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Roles of Islamic Banking System In Indonesian Economics

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Abstract- Bank as financial institutions have an important role in society. They are closely related to the circulation of money in order to smooth all public financial activities. Almost all economic activities of the community require bank services, so it can be said that banking institutions are very important and vital in economic structure of a country. Financing in an Islamic banking, essentially the financing contract is the same as the credit agreement of interest system, but the difference lies in the purpose of the financing as well as the specific clauses contained in the financing contract, such as those concerning the format of the loan interest substitute. In its development, although its age is relatively younger than conventional banking, their performance of Islamic bank in Indonesia has well shown. This can be seen from the increasing number of Islamic banks, as well as the performance of Islamic banks in channeling financing to the community. Islamic bank as a bank that is not based on the interest system, running business activities based on the principle of profit sharing, buying and selling. Therefore, in general, one of the principles in financing the operational of Islamic bank is *mudharabah*. Financing in Islamic bank is something that cannot be avoided, because the *mudharabah* financing has a high risk. Therefore, in order to protect the funds of depositors who are then distributed to the customers (*mudharib*), the law provides for sufficient collateral to guarantee the refunds that have been distributed. In banking practice the requirement of such guarantee is a practical requirement of banking business actors.

Index Terms- Islamic banking, *mudharabah*, sharia, *mudharib*

I. INTRODUCTION AND REVIEWS

In a very straightforward society, whereas number of economic actors, number of goods and service, and type of goods and service were quite low, transaction of goods and service was done by exchanging them during a direct meeting between one and another party in mutual needs. This transaction was known as barter economy. Along with time, marked by more developed economic actors and more complex transaction activities, transaction activities using barter economy was no longer suitable. Therefore, economy-related activities started to aim at the importance of payment tools that can be used to conduct the exchange. This payment tools in its development was known as money.

In economic system, money has one main function which is to facilitate goods and service exchange. Using money, all

economic actors can conduct commercial transaction in a cost-effective and efficient way. The benefit of money in the economic system was to enable trade exchange in the most cost-effective way to obtain optimum productivity. Therefore it can be said that money has the effect toward economy activity, because money is the main instrument of commerce.

In the early time when money was introduced as the tools to conduct economic activities, exchange between parties who have money surplus (surplus unit) with the parties who need money (deficit unit) can be conducted by direct meeting. In its development, whereas number of economic actors and money user were increasing, distance between those who have money surplus and those who need money can be done not only through direct meeting but also through mediator or known as financial institution, [1]. In modern economy, financial institution is part of financial system that serves monetary service users.

This financial institute in its subsequent development has the very crucial role in modern economy activities. Such institution would arrange the meeting between the surplus units with deficit unit. In modern economy, financial institution is part of financial system that serves monetary service users.

According to [2], financial system is one of the most important elements related to economic situation of a country. Financial system provides the highly necessary services within modern economic system. This modern economic system would not work without the role of financial system. Economic condition of a country did not always work as expected by the government and the society. Certain conditions such as high inflation, the increasing unemployment, deficit overseas payment balance were macro-economy symptoms undesirable for any country in the world. To omit or to prevent those symptoms would only possible by controlling the economy through macro-economy policies. What was meant with macro-economy policies was government act to affect the economy aimed so that the economy was not deviating from the expected conditions, such as through fiscal policies and monetary policies, [3].

The position of financial institution was highly important to the economic system of a country. Financial institution as part of the monetary system, along with other monetary authorities could conduct control function over the amount of circulated money. Monetary policies are monetary authority act conducted to affect the amount of circulated money and the credit with the objective to affect the flow of economy. This monetary policy was aimed for economic stabilization which can be measured by job opportunities, price stability and proportionate international payment balance, [4]. With the function to control the amount of

circulated money, a good climate for price stability and economic growth can be raised and it will be able to control toward credit actions. Thus, it could suppress inflation level and unemployment level.

Financial institution can be grouped into two types, bank financial institution and non-bank financial institution. In financial system, bank financial institution has the privilege over the non-bank financial institution. Bank can create some sort of saving that can be withdrawn any time without having to inform the related bank using instrument called check or *bilyet giro* (BG). This instrument was known as *gral money* which can be used as payment tool in a transaction. Also, bank has the ability to increase or decrease the buying power in the economy. With this ability, bank could affect the amount of money circulated in the society by providing credits for business units that needs the fund.

