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The Transformation of Fiqh and the Implementation of Musyarakah Mutanaqisah as an Instrument of Just Islamic Financing in Indonesia

Fitri Yenti[1]
Universitas Islam Negeri Mahmud Yunus Batusangkar, Indonesia
Email: fitriyenti@uinmybatusangkar.ac.id

Syukri Iska[2]
Universitas Islam Negeri Mahmud Yunus Batusangkar, Indonesia
Email: syukriiska@uinmybatusangkar.ac.id

Hospi Burda[3]
Universitas Islam Negeri Mahmud Yunus Batusangkar, Indonesia
Email: hospiburda@uinmybatusangkar.ac.id

Kumaidi[4]
Universitas Islam Sarolangun, Indonesia
Email: kumaidi.unisar@gmail.com

Jasri Waldi[5]
Universitas Islam Negeri Mahmud Yunus Batusangkar, Indonesia
jasriwaldi@gmail.com

Corresponding Author

Email:
fitriyenti@uinmybatusangkar.ac.id

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Abstract

This study examines the fiqh transformation of Musyarakah Mutanaqisah as a Sharia-based financing model in Indonesia by assessing the alignment between fiqh theory, the DSN–MUI fatwa, and banking practices. Although Musyarakah Mutanaqisah is conceptually grounded in partnership, gradual ownership, and risk sharing, its implementation across Islamic banks demonstrates a persistent tendency to resemble conventional credit structures, particularly through fixed rental margins, limited transparency, and weak risk-sharing mechanisms. This research employs a library-based qualitative approach using a normative–maqasidi framework combined with critical–empirical analysis. The findings indicate that the reconstruction of Musyarakah Mutanaqisah must be oriented towards the substantive realisation of Maqasid al-Shariah, particularly justice, public interest, and the protection of wealth. Reformulation is required in contractual structures, accounting systems, Sharia supervision, and the integration of sustainability values. Accordingly, Musyarakah Mutanaqisah holds the potential to evolve into a more equitable, transparent, and welfare-oriented Sharia financing instrument.

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INTRODUCTION

The global Islamic finance industry has experienced significant expansion over the past two decades, reflected in asset growth, institutional development, and innovation in financing instruments. International reports indicate that total global Islamic financial assets have exceeded USD 3 trillion, with the banking sector serving as the primary contributor. In Indonesia, this growth has been manifested through the consolidation of Islamic banks and the diversification of financing products aimed at developing a financial system free from *riba*, *gharar*, and *maisir*, while promoting justice and public welfare (Annisa et al., 2024; Chapra, 2000). Quantitative growth within the

Islamic finance industry has not been consistently accompanied by qualitative reinforcement of Islamic economic values. Contemporary Islamic economic literature highlights a prevailing tendency among Islamic financial institutions to replicate conventional financing structures through formalistic contractual arrangements. This phenomenon raises fundamental concerns regarding the internalisation of partnership, risk sharing, and substantive justice in Islamic banking practices, which in many cases have been reduced to procedural legal compliance rather than ethical-economic transformation (Annisa et al., 2024; Habriyanto et al., 2024; Rahmawati & Zaki, 2019).

Musyarakah Mutanaqisah (MMQ) represents one of the contractual innovations designed to address these concerns. Conceptually, MMQ enables gradual asset ownership between Islamic financial institutions and customers through a partnership-based mechanism. MMQ is not merely positioned as a financing instrument but as an embodiment of justice (*al-ʻadl*), ownership responsibility (*al-milkiyyah*), and social welfare (*al-mashlahah*) within the Islamic economic system (Chapra, 2000). Within the framework of *Maqasid al-Shariah*, MMQ is ideally situated as a mechanism for the protection of wealth (*hifz al-mal*) through proportional distribution of benefits and risks. In the Indonesian Islamic financial system, MMQ has emerged as an alternative to *murabahah* and *ijarah muntahiyah bittamlik*, which have traditionally dominated Islamic financing products. The normative strength of MMQ lies in its risk-sharing mechanism, positioning banks and customers as equal partners rather than creditor–debtor counterparts. Empirical realities, however, reveal a significant divergence between this ideal construction and operational practices. Several studies demonstrate that MMQ is frequently implemented with fixed payment structures and rental margins, thereby raising questions concerning its consistency with the principles of *al-ghunmu bil ghurm* and *al-kharaj bil daman* (Annisa et al., 2024; Habriyanto et al., 2024; Rahmawati & Zaki, 2019).

