
FORMULATIONS AND SOLUTIONS TO REDUCE THE MINIMUM INTEREST OF INDONESIAN COMMUNITY IN PARTNERING WITH SHARIA BANKING

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Abstract

Indonesian society is known as a society with complex heterogeneity, including a very dynamic structure in terms of political, economic, socio-cultural, and legal aspects. The enormous number of Muslim populations in Indonesia is the reason for continuing to strive for the development of the sharia economy which in its journey has met several obstacles. The dominance of the theory of capitalism in Indonesia, which originates from West and is even the focus of almost all countries today, has created economic injustice, because it only benefits West through the hegemony of paper currency and usury lending system. Economic theories formulated by experts are not able to present a just and civilized economic order for society, and even create a dichotomy between the interests of individuals, society, the state and relations between countries. In addition, it is also unable to maintain the sustainability of natural resources. According to the Islamic worldview, the capitalist economic system that is ingrained in Indonesia is a system that must be Islamized. So, of course the aspired economic theory is an economic system that can create justice and mutual prosperity accompanied by the blessings of the world and the hereafter. The theory is Islamic economics is sourced from Allah's law which brings justice and prosperity to all humankind, because Islam is a mercy to all of nature.

Keywords: Formulation; Islamic Banking; Indonesia; Economic Theory

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INTRODUCTION

Indonesia as a country with the largest Muslim population in the world is a particularly good capital for regulators, practitioners, and academics in developing a Sharia economic system, one of which is in the banking sector. The global financial crisis has led to a reexamination of corporate governance practices at banks (Jabari & Muhamad, 2021). Currently, the capitalist economic system such as the banking sector is recorded to be more familiar in Indonesia, as shown by the Financial Services Authority (OJK) report on the snapshot of Islamic banking in the position of December 2021, for

example, the market share of Islamic banking only touched 6.51% of total banking assets in Indonesia.

This proves that although Indonesia is predominantly Muslim, the economic wheels of financial institutions are still dominated by the conventional economy. In fact, the theory of capitalism from the West which is the focus of almost all countries today has caused economic injustice, because it only helps the West through the hegemony of paper currency and the usury lending system. Economic theories formulated by experts are not able to present a just and civilized

economic order of society. It even creates a dichotomy between individual interests, society, the state and relations between countries. In addition, it is also unable to maintain the sustainability of natural resources. According to Islamic worldview, the capitalist economic system that is ingrained in Indonesia is a system that must be Islamized. So, of course the aspired economic theory is an economic system that can create justice and mutual prosperity accompanied by the blessings of the world and the hereafter. The theory is that Islamic economics is sourced from Allah's law which brings justice and prosperity to all humankind, because Islam is a mercy to all of nature.

Islamic economic theory plays a significant role in forming the world view, one of which is related to the economy according to Islamic concepts. The concept of Islam itself concerns what is meant by human happiness and a good life, namely emphasizing aspects of brotherhood, socio-economic justice and fulfilling the spiritual needs of humankind.

The spirit of Muslim scholars who understand that it is necessary to realize the aspirations of the Muslim community regarding an economic system that can be a solution for the people's economy, especially in Indonesia, and on the initiative of Religious Scholars Indonesian Council together with Muslim entrepreneurs so that for this effort the government through its regulations has provided support for the system. Islamic economics in Indonesia, one of which was the establishment of Bank Muamalat Indonesia (BMI) in 1992.

The development of the Islamic economy has begun to gain momentum since the establishment of Bank Muamalat Indonesia. Various laws that support the economic system began to be made, such as Law no. 7 of 1992 concerning Banking as amended in Law No. 10 of 1998 and Law No. 23 of 1999 concerning Bank Indonesia.

Since its establishment, Bank Muamalat Indonesia has been widely known for its existence. In recent years, sharia-based economic institutions have certainly become increasingly popular on the national economic stage.

In its journey, the Islamic economic system in Indonesia experienced pros and cons among the people. as shown by the rise of sharia-based institutions in Indonesia, as well as the dominance of the Muslim community. However, the Islamic economic system itself has experienced several obstacles in developing Islamic banking which has not been able to compete with conventional banking in gaining the hearts of customers. Some of these obstacles are caused by the public's assumption that there is no synchronization between the conception of Islamic banking and its implementation, limited human resources, limited office network, Islamic politics in Indonesia which is not yet optimal and the dominance of conventional economics.

By understanding some of the obstacles to the Islamic economy in Indonesia so that it will be easier to formulate the right formulation in solving the existing problems and in seeking for the Islamic economic system in Indonesia to develop properly, the right strategy is needed. Based on the description above, research was conducted on the lack of public interest in partnering with Islamic banking and its formulation in Indonesia.

METHOD

This research is a qualitative descriptive study. The object of this research is people who still have little access to Islamic banking services. The purpose of this study is to find out the cause of the lack of public interest in partnering with Islamic banking and find the right formulation in solving this problem.