Generally speaking, main function of a bank is to collect fund from the people and re-distribute it in the form of credits for the people for various objectives or act as financial intermediary. In its development, bank could function as the agent of trust, agent of development and agent of services. As agent of trust, banks carry the function as financial intermediary which being trusted to serve any financial needs from and to the people. As agent of development, banks carry the function as financial intermediary to encourage development progress through credit facility and facilitation in payment and withdrawal within transaction process conducted by economy actors, [5]. And as agent of services, other than to collect and redistribute people's fund, bank would

A. Definition of Islamic banking

In this approach combine all your researched information in form of a journal or research paper. In this researcher can take the reference of already accomplished work as a starting building block of its paper.

Prior to the spread of Islam by Prophet Muhammad SAW, trading in Arab peninsular was bustling lively and rapidly developed because it lies in the crossing region between Europe, Africa and Asia continents. Along with this, trading facilities such as financial institutions have developed, including procedure of loaning money with usury system. With the arrival of Islam as the reformer and modernization of life order, loaning money using usury system was forbidden because it was unsuitable with the reforming enthusiasm which emphasizes unity and justice, ([7]; [8]). Before arrival of Islam, business partnerships under the concept of *mudharabah* has existed and worked along with money loan with interest system as a way to finance various economic activities. Once Islam arrived, interest-based financial transaction was forbidden and all fund should be distributed under *profit sharing* concept. Business partnership technique, by using *mudharabah* principle, has been practiced by Prophet Muhammad SAW himself, [8].

Term 'bank' in Islam literature would tend to identify *baitul tamwil* or *baitul mal*, an institution which collect fund from the people and redistribute it to the people. The basis of provision for the operation of *baitul tamwil* was Al Qur'an and Hadith that forbid usury practice as suggested in surah Al Baqarah verse 275 to 281 and surah Ali Imran verse 130 to 131 also Hadiths concerning usury. By not contravene the prohibition about usury

also offer other banking services such as money delivery service, valuable deposit box, warranty bank, credit card and others.

Meanwhile, Islamic bank as a financial institution operates based on Islamic sharia law. It basically has the function as mentioned above, such as intermediary function, trust function, agent of development function and services function. From the bank point of view, as the agent of development, it is clear that Islamic banking has a very important role. This can be seen in Indonesian Article 3 Statute No. 21 of 2008 concerning Islamic Banking, which stated: "Islamic banking is aimed to support the implementation of national development in order to improve justice, unity and fair distribution of people's welfare. Seeing the backgrounds of Islamic bank in Indonesia, one of them would be to facilitate moslems who do not want to relate to conventional banks which use interest system, and they would like to trust their fund to Islamic bank. Islamic banking has an advantage compare to the conventional banking, which is superior from its orientation side. Islamic banking does not only focus on how to be profit oriented, but more than that. It is focused on common good, kindness or helping each other (*falah* oriented).

II. METHODOLOGY

This study adopted the comparative research reviews between Islamic Banking and Conventional Banking. [6] stated that comparative research may examine differences and similarities between the variables of the study.

III. ISLAMIC BANK AND ITS SYSTEMS

practice, *baitul tamwil* would operate according to business venture and agreement as ordered in Al Qur'an, Hadith and also by business venture and agreement that has existed before Islam but not forbidden in Al Qur'an and Hadith.

The prohibition to take interest over money was not only existed in Islam. Other religions such as Jews and Christian would also forbid it. Taurat forbid usury, thus Jewish also forbid usury among themselves, but they did not forbid it for people other than Jewish. Christians also forbid usury, not only for themselves but also for those with other beliefs. But some people from businessman and economist under Jews would try to convince the Church to support some part of usury system. Such as, low interest rate for *service fee*. However, the Church was unaffected. Aristotles said that interest or usury was forbidden (*haram*), no matter how small it is.

In order to provide description about Islamic banking, below was opinion cited from [8], which explains about what is called as Islamic banking; Islamic banking provides services to its customers free from interest, and the giving and taking interest is prohibited in all transactions. Islam bans Moslem from taking or giving interest, and this prohibitions makes an Islamic banking system differ fundamentally from a conventional banking. From the definition, it is known that Islamic banking and conventional banking carry a fundamental difference in which conventional banking implement interest system, while Islamic banking does not, instead using profit and loss sharing principle. Islamic banking implement *profit and loss sharing* principle because it has different philosophical basis than of conventional banking. Islamic banking philosophical basis is the Islamic economy principles.

