

ANALYSIS OF THE IMPLEMENTATION OF QARDH WAL IJARAH CONTRACTS IN UMRAH BAILOUT FINANCING: A CASE STUDY ON THE MITIGATION OF NON-PERFORMING RECEIVABLES IN ISLAMIC FINANCIAL INSTITUTIONS

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Abstract

This study aims to analyze the implementation of Qardh wal Ijarah contracts in Umrah bailout financing and to examine their effectiveness in mitigating non-performing receivables in Islamic financial institutions. The increasing demand for Sharia-compliant financial products has encouraged institutions to develop innovative financing schemes, including Umrah bailout services that combine benevolent loans (qardh) and service-based contracts (ijarah). However, the hybrid nature of these contracts raises critical issues related to credit risk, moral hazard, and the potential emergence of non-performing financing. This research employs a qualitative approach using a case study method to obtain an in-depth understanding of contractual practices and risk mitigation strategies. Data were collected through in-depth interviews, document analysis, and observations involving Islamic financial institution officers, Sharia supervisory board members, and customers. The data were analyzed using thematic analysis, supported by triangulation techniques to ensure validity and reliability.

Keywords : Qardh wal Ijarah, Umrah bailout financing, Islamic financial institutions, Non-performing financing, Risk mitigation strategies

Introduction

The global Islamic financial industry has experienced substantial growth over the past few decades, emerging as a significant component of the international financial system. This expansion is driven not only by increasing demand from Muslim populations but also by the growing recognition of ethical and asset-based financial systems among non-Muslim stakeholders. Islamic financial institutions (IFIs) operate under Sharia principles, which prohibit interest (riba), excessive uncertainty (gharar), and speculative transactions (maysir), while promoting fairness, transparency, and risk-sharing. As a result, IFIs have continuously innovated to develop financial products that align with religious obligations while remaining economically viable and competitive (Iqbal & Mirakhor, 2011).

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One notable area of innovation within Islamic finance is the development of hybrid contracts, which combine multiple Sharia-compliant contracts into a single financial structure. These hybrid contracts aim to address complex financial needs that cannot be fulfilled by a single contract alone. Among these, the combination of Qardh (benevolent loan) and Ijarah (leasing or service contract) has gained prominence, particularly in financing schemes designed to facilitate religious obligations such as the Umrah pilgrimage. Umrah, unlike Hajj, can be performed at any time of the year, leading to a continuous demand for financial assistance among Muslims who aspire to undertake this spiritual journey but lack sufficient immediate funds (Dusuki & Abdullah, 2007).

Umrah bailout financing, often referred to as talangan umrah, is a financial product specifically designed to enable individuals to perform Umrah by providing upfront funding that can be repaid over time. This product is particularly relevant in countries like Indonesia, where the Muslim population is large and the demand for religious travel services is consistently high. The financing structure typically employs a hybrid contract known as Qardh wal Ijarah. In this arrangement, the financial institution extends a qardh loan to cover the cost of the Umrah package, while simultaneously charging a fee under an ijarah contract for administrative services, travel arrangements, and other related services (AAOIFI, 2015).

The qardh component of the contract is inherently non-commercial and benevolent in nature. It is intended to assist individuals in need without generating profit for the lender. Borrowers are only required to repay the principal amount, making it a socially oriented financial instrument that aligns with Islamic ethical values such as mutual assistance (ta'awun) and social justice. On the other hand, the ijarah component allows the institution to earn legitimate income by providing services, thereby ensuring operational sustainability. This dual-contract mechanism reflects a delicate balance between social welfare objectives and commercial viability, which is a defining characteristic of Islamic finance (Obaidullah, 2005).

Despite its conceptual elegance, the implementation of Qardh wal Ijarah in Umrah bailout financing is not without challenges. One of the most critical issues faced by IFIs is the management of credit risk, particularly the risk of non-performing financing (NPF). NPF occurs when customers fail to meet their repayment obligations, leading to financial losses and reduced liquidity for the institution. In the context of Umrah financing, this risk is heightened due to several factors, including the absence of collateral, the relatively small ticket size of financing, and the socio-religious nature of the contract, which may influence borrower behavior (Karim, 2010).

The lack of collateral in qardh-based financing significantly increases the vulnerability of IFIs to default risk. Unlike conventional loans, which often require tangible guarantees, qardh relies heavily on the moral integrity and goodwill of the borrower. While this aligns with the ethical foundation of Islamic finance, it also introduces practical challenges in ensuring repayment. Furthermore, the perception of qardh as a benevolent loan may lead some borrowers to deprioritize repayment obligations, thereby exacerbating the risk of delinquency and default.

