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Challenging the Practice of *Ḥīlah* in Contract Engineering in Islamic Financial Institutions from the Perspective of Islamic Business Ethics

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Abstract. *This paper aims to criticize the practice of contract engineering with the hilah formula from the perspective of Islamic business ethics. Several fatwas of DSN MUI (Dewan Syariah Nasional Majelis Ulama Indonesia/Nationa Sharian Board of The Indonesian Ulama Council) related to the contracts in Islamic financial institutions are analyzed with the principles of Islamic business ethics. It finds that the practice of engineering contracts using hilah had been carried out excessively and was not in line with the principles of Islamic business ethics. Islamic business ethics should serve as the primary guiding principle in the business practices of Sharia-compliant financial institutions, enabling the goals of the Islamic economic system to be achieved and positively experienced by the broader community.*

Keywords: *ḥilah, contract engineering; sharia financial institutions; Islamic business ethic*

Abstrak. *Tulisan ini bertujuan mengkritisi praktik rekayasa akad dengan mekanisme hilah dari perspektif etika bisnis Islam. Beberapa fatwa DSN MUI (Dewan Syariah Nasional Majelis Ulama Indonesia) yang terkait dengan akad di lembaga keuangan syariah dianalisis untuk menemukan adanya mekanisme hilah yang dijalankan dalam perumusannya. Praktik tersebut kemudian dikaji menggunakan prinsip-prinsip etika bisnis Islam. Hasil analisis menunjukkan bahwa praktik rekayasa akad menggunakan hilah telah dilakukan secara berlebihan dan tidak sejalan dengan prinsip etika bisnis Islam. Etika bisnis Islam semestinya menjadi parameter utama dalam praktik bisnis di lembaga keuangan syariah agar ada distingsi antara lembaga keuangan syariah dan lembaga keuangan konvensional sehingga tujuan sistem ekonomi syariah dapat terwujud dan dapat dirasakan oleh masyarakat luas.*

Kata kunci: *ḥilah; rekayasa akad; lembaga keuangan syariah; etika bisnis Islam*

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Introduction

Islamic banks have carried out several innovation efforts to build their existence and maintain the continuity of their business, including funding and financing products. This innovation is known as contract engineering, namely formulating and forming transaction contracts based on contracts in *fiqh mu'āmalah* with certain modifications (Samsudin, 2016). The contracts in *fiqh mu'āmalah* are not simply adopted by Sharia Banking but are also adapted to the community's needs for Banking services. This engineering and adaptation is necessary because if adoption is carried out as is, it will be difficult for Islamic Banking products to adapt to the complexity of transactions today, and it will be challenging to adapt to the needs of society (Hasan, 2017).

Even though it is overshadowed by various opinions of ulama regarding the law, both pro and con, contract engineering is still carried out based on basic legal principles in *mu'āmalah*, which are permissible (Retnowati et al., 2023). Almost all DSN-MUI Fatwas in their considerations include these *fiqh* rules to strengthen the validity of a contract. Contract engineering has several forms, including combining contracts, which is then known as a hybrid contract (*al-'uqūd al-murakkabah*) (Hasanudin et al., 2022). Another form of contract engineering is looking for alternative contracts deemed more suitable. This is done; for example, when a transaction is carried out with contract A, which is haram, alternative contracts are looked for to avoid the haram elements (Hasan, 2017).

As described above in Islamic law, the engineering of a contract is known as *ḥīlah*. Islamic legal experts propose various meanings, but *hilah* is a way to avoid a legal decree or status. An example of *ḥīlah* in *mu'āmalah* is the *bay' al-'īnah* contract to avoid usury in the *qard* contract. Another example is the *mushārakah mutanāqiṣah* contract, formulated to avoid loan interest (Taufiki, 2009).

