

Analysis of Rationalization through Restructuring of Islamic Finance based on the *Ihsan* Principle

Analisis Rasionalisasi Prinsip Ihsan dalam Penstrukturan Semula Pembiayaan Islam

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ABSTRACT

Ihsan is the pursuit of excellence in worship and daily activities to achieve success and happiness so as to be rewarded with sweetness of faith and Paradise for doing something beyond what is required. A person who does not pursue ihsan is not considered as zalim (wrongful or unjust) or failing his religious obligations as long as he is just and fair. The main goal of Islamic banking institutions is to avoid all forms of zulm (injustice, cruelty, oppression, exploitation) in transactions and to distinguish Islamic transactions from conventional financial practices. In order to ensure quality and harmony, muamalat practice must be assessed and reviewed from the perspective of ihsan to gain the blessings and pleasure of Allah SWT. The purpose of this study is to analyze and evaluate the rationalization in restructuring Islamic financing from the perspective of ihsan to ensure the objectives and functions of Islamic financial institutions are achieved. This research is qualitative using the method of content analysis. The data were analyzed using descriptive and deductive methods. The results show that the recommendations from the Central Bank of Malaysia and rationalization of Islamic financing restructuring procedure fulfills the principle of ihsan in past implementation and during the Covid-19 pandemic crisis. Islamic banking institutions have been responsible and exercised forbearance by providing facilities and eliminating difficulties to assist customer dealings. Customers also have the responsibility to banks that have provided financing facilities and accommodated their financial affairs. Hence, this study can serve as a guide to all parties in applying the principle of ihsan to any action and practice to ensure a more meaningful life.

Keywords: Ihsan; restructuring; moratorium; Islamic finance; Covid-19

ABSTRAK

Ihsan merupakan suatu jalan dan cara untuk mencapai kejayaan dan kebahagiaan serta diberi ganjaran yang besar kerana melaksanakan sesuatu amalan dan tuntutan melebihi kewajipan yang sedia ada. Seseorang yang tidak mengamalkan ihsan tidak dianggap zalim atau melanggar kewajipan dalam agama selagi mana dia berlaku adil terhadap sesuatu. Matlamat utama institusi perbankan Islam adalah untuk menjauhi segala bentuk penindasan dan kezaliman dalam urus niaga seterusnya membezakannya dengan amalan kewangan konvensional. Bagi menjamin kualiti dan keharmonian, prinsip ihsan mesti dinilai dan diteliti dari perspektif muamalat agar mendapat keberkatan dan keretaan Allah SWT. Tujuan kajian ini adalah untuk menganalisis dan menilai rasionalisasi prinsip ihsan dalam penstrukturan semula pembiayaan Islam bagi memastikan objektif dan fungsi institusi kewangan Islam tercapai. Penyelidikan ini menggunakan kaedah kualitatif melalui analisis dokumen. Data-data dianalisis dengan menggunakan kaedah deskriptif dan deduktif. Hasil kajian menunjukkan bahawa saranan Bank Negara Malaysia dan pelaksanaan prosedur penstrukturan semula pembiayaan Islam secara rasionalnya telah mencapai prinsip ihsan sama ada melalui pelaksanaannya pada masa lalu atau semasa krisis pandemik Covid-19. Institusi perbankan Islam telah bertanggungjawab dan bertoleransi dengan memberikan kemudahan dan menghilangkan kesulitan kepada pelanggan yang memerlukan. Pelanggan juga mempunyai tanggungjawab kepada bank yang telah memberi mereka kemudahan pembiayaan dan menampung urusan kewangan mereka. Justeru, kajian ini mampu menjadi panduan kepada semua pihak dalam mengaplikasikan prinsip ihsan terhadap apa jua tindakan dan amalan bagi menjamin kehidupan yang lebih bermakna.