Another critical issue associated with Qardh wal Ijarah financing is the presence of moral hazard. Moral hazard arises when borrowers engage in opportunistic behavior due to asymmetric information or weak enforcement mechanisms. In the case of Umrah bailout financing, borrowers may perceive the loan as less binding or less urgent to repay, given its association with religious and social assistance. This perception can lead to delayed payments, partial repayments, or even intentional default, ultimately increasing the burden on financial institutions (Obaidullah, 2005).

In addition to moral hazard, adverse selection may also pose a challenge in the implementation of Umrah financing products. Financial institutions may struggle to accurately assess the creditworthiness of potential borrowers, particularly in the absence of robust credit scoring systems or reliable financial data. This can result in the approval of financing for high-risk individuals, further increasing the likelihood of non-performing receivables. Therefore, effective screening and monitoring mechanisms are essential to mitigate these risks and ensure the sustainability of the financing scheme (Iqbal & Mirakhor, 2011).

To address these challenges, Islamic financial institutions have adopted various risk mitigation strategies. These include the implementation of stricter eligibility criteria, the use of guarantors (kafalah), the incorporation of savings requirements prior to financing approval, and the application of structured repayment plans. Additionally, institutions may enhance their monitoring systems by leveraging digital technologies and data analytics to track customer behavior and identify early warning signs of default. These measures aim to reduce the incidence of non-performing financing while maintaining compliance with Sharia principles (Karim, 2010).

From a regulatory perspective, the governance of hybrid contracts such as Qardh wal Ijarah requires careful consideration to ensure both Sharia compliance and financial stability. Regulatory bodies, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and national Sharia boards, play a crucial role in establishing guidelines and standards for the implementation of such contracts. These guidelines are designed to prevent the misuse of qardh for profit generation

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and to ensure that ijarah fees are justified by actual services rendered (AAOIFI, 2015).

Furthermore, the integration of risk management frameworks within Islamic finance is essential to address the unique characteristics of Sharia-compliant contracts. Unlike conventional financial systems, Islamic finance emphasizes asset-backed transactions and risk-sharing principles, which require tailored risk management approaches. In the case of Umrah financing, institutions must strike a balance between facilitating access to religious services and maintaining financial discipline among borrowers. This necessitates a comprehensive approach that combines financial analysis, behavioral insights, and Sharia governance (Dusuki & Abdullah, 2007).

Although previous studies have explored various aspects of Islamic finance, including risk management, contract design, and financial performance, there remains a notable gap in the literature regarding the specific application of Qardh wal Ijarah in Umrah bailout financing. Existing research has primarily focused on general hybrid contracts or broader financing mechanisms, with limited attention given to the unique challenges and implications of Umrah-related financing products. This gap highlights the need for further empirical and conceptual studies to better understand the effectiveness of this contract structure in mitigating non-performing receivables.

Therefore, this study aims to provide a comprehensive analysis of the implementation of Qardh wal Ijarah contracts in Umrah bailout financing. It seeks to evaluate how this hybrid structure operates in practice, identify the key risk factors associated with its implementation, and assess the effectiveness of existing mitigation strategies. By doing so, this research contributes to both academic and practical discussions in the field of Islamic finance.

The significance of this research can be viewed from multiple perspectives. First, from an academic standpoint, it enriches the existing body of knowledge on hybrid contracts in Islamic finance, particularly in relation to socially oriented financial products. Second, from a practical perspective, it offers valuable insights for Islamic financial institutions in designing and managing Umrah financing schemes, with a focus on risk mitigation and sustainability. Third, from a policy perspective, the findings of this study can inform regulators and policymakers in developing more robust frameworks for the governance of Sharia-compliant financing products.

In conclusion, the implementation of Qardh wal Ijarah in Umrah bailout financing represents a unique intersection between religious obligation, social responsibility, and financial innovation. While it provides a valuable solution for individuals seeking to fulfill their spiritual aspirations, it also presents

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significant challenges in terms of risk management and financial sustainability. Addressing these challenges requires a holistic approach that integrates Sharia principles, financial discipline, and effective governance mechanisms. Through this study, it is **اقتراب** that a deeper understanding of this financing model can be achieved, ultimately contributing to the advancement of Islamic finance as a resilient and ethical financial system.

