



Islamic Banks In Muslim Countries And Indonesia

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Abstract: *This article aims to provide an overview of Islamic banking, which has shed light on Muslims in avoiding usury with inflation and oppression. The negative impact of cartels can be reduced. Suppose traditional banks have only one way to work, interest-bearing loans, although in many forms. The problem inherent in Islamic banking activities is whether they can be separated from the influence of conventional banks in various activities carried out, given the interrelationships between Islamic banks and traditional banks. By conducting a literature study, we analyzed banking data contained in documents, books, and journals using a qualitative approach using descriptive analysis methods. We try to provide an interpretation of the work of Islamic banks operating in various Islamic worlds and Indonesia. We found Islamic banks to be less compliant with the fatwas and instructions given by the existing Islamic boards. We find that Islamic banks have difficulty complying with shari'ah rules because they are constrained by the conventional banking financial system full of usurious Mu'amalah. Constrained by capital from the central bank, high operating costs, investment problems in the real sector, risk of loss and others. The focus of this research is the causes of the condition of Islamic banks in the Islamic world, which are trapped in a Ribawi labyrinth*

Keywords: Bank, Sharia, Islam

Abstrak: *Artikel ini bertujuan untuk memberikan gambaran terhadap perbankan syariah yang telah memancarkan titik terang terhadap umat Islam dalam menjauhi perbuatan riba dengan inflasi dan penindasan serta dampak negatif kartel bisa dikurangi. Jika bank tradisional pada dasarnya hanya memiliki satu cara untuk bekerja, yaitu pinjaman berbunga, meskipun dalam banyak bentuk. Permasalahan terlekat pada aktifitas perbankan Islam apakah bisa terlepas dari pengaruh bank konvensional dalam berbagaimacam aktivitas yang dilakukan mengingat saling keterkaitan yang erat antara bank syariah dan bank konvensional. Dengan melakukan studi pustaka kami menganalisis data-data perbankan yang ada dalam dokumen, buku-buku dan jurnal*

dengan pendekatan kualitatif dengan metode analisis deskriptif. Kami mencoba memberikan penafsiran terhadap kerja bank syariah yang beroperasi di berbagai dunia Islam dan Indonesia. Bank syariah kami dapatkan kurang mematuhi fatwa dan petunjuk yang diberikan oleh dewan syariah yang ada. Kami mendapatkan bank-bank syariah mengalami kesulitan untuk mematuhi aturan syaria'ah karena terkendala oleh sistem keuangan perbankan konvensional yang penuh dengan mu'amalah riba. Terkendala dalam permodalan yang berasal dari bank sentral, biaya operasional yang tinggi, permasalahan investasi pada sektor real, risiko kerugian dan yang lainnya. fokus penelitian ini adalah penyebab kondisi bank Islam di dunia Islam yang terjebak dalam labirin ribawi

Kata Kunci: Bank, Syariah, Islam

A. Introduction

Allah has provided Muslims with halal food and a way to get it right. Allah has also revealed to them what can safeguard their benefit with financial institutions are an essential part of any country's economy. This institution regulates the country's foreign exchange savings and reserves. It offers various financial and other financial services, including savings and loans, investment and foreign currency exchange facilities, and production, export, and import financing. Islamic financial institutions can operate more simply and compete with conventional financial institutions.¹ The question of Islamic banks' ability and performance in carrying out activities and their ability to adjust to the conditions and systems in today's modern world arises. Can Islamic banks manage deposits from individuals in Muslim communities and residues from outside funds? What challenges will Islamic banks face, and what are their future visions and prospects? This discussion will centre on the issues confronting Islamic banks and the future concept of Islamic banks. Does Shari'ah have the same distinction as a traditional bank? Is it true that Islamic banks are similar to conventional banks that use usury in carrying out their vision and mission?