This research is a type of qualitative research using library research with a descriptive type within the scope of sharia

economics, especially banking, which is extracted from various literatures, books, journals, magazines, YouTube, social media.

RESULTS AND DISCUSSION

A. History of Sharia Economic Law in Indonesia

Before the Dutch colonial imposed its legal politics in Indonesia, Islamic law first had an advantageous position among the people at that time. Islamic kingdoms that once stood in Indonesia implemented Islamic law in their respective territories (Sarif, 2013). Because the majority of Indonesian people adhere to Islam, the Islamic archipelago kingdoms since the 13th century, including Samudera Pasai, Aceh, Demak, South Kalimantan, South Sulawesi, and Maluku are most of Indonesian archipelago, the tradition of Islamic law has been used as the only law (Ismail, 2015) One of the laws that it enforces is the law of engagement (akad) covering various kinds of agreements such as buying and selling, accounts payable, mudharabah, lending and borrowing, safekeeping, iflas (bankruptcy), peace, as well as engagements arising from unilateral actions such as endowments, testaments, gifts, as well as several aspects of the engagement that arise from unlawful acts, such as ghashab (unlawful possession of other people's property).

During the Dutch colonial era, Islamic law was still valid as an awareness of being Muslim and Islamic law had increased its acceleration, the concept of Islam became a factor of social integration that gave group identity and fostered a sense of togetherness.

Gradually the Dutch colonial government through the VOC in 1799 began to get rid of Islamic law as part of strengthening its power to colonize Indonesia. Several articles have also been

regulated in order to narrow down Islamic law, one of which was in 1937 the issuance of Staatsblaad No. 116 and 638 which narrow the competence (authority) of Religious Courts (Sarif, 2013).

The position of Islamic law which regulates sharia economic law after Indonesia's independence has become stronger, without being linked to customary law. "Indonesian legal system does not specifically regulate engagement law nationally, but Islamic engagement law can apply on the basis of recognition by differentiation or through a choice of law at the will of the parties at the time of transaction as regulated in Law no. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution." (Mardjono, 2000).

Sharia (Islamic) engagement law in the last decade of the last century was pushed to develop along with the appearance of Islamic financial and business institutions, especially Islamic banks which made it the basis for footing. The form of sharia (Islamic) engagement has been formalized into Bank Indonesia Regulation No. 7/46/PBI/2005 concerning the collection and distribution of funds for banks carrying out sharia-based business activities. In this aspect, the application of Islamic law in the field of engagement is a necessity and Reality demands to provide a reference basis for sharia business and economic operators which has become a reality in this country.

In general, various sharia-based banking practices are implemented by Islamic banks and conventional banks through their sharia outlets. This banking practice briefly is like the practice found in

conventional banking, but the method is carried out in a way that is in accordance with Islamic principles.

B. Definition of Islamic Bank

Islamic banks in general are banks whose operations are based on sharia principles. The mention of Islamic Banks

Has many names including Interest-Free Banks, Interest-Free Banks, Bank without usury (Lariba Banks), and Sharia Banks (Farouk, 2008).

According to the Law of Indonesia Republic No. 10 of 1998, regarding amendments to Law no. 7 of 1992 concerning banking that commercial banks are banks that carry out business activities conventionally and or based on sharia principles which in their activities provide services in payment traffic. While the definition of sharia principles itself is a rule based on Islamic law (Kansil & Kansil, 2002).

Islamic banks prohibit usury in all types of transactions; business activity is based on equality. Fairness and transparency; the establishment of mutually beneficial partnerships; as well as the necessity of halal business profit income. In its regulation, Islamic banks also issue and administer zakat to help develop the community environment (Ibi et al., 2001).

C. Functions and Roles of Islamic Banks

In carrying out its intermediation function, Islamic banks are based on the principles of Islamic law. The roles and functions of Islamic banks are as follows:

(Arifin, 2007) Sharia Banks collect funds from the public or the business world with savings (mudharabah) and demand deposits (wadiah) schemes, and distribute them to the real sector, b) In the world of entrepreneurship, Sharia Banks are places of investment (both capital funds and investment account funds) by using investment tools that are in accordance with sharia, c) Offering various financial services on a wage basis in a contract of

representation or rental, d) There is social allocation, including loans, virtue, zakat, and other social funds in accordance with Islamic teachings.

D. Objectives of Islamic Bank

The establishment of Islamic banking is intended to provide services and products that are based on Islamic sharia principles. Islamic banks are investment and business activities in Islamic financial institutions that are recommended.