Kata kunci: Ihsan; penstrukturan semula; moratorium; pembiayaan Islam; Covid-19

INTRODUCTION

The Islamic economy is the Islamic gift economy (*ihsani*) based on the principle of cooperation, helping each other, mutual acceptance and partnership that apply the values of grace, gratitude, generous nature, simplicity, responsibility and trust (Adi Setia 2020). The Islamic banking system is one of the branches of the Islamic economy governing the financial transactions of Muslims in accordance with the requirements of syarak. The establishment of the Central Bank of Malaysia has different goals with conventional banks that aim at maximizing profits solely. Islamic banking was established on religious and profit factors by meeting the basic criteria of implementing it without violating Islamic law and helping towards the achievement of the socioeconomic objectives of the Muslims (Ridhwan 2020). The system practiced by conventional banking is based on *riba* which certainly oppresses customers through loans. This is in contrast to Islamic banking that emphasizes the prosperous economy through the application of a fair system and *ihsan* to customers and communities. The Islamic financial system in Malaysia was introduced to help the community to stay away from usury-based transactions (Muhammad Hakimi et al. 2020) by practicing the concept of financing by using various forms of contract such as *bay' al-murābahah*, *al-ijārah*, *al-tawarruq*, *al-istisnā'* and more contract originating from the main contract namely *al-bay'* (selling). The conventional financial system is rejected and not allowed by Islam as there are many products and offers that do not conform to Islamic law or *maqāsid syarī'ah* (Shofiyyah et al. 2019). Sharifah (2004) clarified that loans and financing in Islam have different concepts that are the concept of non-usury lending or *qard ḥasan* and they are limited to social welfare transactions in the non-profit Islamic financial system as they do not impose any profit and interest on the customers. While the concept of financing refers to business-based commercial transactions involving various types of products and prioritizing profits from financing transactions (Sharifah 2004). In economics, all parties must be managed in the right way and are provided with justice and fairness especially against the poor, weak and marginalized to preserve mutual prosperity (Adi & Amru 2020). Islamic banking institutions provide various types of shariah-based financing products such as *tawarruq*, *murābahah* and *ijārah*. Customers must repay the financing in monthly

installments within the agreed period. According to Abdul Muneem et al. (2020), there is an inevitable situation due to financial constraints that prevent customers from fulfilling their obligations and the bank has provided a funding restructuring facility to help ease the burden faced by customers. Financing restructuring is the modification of the original financing terms and conditions due to the increase in selling prices or changes in the type of financing to provide space for customers to manage and plan the financial conflicts. Therefore, the purpose of this research was to analyze the rationalization of *ihsan* principles in the restructuring of Islamic financing.

METHODOLOGY

This study was using qualitative methods through content analysis to fulfill research goals and purposes. This approach aimed to explain and examined the principle of *ihsan* in the implementation of Islamic financing restructuring. The data in this research is collected through documents comprising of primary and secondary sources. The primary source consists of the al-Quran, al-Sunnah and the turath books that were the basic guide to this study in particular regarding the principles, concepts and the debate of scholars. While secondary sources were articles, journals, books, press reports, policy documents from the Central Bank of Malaysia and significant public reference resources. The data were then analyzed using descriptive and deductive methods to detail the general data in making a more specific conclusion.

THE CONCEPT OF IHSAN IN ISLAM

Generally, *ihsan* is all things that are done fairly and kindly as the word of Allah SWT in Surah al-Naḥl (16) verse 90 which means,

“Indeed, Allah orders justice and good conduct”

Abdullah Basmeih (1998) stated that *ihsan* is to provide assistance to other people who need and repay with the best and forgive the mistakes of others. In surah al-Qaṣaṣ (28) verse 77, Allah SWT says that means,

“And do good as Allah has done good to you.”

This verse explains that Allah SWT orders to do *ihsan* to others by helping those in need through

the grace and its gift of wealth, rank and influence (Abdullah Basmeih 1998). Allah SWT also says in surah al-A'rāf (7) verse 56 which means,

“Surely, the mercy of Allah is close to those who are good in their deeds.”

This verse explains the ihsan policy is that all occupations and practices should be made for the best, neatly and perfect whether the work and practice are related to the world, let alone the hereafter to obtain the blessings of Allah SWT (Abdullah Basmeih 1998). Ihsan is highly demanded in every act including in matters of killing and slaughtering as the hadith from Shaddād bin Aws, Rasūlullah SAW said that means,

“Verily Allah has enjoined ihsan (goodness) to everything; so, when you kill, kill in a good way and when you slaughter, slaughter in a good way. Every one of you should sharpen his knife, and let the slaughtered animal die comfortably”

(Muslim 2006)

In addition, every servant must also perform worship and self-devotion to Allah SWT with obedience until they reaches the ihsan level, that is worshipping as if to see Allah or Allah sees it as Rasūlullah SAW said through the hadith narrated by Abū Hurairah RA which means,

“Ihsan is to worship Allah as if you see Him, and if you do not achieve this state of devotion, then (take it for granted that) Allah sees you.”

