DOI: https://doi.org/10.31933/dijemss.v3i2
Received: 18 November 2021, **Revised:** 18 December 2021, **Publish:** 18 January 2022

DIJEMSS
DINASTI INTERNATIONAL JOURNAL OF EDUCATION MANAGEMENT AND SOCIAL SCIENCE
DINASTI PUBLISHER
https://dinastipub.org/DIJEMSS
editor@dinastipub.org
0811 7401 455

APPLICATION OF ISLAMIC ECONOMIC PRINCIPLES IN REALIZING MANAGEMENT BANKING WITHOUT INTEREST

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Abstract: The emergence of the Islamic Economic System through Islamic Banking is expected to be a solution in the economic world. This paper purpose to review the principles of Islamic banking management without interest. The method used in this paper is a scientific study approach with library research, with data collection through a study of books, literature, notes, and various reports related to the problem to be solved. The results of the study found that the banking sector in the Islamic economy does not recognize interest rate instruments. The Islamic financial system applies profit and loss sharing, not to interest which has determined the profit level in advance. This Islamic economic value is implemented in Islamic banks and is based on three aspectsnamely aspects of faith, aspects of Sharia and aspects of morality. Islamic banking must also always refer to Islamic principles, namely Justice, Partnership, Transparency, and Universal.

Keywords: Islamic economic principles, Islamic banks, Interest

INTRODUCTION

Islamic economy is present where a new economy has begun to develop. Islamic economics is an economic system that uses Islamic law as its foundation. The emergence of Islamic Economics is of course also followed by the emergence of Islamic banking. The development of the Islamic economy cannot be separated from the existing pattern of new economic development, namely the dynamics of rapid change, activities that seem without limits, the Islamic economic system is experiencing new historical developments in the modern era. The emergence of the Islamic Economic System through Islamic Banking is expected to be a solution in this new economic world, it is hoped that the Islamic banking system can make the economies of countries in the world even better, especially in countries that are predominantly Muslim.(Mujib, 2017).

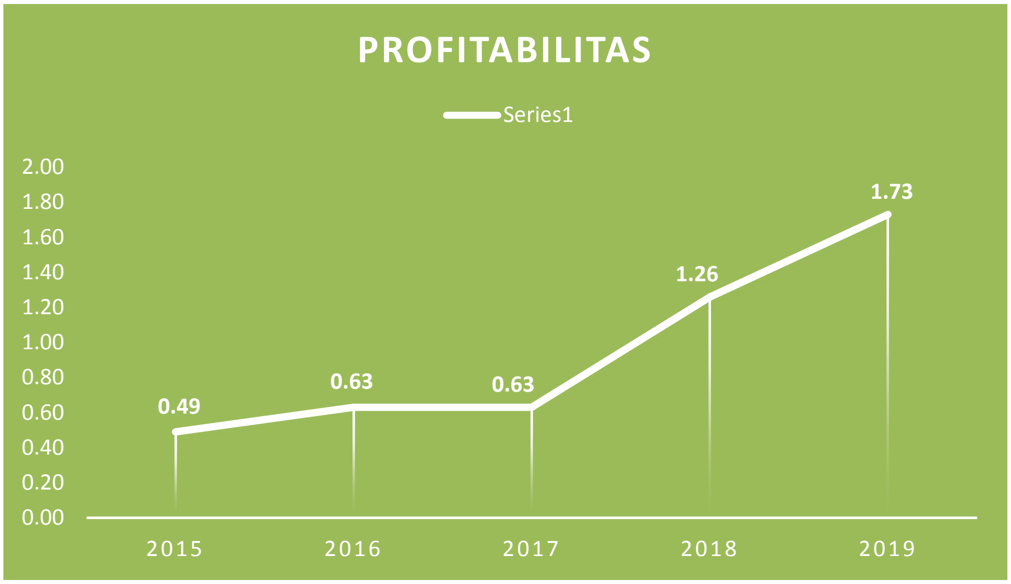

Figure 1. Development of Profitability of Islamic Commercial Banks
Source: Sharia Banking Statistics (OJK)

The development of the profitability of Islamic Commercial Banks has increased in the last five years and until 2020 the profitability value has reached 2.24%. The growth of Islamic banks as the key to economic growth is, of course, due to the urgent need for Muslims (as the times evolve) for transactions in banking that are free from the practice of usury. In addition, the privileges that Islamic banks have compared to conventional banks are attached to the concept of profit sharing. Profit sharing is what makes Islamic banks allowed to arise as an alternate to the interest system cannot be separated from debate because some scholars equate interest as usury, which is prohibited in the Qur'an. The serious debate about whether bank interest flows into usury or not has been long and hotly debated today, and has even given rise to opinions for and against among Muslims themselves.

