
IJARAH COLLABORATIVE SERVICE MODEL IN SHARIA BANKING



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Abstract

Ijarah is a contract for the transfer of usufructuary rights over goods or services, through payment of rental wages, without being followed by a transfer of ownership of the goods themselves. The context of *ijarah* in Islamic banking is a lease contract in which a bank or financial institution leases equipment to one of its customers based on a definite predetermined cost. The research method is qualitative with a comparative study approach. Data collection techniques include observation, documentation, and deep interviews. The object of this research was carried out in the Yogyakarta area. The findings of the *ijarah* case presented in this study indicate that the services created jointly by customers, service organizations (Islamic banks), and assisting parties divide their roles into sub-roles assigned to individuals. This research provides a basic understanding of the development of a sharia service model, which can complement the current IFM to holistically capture both economic transactions and service elements, which are currently prevailing in the Islamic banking market.

Keywords: *Ijarah*, Rental Wages, Sharia Banking, Collaborative Service

INTRODUCTION

IFMs primarily ensure sharia compliance in the economic contracts or transactions, which occur during the service process. The involvement of academics is always active and creative to respond to the development and growth of economic activities and financial institutions, both conventional and sharia-based in Indonesia. The products and services used are expected not to deviate from sharia principles, so practitioners must create various products and regulations that regulate and supervise the products or services offered (Rofiq, 2021).

Ijarah is a contract for the transfer of usufructuary rights over goods or services, through payment of rental wages without being followed by a transfer of ownership of the goods themselves. In Islamic banking services, bankers apply Islamic Financing Models (IFM) such as *Syirkah*, *Ba'i*, *Ijarah*, and *Wakalah* as a plan of action. This plan aims to create mutual benefits such as generating profits for the bank and customers. IFM defines different parties as service creators and their collaborative roles in creating services. IFM prioritizes sharia compliance in contracts or economic transactions that occur in the service process (Annisa, 2021). For example, to avoid interest which is prohibited in sharia, the designers of these services replaced conventional loan contracts with IFM to create services (Nawawi, 2021).

The rules of agreement in sharia principles are based on Islamic law between banks and other parties to save funds and or finance business activities, or other activities according to sharia, such as financing based on the principle of profit-sharing, equity participation, the principle of buying and selling goods for gain profit, pure lease without choice, transfer of ownership of goods rented from the bank by another party (Afidatul, 2021).

IFMs are not purpose-built service models but are Islamic economic contracts adapted and applied to the banking service. To cover the collaboration roles of the multiple service cocreators, the practitioners apply multiple IFMs to create an Islamic banking service. This need of integrating multiple IFMs emerges because each IFM does not clearly define the collaborating roles of all service creators, customers, and other parties that collaborated during the practice. In general service literature, however, it is established that multiple parties co-create a service and its value through it (Spohrer, 2009). Within a

service co-creation process, each party assumes one or more roles to create actions, which constitute the holistic service. However, these arguments related to the collaboration of multiple service creators are new for Islamic banking services. There is little evidence to show that an Islamic banking service is co-created by multiple service creators through collaboration since IFMs provide little knowledge related to this aspect of the banking practice (Sangiorgi, 2009). We, therefore, theoretically and empirically investigate who or what parties participate in the creation of holistic Islamic banking service and also how each party integrates its role (s) with others to enable the service creation process.

Islamic banking must pay attention to three aspects, including compliance with Islamic principles, compliance with applicable regulations, and product development. In sharia financing, the most important aspect of sharia that must be fulfilled is the contract. Contract means a decision, reinforcement, agreement, or transaction or can be interpreted as a commitment that is framed with sharia values. The transaction will be considered halal if the contract is following sharia, but if there is no contract according to sharia then the transaction is considered invalid (Hasbi, 2019).

The designers make changes in the contract, but compliance with the sharia rarely reflects the actual service actions that emerge as a consequence of the contract which is called the substance of the implemented IFM. This non-compliance with sharia occurs mainly because the product development department at the Bank fails to fully visualize the service. collaborative and cannot be determined precisely in advance and can only be conceptualized holistically in the collaboration of organizations, customers, and helping parties in the future (Çamlıbel, 2014).