This discussion aims: to look at the problems in Islamic Banks and the obstacles and challenges they face. The aim of distinguishing between Islamic and conventional banks is expected to be achieved by paying attention to the signs given by Islamic economists quoted from the Qur'an and al-Hadith, as well as the opinions of scholars.²

¹ Muhammad Syafi'i Antonio, *Bank Syariah: Dari Teori Ke Praktik: Islamic Banking = al-Masraf Islam*, Cet. 15, Kajian Ekonomi (Jakarta: Gema Insani, 2001), 81.

² Riza Aulia Azhary, "Comparative Analysis of CSR Disclosure and Its Impact on Islamic Banks Financial Performance" 3, no. 1 (2021): 11.

B. Literature Review

In discussing this article, we examine the book entitled, *The Islamic moral economy: a study of Islamic money and financial instruments*, which discusses the signs that the Islamic economic system must obey so that it is farthest from Riba. The last one is an article in a journal entitled *Usury (Riba) and the Place of Bank Interest in Islamic Banking and Finance*. This book explains usury spread in various Islamic banks in different parts of the world, which is difficult to avoid due to the central banking system surrounding Islamic banks.³ The focus of this paper is an explanation of some Islamic banks that are camouflaged to develop businesses in reaping Muslim capital. Islamic banks have a shining title to attract customers, from small employees and merchants to the most prominent investors, but on the ground, people only discover the "Islamic" of these banks amid accusations that they are practising tricks to set benefits more significant than traditional banks and determine their profits and then tempt customers to accept them as an employee. People's enthusiasm for religiosity; also, many suspicions surround it about the role of some of them in money laundering and absorbing the funds of extremist groups and charities, some of which drown in financing terrorism.⁴ ممارسات الربا في البنوك الإسلامية⁴

A book entitled *Mumarasat al-Riba fi al-Bunuk al-Islamiyah* described the practice of usury that occurred in Islamic banks in various Islamic worlds and the factors that caused the practice of usury to happen, sometimes due to the morale of the executors, so that the loss of adherence to sharia guidelines provided by sharia advisors who the bank association has appointed. Sometimes due to influence from the central bank or because the bank is a conventional bank branch.⁵

³ Burhanudin Harahap and Tastaftiyan Risfandy, "Islamic Organization and the Perception of *Riba* (Usury) and Conventional Banks Among Muslims: Evidence From Indonesia," *SAGE Open* 12, no. 2 (April 2022): 215824402210979, <https://doi.org/10.1177/21582440221097931>.

⁴ Asgaft Asy-Syad Rasyid, "Fiqh Solutions Against Usury (Riba) Practices In Conventional Banking," *JURNAL EKONOMI DAN PERBANKAN SYARIAH* 7, no. 1 (April 18, 2019), <https://doi.org/10.46899/jeps.v7i1.96>.

⁵ J. Bannā and جمال, الربا وعلاقته بالممارسات المصرفية والبنوك الإسلامية (دار الفكر الإسلامي، 1986, <https://books.google.co.id/books?id=NHswAAAAYAAJ>).

The novelty in this discussion is to clearly distinguish the practices carried out by banks between usury and those that are not usury. A bank that is not responsible for losses is one of the characteristics of usury and credit card services and others.

C. Research Methods

The discussion in this article is library research. The discussion in this article is carried out using descriptive analysis by reducing data, as well as presenting the forms of Islamic bank activities that make it possible to conclude the activities of these Islamic banks. In the discussion of this article, we use data obtained from banks and comments from Islamic Bank practitioners at home and abroad as primary data. In addition, we received information from practitioners while conducting transactions related to Islamic bank products such as credit cards and in the form of profit-sharing calculations practised by one of the Islamic banks studied. The problem of usury in Islamic banks is discussed with a qualitative approach. Secondary data was obtained from several books and journals. The books received come from libraries or from books written directly by Islamic bank supervisors, as well as literature books that discuss the activities of Islamic banks in various places.

D. Result and Discussion

Islamic Economics is a collection of essential and economic principles derived from the Qur'an and Hadith and the opinions of various schools of thought. Islamic financial principles and fundamental understanding will apply in all places and at times. The above definition shows two parts, namely regulations and provisions, that cannot change and will remain constant: the rules derived from the Qur'an and al-hadith. This is known as the school of economics. In contrast, the second is an economic system applied in the field and guided by Islamic principles and provisions adapted to space and time.⁶

⁶ Krisna Wijaya, *Analisis Krisis Perbankan Nasional: Catatan Kolom Demi Kolom* (Jakarta: Kompas, 2000).