There are various opinions and interpretations of usury related to bank interest because there are different approaches that each one uses to analyze and interpret the lines of usury in the Qur'an. The prohibition of Riba is also contained in the word of Allah SWT QS An-Nisaa ': 29) which reads:

ا لَّذِينَ امَنُواْ لَا لُوٓاْ لَكُم لۡبَٰطِلِ لَّآ اضٖ لَا لُوٓاْ للَّهَ انَ بِكُمۡ ا

Translation:

O you who have believed, do not eat each other's wealth in a false way, except by means of commerce which is carried out with mutual consent between you. And do not kill yourselves; Verily, Allah is Most Merciful to you.".

This usury review requires a deeper, intensive, comprehensive understanding and is studied from various perspectives to describe it so as not to be trapped in the practice of usury. Basically, usury can cause stagnation of people's welfare, benefit and kill the spirit of community cooperation (ruh al-ta'awun).(Jamarudin et al., 2020).

Several previous studies related to usury, such as(Rahmawaty & Ag, 2013), conducted a study of usury in the perspective of Islamic finance in Indonesia. In the discussion, usury became a course in Islamic economics, the debate almost did not find common ground. The debate of thought shows that the issue of usury is closely related to the issue of money so that it cannot be separated from the role of financial institutions. The result as an alternative solution to Islam offers a profit loss sharing system which is expected to be able to replace the interest system in the Islamic economy(Badruzaman, 2019).

This is reinforced by research conducted by (Budiantoro et al., 2018)Riba is not only discussed by Muslims, but various non-Muslim groups (Hindus, Buddhists, Jews, Greeks, Romans and Christians) also view usury as a serious problem. The results of his research suggest that Riba is one of the seven major sins that must be avoided. Similar results found by(Naufal, 2019) and (Sudarto, 2021)found that continuous payments of heavy interest payments have been shown to lower people's standards of living and destroy their children's education. Borrower's constant anxiety also affects the borrower's personal and family life, but also weakens the country's economy. Therefore, this study aims to review the principles of Islamic banking management without interest.

LITERATURE REVIEW

Principles of Banking Management in Islam

Islamic bank is a bank that operates in accordance with the Sharia Principles. The implementation of sharia principles is the main differentiator with conventional banks. In essence, the principle of sharia refers to Islamic sharia which is primarily guided by the Koran and Hadith. Islam as a religion is a concept that regulates human life comprehensively and universally both in relation to the Creator (HabluminAllah) and in relations with fellow humans (Hablumminannas).(Attamimi et al., 2019).

Islamic banks are modern banks that operate fully in accordance with sharia Islamic law based on the Qur'an and the Sunnah of the Prophet Muhammad which emphasizes the importance of implementing ethical behavior in all aspects of human life, including business. Yaya, Martawireja, and Abdurahim, in their writings in the world of Islamic banking, there are several sharia supporting institutions at the international Accounting and Auditing level, including: accounting and auditing organization of Islamic financial institution (AAOIFI), Islamic development bank (IDB), international Islamic financial market, Islamic financial services board (IFSB), general council of Islamic bank and financial institution, Islamic international rating agency (IIRA),(Annisa & Sylvia, 2018).

Among these various institutions, the one that has the greatest influence on the application of Islamic business ethics in Islamic banking is AAOIFI which until 2009 has issued three accounting standards, five audit standards, six governance standards, two ethical codes standards, and thirty sharia standards with the aim of harmonize the concept and application of fatwas among sharia supervisory boards in various Islamic banks to avoid contradictions and inconsistencies considering that there are many schools of thought that have developed. The AAOIFI standard has become a mandatory reference in several countries, including Indonesia. AAOIFI also realizes the implementation of a sharia public accountant certification program, namely the Certified Islamic Public Accountant (CIPA) in the context of increasing sharia auditing for Islamic banking.