Scholars have yet to agree upon the legality of hilah itself. Some prohibit it, but others allow it (Hakim & Mubarak, 2014). Scholars have also debated the status of these contracts. For those who allow it, the benchmark is that these contracts do not violate the rules in fiqh. However, when viewed substantially, they are not much different from prohibited ones. In the end, the formulation of existing contracts seems very *fiqh*-oriented, which, in substance, makes Islamic financial institutions not much different from conventional financial institutions. This is often the target of criticism from both thinkers and the public (Agustiar, 2021).

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Therefore, the contract engineering method with the *ḥīlah* approach needs to be reviewed. The use of *ḥīlah* unthinkingly by ignoring the fundamental values of Sharia and ethics is certainly not justified. The big goal of the *mu'āmalah* rules is to realize property protection (*ḥifẓ al-māl*) and, simultaneously, to realize human welfare (Hardi, 2019). Some contracts used in Islamic financial institutions only emphasize the formal aspects and fulfillment of the technical requirements of the contract. In terms of the purpose of the contract, this practice can lead to usury, which is forbidden, especially if the purpose of the loan is to make a profit by ignoring how much service the LKS provides compared to the compensation it receives (Maksum & Hidayah, 2023). Therefore, more is needed to rely on fiqh rules that focus on the outer framework but must also pay attention to the substantive side with an ethical approach. This study aims to examine the practice of contract engineering regarding the legality of the *ḥīlah* used and formulate the idea of prioritizing business ethics in the formulation of contracts and business activities in Islamic financial institutions.

Literature Review

Some studies related to *ḥīlah* and contract engineering discuss the use of *ḥīlah* in applying Islamic Banking products (Taufiki, 2009). This *ḥīlah* method is still needed and relevant to contemporary problems, especially *mu'āmalah* problems, and is not a deviation from the law (Takhim, 2019). One of the uses of *ḥīlah*, for example, is to circumvent conventional bank loans by replacing them with installment sale and purchase transactions instead of debts and receivables, which have the potential to be additional (Nurhadi, 2018). To assess whether a contract contains elements of *ḥīlah*, the parameters that can be used are the *ḥīlah* parameters of Mohamed Fairooz Abdul Khir et al. as a guide (Mardhiah, 2017).

Classical and contemporary Islamic jurists have long discussed the discourse related to hilah. Abu Hanifah said it is optional for the one who does *ḥīlah* to avoid paying zakaah. Imam Shafi'i also legalized *ḥīlah* juridically but explicitly disliked it. These two Imams differed from Imam Malik and Imam Ahmad, who forbade it religiously and did not legalize it formally. Imam ash-Shafi'i and several generations after him viewed *ḥīlah* as something forbidden and to be avoided, even though he had to admit that *ḥīlah* was legally valid. Unlike Imam Abu Hanifah and Imam Shafi'i, Imam Malik considered *ḥīlah* not religiously justified or legally valid (Hakim & Mubarak, 2014). In responding to *ḥīlah*,

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both Hanafiah, Malikiyah, Syafi'iyah, and Hanabilah scholars, at least at the conceptual level, view the aspect of benefit as necessary. However, this tendency is visible in the Maliki and Hanbali schools, which use benefits as one of the sources for determining law (Hakim & Mubarak, 2014).

The term *ḥīlah* is interpreted as an effort to seek legal legitimacy for special interests that have nothing to do with the nature of the rules determined by Sharia law. The term *ḥīlah* can be considered as a way out. Besides that, it is also often used as an excuse to avoid the imposition of the law because *ḥīlah* arises as a reaction to the values of benefits that are considered urgent by the community. In contrast, the value of the law is not to touch the needs of some people, which are considered to be Daruri's needs. In this context, *ḥīlah* is a deviation that utilizes legitimate legal terms. If *ḥīlah* is synonymous with a way out, legal theory has been enriched with various solution models. If *ḥīlah* is synonymous with deviation, then tolerance for deviation only lies in the demands of compulsion (emergency) (M. I. Rosyadi, 2016).

