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AL-AMR BI AL-SYIRA' FROM THE PERSPECTIVE OF AGENCY THEORY

Asnan Purba[1], Oyo Sunaryo Mukhlas[2], Burnahnuddin[3]
[1] Universitas Islam Tazkia, Indonesia
[2] Uin Sunan Gunung Djati, Indonesia
[3] Uin Sunan Gunung Djati, Indonesia
Email: asnanpurba@tazkia.ac.id[1], oyosunaryomuklas@uinsgd.ac.id[2], burhanuddin@uinsgd.ac.id

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Abstract:

This study examines the practice of al-amr bi al-syirā' (murābaḥah to purchase orderer), particularly murābaḥah bil wakālah, through the lens of Agency Theory and Islamic legal frameworks. The rapid expansion of Islamic banking in Indonesia has led to the dominant use of murābaḥah financing, often combined with wakālah to enhance operational efficiency. However, this hybrid structure raises concerns regarding agency problems, information asymmetry, and substantive Sharī'ah compliance. Using a qualitative approach, this research integrates literature review and content analysis of primary regulatory sources, including the Compilation of Sharia Economic Law (KHES), DSN-MUI fatwas, and AAOIFI Shari'ah and accounting standards, supported by relevant academic literature. The findings reveal two contrasting regulatory approaches. The KHES and DSN-MUI frameworks emphasize flexibility and maṣlaḥah by allowing legal ownership (qabḍ ḥukmī) and delegated purchasing, which reduces transaction costs but increases agency risks such as moral hazard. In contrast, AAOIFI adopts a conservative stance that requires substantive ownership (qabḍ ḥaqīqī) and full risk assumption by Islamic financial institutions, thereby minimizing agency problems at the expense of higher operational costs. This study contributes to the literature by highlighting the trade-off between efficiency and agency cost in murābaḥah practices and underscores the need for harmonization between local and international standards to ensure both Sharī'ah compliance and effective risk governance in Islamic financing.

Keywords: *al-amr bi al-syirā', murābaḥah bil wakālah, agency theory, Islamic legal frameworks, KHES*

INTRODUCTION

The Development of Islamic banking in Indonesia has experienced significant momentum, driven by increasing public awareness of the Islamic-based financial system. Murabaha contracts, as the dominant financing product, account for 70-80% of the total financing provided to the public. Rahmawati (2024) noted that murabahah financing accounted for 61.12% in 2021, 62.06% in 2022, and 58.64% in 2023 at Bank Syariah Indonesia. OJK data shows that the percentage of Murabahah Receivables to Total Receivables reached 94.08% in 2014 and increased to 95.56% in 2015.

In practice, Islamic financial institutions (LKS) face operational challenges that prompt modifications to the murabahah contract, such as the inclusion of the wakalah contract. This phenomenon arises from LKS's limitations in making direct purchases of all items customers need, especially in terms of operational efficiency and transaction flexibility. Djuitaningsih (2017) states that murabahah is the most dominant Islamic banking product in Indonesia and in several other

countries worldwide, despite the central issue in Islamic banking being profit sharing.

Bank Syariah Indonesia (BSI), as the largest Islamic bank, applies the murabaha bil wakalah contract to various financing products, including BSI Griya Hasanah and KUR Mikro. BSI's practice shows a pattern in which the bank does not act as a pure seller that provides goods to customers, but rather serves as a conduit for the purchase of goods by customers. The process begins with the murabaha contract, followed by the bank disbursing funds via transfer to the customer's account. On the same day, the bank and the customer enter into a wakalah contract, under which the bank grants the customer full authority to purchase the goods. This practice is inconsistent with DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000, which states that a person who enters into the murabahah sale-and-purchase contract must carry it out after the goods have become the bank's property.

Unlike BSI, BFI Syariah applies a murabaha contract without wakalah in its multi-purpose financing products, whereby the institution actually owns and controls the goods before selling them to customers. This practice involves the physical transfer of goods (qabdh haqiqi), which ensures the institution's absolute ownership. Al-Syirkah Cooperative applies stricter principles of complete ownership (qabdh) before the contract is made, emphasizing riba-free sales transactions with installment periods of 3-10 months, without late fees.

