

A Review of Islamic Law on the Practice of Ijarah Muntahiyah Bittamlik Contracts in Islamic Banking in Indonesia

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Ijarah Muntahiyah Bittamlik (IMBT) is a financing product in Islamic banking in Indonesia that combines the concept of leasing (ijarah) with the option of transferring ownership (tamlik) at the end of the contract period. This study aims to examine the legal basis, operational mechanisms, sharia compliance, and obstacles in implementing IMBT, based on DSN-MUI Fatwa Number 27 of 2002 and the Compilation of Sharia Economic Law. In practice, the bank acts as the asset owner and then leases the asset to the customer. At the end of the lease period, there is an option to transfer ownership to the customer through a sale or grant mechanism. The study results indicate that IMBT generally complies with sharia requirements. However, its implementation still faces several challenges, such as low sharia financial literacy among customers, operational complexity, and the risk of problematic financing. Efforts to address this are carried out through strengthening regulations, restructuring contracts, and utilizing ta'zir funds for the qardhul hasan program. This study emphasizes the importance of improving Islamic financial literacy and modernizing banking operational systems to optimize IMBT's contribution to the development of an inclusive and sustainable Islamic economy.

Keywords: Ijarah Muntahiyah Bittamlik, Islamic Banking, DSN-MUI Fatwa, Islamic Financing, Qardhul Hasan.

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1. Introduction

Contracts in Islamic banks and financial institutions have an impact not only on worldly aspects, but also on the afterlife, because they are based on the principles of Islamic law. Unlike agreements in positive law which are only legally binding in worldly matters, Islamic contracts require moral and spiritual responsibility until the end of the world. Therefore, every contract in Islamic economics, whether related to the object, the parties involved in the transaction, or other provisions, must fulfill the conditions and pillars stipulated in Islamic law. Al-Ijarah is a form of contract that grants the right to use an item or service to another party for a certain period of time in exchange for rent or wages, without any transfer of ownership of the item [1].

One form of transaction that has become an important innovation in contemporary muamalah practices and has had a significant impact on the modern economy is the Ijarah Muntahiyah Bit Tamlik (IMBT) contract, a rental scheme that ends with the transfer of ownership. IMBT is a development in the Islamic financial system that is not explicitly discussed in classical fiqh literature, because this type of transaction model was unknown in the early development of Islamic law. Its presence is a form of adaptation to the needs of modern society for a financing system that is able to integrate the elements of rental (ijarah) and transfer of ownership (tamlik) in one more practical and efficient mechanism [2].

The purpose of the Ijarah Muntahiyah Bittamlik contract is to create legal certainty and fairness in rental transactions. Through this contract, the asset owner can utilize his ownership lawfully to earn rental income, while the lessee obtains the right to use the asset according to his needs for an agreed period of time [3].

Fatwa Number 27 of 2002 concerning the Ijarah al-Muntahiyah bi al-Tamlik (IMBT) contract was issued by the Indonesian Ulema Council through the National Sharia Council as an effort to address the public's need for an economic and financial system that complies with sharia principles. This fatwa provides a clear legal basis for the implementation of the IMBT contract, which is also reinforced by government regulatory support. Thus, the public can conduct financial transactions more safely and securely, both individually and through sharia financial institutions. Furthermore, IMBT is a form of innovation in muamalah practices because it combines two contracts in one transaction [4].

Along with the development of the ijarah contract, a derivative form emerged, namely the Ijarah Muntahiyah Bittamlik (IMBT) contract, namely a rental agreement that ends with the transfer of ownership to the lessee. This contract is a combination of the ijarah (rent) contract and the sale and purchase (bay') contract, which are combined in one transaction with a price that must be known and agreed upon by both parties. In practice, there are two forms of combined contracts, namely between rent and sale and purchase and rent and grant. This combination is an agreement in one transaction that includes more than one contract, so that all rights and obligations that arise are seen as one inseparable unit. Thus, the study of Islamic banking products through this contract aims to assess their compliance with Islamic principles while providing legal certainty for the parties [5].