Al-Syatibi (1971) categorizes *ḥīlah* into three groups. The first is *ḥīlah*, which is agreed to be impermissible when it causes what is obligatory to appear not obligatory or what is forbidden to appear lawful. An example of this would be taking sleeping pills at the time of prayer so that prayer would not be obligatory because one would lose one's mind due to sleep. Another example is when a person gives away some of his wealth so as not to be subject to the obligation of zakat. Secondly, the *ḥīlah* that is agreed to be permissible, namely if the aim is to defend rights and prevent falsehood or evil. In a war situation, this *ḥīlah* is very necessary because war is a tactic. This also includes the declaration of disbelief by someone who is under threat. Third, *ḥīlah*, which is disputed whether it is allowed or not. This is due to the absence of definite instructions from the Sharia regarding its law.

Wahbah al-Zuhaili (1986) divides *ḥīlah* into two types. The first is permissible *ḥīlah*, which is *ḥīlah* intended for a particular issue and used in other conditions to get convenience because of necessity. This type of *ḥīlah* does not damage or destroy the Sharia objective. For example, the *ḥīlah* with *bay' al-wafā'* contract is done because humans must escape the rules prohibiting long *ijārah* against trees. The second is prohibited *ḥīlah*, which aims to change the substance of the Sharia law to another form of law with actions that are valid according to the *ẓāhir* but inwardly futile, such as *ḥīlah* whose object is to nullify the right of *shuf'ah* and to single out some of the heirs to receive their rights. This kind of *ḥīlah* is a way of invalidating a Sharia Rule through covert practice.

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Functionally, according to Hasyim (1991), *ḥīlah* can be formulated as follows. First, *ḥīlah* is intended to avoid the burden of the law, which is considered difficult, and to be transferred to the burden of the law that is lighter and more effective in its application. Humans sometimes face difficulties in various fields of life. The phenomenon of difficulty can be illustrated in the field of *mu'āmalah*. Secondly, *ḥīlah* is intended to tolerate local customs or common phenomena, while the legal text does not recognize them or even prohibits them. Third, *ḥīlah* is engineered by closing the opportunity for someone to exercise their rights. This method also allows others to get their rights in disguise for specific reasons considered to contain goodness.

Although *ḥīlah* has been debated among scholars for a long time, today, many Islamic jurists are reconsidering the use of *ḥīlah* as a legitimate method of determining law, especially in Islamic finance. The discourse has provoked various responses, with some expressing concern that allowing the practice of *ḥīlah* will obscure the character of Islamic finance. The absolute use of *ḥīlah* will only produce an anomalous system and obscure the meaning of 'Islamic, which is attached to the name of Islamic financial products. In the face of widespread criticism of the practice of *ḥīlah*, the method remains unavoidable to ensure the sustainability of the Islamic financial system amid the dominance of the conventional system and regulatory policies that are not yet entirely conducive to some Islamic jurists trying to formulate rules for filtering Islamic financial practices and products that are allegedly formulated from the *ḥīlah* method and violate the objectives of Sharia so that the Islamic characteristics of Islamic finance are maintained (Mardhiah, 2017).

The formal legal aspect is easy to formulate, especially with the *ḥīlah* mechanism. So far, the DSN-MUI Fatwas used as a legal reference by Islamic Banking also tends to accommodate what has become the practice of most business people (I. Rosyadi, 2018). Economic interests are the motive behind the permissibility of many contracts full of modifications and innovations (Fuqohak & Amiruddin, 2021).

If seen closely, many practices in Islamic banking are substantively the same as those of conventional banks; only the packaging is different, namely, the existence of a contract. On the other hand, in determining the profit in the sale and purchase contract and the profit in the profit-sharing contract, Islamic banks still refer to the interest rate referred to by conventional banks. There is a general view in the community that Islamic banks are more expensive than

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conventional banks. The banks themselves confirm this because the market share of Islamic banks is more minor than conventional banks (Suretno & Yusuf, 2021).