From the perspective of *fiqh muʻamalat*, MMQ constitutes an evolution of *shirkah* concepts within modern financial contexts through the integration of *shirkah*, *ijarah*, and *bayʻ* within a hybrid contractual structure. Classical *fiqh* permits composite contracts subject to conditions of contractual clarity, separation of legal consequences, and the avoidance of *gharar* and *riba* (Usmani, 2002). Contemporary Islamic banking practices indicate that these conditions are not always consistently fulfilled, generating *fiqh* concerns regarding the substantive validity of MMQ and the potential emergence of technical *riba* through guaranteed returns detached from commensurate risk exposure (Hartanto & Sup, 2022) . The issuance of DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008 establishes the legal framework for the implementation of Musyarakah Mutanaqisah in Indonesia by defining MMQ as a partnership contract in which each party contributes capital, jointly owns the asset, shares risks in proportion to ownership, and gradually transfers ownership through periodic acquisition of the financier's equity. The Fatwa further permits the combination of musyarakah and ijarah provided that each contract remains legally distinct and the ujrah represents payment for the usufruct of the jointly owned asset rather than a guaranteed return on capital.

However, several implementation practices reported in the literature indicate that some Islamic banks apply predetermined rental margins throughout the financing period regardless of changes in ownership proportions or the actual economic value of the leased asset. Such practices may weaken the substantive application of the fiqh maxim al-ghunmu bil ghurm because the financier continues to receive relatively fixed returns while its ownership share and corresponding risk gradually decline. This tendency also departs from the partnership spirit embodied in DSN-MUI Fatwa No.73/2008, particularly the provisions requiring proportional ownership, risk sharing, and gradual transfer of equity, thereby creating a structure that functionally resembles debt-based financing rather than genuine equity participation (Habriyanto et al., 2024; Hartanto & Sup, 2022).

These conditions indicate conceptual and operational challenges that necessitate a reassessment of the *fiqh* foundations of *Musyarakah Mutanaqisah*. The issue extends beyond regulatory compliance to encompass the transformation of contractual structures, risk-sharing mechanisms, and governance systems in alignment with the substantive objectives of *Maqasid al-Shariah*. The contemporary relevance of MMQ also demands further examination in relation to sustainability and social responsibility, which have become increasingly prominent in global Islamic finance discourse.

Existing studies on Musyarakah Mutanaqisah (MMQ) can generally be classified into three major streams. The first stream concentrates on legal and regulatory compliance, examining the conformity of MMQ implementation with classical fiqh principles and the provisions of DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008 (Annisa et al., 2024; Hartanto & Sup, 2022). The second stream focuses on operational implementation and accounting practices, including ownership transfer mechanisms, accounting treatment, and financing procedures adopted by Islamic banks (Sarwedhie & Suprayogi, 2014). The third stream investigates institutional performance and customer perspectives, particularly the implementation of MMQ in housing finance, customer preferences, and its contribution to Islamic banking competitiveness (Habriyanto et al., 2024; Rahmawati & Zaki, 2019)

Although these studies have significantly advanced the understanding of MMQ from legal, operational, accounting, and institutional perspectives, they predominantly examine these dimensions separately. Most studies evaluate whether MMQ complies with existing Sharia regulations or describe its operational implementation without critically examining whether the contract substantively fulfils the objectives of Islamic law through equitable risk sharing, distributive justice, and public welfare. Consequently, the normative relationship between fiqh mu'amalat, Maqasid al-Shariah, and the practical implementation of MMQ remains insufficiently integrated within a single analytical framework. Moreover, contemporary discussions on MMQ rarely incorporate sustainability as an extension of *al-mashlahah* in Islamic finance. While sustainability has become an increasingly important agenda in global Islamic finance, particularly through value-based intermediation and sustainable finance initiatives, its integration into the fiqh evaluation of hybrid contracts such as MMQ remains limited (Alfiyan et al., 2023). As a result, existing scholarship has yet to comprehensively explain how MMQ can simultaneously function as a legally valid hybrid contract, a maqasid-oriented financing instrument, and a sustainable model of Islamic financial intermediation.

