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BUILDING SHARIA LAW BANKING SYSTEM IN GLOBAL ECONOMIC DEVELOPMENT UNDER LOCAL WISDOM BASIS

Hassanain Haykal¹
Johannes Ibrahim²
Shelly Kurniawan³

ABSTRACT

Purpose: The aim of this research is to find out about building an Islamic legal banking system in global economic development based on local wisdom.

Method: The research method used in this research is normative juridical and sociological juridical with this type of research taking field data. In sociological juridical research, this research uses primary data. In addition, this research uses normative juridical methods as an inseparable part in analyzing the development process of the sharia banking system in various regions in Indonesia with existing local wisdom, such as in Bali with Village Credit Institutions and in West Sumatra with Village Credit Institutions. Lumbung Pitih Nagari (LPN). The approach methods used are the conceptual approach and the statutory approach. Meanwhile, the data used is secondary data supported by primary data.

Result and Conclusion: The results of the research can be concluded that public trust in the development of the Sharia Banking system plays a very fundamental role, where with public trust and knowledge, Sharia banking which manages the financial system will attract public interest so that it is easier to develop and develop. deeply rooted in people's lives. Apart from that, the development of the sharia financial system in various regions cannot be separated from local culture and wisdom. The role of positive law, which is supported by openness and harmony between religious communities and mutual respect as Indonesians, will make the sharia financial system an alternative in the global economy to support the national economy which is embedded in local wisdom.

Implication of the research: This research contributes to the understanding of the integration of sharia principles in the global financial system and its impact on overall global economic development.

Originality/value: The novelty of this research is that it explains building a sharia banking system in global economic development based on local wisdom which highlights deeper integration between Islamic economic principles and the current global economic context.

Keywords: Sharia Banking System, Global Economic Local Wisdom, Public Trust, Islamic Economic Principles.

CRIAÇÃO DO SISTEMA BANCÁRIO DA SHARIA NO DESENVOLVIMENTO ECONÔMICO GLOBAL COM BASE NA SABEDORIA LOCAL

RESUMO

Objetivo: O objetivo desta investigação é descobrir como construir um sistema bancário legal islâmico no desenvolvimento econômico global baseado na sabedoria local.

Método: O método de pesquisa utilizado nesta pesquisa é o jurídico normativo e o jurídico sociológico, sendo que este tipo de pesquisa utiliza dados de campo. Na pesquisa sociológica jurídica, esta pesquisa utiliza dados primários. Além disso, esta investigação utiliza métodos jurídicos normativos como parte inseparável da análise do processo de

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desenvolvimento do sistema bancário sharia em várias regiões da Indonésia com a sabedoria local existente, como em Bali com Instituições de Crédito Aldeias e em Sumatra Ocidental com Instituições de Crédito Aldeias. Lumbung Pitih Nagari (LPN). Os métodos de abordagem utilizados são a abordagem conceitual e a abordagem estatutária. Enquanto isso, os dados utilizados são dados secundários apoiados por dados primários.

Resultado e Conclusão: Os resultados da pesquisa podem concluir que a confiança pública no desenvolvimento do sistema bancário da Sharia desempenha um papel muito fundamental, onde com a confiança e o conhecimento do público, o sistema bancário da Sharia que gere o sistema financeiro atrairá o interesse público para que é mais fácil de desenvolver e desenvolver. profundamente enraizado na vida das pessoas. Além disso, o desenvolvimento do sistema financeiro sharia em várias regiões não pode ser separado da cultura e sabedoria locais. O papel do direito positivo, que é apoiado pela abertura e harmonia entre as comunidades religiosas e pelo respeito mútuo como os indonésios, fará do sistema financeiro da sharia uma alternativa na economia global para apoiar a economia nacional que está enraizada na sabedoria local.

Implicação da investigação: Esta investigação contribui para a compreensão da integração dos princípios da sharia no sistema financeiro global e do seu impacto no desenvolvimento económico global global.

Originalidade/valor: A novidade desta investigação é que explica a construção de um sistema bancário sharia no desenvolvimento económico global com base na sabedoria local que destaca uma integração mais profunda entre os princípios económicos islâmicos e o actual contexto económico global.

Palavras-chave: Sistema Bancário Sharia, Sabedoria Econômica Local Global, Confiança Pública, Princípios Econômicos Islâmicos.