Most *ḥīlah* used in modern Islamic finance falls under solutions or machete answers to complex problems. Most Islamic Banking transactions are largely Shariah-compliant. They fulfill the requirements of a valid contract as they are free from *ribā, gharar, maysir* and other Shariah prohibitions. However, certain transactions are gimmicks that frustrate the objectives of the Sharia. Islamic banks should avoid such transactions and practices. There are several Fatwas in favor of and against such *ḥīlah* practices in Islamic Banking (Mansoori, 2011). It is essential to place a boundary between the need to do contract engineering as a form of a solution that is needed and contract engineering with *ḥīlah* mechanisms that are only for seeking profit. *Ḥīlah*, which is done without regard to ethics, is certainly contrary to the values of Islamic teachings (Smolo & Musa, 2020).

Many Islamic banks and financial services are functionally similar to conventional banks, so they lose their distinctive identity from conventional banks (Imamia et al., 2019). The application of the principles of Islamic business ethics in Islamic Banking practices is an absolute requirement that must be fulfilled according to the guidance of Islamic religious law and as a distinguishing identity between Islamic banks and conventional banks so that if Islamic Banking does not apply the principles of Islamic business ethics adequately, it will lose its added value when compared to conventional banks, and ultimately can threaten the survival of Islamic Banking in the future (Ali Basah et al., 2013).

The basic idea used as a benchmark in assessing the practice of contract engineering is that law and ethics in Islam are two things that cannot be separated (Furqani et al., 2016). Ethics is essential to hold and apply in economic and business activities (Putritama, 2018). Implementing good business ethics will make Islamic business activities viewed positively by the public and positively affect the business development of Islamic financial institutions (Sampurno, 2016). The primary formulation of business ethics used to analyze the practice of contract engineering is Syed Nawal Haidar Naqvi's view of business ethics, which formulates five axioms of Islamic business ethics, including unity (*tawḥīd*), equilibrium, free will, and responsibility (Muslimin, 2022).

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Methods

This literature review examines the practice of contract engineering in the DSN-MUI Fatwas and its application in Islamic financial institutions. Several contracts that are indicated to use the *ḥīlah* mechanism in their formulation will be examined in more depth using the parameters of *ḥīlah* according to the views of Islamic scholars and jurists. These contracts are *murābaḥah* contract, *muḍārabah mushtarakah* contract, *ijārah muntahiyah bi-al-tamlīk* contracts, and *mushārakah mutanāqiṣah* contracts. Furthermore, the practice of contract engineering will be juxtaposed with the theory of Islamic business ethics to see the correlation between the two. The Islamic business ethics theory used as a reference is the ethics theory according to Syed Nawab Haider Naqvi, which includes five axioms of Islamic economic ethics.

Result and Discussion

Contract engineering: From Fatwas to Islamic financial institutions products

Regulations in Indonesia emphasize that activities in Islamic financial institutions must be carried out based on Sharia principles. The Sharia principles refer to the Fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). Following its nature, a Fatwas is issued by the Fatwas giver (*muftī*) when there is a request from the Fatwas requestor (*mustaftī*). In Indonesia, the DSN-MUI Fatwas is issued when there is a need for Islamic financial institutions related to the products to be issued.

The existence of the DSN-MUI Fatwas becomes urgent to ensure that activities in Islamic financial institutions remain in the Sharia corridor. Ideally, before an Islamic financial institution runs a product, DSN MUI reviews the product design first. However, in reality, this is only sometimes the case. Fatwas of DSN MUI often comes later after the banking product is launched, so it has less of a significant influence on the development of products and services of Islamic financial institutions in Indonesia. This happens because the Fatwas is issued only to respond to Islamic bank products running first as a demand of the law related to Sharia compliance. Then, the position of the Fatwas needs to innovate itself to provide law before the launch of Islamic bank products and services (Hardi, 2019).