E. Legal Basis of Islamic Banking

إِلَّا لَمْ يَكُن لَكُمْ مَالَكُمْ سِوَا ذَلِكُمْ بَلَاءٌ لَكُمْ
فِي مَا كُنْتُمْ تَعْمَلُونَ
وَالَّذِينَ يَدْعُونَ لِيُحْمَلَ ذَنْبَهُمْ
وَيُرَدُّ عَلَيْهِمْ أَمْوَاحُهُمْ
مُتْرَفِينَ وَالَّذِينَ خَلَوْا بِمَنْعَةٍ
مِّنْ غَيْرِ اللَّهِ بِغَيْرِ إِذْنٍ
أُولَٰئِكَ هُمُ الرَّاكِبُونَ
فِي ظُلُمَاتٍ مِّنْ دُونِ الظُّلُمَاتِ
أَعْمَىٰ لَهُمْ السَّلْطَنُ
وَالَّذِينَ يَدْعُونَ لِيُحْمَلَ ذَنْبَهُمْ
وَيُرَدُّ عَلَيْهِمْ أَمْوَاحُهُمْ
مُتْرَفِينَ وَالَّذِينَ خَلَوْا بِمَنْعَةٍ
مِّنْ غَيْرِ اللَّهِ بِغَيْرِ إِذْنٍ
أُولَٰئِكَ هُمُ الرَّاكِبُونَ
فِي ظُلُمَاتٍ مِّنْ دُونِ الظُّلُمَاتِ
أَعْمَىٰ لَهُمْ السَّلْطَنُ

Means:

Those who consume usury cannot stand except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is like usury." But Allah permitted trade and has forbidden usury. (QS. Al-Baqarah:27)

Means:

From Ibn Mas'ud ra that the Messenger of Allah cursed the eater of usury, the one who feeds, the two witnesses and the recorder. (HR Muslim).

F. Positive Legal Basis

1) Law No. 7 of 1992

The stipulation of Sharia Banking Regulations, namely Law No. 7 of 1992 as a commercial bank and a people's credit bank, became an effective way for some Muslims who were anti-usury, so Bank Muamalat Indonesia (BMI) was established on May 1, 1992 with an initial capital of IDR 106,126,382,000,00. Law No. 7 of 1992 does not comprehensively mention the establishment of Islamic

banks or profit-sharing banks in
its

articles, through the deregulation that has been given the government gives free choice to the public in interpreting the intent and content of these regulations.

2) Law No.10 of 1998

The revision of Law No. 7 of 1992 to Law No. 10 of 1998 provides firmness in its existence and increases the role of Islamic banks in accommodating the aspirations and needs of the community. From this regulation, the national bank is expected to lead in its function of collecting and distributing public funds with the priority of cooperatives, small and medium entrepreneurs and all levels of society without discrimination. Law No. 10 of 1998 in its regulation provides options for people who intend to establish a bank based on Sharia principles, Conventional Commercial Banks also allow to add outlets that specifically carry out activities based on Sharia principles.

3) Law No.23 of 2003

Law No.23 of 1999 concerning Bank Indonesia provides the task of preparing regulations and supporting facilities for Sharia-based bank operations as well as the implementation of a dual bank system.

4) Law No.21 of 2008

Important points in Law No. 21 of 2008: (a) the obligation to include a "sharia" label for Islamic banks. Conventional commercial banks (BUK) which have a sharia business unit (UUS) are required to include a sharia label after the bank's name (article 5 no.5). (b) the existence of sanctions for controlling shareholders who do not pass the fit and proper test from Bank Indonesia (article 27). (c) Religious Scholars Indonesian Council is the only sharia decision holder. The product of Bank Indonesia regulations (PBI) related to Islamic banks is the result of

the adoption of the translation of the Religious Scholars Indonesian Council decision. In the framework of preparing the PBI, Bank Indonesia formed a sharia banking committee consisting of elements from Bank Indonesia, Ministry of Religion, and elements of the community with a balanced composition and with expertise in the field of sharia (article 26).

G. Comparison of Conventional Economic Theory and Islamic Economic Theory

Discussions about modern economic systems focus on two major systems; market capitalism and guided socialism. Capitalism is a system based on voluntary exchanges in a free market. Meanwhile, socialists try to overcome the problems of production, consumption, and distribution through planning or command. It should be understood that the two major systems in the modern economy do not mean making a dichotomy or bipolarization. The two systems are two extreme points on a spectrum of ideas. In its implementation, the economic system rolled out by countries in the world is currently on the spectrum. 'Then, where is Islamic Economics?' The discussion regarding Islamic economics and its relation to socialism or capitalism is not about 'whether Islamic economics is capitalism or socialism.' Rather it is 'where is it on the spectrum?' Is there a differentiation from what is offered by Islamic economics compared to the two systems, and how Islamic economics can work? Islamic economics is a branch of science that studies methods in understanding and solving economic problems based on the teachings of Islam. Human ethics and society based on the teachings of Islam is what is then referred to as Islamic rational behavior which will be the basis for the formation of an Islamic economy (Arifin, 2007).

Things related to the comparison of Islamic economic theory and conventional economic theory have differences and similarities that are quite interesting to discuss.