The operation of /Mit Ghamr in the Dimyati region of Egypt in 1963 was a milestone in developing the banking system, such as deposits, loans, equity participation, direct investment, and social services. Mit Ghamr's introduction of a banking system based on Islam received a warm welcome from the local population. This is evident from the number of customers, which at the end of the 1963/1964 financial year was recorded at 17,560 to 251,152 at the end of the 1966/1967 financial year. The deposits also increased sharply from LE 40,944 at the end of the 1963/1967 financial year. One of the factors that led to the increase in the sense of belonging among the community towards this system. But unfortunately, because of the emergence of political turmoil at that time, Mit Ghamr began to decline. Its operations were taken over by the National Bank of Egypt and the Central Bank of Egypt in mid-late 1967. As a result, the basic principle of zero interest in any bank transaction was neglected. In 1971, under the government of Anwar Sadat, the strong desire to realize an interest-free banking system flared again. This was marked by the establishment of the Nasser Social Bank, which took over the interest-free business previously carried out by Mit Ghamr.⁷

The establishment of the IDB has inspired and motivated Muslim countries to establish Islamic financial institutions. The IDB received many requests for assistance in setting up and establishing these institutions. Therefore, the IDB expert committee has worked hard to develop guidelines for the preparation, regulation, and supervision of Islamic banks. No less than 1,500 Islamic financial institutions have spread in Muslim countries such as Egypt, Sudan, Saudi Arabia, Jordan, Kuwait, Bahrain, UAE, Tunisia, Pakistan, India, Iran, Malaysia, Bangladesh, and Turkey. And

⁷ Sena Yılmaz Arslan and Ciydem Catak, "Does Islamic Banking Have a Future in Germany Survey on German Muslims Perceptions," *Pressacademia* 7, no. 2 (June 30, 2020): 187–97, <https://doi.org/10.17261/Pressacademia.2020.1213>.

Indonesia and Western countries such as Luxembourg, England, Switzerland, Denmark, America and Australia, and New Zealand.⁸

I. Field Problems faced by Sharia Banks Today

Interest is forbidden in Islam, which is the biggest problem banks face in general and for Islamic banks in particular. Banks must be free from the usury system forbidden in Islam in the form of savings and loans by Allah S.W.T. The most apparent practice related to this is buying and selling or business activities. Although it aims to make a profit, the business must continue in ways that are by Sharia and are oriented to gain the pleasure of Allah SWT. The basis of buying and selling is the word of Allah in Surah al-Baqoroh, verse 275

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

"Even though Allah has permitted buying and selling and forbidden usury."

Although Islamic banks stay away from usury, Islamic banks are still involved in transactions with conventional banks that use the usury system. There was a mixed Mu'amalah between lending and investment; the usury system in traditional banks has coloured this dual activity. In this way, Islamic banks can no longer show their characteristics based on risk.⁹

Shaykh Salih Kamil has hinted, "The framework of our banking system that we take from conventional banks does not attract investment institutions' attention, both in their capacity and specialization, which can handle all forms of economic activity in production. We are content only to have relatively small and limited equipment, and we complete our administration according to the routine work carried out, which is very similar to the routine carried out by the usury system. The results we can achieve

⁸ مركز صالح عبد الله كامل للاقتصاد الاسلامي، البنوك المركزية ودورها في الرقابة على البنوك الاسلامية، جابر، أحمد، سلسلة الدراسات والبحوث الاقتصادية (مركز صالح كامل للاقتصاد الاسلامي، 1999)، <https://books.google.co.id/books?id=bk9CwgEACAAJ>.
⁹ 87، (دار الفكر الجامعي) خالد احمد على محمود، التمويل والتوريد في البنوك الاسلامية، <https://books.google.co.id/books?id=HuUIEAAAQBAJ>.