The second institution that is no less important in supporting the application of Islamic business ethics principles for Islamic banking is the IDB. IDB is an international financial institution that was established based on the declaration of the conference of the finance ministers of Muslim countries in Jeddah in 1973 which aims to encourage the progress of economic and social development of member countries and Muslim communities based on Islamic shari'a principles. IDB's greatest support for the application of Islamic business ethics principles in the Islamic banking industry is in the form of various research facilities in the fields of economics, finance, and Islamic banking through the Islamic Research and Training Institute (IRTI) and equity participation and share ownership in Islamic banks in various countries.(Anshori, 2018).

Seother international level institutions, there are also national level institutions that support Islamic financial institutions, among others: National Sharia Council (DSN). DSN was established by the Indonesian Ulema Council through SKMUI no.kep754/II/99. DSN has an affiliated body in each Islamic financial institution consisting of experts in the field of Islamic banking in charge of issuing reports to ensure that the Islamic bank has complied with all the principles of Sharia business ethics.(Putritama, 2018). Based on the circular letter of Bank Indonesia number 8/19/DPBs of 2006 concerning guidelines for sharia supervisors and management of reporting results of supervision for sharia supervisory boards, the obligations of the Sharia Supervisory Board (DPS).

The basic principles in Islamic banking are:

1. The principle of deposit or savings (Al-Wadi'ah)
   Al-Wadi'ah can be interpreted as a pure deposit from one party to another, both individuals and legal entities that must be guarded and returned whenever the depositor wishes. Basically, the recipient of the deposit is a yad amanah (trusted hand) meaning that it is not responsible for any loss or damage that occurs to the deposited asset as long as this is not due to the recipient's negligence in maintaining the deposited item. However, in modern economic activity, it is not possible for the recipient of the deposit to idle the asset but use it in certain economic activities. Therefore, they must receive permission from the custodian to then use their assets by guaranteeing that they will be returned in full. The recipient of the deposit may charge a fee to the depositor as a deposit fee. Banks as deposit recipients can take advantage of such deposits or deposits for the following purposes: demand deposits and time deposits. The consequence of this insurer (the bank), all profits generated from the deposited funds belong to the bank, as well as the bank is the insurer of all possible losses. In return, the depositors receive security guarantees for their assets as well as other current account facilities. Banks are not prohibited from providing any kind of incentive in the form of bonuses with a note not previously indicated and the amount is not set in nominal or percentage in advance, but is the policy of the bank's management. Even though Indonesia is a country with the largest Muslim population, sharia-based financial products were only known a few years ago and are still very limited. Starting from the banking sector, with the establishment of Bank Muamalat in November 1991. Sharia principles are not only limited to the banking context, but also cover various economic and investment activities, including the capital market and insurance. You have certainly heard the term Islamic bank, or, more broadly, Sharia-based economy(Muktar, 2016). In fact, many of you may have used the services of Islamic financial institutions. Some of you think that Islamic banks are only for the Muslim community. Is it true, Islamic banks are only for Muslims? Sorry, you are wrong if you think like that. Islamic banking actually applies to everyone or is universal. Sharia itself is just a principle or system that is in accordance with Islamic rules or teachings. Anyone can take advantage of the financial services of Islamic banks. When the monetary crisis hit Indonesia, in mid 1997, the sharia system had benefited many people. Of course you

