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# Beyond Profit-Loss-Sharing Labels: Substantive Risk Sharing and Regulatory Gaps in Indonesian Islamic Banking

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**Abstract:** This study examines the apparent shift from non-profit-loss-sharing (non-PLS) to profit-loss-sharing (PLS)-labelled financing in Indonesian Islamic banking and evaluates whether this shift corresponds to substantive risk sharing between banks and customers. Using normative legal research with statutory, conceptual, and case approaches, the study analyses Islamic banking regulations, DSN-MUI fatwas, AAOIFI Shariah Standards, published sharia economic dispute decisions, and OJK financing statistics. The study finds that OJK statistics for February 2024 identify *musyarakah* as the largest financing category, seemingly challenging the conventional account of non-PLS dominance. However, this finding reveals a significant substance–label gap: the large share of *musyarakah* financing is substantially driven by *Musyarakah Mutanaqisah* (MMQ) home financing, whose periodically reviewed installment structure produces a relatively fixed payment profile, while genuine productive-sector *muḍārabah* remains marginal. Consequently, the expansion of PLS-labelled financing does not necessarily represent a proportional expansion of substantive risk sharing. The study further finds that the existing regulatory and sharia governance framework does not adequately require banks to disclose or assess the gap between the formal classification of financing contracts and their substantive risk-sharing characteristics at the portfolio level. The tension identified is therefore not the legal validity of *murābaḥah*, *ijārah*, or MMQ, but the concentration of financing in contracts whose economic risk profiles may diverge from the substantive risk-sharing rationale of Islamic banking. The study proposes strengthening the Sharia Supervisory Board's review of contractual substance, introducing portfolio-level disclosure of the PLS-substance ratio, and providing clearer DSN-MUI guidance on risk allocation in force majeure and extreme economic conditions. The study concludes that evaluating Islamic banking performance requires moving beyond formal contractual classification toward greater attention to the substantive distribution of risk between banks and customers.
**Keywords**: Islamic Banking; Profit-Loss Sharing; Substantive Risk Sharing; *Musyarakah Mutanaqisah*; Risk Allocation.

## Introduction

Islamic banking in Indonesia operates under a well-known tension: the profit-loss sharing (PLS) principle is widely regarded, in both the classical fiqh literature and contemporary Islamic economics, as the contractual form that most fully expresses distributive justice between capital owner and manager, while day-to-day practice leans heavily on sale- and lease-based contracts such as *murābaḥah* and *ijārah* (Hamsir et al., 2025). Law No. 21 of 2008 concerning Islamic Banking requires banks to perform their intermediation function in accordance with the principles of justice (*al-ʿadālah*) and transparency (*al-shaffāfiyah*), which — on a straightforward reading — implies a proportional sharing of risk between the bank and the customer rather than its concentration on the economically weaker party (Bougatef & Korbi, 2018). This study asks whether, and under what legal conditions, that implication is actually met in current practice, and confines its answer to what statutory materials, DSN-MUI fatwas, published case law, and OJK's own published statistics can support — rather than to claims that would require primary fieldwork this study does not undertake.

The empirical starting point requires care. Earlier accounts of this dominance rely on the observation that *murābaḥah* has long been the largest financing category (Asyiqin et al., 2025; Bulutoding et al., 2021). OJK's Statistik Perbankan Syariah for the position of February 2024 complicates that picture: *musyarakah* financing was reported at approximately 47.91% of total Islamic banking financing, ahead of *murābaḥah* at approximately 43.88%, with the two contracts together accounting for close to 92% of total financing (Otoritas Jasa Keuangan, 2024; as reported in Iconomics, 2024). Read alone, this would seem to refute the non-PLS-dominance thesis, since *musyarakah* is formally a PLS (*syirkah*) contract. Two further facts complicate that reading, however. First, genuine productive-sector *muḍārabah* — the contract form most often held up as the paradigm of risk-sharing — has consistently remained a marginal share of total financing, reported in the low single digits in recent years; the exact current figure should be verified against the latest monthly OJK release before submission, since this indicator moves from month to month. Second, and more importantly, the great majority of reported *musyarakah* volume is *Musyarakah Mutanaqiṣah* (MMQ) used for consumer home financing (*Kredit Pemilikan Rumah Syariah*), a diminishing-partnership structure formalised in DSN-MUI Fatwa No. 73/DSN-MUI/XI/2008. In Indonesian bank practice, MMQ is commonly priced with a periodically reviewed fixed rental component (frequently benchmarked to SBIS plus a margin), producing a fixed monthly installment schedule that is, in economic substance, difficult to distinguish from an amortising fixed-return facility, notwithstanding its formal classification as profit-loss sharing. This is precisely the kind of gap between contractual label and economic substance that AAOIFI Shari'ah Standard No. 12 seeks to guard against by requiring that the diminishing element of a *sharikah* not be made a precondition of the partnership and that no partner's capital be guaranteed. This paper's central empirical premise is accordingly narrower and, we think, more defensible than a simple "non-PLS dominates" claim: it is that the *headline* shift toward PLS-labelled financing in Indonesia does not yet correspond to a proportionate shift in *risk-sharing substance*.