The study aims to analyze how these service makers can clarify the roles of participants in the Islamic financial system and turn these roles can be better designed, implemented, and monitored on critical management issues such as time delays, documentation costs, and managing service compliance. against sharia. If a product design is based on the premise that it will be collaboratively produced in the future, participants may be more aware of their respective roles and comply with relevant regulations. This will increase the effectiveness of all management compared to the current approach of holding one institution accountable for all roles (Bawono, 2013).

This service co-creation perspective can clarify the roles of various participants in the Islamic financial system and in turn, these roles can be better designed, implemented, and monitored for important management concerns such as time delays, cost of documentation, and regulating the sharia compliance of the service. If a product design is based on the premise that it is collaboratively produced in the future, the participants are more likely to be more aware of the roles of each participant and its attached time, costs, documentation, and relevant regulations. It will enhance the effectiveness of the overall management of the product compared to the current approach of making one institution responsible for all roles whether the roles fall in its domain or not.

This paper, therefore, provides a baseline for the development of Islamic service models, which can complement the current IFMs to holistically capture both economic transactions and service elements, currently prevailing in the Islamic banking market. The collaborative thinking of IFS broadens the visualization power of product developers at bank and regulators and through it, they can better comprehend a service that emerges not just in a single entity but rather within the domain of multiple collaborating agents. The identification of multiple roles and their segregation can enhance the banker's and regulators' vision to see whether each role on its own and in integrated form is sharia compliant or not. For instance, isolated analysis of the vehicle supply, *takaful*, and agency roles can better be designed if they are accepted to be part of the IFM. Current IFMs do not provide a holistic perspective and do not consider these collaborative roles as part of their product design.

The perspective of these service makers can clarify the roles of various participants in the Islamic financial system and turn, these roles can be better designed, implemented, and monitored on critical management issues such as time delays, documentation costs, and regulating sharia compliance of services. If a product design is based on the premise that it will be collaboratively produced in the future, participants may be more aware of their respective roles and comply with relevant regulations. It will increase the effectiveness of all management compared to the current approach of holding one institution accountable for all roles (Chapra, 1992).

REVIEW OF LITERATURE

Ijarah

Al ijarah comes from the word *al ajru* which means *al awadhi*. *Ijarah* is a contract for the transfer of usufructuary rights over goods and services, through payment of rental wages, without being followed by the transfer of ownership of the goods themselves. *Ijarah* in the context of sharia banking is a lease contract in which a bank or financial institution leases equipment to one of its customers based on the imposition of a predetermined fee with certainty (Rifqi, 2019).

The forms of transactions in *ijarah* in Islamic banking are as follows: a) *Ijarah* transactions are characterized by the transfer of benefits. So, basically the principle of *ijarah* is the same as the principle of buying and selling, but the difference lies in the object of the transaction is goods, then in *ijarah*, the object of the transaction is services. At the end of the lease period, the bank may sell the leased goods to the customer, because in Islamic banking it is known as a lease followed by a transfer of ownership. The rental price and selling price are agreed upon at the beginning of the agreement between the bank and the customer (Ascarya, 2017).

The Terms of *Ijarah* are: a) The services or benefits to be provided by the leased asset must be certain and known by both parties; b) Ownership of fixed assets belongs to the lessee who is responsible for its maintenance, so the asset must be able to provide benefits to the lessee; c) The *ijarah* contract is terminated when the asset in question ceases; d) Provide benefits to tenants. If the asset is damaged within the contract period, the *ijarah* contract is still valid (Iswanaji et al., 2021).

The pillars and conditions of *ijarah* that must be fulfilled in the transaction to fulfill the provisions of Islamic law are as follows: a) Contractors, namely tenant, is the party who leases the asset owner is the owner who leases the asset; b) The object of the contract namely rented assets and rental price; c) Sight, namely consent, and acceptance (Al Farisi et al., 2021).

The Legal Basis of Ijarah is explained in *Al-Baqarah* (2): 233.