Based on the description, this research starts from several main problems related to the practice of Ijarah Muntahiyah Bittamlik (IMBT) contracts in Islamic banking in Indonesia, namely how the mechanism for implementing IMBT contracts in Islamic banking practices, to what extent the practice is in accordance with Islamic principles and applicable fatwa provisions, what are the problems that arise in its implementation and their solutions, and various obstacles faced in implementing IMBT contracts in Indonesia.

In line with these problems, this study aims to analyze the implementation of the Ijarah Muntahiyah Bittamlik contract in Islamic banking in Indonesia, assess the level of its conformity with applicable Islamic principles and fatwas, identify various problems and solutions in its implementation, and identify the obstacles faced in implementing the contract in Islamic banking.

2. Literature Review and Problem Statement

Concept of Ijarah Agreement and Ijarah Muntahiyah Bittamlik (IMBT)

Ijarah contract is a contract in muamalah jurisprudence that gives a person the right to utilize a good or service for a certain period of time with rental payments without any transfer of ownership of the object, so that this contract becomes an important basis in the modern Islamic economic transaction system that emphasizes the principle of justice and avoids usury [1]. In its development, this contract has been innovated into Ijarah Muntahiyah Bittamlik (IMBT), namely a rental contract that ends with the transfer of ownership to the lessee through a sale and purchase mechanism or grant after the rental period ends, so that this concept becomes a form of hybrid contract that combines two contracts in one transaction that is more flexible and in accordance with the needs of modern financing in Islamic financial institutions [2].

Implementation of IMBT in Islamic Banking and DSN-MUI Fatwa

In the practice of Islamic banking in Indonesia, the implementation of the Ijarah Muntahiyah Bittamlik contract has a clear legal basis through the DSN-MUI Fatwa Number 27 of 2002 which regulates that IMBT is a rental contract accompanied by a promise to transfer ownership of assets at the end of the contract

period, either through sale and purchase or grant according to the agreement of the parties [3]. The implementation of this contract in Islamic banking is carried out with a mechanism where the bank acts as the owner of the asset that rents it to the customer, then after the contract period ends, the ownership of the asset can be transferred to the customer according to the initial agreement, and in general this practice is considered to be in accordance with sharia principles and fulfills the pillars and conditions of the ijarah contract, although in some cases there are still technical variations in its implementation in the field [4].

Problems of Implementing IMBT in Islamic Banking

Although IMBT has become one of the important financing products in Islamic banking, its implementation still faces various challenges such as lack of customer understanding of the concept of the contract, the complexity of the financing structure, and operational and financing risks that can affect the effectiveness of its implementation in Islamic financial institutions [5]. In addition, there are also other challenges in the form of high credit risk, potential discrepancies between field practices and fatwa provisions, as well as the need to strengthen Islamic financial literacy and more optimal supervision so that the implementation of the IMBT contract is truly in accordance with Islamic principles and is able to provide wider benefits to the community [6].

Problem Statement

Based on the literature description above, it can be concluded that there is a gap between the ideal concept of the Ijarah Muntahiyah Bittamlik contract and its implementation practices in Islamic banking in Indonesia, so this research is focused on analyzing the implementation mechanism of IMBT, assessing its compliance with sharia principles and the DSN-MUI Fatwa, and identifying various problems and obstacles that arise in its implementation in Indonesia.

3. Method

This study uses a qualitative approach with a normative-empirical approach. It aims to assess the suitability of the Ijarah Muntahiyah Bittamlik (IMBT) contract in Islamic banking in Indonesia with sharia principles and the provisions of the DSN-MUI Fatwa. The qualitative approach was chosen because this study focuses on an in-depth understanding of the IMBT contract phenomenon, both from a theoretical perspective and its practical implementation in Islamic financial institutions. Furthermore, this study emphasizes the analysis of Islamic legal documents, fatwas, and related literature to obtain a comprehensive picture of the IMBT contract's implementation.