are the efforts of Islamic banks to clean up usury activities. However, we are still inseparable from the banking system that adheres to the usury system."¹⁰

Dr Falih said, "The failure of Islamic Banks to find standards and characteristics of their own whose activities are adjusted to the basics of Islamic Shari'ah and Maqashid Shari'ah. Islamic Banks continue to rely on benchmarks to conventional trading systems that use usury systems invested in liquidity, profitability, and risk and continue to seek the maximum profit with this system."¹¹ It is as if we have extinguished the forbidden fire of usury. Still, in the same place, we take advantage of the relics of Mu'amalah usury originating from conventional banks so that people can no longer distinguish between profit and usury. Usury is forbidden in Islam is the profits obtained by the party who owes who is not involved in bearing the risk of a transaction;¹² trade-in in Islam must be al-Ghanam bi al-Gharam, (الغنم الغرم). In that manner, whoever receives the gain of something has to be courageous and endure the dangers springing up from those benefits. Banks act as commercial enterprise actors while managing clients as proprietors of capital. However, in an instant, this reputation modified the financial institution's position as an investor whilst the financial institution confronted commercial enterprise actors who wished to budget to increase their commercial enterprise. This twin reputation performed through banks proves that the contracts done through banks are debt contracts and are now no longer Mudharabah contracts. If he completes the position of a commercial enterprise actor, then the reputation of the budget to be had to him is a belief that must be guarded much like different trusts. And what is supposed through the self-belief from buyers is coping with those budgets in a commercial enterprise with a purpose to convey results (profits) so that banks aren't speculated to distribute the capital they acquire from clients (buyers) to different marketers with Mudharabah contracts. So, if he plays the

¹⁰ الاسلامي, البنوك المركزية ودورها في الرقابة على البنوك الإسلامية, 76 and أحمد

¹¹ Ibid.

¹² Edhem Eldem, "Ottoman Financial Integration with Europe: Foreign Loans, the Ottoman Bank and the Ottoman Public Debt," *European Review* 13, no. 3 (July 2005): 67.

role of an investor, this denies that customers own most of the funds managed.¹³ Imam an-Nawawi Rahimahullah said, "The second law: it is not permissible for a business actor (Mudharib) to distribute the capital he receives to a third party with a Mudharabah agreement. Suppose he does this with the investor's permission. If he leaves the (first) Mudharabah contract and changes his status to become a representative for the investor in this second Mudharabah contract, that is justified. But he is not justified in requiring any of the profits. If he still requires it, then the second Mudharabah contract is invalid".¹⁴ Imam Ibn Qudamah al-Hambali Rahimahullah also made a similar speech. He said, "It is not permissible for an entrepreneur to channel capital (which he receives) to others in the form of Mudharabah, said Imam Ahmad. This is the opinion of Imam Abu Hanifah, Asy-Syafi'i, and I do not know of any other ulama 'other than that".¹⁵ If the bank plays such a dual role in the Mudaraba contract and the investor obtains the investor's permission when the investor is not participating in the performance of the business carried out by the second operator, the bank will share profits. You do not have the right to receive. Because it only acts as an intermediary (broker). Scholars explain that the legal reason for this is that the consequences/profits of the Mudarabah contract are merely the rights of the capital owner and the business. On the other hand, those who have no capital and do not participate in the execution of the company do not have the right to share profits.¹⁶

Modern financial institutions need to consider whether they are trading at Islamic banks or other institutions that always trade without risk. These banks and other financial institutions are in the interests of debtors who hesitate to enter the risk area.

¹³ Thomas Marois, "Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism: A Comparison of Mexico and Turkey," *Review of International Political Economy* 18, no. 2 (May 2011): 168–96, <https://doi.org/10.1080/09692290903475474>.

¹⁴ Muhammad `Abd al-Mun'im Abu Zayd, *al-Mudarah wa-tatbiqatiha al-'amaliyah fi al-masarif al-Islamiyah* (Herndon, Va.: al-Ma'had al-'Alami lil-Fikr al-Islami, 1996), 76.