CREACIÓN DE UN SISTEMA BANCARIO BASADO EN LA SHARIA PARA EL DESARROLLO ECONÓMICO MUNDIAL SOBRE LA BASE DE LA SABIDURÍA LOCAL

RESUMEN

Propósito: El objetivo de esta investigación es descubrir cómo construir un sistema bancario legal islámico en el desarrollo económico global basado en la sabiduría local.

Método: El método de investigación utilizado en esta investigación es jurídico normativo y jurídico sociológico, siendo este tipo de investigación tomando datos de campo. En la investigación jurídica sociológica, esta investigación utiliza datos primarios. Además, esta investigación utiliza métodos jurídicos normativos como parte inseparable del análisis del proceso de desarrollo del sistema bancario sharia en varias regiones de Indonesia con sabiduría local existente, como en Bali con Village Credit Institutions y en Sumatra Occidental con Village Credit Institutions. Lumbung Pitih Nagari (LPN). Los métodos de aproximación utilizados son el enfoque conceptual y el enfoque estatutario. Mientras tanto, los datos utilizados son datos secundarios respaldados por datos primarios.

Resultado y conclusión: De los resultados de la investigación se puede concluir que la confianza pública en el desarrollo del sistema bancario Sharia juega un papel muy fundamental, donde con la confianza y el conocimiento del público, la banca Sharia que gestiona el sistema financiero atraerá el interés público para que Es más fácil de desarrollar y desarrollar. profundamente arraigado en la vida de las personas. Aparte de eso, el desarrollo del sistema financiero sharia en varias regiones no puede separarse de la cultura y la sabiduría locales. El papel del derecho positivo, que está respaldado por la apertura y la armonía entre las comunidades religiosas y el respeto mutuo como indonesios, hará del sistema financiero sharia una alternativa en la economía global para apoyar la economía nacional que está arraigada en la sabiduría local.

Implicación de la investigación: Esta investigación contribuye a la comprensión de la integración de los principios de la sharia en el sistema financiero global y su impacto en el desarrollo económico global general.

Originalidad/valor: La novedad de esta investigación es que explica la construcción de un sistema bancario sharia en el desarrollo económico global basado en la sabiduría local que destaca una integración más profunda entre los principios económicos islámicos y el contexto económico global actual.

Palabras clave: Sistema Bancario Sharia, Sabiduría Económica Local Global, Confianza pública, Principios Económicos Islámicos.



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1 INTRODUCTION

Indonesia's national development aims to achieve the creation of a just and prosperous society based on economic democracy, Indonesia's economic democracy is a democracy based on Pancasila and the 1945 Constitution (SAEFUDDIN, 2019). The achievement of national development as mandated by Pancasila and the 1945 Constitution is the responsibility of all elements of the nation. One form of community participation in the success of national development is to develop an economic system based on Islamic values. The economic system based on sharia has clear principles in every business activity that prohibits speculative practices (maisir), uncertainty (gharar) and multiplying profits unlawfully (usury) in any form. The Islamic economic system is in line with the populist economic system which is based on efforts to equalize, independence and justice for the people³.

Islamic banking in Indonesia has experienced significant development in the last ten years. This period includes a fundamental transformation in the structure and regulation of Islamic banking, along with the government's efforts to encourage financial inclusiveness and sustainable economic development. Essentially, Islamic banking in Indonesia incorporates the principles of Islamic economics in its banking activities, which include the prohibition against interest and financial practices that are considered incompatible with Islamic values (Tuzzuhro et al., 2023). The development of sharia banking in Indonesia is not only supported with the existence of legislations, but also the customary values and local wisdom of each region in Indonesia. As Soerojo Wignjodipoero argued that the civilization and the modern life, in fact, can afford to lose the custom living in society; at least, as shown in the development process of the era, is that the custom adjusts itself with the situation and the demand of the era, therefore the custom is eternal and stays fresh.⁴ What argued above can be seen in current globalization era where the influence of the custom and culture remains exists.

