Journal of Contemporary Accounting, Volume 7, Issue 2, 2025, 89-96

Journal of Contemporary Accounting

Volume 7 | Issue 2

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Siti Umi Nurbaidah, Nur Hidayah, & Muhajirin. (2025). Evaluation of the substance of consumptive murabahah: Maqāṣid perspectives, regulation, and sharia accounting. *Journal of Contemporary Accounting*, 7(2), 89-96. DOI: 10.20885/jca.vol7.iss2.art2

JCA JOURNAL OF CONTEMPORARY ACCOUNTING

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Article History:
Received : 2025-07-23
Revised : 2025-08-29
Accepted : 2025-09-09
Published : 2025-09-27

JEL Classification:
G21, G23, M41

Keywords:
Murabahah, Sharia PSAK, Maqāṣhid, Ibn ʻĀshūr, Hidden Riba

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DOI:
10.20885/jca.vol7.iss2.art2

Abstract

This paper aims to evaluate the application of the Murabaha contract in consumer financing within Indonesian Islamic banks based on the substantive principles of sharia and the maqāṣid framework of Ibn ʻĀshūr. The study adopts a normative-qualitative and descriptive-comparative method analyzing PSAK 102/402, DSN-MUI fatwas, and real practices in Bank Syariah Indonesia (BSI). Data were collected through document review and interviews with practitioners. The findings reveal that current Murabaha practices emphasize administrative compliance over the substantive nature of sale transactions, with fixed margins often benchmarked to interest rates. This raises the potential for hidden riba and contradicts *maqāṣid* values such as *ḥifẓ al-māl* (wealth protection), *al-ʻadl* (justice), and al-ṣidq (truthfulness). The paper proposes a margin determination model based on *'iwāḍ* (legitimate compensation for risk and effort) and recommends reformulating financial reports aligned with *maqāṣid* principles. This study contributes to both conceptual and technical reform in Islamic finance, with significant implications for regulation and Islamic accounting education

Introduction

The *Murabahah contract* is one of the main products in sharia financing, especially for the consumptive needs of households and individuals in Indonesia. This mechanism has become the backbone of Islamic banking operations because of its ease in determining margins and structures that are considered in accordance with DSN-MUI fatwa as well as sharia accounting standards such as PSAK 102 (Indonesian Institute of Accountants, 2023). Although it has formally fulfilled the administrative and legal aspects, many criticisms have been directed at the substance of this contract, especially regarding the fulfillment of sharia principles in essence, not just formally.

A number of previous studies (Ahmed & Khan, 2020; Rahman et al., 2021; Nur Hidayah et al., 2022; Hassan & Othman, 2024) indicate that there is a gap between the ideality of the Murabahah contract in the framework of muamalah fiqh and actual practices in the field, such as the real non-involvement of banks in the buying and selling process, the determination of margins based on market interest rates, and the dominance of administrative approaches in financial reporting (El-Gamal, 2006; Azizah et al., 2022). This raises concerns about the potential for covert usury that can harm the principles of *maqāṣid al-sharī'ah*, especially in the aspects of justice (*al-'adl*), honesty of transactions (*al-ṣidq*), and protection of property (*ḥifẓ al-māl*) as emphasized by Ibn 'Āsyūr (2006).

In line with global developments, criticism of reporting standards such as PSAK 102 and 402 has also arisen because they are considered to emphasize form rather than substance. On the contrary, international standards such as AAOIFI emphasize real ownership and risk as a prerequisite for the validity of a sale and purchase contract (AAOIFI, 2017). This opens up space for a critical and constructive study of Murabahah reporting regulations and practices in Indonesia.

Based on this background, this research aims to :(1) Evaluating the substance of the consumptive Murabahah contract applied by Indonesian Islamic banks; (2). Analyze the conformity between practices with the principles of maqāṣid al-sharī'ah and sharia accounting standards; Offering an *'iwāḍ*-based margin reformulation model as a solution to strengthen substance and justice in the Murabahah contract.

This research is expected to make a conceptual contribution in developing a *maqāṣid* based evaluation framework of Ibn 'Āsyūr for sharia financing, as well as a practical contribution to regulators, sharia accountants, and the sharia banking industry in formulating fairer, more transparent, and sharia-compliant financial reporting policies. In addition, the results of this study can enrich the sharia accounting curriculum through the integration of *maqāṣid* values and an evaluative approach to contemporary practice.