Islamic banking does not implement interest system, instead, profit and loss sharing. It does not use interest system because interest system was categorized as usury and highly forbidden (haram) in Islam. In interest rate system, money has the characteristic of goods or commodity, and therefore interest rate was assumed as the rental fee because money was used/loaned for certain duration, Islam saw money not as goods or commodity to be rented; therefore asking for rental fee over loaned money was not permitted, [9]. According common views, interest rate is necessary for development. Interest means to increase savings and spend capital for productive investments. But, this view has been criticized and deemed to be a mistake. Usury, in terms of *riba*, according to Al Quran is forbidden (*haram*) even small amount. But, many people try to find the reason to justify bank interest. After all efforts from Indonesian moslem scholars and intellectuals, July 5, 1990 witnessed the positive response from the government toward establishing banks under Islamic law.

B. Philosophical principles of Islamic bank

The philosophical principle of the Islamic bank is Islamic economy order as arranged in Al Qur'an and Hadith. The principles are as follows, [10]:

- a. *Non usurious*, usury (*riba*) which means, in this verse, *riba nasiyah*. It doubles in amount and commonly occurs among past Arabians (*jahiliyyah* era), which means more payment required by lender. Usury (*riba*) in *jahiliyyah* era has cause a lot of damage and crime. Usury system is a disaster for humanity because it doesn't only affect faith, moral and people's view toward life but also economic and works aspects. Usury system is the worst system which deplete one's happiness and obstruct one's growth to become a balance person. Thus usury was forbidden (*haram*) in any forms.
- b. True and honest. Any transaction should be done with morality that highly appreciates honesty. With this value, each transaction should be done by proposing the rightful way (*halal*) and avoiding the questionable way (*syubhat*) and also avoiding the forbidden way (*haram*).
- c. Justice. Justice in this concept is not being unjust, which means that both parties are not mutually loss and both parties would gain the agreed benefit. Justice contains broad definition and covers all good behavior norms.
- d. *Legitimated profit*. Islam allows limited profit because unlimited profit gained by a capitalist would be as exploitation to the people. Such profit would generally result from monopoly and combination of firms which monopolize price and production, which is the main characteristic of capitalist economy. Its definition from accounting point of view and compiled from Al Qur'an and As Sunnah as well as from several opinions of *fuqaha* suggest that profit is the addition toward trading's main capital or additional value not due to trade expedition barter. Meanwhile, asset appreciation was not considered as profit.

C. Difference between Islamic bank and Interest-based bank

Interest-based bank and Islamic bank have several similarities in several aspects, such as both are intermediary institution which

relate those who need the fund and those with excess fund by collecting fund from the people and redistribute it to the people. However, there were some fundamental differences between both institutions. There are differences between interest-based bank and Islamic bank, namely:

- 1) Islamic banks only work with *halal* investment, while conventional work with all types investment,
- 2) Islamic banks use profit sharing besides sales and rental principles, while conventional banks use interest rate system,
- 3) Based on contract/agreement and legality aspects, Islamic banks should obey Islamic law (*sharia*) and the positive law, while conventional banks would only obey the positive law. In contract/agreement, it is believed that it would contain worldly and afterlife consequences, therefore contracts made based on Islamic bank should not deviate from the principles based on Islamic (*sharia*) law,
- 4) According to their objectives, conventional banks are *profit oriented* while Islamic banks are not only *profit oriented* but also *falah oriented*, which means other than pursuing profit, they also try to help people in good/kindness,
- 5) Based on their customer relationship, conventional banks create creditor and debtor relationship, while Islamic banks use partnership relationship,
- 6) Based on their organizational structure, Islamic banks establish *Dewan Pengawas Syariah* or (DPS) or *Sharia Monitoring Council* which has the authority to monitor the Islamic law so that Islamic banks do not deviate and loyal to Islamic principles, while conventional banks do not have the DPS, and
- 7) When there is dispute between bank and customer, dispute settlement in Islamic bank is done through BASYARNAS or Religious Court, while dispute settlement in conventional bank is done through *Badan Arbitrase Nasional Indonesia* (BANI) or National Arbitrage Agency or in State Court.