In the context of Islamic Banking, Yulianti (2007) states that two factors are the basis of consideration in determining Fatwas by DSN-MUI. First, the Fatwas was issued to meet the needs of Banking services for people who do not accept

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the concept of interest in transactions and as a financing opportunity for business development based on partnership principles. The second consideration is the need for value-added banking products and services. This added value includes, among others, eliminating interest and environmental considerations in financing customers.

DSN-MUI, in formulating its Fatwas, takes two interrelated ways: First, it formulates the provisions contained in *fiqh mu'āmalah* in a form that follows the practices of the applicable financial institutions. Second, Islamizing Banking activities and products from their conventional form by removing elements that are prohibited by religion and replacing them with those that are in line with Sharia principles. In the practice of formulating the Fatwas, there is a modification of the formulation of the contract from that contained in *fiqh mu'āmalah* into a new form. Most formulations use the *ḥīlah* method by modifying and 'outsmarting' the *fiqh mu'āmalah* format (Elimartati, 2017).

According to Mohamed Fairooz Abdul Khir (2010), there are several characteristics to determine whether a *mu'āmalah* contract case contains elements of *ḥīlah*, namely: (1) *ḥīlah* is an unusual solution to how a problem is done. Usually, the solution is the result of deep thought. (2) Including in the exchange of *riba*-based goods something optional to make the exchange of goods look different from the usual and not contain riba-based elements. (2) Combining two or more contracts in one contract, whether the contracts are necessary or unnecessary in the contract.

Many examples of Fatwas formulations related to contracts in Islamic financial institutions use the legal *ḥīlah* approach in their formulation. In their study of DSN-MUI Fatwas, Muhamad Takhim (2019) and Elimartati (2017) found that many contracts were formulated by combining one contract with another, known as a hybrid contract, and by modifying the contract. The following are some examples of identification of the practice of *ḥīlah* in some of these Fatwas.

First, Fatwas Number 04/DSN-MUI/IV/2000 concerning *murābaḥah* is used to avoid loan interest, which is punished as usury. In a *murābaḥah* contract, an Islamic financial institution acts as a seller, while the customer is the buyer. As a rule, the bank should own the goods to sell to the buyer. However, because this is certainly inconvenient for the bank, a *wakālah* contract is added, in which the bank represents the customer to buy the goods to be sold to the customer. In practice, the two contracts, *murābaḥah* and *wakālah*,

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overlap and must be appropriately implemented. In the end, the bank gives money to the customer to buy the desired goods, and then the customer returns the money to the bank. Outwardly, the practice is the same as borrowing money from conventional banks. The only difference is that on paper, Islamic banks use *murābaḥah* and *wakālah* contracts, which are legal in Islamic law (Mardhiah, 2017).

Second, Fatwas Number 27/DSN-MUI/III/2002 concerning *ījārah muntahiyah bi-tamlīk*. This agreement was formulated to accommodate leasing practices that have been commonly used in society. The Sharia version is an *ījārah muntahiyah bi-tamlīk* contract, which is an *ījārah* contract that ends with the transfer of ownership to the tenant, where the transfer of ownership can use a grant contract. Instead of interest on the installment payments, in an IMBT contract, the payment is considered a rental fee-free, which can be determined at any amount by the leaseholder.

Third, Fatwas Number 50/DSN-MUI/III/2006 concerning *muḍārabah mushtarakah* Agreement. This agreement combines two contracts, namely a *muḍārabah mushtarakah* agreement and a *mushārakah* agreement. The two contracts in the Fatwas are the result of contract engineering carried out by DSN-MUI, which is then applied to Islamic banking to avoid falling into conventional contract practices. This contract is merged because the bank cannot sort out the capital of each customer, so the management of capital requires merging.