Accordingly, this study addresses these gaps by developing an integrated transformative fiqh framework that synthesises contemporary fiqh mu'amalat, Maqasid al-Shariah, and sustainability principles for evaluating Musyarakah Mutanaqisah. Unlike previous studies that analyse legal compliance, operational implementation, or institutional performance separately, this study proposes a comprehensive evaluative framework that examines whether MMQ genuinely reflects the principles of partnership, proportional risk sharing, distributive justice, and socio-ecological responsibility. Therefore, the principal originality of this study lies not merely in analysing MMQ implementation but in formulating a maqasid-oriented and sustainability-based fiqh framework capable of bridging the gap between classical Islamic legal theory, contemporary Sharia regulatory frameworks, and modern Islamic banking practices.

LITERATURE REVIEW

Fiqh Foundations of Musyarakah Mutanaqisah

Musyarakah Mutanaqisah (MMQ) is a hybrid contract that combines musyarakah, ijarah, and the gradual transfer of ownership (*bay'*) within a single financing arrangement. Unlike conventional financing, MMQ is founded upon partnership (*shirkah*), whereby both parties jointly own an asset, share risks according to their ownership proportions, and gradually transfer ownership from the financier to the customer. Consequently, the legal validity of MMQ cannot be evaluated solely from its contractual structure but must also be assessed based on whether its implementation reflects the substantive principles of Islamic law, particularly justice (*al-'adl*), responsible ownership (*al-milkiyyah*), and public welfare (*al-mashlahah*) (Usmani, 2002);(Chapra, 2000)

The principle of justice (al-'adl) constitutes the ethical foundation of MMQ because partnership contracts require a proportional allocation of rights, obligations, profits, and risks among contracting parties. This principle is reflected in the fiqh maxims *al-ghunmu bil ghurm* and *al-kharaj bil daman*, which establish that entitlement to financial return is justified only when accompanied by exposure to commercial risk. Therefore, financing arrangements that provide predetermined economic returns while substantially transferring risks to customers may formally satisfy contractual requirements but fail to realise the substantive objectives of Islamic partnership (Chapra, 2000);(Usmani, 2002). The concept of ownership (al-milkiyyah) further distinguishes MMQ from conventional debt-based financing. Within Islamic jurisprudence, ownership is regarded as a trust (*amanah*) rather than an unrestricted proprietary right. Accordingly, MMQ operationalises this principle through the gradual acquisition of the financier's ownership share by the customer, ensuring that changes in ownership proportions are accompanied by corresponding changes in rights, obligations, and risk exposure. This dynamic ownership structure represents one of the principal legal characteristics differentiating MMQ from conventional mortgage financing (Hakim, 2020);(Mannan, 1998).

Equally important is the principle of public welfare (al-mashlahah), which provides the maqasid-oriented framework for evaluating MMQ beyond formal legal compliance. From the perspective of Maqasid al-Shariah, financing contracts should contribute to the protection of wealth (*hifz al-mal*), distributive justice, financial inclusion, and broader social welfare. Consequently, the effectiveness of MMQ should not be measured solely by contractual validity but also by its capacity to generate equitable economic outcomes while avoiding exploitation and excessive risk concentration (Kamali, 2010)(Monzer Kahf, 1978), (Khoualed et al., 2025). Taken together, these three principles establish the normative framework through which MMQ can be assessed as a partnership-based financing instrument. They also provide the analytical basis for examining whether contemporary implementation practices genuinely reflect the objectives of Sharia or merely replicate conventional financing structures through formal contractual modification.