(Muslim 2006)

According to Abū Jaib (1993), ihsan is higher than fair because fair just demands debt as given and ihsan demands debt less than the amount given. Therefore, the effort to achieve justice (fair) is an obligation, while doing the ihsan is a sunnah and voluntary matters to receive a great reward from Allah SWT (Abū Jaib 1993). Darmawan (2019) said that ihsan of fellow creatures is higher than justice such as paying wages at the same rate of work, then that wage is a fair gift. But if we give that wages more than they should get, then the gift is called ihsan (Darmawan 2019). Similarly, if the debtor requests its debt back at the borrowed rate, then it is called as fair, and if the debt is reduced and forgiven, the debtor has reached the ihsan level (Darmawan 2019).

Imam al-Ghazālī (2005) explains the ways to achieve ihsan in debt affairs, namely:

IHSAN FROM THE CREDITORS

The tolerance by creditors is one of the ways to achieving ihsan by giving deductions, suspending or delaying the debt repayment period and not too pressing and encrypting when demanding debt. This coincides with the word of Allah SWT through Surah al-Baqarah (2) verse 280 which means,

“And if someone is in hardship, then (let there be) postponement until (a time of) ease. But if you give (from your right as) charity, then it is better for you, if you only knew.”

Allah SWT will lighten the calculations against those who give flexibility to those who are in trouble or release them as hadith that narrated by Abū Hurairah RA, Rasūlullah SAW said which means,

“If anyone relieves a muslim believer from one of the hardships of this worldly life, Allah will relieve him of one of the hardships of the day of resurrection. If anyone makes it easy for the one who is indebted to him (while finding it difficult to repay), Allah will make it easy for him in this worldly life and in the hereafter”

(Muslim 2006)

Al-Bughā and Mistū (2019) described the meaning of ‘facilitating the person in trouble’ is to help people that bear a lot of debt burden but cannot afford it. Giving time to debtors that unable by suspending or missing debt payments is also one of the forms of assistance to them. As explained, demanding debts in accordance with agreements and consent is a justice, while facilitating the debtor such as deferring debt repayment is an ihsan practice. This coincides with the encouragement of Rasūlullah SAW which organized ihsan in every act as it is in the hadith narrated by Syaddād bin Aws which means,

“Verily Allah has enjoined ihsan (goodness) to everything.”

(Muslim 2006)

Ihsan is a demands and end point of perfection that makes a practice acceptable and rewarded (Al-Bughā & Mistū 2019).

IHSAN FROM THE DEBTOR

The ihsan level will be achieved if the debtor comes to the creditor to pay the debt without causing inconveniences to the creditor. Similarly, if the debtor who has been able to settle the debt, it should expedite the payment even though the payment

period has not been reached as agreed. If the debtor has not yet had the ability, then he must intend to pay the debt as soon as possible. Rasūlullah SAW said through the hadith narrated by Abū Hurairah RA which means,

“The best of you or among the best of you are those who pay off their debts in the best manner”

(Ibnu Mājah 2014)

This hadith encourages debtors to expedite debt payments when it is able to make payment because postponing a payment when you are able is a tyranny as Rasūlullah SAW said through the hadith narrated by Abū Hurairah RA which means,

“Delay by a rich person (in payment of debt) is a tyranny.”

(Al-Bukhārī 2002)

PROCRASTINATION (DELAY) DEBT PAYMENT IN ISLAM

Debt procrastination according to Islam based on the word of Allah SWT in Surah al-Baqarah (2) verse 280 which means,

“And if someone is in hardship, then (let there be) postponement until (a time of) ease. But if you give (from your right as) charity, then it is better for you, if you only knew.”

