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JURNAL SYNTAX TRANSFORMATION

ANALYSIS OF THE DIFFERENCES AND RELEVANCE OF ISLAMIC AND CONVENTIONAL BANKING PRINCIPLES

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Abstrak:

The Minister of Transportation of the Republic of Indonesia has issued Regulation of the Minister of Transportation Number PM 63 of 2019 concerning Minimum Service Standards for Transportation of People by Train which is a reference for infrastructure operators and / or railway facility operators in providing services to service users. Tidak terkecuali bagi PT. Kereta Api Indonesia (KAI) DAOP VI Yogyakarta which is the organizer of the Yogyakarta-Solo Electric Railway.This research is about the Implementation of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 63 of 2019 concerning Minimum Service Standards for Transportation of People by Train, located at PT. Indonesian Railway DAOP VI Yogyakarta. This research method is normative legal research, which uses key informants as research subjects, to analyze the development of information and its sources, then the sampling technique used is purposive sampling. The population in this study is all management and employees at PT. Kereta Api Indonesia DAOP VI Yogyakarta, while the sample used is only part of the management and employees of PT. Kereta Api Indonesia DAOP VI Yogyakarta started from the direction of key informants. The results of the study are expected to inform that the implementation of the Ministerial Regulation has been implemented by the railway operator, PT. Kereta Api Indonesia DAOP VI Yogyakarta properly and correctly as stated in the provisions of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 63 of 2019.

Keywords: Service Standard, Railway, Electric Train

Introduction

Islamic and conventional banking have fundamental differences in their operating principles (Izziyana, 2017). Islamic banking is based on Islamic sharia principles, which mandate financial practices that are ethical, transparent, and fair for all parties involved in transactions. Meanwhile, conventional banking is based on capitalist principles that focus on return on capital and return on investment (Setiawan, 2006).

Conventional Banks and Islamic Banks in several ways have similarities, especially in the technical side of receiving money, transfer mechanisms, computer technology used, general requirements for obtaining financing such as KTP, NPWP, proposals, financial statements, and so on. The basic difference between the two according to is related to legal aspects, organizational structure, financed business and work environment (Ardi et al., 2016)

The development of the Islamic financial industry informally began before the issuance of a formal legal framework as the basis for banking operations in Indonesia (Maulida et al., 2020). Several non-bank financing business entities have been established before 1992 that have applied the concept of profit sharing in their operational activities (Marimin & Romdhoni, 2015). This shows the community's need for the presence of financial institutions that can provide financial services in accordance with sharia.

The needs of the community have been answered by the realization of a sharia-compliant banking system. The government has included that possibility in the new law. Law No. 7 of 1992 concerning Banking has implicitly opened up opportunities for banking business activities that have an operational basis for profit sharing which is detailed in Government Regulation No. 72 of 1992 concerning Banks Based on the Profit Sharing Principle. This provision has been used as the legal basis for the operation of Sharia Banks in Indonesia.

The growth of Islamic banking has shown rapid growth around the world, especially in countries with Muslim majorities (Ghozali et al., 2019). This can be seen from the increasing number of Islamic banking institutions and the growing Islamic capital market. Nonetheless, many people still wonder about the difference between Islamic and conventional banking and the relevance of Islamic banking principles in the context of today's global economy.

In order to understand the differences and relevance of Islamic and conventional banking principles, further analysis is needed. This article will discuss the fundamental differences between Islamic and conventional banking as well as the relevance of Islamic banking principles in the context of today's global economy (TRIA, 2022). In this context, the analysis is carried out using empirical data and information obtained from the relevant literature.

The purpose of writing this article is to have a better understanding of the differences between Islamic and conventional banking as well as the relevance of Islamic banking principles in the current global economic context. As a conclusion of the discussion, this article also provides some recommendations for further development in the field of Islamic banking.

METODE

The research method used is qualitative method, this study is descriptive analytic, this is to describe and analyze the system of Islamic financial institutions with the system of conventional financial institutions. This paper will offer about the differences between Islamic financial institutions and conventional financial institutions (Creswell, 2015).

HASIL DAN PEMBAHASAN

Understanding Conventional Financial Institutions

Financial Institution can be defined as a business entity whose main assets are in the form of financial assets and bills which can be in the form of stocks, bonds, and loans, rather than in the form of real assets such as buildings, equipment and raw materials (Nurzianti, 2021). Meanwhile, according to Law Number 14 of 1967 concerning Banking Principles, what is meant by financial institutions is all entities that through activities in the financial sector withdraw money from the community and channel the money back to the community. From the above understanding, it is known that financial institutions are places of transformation or movement of funds from parties who experience surplus of funds to parties who experience a deficit of funds (Wafa, 2017).