remember, at that time, loan interest rates soared by tens of percent. As a result, many businesses were unable to pay. However, this phenomenon applies to business actors who use funds from Islamic banks. These entrepreneurs do not need to pay interest of up to tens of percent, they simply share the results with Islamic banks. The determination of the profit sharing percentage is carried out at the beginning of taking the loan. Al-Wadiah can be interpreted as a pure deposit from one party to another, both individuals and legal entities, which must be maintained and returned whenever the custodian wants it.(Desminar, 2019). Its application is in banking products, where the bank as the deposit recipient can take advantage of this principle which in conventional banks is known as the current account product. As a consequence, all profits generated from the deposited funds belong to the bank (and vice versa). In return, the depositor gets security guarantees for his assets, as well as other current account facilities.In an increasingly competitive banking world, incentives or bonuses can be provided and this becomes the policy of the bank concerned. This is done in an effort to stimulate people's enthusiasm for saving and at the same time as an indicator of bank health. Giving bonuses is not prohibited provided that it is not previously indicated and the amount is not set in nominal or percentage in advance, but it is really the bank's policy.

2. Principle of Profit-sharing
   a) Al-Mudharabah

      Technically, al-mudharabah is a business cooperation contract between two parties, where the first party provides all (100 percent) of the capital, while the other party becomes the manager. Mudharabah business profits are divided according to the agreement stated in the contract, while if there is a loss, it is borne by the owner of the capital as long as the loss is not negligence on the part of the manager. If the loss is caused by fraud or negligence of the manager, then the manager must be responsible for the loss. The mudharabah transaction pattern is usually applied to financing and funding products. On the side of raising funds, al-mudharabah is applied to: savings and deposits. While on the financing side, almudharabah, is applied to: working capital financing(Pamujianto, 2020). By placing funds in principal-mudharabah, the owner of the funds does not get interest as in conventional banks, but a profit share ratio. In practice, the ratio for savings ranges from 55-56 percent of the investment returns made by banks. Whereas in conventional banks, the figure is approximately 11-12 percent. Meanwhile, in terms of financing, if a trader needs capital to trade, he can apply for profit-sharing financing such as al-mudharabah. The trick is to calculate in advance the estimated income that will be obtained by the customer from the project. For example, from a capital of Rp. 30 million earned income of Rp. 5 million/month. From this income, you must first set aside for savings for return on capital, let's say Rp. 2 million.

   b) Al-Musyarakah

      In this system there is cooperation between two or more parties for a particular business. The cooperating parties contribute capital. The profit or risk of the business will be shared according to the agreement(Destiana, 2016). This system contains what is commonly referred to in conventional banks as a means of financing. Concretely, if you have a business and want to get additional capital, you can use this al-musharaka product. The essence of this pattern is, the Islamic bank and you jointly contribute capital which is then used to run the business. The portion of Islamic banks will be treated as participation with mutually agreed profit sharing. In conventional banks, this kind of financing is similar to working capital loans.

c) Al-Murabaha Principle

In this principle, there is a sale and purchase of an item at the original price with an additional profit whose value is agreed upon by both parties. The seller in this case must tell the price of the product he buys and determine a level of profit in addition(Efendi & Thamrin, 2021). Suppose you need credit for the purchase of a car. In conventional banks you will be charged interest and you are required to pay monthly installments for a certain time. In the banking sector, the prevailing interest rates may change. Islamic banking system, of course, products like this are also available. However, the form is not credit, but uses the principle of buying and selling, which is termed murabahah. In this case, the Islamic bank will buy the car you want first, then sell it to you again. But, because Islamic banks bailed out first, then when selling to you, the price was a little more expensive, as a form of profit for Islamic banks. Because the form of profit for Islamic banks has been agreed in advance, the installment value you have to pay is relatively more fixed. Of course, there are many more Islamic banking principles, which we have described above are the basic principles commonly known in Islamic banking.

Flowers in Islamic View

Before the revelation of the verses relating to the prohibition of usury that usury transactions have been used to be carried out by the Arab community, both in the city of Mecca and in Medina. Tabari explains in his book Tafsir Tabari that Arab society at that time used to give debt by giving two options, namely paying off the debt or extending the time accompanied by additional (riba/interest).(Karim & Contemporary, 2001). This was the socio-economic problem of society at that time, in Islam when someone is in trouble, other Muslims should help, not burdensome and impose a new burden by asking for additional money lent. The Islamic view based on the verses of the Qur'an, the Qur'an has prohibited the practice of usury in four stages; First: ribawi wealth will not increase in the sight of Allah swt. (Surat Ar. Rum: 39):

اتَيْتُم ا لِّيَرْبُوَاْ أَمْوَٰلِ لنَّاسِ لَا اْ للَّهِۖ ءَاتَيْتُم وَجْهَ للَّهِ لَٰئِكَ ٱلْمُضْعِفُونَ

The translation:

39. And something usury (additional) that you give so that it increases in human wealth, then usury does not add to the side of Allah. And what you give in the form of zakat which you mean to achieve the pleasure of Allah, then (who do so) it is those who multiply (the reward).