وَالْوَالِدَاتُ يُرْضِعْنَ أَوْلَادَهُنَّ حَوْلَيْنِ كَامِلَيْنِ لِمَنْ أَرَادَ أَنْ يُتِمَّ الرَّضَاعَةَ وَعَلَى الْمَوْلُودِ لَهُ رِزْقُهُنَّ وَكِسْوَتُهُنَّ بِالْمَعْرُوفِ لَا تُكَلَّفُ نَفْسٌ إِلَّا وُسْعَهَا لَا تُضَارَّ وُلْدُهُ بِوَالِدِهَا وَلَا مَوْلُودٌ لَهُ بِوَالِدَةٍ وَعَلَى الْوَارِثِ مِثْلُ ذَلِكَ فَإِنْ أَرَادَا فِصَالًا عَنْ تَرَاضٍ مِنْهُمَا وَتَشَاوُرٍ فَلَا جُنَاحَ عَلَيْهِمَا وَإِنْ أَرَدْتُمْ أَنْ تَسْتَرْضِعُوا أَوْلَادَكُمْ فَلَا جُنَاحَ عَلَيْكُمْ إِذَا سَلَّمْتُمْ مَا آتَيْتُم بِالْمَعْرُوفِ وَاتَّقُوا اللَّهَ وَاعْلَمُوا أَنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ

Meaning: Mothers may breastfeed their children for two complete years for whoever wishes to complete the nursing [period]. Upon the father are the mothers' provision and their clothing according to what is acceptable. No person is charged with more than his capacity. No mother should be harmed through her child and no father through his child. And upon the [father's] heir is [a duty] like that [of the father]. And if they both desire to wean through mutual consent from both of them and consultation, there is no blame upon either of them. And if you wish to have your children nursed by a substitute, there is no blame upon you as long as you give payment according to what is acceptable. And fear Allah and know that Allah is seeing what you do. (*Al-Baqarah* (2):233)

The verse above does not contain the history but the understanding of this verse can be traced based on the consideration. Traditions and rules governing breastfeeding rights and wages existed at the time of the Prophet Muhammad SAW. This verse is the basis that breast milk and the owner of the womb of the child who is born are the owners, otherwise, he has no right and is not allowed to take breastfeeding wages (Fitrian, 2020).

The series of paragraphs before and after contains family law regarding rights and obligations in marriage, divorce, child care, and its consequences as well as the time limit for breastfeeding a child. The verse also allows the trading of milk and urges them to provide a decent wage that has been agreed upon by the local community. The verse reminds us that no one is harmed and their life is threatened in carrying out social and economic relations (Zidny, 2021).

The procedure for leasing based on Islamic law or called *ijarah*, in its meaning and context in banking is the transfer of the right to use an item with payment of a rental fee without being followed by a transfer of ownership of the item, in short *ijarah* means renting without the intention of owning it. *Ijarah* contracts have shortcomings that can cause Islamic banks not to implement these contracts, among others, the *ijarah* contracts do not contribute to the world of Islamic banking, and have a fairly long contract mechanism that makes the company feel quite difficult if implementing the *ijarah* contract, and can

cause losses to the bank if it is implemented. customers do financing in the middle of the contract, and rental costs can change at any time during price fluctuations (El-Gamal, 2008). Thus, the existence of these shortcomings requires collaborative services which include customers, service organizations, and system assistance to create financial contracts that are more efficient and follow Islamic law (Khotimah, 2017).

Collaboration Services

In the contemporary service literature, this view is incomplete because the services and value generated through collaboration are created by several parties including the customer, the service organization, and the support system. In this sense, Islamic bankers and customers collaborate and work together to create Islamic banking services because they both contribute and the result of their resources is the creation of a service product. Credit card services, for example, emerged as a series of collaborative actions and resource outcomes of various entities such as banks, customers, visa systems, and interbank ATM networks. In conventional finance, it is common to add specialized services to the bank's main services such as the integration and packaging of various services.

Islamic banks are, in essence, service organizations, which are producing intangible, heterogeneous, and highly perishable services. In the contemporary service literature, this view is not complete because the service and the resulted value through it are considered co-created by multiple parties including customers, service organizations, and aiding systems in this sense, Islamic bankers and clients collaborate and co-create Islamic banking service because both contribute actions and usufructs of their resources that constitute service (Ullah, 2014). The credit card service, for example, emerges as a set of collaborative actions and usufructs of resources of multiple entities such as payer-payee banks, clients, visa systems, and interbank ATM networks. In conventional finance also this is common to add special services to the mainline services of the bank such as landing integration and packaging of various services requires integrations of roles that exist within multiple entities (James, 1987).