Two questions organise the discussion that follows: first, what does the statistical and doctrinal record show about the substance of PLS-labelled dominance in Indonesian Islamic banking, and how is that dominance explained in moral-hazard terms; second, how does the resulting pattern of risk allocation measure against *maqāṣid al-sharīʿah* and against the existing regulatory and fatwa framework, and what, if anything, that framework leaves unresolved. The findings are intended to be of practical use to three audiences: OJK and the National Sharia Board (DSN-MUI), in refining risk-management and product-governance regulation; Religious Court judges adjudicating *sengketa ekonomi syariah*, in identifying where existing fatwas leave risk-allocation questions open; and the academic literature on Islamic economic law, in supplying a more precise vocabulary — substance versus label — for evaluating PLS claims.

## Literature Review

Existing literature has approached adjacent parts of this problem separately. Salman (2023) and Yousfi and Hassan (2018) analyse moral hazard and adverse selection within PLS contracts specifically, but do not extend the analysis to the structural dominance of non-PLS and PLS-labelled-but-substantively-fixed products. Hamsir et al. (2025) and Djumadi et al. (2025) critique debt-based financing dominance and its *maqāṣid* implications, but do not engage with the MMQ substance-label gap or with the specific regulatory instruments — POJK No. 65/POJK.03/2016 and OJK's 2023–2024 sharia product guidelines — that govern how Indonesian Islamic banks are permitted to manage this risk. Ding et al. (2023) and Abdeljawad et al. (2024) examine Basel III's influence on Islamic bank risk-taking from a prudential-stability perspective, without addressing risk parity between bank and customer. Amal and Muhammadi (2022) examine *taʿzīr* and *taʿwīḍ* as moral-hazard mitigants but do not connect this to the dominance structure itself, while Hamza and Saadaoui (2013) study investment-deposit risk and capital decisions without addressing how the prevalence of debt-based and hybrid products generates risk asymmetry.

Two further, more directly adjacent studies require explicit engagement, since they narrow the space this paper can claim as novel. Yenti et al. (2026), writing in the same faculty's sister journal, independently document that MMQ implementation in Indonesian Islamic banks "demonstrates a persistent tendency to resemble conventional credit structures" through fixed rental margins and weak risk-sharing mechanisms, and call for reconstruction toward *maqāṣid* realisation through contractual, accounting, and supervisory reform. This study's account of the substance-label gap is consistent with, rather than a departure from, that finding, and the reconstruction this study proposes should be read as continuous with theirs rather than as a competing claim to have discovered the gap first. Internationally, Bin Tuan Soh (2019) reaches a structurally similar conclusion for Malaysia, showing that Bank Negara Malaysia's characterisation of MMQ as *sharikah al-milk* under the Musharakah Regulatory Policy, together with gaps between the Islamic Financial Services Act 2013 and the Partnership Act 1960, undermines the risk-sharing purpose MMQ was introduced to serve. Given this existing literature, this study's distinct contribution is narrower than a general claim to have identified the substance-label gap: it is (i) tying that gap specifically to Indonesia's post-2023 regulatory architecture — POJK No. 65/POJK.03/2016 as amended by, and read together with, Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), and OJK's 2023 and 2024 sharia product guidelines for *murābaḥah* and *musyarakah* respectively — and (ii) supplementing Yenti et al.'s fiqh-reconstruction and Bin Tuan Soh's Malaysian regulatory analysis with a case approach drawn from Indonesian sharia economic dispute adjudication.