These differences in practice also reflect the adoption of different regulatory frameworks in their implementation. BSI, as a sharia bank operating in Indonesia, tends to refer to the Compilation of Sharia Economic Law (KHES) and the DSN-MUI Fatwa, which provide flexibility in the use of wakalah contracts, subject to the condition of "principled" ownership by the bank. This approach allows BSI to achieve operational efficiency through direct fund transfers, even though it may raise sharia compliance concerns. Conversely, BFI Syariah and Koperasi Asy-Syirkah adopt more conservative standards by referring to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) principles, which emphasize substantive ownership and the fundamental assumption of risk. AAOIFI standards require Islamic financial institutions to bear the risk of ownership of goods and to avoid excessive reliance on wakalah, which can change the substance of a transaction from a sale and purchase to financing with hidden interest. The adoption of AAOIFI standards by these two institutions reflects a greater commitment to substantive Sharia compliance, even at the cost of higher operational costs.

In the context of Agency Theory, these differences in practice reflect a trade-off between agency costs and operational efficiency. BSI uses murabaha bil wakalah, which creates a complex agency relationship where customers act as agents to make purchases on behalf of the bank as the principal. This practice reduces transaction costs but increases agency problems, such as asymmetric information and moral hazard, as customers have more complete information about goods and market prices, creating opportunities for opportunistic behavior.

Conversely, BFI Syariah and Asy-Syirkah minimize agency problems by maintaining direct control over goods and transaction processes. In the context of Principal-Agent Theory in Sharia, both institutions implement the principles of trust and transparency more substantively. Physical ownership of goods (qabdh haqiqi) eliminates asymmetric information and reduces moral hazard, thereby preventing the transaction from devolving into usurious financing. There is a research gap in analyzing agency problems in murabaha bil wakalah versus murabaha haqiqi from the perspective of Agency Theory.

Previous studies have shown significant academic polarization regarding the implementation of murabaha bil wakalah in Islamic banking. On the supporting side, Samireh (2020) argues that murabaha for purchase orders meets customer needs with low risk and guaranteed profitability, accounting for 70% of total Islamic financing, compared to profit-sharing modes, which account for less than 14%. Khalidin et al. (2023) emphasize that murabaha provides an ethical alternative to conventional interest-based transactions by promoting transparency, ethical conduct, and access to financing in accordance with religious beliefs. Ono (2023) supports the use of hybrid contracts in murabaha, showing that combining murabaha with wakalah is an ijtihad that allows transactions to comply with Islamic law. Boukhatem (2018) demonstrates the positive impact of Islamic banking on economic growth, with murabaha playing an important role in fostering lending and financial stability.

Conversely, critics identify fundamental dysfunctions in the practice of murabaha bil wakalah. AF et al. (2022) identified systemic errors in which murabaha and wakalah contracts were signed simultaneously, leading banks to sell before the goods became their property and violating basic Sharia principles. Ibrahim (2021) identified inconsistencies between murabaha practices in Islamic banking and DSN-MUI fatwas, including issues of ownership of goods and the improper use of wakalah. Mulyana (2023) analyzed problematic murabaha financing at Bank Syariah Indonesia and identified systemic weaknesses that require targeted remedial strategies. Alam (2023) highlights internal and external problems that lead to problematic murabaha financing, indicating high implementation risks. Recent research (2025) analyzes the legal risks of KUR Mikro products under murabaha bil wakalah, identifying risks stemming from the absence of supporting legislation and weaknesses in contractual obligations.

These previous studies left the gap, includes: the absence of in-depth studies on the trade-off between operational efficiency and agency problems across the two models; a Principal-Agent Theory analysis that considers the sharia dimension; and an exploration of how asymmetric information can change the substance of sharia transactions. This study will fill the gap by answering two main questions, namely: first, how Islamic thinking supports the practice of Al-Amr bi al-Syira' in the framework of KHES and DSN and its relevance to Agency Theory. And second, how Islamic thinking supports the practice of Al-Amr bi al-Syira' in the framework of AAOIFI and its relevance to Agency Theory.