H. Paradigm of Conventional Economic System and Islamic Economic Theory of Capitalist Economy

The ideology of capitalism refers to the views of Adam Smith (1729 AD-1790 AD) which focuses on a market economic system, also called a liberal economic system. The principles of capitalist society according to Adam Smith's classical theory include the principle of private property, free competition and the profit motive. Shows that the concept of "capitalism" is a system that is explicitly characterized by the rule of "capitalist". Furthermore, modern capitalism as described by sociologists; Light, Keller, and Calhoun adopt other assumptions, namely capital accumulation and the creation of wealth. This is a development of classical capitalism which is hedonistic-personality or individualism. The capitalist system is built on three basic frameworks. The first is the limitation of goods and services which have implications for human needs. This means that goods and services have limitations to meet complex human needs and are continuously increasing in quantity. Second, is the value of an item produced, this is the basis of economic research. Third, is the price and the role it plays in production, consumption and distribution. Price is a controlling tool in a capitalist economic system (Ulfa, 2010).

I. Socialist Economic Theory

Studying capitalist economic theory will certainly have implications for socialist economic theory which is intended to implement regulations in the economic system or theory that intends to obtain a better distribution than capitalist theory. The basic strategy of a socialist economic system is to act by a central democratic authority, and to it the acquisition of a

more equitable production of wealth than is currently operating (capitalist). According to Joad, various efforts that socialism recommends to society are: (1) The abolition of private ownership of the means of production. (2) The nature and extent of industry and production serve social needs and not the profit motive. (3) In capitalism the driving force is personal profit. This will be replaced by the social service motive.

The socialist system and ideology have a differentiation with the capitalist economic system. Socialist ideology seemed dominant in the 19th century. At that time, socialists confronted the views of Liberalism due to the injustice suffered by society because of the Capitalist economic system and the various problems that occurred in it. According to Taqyuddin quoted by Abdul Aziz, there are three principles in the Socialist school that distinguish it from previous economic schools, namely: (1) Realizing real equality. (2) Eliminate individual ownership (private property) in whole or in part. (3) Organize production and distribution collectively (Ulfa, 2010).

J. Islamic Economic Theory

Islamic economics is different from the Capitalist and Socialist systems and at the same time it is not a synthesis of these systems. The Islamic economic system is a formulation based on the Islamic view of life. Islamic economics must be realized in the economic cycle at all levels of society. the government does not dominate an authoritarian economy like socialist/commonism. There are three major streams of Islamic economic system, namely:

- a) Madzhab Baqir is of the view that increasingly complex economic problems arise due to an unequal and unfair distribution, the case is caused by an economic system that exploits the strong against the weak. Therefore, economic problems arise

not because of limited resources, but because of unlimited human greed.

In line with that, this school rejects all theories developed by conventional economics. Instead, this madhhab assembles new theories in economics that are excavated and deduced from the Qur'an and As-Sunnah.

- b) The Mainstream Madzhab is of the view that economic problems arise due to limited resources faced with unlimited human wants. This madzhab of thought on economic issues is almost no different from conventional economic views. Scarcity of resources is the cause of economic problems. The figures of this madzhab include M. Umar Chapra, M.A. Manan, M. Nejetullah Siddiq, and others, the majority of whom work at Islamic Development Bank (IDE);
- c) Critical alternative madzhab include Timur Kuran, Muhammad Arif, and others. This school criticizes the two previous schools of thought. Madzhab Baqir is criticized as a school that claims to have discovered something new that has been discovered by others. In a sense, eliminating the old theory and then formulating a new theory. Then, he criticized the mainstream madzhab as an adoption of neoclassical economics by eliminating usury variables and giving rise to zakat and intention variables. This madzhab is a critical school of thought. They are of the view that critical analysis is not only aimed at socialism and capitalism, but also at Islamic economics. They believe that Islam must be true, but Islamic economics is not entirely true because some of it is the result of human interpretation of Qur'an and As-Sunnah, so the truth value is not absolute. According to the critical school of thought, propositions and theories formulated by Islamic economics must always be tested for

validity as they are applied to conventional economics (Aziz, Maria Ulfa, 2010).

The principle of Islamic economics is a noble goal based on the search for ma'isyah (life) in order to seek God's fortune which is carried out in a halal and thayyib way. According to Murasa Sarkaniputra quoted by Abd. Aziz, the paradigm of Islamic economics becomes concrete in the vision of a person who only produces halal and thayyib (good) commodities and in achieving income he does not carry out profit maximization. These three new paradigms will change people to carry out daily muamalah aimed at achieving the pleasure of Allah (Ulfa, 2010).

The Cause of the Lack of Public Interest in Partnering with Sharia Banking
The main principle of Islam as a way of life is monotheism. The first revelation that came down was Surah Al-Alaq verses 1-5, in which the philosophical foundations of life were laid. That Allah SWT is the creator of all that exists, Allah SWT is Most Noble and Allah SWT is All-Knowing of all things. Humans are creatures that are explicitly referred to as the creation of Allah SWT. Humans are commanded to always read in the name of Allah SWT (Rahmawati & Karim, 2016). In organizing life, Islam has provided perfect guidance in various fields with the aim of benefiting. One of them is in the economic field. Islam has noble and superior teachings for managing the economy in life (Chapra, 2001). All aspects related to the basics of the economy are regulated by Qur'an. The methods and techniques of economic activity will continue to develop according to the progress of the times, such as Islamic financial institutions which continue to experience challenges in developing them.