Forms of Conventional Financial Institutions

The form of Financial Institutions in its outline can be divided into 2. namely Bank and Non-Bank Financial Institutions. Both have different functions and institutions (Fitriani, 2017).

1. Bank Financial Institution (depository)

The definition of a bank according to Law No. 10 of 1998 is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of many people. Banking Governance in Indonesia:

a. Central Bank

Is a government-owned bank in charge of regulating, maintaining, and maintaining the stability of the country's currency, guiding the implementation of monetary policy, and coordinating, fostering, and supervising all banks.

b. Commercial Bank (Comercial Bank)

is an institution that runs a conventional business that in its activities provides services in payment traffic.

The banking structure in Indonesia consists of BU (Commercial Banks) and BPR (People's Credit Banks). The difference between the two is in terms of their operational activities. BPR cannot create giral money and has limited reach and operational activities. The main functions of the bank are:

a. Raise public funds in the form of savings.

b. Channeling funds to the community in the form of credit.

c. Smooth trade transactions and money circulation.

2. Non-Bank Financial Institutions (nondepository)

Non-Bank Financial Institutions are business entities that carry out activities in the financial sector, directly or indirectly, collect funds from the public and channel them back to the community for productive activities. The activities of Non-Bank Financial Institutions are focused on one financial activity only.

Understanding Islamic Financial Institutions

Understanding Islamic Financial Institutions does not have much difference from Conventional Financial Institutions, it's just that Islamic Financial Institutions have principles that are not the same as Conventional Financial Institutions, namely Islamic legal principles in banking and financial activities based on fatwas issued by institutions that have the authority to determine fatwas in the field of sharia (Imaniyati, 2011).

Forms of Islamic Financial Institutions

The form of Islamic Financial Institutions as existing in Conventional Financial Institutions can be divided into 2, namely Bank Islamic Financial Institutions (Islamic banks) and Non-Bank Islamic Financial Institutions.

1. Sharia Bank

Islamic banks are banks that carry out their business activities based on sharia principles. Philosophically, Islamic banks are banks whose activities leave usury issues behind. By type, it consists of BUS (Sharia Commercial Bank) and BPRS (Sharia People's Financing Bank). Islamic banks have a different system from conventional banks. Islamic banks provide interest-free services to their customers. Islamic banks do not use an interest system, both interest on depository customers and borrower customers.

2. Non-Bank Islamic Financial Institutions

The types of non-bank Islamic financial institutions are not much different from conventional financial institutions. There is only 1 institution owned by Islamic banks but not owned by conventional banks, the institution is BMT or Baitul Maal wat Tamwil. BMT consists of 2 terms, namely baitul maal and baitut tamwil. Baitul maal in more directed efforts to collect and distribute non-profit funds such as zakat, infaq and shodaqoh. Meanwhile, Baitut Tamwil is more about collecting and distributing commercial funds.

Principles of Sharia Banking

According to Article 2 of Law Number 21 of 2008, Islamic banking in conducting its business activities is based on sharia principles, economic democracy, and prudential principles. In the explanation of Article 2, the following business activities based on the following are stated: (Parmadi & Pratama, 2020):

1. Sharia principles, including business activities that do not contain elements:

a. Riba, which is an unauthorized addition of income, among others, in exchange transactions for similar goods that are not the same quality, quantity, and delivery time (fadhl), or in lending and borrowing transactions that require the recipient customer to return funds received in excess of the principal of the loan due to the passage of time (nasi'ah)

b. Maisir, which is a transaction that depends on an uncertain and fortuitous situation.
c. Gharar, which is a transaction whose object is unclear, does not have, is not known to exist, or cannot be handed over at the time the transaction is made, unless otherwise regulated in sharia
d. Haram, i.e. transactions whose objects are prohibited in sharia
e. Zalim, which is a transaction that causes injustice to other parties.
2. Economic democracy is a sharia economic activity that contains the values of justice, togetherness, equity, and expediency (Kholid, 2018).
3. The prudential principle is a bank management guideline that must be adopted in order to realize a sound, strong, and efficient banking, in accordance with laws and regulations (Ardi et al., 2016).

Analysis of the Difference Between Islamic Banks and Conventional Banks

Conventional Banks and Islamic Banks in several ways have similarities, especially in the technical side of receiving money, transfer mechanisms, computer technology used, general financing requirements, and so on. The difference between conventional banks and Islamic banks concerns legal aspects, organizational structure, financed business, and work environment (Zaharman, 2016).