The theoretical basis for the evaluation that follows is *maqāṣid al-sharīʿah*, applied through three *fiqh muʿāmalah* doctrines. *Al-ʿadālah* (justice) is the overarching standard already reflected in Law No. 21/2008's own statement of principle, noted above. Within it, two more specific maxims are directly relevant to risk allocation: *al-ghunmu bil ghurmi* (entitlement to profit is accompanied by exposure to risk) (Ghazali et al., 2024) and *al-kharāj bid dhamān* (return follows liability) (Noor et al., 2018), both of which hold that the party entitled to a return should also bear a proportional share of the associated risk. These doctrines, rather than a general appeal to fairness, are what the Results and Discussion section below uses to evaluate whether the statistical and regulatory picture assembled in this study meets Islamic banking's own stated objective of a financial system consistent with Sharia principles (Hudi et al., 2019; Kaddour et al., 2021).

Read together, this literature and this theoretical basis yield the study's contribution: a normative-legal synthesis of three elements not previously combined, in this specific configuration, in the Indonesian Islamic banking literature: (i) a doctrinal reading of updated OJK secondary statistical data that distinguishes the substance of PLS-labelled financing from its formal classification; (ii) a case approach that draws on published court decisions concerning sharia economic disputes — a category of dispute over which Religious Courts have held jurisdiction since Law No. 3 of 2006 amended Law No. 7 of 1989 concerning Religious Courts — to illustrate how doctrinal risk-allocation questions surface in practice; and (iii) a *maqāṣid al-sharīʿah*-based evaluation of whether POJK No. 65/POJK.03/2016, OJK's 2023–2024 product guidelines, and the relevant DSN-MUI fatwas adequately address the resulting risk-allocation questions. We wish to be explicit about what this synthesis does and does not claim. It does not claim that *murābaḥah*, *ijārah*, or MMQ are individually invalid contracts — each is affirmed by DSN-MUI fatwa and, in the case of *murābaḥah* and diminishing *musharaka*, by AAOIFI Shari'ah Standards No. 8 and No. 12 respectively. Nor does it claim to demonstrate, through doctrinal analysis alone, sociological claims about "power structures" between banks and customers; such claims would require primary empirical research beyond this study's scope. What it does claim is narrower and, within a normative-legal method, demonstrable: that it remains an open, checkable question, addressed in the Results and Discussion section below, whether OJK's existing regulatory framework requires banks to disclose or limit the gap between a financing contract's PLS label and its risk-sharing substance, and that this is where the *maqāṣid*-based tension actually resides.

## Method

This is a normative (doctrinal) legal study, following Marzuki's (2017) standard typology of statute, conceptual, and case approaches. The statute approach examines Law No. 21 of 2008 concerning Islamic

Banking — as subsequently amended by Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), which restructured 17 financial-sector laws including Law No. 21/2008 — Law No. 8 of 1999 concerning Consumer Protection, and Financial Services Authority Regulation (POJK) No. 65/POJK.03/2016 concerning the Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units, read together with OJK's 2023 and 2024 sharia banking product guidelines for *murābaḥah* and *musyarakah* respectively, issued pursuant to UU P2SK and OJK's 2023–2027 Sharia Banking Development Roadmap (RP3SI). This is the instrument set that actually governs Islamic-bank risk and product management. Because these product guidelines are recent implementing instruments rather than statutes, their precise provisions — and in particular whether they already address the substance-disclosure question this study raises — are treated in the Results and Discussion section as a matter requiring direct verification against the published guideline text, rather than assumed. The conceptual approach applies the *maqāṣid al-sharīʿah* doctrines set out in the Literature Review and Theoretical Basis section above as evaluative standards. The case approach draws on published court decisions concerning sharia economic disputes — a jurisdiction Religious Courts have held since Law No. 3 of 2006 — as analysed in the secondary legal literature, principally Harahap's (2020) study of Supreme Court Decision No. 272/K/AG/2015 on collateral enforcement in a *muḍārabah* financing dispute, and Hidayah et al.'s (2023) broader survey of Religious Court decisions on sharia banking disputes. This single-case illustration is a limitation of the case approach adopted here: a systematic review of the Religious Court and Supreme Court decision databases on sharia economic disputes would substantially strengthen it beyond what this study attempts.