Fourth, Fatwas Number 73/DSN-MUI/XI/2008 concerning *mushārakah mutanāqiṣah*. This agreement is a cooperation agreement between Islamic banks and customers for procuring or purchasing an asset, where the asset goods become joint property. The amount of ownership can be determined according to the capital or funds included in the cooperation contract. Furthermore, the customer will pay a certain amount of capital/funds owned by the Islamic bank. The transfer of ownership from the portion of the Islamic bank to the customer is in line with the increase in the amount of customer capital from the increase in installments made by the customer. This contract combines three contracts at once: a *mushārakah* contract, a sale and purchase contract, and an *ījārah* contract.

The contracts, as described above, are all designed by combining various kinds of contracts in such a way as to form a contract that can accommodate the needs of financial institutions, where it is very clearly a form of *ḥīlah*. Such contract engineering seems too forced so that banks and other Islamic financial

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institutions can still run businesses efficiently and make profits like other financial institutions. On the other hand, they are considered in line with the legal rules of Islamic law. However, if examined closely and substantively, it is similar to conventional financial institutions that use the loan interest mechanism. On the other hand, the reality is that both Islamic financial institutions and customers often need help understanding the complex contract mechanism. This is what then needs to be studied in terms of Islamic business ethics, which is closer to the objectives of Sharia related to wealth, as will be described below.

Ḥīlah in Contract Engineering from the Perspective of Islamic Business Ethics

The philosophy underlying the development of Islamic financial institutions as a manifestation of the Islamic economic system is to save Muslims' souls, minds, religions, property, and offspring from transactions prohibited by Islamic law, especially transactions in banks and other financial institutions. The existence of Islamic financial and business industries that uphold the principles of Islamic business ethics is necessary to facilitate halal transactions according to Islamic law. Therefore, the principles of Islamic ethics must always be the benchmark and consideration in carrying out economic and business activities (Putritama, 2018).

Based on this, the commands and prohibitions in Sharia must be understood from a legal and ethical perspective. The prohibition of usury (*ribā*), for example, should be understood not only as a prohibition on the excess of the loaned amount but also as a moral prohibition against the exploitation of man by man in financial transactions or the taking of profit without effort.

Syed Nawab Haider Naqvi (2003) outlines that the Islamic view of the relationship between humans and themselves and their social environment can be explained in four ethical axioms, namely unity (tawhid), balance/alignment, free will, and responsibility.

The first axiom is unity (*tawḥīd*). The primary source of Islamic ethics is the total belief in the oneness of God. This explains explicitly the vertically dimensional relationship between man and God. Man's unconditional submission to Allah influences this relationship by making it an act of submission and obedience to the commands of Allah. In the broadest sense, *tawḥīd* means divinity and contains the concept of *ummah* brotherhood. Brotherhood implies a relationship of mutual care and universal welfare in which all Muslims are treated as one *ummah*, community, or nation, as well as a collective responsibility to ensure each

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individual's welfare (*fallāḥ*) (Adebayo & Hassan, 2013). Therefore, the contracts applied in Islamic financial institutions should not only be oriented so that Islamic financial institutions can obtain as much profit as possible but also aim to achieve common welfare with the community being able to access capital easily without the burden of excessive payments as in the conventional economic system. Agreements designed with the aim that Islamic financial institutions can make profits like other financial institutions, often even greater (Suretno & Yusuf, 2021), are certainly outside this ethical axiom.

Second axiom is equilibrium. According to Naqvi, equilibrium is a combination of two values, justice and *iḥsān*, which have a horizontal dimension. The principle of balance can be achieved if there is a complete explanation and exemplary implementation by all social institutions, such as economics, law, and politics. Equilibrium is a fundamental ethical value; this principle can summarize most of the ethical teachings of Islam, among others: the need to make various adjustments in economic activities (production, consumption, and distribution), equitable distribution of wealth and income, the need to help the poor and needy people in need (Muslimin, 2022). Equilibrium in contracts in Islamic financial institutions is realized, among others, in the balance between the parties to the contract, namely Islamic financial institutions, and customers, and the balance between worldly goals, namely seeking profit and *'ukhrāwī* goals, namely spreading goodness to fellow human beings. Financial institutions should not only be interest-oriented by justifying all means, including engineering contracts, in such a way as to accommodate their interests. Islamic financial institutions should also have a vision to spread benefits and goodness to the community, among others, by educating them on the importance of adhering to Islamic values and providing better and easier services for their customers. Contract engineering provides a smooth path for Islamic financial institutions to carry out all transactions and take profits like conventional financial institutions with only legal formal differences.