Regarding the public still being reluctant to access banking products and services, a solution must be explored on

an ongoing basis for stakeholders. Looking at the market share of Islamic banking in the range of 6.5% a problem that needs to be decided accelerated.

Islamic economics is a guide given by Allah SWT to humans to achieve justice, prosperity. When the understanding of Muslims, including in Indonesia, has not been realized as expected, what happens is that the loyalty of Islamic banking customers will not develop well. The Islamic banking system is still not remarkably familiar to the public, especially assuming that there are many weaknesses in Islamic banking operations, making most people not make Islamic banking an option. However, this is not the main factor about the reluctance of customers to choose Islamic banking. However, the strategy of Islamic banking in winning the hearts of the market is still considered weak. Islamic banking is not so familiar or considered new, it should be able to set a strategy to win the hearts of the people. One of the customers' interests in conventional roles is to pursue high interest rates. Therefore, providing benefits to Islamic banking customers in the form of profit sharing is a strategy that must work well. Customers also consider that in terms of the profit margin of murabahah products, for example, they are considered higher compared to conventional bank interest profits, it is necessary to conduct studies and policies so that they can be more competitive considering the market share comparison of Islamic banking is far behind with conventional banking.

Based on Worldpopulationreview data in 2021, Indonesia is a population with the largest number of Muslims in the world, which is a market that has the potential to realize various Islamic economic activities. Referring to data from the Directorate General of Population and Civil Registration (Dukcapil) of the Ministry of Home Affairs, total population of

Indonesia is 272.23 million in June 2021, and as many as 236.53 million people (86.88%) are Muslims. However, the dominance of Muslim population in Indonesia is not proportional to the growth of sharia transactions. This is clear from the statement by the President Director of PT Bank Syariah Indonesia Tbk or BSI, Hery Gunardi who stated that in Indonesia, of the approximately 180 million Muslim population, only 30.27 million were customers of Islamic banks as of November 2020. This statement shows that the market potential of Islamic banks is large and has not been fully exploited. Sharia transactions that are still minimal in Indonesia show that Islamic banking has not become a market leader.

Based on the Global Islamic Economy Indicator (GIEI), Indonesia is in 4th position in the resilience of the sharia economy in facing the pandemic. The COVID-19 pandemic has brought down the economies of many countries. The Financial Services Authority (OJK) recorded total Islamic financial assets of IDR 1,885.65 trillion as of June 2021. Sharia shares are not included in the calculation. Teguh Supangkat, deputy commissioner of banking supervision I of the Financial Services Authority, explained that Islamic financial assets consist of the Islamic capital market of IDR 1,137 trillion, Islamic banking of IDR 631 trillion, and the sharia non-bank financial industry (IKNB) of IDR 116 trillion. "There has been a significant increase from year to year since 2017," said Teguh at 2021 Islamic Finance Summit, Wednesday (30/9).

Although it has increased, based on the report of the National Committee and Islamic Finance (KNKS) the market share of Indonesian Islamic banking over the last 20 years has only been in the range of 5%, although stakeholders have made various efforts through policies to increase market share in accordance with targeted.

The implementation of the Islamic economic system in Indonesia has become pros and cons in society. It is proven that sharia-based institutions are increasingly becoming a trend. However, Islamic banking also has many challenges along the way. There are several factors causing the lack of interest of the Indonesian people to use Islamic banking services. These challenges include:

K. Society Assumes Related Not Synchronized Between the Concept of Islamic Banking and Implementation.

Many people still doubt the sharia and assume Islamic banking is the same as conventional financial institutions. With the view, for instance, that the application of murabahah system is considered to be no different from the interest rate applied by the conventional system, even the profit margins received by Islamic banking are more expensive. Another view is that Islamic banking is only for Muslims. In fact, it is a commercial institution that serves all levels of society. Ahmad Buchori, Head of Department of Islamic Banking at the Financial Services Authority, also said that there was an assumption that Islamic banks were not as complete, modern, and as good as conventional banks which had an impact on the small number of Islamic bank customers, including services and products. These views have an impact on customers to be neutral in partnering with financial institutions. On the other hand, sharia banking outlets which are still limited in various regions make it a weakness in socializing the existence of sharia banking.

L. Limited Human Resources

The increasingly rapid performance of Islamic financial institutions does not go hand in hand with the preparation of human resources that are able to accommodate two different sides so that they become a synergistic whole. So far,

most of the practitioners of Islamic finance are those who have sufficient competence in conventional economics, but in sharia science (the application of ushul fiqh and fiqh muamalah) it is still considered extremely limited.

The appearance of a gap between demand and availability of human resources is one focus of the problem, this is not caused by the minimal amount of output from universities, but the problem is that practitioners from Islamic financial institutions are not only those with marginal competence but the human resources needed are who have more competence than just bankers.