While prior studies have largely criticized Murabahah for its procedural resemblance to conventional loans and lack of asset ownership (El-Gamal, 2006; Nur Hidayah et al., 2022), they remain mostly descriptive and normative. Few have attempted to operationalize *Maqāṣid*-based evaluation in actual financial reporting standards. This study fills that gap by applying Ibn 'Āshūr's *maqāṣid* framework to evaluate PSAK 102/402 vis-à-vis AAOIFI and practice in BSI, and by proposing an operational margin model based on 'iwāḍ. This approach provides both a conceptual novelty—integrating Maqāṣid into sharia accounting evaluation—and a practical contribution in formulating reformulation models for regulators and practitioners.

Literature Review

The Murabahah contract, grounded in classical *fiqh muamalah*, is framed by foundational ethical-legal principles derived from the Qur'an and Sunnah. Economic exchanges are mandated to occur with mutual consent and fairness (QS al-Nisā' [4]: 29), while prophetic traditions prohibit uncertainty (*gharar*) and unjust enrichment (*riba*)—requiring that sellers possess the goods prior to sale (HR Tirmidzi; HR Muslim No. 1513). These provisions position Murabahah not simply as a mark-up transaction, but as one built upon ownership, transparency, and accountable risk-taking.

In response to formalistic readings of Islamic law, Ibn 'Āshūr (2006) developed a normative framework for *Maqāṣid al-Sharī'ah* centered on universal ethical imperatives such as *ḥifẓ al-māl* (protection of wealth), *al-'adl* (justice), and *al-ṣidq* (truthfulness). His paradigm shifts the focus from legal compliance to moral-intentional coherence. Within this construct, Murabahah is valid only when it reflects actual asset transfer, full disclosure of profit margins, and freedom from *ḥīlah* (legal manipulation) that disguises debt under commercial pretense.

Empirical studies, however, point to a pervasive divergence between normative ideals and institutional practices. Research by Ahmed and Khan (2020), Rahman et al. (2021), and Hassan and Othman (2024) found that Murabahah transactions often mimic conventional loans, where financial institutions do not exercise real ownership over goods. The result is a procedural transaction lacking genuine asset transfer and risk sharing. Further compounding this issue, Nur Hidayah et al. (2022) demonstrate that regulatory incentives, such as VAT exemptions under Indonesian Law No. 42/2009, have encouraged banks to bypass real asset acquisition entirely—undermining the *ḥifẓ al-māl* imperative.

Legal stratagems (*ḥīlah*) continue to be used to bypass the spirit of Shariah. Maksum and Nur hidayah (2023) critique devices such as *bay' al-'īnah* and *qard-ijārah*, which—though technically permissible—erode the ethical intent of Islamic contracts. Similarly, Setiyawati et al. (2023) challenge the adoption of the annuity method in profit recognition, arguing that while it improves financial reporting efficiency, it conflicts with distributive justice as emphasized in Maqāṣid theory.

Parallel to these critiques are broader ethical reflections on Islamic accounting. Scholars such as Kamla (2009), Baydoun et al. (2018), and Haniffa and Hudaib (2007) contend that Islamic financial reporting has been subsumed under global capitalist frameworks, diluting its ethical commitments. Haniffa and Hudaib's Ethical Identity Index highlights the gap between Islamic institutional branding and substantive practice, calling for realignment with transparency, accountability, and social responsibility.

This disconnect is also visible in regulatory instruments. While Indonesian fatwas (DSN-MUI Nos. 04/2000, 84/2012, 105/2016) and OJK regulations (POJK No. 35/2018, POJK No. 31/2020) emphasize risk-taking and real asset backing, enforcement remains weak. National accounting standards—PSAK 102 (2016) and PSAK Syariah 402 (2024)—tend to treat Murabahah as a receivable, allowing margin recognition regardless of asset delivery or risk transfer. This treatment not only mimics interest-bearing credit but also contradicts the *Maqāṣid* imperative for transactional authenticity and fairness.