Primary legal materials comprise the statutes and regulations named above — including OJK's *Pedoman Produk Pembiayaan Murabahah* (2023) and *Pedoman Produk Pembiayaan Musyarakah Perbankan Syariah* (2024) as implementing product guidelines — DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000 on *Murābaḥah*, No. 07/DSN-MUI/IV/2000 on *Muḍārabah* (*Qiradh*) Financing, No. 08/DSN-MUI/IV/2000 on *Musyarakah* Financing, and No. 73/DSN-MUI/XI/2008 on *Musyarakah Mutanaqiṣah*, AAOIFI Shari'ah Standards No. 8 (*Murabaha*) and No. 12 (*Sharikah*), and the published court decision discussed above. Secondary legal materials comprise journal articles, books, and other scholarly literature. In addition, and separately from these legal materials, the study uses OJK's published Statistik Perbankan Syariah as supporting contextual data. This statistical material is secondary and descriptive in character — it is used to establish the aggregate composition of the national financing portfolio, not to establish causal or behavioural claims that would require primary fieldwork such as interviews or surveys. Data were collected through documentary/library research: inventorying, identifying, and classifying legal materials relevant to the research questions. Data were analysed using a qualitative descriptive-analytical method, in which applicable norms are read against the documented pattern of contract usage through deductive legal reasoning, to identify where the current regulatory and fatwa framework does, and does not, address the resulting risk-allocation questions. Because this method does not itself generate primary empirical evidence of how banks, customers, or courts actually behave, the study's concluding section proposes a specific empirical/socio-legal follow-up that would be needed to test these doctrinal findings against practice.

## Results and Discussion

### Non-PLS Dominance in Statistical and Doctrinal Perspective: Beyond the Headline Numbers

Islamic banking theory treats *muḍārabah* and *musyarakah* as the contracts that most fully express PLS and, through it, distributive risk-sharing between bank and customer (As-Salafiyah et al., 2025; Abedeen & Salman, 2024). The conventional account in the literature is that non-PLS contracts — chiefly *murābaḥah*, *ijārah*, and *salam* — nonetheless dominate financing portfolios (Maouchi, 2024; Warninda et al., 2019). Table 1 summarises OJK's Statistik Perbankan Syariah for the position of February 2024, the most precise published figures the authors were able to verify at the time of writing. These single-point figures should be read as an anchor illustration of the substance-label gap rather than as a claim about current exact percentages: before submission, they should be extended into a multi-year series drawn from OJK's published monthly archive to show the trend in *musyarakah*'s share directly, which would considerably strengthen the empirical anchor beyond a single month.

**Table 1. Formal Classification and Practical Risk-Sharing Characteristics of Islamic Financing Contracts in Indonesia**

| Contract | Approx. share of total financing (Feb 2024) | Formal classification | Practical risk-sharing character |
|---|---|---|---|
| *Musyarakah* (predominantly MMQ home financing) | ~47.91% | PLS (*syirkah*) | Largely fixed, periodically-reviewed installment; risk-sharing in form, not substance |
| *Murābaḥah* | ~43.88% | Non-PLS (sale, *bayʿ*) | Fixed receivable (*dayn*), independent of business performance |
| *Muḍārabah* (productive-sector) | ~1% (indicative; verify latest release) | PLS | Genuine profit-and-loss sharing |
| *Ijārah*, *istiṣnāʿ*, other | Remainder (~7–8%) | Non-PLS | Fixed rental / progress-billed price |

Source: Author's synthesis of Otoritas Jasa Keuangan (2024) Statistik Perbankan Syariah, as reported in Iconomics (2024); figures for *muḍārabah* are indicative and should be confirmed against the current monthly release.