Second, Allah swt threatens those who eat usury in (Surah An-Nisa: 161):

وَأَخْذِهِمُ لرِّبَوٰاْ اْ لِهِمْ لَ لنَّاسِ لْبَٰطِلِۚ ا لِلْكَٰفِرِينَ ابًا لِيمًا

The translation:

161. and because they eat usury, when in fact they have been forbidden from it, and because they eat people's property in a false way. We have prepared for those who disbelieve among them a painful torment.

Third: Allah swt. prohibit usury because it is burdensome in the QS. Ali-Imran: 130 :

ا لَّذِينَ امَنُواْ لَا لُواْ لرِّبَوٰٓاْ ا وَٱتَّقُواْ للَّهَ لَعَلَّكُمْ لِحُونَ

The translation:

130. O you who believe, do not eat usury doubled] and fear Allah so that you may gain success.

In addition, there are hadiths related to usury, including;

a) It was narrated by Abu Said al-Khudri that the Messenger of Allah. once said:

"Gold should be paid for gold, silver for silver, wheat for wheat, flour for flour, dates for dates, salt for salt, payment must be from hand to hand (cash). Whoever gives extra or asks for extra, verily he has dealt with usury . Receiver and giver are both guilty."

b) It was narrated by Abu Hurairah that the Messenger of Allah. once said:

*"On the night of the mi'raj trip, I saw people who*its belly (big) like a house, inside is filled with snakes that are visible from the outside. I asked Jibril who are they? Jibril replied that they are people who eat usury."

c) It was narrated by Ibn Mas'ud that the Messenger of Allah. once said:

"Riba has 73 doors (levels), the lowest (his sin) is the same as someone who commits adultery with his mother."

Based on the above hadith, the prohibition of usury in Islam does not only refer to the Qur'an, but also Hadith. This is like the general position of the hadith which serves to further explain the rules that have been outlined through the Qur'an.

As for the opinion of the scholars of fiqh that the interest charged in loan transactions (debts and receivables, al-qardh wa al-iqtiradh) has met the criteria for usury which is forbidden by Allah SWT, as stated, among others, by Al-Nawawi said, al-Mawardi said: Our friends (Shafi'i scholars) differ in opinion about the prohibition of usury which is confirmed by the Qur'an, on two views, namely:

1. The prohibition is mujmal (global) which is explained by the sunnah. Every law regarding usury that is put forward by the sunnah is an explanation of the goodness of the Qur'an, both usury naqad and usury nasi'ah.
2. The prohibition of usury in the Qur'an actually only includes usury nasai' which is known by the ignorant people and additional requests for assets (receivables) due to the addition of time (payment). One of them when the payment of his debt is due and the debtor does not pay it, he adds his receivables and also adds the period of payment. Such thing is done again at the next maturity. That is the meaning of the word of Allah: "... do not eat usury doubled..." Then the Sunnah adds usury in currency exchange (naqad) to the form of usury contained in the Qur'an.

The interest on money on loans (Qardh) that applies above is worse than usury which is forbidden by Allah SWT in the Qur'an, because in additional usury it is only charged at maturity. Meanwhile, in the system, additional interest is charged directly from the time the transaction occurs. Jumhur (majority/mostly). Scholars agree that bank interest is usury, that's why it's haraam.

Yusuf Qardhawi said that bank interest included usury, which is forbidden by Islam. Therefore, Muslims are not allowed to deal with banks that use the interest system, except in an emergency or forced situation(Hafnizal, 2018). Even according to Yusuf Qardhawi, he does not recognize the term emergency or forced, but he absolutely forbids it. This opinion is corroborated by Al-Syirbashi, according to him that the bank interest earned by someone who saves money in the bank is a type of usury, either a little or a lot. But what is forced, then the religion allows borrowing money in the bank with interest.