In contrast, the AAOIFI FAS No. 2 standard represents a more substantive approach. It requires real ownership, clear documentation, and prohibits margin recognition until goods are delivered and risk has transferred. This reflects the "substance over form" principle and offers a better alignment with ethical Shariah values.

Nevertheless, the bulk of existing literature remains normative or descriptive, offering little in terms of systematic, measurable *Maqāṣid*-based evaluation. The Islamic Finance *Maqāṣid* Index (IFMI) proposed by Mohammed and Taib (2015) presents a promising evaluative tool but has yet to be applied to accounting practices in consumer Murabahah contracts.

In sum, the current body of research reflects a critical gap between Islamic financial ideals and their operationalization in practice. Despite formal compliance, prevailing accounting and regulatory treatments of Murabahah may fall short of fulfilling *Maqāṣid* objectives—raising important ethical and technical questions about their legitimacy as Shariah-compliant instruments.

Research Method

This study uses a qualitative approach with normative and descriptive-comparative methods. A normative approach is used to examine the conformity between the implementation of Murabahah with sharia principles and *maqāṣid al-sharī'ah*. Meanwhile, a descriptive-comparative approach was used to compare the PSAK 102/402 standard, DSN-MUI fatwa, and actual practices at Bank Syariah Indonesia.

Primary data sources were obtained through in-depth interviews with Islamic banking practitioners, including financing staff and internal sharia supervisors. Secondary data was collected from a documentation study on OJK regulations, Sharia PSAK (DSAK IAI), DSN-MUI fatwa, as well as annual financial statements of BSI and international Islamic banks. Data analysis is carried out through reduction, presentation, and conclusion drawn, by integrating the content analysis of the document and an interpretive approach to interview data within the framework of Ibn 'Āsyūr's *maqāṣid.*

Results and Discussion

The practice of consumptive Murabahah in Indonesia currently displays more administrative character than the substance of real buying and selling as mandated by sharia law. These findings show that Islamic banks, including BSI, are often not involved in real ownership of goods and the margin setting used refers to conventional interest rates. This kind of pattern is contrary to the basic principles of sharia transactions which demand clarity of ownership, risk, and services.

A comparison between PSAK 102/402 and AAOIFI FAS No. 2 shows a fundamental difference in the approach to financial reporting. PSAK tends to emphasize on recording receivables and accrual-based revenue recognition since the contract was signed. On the other hand, AAOIFI requires real ownership and risk transfer as a condition for the validity of income recognition from Murabahah transactions. To clarify the differences in the characteristics of the two standards, the following is a main comparison table between PSAK 102/402 and AAOIFI FAS No. 2:

Table 1. Comparison of PSAK 102/402 and AAOIFI FAS No. 2

Aspects	PSAK 102/402 (DSAK IAI)	AAOIFI FAS No. 2
Ownership of goods.	No physical ownership required by the bank.	Required before resale.
Revenue recognition.	Accrual when the contract is signed.	Revenue recognized after real buying and selling.
Elements of sales risk.	Not explained.	There must be a risk to the goods.
Transaction onboarding.	Administrative (financing contract).	Substance of buying and selling.
Conformity to maqāṣid.	Low (*al-'adl*, al-ṣidq is not fully realized).	High (transparency and fairness emphasized).

The orientation of substance offered by AAOIFI reflects the spirit of *maqāṣid,* especially in the aspects of honesty (*al-ṣidq*) and justice (*al-'adl*).

In the review of *maqāṣid al-sharī'ah*, the current practice of consumptive Murabahah does not fully reflect the values of wealth protection (*ḥifẓ al-māl),* fairness in margins, and transparency in price structures. These three values are important indicators in the evaluation of *maqāṣid* Ibn Asyur on Islamic financial products as following figure.

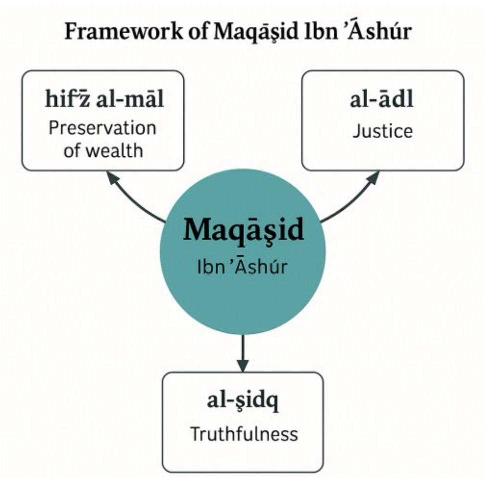

Figure 1. Framework of *Maqashid* Ibn Asyur

In response to these problems, the authors propose a *'īwāḍ*-based margin model, which is a legitimate compensation that includes real costs, ownership risk, and bank services. This model offers transparency and fairness in the formation of margins and avoids the potential for covert usury.