Managerial and accounting are skills that will figure out their role in the development of Islamic financial institutions. even though there are so many graduates from these study programs, the skills they have are still weak. The need for quality human resources is a challenge that must be answered for academics and the world of education. Understanding the quality of human resources which is still minimal, especially related to the competence of sharia economics will increase the enthusiasm for sharia economics from various elements to take part in providing solutions. One of them is developing the discipline of Islamic economics education.

The limitations of qualified human resources in the field of sharia and the economy have so far been overcome in an inappropriate way, namely placing employees who do not meet the qualifications which have an impact on services to customers that are not optimal.

M. Still Limited Office Network

Indonesia has a very wide area. However, the number of sharia offices running to remote areas is still very minimal. It is proven that sharia banking services in general are only available in big cities. The limited number of branch offices, sub-branches, cash offices, and

Automated Teller Machines (ATM) is one of the reasons why customers find it difficult to reach sharia banking services. Rizqullah, a BNI Syariah practitioner admits, "One of the obstacles to the growth of Islamic banks is the limited network." The government is the main actor in efforts to overcome the limitations of the Islamic bank office network that can reach people in various regions. On the other hand, technological advances have helped the limited number of office networks such as the presence of digital Islamic banks such as Aladin Syariah bank.

The Islamic finance industry has been digitized according to the progress of the times which provides easy access for the public in transactions, as said by the Secretary of the Daily Executing Body (BPH) of the National Sharia Council - Religious Scholars Indonesian Council (DSN-MUI), Prof. Jaih Mubarak. This triggers the Islamic economy and finance to grow larger which implies a cooperation between Islamic banking and halal business.

N. Political Islam in Indonesia which is not optimal yet

The role of Islamic politics has a dominant influence in realizing the existence of a sharia economy, for example in (1989-2000) there were only 2 BUS, 1 UUS, and 79 BPRS with assets still around 1.5 trillion. Meanwhile, post-reform, for example in the period 2000–2015 until January 2014, the number of Islamic banking institutions became 11 BUS, 23 UUS, 151 BPRS with total assets reaching 500 trillion plus 892 billion. This contrasting growth difference is due to the political and economic factors of the Indonesian government, which in the second period of regulation more accommodated the Islamic economic system. Another example, before the reform era, when Islamic politics did not take an ideal role in government, would affect the fate of Islamic financial

institutions. The establishment of Islamic banking cannot be separated from the suspicions of one of them by the New Order rulers in the 1970s and it is believed that there was suspicion in realizing the Jakarta Charter. This has implications for government policies that do not allow the establishment of these institutions.

The profit-sharing and fairer distribution system of the Islamic banking system is one of the reasons the New Order government has not given permission. This is contrary to the legislation in force in No. 14 of 1967, CHAPTER I, Article 1, which does not allow the operation of banks without credit interest.

One of the goals of establishing a bank is to provide easy access to MSMEs and small people. But the government is currently feeling increasingly secular in its policies, such as the merger policy of state-owned Islamic banks consisting of BRI Syariah (BRIS), BNI Syariah (BNIS), and Bank Syariah Mandiri (BSM) to become Bank Syariah Indonesia (BSI) where Muhammadiyah as one of the Islamic organizations in Indonesia has reviewed this policy with a request that 60% of the financing is in favor of MSMEs because the BSI regulations are mostly in favor of large corporations which this is contrary to the mandate and ideology of the Muhammadiyah organization which is more in favor of MSMEs and populist programs.

Bank Syariah Indonesia as stated in the regulation of Bank Indonesia only pursues the target of disbursement of 20%, this regulation is still extremely low if we look at the achievement of BRI Syariah distribution which reached 46% before the merger. Sharia Bank assets that touch the figure of IDR 239 trillion, of which the total financing disbursed was IDR 156.5 trillion. So, Bank Indonesia regulation which only gives 20% or around IDR 31 trillion to Micro Small

Medium Enterprises shows that it is more in favor of large corporations that are given financing of IDR 125 trillion.

Most of the absorbed workforce, which is around 120 million, is the contribution of Micro Small Medium Enterprises as well as their role in the Indonesian economy which reaches 60%. But the policy in disbursing large financing is given by corporations. This should be a future evaluation that the 5th precept of Pancasila provides a corridor to be more in favor of people and the community, namely Social Justice for all Indonesian People.”

Hidayat Nur Wahid, Deputy Chairman of Indonesian People's Consultative Assembly (MPR RI), said that the market share of Islamic banking was only at 6.81%, then 9.10% for Islamic financial inclusion, and the level of Islamic financial literacy was at 8.93%. These data show that small communities have not received much touch from Islamic banking.