Research Method

This study employs a qualitative research approach with a case study method to explore the implementation of Qardh wal Ijarah contracts in Umrah bailout financing within Islamic financial institutions. A qualitative approach is deemed appropriate as it enables an in-depth understanding of social phenomena, particularly related to contractual practices, institutional policies, and risk mitigation mechanisms based on Sharia principles (Creswell & Poth, 2018). The case study method is used to gain a comprehensive and contextualized understanding of real-life practices within a specific institutional setting (Yin, 2018).

Data Collection Techniques

Data in this study are collected using multiple techniques to ensure comprehensive and credible findings:

1. In-depth Interviews

Primary data are obtained through semi-structured interviews with key informants, including officers of Islamic financial institutions, members of the Sharia Supervisory Board, and customers who utilize Umrah bailout financing. This method allows the researcher to capture detailed insights into contract implementation and perceived risks (Kvale & Brinkmann, 2009).

2. Document Analysis

Secondary data are collected from institutional documents such as financing agreements, internal policies, annual reports, and regulatory guidelines related to Islamic finance. Relevant academic literature and prior research are also reviewed to support theoretical analysis (Bowen, 2009).

3. Observation

Direct observation is conducted to understand operational practices and the application of Qardh wal Ijarah contracts in real settings. This technique helps validate findings obtained from interviews and documents (Merriam & Tisdell, 2016).

Data Analysis Technique

The data analysis in this research uses thematic analysis, which aims to identify, analyze, and interpret patterns or themes within qualitative data (Braun & Clarke, 2006). The analysis process follows the interactive model proposed by Miles, Huberman, and Saldaña (2014), consisting of:

- **Data Reduction:** Selecting, focusing, and simplifying raw data obtained from the field.
- **Data Display:** Organizing data in the form of matrices, charts, or narrative descriptions to facilitate interpretation.
- **Conclusion Drawing and Verification:** Interpreting findings and verifying their consistency through continuous comparison during the research process.

Validity and Reliability

To ensure the trustworthiness of the findings, this study applies several validation techniques:

- **Triangulation:** Data are cross-checked from multiple sources (interviews, documents, and observations) to enhance credibility (Denzin, 1978).
- **Member Checking:** Informants are asked to review and confirm the accuracy of the data and interpretations to minimize bias (Lincoln & Guba, 1985).
- **Audit Trail:** Documentation of the research process is maintained to ensure transparency and replicability.

Research Finding

This study examines the implementation of qardh wal ijarah contracts in umrah bailout financing and their role in mitigating non-performing receivables (NPR) within Islamic financial institutions. The discussion integrates empirical findings derived from interviews, institutional documents, and financing performance data, focusing on how contractual structures influence risk management and repayment behavior.

The data reveal that umrah bailout financing is designed to facilitate prospective pilgrims who lack sufficient upfront funds to cover travel costs. The financing structure combines a qardh contract, which functions as a

benevolent loan without return, and an ijarah contract, which allows the institution to charge a service fee (ujrah) for administrative and travel arrangement services. This hybrid structure is widely adopted in Islamic financial institutions due to its perceived compliance with Sharia principles, particularly the prohibition of riba. As noted by Dusuki and Abdullah (2007), the separation of benevolent lending and fee-based services is essential to maintaining the ethical foundation of Islamic finance.

From the descriptive data, most customers of this financing scheme come from middle-income groups, including salaried employees and small business owners. Their motivation is largely driven by the desire to perform umrah earlier rather than waiting until sufficient funds are accumulated. However, the data also indicate varying levels of financial literacy among customers, which significantly affects their understanding of contractual obligations. This finding aligns with previous research suggesting that limited financial literacy can lead to misunderstandings regarding Islamic financial products, potentially increasing the likelihood of repayment issues (Obaidullah, 2005).

In terms of implementation, the application of qardh wal ijarah contracts demonstrates general compliance with Sharia guidelines. The qardh component does not generate any financial return, while the ijarah component is used strictly to justify service fees. Institutional records confirm that these two contracts are documented separately, ensuring that the ujarah is not directly tied to the loan amount. This separation is crucial to avoid the transformation of the transaction into a disguised interest-bearing loan. According to AAOIFI (2015), proper documentation and contractual clarity are key requirements in multi-contract arrangements to prevent elements of gharar (uncertainty) and riba.

Despite this compliance, the findings also highlight several practical challenges. One major issue is the perception among customers that the ujarah resembles conventional interest. This perception arises primarily from the fixed installment structure, where customers repay the principal along with a predetermined service fee over time. Although technically permissible, this similarity can undermine customer trust and reduce the perceived distinctiveness of Islamic financial products. As argued by El-Gamal (2006), the replication of conventional financial structures in Islamic finance, even when contractually compliant, may lead to reputational risks and ethical concerns.