According to Ibn Kathīr (1999), Allah SWT ordered the believers to be patient when faced with debtors who were unable to repay debt and they would be blessed and rewarded and avoided the practice of the jahiliyah society that imposed a *riba* on the delay in debt repayment. Allah SWT facilitates the debtor who is having difficulty and difficulty except those who have property (Imam al-Shāfi'ī 2006). Giving of debt deferment by creditors to debtors in need is a noble practice and receives like charity reward in every day of procrastination such as the amount of debt given as the hadith narrated by Buraidah al-Aslamī, Rasūlullah said,

“Whoever gives respite to one in difficulty, he will have (the reward of) an act of charity for each day. Whoever gives him respite after payment becomes due, will have (the reward of) an act of charity equal to (the amount of the loan) for each day”

(Ibnu Mājah 2014)

PROCRASTINATION (DELAY) DEBT PAYMENT THAT PROHIBITED BY SYARAK

Syarak allows the procrastination debt payment in Islam is to ease the burden incurred by the debtor who is in charge of inconvenience and emergency. However, if the procrastination is committed by the rich and affordable people that there is no illness, the procrastination is prohibited by syarak and it is a major sin and tyranny that enables the punishment for being force to make the payment of the debt immediately (Akram Laldin 2014) as Rasūlullah SAW said through the hadith narrated by Abū Hurairah RA which means,

“Delay by a rich person (in payment of debt) is a tyranny.”

(Al-Bukhārī 2002)

Ibnu Hājar said that people who are capable and no illness are considered as *fasiq* if delaying debt payments (Zulkifli Mohamad t.th.). The debtor is considered as unable if the property is less than its daily needs (*Majma' al-Fiqh al-Islāmī al-Daulī* 1992). Therefore, if the property is sufficient to continue living and meet daily needs, then he is entitled to a procrastination of debt repayment. Abū Hurairah RA narrated that Rasūlullah SAW said that means,

“If one who can afford it delays repayment, his honor and punishment become permissible.”

(Ibnu Mājah 2014)

The meaning of ‘his honor become permissible’ is by saying ‘he has tyrannized me’, while ‘punishment become permissible’ means imprisonment (Ibnu Hajar al-'Asqalānī 2013). The debtor who has the ability but deliberately deferred the debt repayment without any illness can be punished on his dignity and honor by speaking openly about his wrongdoing and jailed. In addition, the fiqh method also mentions,

“Necessity does not invalidate the rights of others”.

This method explains that emergency situations will not invalidate the property of others whether the harm is due to matters of *samāwi* which is not because of humans (such as hunger) or not *samāwi*

which is the matter caused by human pressure (as forced) (Ab. Latif & Rosmawati 2021). Basically, the debtor is obliged to settle the debt even in an emergency basis let alone if the debtor is the person who is capable because being desperate and emergency does not revoke the creditor's right. However, Islam teaches to tolerate and do good to underprivileged people. According to al-Qurrah Daghi (2014), there are several factors of delays in debt payments:

1. Bankruptcy or does not have the ability because his property is insufficient to pay off the debt or he does not have any property that can be sold to settle the debt. In this situation, they are not subject to any punishment, but are prevented from spending the property for non-essential matters.
2. Deliberately delay payment of debt while he has a property or no illness as he wishes to take advantage of the delay such as using the amount of the delayed debt for other unimportant use. So, the act is illegal in the sides of syarak.

In addition, the debtors cannot make debt transactions as a source of profit or impose interest on the delay in debt payments as debt goals are helpful and assisting people in need and avoiding the element of riba that is prohibited by syarak (Ridhwan 2020). Allah SWT said that people practicing riba will rise on the day of judgment like someone tormented by devil's touch as his word in Surah Al-Baqarah (2) verse 275 which means:

“Those who take usury will rise up on the Day of Resurrection like someone tormented by devil's touch. That is because they say, ‘Trade and usury are the same,’ but God has allowed trade and forbidden usury.”

Riba is also one of the seven major types of sin as he mentioned by Rasūlullah SAW through the hadith narrated by Abū Hurairah RA:

“Avoid the seven great destructive sins.” The people enquire: “O Allah's Messenger, what are they?” Rasūlullah SAW said: “To join others in worship along with Allah, to practice sorcery, to kill the life which Allah has forbidden except for a just cause, (according to Islamic law), to eat up riba (usury), to eat up an orphan's wealth, to give back to the enemy and fleeing from the battlefield at the time of fighting, and to accuse, chaste women, who never even think of anything touching chastity and are good believers.”