The table shows two things a single "non-PLS dominates" claim would miss. First, *musyarakah* and *murābaḥah* together account for nearly the entire portfolio, leaving little room in the aggregate statistics for genuine productive-sector risk-sharing through *muḍārabah*. Second, and more consequentially, the headline PLS share is carried almost entirely by MMQ. Under DSN-MUI Fatwa No. 73/DSN-MUI/XI/2008 and AAOIFI Shari'ah Standard No. 12, MMQ is structured as genuine, diminishing co-ownership: the bank's ownership share reduces over time as the customer purchases additional units, and the customer separately pays rent (*ujrah*) for use of the bank's remaining share. AAOIFI Standard No. 12 specifically conditions this structure's validity on the diminishing element *not* being a precondition of the partnership, and on no partner's capital being guaranteed by another. In Indonesian bank practice, however, the rental component is commonly set at a periodically-reviewed rate benchmarked to a reference rate plus margin, producing a fixed monthly installment for each review period. The resulting cash-flow profile — fixed, predictable, and largely insulated from the customer's actual income or business performance within each review period — is difficult to distinguish, in economic substance, from an amortising *murābaḥah* facility, notwithstanding MMQ's formal PLS classification. This is the substance-label gap this study treats as its central object of analysis, rather than the broader and less defensible claim that non-PLS contracts as such are somehow deficient.

The literature offers a consistent explanation for why banks structure financing this way: the desire to control moral hazard inherent in equity-style contracts (Salman, 2023). Because *muḍārabah* and *musyarakah* place the manager (*muḍhārib*) in control of day-to-day operations while the capital owner (*ṣāḥib al-māl*) bears the downside of ordinary business loss, information asymmetry creates room for opportunistic behaviour — under-reporting profit, diverting funds, or accepting excessive risk because losses are shared (Hoque, 2014; Vafaï, 2010; Brady et al., 2024). *Fiqh muʿāmalah* treats such conduct as *khiyānah* (breach of trust) or *tadlīs* (deception) (Salman, 2023; Bagheri & Hassan, 2015), both of which are prohibited, and correspondingly recognises the capital owner's right of supervision (*muraqabah*) over the manager (Anjani & Thalib, 2025). In practice, however, the resources needed for effective ongoing supervision of a large and diverse financing book are considerable, which the literature treats as a structural driver toward contract forms — sale, lease, or fixed-installment partnership — whose enforcement does not depend on verifying a counterparty's actual business results.

This gap has not gone entirely unnoticed by the regulator. On 4 June 2024, OJK issued the *Pedoman Produk Pembiayaan Musyarakah Perbankan Syariah*, an implementation guideline updating OJK's 2016 *musyarakah* product standard, following a similar 2023 guideline for *murābaḥah* — both issued, on OJK's own account, to strengthen the distinctiveness and prudential soundness of sharia banking products under the mandate of UU P2SK and OJK's RP3SI 2023–2027 roadmap, and explicitly to reduce disputes arising from banks' heavy reliance on these two contracts. The 2024 guideline covers capital and business-scope provisions, profit-distribution mechanisms, restructuring and conversion between contract types, early settlement, problem-financing resolution, and conversion from conventional financing — a scope that plausibly bears on the substance-label question this study raises, but whose specific provisions we have not verified against the published text. Whether the 2024 guideline in fact requires banks to disclose or standardise the gap between a *musyarakah* contract's PLS classification and an MMQ facility's fixed-installment economics is accordingly an open, directly checkable question rather than one this study resolves: if the guideline already addresses it, the regulatory gap identified in this study narrows to enforcement and disclosure practice rather than the rule itself; if it does not, the guideline's own stated purpose — reducing disputes over these two dominant contracts — is itself evidence that OJK regards the current framework as producing exactly the kind of interpretive uncertainty this study analyses.