RESEARCH METHOD

This research method is qualitative and integrates literature review and content analysis to answer two main questions: arguments from Islamic thought that support the practice of Al Amru Bis-Syiraḥ within the framework of KHES and DSN-MUI Fatwa, and its relevance to Agency Theory; and similar arguments within the AAOIFI framework.

In the literature review stage, the search focused on primary documents—the Compilation of Sharia Economic Law (PERMA No. 2/2008), DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000 on Murabaha, DSN-MUI Fatwa No. 10/DSN-MUI/IV/2000 on Wakalah, AAOIFI Shari'ah Standard No. 8 and FAS No. 28 on Murabaha—as well as Scopus and Sinta indexed academic literature discussing murabaha bil wakalah, agency theory (Jensen & Meckling, 1976), and the application of Agency Theory in Islamic economics (Shamsuddin, 2013; Riduwan, 2013; Zafar, 2019). Secondary references, such as journal articles and books on muamalah fiqh, complemented the contextual understanding.

Furthermore, the researcher employs content analysis to identify and classify key themes in the primary documents: the principles of maslahat and generality of nash in KHES and DSN-MUI; substantive ownership provisions and assumption of risk in AAOIFI; and the basis of wakalah in the DSN Fatwa. With this approach, the study not only maps the arguments supporting Al Amru Bis-Syiraḥ across various regulatory frameworks but also articulates the relevant agency implications for the design of effective, Islamically compliant Islamic financing products.

FINDINGS AND DISCUSSION

Agency Theory as a Grand Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the contractual relationship between the principal (fund owner) and the agent (fund manager), in which the principal delegates management authority to the agent. In the context of murabaha transactions, this theory is highly relevant because it explains the fundamental problems arising from differences in interests and asymmetric information between Islamic banks, as principals, and customers, as agents. Maharani (2015) explains that agency problems occur when the interests of entrepreneurs or mudharibs conflict with those of the shahib al-maal, leading agents to disregard contractual relationships and act in disregard of the interests of the principals. This problem becomes even more complex in murabaha bil wakalah, as Islamic banks not only act as fund providers but also as sellers who delegate purchases to customers as their representatives.

Asymmetric information is the root of the main problem in agency relationships, where one party has more complete information than the other. Zafar (2019) found that asymmetric information in Islamic financial contracts, particularly murabaha, can result in two types of obstacles: adverse selection in the possibility of repayment and moral hazard in risky business decisions. In murabaha bil wakalah, customers acting as agents have more complete information about the goods purchased, the real market prices, and the intended use of funds than banks do. This practice creates opportunities for customers to

commit fraud, such as purchasing goods at a lower price while reporting a higher price, or using the funds for purposes not in accordance with the contract.

Furthermore, there is a derivative of Agency Theory, namely Principal-Agent Theory, which, in the context of sharia, has a special dimension that considers Islamic values such as trustworthiness and justice. Riduwan (2013) argued that in murabaha wal wakalah financing, the inclusion of a wakalah contract creates greater moral hazard and adverse selection risks than pure murabaha, because the bank does not directly monitor the goods-purchasing process. Jasmin et al. (2018) emphasize that, in mudaraba contracts, the principal has more information than the agent, given the agent's limited information, especially regarding monitoring and verification. A similar condition arises in murabaha bil wakalah, where the bank, as the principal, has limited information about the customer's purchasing activities as the agent.

Sholihah and Fatwa (2021) explain that moral hazard is the biggest challenge in implementing profit-sharing and sharia-compliant sales schemes, and that the design of these schemes can overcome this weakness, thereby incentivizing the contracting parties to perform efficiently. In the context of murabaha bil wakalah, monitoring costs are very high because banks must verify not only the existence of goods but also the suitability of the prices and specifications of goods purchased by customers. Dini (2022) found that asymmetric information, including information concealment, difficulties verifying customer characteristics, and analytical errors, can lead to default risk and a decline in financing quality.