Good regulation will certainly accelerate the development of the Islamic economy. The position of legal institutions must continue to be strengthened with comprehensive foundations and regulations in the context of accelerating sharia economic growth in Indonesia. However, due to the constraints of political Islam in Indonesia, which has experienced ups and downs, it has hampered the process of designing regulations. The existence of Law No. 41/2004 concerning waqf, Law No. 19/2008 concerning State Sharia Securities (SBSN) and Law NO. 21/2008 concerning Islamic banking, it is considered that there are still few regulations that accommodate Islamic economics, for example regulations on microfinance institutions such as Baitul Mal wa Tamwil (BMT), sharia insurance, and corporate sukuk which are still burdened with double taxation.

The challenges of Islamic economics in the institutional realm are truly diverse, including the absence of an umbrella organization (APEX) for Islamic microfinance institutions. The non-existent Islamic Financial Services Authority. All needs of Non-Bank Sharia Financial Institutions (LKS) need to be strengthened by the existence of facilities from credible Financial Institutions (LK), and strengthening of the Non-Bank Sharia Financial Institutions (LKS) Bureau at the Capital Market Supervisory Agency (BAPEPAM). In addition, a special work unit in the field of sharia that does not yet exist at Bank Indonesia has an influence on various policies that are not optimal. Various policies that are not in favor of the small community or the sharia economy are because the politics played by Muslims in this country have not been maximized.

O. Dominance of Conventional Economics

The dominance of conventional economics over modern economic thought has become a very advanced and sophisticated scientific discipline, it must be admitted that conventional economics has provided rapid progress in human life materially, initially the economic revolution had an impact on human welfare, the development of means of communication and increasing the ability to exploit natural resources. The standard of living among the working class is higher than if they depended solely on agriculture. But along the way, conventional economics failed to maintain its ideals. The gap between the rich and the poor is getting bigger, and has implications for the gap between developed and developing countries as well as causing high inflation and unemployment.

Although it has caused injustice, the grip of the hegemony of conventional economics has been extraordinarily strong, so that efforts to realize Islamic economics have met many challenges. In

addition, the national banking sector which is not competitive in its competition with foreign banks in Indonesia has an impact on the consumer side, which on average is from the lower middle class. This makes it difficult for people to get out of poverty. The initial presence of Islamic banking was intended to be the main solution. But apparently also cannot do much. Examining data from the financial services authority in a snapshot of the market share of Islamic banking, the position in December 2020 touched 6.51%, an increase from the previous year's position in June 2019 which touched 5.95%. President Jokowi Dodo in his speech at the inauguration of Bank Syariah Indonesia at the State Palace stated, "Although the market share of the Islamic finance industry lags behind compared to conventional banks in the country, this condition becomes the ammunition for Islamic banks in the future" (Butar-Butar, Fachrudin, & Silalahi, n.d.). President's statement is reinforced by data from the Financial Services Authority, where until the end of 2020, the distribution of Islamic commercial bank financing in Indonesia grew 9.5% on an annual basis. This growth is above the national banking industry financing growth which was minus 2.41% (Rahmah, Syafroni, & Suntoko, 2021). This value is only able to provide a small contribution compared to conventional banking.

The development of Islamic banking is basically an integral and important part so that its role cannot be separated from the development of the Islamic economy. Islamic banking will not succeed if there is no support from all elements of the nation. Bank Indonesia Deputy Governor Dody Budi Waluyo also explained that the challenges still faced by the Islamic economy in Indonesia are: First, "limited capital of Islamic financial institutions in expanding the range of financing and funding for business actors with lower

costs is still an obstacle. Second, accelerate the development of sharia product innovation, our sharia products need to be more varied and market friendly. Third, Dody said it was important to continue to encourage the development of human resources in the Islamic economic sector. The reason is that human resources are needed who can manage exceptionally large people's funds. Fourth, according to him, infrastructure limitations in the Islamic economy and finance also need to be overcome so that Islamic financial services, including the use of technology, can be further expanded." he said in a video conference, Monday (5/10/2020).

P. The Right Formulation in Developing Indonesian Islamic Banking

Various complex problems in Islamic financial institutions, of course, this is not a reason not to develop. Every good and right effort will pay off. Workable solutions include:

Q. Realizing Islamic economic politics

Islamic economic politics is an effort to maintain the continuity of human life to achieve prosperity, justice, and enlightened happiness. The perception of some people who interpret politics will lead to practical politics must be clarified. Practical politics that justifies many ways to win power is quite different from Islamic economic politics. Realizing the political economy of Islam is an order from Allah SWT to humans as caliphs in bringing benefit.

Islamic economic politics is often called *Siyasa Maliyah*. In the editorial, namely *tadakhkhu ad-daulah* (state intervention). State intervention in Ash-Shadr's view is a state that intervenes in economic activities to ensure the adaptation of Islamic law which has implications for the economic activities of the community. Policy (political will) towards Islamic financial institutions is the main determinant in the future. A set of

policy makers and managers are in the legislative, judicial, and executive positions. The development process and efforts to achieve justice, democracy and prosperity need to consider the various aspirations of the people that are in harmony with the national development goals, namely the development of the Indonesian people as a whole and the development of the Indonesian people to create a prosperous, just and prosperous society that is equitable, both materially and spiritually based on Pancasila and the 1945 Constitution of the Republic of Indonesia. Development is a multidimensional process that involves fundamental changes in social structures, social behavior and national institutions.