Maqasid al-Shariah as an Evaluative Framework for MMQ

The evaluation of Musyarakah Mutanaqisah requires an analytical framework that extends beyond legal validity to examine whether the contract fulfils the substantive objectives of Islamic law. In this regard, Maqasid al-Shariah provides a comprehensive framework for assessing the effectiveness of Islamic financial products through the principles of justice, welfare, and the protection of fundamental human interests. Within MMQ, the objective of hifz al-mal (protection of wealth) is achieved when ownership rights, profit distribution, and commercial risks are allocated proportionally between contracting parties. Likewise, tahqiq al-'adl requires financing arrangements to avoid unjust enrichment and ensure that neither party receives economic benefits without assuming corresponding responsibilities. These principles reinforce the fiqh maxims *al-*

ghunmu bil ghurm and *al-kharaj bil daman*, which constitute the normative foundations of partnership-based contracts.

Contemporary Islamic finance further extends maqasid evaluation by incorporating sustainability and social responsibility into financial intermediation. Recent developments in value-based intermediation, ethical finance, and sustainable Islamic finance suggest that Islamic financing should contribute not only to legal compliance but also to long-term social welfare, environmental responsibility, and inclusive economic development (Alandejani et al., 2017). Consequently, assessing MMQ solely through contractual conformity is insufficient; its implementation must also be evaluated according to its contribution to distributive justice, public welfare, and sustainable development.

Accordingly, this study adopts Maqasid al-Shariah as the principal evaluative framework for analysing whether the contemporary implementation of MMQ remains faithful to its original partnership philosophy while responding to the evolving demands of modern Islamic finance.

RESEARCH METHODS

This study employs a qualitative library research (Moleong, 2021) design adopting an interdisciplinary and integrative approach to examine the transformation of Musyarakah Mutanaqisah (MMQ) within contemporary Islamic finance. Rather than collecting primary empirical data, the study critically analyses authoritative legal texts, classical and contemporary fiqh mu'amalat literature, Sharia regulatory documents, and relevant empirical studies to develop a comprehensive conceptual understanding of MMQ. This design is appropriate because the research seeks to reinterpret normative Islamic legal principles in response to contemporary banking practices rather than to measure behavioural variables statistically.

The study utilises two categories of documentary data. Primary sources consist of the Qur'an, Hadith, classical fiqh literature, contemporary fiqh mu'amalat scholarship, DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008, AAOIFI Sharia Standards, and other authoritative Islamic legal references concerning partnership contracts, ownership, justice, and public welfare. Secondary sources comprise peer-reviewed journal articles, books, empirical studies, annual reports of Islamic financial institutions, policy documents, and international reports addressing the implementation of Musyarakah Mutanaqisah and contemporary Islamic finance. Document selection followed purposive criteria to ensure both relevance and academic quality. The inclusion criteria comprised publications discussing MMQ, hybrid contracts, fiqh mu'amalat, Maqasid al-Shariah, Islamic banking governance, and sustainable Islamic finance. Preference was given to peer-reviewed international journal articles, recognised Islamic legal authorities, and official institutional publications. Studies unrelated to partnership-based financing or lacking direct relevance to the research objectives were excluded.

Data were analysed through four complementary analytical techniques. First, content analysis was employed to identify legal principles, contractual structures, and normative concepts underlying MMQ. Second, normative-maqasidi analysis examined the consistency of MMQ implementation with the objectives of Maqasid al-Shariah, particularly justice (*al-'adl*), protection of wealth (*hifz al-mal*), and public welfare (*al-mashlahah*). Third, critical comparative analysis synthesised findings from previous empirical studies to identify discrepancies between normative fiqh principles and contemporary Islamic banking practices. Finally, intertextual analysis was applied to reinterpret classical fiqh doctrines alongside contemporary Sharia regulations and empirical literature in order to formulate an integrated evaluative framework for MMQ.

Accordingly, the findings presented in this study represent a conceptual synthesis of authoritative Islamic legal sources and existing empirical evidence rather than original field data. This methodological approach enables the study to develop a transformative fiqh framework that bridges classical Islamic jurisprudence, Sharia governance, and contemporary Islamic banking practices.

