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Journal of Islamic Economic Law

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Islamic Financial Statements

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Muhamad Kharis Tambusai**

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The Basic Concepts of Preparation and Presentation of Islamic Financial Statements

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Abstract

The potential of Islamic banking continues to be enhanced to build a national sharia economic ecosystem, it's can contribute optimally to the national economy and social development. Operational principles and accounting standards are one of the foundations for progress in Islamic banking. An overview of the pros and cons of Islamic banking can be identified through its performance which is reflected in the financial statements. The focus of this paper is on the preparation and presentation of Islamic financial statements along with a comparison of financial statements between sharia and conventional, in which conventional financial statements contain fewer elements of financial statements. This type of research is library research which analyzes data with descriptive analysis. The results of this research indicate that Islamic financial statements are not only related to commercial aspects but also cover all aspects of human life, be it economic, political, social, or moral philosophy. In addition to reflecting Islamic banking activities, the Islamic financial statement also divides its rights and obligations as reported in the statement of financial position (balance sheet), income statement, cash flow statement, and changes in equity. But it also reflects as a mandate holder of social activity funds that are managed separately, which is reported

in the report on the source and use of zakat funds and the report on the source and use of benevolent funds (qardhul hasan).

Keywords: *Islamic Financial Statements; Islamic Banking; Islamic Accounting*

Abstrak

Potensi perbankan syariah terus ditingkatkan untuk membangun ekosistem ekonomi syariah nasional, sehingga dapat berkontribusi secara optimal dalam perekonomian nasional dan pembangunan sosial. Prinsip-prinsip operasional dan standar akuntansi menjadi salah satu dasar kemajuan perbankan syariah. Gambaran tentang baik dan buruknya suatu perbankan syariah dapat dikenali melalui kinerjanya yang tergambar dalam laporan keuangan. Fokus tulisan ini adalah tentang penyusunan dan penyajian laporan keuangan syariah berikut dengan perbandingan laporan keuangan antara syariah dan konvensional. Jenis penelitian ini adalah penelitian kepustakaan (library research) dengan analisis data berupa metode deskriptif. Hasil penelitian ini menunjukkan bahwa laporan keuangan syariah merupakan laporan keuangan yang tidak hanya berhubungan dengan aspek komersial, tetapi juga mencakup seluruh aspek kehidupan umat manusia, baik ekonomi, politik, sosial, dan filsafat moral. Laporan keuangan syariah selain mencerminkan kegiatan perbankan syariah yang membagi hak dan kewajibannya seperti yang dilaporkan dalam laporan posisi keuangan (neraca), laporan laba rugi, laporan arus kas, dan laporan perubahan ekuitas, juga mencerminkan sebagai pemegang amanah dana kegiatan sosial yang dikelola secara terpisah dan dilaporkan dalam laporan sumber dan penggunaan dana zakat dan laporan sumber dan penggunaan dana kebajikan (qardhul hasan).

Kata Kunci: *Laporan Keuangan Syariah; Perbankan Syariah; Akuntansi Syariah*

Introduction

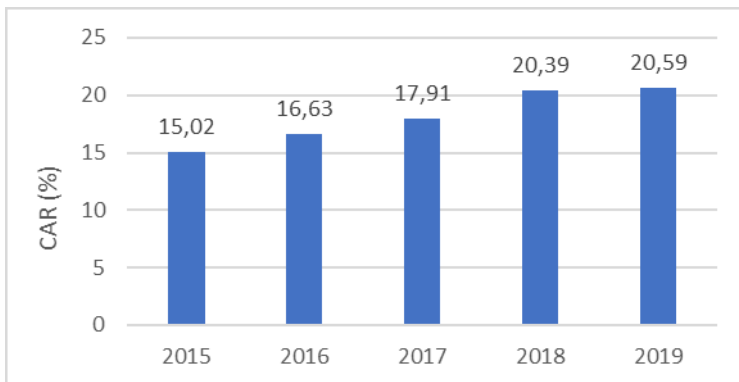
Islamic banking is a driving force that acts as a liaison between various sectors, such as the real sector, commercial finance, social finance, and the religious sector. The potential of Islamic banking continues to be increased to build a national sharia economic ecosystem, so that it can contribute optimally to the national economy and social development.¹ This refers to one of the objectives of the establishment of Islamic banking which is to support