The relevance of agency theory to the research topic of murabaha bil wakalah is significant in explaining why direct fund transfer practices, such as those used by BSI, raise sharia compliance concerns. Agency theory provides an analytical framework for understanding the trade-off between operational efficiency and moral hazard risks when delegating purchasing decisions to customers. The relevance to the research problem formulation includes: first, explaining the operational mechanism of direct fund transfers as a solution to reduce transaction costs but creating new agency costs; second, analyzing the risk implications of information asymmetry and moral hazard that increase monitoring costs; third, providing a theoretical perspective on why the practice of murabaha bil wakalah is criticized as resembling usurious financing because it contains fundamental agency problems; fourth, comparing agency problem solutions through murabaha haqiqi applied by BFI Syariah and Asy-Syirkah versus murabaha bil wakalah used by BSI; and fifth, identifying financing alternatives that minimize agency problems while maintaining operational efficiency and sharia compliance.

Al Amr Bis Syirah in the Context of KHES and DSN Fatwa

a. KHES and Al Amr Bis Syirah

The Compilation of Sharia Economic Law (KHES), issued through Supreme Court Regulation (PERMA) Number 2 of 2008, functions as a key legal guideline for judges in the Religious Court when resolving Sharia economic disputes. In KHES, murabaha is defined in Article 20 paragraph (6) as "mutually

beneficial financing carried out by shahibul al-maal with the party in need through a sale and purchase transaction with the explanation that the procurement price of goods and the selling price have an added value which is a profit or gain for shahibul al-maal and the repayment is made in cash or in installments". The KHES incorporates contract forms from fiqh books that reflect prevailing scholarly opinions. However, its terminology, such as shahibul al-maal, introduces ambiguity in practical application, especially in distinguishing between partnership and sale contexts.

Regarding wakalah, KHES defines it in Article 20 paragraph (19) as "the granting of power of attorney from the principal (muwakkil) to the agent (wakil) to carry out a legal action." However, the KHES does not explicitly regulate the combination of murabaha and wakalah (murabaha bil wakalah), thereby creating a legal vacuum in its application. The absence of specific regulations regarding murabaha bil wakalah in the KHES poses challenges for legal interpretation when disputes arise in religious courts. Syahrullah (2019) identifies several weaknesses in the KHES regarding the regulation of murabaha, namely that the articles are too general and fail to include important sub-elements of the murabaha contract. This has led to inconsistencies in reasoning and an impression of opportunism, resulting in only a partial solution to the community's legal issues. The KHES imposes no limitations in its articles, leading to multiple interpretations in its application.

b. DSN and Al Amr Bis Syirah Fatwa

DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000 on Murabaha, issued on April 1, 2000, served as the primary basis for implementing murabaha contracts in Indonesian Islamic banking. This fatwa defines murabaha as "selling an item by confirming the purchase price to the buyer and the buyer paying a higher price as profit." This definition more explicitly uses the concepts of buying and selling, whereas KHES uses financing terminology. The general provisions of murabaha in the DSN-MUI fatwa include eight main principles: first, the bank and the customer must enter into a murabaha contract that is free of usury; second, the goods being traded are not prohibited by Islamic Sharia; third, the bank finances part or all of the purchase price of the goods whose qualifications have been agreed upon; fourth, the bank purchases the goods needed by the customer on behalf of the bank itself, and this purchase must be valid and free of usury; fifth, the bank must disclose all matters related to the purchase; sixth, the bank then sells the goods to the customer at a selling price equal to the purchase price plus profit, honestly informing the customer of the cost price of the goods and the necessary costs; seventh, the customer pays the agreed price of the goods within a specific agreed period; and eighth, to prevent abuse, the bank may enter into a special agreement with the customer.