¹⁵ Abu Zayd, *al-Mudarah wa-tatbiqatiha al-'amaliyah fi al-masarif al-Islamiyah*.

¹⁶ معوض، علي محمد، روضة الطالبين (المكتبة التوفيقية للطبع والنشر والتوزيع، الامام النووي، عادل أحمد عبد الموجود 87, (1992, <https://books.google.co.id/books?id=HOqlAQAAAJ>.

This Murabaha transaction is said to have no Riba, which Islam prohibits. Most banking institutions stick to Murabaha, but scholars who agree with the Shafiy School's opinion of allowing Murabaha in the form of Sharia financial institution practices are still controversial about halal. It was a combination of the buying and selling of Salam and Murabaha itself, which several financial institutions were doing at the time. Universal. That is Alamir bi Assyira (request for ordering goods).

However, some banks say their profits are over 90%, and buying and selling transactions are like usury. Pre-Islamic Arabs said buying and selling were like usury, and Allah denied it. "Allah allowed and banned usury." Then traditional banks. Conventional banks use one pattern, namely loans with usury not the same as the pattern used by Islamic banks. As compensation, Islamic banks use Murabaha, rent, profit sharing (مضاربة), Musyarakah, and others. However, Islamic banks only limit their role in bearing the risk of loss; they only play a role in the funding field. Islamic banks do not accept the risk posed by buying and selling except for a small amount, such as in the import sector, with an imbalance in the trade balance and changes in the value of the local currency.¹⁷ Salih Kamil said: Trading is not subject to time frame limits, maturities, receipt of preferred prizes, or completion of all contracts and trading processes. There are two forms of Islamic banking: Murabaha and leasing. The wisdom of Islamic principles is clear. Land cultivation, agricultural cultivation, mining, etc., are goals of Islamic economic activity and can only be achieved through the risk of exploitation, which creates jobs and strengthens nature and human resources. Stability leads to economic growth.¹⁸ Finally, Islamic banks are similar to conventional banks, which should be far different. Sharia banks are helping each other. Sharia banks can reap profits and bear losses in carrying out real business in a field that promises more profits than losses. The advice and suggestions of the bank's sharia advisers should have the force of law so that they cannot be ignored, and the bank can

¹⁷ خلف، فليح حسن، *البنوك الإسلامية (عالم الكتب الحديث)*, (2005), 87, <https://books.google.co.id/books?id=XxPYAAAAAMAAJ>.

¹⁸ Muhammad Syaikhun *Masharif al-Islamiyah* (Amman, Dar al-Wail, 2002), h.347

collect more funds with the cooperation of the community, the state and existing Islamic institutions that come from Zakat, waqf and others so that they are no longer dependent to the central bank that can influence the policy of sharia banks so that they run away from Islamic Sharia.

Shaykh Salih Kamil gives an opinion ¹⁹

1. Appointment of supervisory bodies and consultants by depositors

This is related to the benefits of depositors who can achieve fairness and maintain mandates. This is not limited to depositors willing to receive less than a fair share, but Islamic banks have also dismissed non-Islamic depositors. With a new structure to solve the problem of appointing depositors and investors to attend important meetings of bankers, they have the right to have a say in the bank's decision to protect the assets of the parties they represent.

2. Renewal of the structure of the Islamic Bank from a Joint Stock Company to a General Partnership Company

With investors' capital, joint-stock companies are not a suitable medium for safeguarding depositors' assets and investments. Depositors do not receive appropriate collateral. An applicable entity is a partnership company (التضامن) in a legal firm to manage the support of the people involved in the company's activities.²⁰ Another problem with Islamic banks is excess liquidity in some Islamic banks, while others experience shortages. Those who have excess liquidity don't know where the excess will be used, and they only have two choices:²¹

¹⁹ الاسلامي، البنوك المركزية ودورها في الرقابة على البنوك الاسلامية، 87 and أحمد

²⁰ Marois, "Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism."

²¹ Marois.

1. The money remains in the bank's treasury without interest because interest is forbidden in Islam.
2. The excess liquidity is exchanged for foreign currency by the central bank's decision to maintain the level of liquidity against foreign currencies and take advantage of short-term investments in Islamic banks or benefit from currency differences.