¹OJK, *Roadmap Pengembangan Perbankan Syariah Indonesia 2020-2025*, Direktorat Pengaturan Dan Perizinan Perbankan Syariah, Otoritas Jasa Keuangan (Jakarta: Direktorat Pengaturan dan Perizinan Perbankan Syariah Otoritas Jasa Keuangan, 2020), 1.

the implementation of national development in order to improve justice, togetherness, and equitable distribution of people's welfare.² Therefore, Islamic banking was developed on a basis that does not separate between world problems and religious problems. This basis is subject to and obedient to sharia as the basis for all aspects of life.³

In an effort to increase the growth of Islamic banking activities, a policy direction, and development of Islamic banking is formulated, known as the Indonesian Islamic Banking Roadmap (RPSI). Seen in the Indonesian banking booklet 2020, there are seven policy directions for the Roadmap in the 2015-2019 period.⁴ And the achievement of one of the policy directions of the 2015-2019 Indonesian Islamic Banking Roadmap in 2019 is strengthening the capital and business scale of Islamic banking. Judging from the graphic image of the financial ratios of Islamic Commercial Banks according to CAR (Percent) in 2015-2019 below.

Figure 1. Financial Ratios of Islamic Commercial Banks According to CAR (Percent), 2015-2019



Source: Sharia Banking Statistics, December 2020

²Heri Sudarsono, *Bank Dan Lembaga Keuangan Syariah: Deskripsi Dan Ilustrasi* (Yogyakarta: Ekosoria, 2012), 12.

³Zainul Arifin, *Dasar-Dasar Manajemen Bank Syariah* (Jakarta: Pustaka Alvabet, 2006), 19.

⁴OJK, *Booklet Perbankan Indonesia 2020* (Jakarta: Departemen Perizinan dan Informasi Perbankan, Otoritas Jasa Keuangan, 2020), 6.

It can be seen from the graphic above that the increase in the percentage of CAR (Capital Adequacy Ratio) in 2019 was 20,95% from the previous period of 15,02% in 2015, which indicates that the higher the CAR, the higher the Bank's ability to bear risks from every credit/productive asset, thereby increasing customer security which indirectly can also increase customer confidence and then can have a positive impact on increasing the Bank's profitability. In addition to the positive increase in CAR also occurred in total assets of Rp 537,4 T, Disbursed Financing (PYD) of Rp 265,5 T, and Third Party Funds (DPK) of Rp 424,1 T.⁵

In line with the development of Islamic banking, operational principles are also the basis for the progress of Islamic banks. Accounting standards are one of the basic keys to the success of Islamic banks in serving the community. The basis includes the presentation of sufficient, reliable and relevant information for its users, but still in the context of Islamic sharia. Among the important sources of information are financial reports from Islamic banking that comply with established standards. A financial report is a summary of the operations, financing, and investment activities of a business that provides information and tools to communicate financial data or activities of a company and parties with an interest in company data or activities.⁶ In addition, financial reports are also prepared with the aim of providing progress reports to periodic company, which consist of data that is the result of a combination of recorded facts accounting, principles, and habits as well as personal opinions.⁷

Basically, the basic framework for the preparation of financial reports between conventional and sharia is not much different, namely the similarity lies in the preparation of financial reports on commercial activities consisting of balance sheets, income reports, and reports of changes in elements (cash flow reports and reports

⁵OJK, *Statistik Perbankan Syariah Desember 2020* (Jakarta: Departemen Perizinan dan Informasi Perbankan, Otoritas Jasa Keuangan, 2021), 1.