A related, and separate, driver is procedural. Enforcing a genuine PLS contract in the event of an alleged loss requires the bank to establish, to the evidentiary standard applied in the Indonesian court system, whether a shortfall was a covered business loss or a breach attributable to the customer (Yuliani, 2020; Harahap, 2020). Harahap's (2020) analysis of Supreme Court Decision No. 272/K/AG/2015, concerning the binding of collateral in a *muḍārabah* financing contract as a means of resolving a debtor-default dispute, illustrates the doctrinal difficulty this creates: because *muḍārabah* capital is held on a trust basis (*yad al-amānah*), DSN-MUI Fatwa No. 07/DSN-MUI/IV/2000 provides that there is, in principle, no indemnity for ordinary business loss, and that collateral may be realised only where loss results from proven deliberate fault, negligence, or breach of the agreement — a standard of proof considerably harder to establish than a simple payment default under a sale contract. By contrast, a *murābaḥah* receivable is a fixed debt (*dayn*) arising from a completed sale; under DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000, the customer's payment obligation does not depend on how the underlying goods or the customer's business subsequently perform, which is consistent with the Civil Code's general emphasis on the certainty of contractual performance and gives the bank a comparatively straightforward path to enforcement (Ibrahim & Salam, 2021).

None of this implies that *murābaḥah*, *ijārah*, or MMQ are themselves deficient as a matter of *fiqh*: each rests on an unbroken juristic basis and is affirmed by specific DSN-MUI fatwa and, for *murābaḥah* and diminishing *musharaka* respectively, by AAOIFI Shari'ah Standards No. 8 and No. 12. The tension this study identifies is not a claim about any individual contract's validity, but about system-level reliance: when the overwhelming majority of financing — including financing formally labelled PLS — carries a fixed, business-performance-independent payment profile, the *maqāṣid*-level objective of proportional risk-sharing (*ta'āwun*, *mushārakah* in the substantive sense) recedes from practice even where it is fully honoured in contractual form (As-Salafiyah et al., 2025; Khalidin et al., 2023).

**Risk Allocation and the Limits of Existing Regulatory and Fatwa Frameworks**

The stated objective of Islamic banking is a financial system consistent with Sharia principles, with the PLS principle in particular understood to embody the equitable distribution of profit and risk between bank and customer (Hudi et al., 2019; Kaddour et al., 2021). Applying the *al-ghunmu bil* *ghurmi* and *al-kharāj bid dhamān* maxims set out above: in a *murābaḥah* contract, the bank's margin is fixed at contract formation and is not, under DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000, contingent on the customer's subsequent business outcome (Bulutoding et al., 2021); the customer instead bears the operating risk of the underlying transaction while remaining obligated on the sale receivable. This is a doctrinally coherent feature of a sale contract, not evidence of the contract's invalidity — but it does mean that where sale- and lease-based financing, together with fixed-review-rate PLS-labelled financing such as MMQ, together approach the near-total share of the portfolio reflected in Table 1, the *portfolio-level* risk allocation diverges from what *al-ghunmu bil ghurmi* would suggest as an aggregate objective, even though each individual contract is, on its own terms, Sharia-compliant.

Collateral requires the same care. Requiring collateral in Islamic financing is not, as such, contrary to *fiqh*: AAOIFI Shari'ah Standard No. 12 confirms that *sharikah* assets are held on a trust basis, with liability arising only from misconduct, negligence, or breach of contract, and DSN-MUI Fatwa No. 07/DSN-MUI/IV/2000 similarly confines indemnity in *muḍārabah* to proven fault rather than ordinary business loss. Collateral that operationalises this fault-based liability standard is therefore consistent with *fiqh*, and the mere presence of collateral in a PLS contract is not evidence of injustice. Where a doctrinal question remains open — and where, as Harahap's (2020) case discussion suggests, courts have had to develop supporting doctrine on a decision-by-decision basis — is in specifying, with more regulatory or fatwa precision than currently exists, how the fault/no-fault line is to be evidenced in a banking relationship characterised by significant information asymmetry between manager and capital owner.

POJK No. 65/POJK.03/2016 concerning the Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units is the regulation that actually governs how Indonesian Islamic banks are required to manage this risk. It requires active oversight by the Board of Directors, Board of Commissioners, and Sharia Supervisory Board (DPS); adequate risk-management policy, procedure, and limit-setting; adequate risk identification, measurement, monitoring, and control processes; and a comprehensive internal control system, calibrated to the size and complexity of the bank's business, in line with Islamic Financial Services Board (IFSB) standards. What POJK No. 65/POJK.03/2016 does not contain is any requirement that a bank disclose, measure, or limit the gap between a financing contract's formal PLS classification and its economic risk-sharing substance — the DPS's active-oversight mandate under the regulation extends to Sharia compliance of the contract's form and process, but the regulation does not in terms require DPS or the bank to report a portfolio-level "PLS-substance ratio" of the kind this study's findings suggest would be informative. Any recommendation to introduce such a requirement is accordingly a proposal for regulatory reform (*de lege ferenda*), not a description of an existing legal obligation.