D. Development of Islamic banking system

Initial idea of financial institution which operates under Islamic law was originated from moslem scholars and economist of Islamic Conference Organization. In their second conference, foreign affair ministers from moslem countries in December 1970 at Karachi, Pakistan has officially discussed the idea to establish *Islamic Development Bank* (IDB). Near the beginning of 1980s, Islamic banks start sprouting in Egypt, Sudan, Pakistan, Iran, Malaysia, Bangladesh and Turkey. In general, those Islamic banking institution can be divided into two types, as commercial Islamic bank, such as *Faysal Islamic Bank* in Egypt and Sudan, Kuwait Finance House, Dubai Islamic Bank, Jordan Islamic Bank for Finance and Investment, Bahrain Islamic Bank, or in form of investment institution or international holding companies such as Daar Al Maal Al Islami in Jenewa, Islamic Investment Company in Sudan, Islamic Investment House in Amman, [11].

After seeing the advantage of Islamic banking system, they start to provide Islamic (*sharia*) financial services. In 2005, Deutsche Bank, HSBC, Citigroup, and BNP Paribas establish their Islamic

(sharia) service unit, [11]. Talking about Islamic banking development in various countries, Sudan was one of the country that experience rapid Islamic banking development due to its government commitment. This commitment is materialized in one government policy by conducting Islamization to its economic system in 1983 when Islamic law was implemented for the first time in Sudan.

E. Islamic banking in Indonesia banking System

Informally, Islamic financial industry development has been initiated before there was formal legal framework as the operational basis for Islamic banking in Indonesia. To fulfill people's need for Islamic-based banking system, the Indonesian government has proposed this possibility into the new banking statute. Indonesian Statute No 7 of 1992 about banking has implicitly opened the business opportunity for banking with profit sharing operational basis and explicitly explained in Indonesian Government Regulation No. 72 of 1992 about bank which is based on profit sharing principle. The development of Islamic-based (sharia) economy activities has increase because there were financial institution and banking that provide products and services in accordance with Islamic (sharia) principle.

IV. TYPES AND ACTIVITIES OF ISLAMIC BANK

Referring to categorization above, Islamic bank in Indonesia is divided into two types, Islamic Commercial Bank and Community Financing Islamic Bank. The differences lie on the scale or business scope for each bank. While for its operational principle, both types of Islamic banks have no differences as they all use Islamic banking principle (sharia).

What was meant on Islamic banking principle is the Islamic law (sharia) principle for banking activities which is based on the decisions issued by institution authorized to make Islamic-based provisions. Business activities based on Islamic principle are the one which does not contain *usury, maisir, gharar, haram and zalim*. To achieve objectives in supporting national development, Islamic banking would still use Islamic principles in comprehensive (*kaffah*) and consistent (*istiqamah*) manner. Islamic bank as well as other banks has intermediary function. Islamic bank would also run social function in form of *baitul mal* institution, such as receiving fund from *zakat, infaq, shodaqoh*, grant or other social fund and redistribute it to *zakat* management organization.

A. Carefulness in its financing provision

It is known that the development of a bank depends on bank's ability in managing utilizing people's fund. This ability would affect people's trust toward bank. Higher trust from the people means more growth and development for the bank itself. Carelessness or lack of carefulness in managing customer's fund would carry severe consequence and it will be lowering bank's health. Once bank's health decreases, it would disturb the liquidity of the related bank, and thus, the bank would no longer solvent or liquid. This would also reduce people's trust toward the related bank. Lower trust from the people would also create other banking problems; in first stage, the bank would face difficulties which endangered its business venture. If there is no effort to repair bank's health, second stage would endanger the banking system. And without any amelioration effort, third stage

would mean that bank's existence would endanger national economy.

B. Partnership in Islamic banking finance

As described above, relationship between Islamic banking and its customer is a partnership in form of relationship, which is different from the relationship between customer in conventional bank which called creditor and debtor. This might occur because conventional bank implement interest rate system, thus its products would always related to interest.

Islamic bank base its activities in profit sharing, transaction exchange and rental principles. Thus, Islamic bank do not apply creditor and debtor relationship. In profit sharing, transaction exchange, and rental principles, there are no money loan relationship. Instead, it tends to be sharing in nature or helping one another for the goodness for both parties. Also, agreement between Islamic bank and their customer should be made based on agreement's principles as described above so that there is no coercion in the agreement and thus it is voluntarily in nature. There is also nothing to be despotic for, because the object of the agreement is *halal* and no parties are at loss because each party has its own rights and duty as written in agreement.