RESULT AND DISCUSSION

Transformation of Hybrid MMQ Contracts within Bay', Ijarah, and Shirkah

The literature reviewed demonstrates that the implementation of Musyarakah Mutanaqisah (MMQ) in Indonesian Islamic banking has evolved through various hybrid contractual structures integrating *shirkah*, *ijarah*, and *bay'*. Previous empirical studies consistently report that Islamic financial institutions generally document these contracts separately while executing them as a unified financing arrangement. Such contractual integration reflects an effort to accommodate contemporary financing needs within the framework of Islamic commercial jurisprudence while maintaining formal compliance with the principles stipulated in DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008 (Hartanto & Sup, 2022)(Annisa et al., 2024).

The literature further indicates that the operational implementation of MMQ varies among Islamic financial institutions. Several empirical studies report that some Islamic banks continue to employ predetermined rental (*ujrah*) structures throughout the financing period, despite the gradual transfer of ownership from the financier to the customer (Nurlaelasari, 2022);(Habriyanto et al., 2024). Other studies also suggest that customers frequently possess limited understanding of the legal relationship between partnership ownership and lease arrangements embedded within MMQ contracts, creating information asymmetry that may affect the substantive implementation of partnership principles (Habriyanto et al., 2024; Rahmawati & Zaki, 2019).

From the perspective of contemporary fiqh mu'amalat, these findings indicate that although the contractual structure formally fulfils the legal requirements of hybrid contracts, substantive challenges remain in implementing proportional risk sharing. Classical jurists permit the combination of *shirkah*, *ijarah*, and *bay'* provided that each contract retains its independent legal consequences and does not generate unjust enrichment or disguised interest (Usmani, 2002). However, the literature reviewed suggests that predetermined rental mechanisms may reduce the practical application of the fiqh maxim *al-ghunmu bil ghurm*, as returns received by the financier may become less responsive to the gradual reduction of ownership and corresponding business risk (Hartanto & Sup, 2022).

These findings illustrate that the principal challenge of MMQ implementation is not merely legal validity but the transformation of contractual substance. Existing empirical literature consistently indicates that compliance with regulatory requirements alone does not necessarily ensure the realisation of partnership-based financing. Instead, the effectiveness of MMQ depends on whether contractual rights, ownership proportions, risk allocation, and economic benefits remain proportionally aligned throughout the financing period. Consequently, the transformation of MMQ should be understood as an effort to strengthen substantive justice rather than simply preserving formal contractual compliance.

Analysis of Fiqh Maxims: al-Ghunmu bil Ghurm, al-Kharaj bil Daman, and the Principle of Ridha

The literature reviewed indicates that the implementation of the fiqh maxims *al-ghunmu bil ghurm*, *al-kharaj bil daman*, and *ridha* remains one of the principal challenges in the contemporary practice of Musyarakah Mutanaqisah (MMQ). Previous empirical studies consistently suggest that several Islamic financial institutions continue to employ financing structures in which the allocation of returns does not fully correspond to the distribution of ownership risks, particularly where predetermined rental (*ujrah*) mechanisms are maintained throughout the financing period (Annisa et al., 2024; Hartanto & Sup, 2022). Such practices may weaken the substantive application of *al-ghunmu bil ghurm*, which requires that financial returns should correspond proportionally to the risks assumed by each contracting party.

The literature further indicates that the principle of *ridha* is closely associated with contractual transparency and customers' understanding of hybrid contractual arrangements. Previous studies report that limited disclosure regarding ownership transfer mechanisms, rental determination, and the legal relationship between partnership and lease contracts may reduce customers' ability to provide fully informed consent (Habriyanto et al., 2024; Rahmawati & Zaki, 2019). From the perspective of *fiqh mu'amalat*, these findings suggest that contractual validity should not be evaluated solely through formal compliance but also through the substantive realisation of fairness, transparency, and voluntary consent.

These findings suggest that the substantive implementation of *al-ghunmu bil ghurm*, *al-kharaj bil daman*, and *ridha* remains a central issue in evaluating Musyarakah Mutanaqisah beyond formal contractual validity. The literature reviewed consistently indicates that strengthening proportional risk sharing, contractual transparency, and informed consent is essential to ensure that MMQ genuinely reflects the partnership principles established in classical *fiqh mu'amalat* and contemporary Sharia governance (Annisa et al., 2024; Hartanto & Sup, 2022; Usmani, 2002).