The data in this study were obtained through library research, compiling various sources such as books, scientific journals, research articles, and the official document of the DSN-MUI Fatwa Number 27 of 2002 concerning IMBT. Furthermore, this study also utilized secondary data derived from previous research relevant to the topic of Ijarah Muntahiyah Bittamlik contracts in Islamic banking. Data collection was conducted using documentation techniques, namely reviewing and examining various literature related to the research object for systematic analysis.

The data analysis in this study was conducted using descriptive-analytical techniques, namely by outlining, describing, and then analyzing the collected data to obtain clear conclusions. The analysis process was carried out by connecting the concept of the IMBT contract in muamalah fiqh theory with practices occurring in Islamic banking, thus identifying the level of conformity and potential problems. The results of this analysis are expected to provide an objective picture of the implementation of the IMBT contract and contribute to the development of Islamic economic studies in Indonesia.

4. Results and Discussion

General Overview of the Ijarah Muntahiyah Bittamlik Agreement

Understanding the Ijarah Muntahiyah Bittamlik Contract

Ijarah Al Muntahiyah Bit Tamlik (IMBT) is a form of contract in Islamic economics that has developed in response to the needs of modern financial transactions. This term is often equated with financial leasing with an ownership option at the end of the contract period. However, the concept of IMBT is not explicitly recognized in classical Islamic jurisprudence literature with the same term, but rather is the result of developments by contemporary scholars based on the principles of ijarah and transfer of ownership rights that have long been recognized in Islamic law. Therefore, understanding IMBT must begin with examining the meaning of the words that make up the term to ensure a comprehensive understanding. [1]

Etymologically, the term Ijarah Muntahiyah Bit Tamlik consists of two main elements, namely al-ijarah and at-tamlik. The word al-ijarah comes from the root word al-ajr which means wages, reward, or recompense for work done by someone. In its use, ijarah refers to the process of providing benefits or services with certain compensation agreed upon by the parties. Meanwhile, the word at-tamlik means making someone the owner or granting ownership rights to an object. The combination of these two terms indicates a relationship between the rental activity and the process of transferring ownership at the final stage of the contract. [1]

In Islamic jurisprudence, ijarah is defined as a contract to obtain benefits from goods or services permitted by sharia for a certain fee and within an agreed-upon time period. Through this contract, the lessee obtains the right to use or benefit from an object without necessarily owning it. Thus, the primary focus of the ijarah contract is not the transfer of ownership of the goods, but rather the transfer of the right to use or benefit from the goods or services that are the object of the contract. [1]

The development of economic activity and the community's need for financing has given rise to the IMBT concept, a form of innovative sharia contract. This contract is designed to provide convenience for those who need certain assets but cannot yet afford to purchase them outright. Through the IMBT mechanism, customers can first use the desired asset through a rental system, then acquire ownership of the asset after the lease expires in accordance with previously agreed-upon terms. [2]

The existence of IMBT in the Indonesian Islamic financial system is legally based on Fatwa No. 27/DSN-MUI/III/2002 of the National Sharia Council of the Indonesian Ulema Council concerning Ijarah Muntahiyah Bit Tamlik. The fatwa explains that IMBT is a lease agreement for an item that ends with the transfer of ownership to the lessee. This transfer of ownership can be carried out through a gift or sale mechanism, which is carried out after the ijarah period has ended. This provision indicates that the lease agreement and the transfer of ownership agreement must be positioned as two distinct, albeit interrelated, contracts.

In Islamic banking practices, IMBT is widely used to finance various types of assets, such as houses, vehicles, heavy equipment, and other productive assets. Islamic banks first purchase or provide the asset required by the customer, then lease it for a specified period with periodic payments of ujah (rental fees). During the contract period, ownership of the asset remains with the bank as the lessor, while the customer only has the right to use the asset according to the agreement.