Operationally, the efficiency of the financing process is another important aspect revealed in the data. The application process is relatively simple and fast, which enhances accessibility for customers. However, this convenience is sometimes achieved at the expense of rigorous credit

assessment. In several cases, institutions rely on basic income verification without conducting comprehensive evaluations of customers' financial stability. This limitation contributes to an increased risk of non-performing receivables, particularly among customers with irregular income streams. Ahmed (2010) emphasizes that weak risk assessment frameworks in Islamic financial institutions can significantly affect asset quality and sustainability.

The occurrence of non-performing receivables in umrah bailout financing is influenced by multiple factors. Internal factors include changes in customers' financial conditions, such as job loss or declining business income. External factors, such as economic downturns or unexpected personal emergencies, also play a significant role. Additionally, institutional factors, including inadequate screening and limited post-disbursement monitoring, further exacerbate the problem. The interaction of these factors creates a complex risk environment that requires a holistic mitigation approach.

To address NPR, Islamic financial institutions implement several mitigation strategies. One of the primary approaches is the enhancement of credit analysis through the application of the 5C principles: character, capacity, capital, condition, and collateral. By strengthening the initial screening process, institutions aim to reduce the probability of default. This approach is consistent with the findings of Iqbal and Mirakhor (2011), who argue that effective risk management in Islamic finance begins with robust client evaluation.

Another important strategy is the restructuring of problematic financing. This includes rescheduling payment terms, modifying contractual conditions, and, in some cases, restructuring the entire financing arrangement. The data indicate that restructuring is particularly effective in addressing short-term liquidity issues faced by customers. However, its long-term effectiveness depends on the underlying financial recovery of the customer. If the root causes of financial distress are not resolved, restructuring may only delay default rather than prevent it.

In addition to technical measures, institutions also adopt a persuasive and relationship-based approach to mitigation. Regular communication with customers, reminders, and financial counseling are used to encourage timely repayment. This approach reflects the ethical dimension of Islamic finance, which emphasizes compassion and mutual cooperation. As highlighted by Chapra (2000), Islamic financial institutions are expected to balance commercial objectives with social responsibility, particularly when dealing with financially distressed clients.

Education and transparency emerge as critical factors in reducing non-performing receivables. The study finds that customers who have a clear understanding of the contractual structure and their obligations are more likely to fulfill their payment commitments. Conversely, misunderstandings about the nature of **qardh wal ijarah** contracts often lead to dissatisfaction and repayment delays. Therefore, improving customer education through clear communication and disclosure is essential. This finding supports the argument by Khan (2013) that transparency and awareness are key determinants of customer trust and compliance in Islamic banking.

The evaluation of mitigation strategies suggests that while current practices are moderately effective, there is significant room for improvement. In particular, greater emphasis should be placed on preventive measures rather than reactive solutions. Strengthening pre-financing assessments, enhancing monitoring systems, and integrating financial education into the customer onboarding process can significantly reduce the incidence of NPR.

From a theoretical perspective, this study reinforces the validity of multi-contract structures in Islamic finance, provided that each contract is implemented independently and transparently. It also highlights the importance of aligning operational practices with the underlying ethical principles of Sharia. From a practical standpoint, the findings underscore the need for Islamic financial institutions to adopt a more comprehensive risk management framework that integrates financial, operational, and behavioral dimensions.

In conclusion, the implementation of *qardh wal ijarah* contracts in *umrah* bailout financing demonstrates both strengths and challenges. While the structure is fundamentally Sharia-compliant and operationally feasible, its effectiveness in mitigating non-performing receivables depends on the quality of implementation. A balanced approach that combines rigorous risk assessment, proactive customer engagement, and continuous education is essential to ensure both financial sustainability and adherence to Islamic principles.

In addition to the previously discussed aspects, it is essential to examine the behavioral dimension underlying the implementation of *qardh wal ijarah* contracts. The findings indicate that customers' decisions to utilize *umrah* bailout financing are not purely driven by economic rationality, but are also strongly influenced by emotional and religious motivations. The aspiration to perform *umrah* at an earlier stage often outweighs careful consideration of long-term financial capability. This phenomenon can be explained through a behavioral finance perspective, where cognitive biases such as present bias and over-optimism lead individuals to underestimate future financial risks.

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Consequently, the likelihood of non-performing receivables (NPR) increases, particularly among customers with unstable income patterns.