A further, and separate, question arises under Law No. 8 of 1999 concerning Consumer Protection, which requires fair and balanced treatment between business actors and consumers, including in the allocation of risk. Where a non-PLS or fixed-substance PLS-labelled contract places the entire operating and force majeure risk on the customer without a corresponding risk-mitigation mechanism, and without the customer's informed understanding of that allocation, this raises a potential tension with Article 18's prohibition on standard clauses that unfairly burden consumers — though establishing an actual violation in a given case would require evidence of the specific clause and disclosure practice at issue, which is beyond what a normative study of this kind can establish. Relatedly, while DSN-MUI has issued fatwas covering the individual contracts discussed above, none of them comprehensively specifies how risk is to be allocated in force majeure or extreme-economic-condition scenarios — an area where clearer fatwa guidance, rather than case-by-case judicial improvisation of the kind visible in Harahap's (2020) case discussion, would reduce both litigation risk and the residual uncertainty this study has identified.

## Conclusion

This study's central finding is that the conventional "non-PLS dominance" narrative in Indonesian Islamic banking, while broadly consistent with older data, understates a more precise and currently more defensible problem: OJK's own statistics now show *musyarakah* as the largest financing category, but this shift is carried overwhelmingly by *Musyarakah Mutanaqiṣah* home financing whose fixed, periodically-reviewed installment structure narrows the practical difference between PLS-labelled and non-PLS financing, while genuine productive-sector *muḍārabah* remains marginal. Individually, *murābaḥah*, *ijārah*, and MMQ are valid under DSN-MUI fatwa and AAOIFI Shari'ah Standards; the *maqāṣid*-level tension identified here lies instead in the absence, under POJK No. 65/POJK.03/2016, of any requirement that banks disclose or limit the gap between a contract's PLS label and its risk-sharing substance, and in the absence of comprehensive DSN-MUI guidance on force majeure risk allocation. Read against the closely related work discussed in the Literature Review (Yenti et al., 2026; Bin Tuan Soh, 2019), this study's distinct contribution is tying that gap to Indonesia's post-2023 regulatory architecture and posing it as a specific, checkable question: whether OJK's 2024 *musyarakah* product guideline already requires the substance disclosure this study argues is needed, or whether the gap persists even after that guideline.

As a normative-doctrinal study resting on a single illustrative case and a single-month statistical anchor (see Method and Results and Discussion above), these findings are best read as a doctrinal diagnosis rather than a demonstrated empirical pattern. Testing whether the substance-label gap identified here in fact produces the risk-allocation disputes it anticipates — and how Religious Courts, which have held jurisdiction over *sengketa ekonomi syariah* since Law No. 3 of 2006, actually resolve them — would require a dedicated empirical or socio-legal follow-up study, for example combining a systematic review of published Religious Court and Supreme Court decisions with interviews of Sharia Supervisory Board members and bank risk officers. We recommend this as the most direct next step for future research on this topic.

On this basis, and as a matter of *de lege ferenda* rather than a description of existing obligation, this study recommends three specific reforms: first, that DPS's mandate under POJK No. 65/POJK.03/2016 be strengthened, through implementing regulation or a Financial Services Authority Circular Letter (SEOJK), to require review of financing-contract *substance* and not only contractual form and documentation; second, that OJK consider requiring banks to disclose a portfolio-level measure of the gap between PLS-labelled and substantively fixed-return financing, so that the aggregate statistics in Table 1 can be read alongside a measure of their practical meaning; and third, that DSN-MUI consider issuing clearer fatwa guidance on the allocation of force majeure and extreme-economic-condition risk across *murābaḥah*, *muḍārabah*, *musyarakah*, and MMQ contracts, to reduce the doctrinal uncertainty that currently falls to courts to resolve case by case.


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## Conflict of Interest

There are no conflicts of interest to declare.

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