The communal pattern in customary law means that in customary law, the common interest is put forward, in which the personal interest is covered with common. Article 33 verse (1) of 1945 Constitution stipulating that, the basis of economic democracy, production by all,

⁴Mochtar Kusumaatmadja. *Legal Concept in Development*. Bandung: Alumni, 2006, p 21.



for all under the leadership or ownership of the members of society. People's welfare is the priority, not personal welfare. Therefore, economy is established as common endeavor on the basis of understanding.⁵

Previous research states that Indonesia's Islamic banking system experiences obstacles such as a lack of infrastructure and technology which causes Islamic banking to be unable to compete with conventional banking nationally and internationally. To be able to compete in the era of globalization, Indonesian Islamic banking is required to be able to provide renewal of the Islamic banking system⁴. The significance of Islamic economics in muamalah activities can be felt in the positive role of Islamic banks and non-bank Islamic financial institutions that encourage the development of the real sector, this can be seen from the increasing portion of mudharabah and musyarakah profit-sharing contracts in Islamic banks even though murabahah contracts still dominate in Islamic banking⁵.

In contrast to previous research, the novelty of this research is to explain about building an Islamic legal banking system in global economic development based on local wisdom highlighting a deeper integration between Islamic economic principles and the current global economic context. By considering local aspects in the development of the Islamic legal banking system, this research offers a more holistic and sustainable approach that can strengthen the role of Islamic economics in enhancing financial inclusion, promoting social justice, and supporting economic growth globally. This is expected to create a more stable and harmonious foundation between sharia principles and global economic dynamics, which in turn can result in positive impacts for both local and global communities as a whole.

The importance of building an Islamic legal banking system in global economic development based on local wisdom lies in its potential to strengthen global financial stability, increase financial inclusion for marginalized communities, and promote sustainable and equitable economic growth. By taking into account the local context, the Islamic legal banking system can accommodate local cultural and social values, thereby promoting inclusive and sustainable economic growth, and strengthening ties between the local economy and the global market. Thus, the purpose of this research is to find out about building an Islamic legal banking system in global economic development based on local wisdom.

⁵ Dewi Wulansari. . *Indonesian Customary Law (An Introduction)*. Bandung: Refika Aditama, 2010, p. 18.



2 THEORETICAL FRAMEWORK

2.1 SHARIA BANKING SYSTEM

Islamic banking is a financial institution that carries out an intermediary function in collecting public funds and channeling financing to the public in accordance with sharia principles. Islamic banks are not only interest-free, but have an orientation towards achieving prosperity. In 1998, Law No. 10 of 1998 concerning banking was enacted as a replacement for Law No. 7 of 1992 and the issuance of the fatwa of the Indonesian Ulema Council (MUI) in 2003, many banks carried out their operations using sharia principles. With this law, Islamic banking in Indonesia has a wider opportunity to develop, organize business activities, including providing opportunities for conventional banks to open branch offices whose banking operations use sharia principles⁶.

The increasing growth of banking is a necessity based on the needs of the community for their property. This can be seen from the emergence of Islamic banking on a larger scale. The concept of Islamic banking is based on Islamic economics based on the provisions of the Qur'an and al-Hadith. Islam is very careful about transactions in the economic field, because they contain elements that lead to falsehood. Al-Quran and al-Hadith have expressly regulated the Islamic economy which emphasizes the aspect of ribawi, gharar, and things that lead to a kebatilan and kemudharatan. Islamic economic practices must be carried out correctly and well in accordance with the basic provisions of the Qur'an and Hadith as a source in its implementation⁷.

2.2 GLOBAL ECONOMIC

Globalization as a historical determination that cannot be avoided for every nation or state, so whether we want it or not, like it or not, ready or not ready, each of us must follow the flow of globalization with all its power and capabilities. Globalization, which is marked by the diminishing role of the State in economic activity and replaced by market forces, has a significant impact on the emergence of new structures and actors in economic and political life⁸.

The process of globalization from an economic perspective is a change in the world economy that is fundamental or structural and will continue at an increasingly rapid pace following technological advances which are also accelerating. This development has increased



the level of interdependence and also sharpened competition between countries, not only in international trade but also in investment, financial and production activities. Economic globalization is characterized by the diminishing boundaries of economic activities or markets nationally or regionally, but increasingly globalizing into a process involving many countries⁹.