The main characteristic that distinguishes IMBT from installment financing is the timing of the transfer of ownership. In installment financing, ownership of the goods generally transfers from the moment the contract is signed, although payments are made in installments. In contrast, in IMBT, ownership remains with the lessor for the duration of the contract and is only transferred after the ijarah agreement ends. Thus, IMBT can be understood as a combination of an ijarah agreement and an ownership transfer agreement

designed to meet modern financing needs without neglecting sharia principles that prioritize clarity of agreement, justice, and legal certainty for the parties. [2]

Implementation Mechanism of Ijarah Muntahiyah Bittamlik Contract in Islamic Banking in Indonesia

From a sharia perspective, the bank acts as the legal owner of the leased object because the bank makes a direct purchase from the supplier. The scheme used is Ijarah Muntahiyah Bittamlik (IMBT), namely a rental agreement accompanied by a promise (wa'ad) to transfer ownership, either through sale or donation, which is executed after the lease period ends according to the customer's wishes. The provisions for document and asset transfer include a draft transfer agreement and a power of attorney to sell. For immovable assets, the bank purchases the asset for the customer's benefit and earns profit through rental fees. Meanwhile, for movable assets such as vehicles or machinery, customers are given the option to own, extend the lease, or return the item after the lease period ends. [3]

Conformity of the Practice of Ijarah Muntahiyah Bittamlik Contracts in Islamic Banking with Sharia Principles and Applicable Fatwa Provisions

The ijarah contract in Islamic banking is applied to ijarah and IMBT financing products. In practice, Islamic banks tend to use the IMBT scheme more because it is considered simpler in accounting records and less burdensome for banks in asset management. IMBT is a rental contract that ends with the transfer of ownership to the lessee, thus combining the ijarah and sale and purchase contracts. [4]

Operationally, IMBT refers to DSN-MUI Fatwa Number 27/DSN-MUI/III/2002 which regulates general and specific provisions, including the obligation to carry out an ijarah contract before transferring ownership through sale or purchase or donation [5]. In the Compilation of Sharia Economic Law (KHES), the rules regarding IMBT are listed in Chapter IX Articles 332–339. The pillars and conditions of ijarah also apply to IMBT, and transfer of ownership can only be carried out after the lease period ends and must be expressly stated in the contract. [6]

The application of IMBT in Islamic banking is used for investment and consumer financing. Its characteristics are similar to murabahah because it is a natural certainty contract, but differs in that the transaction object focuses on the benefits of assets or services. [7] The IMBT mechanism begins with a customer application, asset procurement by the bank, implementation of the ijarah contract, periodic ujarah payments, and transfer of ownership through sale or donation after the lease period is over. [8]

Regulatory Basis for IMBT Contracts in Indonesia

1. Fatwa of DSN-MUI IMBT

The IMBT contract has a clear legal basis through DSN-MUI Fatwa Number 27/DSN-MUI/III/2002. This fatwa stipulates that disputes arising in the implementation of the contract must first be resolved through deliberation, and if no agreement is reached, they can be resolved through sharia arbitration. This provision is reinforced by Bank Indonesia Regulation Number 9/19/PBI/2007 which allows for dispute resolution through sharia arbitration or judicial institutions in accordance with applicable legal provisions. [9]

2. Compilation of Sharia Economic Law (KHES)

The implementation of the IMBT contract also takes into account the protection of the financing object through a sharia insurance mechanism. Customers are generally required to insure the financing object with an insurance company approved by the bank to anticipate risks that may occur during the financing period. [10]

In KHES, IMBT is regulated in Chapter IX Articles 329–332 which explain that IMBT is a rental agreement that ends with the transfer of ownership after the rental period is over and must be stated

clearly in the agreement. [11]. IMBT is used for both investment and consumer financing. However, murabahah financing is still predominantly used by Islamic banks because it is considered simpler to implement. [12]

3. OJK Regulations and Islamic Banking

The enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector expands the authority of the OJK in supervising various financial sectors, including Islamic banking, Islamic fintech, and Sharia-based digital financial innovation. [13]