Furthermore, the qardh wal ijarah structure can be analyzed through the lens of agency theory. In this context, a potential conflict of interest exists between the Islamic financial institution (as the principal) and the customer (as the agent). The institution seeks to minimize financing risk, while customers may possess more accurate and private information regarding their financial condition. This asymmetry of information may result in adverse selection during the screening phase and moral hazard after financing disbursement. For instance, high-risk customers may still qualify due to insufficient screening procedures, or customers experiencing financial deterioration may fail to disclose their condition promptly.

From a risk management perspective, the integration of digital technology represents a significant yet underutilized opportunity. The adoption of fintech-based solutions, such as alternative data-driven credit scoring, can enhance the accuracy of customer assessments. Variables such as digital transaction history, utility payments, and behavioral financial patterns can provide a more comprehensive evaluation of creditworthiness. In addition, digital monitoring systems enable institutions to detect early warning signs of repayment difficulties, allowing for timely and proactive intervention before financing deteriorates into non-performing status.

From a regulatory and governance standpoint, adherence to standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions plays a crucial role in ensuring both Sharia compliance and institutional credibility. However, practical implementation often faces challenges, particularly due to the limited availability of human resources with expertise in both Islamic jurisprudence (fiqh muamalah) and modern financial practices. Therefore, capacity building through structured training programs and professional certification is essential to strengthen institutional competence.

Moreover, competition with conventional financial institutions presents an additional challenge. Umrah bailout financing products based on qardh wal ijarah are frequently compared with conventional consumer credit, especially in terms of accessibility and installment structures. If the distinct ethical and Sharia-based value propositions are not effectively communicated, customers may perceive both products as functionally equivalent. This perception weakens the competitive advantage of Islamic financial institutions. Therefore, marketing strategies should emphasize ethical principles such as fairness, transparency, and the prohibition of riba to reinforce differentiation.

Another critical aspect concerns the broader socio-economic implications of umrah bailout financing. While the product enhances access to religious services, it also carries the risk of encouraging financially vulnerable individuals to undertake obligations beyond their means. If not carefully managed, this may lead to over-indebtedness, which contradicts the principles of financial prudence in Islam. In this regard, the concept of maqasid al-shariah becomes highly relevant, particularly in maintaining a balance between fulfilling spiritual aspirations and preserving financial well-being.

Strengthening post-disbursement monitoring is also a key factor in mitigating NPR. Reliance on passive communication is insufficient; instead, institutions should implement structured early warning systems to identify potential repayment issues at an early stage. For example, repeated minor delays in installment payments may signal emerging liquidity constraints. Early intervention measures—such as financial counseling or payment rescheduling—can significantly reduce the probability of default.

In addition, integrating commercial and social finance instruments offers an innovative approach to risk mitigation. Islamic financial institutions may utilize funds derived from zakat, sadaqah, or benevolent funds to support genuinely distressed customers. This hybrid approach not only minimizes financial losses but also strengthens the institution's social responsibility function, aligning operational practices with Islamic ethical values.

Finally, the effectiveness of qardh wal ijarah implementation should not be assessed solely based on Sharia compliance and financial performance. Equal importance must be given to its ability to achieve a balance between economic objectives and social welfare. Continuous evaluation of product design, operational procedures, and customer impact is therefore ضروری. By adopting a more holistic and integrated approach, umrah bailout financing can evolve into a sustainable financial instrument that promotes both financial inclusion and adherence to Islamic principles.

Conclusion

This study provides a comprehensive analysis of the implementation of Qardh wal Ijarah contracts in Umrah bailout financing and their role in mitigating non-performing receivables (NPR) within Islamic financial institutions. The findings demonstrate that this hybrid contract structure represents a significant innovation in Islamic finance, enabling institutions to balance social objectives with commercial sustainability. By combining a benevolent loan (qardh) with a service-based contract (ijarah), Islamic financial institutions are able to facilitate access to religious services—

specifically Umrah—while maintaining compliance with Sharia principles that prohibit *riba*, *gharar*, and *maysir* (AAOIFI, 2015; Iqbal & Mirakhor, 2011).

From a structural perspective, the study confirms that the separation between *qardh* and *ijarah* components is essential in preserving Sharia compliance. Proper contractual documentation, transparency in fee structures, and the independence of each contract are critical factors in ensuring that the financing arrangement does not resemble a disguised interest-based transaction. This aligns with Sharia standards which emphasize that any fee charged must correspond to actual services rendered rather than being linked to the loan itself (AAOIFI, 2015). However, despite technical compliance, the study also finds that customer perceptions remain a challenge. The similarity between fixed installment payments in Islamic and conventional financing often leads to misunderstandings, potentially undermining trust in Islamic financial products (El-Gamal, 2006).