Table 2. Components of the *'Iwāḍ* Based Margin Setting Model

Compositions 'Iwāḍ	Explanation
Real Cost	Purchase price, logistics costs, storage of goods
Ownership Risk	Risk of depreciation, damage, delay, or non-sale
Bank Services/Efforts	The added value of credit analysis, services, sharia law documentation
Margin Total	The amount of *'iwāḍ* as a fair and valid margin in the contract

Visualization of the relationship between the technical components of *'īwāḍ* and the value of *maqāṣid* can be shown through an integrative model that shows the relationship between sharia profit margins, real risks, and the principles of fairness and honesty of transactions.

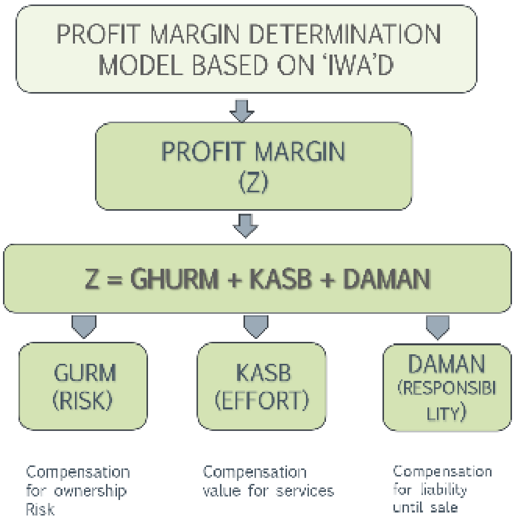

Figure 2. Profit Margin Determination Model Based On *'Iwad*

In the evaluation of BSI's financial statements, it was found that the asset structure was dominated by Murabahah receivables with fixed margin recognition. However, there is no detailed explanation of the involvement of risk or services as part of the margin structure. This shows weak reporting on the substantive aspects of transactions.

Table 3. Evaluation of the *Maqāṣid* Compliance Index (MCI) on the BSI Consumptive Murabahah Agreement

The Dimension of *Maqāṣid* (Ibn 'Āsyūr)	Indicators of Evaluation of Consumptive Murabahah	Score (0–1)	Weight	Weighted Score
Ḥifẓ al-Māl (Property Protection)	Ensuring asset security, protection against *gharar* and risk imbalance	0.8	0.25	0.20
Al-'Adl (Justice)	Fairness of margin determination; Proportionality of risk and profit	0.7	0.25	0.175
Al-Ṣidq (Transparency/Honesty)	Openness to pricing structures, contracts, and financial statements	0.6	0.2	0.12
Social *Maslahah*	Contribution to the real needs of society, not speculative consumptive	0.8	0.15	0.12
Textual & Substantive Shariah Compliance	Conformity with maqāṣid, fiqh muamalah, and not just administrative PSAK	0.7	0.15	0.105
TOTAL MCI SCORE		$\frac{0.72}{1.00} = \frac{3.9}{5.0}$		

The results of the *Maqāṣid* Compliance Index (MCI) measurement of consumptive Murabahah contracts at BSI showed a score of 3.9 out of 5, reflecting the compliance of the *maqāṣid* at the intermediate level. The dimensions of *ḥifẓ al-māl* and social maslahah performed quite well, but the aspects of transparency (*al-ṣidq*) and margin fairness (*al-'adl*) still faced structural challenges due to administrative orientation and conventional interest benchmarks. Therefore, a reformulation of margin and reporting policies is needed to be more in line with *maqāṣid al-sharī'ah* substantially.

DSN-MUI Fatwa: Conformity and Challenges DSN-MUI Fatwa No. 04/2000 to 105/2016 has not regulated risk-based margin formulas and does not establish an explicit prohibition on interest benchmarks. This opens up a space for interpretation and practice that moves away from the substance of sharia (DSN-MUI, 2016).