The essence of service co-creation is multiple service systems and their integration and collaboration of resources and actions, which enables a holistic service that is objective-oriented (Sampson, 2012). In Islamic banking service, also, the multiple systems integrate resources to co-create the service of Islamic banking. The IFMs bases on the

partnership, sale, and lease, at least partially, define the roles of different Islamic banking service creators, however, there is a need for a more in-depth analysis of the current IFMs and their application to draw out a more detailed collaboration that may exist in the actual Islamic banking service practice and are not explained in theory before. The next section provides a discussion of IFMs from the perspective of the extent to which these models acknowledge the collaborating roles of multiple entities in the creation of Islamic banking service.

The core of the service maker is the dual service system and the integration and collaboration of resources and actions, which enables a holistic service. In Islamic banking services, various systems also integrate resources to work together to create Islamic banking services. IFM is based on partnerships, sales, and leases, and at least partially defines the roles of different Islamic banking service makers. There is a need for a more in-depth analysis of the current IFM and its application to find out more detailed collaboration roles that may exist in the practice of Islamic banking services that are not explained in theory. The next section provides a discussion of IFM from the perspective of the extent to which these models recognize the collaborative role of multiple entities in the creation of Islamic banking services (Sampson, 2012).

Islamic Finance Models (IFM)

The model is a representation of real practice. In this sense, partnerships, sales, lease contracts, and other contracts are models that represent real service practices created through different applications in different contexts. There are various types of IFM applied by Islamic banks to create services. The first category is the participatory model. The participatory model considers Islamic banks and customers as partners in generating economic benefits through sharia-compliant mechanisms. Islamic banks use a partnership model with various variations to meet their contextual needs. For example, *musyarakah* is used as a joint venture where all partners share the profits and losses of a business (Fahmi, 2015).

However, the dominant form of partnership is diminishing *musyarakah* in which the ownership share of at least one cooperating partner gradually decreases to zero. Another form of partnership, which is mostly used to create deposit services is *mudarabah*, where

one partner, the depositor invests money, while the bank provides the action and thus creates mutual economic value (Hidayat, 2014).

Islamic banks also create sales service models such as working capital financing. for example, in cost plus sales, banks, customers, and vendors integrate their actions and resources to create each other's services, as they build on each other's actions and resources. Other sales models such as *salam* and *istisna* create a service structure in which collaboration between banks and customers varies and thus allows them to evolve into distinct services. for example, in construction or heavy machinery projects, banks use *istisna* orders to manufacture models (Karim, 2018).

RESEARCH METHOD

The method used in this study is a qualitative method to understand the phenomenon of the research subject through the description. The triangulation method in this research is the triangulation of data sources. Triangulation of data sources is a method of exploring the truth of information by using various data sources, for example, the results of interviews and observations. The unit of analysis in this study is the *ijarah* case (Bachri, 2010).

The location of this research was carried out in the Yogyakarta area with respondents from parties related to *ijarah* financing. Data collection techniques used are data collection techniques with narrative interviews. The narrative is an in-depth qualitative interview process that involves intensive individual interviews with one or a few participants to achieve a deeper case focus. The narrative interview format was chosen to collect in-depth data to complement the *ijarah* service data that can explain in detail the role of service makers and how service makers collaborate over some time. Interviews were conducted with several Islamic bank managers in Yogyakarta, and due to ethical reasons, the data were anonymized.

RESULTS AND DISCUSSION

Islamic banks also use the *ijarah* model to create services in which the proceeds from most tangible and durable assets are given to others in exchange for rent. In *ijarah* contracts, Islamic banks provide assets to be rented out to customers, for example, banks rent cars to customers. In the practice of *ijarah*, one can observe, that Islamic banks,

customers, and car suppliers, come together to complete the service process. Many Islamic banking services, such as money transfers, can be made through the agency model. In this model, the bank usually functions as a customer agent. However, it can be seen that customers and other related banks as well as money recipients also take many actions that are an important part of the service where the ultimate goal of money transfer is achieved (Ibrahim, 2013).