In order not to be considered plagiarism from other people's work, it is important for anyone to make a literature review by rewriting the language and wording obtained in the literature search section. It is simple to use direct or indirect quotes.

RESEARCH METHODS

The method used in this paper is a scientific study approach with library research, with data collection through a study of books, literature, notes, and various reports related to the problem to be solved.

FINDINGS AND DISCUSSION

The existence of a bank with Islamic values and norms is to meet the needs of the community. Islamic Banks as intermediary institutions and financial service providers that work based on Islamic ethics and value systems, namely free from non-productive speculative activities such as gambling (maysir), free from unclear and dubious matters (gharar), free from interest (riba).) and free from things that are damaged or invalid (bathil) only finance business activities that are lawful.

The banking sector in the Islamic economy does not recognize interest rate instruments. The Islamic financial system applies profit and loss sharing, not to interest which has determined the profit level in advance. The size of the profit sharing obtained by Islamic banking customers is determined by the size of the profit sharing obtained by the bank from investment and financing activities carried out in the real sector.(Ilyas, 2019).

The most striking difference that is understood by the public between Islamic Economics and Conventional Economics lies in Riba or Bank Interest (interest). This happens because Islamic Economics is based on the concept of profit sharing / loss sharing and expressly rejects usury (interest) which has become an inseparable part of Conventional Economics. Like liquor, pork and narcotics, usury also has a good side. It's just that the harm caused far outweigh the benefits. The prohibition of something by Islam basically follows this principle.

The existence of norms and ethics in the Islamic economic system is a distinct advantage compared to conventional economics(Jamarudin, 2017). This Islamic economic value is implemented in Islamic banks and is based on three aspects, namely:

1) Aspects of Faith.

   The foundation of faith will guide individual behavior in economic activity to always believe that everything that is done will have consequences that must be accounted for before the Creator.In this aspect of faith, Islamic Economics is divided into several dimensions, namely:

   a) Divine economy.

      The divine economic dimension in Islamic economics is based on tawhid uluhiyyah, which is to unite Allah and worship Him because it is a substance that must be worshiped. In practice, all human activities are aimed at worshiping Allah. Likewise in economic activities, microeconomics and macroeconomics, it is necessary to have a sincere intention, so that whatever economic activity a person undertakes is intended only to worship Allah swt. Thus, a person tends to do good things and avoid activities that sacrifice the interests of many people.

b) Rabbani Economics.

The rabbaniyya economic dimension in Islamic economics is based on tawhid rububiyah, which is to unite Allah by believing that Allah is the creator and owner of the universe who provides sustenance, so that when a person has made the shahada and worshiped Allah, then he is obliged to take advantage of everything that has been given to him. He created it for the common good of mankind.

A Muslim when planting, working or trading and others is in the context of worshiping Allah. When consuming and enjoying various good treasures, realize it as sustenance from Allah and His favors, which must be grateful for as stated in the word of Allah in the letter Saba 'verse 15:

لَقَدْ انَ لِسَبَإٍ ايَةٌ انِ الِّ لُوا ا لَهٗ لَدَةٌ وَرَبٌّ

Translation :

15. Verily for the people of Saba' there is a sign (of God's power) in their dwellings, namely two gardens on the right and on the left. (to them it is said): "Eat by you of the sustenance (given) your Lord and be grateful to Him. (Your country) is a good land and (your Lord) is the Most Forgiving God".

A Muslim submits to Allah's rules, will not try with anything unlawful, will not do usury, will not hoard, will not act unjustly, will not cheat, will not gamble, will not steal, will not bribe and will not accept bribes . A Muslim will not be extravagant and not stingy.

c) The economic dimension of asthma.

In Islamic economics it is based on tawhid asthma, namely the oneness of Allah swt. with the acknowledgment that everything in this world belongs to Allah and humans are only given the mandate by Allah swt. to cultivate and utilize His property for the benefit of mankind. Need appreciation in the welfare of their lives.