In *mudharabah* financing between bank and customer, it is built as partnership based on trust and not money loan which raise creditor and debtor relationship. Other financing principles are also corresponding with partnership relationship because all agreement should be based on agreement's principles as regulated under Islamic law.

C. Risk and responsibility of all parties in Islamic bank finance

Operationally, Islamic bank would base its activities to the philosophical foundation of Islamic bank as described previously. Therefore, Islamic bank conduct investment in order to finance productive business activities or business activities that face uncertainty and thus its income is uncertain and fluctuate. Their productive business activities and investment will improve welfare and life quality of the people. Business activities by holding interest over money is less risky due to certain and fixes interest rate, [7].

Compared to the existed principles within conventional bank that only familiar with safe calculation and profit in releasing its money, Islamic banking law, always stronger, and lies on top. On the contrary, the same principle would put customer in weaker position and lies on the bottom for conventional bank. As the consequence of this principle, whenever there is legal case between bank and its customer, conventional bank would never been involved in the *profit and loss of the customer*, while this profit and loss is always held toward the customer. This very controversy position would always occur in contracts between conventional bank and its customer.

By not using equal rights in its activities, new agreement or contract between conventional bank and its customer would always reflect unfairness or injustice in all its articles. According to [12], imbalance position of related parties could create unfairness, because the agreement is unfair and contain articles which highly exploit one of the parties involved.

In Islamic banking, with profit sharing between the bank and its customer, both parties hold the same risk and accountability according to the agreements during contract. In a contract based

on profit sharing, whenever there is loss, the bank (*shohibul mal*) would carry the capital loss, while customer (*mudharib*) would carry non-capital loss such as time, energy and mind to the business venture. If it is succeed, the capital would be returned to the bank and profit would be shared between bank and customer based on the agreed percentage during the agreement.

As described in explanation of Indonesian Statute No. 21 of 2008 concerning Islamic Banking, Islamic financing carry failure or default risk in its payment. Thus it would affect the health of Islamic bank. This reminds us that distribution for financing was coming from people's fund entrusted to Islamic bank, and thus the risk faced by the bank would affect the security of people's fund.

In order to maintain the health and to improve Islamic bank's endurance, they oblige to spread the risk by regulating the finance so that it is not concentrated to certain debtor or group of debtors. Also, Islamic bank is obliged to implement risk management, customer relation principle as well as customer protection. Islamic bank is obliged to explain about the possibility of loss risk related with customer's transaction through Islamic bank.

D. Islamic banking business activities

Main activities of Islamic Commercial Bank (BUS) would covers: 1) collecting fund in savings such as giro, deposit or other similar forms based on *Wadi'ah* contract or other contracts in line with Islamic law; 2) collecting fund in investment such as deposit, savings or other forms similar to it based on *mudharabah* contract or other contracts in line with Islamic law; 3) distributing profit sharing in financing based on *mudharabah* contract, *musyarakah* contract, or other contracts in line with Islamic law; 4) distributing the financing based on *murabahah* contract, *salam* contract, *istishna'* contract or other contracts in line with Islamic law; 5) distributing financing based on *qardh* contract or other contracts in line with Islamic law; 6) distributing the moving or non-moving goods rental financing for customers based on *ijarah* contract and/or transaction exchange in the form of *ijarah muntahiya bittamlik* or other contracts in line with Islamic law; 7) conducting debt acquisition based on *hawalah* contract or other contract in line with Islamic law; 8) providing debit and/or financing card products based on Islamic principles; 9) buying, selling or warranting securities over self-risk from third party issued based on real transaction based on Islamic law, such as *ijarah*, *musyarakah*, *mudharabah*, *murabahah*, *kafalah* or *hawalah* contracts; 10) buying securities based on Islamic principles issued by government and/or Central Bank; 11) receiving payment on bills over securities and conducting calculation with third party or between third party based on Islamic principles; 12) providing deposits for other parties based on contract under Islamic principles; 13) providing place to keep valuable goods and securities based on Islamic principles; 14) transferring money, either for self-interest or for customer's interest based on Islamic principles; 15) conducting function as Mandated Guardian (*Wali Amanat*) based on *wakalah* contract; 16) providing letter of credit (loc) facility or bank warranty based on Islamic principles; and 17) conducting other normal activities completed in banking and social field as long as they do not against Islamic principles and in line with statute regulations.