The synthesis of concepts such as service cocreation and Islamic juridical principles can bring up viable solution models for how holistic Islamic banking services can be designed to effectively cover the service cocreation co-creation dating role here to sharia both in legal form and in the substance of the actual service that occurs through the application of IFMs. Such Islamic banking service will be more acceptable to the co-creating parties within the market as it is market faced and take into account all the contributing parties that emerge within the market to create each service process. The phenomenon of service co-creation is important in the current context of Islamic banking service quality enhancement and efficiency as well. As this paper suggests, an Islamic Bank must be in close collaboration to co-design, co-create, and consume service, hence it is highly likely that the resultant service will also enhance customer satisfaction and service quality. As Customer satisfaction is crucial for the overall service quality of Islamic banks (Hossain & Leo, 2009).

For such enhancement of quality, the personnel from a service organization, customer, and supporting entities need to more closely integrate their competencies to create artifacts and actions that could satisfy each other's needs compliant with sharia. Such integration and application of competence for each other is the service (Vargo, 2006) and it can only be enabled through some confidence and trust-building measures so that the integration and collaboration can continue for longer and cause sustainability of the service cocreators as a holistic service community. Such trust among the participants of an Islamic banking service can create social capital and can enhance the overall efficiency of the Islamic banks (E.g., Ibrahim & Mirakhor, 2015). It will be a move towards a sharia-based banking community perspective from the traditional bank and customer perspective.

Table 1
Service Co-Creators' Roles in Islamic Finance Models

| No | Islamic Finance Models | Service Co-Creators | Roles |
|----|--------------------------------|--------------------------------|---------------------------|
| 1 | <i>Mutharika</i> | Bank and Client | Capital Partners |
| 2 | Diminishing <i>Musharikhah</i> | Bank, Client, Property, Seller | Capital Partners |
| 3 | <i>Mudarabah</i> | Bank and Client | Capital and Working Partn |
| 4 | <i>Murabahah</i> | Bank and Client, Aiding Party | Seller, Buyer, and Vendor |
| 5 | <i>Ijarah</i> | Bank, Client, Aiding Party | Lessor, Lessee, and Vendo |
| 6 | <i>Wakalah</i> | Bank and Client | Agent and Principal |

Source: data processed 2021

In a nutshell, if we critically evaluate the actual application of IFMs to create services in different contexts, it is quite visible that in each application there is not just the bank, which performs actions and uses its resources; rather, the client also performs actions, which help (serve) the bank to initiate their actions. Also, supporting parties such as vendors and other corresponding banks perform actions and use their resources to enable a holistic service and achieve specific objectives. In many cases, the bank can be seen integrating multiple IFMs to create a single service, this particular, happens because in practice there are many parties in a service for which a single IFM does not provide sufficient structure. However, in the theory of IFMs, there is little knowledge on how this integration and collaboration of multiple parties happen. The questions posed in this paper seek answers to explore and conceptualize a more holistic Islamic financial service that occurs through these collaborations and integration.

In short, if the researcher critically evaluates the actual application of IFM to create services in different contexts, it is quite visible that in each application there are not only banks that take action and use their resources, on the contrary customers also take actions that help (serve) the bank to start. their actions. In addition, supporting parties such as vendors and other related banks also take action and use their resources to enable holistic services to achieve certain goals. In many cases, banks can be seen integrating multiple IFMs to create a single service.

The phenomenon of service co-design, co-creation, and co-consumption is reasonably novel in the literature on Islamic banking and its marketing. The current Islamic finance models (IFMs) such as partnership, sale, lease, and others are primarily based on

ontological and epistemological sources of sharia (Usmani, 2002). The models, as normative models do, provide structures based on the norms of sharia related to the financial and physical assets' transactions. These economic and financial models provide consideration to the intangible service co-creation interactions and experiences. In other words, the importance is on the legal form rather than the substance that emerges as a consequence of the application of these IFMs (Asutay, 2015).