⁶Frank J. Fabozzi and Pamela P. Peterson, *Financial Management & Analysis*, 2nd ed. (New Jersey: John Wiley & Sons, Inc., 2003), 132.

⁷Dadang Husen Sobana, *Manajemen Keuangan Syariah* (Bandung: Pustaka Setia, 2017), 9.

of changes in equity),⁸ whereas in Islamic financial reports also consist of other activities besides commercial activities, namely based on social activities. In addition, the preparation of financial reports does not only refer to commercial and social activities but also in accordance with the applicable Statement of Financial Accounting Standards (PSAK), because financial reports cannot be separated from accounting activities.⁹ Today, there are still many types of Islamic Financial Institutions that have not implemented the preparation of financial reports in accordance with applicable accounting principles and PSAK. It can be seen from the research of Diana Fajarwati and S. Djoko Sambodo that most who have not applied accounting principles in financial reports are from other than banking institutions, such as the Waqf Board, City Amil Zakat Agency, Islamic Center, and Masque.¹⁰

Therefore, this research needs to be carried out to provide literacy and the importance of knowledge in the preparation and presentation of financial statements that are standardized with accounting principles and in accordance with each applicable PSAK. This research aims to examine the basic concepts of the preparation and presentation of Islamic financial statements.

Methodology

This research used qualitative, descriptive, library

⁸Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2007), 23.

⁹Meichio Lesmana, Siti Nurma Rosmitha, and Andika Rendra Bimantara, "Analisis Penerapan Etika Jual Beli Islami Dalam Meminimalisir Distorsi Pasar Pada Pasar Tradisional," *Islamic Economic Journal* 6, no. 2 (2020): 179, <https://doi.org/10.21111/iej.v6i2.4865>.

¹⁰Diana Fajarwati and S. Djoko Sambodo, "Pengkajian Tentang Penyusunan Dan Penyajian Laporan Keuangan Pada Lembaga Keuangan Syariah," *JRAK: Jurnal Riset Akuntansi & Komputerisasi Akuntansi* 2, no. 1 (2010): 20, <https://doi.org/10.33558/jrak.v1i2.127>.

methodology,^{11 12 13} that is trying to describe and analyze in depth based on the library data obtained.¹⁴ According to Abdul Rahman Sholeh, library research is research that uses methods to obtain information data by placing existing facilities in the library, such as books, magazines, documents, records of historical stories.¹⁵ Or pure library research related to the object of research. Based on this method, the data collection used the documentation method.¹⁶¹⁷ In this research, the author uses a content analysis approach. This research is an in depth discussion of the content of written or printed information in the mass media. This analysis is usually used in qualitative research. Content analysis is generally defined as a method that includes all analysis of the content of the text, but on the other hand content analysis is also used to describe a specific analytical approach. The analysis process is carried out continuously from start to finish. The analysis process in question includes data interpretation, language translation, word editing, and compiling

¹¹Devid Frastiawan Amir Sup, "Amdal Dalam Tinjauan Maqasid Al-Syari'ah," in *Proceeding International Conference on Usul Fiqh* (Ponorogo: UNIDA Gontor Press, 2019), 63, <http://hes.unida.gontor.ac.id/wp-content/uploads/2020/06/Proceeding-ICUF-2019-Universitas-Darussalam-Gontor.pdf>.

¹²Daud Sukoco et al., "Sharia Economic Views on Tabzir Behavior," *Al-Iktisab: Journal of Islamic Economic Law* 5, no. 2 (2021): 150, <https://doi.org/10.21111/al-iktisab.v5i2.7032>.

¹³Selamet Hartanto and Devid Frastiawan Amir Sup, "The Concept of Production and Environment in the Perspective of Islamic Economic," *Journal of Economic Studies* 5, no. 2 (2022): 1, <https://doi.org/10.32506/joes.v5i2.705>.