2.3 LOCAL WISDOM

Economic globalization basically gives an overview of a global and open economic life, without knowing the territorial or territorial boundaries between countries with each other. The open picture refers to a free world trade investment activity. The consequence of free trade is that it creates a wider trading area and removes barriers to international trade. Economic globalization in the context of Indonesian society today, grows hand in hand with the development of cultural consumption¹⁰.

Given that Indonesia with its motto "Bhineka Tunggal Ika" is a country consisting of diverse cultures, regional languages, races, ethnic groups, religions or beliefs and so on, Indonesia actually has high and broad prospects in the economic framework as an effort to develop a national economy that is unfortunate if not optimized¹¹.

3 METHODOLOGY

The method of research used in this research was juridical normative and juridical sociological with type of research that retrieved field data. In juridical sociological research, this research used primary data. In addition, the research used juridical normative method as the inseparable part in analyzing the development process of sharia banking system in many parts in Indonesia with existing local wisdom such as in Bali with the Lembaga Perkreditan Desa (Village Credit Body) and in West Sumatra with Lumbung Pitih Nagari (LPN). As for the method of approach used was conceptual and legislative approach. While data used were secondary data supported with primary data.

The data uses in this study is secondary data obtained from various reliable and verified sources, including scientific journals, books, online articles, and research reports relevant to the topic under study. These sources were selected based on their credibility and reliability in providing accurate and up-to-date information. The data collection technique in this research is a literature study. This approach involves searching, selecting, and analyzing various literature sources relevant to the research topic. Literature study allows researchers to develop a



comprehensive understanding of the research topic by utilizing existing knowledge from various sources, such as books, scientific journals, articles, research reports, and online materials related to the topic under study.

Once the data was collected, the analysis process was conducted in three main stages. The first stage is data reduction, where relevant data is extracted and organized systematically to facilitate further analysis. Then, the data is presented using appropriate methods, be it in the form of tables, graphs, or clear narratives. Finally, conclusions are drawn based on the results of the analysis of the data that has been presented, which makes it possible to compile comprehensive findings and implications.

4 RESULT AND DISCUSSION

4.1 LOCAL WISDOM AS THE EXCELLENCE OF INDONESIAN

4.1.1 Customary Law Milieu in Constructing Local Wisdom

Indonesia is a country with diverse customs, of which each tribe holds its own custom. Custom is the reflection of nation's characteristic, one of transformations of *volkgeist* of nation from centuries. Custom living in and related to people's tradition is the source of Customary Law.⁶ One of the pattern of customary law in Indonesia differs from Western Law is individualistic-liberalistic that holds a strong communal characteristic meaning that man, according to customary law, is a creature in a close social bound, this social bound includes all aspects of customary law.⁷

Indonesian culture delivering conceptual ideas that live in the society grows and develops continuously in people's awareness, functions in managing the life of people from ones related to the sacred life to ones related to the worldly life is the seed of the development of local wisdom in each region.

⁶ *Ibid.*, p. 13.

⁷ *Ibid.*, p. 68.



4.1.2 Characteristics of Local Wisdom as the Reflection of Indonesian Culture

The study on local wisdom is often conducted by experts such as Haryati Soebadio who argued that “local genius” is also “cultural identity”, identity/personality of national culture enabling the nation to absorb and manage the foreign culture as their own characteristic and capability.⁸ The characteristics are:

- “able to survive against foreign culture;
- Able to accommodate the elements of foreign culture;
- Able to integrate the elements of foreign culture into the native culture;
- Able to control;
- Able to give the course of development of culture.”⁹

Generally, local wisdom is considered the way of life and the knowledge and some strategies of life in the form of activities committed by the local people in answering some questions in order to meet their needs. In those definitions, local wisdom is not merely a traditional value or local characteristic, instead it is traditional value with usability to reach the dream or establishment values that universally craved by human.

Kinds of local wisdom are such as:

- “Governance, related to the society ruling the social group (head of village)
- Customary values, the structure of values developed by traditional society ruling the ethics.
- Method and procedure, cultivation according to the period set to conserve the nature.
- Selection of location and space”¹⁰.
- Local wisdom can be concluded as good cultural values in the community.