In other words, the argument is that there is way too much focus on whether individual documents are sharia complaints instead of focusing on the documentation as a whole to meet certain objectives of sharia (*Maqasid al-Shari'ah*). Service is much larger and substance-focused than structure-focused, as articulated in IFMs. The focus on service makes the sharia compliance more experiential, which interns, make the stakeholders feel and experience the sharia compliance, thus enhancing their trust in the sharia compliance in the actual application of IFMs and achievement of objectives. It happens because in practice there are many parties in a single IFM service that does not provide sufficient structure. However, in IFM theory there is little knowledge of how this multi-stakeholder integration and collaboration occurs. The questions contained in this study seek answers to explore and conceptualize a more holistic Islamic financial service that occurs through collaboration and integration. Narrative interviews with *ijarah* managers are divided into twenty-nine stages to understand the actual process of creating *ijarah* services. Each interview stage includes an integrated part of the service process in which at least two roles interact to co-create part of the entire service. This stage was developed based on in-depth interviews with *ijarah* managers about real cases of *ijarah* at Bank Syariah Yogyakarta and several supporting documents showing the different steps of the service. A car rental contract involves an agreement between parties to provide mutual benefits.

The agreement in the contract creates rights and obligations that must be fulfilled between the lessee and the landlord. Problems that can occur in leasing activities are related to the delegation of responsibility for compensation either due to natural factors or wear and tear on the car on the rented car. The analysis of the interview was carried out by conducting interview transcripts and reaching conclusions, compacting a large amount of data into information which can be understood. The entire service consists of several stages

of interviews that lead to the achievement of the service objective. In the case of *ijarah*, the target set is to rent vehicles to customers.

Service Co-Creation Models

Service is much larger and focused on substance than focused on structure, as articulated in IFM. Focus on making services compliant with sharia in the experience of making stakeholders feel and experience sharia compliance, thereby increasing their confidence in sharia compliance in IFM implementation. *Ijarah* services are co-created not only by banks but by customers and parties other than banks who also take part in the creation of services. Individual analysis of the various roles above proves that *Ijarah* involves several different roles that are not usually present in conventional leases. Identification of various roles can improve the vision of bankers and regulators to see whether each role is in an integrated form whether it is sharia-compliant or not. For example, isolated analyzes of vehicle supply, *takaful*, and agency roles could be better designed if they were accepted as part of IFM. IFM currently does not provide a holistic perspective and does not consider this collaborative role as part of its product design. This study has significant implications for IFM theory as it seeks to establish alternative service perspectives, which challenge the adequacy of IFM, in the sense that these models do not encompass the holistic co-creation services that occur in practice. The service literature and empirical evidence in IFM provide evidence for co-creation and collaboration services that create a holistic Islamic banking market.

The synthesis of service concepts such as co-creation and sharia juridical principles can give rise to a viable solution model for how holistic Islamic banking services can be designed to effectively cover co-creation services and thus adhere to sharia both in legal form and in actual substance. Such Islamic banking services will be more accepted by the parties who create joint services in the market because the market faces and takes into account all parties who contribute in the market to create each service process.

The research provides a basic understanding of the development of a sharia service model, which can complement the current IFM to holistically capture both economic transactions and service elements, which are currently prevailing in the Islamic banking market. IFS collaborative thinking extends the visualization power of product developers at banks and regulators and through it, they can better understand emerging services not just

within a single entity and not in the domain of multiple collaborating agents the service design starts when the Islamic banking division provides model contracts, which a bank adapts into different products. As the design goes towards application, the customer and supporting parties, who contribute to the service, also add parts to the design for their roles in the service. For, instance the *takaful* company in episode 27 collaborated in the *ijarah* case and integrated its *takaful* policy design with the bank's *ijarah* design, thus the holistic service is co-designed, in essence.

This is an integration of *takaful* with the *ijarah* and the service model of tracker company as well. This, in other words, means that the service co-creators not only co-create the real service but also co-design that, at least, in different parts of the service. Co-designing is different from co-creation of service, because a design is more concerned with the documents and the plans of service actions, whereas service creation is the enactment of actual actions that people take in the situations to constitute the service as directed by the design. This co-designing of various IFS can enhance value propositions for the market as each designer who integrates its design into the holistic service design comes up with at least one additional value proposition for the customer and other stakeholders within the system. Thus, a collaborative design can potentially be worthier in terms of its value for the customer and the market as a whole.