International Practice: Benchmarking with AAOIFI and Al Rayan Bank The practice of Al Rayan Bank UK and some banks in the GCC follows the AAOIFI principle in recording margin as income after transfer of ownership. This provides a precedent that is closer to the substance of buying and selling than the administrative approach of receivables (Al Rayan Bank, 2023).

Critical Accounting Perspective: *Maqāṣid i*n PSAK Criticism of PSAK 402 reflects the need for sharia accounting reform so that it does not merely "Islamize" conventional instruments, but prioritizes *maqāṣid* and ethical values (Kamla, 2009; Ibrahim & Ling, 2023).

Implications for Regulators and Practitioners The results of this study imply the need for a reform of the *maqāṣid*-based PSAK, the active role of the Sharia Supervisory Board in the determination of margins, and the integration of the *'iwāḍ* approach in the operational practices of Islamic banks.

Implications for Sharia Accounting Education and Research This study emphasizes the need for a curriculum that integrates *maqāṣid* and *fiqh muamalah* in sharia accounting. In addition, further research is needed that quantitatively tests the implementation of the *'iwāḍ* margin model in various financing segments.

The results of this study produced several strategic recommendations. First, for practitioners of the Islamic banking industry, it is necessary to review the Standard Operating Procedures (SOPs) for financing, especially in determining margins so that they are no longer based on conventional interest, but use an 'īwāḍ approach that reflects costs, risks, and services. Second, for regulators such as OJK, DSN-MUI, and DSAK IAI, it is necessary to harmonize PSAK 102/402 with international standards such as AAOIFI so that the reporting principles are not only formal, but substantive and in accordance with *maqāṣid.* Third, for academics and higher education institutions, it is necessary to integrate a *maqāṣid*-based sharia accounting curriculum and a critique of disguised conventional practices. Finally, for the researchers, further studies are needed to test the empirical validity of the '*īwāḍ* margin model and its impact on efficiency, sharia compliance, and public trust in the sharia financial system.

Conclusion

This study concludes that the consumptive Murabahah practice that currently prevails in the Indonesian Islamic banking industry still faces challenges in terms of sharia substance suitability, margin accountability, and *maqāṣid*-oriented financial reporting. Important findings include: (1) the determination of margins that are not based on *'iwāḍ*, but conventional benchmarks; (2) the presentation of financial statements that are more formalistic than substantial; and (3) the weak integration of values such as *ḥifẓ al-māl*, *al-'adl*, and *al-ṣidq*.

The *'iwāḍ*-based margin modeling proposed in this study can be a breakthrough in aligning economic aspects with ethics and *maqāṣid.* In addition, the evaluation based on the *Maqāṣid* Compliance Index (MCI) also shows the need to reformulate practices to be more holistic and authentic in sharia.

Socially, this study highlights the importance of ensuring fairness, transparency, and risk-sharing in Murabahah, which can strengthen public trust in Islamic banks. Practically, the proposed '*iwāḍ*-based model and Maqāṣid Compliance Index (MCI) can guide regulators (OJK, DSN-MUI, IAI) and practitioners in reformulating margin policies, ensuring that financial reporting aligns with both sharia substance and ethical expectations. This has the potential to improve competitiveness of Islamic banks in Indonesia and globally

For further research, validation can be extended to other sharia-compliant products and their impact on efficiency, sharia compliance, and public trust measured. Future research can expand the empirical validation of the proposed *'iwāḍ*-based margin model using quantitative methods across different financing contracts (e.g., *Ijārah, Musharakah*). Comparative studies across jurisdictions (Indonesia, GCC, Malaysia) would also provide insights on the adaptability of *Maqāṣid*-based frameworks. Moreover, longitudinal studies can measure the impact of *Maqāṣid*-oriented reforms on bank performance, efficiency, and public trust.

Acknowledgment

The authors expressed his gratitude to the supervisors, peer reviewers, and practitioner resource persons from Bank Syariah Indonesia for their contributions in the interview and the enrichment of case study documents. Special awards were also given to the journal editorial team and conference organizers for the opportunity to publish and improve manuscripts. Any shortcomings are the sole responsibility of the authors.

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