2) Sharia Aspects.

Aspects of sharia in Islamic economics requires that all economic activities in achieving benefit are allowed. This rule applies to someone who carries out his economic activities in accordance with the principles regulated in Islamic sharia, that "everything is allowed to be done, until there is evidence that forbids it". This aspect is used in muamalat. As long as the benefit element is achieved and there are no prohibitions in it, all economic activities can be carried out.

3) Moral Aspect.

The moral aspect in Islamic economics is no less important, because it is the spirit of Islamic economics itself. This aspect regulates the values, ethics and norms derived from the Qur'an and hadith. Benefit can be achieved if every individual in their economic activities pays attention to this moral aspect.

Furthermore, in its operations, Islamic banking must always refer to Islamic principles as follows:(Supriadi & Ismawati, 2020):

1. Justice, namely sharing profits on the basis of real sales according to the contribution and risk of each party

2. Partnership, which means that the position of customers, investors (custodians of funds), and users of funds, as well as the financial institutions themselves, are aligned as business partners who synergize with each other to earn profits.
3. Transparency, Islamic financial institutions will provide financial reports in an open and sustainable manner so that investor customers can find out the condition of their funds
4. Universal, which means that it does not distinguish between ethnicity, religion, race, and class in society in accordance with Islamic principles as rahmatan lil alamin.

Islam rejects usury because the practice of usury does not reflect justice, prevents the distribution of prosperity and is a form of exploitation of some humans over others.(Bustaman, 2016). This is caused, among others, by:

1. Determination of interest / usury is carried out at the time of the contract based on the assumption that the business will definitely make a profit. The concept of interest / usury has ensured that the owners of capital gain profits and do not accommodate the possibility of changes in the assumptions used.
2. Interest/riba is determined based on the percentage of the loaned capital. The concept of interest / usury denies the possibility that the profits obtained can be smaller than the amount of the burden on capital (interest) thus placing one party at a loss.
3. The amount of interest / usury paid is fixed regardless of whether the business being carried out is profitable or experiencing losses. The concept of interest / usury places one party as a party who is sure to continue to benefit even though the other party suffers a loss. This is a disguised form of human exploitation.
4. Interest / usury is a business that almost imposes all the risk on one party (the debtor). A stronger creditor's position is used to suppress weaker debtors regardless of the real contribution of both parties to the capital development process.
5. The concept of interest / usury can cause one party to fall into debt trap. On a broader scale, interest/usury can be an instrument of economic colonization of one country against another. This also causes the wealth of indebted countries to flow to a handful of creditor countries which in turn creates a prosperity gap.

Contrary to the above concept, Islamic Economics introduces the concept of profit sharing which is more reflective of fairness. This is partly because:

1. The distribution of profits and losses in accordance with the agreed percentage. This puts both parties on an equal footing with respect to the possible outcome of the venture.
2. The determination of the amount of the ratio (ratio) is carried out at the time of the contract by taking into account the possibility of profit and loss. This requires the possibility of profit and risk of failure to be agreed and shared by all parties and to avoid exploitation of one party by the other.
3. The amount of profit sharing is determined by the percentage of business profits. In this case, the real contribution of all parties to capital development is calculated fairly.
4. The amount of profit obtained by the owner of the capital will increase according to the amount of profit earned. In the concept of interest/usury, this is not possible because profit is based on a percentage of capital whose amount of capital is fixed.

CONCLUSION

The banking sector in the Islamic economy does not recognize interest rate instruments. The Islamic financial system applies profit and loss sharing, not to interest which has determined the profit level in advance. The size of the profit sharing obtained by Islamic banking customers is determined by the size of the profit sharing obtained by the bank from investment and financing activities carried out in the real sector.

Furthermore, in its operations, Islamic banking must always refer to Islamic principles as follows:

1. Justice, namely sharing profits on the basis of real sales according to the contribution and risk of each party.
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3. Transparency, Islamic financial institutions will provide financial reports in an open and sustainable manner so that investor customers can find out the condition of their funds.
4. Universal, which means that it does not distinguish between ethnicity, religion, race, and class in society in accordance with Islamic principles as rahmatan lil alamin.

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