1. Akad and Legal Aspects

Contracts made in Islamic banks have worldly and ukhrawi consequences because they are made based on Islamic law. Customers often dare to violate agreements / agreements that have been made if the law is only based on positive law, but not so if the agreement has liability until yaumil qiyamah later (Kholid, 2018). Every contract in Islamic banking, whether in terms of goods, transaction actors, or other provisions must meet the provisions of the contract

2. Organizational Structure

Sharia Banks can have the same structure as Conventional Banks, for example in terms of commissioners and directors, but the element that greatly distinguishes between Islamic Banks and Conventional Banks is the necessity of a Sharia Supervisory Board that functions to oversee bank operations and products so as not to conflict with sharia (Nurdiwaty & Ayu, 2019).

The Sharia Supervisory Board is usually placed at the level of the Board of Commissioners in each bank. This is to ensure the effectiveness of any opinion given by the Sharia Supervisory Board. Therefore, usually the determination of members of the Sharia Supervisory Board is carried out by the General Meeting of Shareholders, after the members of the Sharia Supervisory Board receive recommendations from the National Sharia Board (Roy et al., 2016).

3. Businesses and Financed Businesses

The business and business carried out by Sharia Banks cannot be separated from sharia criteria. This makes it impossible for Islamic banks to finance businesses that contain prohibited elements. There are a number of limitations when it comes to financing. Not all projects or financing objects can be funded through Islamic Bank funds, but must be in accordance with sharia principles.

4. Work Environment and Culture

A Sharia Bank should have a work environment that is in line with sharia. In terms of ethics, for example the nature of amânah and shiddiq, must underlie every employee so that the integrity of good Muslim executives is reflected, besides that Sharia Bank employees must be professional (fathanah), and able to perform tasks in team-work where information is evenly distributed throughout the functional organization (tabligh). In terms of reward and punishment, the principle of justice in accordance with sharia is needed.

In addition to the above, there are also several things about the differences between Islamic Banks and Conventional Banks, as follows:

1. Philosophical Differences

The main difference between conventional banks and Islamic banks lies in the philosophical basis they adopt. Islamic banks do not implement an interest system in all their activities while conventional banks are just the opposite. This is a very deep difference in the products developed by Islamic Banks, where to avoid the interest system, the system developed is buying and selling and partnerships carried out in the form of profit sharing. Thus, actually all types of business transactions through Islamic Banks are allowed as long as they do not contain elements of interest (usury). Riba simply means a system of interest bearing which in all processes can result in swelling obligations of one party. Riba, has the potential to cause large profits on one side but large losses on the other, or even both.

2. Obligation to Manage Zakat, Infak and Alms

Sharia banks are required to be zakat managers, namely in the sense that they are obliged to pay zakat, collect, and distribute it. This is an inherent function and role of Islamic Banks for the use of social funds (zakat, infak, alms). As stated in Law No.21 of 2008 Article 4 Paragraph (2): Sharia Banks and UUS can carry out social functions in the form of baitul mal institutions, namely receiving funds derived from zakat, infak, alms, grants, or other social funds and distributing them to zakat management organizations.

3. Products

Islamic banks do not provide loans in the form of cash, but cooperate on the basis of partnerships, such as the principle of profit sharing (mudhârabah), the principle of capital participation (musyârakah), the principle of buying and selling (murâbahah), and the principle of rent (ijarah). While in Conventional Banks there are deposits, interest-bearing cash loans.

4. Purpose and Function

The Islamic Banking System, like other aspects of the Islamic view of life, is a supporting means of realizing the goals of the Islamic social and economic system. Some of the important objectives and functions of the Islamic Banking system are:

a. Widespread economic well-being with full employment and optimum rate of economic growth.

b. Socio-economic justice, socio-economic justice and equitable distribution of income and wealth.

c. Stability in the value of money to enable the medium of exchange to become a reliable unit of calculation, fair payment standards and stability in the value of money.

CONCLUSION

Sharia banks serve as a means to accumulate people's savings and develop them. The point is that Sharia Bank is an institution that functions to invest public funds in accordance with Islamic recommendations effectively, productively and for the benefit of Muslims. The main objective of Sharia Bank, which is to unite Muslims, restore the strength, role, and position of Islam on this earth can be achieved.

Conventional Banks are established to obtain maximum material benefits, while Islamic Banks are established to provide material and spiritual welfare. This material and spiritual welfare is obtained through halal funds collection and distribution. This means that Sharia Bank will not distribute funds to liquor factories or other businesses that cannot be guaranteed that the results come from halal activities. Therefore, it can be said that the concept of profit in conventional banks is more inclined, focusing on the angle of material profits, while the concept of profit in Islamic banks must pay attention to profits from the worldly and ukhrawi (hereafter) angles.

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