While business activities for BUS include: 1) collecting fund in savings such as giro, deposit or other similar form based on *Wadi'ah* contract or other contract in line with Islamic law; 2) collecting fund in investment such as deposit, savings or other form similar to it based on *mudharabah* contract or other contracts in line with Islamic law; 3) distributing profit sharing of financing based on *mudharabah* contract, *musyarakah* contract, or other contract in line with Islamic law; 4) distributing the financing based on *murabahah* contract, *salam* contract, *istishna'* contract or other contracts in line with Islamic law; 5) distributing the financing based on *qardh* contract or other contracts in line with Islamic law; 6) distributing the moving or non-moving goods rental financing for customer based on *ijarah* contract and/or transaction exchange in the form of *ijarah muntahiya bittamlik* or other contracts in line with Islamic law; 7) conducting debt acquisition based on *hawalah* contract or other contracts in line with Islamic law; 8) providing debit and/or financing card products based on Islamic principles; 9) buying, selling or warranting securities over self-risk from third party issued based on real transaction based on Islamic law, such as *ijarah*, *musyarakah*, *mudharabah*, *murabahah*, *kafalah* or *hawalah* contracts; 10) buying securities based on Islamic principles issued by government and/or Central Bank; 11) receiving payment on bills over securities and conduct calculation with third party or between third party based on Islamic principle; 12) providing place to keep valuable goods and securities based on Islamic principle; 13) transferring money, either for self interest or for customer's interest based on Islamic principle; 14) providing letter of credit (loc) facility or bank warranty based on Islamic principles; and 15) conducting other normal activities completed in banking and social field as long as it did not against Islamic principle and in line with statute regulations.

Other than conduct business activities as meant in Article 19 subsection (1), Islamic Commercial Bank could also: 1) conduct foreign exchange activities based on Islamic principle; 2) conduct capital participation to Islamic Commercial Bank or financial institution which conduct business activities based on Islamic principle; 3) conduct temporary capital participation to address financing failure based on Islamic principle, under the requirement to pull back its participation; 4) act as founder and manager of pension fund based on Islamic principle; 5) conduct activity in capital market as long as not against Islamic principle and statute provisions of capital market; 6) conduct activities or provide electronic-based products under Islamic principle; 7) issue, offer and trade short-term securities based on Islamic principle, either directly or indirectly through money market; 8) issue, offer and trade long-term securities based on Islamic principle, either directly or indirectly through capital market; and 9) provide product or conduct other activities based on Islamic principle.

Other than to conduct business activities as mentioned in Indonesian Article No 19 subsection (2), UUS could also: 1) conduct foreign exchange activities based on Islamic principles; 2) conduct activities in capital market as long as not against Islamic principle and statute provisions of capital market; 3) conduct temporary capital participation to address financing failure based on Islamic principles, under the requirement to pull back its participation; 4) conduct activities or provide electronic-

based products under Islamic principle; 5) issue, offer and trade short-term securities based on Islamic principles, either directly or indirectly through money market; 6) provide product or conduct other activities based on Islamic principles. Activities as mentioned in subsection (1) and (2) would compulsory to meet the provisions determined by Central Bank and statute provisions.

Meanwhile, Business activities for Community Financing Islamic Bank would include: 1) collecting fund from the people in form of: a) deposits such as savings or other similar form based on *wadi'ah* contract or other contracts in line with Islamic principles; and b) investment such as deposit or savings and other similar form based on *mudharabah* contract or other contracts in line with Islamic principles; 2) redistributing fund to the people in the form of: a) profit sharing of financing based on *mudharabah* or *musyarakah* contract; b) financing based on *murabahah*, *salam* or *istishna'* contract; c) financing based on *qardh* contract; d) financing for moving or non-moving goods toward customers based on *ijarah* contract or rental exchange in the form of *ijarah muntahiyah bittamlik*; and e) debt acquisition based on *hawalah* contract; 3) depositing fund to other Islamic bank in the form of deposits based on *wadi'ah* or investment based on *mudharabah* and/or other contract in line with Islamic principles; 4) transferring money, either for self interest or customer's interest through Community Financing Islamic Bank within Islamic Commercial Bank, Conventional Commercial Bank and UUS; and 5) providing products or conduct other business activities for Islamic bank in line with Islamic principle based on the approval of Central Bank.

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