(Al-Bukhari 2002)

Wahbah al-Zuhaylī (1985) explained in his book *al-Fiqh al-Islamī Wa Adillatuhu*, the Ḥanafī sect

argued that if the profitability of the debt repayment was required before the contract, then it is haram. If was not required before and was not a practice, then it is permissible. Mālikī say illegal take advantage of the property of the debtor. However, if the debtor pays debt more than the amount of its debt which the debt is caused by the sale and purchase, it is permissible. If the debt is a conditional debt contract, then it is illegal and if not required, then it is permissible. Whereas according to scholars Shāfi'ī and Ḥanbalī, if the debtor does not require additional, then the debtor pays it with a better item or rate, then it is permissible.

According to Muhammad al-Zuhaylī (2011), if the debtor does not specify additional terms or benefits to its debt, but the debtor himself adds that the amount or returns with something better from him or giving the prize before or after discharging the debt, then it is permissible and it is recommended in islam and not makruh. In conclusion, debtors cannot require additional or impose interest on debt repayments except debtors pay more than their total debt voluntarily.

FINANCING AT BANK ISLAM BASED ON *AL-DAYN*

Before discussing on the financing restructuring topic, it should be explained the difference in the deferment of installments by Islamic banking and conventional banking because each using the debt financing and loan methods which will affect the implementation of the restructuring. Loans in Islam are based on the principle of *qard ḥasan*, lending without profit or interest (*al-Mu'jam al-Wasīṭ* 2004). While financing is based on other principles in Islam such as sale and purchase, rental and partnership (Asmak et al. 2010) as mentioned by Abdullah Basmeih (1998) that *al-Dayn* is written in the Quran is covering all forms of muamalah includes sale and purchase, receivables, rent and so on. *Bay' al-tawarruq* is one of the personal financing services offered by Islamic banking based on syarak. According to Mohd Izuwan (2015), when customers apply for financing from the bank, the bank will purchase commodities from the first commodity seller and sell the commodity to customers based on *murābahah* contract. Then the customer will appoint the bank as a representative (concept of *wakālah*) to sell the commodity to other commodity traders. Sales proceeds by the bank as the customer representative will be included in the customer's

account. As such, the customer will enjoy the amount of commodity sales in cash and will have to pay installments of the commodity price which has been purchased from the bank.

This contract is an alternative of loans that based on *riba* and implemented in personal financing covers the contract of *al-murābahah* and *al-wakālah*. According to Zaharuddin Abd Rahman (2020), Islamic banking, especially in the contract of *murābahah*, cannot occur with any addition or compound in the event of a postponement of monthly installments due to changes from the original contract that lead to *riba*. *Murābahah* contract is a well-known banking product in Malaysia mostly available through financing facilities such as personal financing (Mastura et al. 2020)

RESTRUCTURING OF ISLAMIC FINANCING

Restructuring of financing is a restructured credit facility involving modifications in the key terms and conditions of facilities requiring new agreements due to an increase in original sales price or change of funding type (Agricultural Bank Malaysia Berhad 2020). According to Ahmad Syahir Yahya et al. (2020), restructuring refers to modification of funding terms and conditions or significant changes to the conditions involving the restructuring of the original funding type to enable customers to manage cash flows and address the financial problems they face. Here is an example of an Islamic financing restructuring offer based on the recommendation of the Shariah Advisory Council (SAC), the Central Bank of Malaysia (CBM) (2020):

TABLE 1. Examples of Islamic Financing Restructuring

The type of restructuring	Original contract	New Contract
Restructuring the existing financing using different contracts.	<i>Mushārahah mutanāqishah</i>	<i>Ijārah</i>
Consolidating several financing based on various contracts	<i>Tawarruq</i> (personal financing), <i>ijārah</i> (vehicle financing), <i>qard & ujarah</i> (credit card).	<i>Tawarruq</i>
Consolidating several financing based on various contracts	<i>ijārah</i> (vehicle financing), <i>qard & ujarah</i> (credit card).	