4.1.3 Law and Local Wisdom

Local wisdom is an excellence grown in the diversity of Indonesian people, therefore what should be put forward is the creativity of the culture individuals, in this case, prominent persons empowering the values living and should be maintained. Ajip Rosidi suggested that to promote the local wisdom requires interventions of the government or the state. This means that

⁸ Ayatrohaedi. *Characteristic of Nations (Local Genius)*. Jakarta: Dunia Pustaka Jaya, 1986, p18-19

⁹ *Ibid.*

¹⁰ *Ibid.*



government or the state should make patterns or plans that clearly encourage the creativity of the country in the development.

4.2 SHARIA BANKING PRODUCT AND NETWORK HOLDS COMPARATIVE EXCELLENCE

Ultimate banking service is an excellence to be created by sharia banking to be able to compete well. Certainly, the customers of sharia banking demand an excellent service. Sharia Banking holds many excellences, it is said that the excellence of sharia banking are 11:

1. Facilities as complete as of Conventional Bank. Sharia bank today is very modern. All types of transaction from saving account, deposits, business credit, home credit, clearing, and others can be done conveniently. Several Sharia Banks provide internet banking, SMS banking service, and even sharia credit card program that is more practical;
2. More secured financial management. The subprime¹² tragedy of financial credit in 2007 barely shook investments on sharia basis. When many investment banks and other big banks collapsed and needed bailouts, many new sharia banks popped or opened new branches;
3. People Direct Contribution Strengthen Sharia Banks. Sharia bank give nisbah (“rate” of saving) based on the financial development of the company. The customers, indirectly, are the “stockholders” in sharia banks;
4. Helps people needs zakat. Sharia bank set aside 2.5% of their annual profit for zakat;
5. 100% Halal. The credit given by sharia banks requires the fund to be used for halal activities. Business funded by sharia bank shall not risk containing forbidden activities by Islam.

¹¹ <http://www.beritasatu.com/ekonomi/62321-5-banking-excellence-sharia.html>, downloaded on 20 Juli 2016.

¹² *Subprime* is a home mortgage designated for US citizens whose non bankable financial situation. Home loan of subprime was initially introduced in 1930s. At that time, USA faced a crisis known as Great Depression. The US government designed Subprime program for lower-middle class for them to be able to fulfill their need for house. Realizing that this program inflicted higher risk comparing to other commercial home loan, US government through Federal Housing Administration (FHA) established under National Housing Act provided insurance for the lender (banks).

Non-performance waves hit at same time with the fall of house price in US, leading all investors or institution involved in the insurance into the huge liquidity problems. One of those hit and forced into bankruptcy was Lehman Brothers. None of gigantic financial companies can escape the crisis (see <http://rizal-razib.blogspot.co.id/2012/12/the-cause-crisis-subprime-mortgage.html> and <http://blog.pasca.gunadarma.ac.id/2012/07/29/crisis-subprime-mortgage-in-united-states/> downloaded on 26 April 2017)



4.3 THE STRENGTHEN AND DEVELOPMENT OF SHARIA BANK FOR SEVERAL AREA IN INDONESIA

4.3.1 Village Credit Body (LPD) as Financial Body of Desa Pakraman under Balinese Local Wisdom

The existence of Pakraman Village in Bali is stipulated in Article 18 B verse (2) of 1945 Constitution, in which the state recognizes and respects the existence of customary law units of society and their traditional rights such as Nagari in Minangkabau, Desa in Java and Bali.

The definition of Desa Pakraman exists in the Regional Legislation of Bali Province No. 3, 2001 concerning Desa Pakraman, Article 1 figure 4 stating:

“Desa Pakraman is a customary law unit of society in Bali Province holding traditional entity and manners of social life of Hindu believers through generations in bond of three heavens or desa heavens with certain region and treasure on its own and has the right to run their own household.”

when meeting following characteristics¹³:

- a) “owns area with certain defined boundaries;
- b) Has members called with clear krama under requirements to be called krama. Has kahyangan desa or three heavens as ritual place for the people (krama desa);
- c) Holds autonomy, external and internal;
- d) Owns a government (adat) with their own organization (prajuru) under their own rules (awig-awig), written and unwritten.”

Village Credit Body is a financial institution specifically located in desa pakraman as the materialization of local wisdom in Bali people.

Under Article 2 figure 1 of LPD Regional Regulation No. 8/2002, it is stated that:

“Village Credit Body (LPD) ia a financial business entity owned by desa running the business activity in the desa and for krama desa”.