Integration of Maqasid al-Shariah in MMQ Implementation

A synthesis of the literature demonstrates that the implementation of Musyarakah Mutanaqisah (MMQ) has increasingly been evaluated through the broader objectives of Maqasid al-Shariah, particularly the protection of wealth (*hifz al-mal*), distributive justice (*al-'adl*), and public welfare (*al-mashlahah*). Previous studies generally acknowledge that MMQ possesses considerable normative potential to realise these objectives because it is structured upon partnership, shared ownership, and proportional risk allocation. Nevertheless, the literature consistently indicates that practical implementation has not always fully reflected these maqasid values, especially where financing mechanisms continue to resemble debt-based arrangements rather than genuine equity participation (Hartanto & Sup, 2022; Maudy et al., 2024).

Several studies further suggest that initiatives integrating social responsibility, customer empowerment, and value-based financing contribute positively to the substantive objectives of Islamic finance (Bank, 2023). These findings support Kamali's (2008) argument that the application of Maqasid al-Shariah should extend beyond legal conformity towards evaluating the broader socio-economic consequences of Islamic financial products. Accordingly, the reviewed literature indicates that the effectiveness of MMQ should be assessed not merely through contractual validity but also through its capacity to promote justice, financial inclusion, and sustainable public welfare.

Regulatory–Implementation Gap in MMQ

The literature reviewed reveals several regulatory and operational challenges affecting the implementation of Musyarakah Mutanaqisah in Indonesian Islamic banking. Previous empirical studies indicate that differences in the interpretation of DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008, variations in institutional governance practices, and the absence of comprehensive implementation standards contribute to inconsistencies in MMQ application across Islamic financial institutions (Annisa et al., 2024; Hartanto & Sup, 2022). Existing studies also suggest that Sharia supervisory functions continue to focus predominantly on legal compliance, while relatively limited attention is given to evaluating the substantive achievement of Maqasid al-Shariah.

From a governance perspective, the literature reviewed indicates that strengthening institutional capacity requires not only regulatory harmonisation but also more effective implementation of Sharia governance principles. Previous studies suggest that differences in the interpretation of MMQ contracts, variations in institutional practices, and limited emphasis on substantive partnership principles contribute to inconsistencies in implementation across Islamic financial institutions (Annisa et al., 2024; Hartanto & Sup, 2022). Accordingly, a maqasid-oriented governance framework that reinforces proportional risk sharing, contractual transparency, and equitable ownership structures may help reduce the gap between formal regulatory compliance and the substantive objectives of Islamic finance.

A Maqasid-Based Model for the Transformation of MMQ

Based on the synthesis of classical *fiqh mu'amalat*, contemporary Sharia regulations, and previous empirical studies, this research proposes a maqasid-based transformative framework for evaluating and strengthening the implementation of Musyarakah Mutanaqisah. The proposed framework comprises four mutually reinforcing dimensions: (1) Maqasid-oriented value foundations; (2) legally coherent hybrid contractual structures; (3) equitable partnership and risk-sharing mechanisms; and (4) sustainability-oriented governance. These dimensions are intended to function as an integrated evaluative framework for assessing whether MMQ reflects the substantive objectives of Islamic finance rather than merely satisfying formal contractual requirements.

The proposed framework extends the existing literature by integrating fiqh mu'amalat, Maqasid al-Shariah, and sustainability into a unified analytical model for evaluating Musyarakah Mutanaqisah. This integration moves beyond conventional compliance-oriented assessments by emphasising substantive justice, proportional risk sharing, contractual transparency, and long-term public welfare as interconnected dimensions of Sharia-compliant financing. In this respect, the proposed framework positions MMQ not merely as a legally valid hybrid contract but as a partnership-based financing model capable of supporting equitable wealth distribution, responsible governance, and sustainable socio-economic development. The framework therefore provides a conceptual contribution that bridges classical Islamic legal principles with the contemporary challenges of Islamic financial practice.