The OJK also acts as a regulator through various regulations such as POJK Number 16/POJK.03/2022 concerning Sharia Commercial Banks and POJK Number 12 of 2023 concerning Sharia Business Units, which emphasize sharia governance and compliance. [14]

In addition, the OJK carries out direct and indirect supervisory functions over Islamic financial institutions and encourages the digitalization and innovation of Islamic financial products to increase financial inclusion in society. [15]

Implementation of IMBT in Islamic Financial Institutions

1. IMBT Practices in Islamic Banks

The implementation of the IMBT contract is one of the financing innovations widely applied in Islamic banking because it combines the concept of rent with the transfer of asset ownership at the end of the contract period. This contract is used in financing houses, vehicles, production equipment, and various other productive assets. [16]

In practice, banks buy assets that customers need and then rent them out with periodic *ujrah* payments. After the rental period is completed, the assets can be transferred to the customer through a grant or sale and purchase mechanism according to the agreed contract. [17]

Despite having great potential, the implementation of IMBT still faces various challenges such as low public understanding, administrative complexity, and limited product innovation so that its use has not developed optimally. [18]

2. Financing for Homes, Vehicles or Productive Assets

The IMBT contract is used to finance homes, vehicles, and productive assets. In home financing, the bank purchases the asset the customer needs and then leases it until all payment obligations are met and ownership is transferred to the customer. The same scheme is also applied to financing vehicles and productive assets such as production machinery, agricultural equipment, and heavy equipment to support business activities. [19]

3. Analysis of the Conformity of IMBT Practices with Sharia Fatwas

The implementation of the IMBT contract in Islamic financial institutions must still refer to the DSN-MUI Fatwa Number 27/DSN-MUI/III/2002 which places the *ijarah* contract as the main contract before the transfer of ownership occurs. Assessment of the suitability of IMBT practices is not only based on the name of the contract used, but also on its implementation which must fulfill the principles of object clarity, legitimate ownership, fair risk sharing, and be free from elements of usury, *gharar*, and detrimental practices. [19]

Development of IMBT Contracts in the Modern Era

1. Digitalization of Sharia Financing

The digitalization of Islamic financing involves the use of information and communication technology to simplify the financing process, from application and verification to agreement and installment payments. In the modern era, IMBT contracts have undergone a transformation through online financing applications, digital verification (e-KYC), electronic contracts (e-contracts), and automatic payments. [19]

2. IMBT Opportunities in the Fintech Industry

The development of the Islamic fintech industry presents significant opportunities for the implementation of IMBT contracts. These opportunities include easier access to financial services, broader market reach, continuous product innovation, and increased operational efficiency for Islamic financial institutions.

5. Conclusion

The Ijarah Muntahiyah Bittamlik (IMBT) contract can be summarized as a financing instrument in Islamic banking that plays a crucial role in addressing the needs of modern society for gradual asset ownership. Through a systematic mechanism, starting with the bank's purchase of assets, leasing them to customers through an ijarah contract, and finally, the option of transferring ownership at the end of the contract, IMBT provides a flexible solution while remaining within the framework of sharia. This scheme not only makes it easier for customers to access the assets they need without having to pay in full upfront, but also provides legal certainty for the bank as the financial institution managing the assets. Thus, IMBT is a significant innovation in the development of Islamic financial products that are relevant to current needs.

In terms of Sharia compliance, IMBT is generally in line with the provisions of the DSN-MUI Fatwa and the principles of Islamic jurisprudence (fiqh muamalah), particularly in the separation of ijarah contracts and ownership transfer contracts to prevent the intermixing of prohibited contracts. However, various challenges remain in its implementation, such as poor customer understanding of complex contract concepts, risks in bank asset management, and the potential for problematic financing that could impact financial stability. Furthermore, differences in interpretation in practice are also an obstacle that needs to be standardized through strengthened regulation and supervision. Therefore, increased Sharia financial literacy, strengthening of the banking operational system, and continuous innovation are needed so that IMBT can operate more optimally and provide broader benefits to the community and support the realization of a just and sustainable Islamic economic system.

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