercial law (Maulin, 2022).

Scholars such as Nazih Hamad (2005) in his book *Al-'Uqud al-Murakkabah fi al-Fiqh al-Islami* define hybrid contracts as: "An agreement between two parties to enter into a contract containing two or more contracts, such that all legal consequences of the combined contracts, and all rights and obligations arising from them, are regarded as a single indivisible whole."

Several researchers, including Al-Shadhily (1998), Abu Guddah (2000), Arbouna (2007), and Dusuki (2009), have examined the concept of hybrid contracts in Islamic finance and their potential for product development. This underscores the urgent need for clear Shariah guidelines and parameters in hybrid contracts to facilitate practitioners in Indonesia's Islamic finance industry (Dusuki, 2007).

a. Boundaries and Standards of Multi-Contracts

As previously noted, the majority of scholars permit hybrid contracts as long as there is no explicit prohibition from the Qur'an or Sunnah. However, they set conditions and parameters, such as requiring that each contract stand independently ('uqud mustaqillah) and not be inseparably tied to the other, so as to determine compliance with Shariah principles (Ibn Qayyim, 1999).

Muslim jurists generally agree on the prohibition of certain combinations, most notably sales contracts combined with loans in one transaction, as explicitly prohibited in Hadith. Apart from these exceptions, the general Shariah principle is that contracts in Islamic banking and finance are lawful unless expressly forbidden (Ibn Qayyim, 1999). Hybrid contracts are permissible if the subject matter, price, and time of the transaction are clearly specified. If any of these elements are ambiguous, the contract becomes invalid.

b. Hybrid Contracts as *Hilah* Ribawiyyah

In contemporary practice, hybrid contracts are sometimes misused as a legal stratagem (*hilah*) to justify *riba*, notably through *bai' al-'inah* and organized *tawarruq* (*tawarruq munazzam*) (Rosly & Sanusi, 2001).

- a. *Bai' al-'inah*, prohibited by the majority of scholars, involves selling an asset and then repurchasing it at a different price—typically with a deferred payment higher than the spot price (al-Zuhaili, 2006). This effectively disguises a loan contract with interest.
- b. *Tawarruq* involves purchasing an asset on deferred terms (via *musawamah* or *murabahah*) and then selling it to a third party on a spot basis to obtain cash. While the majority of scholars allow *tawarruq*, Ibn Taymiyyah and Ibn al-Qayyim opposed it due to its potential abuse.

Thus, scholarly disagreement persists. Yet, *bai' al-wafa*, as practiced at BMT Sidogiri, may yield social benefits by providing Shariah-compliant financial relief for individuals and businesses in debt. It prevents recourse to usurious practices and aligns with 'urf, as recognized by the Hanafi school.

This transaction has several benefits: it offers debt-settlement mechanisms, promotes ethical finance by avoiding interest-based loans, expands financial inclusion for those excluded from conventional credit, and strengthens the Islamic finance industry with innovative products. By sharing risks more equitably between parties, bai' al-wafa contributes to economic stability, reduces the risk of financial crises, and encourages Islamic financial institutions to uphold their social responsibility in line with Islamic values.

## CONCLUSION

Bai' al-wafa transactions at BMT are carried out in accordance with established procedures. The institution does not sell assets to parties outside its membership when a specific client sells the property to BMT. This arrangement reflects the essence of bai' al-wafa. The BMT adopts the principles of *mu'amalah* based on the Hanafi school, as previously explained. Each client must provide proof of identity and collateralizable assets, as confirmed in documentation studies concerning submission requirements.

In practice, the term *bay' al-istighlal* is often used as an alternative to bai' al-wafa, since the purchaser enhances the value of the purchased property by utilizing its benefits (such as income) through leasing it back to the seller. In reality, this practice is closely related to bai' al-wafa, where the asset is leased to the original seller.

The BMT under study applies a hybrid contract in bai' al-wafa by combining it with another contract. Specifically, the sale element of bai' al-wafa is integrated with an *ijarah* contract, since in this product two parallel contracts automatically occur within the same transaction. Moreover, the permissibility of bai' al-wafa has been codified in the *Kompilasi Hukum Ekonomi Syariah* (Compilation of Sharia Economic Law), Articles 112 to 115.

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