A change of perspective on the data of the *ijarah* case can also give us a view that the various participants take benefit from the service of other co-creating partners. For instance, in the *ijarah* case, episode number twenty-eight, the service of the local agent and excise officer are consumed by the customer and the bank together, thus conventionally assumed service creators are found consumers of the service in various parts of the service. This evidence suggests that in some episodes various service creators along with the cocreation of service; somehow co-consume the service or the benefit that the service creates. The value created by each collaborator is consumed by the peer collaborators and vice versa. This consumer role of each participant enhances and tightens the collaboration as each participant sees its share in the output of service or part of it.

This segregation and individual analysis of the roles create an opportunity to see how the *ijarah* involves some different roles that normally do not exist in a conventional lease. For, instance the owner of the auto remains with the bank till the maturity date. The

rental is only started when the vehicle is delivered. This is mainly because the rental is attached with its usufruct of the vehicle, not with the amount invested by the bank. Similarly, the customer's role as the agent of the bank to purchase the vehicle also does not exist within the conventional lease. These additional roles, on one hand, transfer the ownership risk from the customer to the bank but on the other hand cause increase in documentation, process cost, and time as the bank, client and other service collaborating parties are to integrate additional roles and resources. Therefore, Islamic financial services are normally considered inefficient compared to conventional financial services.

To sum up, the findings of the *ijarah* case presented in this paper show that the real service is co-created by the customer, the service organization (Islamic bank), and the aiding parties. Each of these service cocreators further divides its roles into sub-roles assigned to individuals e.g., the personnel of the bank. The service is termed co-created because each participant contributes and integrates its actions and resources with that of others. It is also found that service is co-designed and co-consumed by the customer, bank, and the aiding parties. The phenomenon of co-creation services is important in the context of increasing and improving the efficiency of Islamic banking services today. As stated in this study, Islamic banks must work closely with service designers, makers, and consumers, likely, the resulting service will also increase customer satisfaction and service quality. Because customer satisfaction is very important for the overall quality of Islamic banking services. For such quality improvement, personnel from Islamic banks, customers and supporting entities should further integrate their competencies to create artifacts and actions that can satisfy their respective needs following sharia.

The integration and application of such competencies to one another is service and it can only be enabled through confidence and trust-building steps so that integration and collaboration can continue longer and lead to sustainability of service makers as a holistic service community. The trust of participants in Islamic banking services can create social capital and can improve the efficiency of Islamic banks as a whole. This will be a move towards a sharia-based banking community perspective from the perspective of banks and traditional customers.

The phenomenon of designing and creating services is of practical interest, especially in today's information age where Islamic banks, *takaful* companies, and other

service organizations such as credit institutions and interbank networks are integrating their actions and resources to create shared services. In this scenario, future research on co-creation services could bring about a useful mechanism that can solve the practical integration and collaboration problems currently faced by Islamic banks and regulators.

CONCLUSION

This paper attempts to propose and evaluate a potential alternative philosophical base for conceptualizing Islamic banking as collaborated and co-created service, which can complement the current Islamic banking paradigm based on economics and sharia. Such an approach toward designing and developing financial contracts in the Islamic banking system is the first step toward a more efficient based design of products. In this case study, we can show how different players are involved and contribute to the creation of the *ijarah* service, who are not only the co-creators but they are also the co-designers and co-consumers of the same Islamic banking service. This approach helps not only to design products from the financial and economic models' perspectives, which are the current norms of the Islamic financial industry but also provides consideration to propose Islamic finance as a collaborative service. It is considered an important step for moving to Islamic-based finance from Islamic com-pliant financing because this approach enables us to observe not only the economic transaction but also the intangible service elements in holistic Islamic banking service. This calls for collaborative service better suits to the orientation of sharia, which proposes more collaborative and holistic efforts. Furthermore, a collaborative service-based approach to Islamic banking can be applied to other financial contracts to structure them more efficiently.

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