Sometimes the cash shortage is caused by the bank not being able to withdraw savings as an intermediary (broker), not as a party with debts and receivables. When a sharia bank needs funds for disbursement, it cannot do so with the central bank because of usury, unlike banks that use the usury system.²² Another issue for Islamic banks is the oversight of loans from major banks that set credit limits for each country. Each bank must deposit 25% to 30% of its total deposit with the central bank. The central bank is the centre of all banks and manages and oversees the mobilization of funds. Thus, most capital movements have stopped due to wealth stagnation as a central bank's foreign exchange reserves. Unlike traditional banks that use usury systems, Islamic banks do not use the central bank's existing resources.

Meanwhile, another problem is the hegemony of bankers who use the usury system for decision-makers without considering the Islamic economy. The absence of a cadre of followers in Islamic economics will cause difficulties in converting between shari'ah and economics. It is difficult to reconcile the central bank's policies with Islamic banks that use the usury system and their policies that control the activities of all banks.²³

Hope and Vision for the Future

"Emerging Islamic banks are in a muddy soil that is very difficult to grow well," said Dr Ahmad Haji al-Kurdi. "Islamic banks are significant because the high-interest

²² Azhary, "Comparative Analysis of CSR Disclosure and Its Impact on Islamic Banks Financial Performance."

²³ Azhary, "Comparative Analysis of CSR Disclosure and Its Impact on Islamic Banks Financial Performance."

lending system has long penetrated the financial world. It has grown under the burden. Other institutions are ready to stop and derail it. Islamic banks enter Allah's forbidden Riva, even if profits and the temptation of litigation continue. Islamic banks need to circumvent previously guaranteed or agreed-on profit systems.

Islamic Banks Have no Real Business²⁴

Financial institutions that call themselves "Islamic banks" do not appear serious about implementing the Islamic economic system. These institutions seek to avoid the Sunnatullah Almighty Allah has placed in the business world. Sunnatullah takes an inseparable form: profit and loss. Sharia Bank operators always stop Sharia at a safe and non-hazardous stage.²⁵ Therefore, in principle, existing Islamic banks do not have real businesses that can generate profits. All types of banking products they offer are limited to financing and financing. Therefore, the bank's role in each managed entity is only the role of the customer fund channel.²⁶

1. As a clear example of an existing bank, the product is Mudarabah. Bank operators act as distributors of customer funds, not as business actors. They do this because they fear various business risks and want to profit. In this case, the profits earned by banks and the profits demanded by customers doing business are harams, as scholars have pointed out, including those by Imam Annawawi above.
2. Banks do not bear losses, ignoring the above two things, and there are still severe problems facing the steps of our Islamic banks. This means that bankers are not ready to share the risks of Mudarabah with business players. If an economic operator suffers a

²⁴ Marois, "Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism."

²⁵ Sena Yılmaz Arslan and Ciydem Catak, "Does Islamic Banking Have a Future in Germany Survey on German Muslims Perceptions," *Pressacademia* 7, no. 2 (June 30, 2020): 187–197.

²⁶ This method makes it difficult for us to get a meaningful difference between Islamic banking and conventional banking. And maybe this is what makes infidel countries also compete to establish Islamic banking. Even some of these infidel countries – for example Singapore – have proclaimed themselves as the center of the Islamic economy (Islamic banking). Therefore, it is not surprising that Modal Magazine released the statement of Mr. Muhaimin Iskandar (Vice Chairman of the DPR RI): "There is no term sharia economics and non-syari'ah economics,

loss, even if it is unintentional, we demand full repayment of the capital paid to the bank and ensure that we take a thousand steps immediately. This indicates that the contract between the bank and the corporate customer is not Mudarabah but interest-bearing debt or usury. Pre-guaranteed profits make unbelievers say, "buying and selling is the same as usury" without any effort to increase wealth in the real sector. Allah "God justifies buying and selling usury and makes usury. Forbidden. ".