The stipulation in Article 2 figure 1 of LPD Regional Regulation No. 8/2002 shows that LPD is an economic institutional which is reconized by the Regional Regulation and is

¹³ I Dewa Made Suartha. *Law and Customary Sanction, Perspective of the Reformation of Criminal Law*, Malang: Setara Press, 2015, p. 45-46, quoting I Ketut Wirawan from Doctoral Dissertation of Law, Brawijaya University: “*Recognition and Respect of Customary Law Society (Administration of Desa Pakraman in Village Administration System in Bali)*, Malang, 2012, p. 52.



legitimized in legal status as a financial business body. The LPD financial business body is special since it only runs business activities in the territory of desa pakraman.¹⁴ The description of the activities can be described as follows:

- a) “Receiving and collecting fund from karma desa in the form of financial and deposit;
- b) Providing loan for karma desa only. Providing loan for karma desa is the activity for the financial system in LPD.

LPD is a special financial business entity.

The characteristics of LPD as special financial business entity are as follows:

1. “owns by desa pakraman;
2. Established and managed by desa pakraman;
3. Managing the desa pakraman financial functions of institution, such as receiving/collecting fund from karma desa, providing loans on for karma desa only, and managing the financial institution, only for desa pakraman neighborhood, and
4. Managing business functions as internal financial business entity of desa pakraman, or of inter desa pakraman at the farthest.¹⁵”

The development of Sharia Bank (Sharia General Bank and Sharia Financing Bank) in Bali grows and develops side by side with the development of Village Credit Body (LPD) in desa pakraman. It is due to Sharia Bank in Bali also concerns about the local wisdom.

4.3.2 Lumbung Pitih Nagari (LPN) as Village Financial Body under the local wisdom in Padang

Lumbung Pitih Nagari (LPN) as a non-formal micro financing body that deals with savings and loan exists long before formal financial body came to nagari and sub-district in West Sumatera/ This financial body is called Lumbung Pitih Nagari (hereinafter is called LPN). LPN deals with under great values adopted in the culture of Minangkabau with characteristic of mutual cooperation or assistance. In order to develop peoples economy especially in rural area Regional Administration of West Sumatera since 1978 has sponsored the establishment of LPN gradually with 10 LPN in average annually that is spread in several level II area.

The number of LPN established is 592 units spread out in several regencies and cities in West Sumatera.

¹⁴ I Nyoman Nurjaya (et.al). *Theoretical Ground of Management of LPD (As Community Financial Institution of Bali Customary Law Society)*, Denpasar: Udayana University Press, p.36.

¹⁵ *Ibid.*



The function of LPN as nagari financial institution was to channel people fund through financial mechanism and the collection of people's fund through nagari cultural mechanism. While the purpose in establishing LPN was to increase the income of people through improvement activities and development of business with the fund including Farming Business System (SUTA), Productive Economic Business (UEP), the development of supporting infrastructures for peoples economy.

4.4 LOCAL WISDOM AS THE MEASURES TO DEVELOP SHARIA FINANCIAL SYSTEM

One of measures taken by the government is to increase the bargaining power and sharia banking service that supports new innovation in the development of product or activities of sharia banking, as stipulated in Regulation of Financial Service Authority No. 24/POJK.03/2015 concerning Product and Activity of Sharia Bank and Sharia Business Unit. Under the regulation, new product and/or activity should meet the criteria as follows:

Never been published or implemented before by related Bank; or

Has been published or implemented before by the Bank but the development of features and characteristics is done.

From the description above, Financial Service Authority opens the opportunity for the product developed by Sharia Banking at least meets the "innovation" requirement, so that it holds distinct elements comparing to the products/features/characteristic exist.

As regulated in Financial Service Authority No. 3/POJK/2016 concerning Sharia People Banking Bank as one of trusted people which the business activities based on Sharia Principle, demanded to always be able to three mandate from the owner of the fund by channeling or productive blur in order to elevate the life of people.

Under the Law No. 21, 2008 concerning Sharia Banking, business activity by Sharia People Financing Bank in collecting fund from collecting the fund from people can be:

1. "deposit such as savings account that equalized under the Akad Wadi'ah or other akad that is not against Sharia principle; and
2. Investment such as Deposit or savings or other forms similar to those under Akad Mudharabah or other Akad that is not against Sharia principle."