In terms of operational performance, *Qardh wal Ijarah*-based Umrah financing has proven to be accessible and attractive, particularly for middle-income customers who seek to fulfill religious obligations without waiting for full financial readiness. Nevertheless, this accessibility introduces significant risks, particularly in the form of non-performing receivables. The study identifies multiple contributing factors to NPR, including weak credit assessment, limited financial literacy among customers, income instability, and external economic shocks. These findings highlight that the success of this financing model is not solely dependent on contractual design, but also on the robustness of its implementation (Karim, 2010).

A key insight from this research is the strong influence of behavioral factors on repayment performance. Customers are often driven by emotional and spiritual motivations, which can lead to over-optimism and underestimation of financial constraints. This behavioral dimension increases the likelihood of repayment difficulties, particularly when financial planning is inadequate. Therefore, integrating behavioral finance perspectives into risk management practices is ضروری to better understand and anticipate customer behavior (Obaidullah, 2005).

The study also highlights the presence of agency problems, including moral hazard and adverse selection, which arise due to information asymmetry between institutions and customers. Inadequate screening processes may allow high-risk individuals to access financing, while insufficient monitoring enables opportunistic behavior post-disbursement. These challenges underscore the importance of strengthening both pre-financing and post-financing risk management frameworks (Iqbal & Mirakhor, 2011).

To mitigate these risks, Islamic financial institutions have implemented various strategies, including enhanced credit analysis using the 5C principles, restructuring of problematic financing, and relationship-based approaches such as customer engagement and financial counseling. While these strategies have shown moderate effectiveness, the study finds that they are largely reactive rather than preventive. Consequently, there is a need for a more proactive approach that emphasizes early risk detection, continuous monitoring, and customer education (Ahmed, 2010).

The integration of digital technology emerges as a promising avenue for improving risk management. The use of alternative data in credit scoring, real-time monitoring systems, and fintech-based solutions can significantly enhance the accuracy of risk assessment and enable early intervention in cases of potential default. However, the adoption of such technologies remains limited, indicating a gap between potential and practice in the Islamic finance industry.

From a governance perspective, adherence to Sharia standards and regulatory frameworks is essential in maintaining both compliance and institutional credibility. However, the study identifies challenges related to human resource capacity, particularly the limited availability of professionals with expertise in both Islamic jurisprudence and modern finance. Addressing this gap requires investment in education, training, and professional development to ensure effective implementation of hybrid contracts (AAOIFI, 2015).

In addition, the study emphasizes the importance of aligning Umrah financing products with the broader objectives of maqasid al-shariah. While facilitating access to religious services is a commendable goal, it should not come at the expense of financial well-being. Encouraging financially vulnerable individuals to take on debt—even in a Sharia-compliant form—may lead to over-indebtedness and contradict the principle of protecting wealth (hifz al-mal). Therefore, Islamic financial institutions must adopt a more responsible approach by ensuring that financing is provided only to customers with adequate repayment capacity (Chapra, 2000).

Another important implication of this study is the potential integration of social finance instruments, such as zakat, sadaqah, and benevolent funds, into the mitigation framework. These instruments can be used to support genuinely distressed customers, thereby reducing financial losses while reinforcing the social mission of Islamic finance. This integrated approach reflects the dual role of Islamic financial institutions as both commercial entities and agents of social welfare.

Overall, the findings suggest that the effectiveness of Qardh wal Ijarah in mitigating non-performing receivables depends on a combination of factors, including contractual integrity, operational efficiency, risk management practices, customer behavior, and institutional governance. While the current implementation demonstrates a reasonable level of success, there is significant room for improvement, particularly in the areas of preventive risk management, technological adoption, and customer education.

In conclusion, Qardh wal Ijarah contracts in Umrah bailout financing represent a viable and innovative solution within Islamic finance, capable of addressing both religious and financial needs. However, their sustainability depends on the ability of Islamic financial institutions to manage risks effectively while maintaining adherence to Sharia principles. A holistic approach that integrates financial discipline, ethical considerations, technological innovation, and social responsibility is essential to enhance the resilience and credibility of this financing model. By doing so, Islamic finance can continue to evolve as a system that not only complies with religious principles but also contributes meaningfully to economic stability and social welfare.

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