The revolutionary aspect of the DSN-MUI fatwa is the regulation of murabaha bil wakalah in point 9, which states: "if the bank intends to appoint the customer to purchase goods from a third party, the murabaha sale and purchase agreement must be made after the goods, in principle, become the property of the bank". This provision accommodates the practical needs of Islamic banking,

which faces operational limitations in purchasing all the items customers need. The DSN-MUI fatwa also issued Fatwa No. 10/DSN-MUI/IV/2000 on Wakalah, which defines wakalah as "the delegation of authority by a person (muwakkil) to another person (wakil) in matters that may be delegated." In the context of murabaha bil wakalah, the bank, as muwakkil, grants power of attorney to the customer as wakil to purchase goods. The general provisions of wakalah include: the wakil must be legally competent, the object of the wakalah contract must be clearly known, and the wakalah contract ends when the muwakkil or wakil cancels it, or when one of the parties dies or loses their legal competence. The combination of these two fatwas establishes a legal framework that permits the implementation of murabaha bil wakalah under strict conditions. The main principle is that, even though the customer acts as an agent in the purchase, ownership of the goods must, in principle, belong to the bank before the murabaha sale-and-purchase contract is executed. This is to ensure that the bank truly acts as the legitimate seller in the murabaha transaction.

The DSN-MUI fatwa regulates the ownership mechanism in murabaha bil wakalah through the concept of "in principle belonging to the bank". This phrase indicates that physical ownership (qabdh haqiqi) is not required, but legal ownership (qabdh hukmi) is sufficient. The bank can claim ownership of the goods based on purchase documents issued by the agent (customer) on its behalf, even though the goods are not yet in the bank's physical possession. This mechanism creates operational flexibility for Islamic banks while maintaining sharia compliance. However, its practical implementation has sparked debate because it can lead to formalities of ownership without real substance. Critics argue that this practice resembles conventional financing wrapped in a sharia contract.

Al Amr Bis Syirah in the Context of AAOIFI

AAOIFI, as an international standards organization for Islamic financial institutions, has published two relevant standards: Shari'ah Standard No. 8 on Murabaha and Financial Accounting Standard (FAS) No. 28 on "Murabaha and Other Deferred Payment Sales". AAOIFI's approach is more comprehensive, separating Shari'ah standards from accounting standards. Shari'ah Standard No. 8 provides strict Shari'ah guidelines for the implementation of murabaha. This standard emphasizes that murabaha must meet the conditions and requirements of a valid sale and purchase under Shari'ah, including the seller's ownership of the goods prior to sale. AAOIFI requires the seller to bear the risk of ownership of the goods, which means that the bank must bear the risk of damage or loss of the goods during the period of ownership.

In the context of murabaha to purchase orderer (murabaha lil amiri bi al-syira), AAOIFI allows banks to accept purchase orders from prospective buyers before purchasing the goods, provided the order is not legally binding until the bank actually owns the goods. This differs from the practice of murabaha bil wakalah, which allows customers to act as agents in the purchase. AAOIFI FAS 28, which replaces FAS 2 and FAS 20, provides comprehensive guidance on the accounting treatment of murabaha.

This standard stipulates that Islamic financial institutions must recognize murabaha transactions as trading transactions, not as financing facilities. Murabaha receivables are recognized at the selling price less unrealized profit margins. FAS 28 also governs the accounting treatment of variations in murabaha, including murabaha with a representative (similar to wakalah). In cases where a bank appoints a customer as a representative to purchase goods, the standard requires clear disclosure of the agency relationship and the risks borne by each party. Banks must demonstrate that they bear the risk of ownership even though the purchase is made through a representative.

Agency Theory in Analyzing Al Amr Bis Syirah in KHES – DSN Fatwa

The first section discusses the implementation of murabaha bil wakalah contracts within the framework of the Compilation of Sharia Economic Law (KHES) and DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000, using Agency Theory as the grand Theory and Principal-Agent Theory in the context of Sharia as the middle Theory. Agency Theory (Jensen & Meckling, 1976) highlights three primary sources of agency costs: asymmetric information, moral hazard, and agency costs (including monitoring, bonding, and residual losses). In an agency relationship, the principal (bank) delegates the task of purchasing goods to the agent (customer), resulting in information asymmetry when the customer knows more about market conditions, product quality, and the intended use of funds than the bank.

KHES, through PERMA No. 2 of 2008 Article 20 paragraph (6), defines murabaha as "mutually beneficial financing" between shahibul al-maal and the party in need. The terminology shahibul al-maal resembles the concept of partnership or capital participation, unlike the pure sale-and-purchase structure described in traditional fiqh books. While Article 20 paragraph (19) defines wakalah as "the granting of power of attorney from the principal (muwakkil) to the agent (wakil) to carry out a legal action," KHES does not contain explicit rules regarding the combination of these two contracts. This gap creates legal uncertainty and increases transaction costs—the costs incurred by banks to prepare documents and verify contract validity—as well as agency costs due to the absence of standard criteria for monitoring customers' actions as agents (Syahrullah, 2019).

DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000 provides a more explicit definition: murabaha is a sale-and-purchase contract in which the seller declares the cost price and profit margin to the buyer. The eight principles of murabaha in this fatwa include freedom from usury, transparency in the qualifications of the goods, financing by banks, provision of complete information, and determination of the selling price with a specified margin. A crucial point arises in the ninth provision, which allows banks to represent customers in the purchase of goods, on the condition that the murabaha contract may be executed only after the goods have "in principle" become the legal property of the bank (qabdh hukmi). This provision introduces a legal ownership substitution mechanism that aims to minimize moral hazard; even though the bank does not bear the risk of physical ownership (damage or loss of goods), it is still considered

the owner before reselling the goods to the customer.

Through content analysis, the DSN-MUI's arguments can be classified into three sub-themes: "flexible principal control," which allows the delegation of authority to customers; "legal ownership substitution," which ensures sharia compliance without physical ownership; and "operational trade-offs," which balance operational efficiency and agency costs. In particular, the qabdh hukmi provision reduces the bank's monitoring costs—the costs of verifying physical ownership—but still exposes the bank to residual loss risk when agents abuse their authority to obtain goods at lower prices or resell them on the secondary market.

Principal-Agent Theory, in the context of Sharia, adds Islamic values such as amanah (trustworthiness) and transparency. The value of amanah is expected to foster agent loyalty, while transparency minimizes information asymmetry. However, KHES/DSN practices still allow for opportunistic behavior because there is no certainty of physical ownership or a strong periodic audit mechanism. Uncertainty regarding ownership rights creates the potential for adverse selection, where banks find it difficult to assess the risk of prospective customers based on their past purchase records, and for moral hazard, where customers can deviate from the initial agreement without immediate sanctions.

Agency Theory in Analyzing Al Amr Bis Syirah in AAOIFI

The second section discusses the implementation of murabaha bil wakalah contracts based on Shari'ah Standard No. 8 and Financial Accounting Standard (FAS) No. 28 published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The AAOIFI approach explicitly emphasizes substantive ownership (full assumption of risk) by Islamic financial institutions prior to the sale of goods, aiming to minimize agency problems that commonly arise in principal-agent relationships. Within the framework of Agency Theory (Jensen & Meckling, 1976), differences in interests between the principal (bank) and agent (customer) give rise to risks of asymmetric information, moral hazard, and various agency costs. AAOIFI adopts a conservative stance by maintaining complete control over assets, thereby reducing information asymmetry and ensuring alignment of incentives between the two parties.

Shari'ah Standard No. 8 stipulates that, in every murabaha contract, the seller must bear the physical risk of the goods prior to reselling them. This standard emphasizes that Islamic banks or financial institutions must bear all risks related to damage, loss, or depreciation of goods during the ownership period. Thus, real ownership is not only legal (qabdh hukmi), but also substantive (qabdh haqiqi). This substantive ownership is the primary source for eliminating asymmetric information—customers can no longer exploit information gaps about the condition of the goods, because the institution has conducted physical and legal due diligence on the assets. In addition, sellers are required to transfer ownership in full through documentation, certificates, or valid proof of transfer, thereby reducing the opportunity for moral hazard and agent misconduct.

Financial Accounting Standard No. 28 governs the accounting treatment

of murabaha transactions and other deferred-payment sales. FAS 28 stipulates that Islamic financial institutions must recognize murabaha receivables at the predetermined sale price, less unrealized profit margins. Furthermore, this standard requires institutions to treat murabaha as a trade transaction rather than a financing facility. When using wakalah—or appointing a customer as a representative for the purchase of goods—FAS 28 requires transparent disclosure of the nature of the agency relationship and the risks borne by each party. Thus, FAS 28 emphasizes the themes of "substantive ownership control" and "stringent disclosure requirements" as key elements for minimizing agency costs.