While business activity of Sharia People Credit Bank in channeling fund to people are such as:

1. Financing the sharing under Akad Mudharabah or deliberation;



2. Financing under Akad Murabahah salam or istishna’;
3. Financing under Akad Qardh, financing the rent of chattels or immovable property to the customer under Akad Ijarah or lease in the form of ijarah muntahiya bittamlik; and
4. Debt takeover under Akad Hawala;

In addition, Sharia People Credit Bank can do other activity such as:

1. Placing the fund in other Sharia Bank in the form of deposit under Akad Wadi’ah or investment under Akad mudharabah and/or other akad that is not against the Sharia Principle;
2. Transferring the money, either for private interest or for customer interest through Sharia People Credit Bank in Sharia General Bank, Conventional General Bank, and UUS; and providing product or other business activity of Sharia Bank according to Sharia Principle with the consent of Bank of Indonesia.

In other side, other than development measures of Sharia Banking, it is necessary to make affirmation for Sharia Bank in Indonesia. The affirmation of Sharia Banking can be done referring to the condition and facts today that are of obstacles or opportunities:

1. First, the lack of people’s and the world of business understanding of the operation of sharia banking;
2. Second, the image planted in some people that sharia banking is specifically designated for Islam;
3. Third, government support is quite big for the development of Sharia Banking;
4. Fourth, the availability of workers mastering the operation of sharia banking. The demand for workers mastering the operation of sharia banking with the availability of the workers in labor market is imbalance;
5. Fifth, the tight competition with banks and other conventional financial institutions;
6. Sixth, not many branch office. Branch office is the spear head of marketing the banking products, either in collecting or channeling the fund.¹⁶

Based on facts and conditions above, policy, strategy, and efforts are necessary for the practice of sharia banking can be implemented with full carefulness, utility, and the protection of customers. Today, Financial Service Authority has implemented various strategies related to the affirmation of sharia banking practice, such as: the affirmation on collaboration inter-authority in supporting the development of sharia banking, affirmation on the harmonization of

¹⁶<http://ejournal.umm.ac.id>. Warsono. *The Urgency of Sharia Bank Affirmation in Future Administration*. Downloaded Thursday, 3 November 2016, Time 21.00.



management and policy among banks and other financial service by considering the sharia characteristic. Finally, the promotion and education on sharia banking that is more structured, integrated, and synergic.¹⁷

The first step in the affirmation of sharia banks is done through the effort of Financial Service Authority by implementing the assessment on the health of Sharia General Bank and Sharia Business Unit.

5 CONCLUSION AND SUGGESTION

From the discussion above, the researchers conclude that:

1. The role of people trust in the development of Sharia Bank in Indonesia in the frame of Asean Economic Society is very fundamental, in which with people's trust and the understanding, sharia bank will attract more interest from people so that it is easier to develop and to be ingrained in the life of people. Sharia bank concept that is not a religious mission is expected to trigger the development of Sharia banks;
2. The development of sharia bank in many places is closely related to the local culture and local wisdom of local people;
3. Development model of Indonesian Sharia Banks referring to local wisdom developed should adopt what has been done in Padang between Bank Nagari as the father or supporter of Lumbung Pitih Nagari (LPN) in improving the status as People Credit Bank (BPR).

Suggestions proposed are:

1. The rapid development of sharia bank needs supports from the comprehensive regulations;
2. Government to make synergy involving chaplains, community, and customs as well in developing the concept of sharia bank in the society, in which the sharia concept of bank can be comprehended by people not as merely a mission of religion;
3. Government in issuing operation permit for sharia bank should not only consider the feasibility of business but also should concern about the culture and local wisdom to avoid frictions in the community and to give benefit to the people;

¹⁷ kontan.co.id., 5 Course of Sharia Banking Policy 2015. Downloaded Thursday, 3 November 2016, 22.30.



4. The development concept of Lumbung Pitih Nagari of People Credit Bank (BPR LPN) done by Bank Nagari as the regional governmental bank is an excellent step and can be followed by other regions and the promulgation of regulation to develop regional financial body so the conventional and sharia bank will not disturb the local wisdom well developed and ingrained;
5. It is necessary to affirm and develop some information and marketing to spread out the concept of sharia bank in the society.

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