Source: SAC (2020)

The above table shows an example of the Islamic financing restructuring method through two methods based on the SAC recommendation (2020) namely Islamic financing restructuring using different shariah contracts or incorporating several financing into a new contract. Examples of methods of restructuring financing using different contracts is restructuring *mushārahah mutanāqishah* contracts to *ijārah* contracts, while the merger of several funding are like *tawarruq* contracts, *ijārah* and *qard & ujarah* to *tawarruq* contract as a new shariah contract.

CBM (2010) stated that among the things that distinguish the conventional Islamic financial documentation are the new agreements and contracts that need to be sealed every time there is a change in the terms and conditions of the agreement as Islamic finance prioritizes the consent and pleasure of the contracting parties such as changes that occur when involving the restructuring or re-financing mainly financing based on sale and purchase. The sale and purchase agreement should be dissolved (*fasakh*) in advance and entered into a new sale and purchase agreement for the case of restructuring of financing differs from the conventional loan practices that only

need to sign an additional agreement on restructuring to prevent the element of *riba* or *gharar* because of the price in the sale and purchase agreement was decided at the beginning of the contract (CBM 2010).

Abdul Muneem et al. (2020) stated that there are several procedures that must be maintained by Islamic banking before allowing customers to apply for Islamic financing restructuring:

APPROACH

This facility is not an open offer to be promoted to every customer that confront financial difficulties. Customers need to know their own condition whether they are eligible or not to get the facility. When customers are aware that they are faced with financial problems or suffer from constraints to continue their responsibilities and commitments consistently, then they need to approach and present themselves to the bank as it is better than waiting for a call from a bank that is definitely time consuming as the bank needs to check each of its customers and determine who is having financial problems and is eligible for the facility.

ELIGIBILITY

Islamic banking cannot offer financing restructuring facilities to all customers. For those who apply, the bank will examine their qualifications as a whole and customers need to prove that they are really facing financial difficulties.

ASSESSMENT

Assessment of customers is required to test reliability. Evaluation can be seen from the financial activities of the debtor including the financial management of the family member. To assess the debtor, the bank may request assistance from the Central Credit Reference Information System (CCRIS) to assess the financial reliability of the customer.

FINAL DECISION

Upon evaluation, the bank will submit the customer's application to the management to decide whether the customer is eligible for the financing restructuring facility or not. The bank will provide the terms and conditions to be complied by the customer to continue the financing restructuring facility.

OFFER

Financing restructuring facilities should undergo strict procedures as regulated by the bank as it involves the cancellation of the original contract and the implementation of the new agreement through the addition of new selling prices and increased profit rates and other conditions. However, customers can accept or reject the offer of facilities in the structure.

SAC has set several matters in the offering of Islamic financing restructuring facilities including in 2002, the SAC had decided that the implementation of Islamic financing restructuring to cross-reference with the original agreement for the purpose of stamp duty exemption is permissible on a *maṣlahah* basis to prevent the payment of stamp duty twice (CBM 2010). According to press sources, there are several factors and reasons on restructuring offerings ever offered by banking institutions. Agrobank has offered a restructuring of financing to its customers involved with floods in 2014 (Harian News 2014). According to Abdul Muneem et al. (2020), the moratorium is offered within a few months to customers who face unavoidable disaster situations such as floods and landslides. The moratorium is offered together with the restructuring of financing or loans to restructure

their financial commitments and responsibilities after the expiration of the moratorium.

RESTRUCTURING OF ISLAMIC FINANCING DURING THE COVID-19 PANDEMIC CRISIS

On March 2020, the government has declared '*Perintah Kawalan Pergerakan*' (PKP) from March 18 nationwide following the contagion of the Covid-19 pandemic which hit the world (National Security Council 2020). The declaration covers the overall on movements and public gatherings including religious, sports, social and cultural activities (Awani 2020) that had a great impact on the people income, especially for small entrepreneurs, workers based on salary and those who are fired as a result of the company's inability to pay salaries (Zaharuddin Abdul Rahman 2020). At the end of March 2020, the government had announced one of the initiatives to ease the burden borne by the people, especially for those who had debt with the bank, namely the procrastination (delay) on debt and loan payment or moratoriums up to six months beginning April 2020 to enable the company to continue to maintain employment and immediately continue their business activities (Muhyiddin Yassin 2020). CBM (2020) & Chakrin Utit et al. (2021) explained that the Covid-19 pandemic crisis and the implementation of the PKP had had a huge impact on the economy and society such as loss of employment and faced with reduced income. The matter should be addressed immediately to avoid significant effects that lead to a negative long-term impact on the society and the economy (CBM 2020). As such, the granting of moratoriums and restructuring of financing is able to help businesses and the public restructure financial obligations according to their current financial situation (CBM 2020). The SAC (2020) had set several guidelines and procedures regarding the restructuring of Islamic financing during the Covid-19 crisis based on section 52 of the Central Bank of Malaysia Act 2009:

RESTRUCTURING OF ISLAMIC FINANCING BASED ON ORIGINAL SHARIAH CONTRACT

This method is carried out by signing a supplementary agreement that is cross referred with the terms and conditions of the original agreement which does not require a new agreement to reduce costs and burden to customers and Islamic financial institutions. However, a new agreement is required

if the financing restructuring involves the use of different Shariah contracts, for example, a housing financing based on *mushārahah mutanāqishah* is restructured into contract *ijārah* or a combination of contracts into a new contract such as the merger of personal financing contracts (*tawarruq*), vehicles financing (*ijārah*) and credit cards (*qard & ujarah*) to *tawarruq* contracts as part of a debt rationalization.

RESTRUCTURING OF ISLAMIC FINANCING TO CONVENTIONAL LOANS OR OTHERWISE

The restructuring of Islamic financing to conventional is not allowed. However, if they still choose to do so, then the choice is beyond the responsibility and control of Islamic financial institutions. While the restructuring of conventional loans to Islamic financing is encouraged.

COMPOUNDING PROFIT IN THE RESTRUCTURING OF ISLAMIC FINANCING

Accrued profit for original financing as a new principal amount in the restructuring of Islamic financing is not allowed to prevent compounding. As such, Islamic financial institutions in the implementation of Islamic financing restructuring, cannot have a difference in the new principal amount with the original principal balance of the original financing if there is no additional financing. Secondly, Islamic financial institutions are also allowed to charge a new profit rate on the new principal amount. In addition, the amount of accrued profits and late payments for the original financing can be added to be the entire obligation of installment payments but the amount cannot be capitalized in the calculation of the new profit.

Megat Hizaini Hassan & Sharmeen Dahlia (2020) explained that although the decision stipulates that the 'New Agreement' is not required in the restructuring, but if requiring a new agreement due to the change in the original selling price through the restructuring, the new agreement may be documented in supplementary agreement. For example, if in the re-structure of financing to new *tawarruq* contracts and there is a new commodity sales transaction between financier and customers, the new contract through the new commodity sales transactions will be documented in the supplementary agreement in line with the new decision.

ANALYSIS OF RATIONALIZATION OF IHSAN PRINCIPLE IN THE RESTRUCTURING OF ISLAMIC FINANCING

Based on the above discussion, there is a practice of ihsan principle in the Islamic economy, especially in relation to the relationship between the debtor and the creditor. Providing assistance to customers who are confronted with inconveniences coincide with the recommendation of Rasūlullah SAW to do ihsan in every situation (CBM 2020).

The implementation of Islamic financing restructuring rationally has achieved and applied ihsan principle. The procedures that need to be maintained by Islamic banking before allowing customers to apply for Islamic financing restructuring is an approach, it is ihsan from the customers in the way that customers themselves are present at the bank to express their intentions without having to trouble the bank as a party that provides the facility (Abdul Muneem et al. 2020). This procedure is one of the forms of ihsan from the debtor because according to Imam al-Ghazālī (2005), the debtor reached the ihsan stage if they present themselves to the creditor without creating inconveniences to the party who has given him the convenience. Similarly, with the eligibility, the bank will examine their qualifications as a whole and the customers need to prove that they are really facing financial problems and constraints (Abdul Muneem et al. 2020). The procedure is an ihsan of the bank in a way of tolerance and provides flexibility to customers who are facing difficulties and hardships (Imam al-Ghazālī 2005) tandemly with the prohibition of delay installment payments to the rich people (AKRAM Laldin 2014). However, if the bank does not give the delay payment of installments to its customers and claim the payment as agreed upon, the practice is not considered wrong and it is a fair act (Abū Jaib 1993). In addition, the restructuring of Islamic financing by signing a supplementary agreement to reduce costs and burden on the customers that are facing financial problems and constraints to pursue monthly installment commitments during the Covid-19 pandemic crisis (CBM 2020) was an ihsan by the bank by giving deduction and reduce the cost (Imam al-Ghazālī 2005) as one of the efforts to ease the financial burden of the customers. In addition, the concept of justice was also achieved with the prohibition on *riba* (Abū Jaib 1993) through the prohibition on profits