Third axiom according to Naqvi is free will. Humans are born on earth with free will to make all choices. The freedom that humans have is not limited. Therefore, the choices that humans make can be right or wrong. The concept of freedom in Islam explains that human freedom does not mean that humans are free absolutely; human freedom is relative in the sense that it follows applicable Islamic ethical values. In Islamic economic and business activities, price competition, service levels, and distribution of Islamic Banking products and services still need

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to be improved to comply with the principles of Islamic business ethics. Islamic business ethics teaches that permissible profits must follow applicable national and Sharia laws, and the profit level does not lead to exploitation, disruption of market functions, and crime, so excessive pricing that harms the community is not allowed (Muslimin, 2022).

Current transaction practices in financial institutions, including Islamic financial institutions, use standardized contracts, where the clauses of the agreement are made unilaterally by the institution. In principle, customers also have the right to determine the agreement's contents, such as profit margins, profit sharing, and others. The existence of such a contract model certainly denies the rights of customers, and often, customers only follow what the institution has made the contract. In this case, the ethics of balance is not fully realized when formulating contracts in Islamic financial institutions.

The last axiom of Islamic business ethics is responsibility. This axiom is closely related to the axiom of free will. This does not mean that Islam limits individual freedom. Instead, Islam creates a balance between human freedom and responsibility. Islamic financial institutions are responsible for implementing Islamic values in the economy to realize the goals of the Islamic economic system, which is none other than realizing human welfare. One of the values that should be applied is the institution's openness to customers regarding the contracts carried out. Islamic financial institutions are responsible for explaining the contract mechanism to customers so that customers also understand how the contract is carried out by its designation (Putritama, 2018). Some Islamic financial institutions' contracts can cover various customer funding needs, which will not align with Sharia principles.

If Islamic financial institutions can implement these ethical principles, it will have a multiplier effect on the institution and the community. In the short term, ignoring ethics may bring clear benefits to Islamic financial institutions, but it will have a negative impact in the long term. Islamic financial institutions will eventually look the same as conventional financial institutions that are only profit-oriented. Non-compliance with business ethics creates cognitive dissonance for the perpetrators of Islamic financial institutions and damages the industry's public image (Mathkur, 2019).

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Conclusion

Contract engineering with the *ḥīlah* mechanism in Islamic financial institutions has been widely practiced, starting from the DSN-MUI Fatwas and continuing to its implementation in Islamic financial institution products. Contract engineering using contracts can be justified if it does not violate the basic principles of Islamic teachings and is otherwise prohibited if it is only a trick aimed at gaining worldly benefits. In practice, existing contract engineering is easy to do. It is excessive so financial institutions can run their business like conventional financial institutions but with different packaging. From the perspective of Islamic business ethics, excessive contract engineering ignores the fundamental values of Islam and, in the long run, will result in Islamic financial institutions being different from conventional financial institutions on paper only. However, on the substance side, it seems similar. Therefore, the value of business ethics should always be prioritized as a distinction between Islamic and conventional financial institutions.

DSN MUI should be more selective and careful in stipulating Fatwas related to which contracts are needed by Islamic financial institutions, not only for the sake of obtaining maximum profits. If the practice of *ḥīlah* has become a necessity that cannot be avoided, then in other aspects, Islamic business ethics must be genuinely implemented to realize Sharia objectives, for example, in price competition, service, and openness to customers.

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