3. A new form of Islamic banking should be realized in a lender-debtor relationship, which is a party that cooperates in making profits and bearing losses. For one thing, banks should refrain from trading profit-guaranteed transactions, namely credit or instalment payments, or buying and selling Murabaha in cash, as part of the transactions most applicable to Islamic banks. Is (Ordering goods through a bank).). Buying and selling Musawama is better because there is no deception or element of deception in buying and selling. On the other hand, Murabaha transactions are easy to enter due to ambiguity, leading to fraud and unfairness. 5. On the other hand, the issue of Islamic bank liquidity is creating a large monetary / capital market (short-term financial market) among Islamic banks, especially after the lively Islamic banks have opened branches in traditional banks. It needs to be resolved by agreeing. Thus, over-liquidity Islamic banks can easily lend and withdraw.

Similarly, the emergence of Islamic bank surpluses could put pressure on central banks to issue Islamic Sukuk for use by Islamic banks:²⁷

1. Investment of Islamic banks in the real sector in building infrastructure
2. Easing the burden on changes in the value of local currency exchange with foreign currencies.
3. 3. There is a fair balance between Islamic banks and conventional banks
4. Determining the risk that is charged to Islamic banks with so little will have an impact on the banking sector.

²⁷ Wijaya, *Analisis Krisis Perbankan Nasional*.

To deal with excess liquidity, we need to establish a money market, a local currency investment exchange. The relationship between the Islamic bank and the central bank on reserve requirements, which can reach 25% to 30%, is paramount, with the Islamic bank of a country forming a committee to approve reserve requirements on a partnership basis. Requires cooperation between banks; at the very least, it prevents the effects of losses incurred due to the freezing of funds, unlike traditional banks that continue to benefit from interest rates from foreign exchange reserves.²⁸ Islamic banks should be permitted to carry out actual activities, such as trading, owning assets, housing, and leasing. Islamic bank supervision should be appropriate, not theoretical. Regulators need to monitor banking practices in conducting all types of transactions onsite. The Syar'iy Oversight Board is independent and should not be placed under the direction of the bank.²⁹ Shaykh Kamil's final proposal was to use funds raised from the poor from Zakat to build a particular Islamic bank for the poor. Next, buy equipment and capital to do business that can reduce poverty. This is intended to reduce the number of Zakat recipients each year. Scholars of various schools emphasize that capital owners are not justified in requiring economic operators to guarantee all or part of their capital. Therefore, it is a false requirement that business actors apply to Islamic banks that return all money in case of business loss. And in Fiqh's science, if the contract has incorrect terms, the solution is one of two things:³⁰

The contract and its terms are invalid, and each connected party must return all contracting party's rights. The contract can be continued, but these terms apply. For example, Yogyakarta Shahrria Bank paid Ahmad a capital of IDR 100 million under a profit-sharing arrangement of 60% to 40%. After the business was run and matured, Mr Ahmad was stolen, or his warehouse was set on fire. So the only capital he received from the bank was Rp. 20,000,000; even in this situation, Yogyakarta Sharia Bank needs Mr Ahmad's total money of IDR 100 million.

²⁸ Meirison Meirison, "Riba and Justification in Practice in Scholars' Views," *TRANSFORMATIF* 2, no. 1 (September 20, 2018): 348, <https://doi.org/10.23971/tf.v2i1.922>.

²⁹ Azhary, "Comparative Analysis of CSR Disclosure and Its Impact on Islamic Banks Financial Performance."

³⁰ Marois, "Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism."

Perhaps Sharia Bank operators will argue that regaining money as before without profit is a loss of business. Therefore, the banks shared the losses incurred. In other words, entrepreneurs can express similar reasons. Those who work without achieving the slightest consequences are at a loss in the business world. Even if the company loses money, he receives the agreed salary when he works for the company. Even with the Mudarabah contract with Sharia Bank, the economic player loses twice. He worked hard at first, sweated, and eventually did not achieve subtle results. Second, he still had to make up for the lack of capital he received from the bank.³¹ Another instance of sharia banking merchandise is bai` al-Murabahah. The form is more significant or much less like this; if a person desires to have a motorbike, he can practice at one of the Islamic banks so that the financial institution can purchase it. Furthermore, the financial institution will look at the feasibility of this potential purchaser. If the request is accepted, the financial institution will immediately procure the products in query and directly hand them over to the purchaser with formerly agreed terms.