CONCLUSION

This study has synthesised classical *fiqh mu'amalat*, contemporary Sharia regulations, and previous empirical literature to examine the substantive implementation of Musyarakah Mutanaqisah (MMQ) in Indonesian Islamic banking. The review indicates that although MMQ has generally fulfilled the formal legal requirements established by DSN–MUI Fatwa No. 73/DSN-MUI/XI/2008, the substantive objectives of partnership-based financing have not been consistently realised. The literature reviewed suggests that operational practices, including predetermined rental structures, limited ownership transparency, and insufficient proportional risk sharing, continue to weaken the practical application of the *fiqh* principles *al-ghunmu bil ghurm*, *al-kharaj bil daman*, and *ridha* (Annisa et al., 2024; Habriyanto et al., 2024; Hartanto & Sup, 2022; Hidayat & Nurhasanah, 2024). Consequently, MMQ often satisfies formal contractual legality while only partially achieving the broader objectives of Maqasid al-Shariah, particularly distributive justice (*al-'adl*), protection of wealth (*hifz al-mal*), and public welfare (*al-mashlahah*) (Chapra, 1992; Dusuki & Bouheraoua, 2011).

The principal contribution of this study lies in developing an integrated transformative *fiqh* framework that serves as an evaluative model for assessing MMQ beyond formal regulatory compliance. By integrating *fiqh mu'amalat*, Maqasid al-Shariah, and sustainability principles, the proposed framework provides a comprehensive basis for evaluating proportional ownership, equitable risk sharing, contractual transparency, and socio-ecological responsibility as indicators of substantive Sharia compliance (Bank, 2023; Chapra, 1992; Dusuki & Bouheraoua, 2011). In this regard, the study advances the discourse on Islamic partnership financing by proposing a shift from a compliance-oriented paradigm, which primarily emphasises contractual validity, to a maqasid-oriented paradigm that evaluates whether Islamic financial products genuinely realise justice, partnership, and long-term public welfare.

From a policy perspective, the findings suggest that Islamic financial regulators, Sharia supervisory authorities, and standard-setting institutions should strengthen governance frameworks that place greater emphasis on the substantive implementation of partnership principles in addition to legal compliance. More specifically, governance standards should encourage dynamic risk-sharing mechanisms, transparent ownership transfer, and financing structures that consistently reflect proportional rights and obligations throughout the financing period. For Islamic banking practitioners, the proposed framework provides practical guidance for improving contractual transparency, enhancing customer understanding of hybrid contracts, aligning rental determination with changing ownership proportions, and incorporating sustainability considerations into financing decisions (Bank, 2023; Institutions, 2021)(Institutions, 2021). Collectively, these measures may strengthen public confidence in Islamic banking while reinforcing the distinctive characteristics of partnership-based Islamic finance.

This study is subject to several limitations. As a qualitative library research, the analysis is based exclusively on documentary evidence, classical Islamic legal sources, Sharia regulations, and previously published empirical studies rather than primary field data. Accordingly, the proposed transformative *fiqh* framework represents a conceptual model that has not yet been empirically validated through direct observation of institutional practices or stakeholder experiences. Furthermore, the analysis primarily reflects the Indonesian regulatory context and therefore may not fully represent jurisdictions operating under different legal, institutional, or supervisory frameworks.

Future research is encouraged to empirically validate the proposed framework through qualitative case studies, comparative cross-country analyses, or mixed-method investigations involving Islamic banks, Sharia supervisory boards, regulators, and financing customers. Comparative research between Indonesia and other jurisdictions implementing Musyarakah Mutanaqisah, particularly Malaysia and the Gulf Cooperation Council (GCC) countries, would provide valuable evidence regarding the effectiveness of maqasid-oriented governance in strengthening partnership-based Islamic financing (Bank, 2023; Board, 2023). Future studies may also extend the proposed evaluative framework to other hybrid Islamic financing contracts in order to contribute to the broader development of sustainable, value-based, and socially responsible Islamic finance.

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