Through content analysis of AAOIFI documents, three main themes were identified: 1) Substantive Ownership Control, which prioritizes full ownership and risk of assets by the institution prior to transfer; 2) Risk Retention by Principal, where the institution bears all risks until the goods are definitively transferred; and 3) Stringent Disclosure Requirement, which emphasizes full disclosure of contract structure, costs, and risks, as well as the inclusion of agency information if wakalah is used. These three themes align with the logic of Agency Theory, which emphasizes risk sharing, incentive alignment, and reduced monitoring costs.

Through the lens of Agency Theory, AAOIFI's conservative stance reflects proactive efforts to reduce agency costs, despite the associated increase in operational costs. Islamic banks and financial institutions must allocate additional resources to ensure physical and legal ownership of goods, strengthen Sharia audits, and prepare detailed financial reports. However, these increased monitoring costs are offset by reduced residual losses and moral hazard, thereby strengthening the principal-agent relationship.

Principal-Agent Theory, in the context of Sharia, teaches that in addition to contractual aspects, Islamic values such as trustworthiness, transparency, and justice must be integrated into contract design. AAOIFI rejects the excessive use of wakalah as a hilah (legal stratagem) that can obscure the essence of buying and selling, thereby avoiding structures that resemble covert interest financing. Thus, the AAOIFI model mitigates fundamental agency risk by ensuring that the principal actually bears the ownership risk before the agent executes the purchase.

Although AAOIFI provides a rigorous framework, harmonization with the KHES and DSN-MUI Fatwa frameworks is still necessary. KHES and DSN-MUI provide operational flexibility for institutions in Indonesia through the concept of legal ownership substitution and the principle of "principled" ownership; however, the practice of direct fund transfers without substantive control risks increasing agency problems. Therefore, integrating the AAOIFI approach—particularly substantive ownership and disclosure requirements—with local regulations can help achieve a balance between operational efficiency and agency cost minimization. This harmonization includes regulatory updates, intensive training for shariah compliance officers, and standardization of ownership documentation and agency reporting. With these steps, Islamic banking in Indonesia can design murabaha bil wakalah products that are both

shariah-compliant and efficient, and can be measured for their effectiveness in mitigating agency risk.

CONCLUSION

The conclusion of this study shows that the two regulatory frameworks—KHES/DSN-MUI and AAOIFI—represent two different approaches in legitimizing the practice of Al Amru Bis-Syiraḥ (murabaha bil wakalah) and balancing operational efficiency with agency risk.

First, in the KHES and DSN-MUI Fatwa frameworks, the Islamic arguments supporting Al Amru Bis-Syiraḥ are based on the principles of maslahat and the generality of nash, which allow for flexibility in muamalah. DSN-MUI accommodates wakalah practices by requiring the bank to own the goods in principle (qabdh hukmi) before the murabaha contract, so that moral hazard and information asymmetry can be minimized, although not eliminated. In the lens of Agency Theory, this approach represents moderate agency risk—banks accept a trade-off between reduced monitoring costs and increased transaction costs—and reflects a trade-off between operational efficiency and agency costs.

Second, within the AAOIFI framework, Islamic arguments support substantive ownership by the institution prior to sale, in accordance with Shari'ah Standard No. 8 and FAS No. 28. Real physical ownership and full risk assumption by the principal eliminate information asymmetry and moral hazard, in line with the principles of alignment of incentives and risk retention, which reduce agency costs despite increasing monitoring costs and operational investments. AAOIFI considers the excessive use of wakalah a loophole and views it as similar to interest-based financing, so it takes a conservative approach to minimize agency risk.

A comparison of the two frameworks shows different tolerance levels for agency risk: DSN-MUI takes a moderate stance for flexibility, while AAOIFI takes a low tolerance stance with substantive ownership control. Harmonization between the local (KHES/DSN-MUI) and international (AAOIFI) frameworks is necessary to optimize the balance between operational efficiency, sharia compliance, and minimization of agency costs in sharia financing, so that the practice of Al Amru Bis-Syiraḥ can be carried out in a compliant and sustainable manner.

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