At first glance, this agreement isn't always problematic; however, it will be apparent that the financial institution is attempting to cowl all dangers if we appear more closely. Therefore, earlier than the financial institution procures the products in query, the financial institution has made a sale-buy settlement with all its provisions with the purchaser. Thus, the financial institution has bought the products he now no longer has, which is forbidden.

Scholars refer to the wisdom of this ban. This includes the possibility that items the buyer has not received may be cancelled for specific reasons. For example, if an item is destroyed by fire or damaged by water, it cannot be handed over to a second buyer at the time of resale. The second lesson taught by Ibn'Abbas R.A. was stated when his disciple, Thawus, asked the reason for this ban:

³¹ Tariq Ali Abu Ariban, "Ta'wid Darar Nasi an Khata' fi Qisas fi Shariah Islamiyah" (The Islamic Univeristy of Gaza, 2015), <https://iugspace.iugaza.edu.ps/handle/20.500.12358/22142>.

All customers get profit sharing

Islamic banks shuffle all incoming funds. Therefore, it should not be identified by customers whose funds have been withdrawn from customers who are still frozen at the bank. However, at the end of the month, all customers will receive a portion of the results/profits. This is a big problem in the valid Islamic law of Mudaraba. This is because the consideration for distributing profits to clients is the profits obtained from each client's funds. For example, a customer whose funds have not been distributed is not entitled to a portion of the results. Profit is the result of managing the funds of other clients. The distribution of revenue to unpaid customers is detrimental to paid customers. This is the fact of Islamic banks in our country. Therefore, it is not surprising that excessive liquidity has plagued Islamic banks. This is a situation where banks are flooded with public/customer funds and cannot distribute all of the funds raised by their customers. This situation has forced Islamic banks to deposit unpaid funds with Bank Indonesia (BI) through Wadia certificates. For example, in January 2004, the Islamic bank was reported to be able to raise Rp6.62 trillion from its customers. However, they were able to raise only 5.86 trillion Rupee.³²

As we know, banks need a lot of money to run a business. Therefore, the bank must have various business units to generate profits to meet this need. It is not appropriate to be satisfied that a bank is the only party to flow funds without being directly involved in the actual business. Therefore, banks' profits are halal, not the result of paying a third party. Usury is inevitable as long as the bank is not directly involved in the real business world and is only sufficient as a channel for customer funding.³³ Thus, the existence of Islamic banks will revitalize the Islamic economy. In this way, banks open up new employment opportunities in the community. Islamic banks are producers and consumers of commodities distributed in the community. As a result, both parties, the customers and

³² Majalah Modal, Edisi 19/II-MEI 2004, hlm. 25.

³³ Meirison, "Riba and Justification in Practice in Scholars' Views."

bank operators who invest money in banking projects, are willing to take all the risks of the business world.

E. Conclusion

The emergence of Islamic banks is enlightenment in the transactions of Muslims, which are expected to be used to avoid usury, which is an enormous sin in Islam. However, many obstacles were faced in realizing this, starting from establishing Islamic banks, administrative systems, and community and state support, which were felt to be minimal. Islamic banks have a supervisory board, but these banks ignore many scholars' fatwas and opinions. Several factors cause Islamic bank non-compliance. Meanwhile, another problem is the hegemony of bankers who use the usury system for decision-makers without considering the Islamic economy. The absence of a cadre of followers in Islamic economics will cause difficulties in converting between shari'ah and economics. It is difficult to reconcile the central bank's policies with Islamic banks that use the usury system and their policies that control the activities of all banks. Finally, Islamic banks are similar to conventional banks, which should be far different. Sharia banks are helping each other. Sharia banks can reap profits and bear losses in conducting real business in a field that promises more gains than losses.

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