The importance of Muslim scholars so that they can be in legislative, judicial, and executive positions will have implications for accelerating juridical support for strengthening the sharia economic system in Indonesia. In organizing a just and prosperous Indonesian economy, it is stated that the positive economic law is based on Pancasila and the 1945 Constitution articles 27, 33 and 34 which are in line with Islamic values. The principles of Islamic Economics cannot be separated from the basics of Islamic law, namely the Qur'an, Sunnah, Ijmak, qiyas and ijtihad. Islamic law actually develops along with the times in responding to various complex problems. Dr. Murniati Mukhlisin, M.Acc stated that if Islamic economics wants to be maximized in its development, like it or not, Muslims must understand Islamic economic politics.

R. The Concrete Role of Sharia Economics

The system offered by Islamic banking will have a good impact if in its application it upholds the concept of sharia. Sharia banking activities are monitored by the government (Bank Indonesia), and the Sharia Council in a

strict and systematic manner, seeing that several sharia banking institutions have been running independently of the regulations and there are no strict sanctions when their operational aspects deviate from sharia provisions. The absence of firm and systematic action has led to many Islamic banking practices that are not following the concept and do not have an impact on welfare or benefit for the people, it is estimated that such banking practices have been carried out by almost 75% of banks claiming sharia in Indonesia. So, the existence of systematic regulations will make Islamic banking have high credibility. On the other hand, the implementation of the Islamic finance sector is oriented towards the real sector, especially among the lower middle class with the hope of minimizing the gap between the real sector and the monetary sector. Orientation to the real sector, has a high influence on fair and equitable economic growth.

Islamic financial institutions such as banks must also continue to improve their human resources by providing conditions to continue to improve their skills, motivation, and knowledge through various trainings, Islamic studies and so on outside of working hours.

Islamic banking may also need a door to door strategy in adding new customers by providing more comprehensive education to prospective customers, especially education on the importance of participating in advancing the Islamic economy, education that is no less important is to explain explicitly about product advantages because customer understanding in this case is usually constrained by the limited time of service (customer service) due to queues, various understandings of customers, in the sense that not all customers understand because banks often explain things that are ambiguous or give rise to many interpretations.

S. Effective marketing strategy

The trend of sharia diction that is increasingly familiar in various countries including Indonesia, such as sharia banking, sharia hotels, the increasingly important halal-haram labeling requires wisdom in thinking and putting aside the emotional aspect. Customers must be one of the priorities in getting good service. The professionalism of Islamic financial institutions is an absolute must in maintaining credibility. Islamic bank practitioners must be able to convince Muslims that Islamic banks are better. Good, modern, fast service will provide a change for the better. In terms of meeting the increasingly diverse needs of consumers, Islamic banking provides a variety of products. Technology and information that are increasingly advanced are tools that must be functioned in facilitating consumer needs as well as being the attraction of Islamic banking. Attractive products that are varied, competitive, and adapt to the needs of the community have made Islamic banking grow significantly. The rapid advancement of technology and information has also made Islamic banking able to build relationships with Islamic financial institutions around the world and collaborate in various benefit programs.

CONCLUSION

Islamic economics is the best formulation in reviving the economy in Indonesia when the challenges of the conventional economy are not able to bring prosperity, and have caused many problems. The hegemony of the conventional economic system which is extraordinarily strong has clouded the public's view of the primacy of the Islamic economic system, one of which is Islamic banking which has received less interest from the Indonesian people, who in fact are most Muslims. The factors that cause these problems, people assume that there is no synchronization between the conception of Islamic banking and implementation, limited human resources, especially practitioners who

master modern banking/economics, and understand fiqh (sharia). Office network services that are not evenly distributed over the breadth of Indonesia, the dominance of sophisticated and modern conventional economics have provided rapid progress, one of which is in the field of informatics. The dimness of Islamic politics is an obstacle in carrying out its operations because it must go through various complicated bureaucracies.

Some of these obstacles require stakeholders to carry out the right strategy so that the sharia economy in Indonesia can bring fresh air to the economy at every level of society. Among the strategies and formulations that can be implemented include realizing superior Islamic economic politics so that state intervention in economic activities does not get out of the corridor of Islamic law that brings justice and prosperity, realizing the concrete role of sharia economy will have a good impact if in its application upholds the concept of sharia. , and effective marketing strategies through various sectors including attractive product variations according to the needs of the community and the times, friendly and modern services, sharia expo programs, utilization of information technology facilities, and office network expansion greatly affect customer growth rates due to close services. with the community being a suitable alternative, the village community does not really care about the name of banking, but the community needs banking services that can reach easy access with the availability of offices in small towns and of course credit sharia banking bell so that it does not lose in terms of service and product innovation with conventional financial institutions.

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