accrued for the original financing as a new principal amount to avoid compounding profit (CBM 2020). However, the efforts of Islamic banking institutions in avoiding customers from the compounding profit which are the practices of conventional banking, can

be evaluated to achieve the rationalization of the principle of ihsan (Abdullah Basmeih 1998). The rationalization of ihsan principles in the restructuring of Islamic financing is shown in Table 2:

TABLE 2. Rationalization of ihsan principles in the implementation of Islamic financing restructuring

	The Principle of Ihsan	Restructuring of Islamic Financing
Ihsan of the debtor	Ihsan is achieved when the debtor coming to the creditor to pay his debt without causing inconveniences to the creditor (Imam al-Ghazālī 2005), so is the case when the debtor intends to owe and make a loan at first. In conclusion, customers need to attend and come to the bank to apply for a restructuring of financing as a way of achieving ihsan.	Approach: Customers need to approach and present at the bank to get the facility, it is better than waiting for a call from the bank (Abdul Muneem et al. 2020)
Ihsan of creditors	<p>The creditor will achieve ihsan when they tolerate to lighten and give flexibility to the person in trouble (Imam al-Ghazālī 2005). Delaying on debt payment from the rich people is a big sin and a tyranny (Akram Laldin 2014) based on the hadith which means: “delaying debt payments from the rich people (capable) is a tyranny”.</p> <p>The bank’s election of qualified customers is an ihsan through tolerance in accordance to prohibition of syarak against the postponement of installments by affordable customers. if the bank does not give the delay payment of installments to its customers and claim the payment as agreed upon, the practice is not considered wrong and is a fair act (Abū Jaib 1993).</p> <p>Basically, this method is included in the concept of justice which is an obligation (Abū Jaib 1993) to stay away from riba. However, the principle of ihsan can be evaluated and achieved through the efforts of Islamic banking institutions to provide customers in need (Abdullah Basmeih 1998) to release customers from the compounding profit which is the practice and custom of conventional banking.</p>	<p>Eligibility: Banks will examine their qualifications as a whole and customers need to prove that they are really facing financial problems and constraints (Abdul Muneem et al. 2020).</p> <p>During the Covid-19 pandemic crisis which had caused some of the customers to face problems and financial constraints, this facility was offered through a moratorium by signing an additional agreement to reduce costs and burden to the customers (CBM 2020).</p> <p>The accrued profit for the original financing as the new principal amount in the restructuring of financing is not allowed to prevent the occurrence of compounding profits (CBM 2020).</p>

In conclusion, rationally the ihsan principle has been achieved and applied by Islamic financial institutions through some of the procedures and recommendations of the implementation of Islamic financing restructuring to alleviate the burden, difficulties and distress faced by customers. In Islam, ihsan is a good act of volunteering to obtain the mercy and pleasure of Allah SWT and create a harmonious situation that differs from the principle of justice which is an obligation that must be fulfilled to avoid any form of tyranny.

CONCLUSION

The principle of ihsan in the restructuring of Islamic financing aims to provide convenience to customers

as one of the ways to do good to other people to get the mercy and pleasure of Allah SWT. This study found that ihsan principle has been applied in the restructuring of Islamic financing either from the customer or the bank. The principle of ihsan is not an obligation like the justice that is trying to avoid any form of tyranny, especially in terms of muamalat. However, ihsan principles will produce happiness and harmony between fellow human beings. The restructuring of Islamic financing is one of the efforts and measures to reduce the difficulties and burden faced by customers especially when faced with difficult situations and unavoidable disasters. However, research on procedures should be noted so that customers do not take advantage of this facility, especially for those capable and affordable customers.

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