¹⁴Nurizal Ismail, Siti Aisyah, and Devid Frastiawan Amir Sup, "Faktor Penentu Harga Dalam Tinjauan Pemikiran Ekonomi Islam," *Islamic Economics Journal* 6, no. 2 (2020): 211, <https://doi.org/10.21111/iej.v6i2.4880>.

¹⁵Adib Susilo et al., "Recruitment Flow Model of Lecturers in Islamic Economic Department at Public and Private Islamic University," *International Journal of Business and Economy (IJBEC)* 3, no. 3 (2021): 75, <https://myjms.mohe.gov.my/index.php/ijbec/article/view/15749>.

¹⁶Devid Frastiawan Amir Sup, "The State's Efforts in Preserving the Environment Through Regulation," *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 200-214.

¹⁷Fadhila Sukur Indra, Devid Frastiawan Amir Sup, and Sahira Sajjadia Luthia, "The Application of Al-Wakalah Bil Ujrah Contract on PRULink Syariah Generasi Baru (Approached with Fatwa DSN-MUI No: 52/DSN-MUI/III/2006)," in *Proceeding 9th AICIF 2021 (Asean Universities International Conference on Islamic Finance)* (Yogyakarta: UIN Sunan Kalijaga, 2021), 21, <http://febi.uin-suka.ac.id/web/agenda/download/834/asean-universities-international-conference-on-islamic-finance-aicif-2021>.

them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{18 19}

Results and Discussion

Financial statements are part of the financial reporting process that is prepared and presented at least once a year to meet the needs of a large number of users who need and are entitled to obtain additional information.²⁰ In addition, financial statements also describe the results of the accounting process that is used as a communication tool between financial data/company activities and parties with an interest in these data/activities.²¹

The format in the financial statements presents a large number of assets, liabilities, income, and expenses. This information is needed by capital owners, shareholders, and company owners. Within the framework of the capitalist system, the main goal of the organization of a business is to maximize profits and maintain the survival of the company, they do not accept that the company has social, economic, and cultural goals. Therefore, they do not record or report on company performance related to worker welfare.²²

Islam has different assumptions from the framework of the capitalist system in the preparation of financial statements. Islam assumes that humans are in the concept of Allah's caliphate on earth. Thus humans have only limited freedom in terms of income, spending, saving, and investing their resources. If in carrying out business, humans (personal) cannot run alone, humans will relate to society (general).²³ Because people have the freedom to use the earth's physical resources, but with limits that are determined

¹⁸Devid Frastiawan Amir Sup, "Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia," *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 103–24, <https://doi.org/10.18592/sjhp.v21i2.4146>.

¹⁹Devid Frastiawan Amir Sup, "Tinjauan Masalahah Terhadap Amdal" (IAIN Ponorogo, 2018), 15, <http://etheses.iainponorogo.ac.id/4794/1/212116013> - DEVID FRASTIAWAN AMIR SUP.pdf.

²⁰Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 24.

²¹Sobana, *Manajemen Keuangan Syari'ah*, 10.

²²Muhammad, *Manajemen Bank Syariah* (Yogyakarta: UPP AMP YKPN, 2002), 273.

²³Ibid.

according to moral and social. Thus they can coordinate with each other to run funds and business cooperation, but still comply with sharia guidelines.

Financial institutions and forms of business within the Islamic framework are very different from the capitalist framework. For example, in the case that credit is not allowed to use interest, then in Islam an alternative business design from the interest system is profit sharing. In addition, all individuals who have assets/wealth beyond the predetermined limits must distribute *zakat*, which indicates that each individual will maintain the number of assets he has, so the Islamic community guarantees its citizens to act on the basis of justice and *ihsan*.²⁴ Therefore, financial statements are not only related to environmental and commercial aspects, but also cover all aspects of human life, including economic, political, social, and moral philosophy.

Islamic financial statements are a series of processes that have the main objective of providing financial information within a certain period that is useful for interested parties. Thus, Islamic financial statements highly uphold the values of responsibility, justice, and truth. These three values become universal basic principles in the preparation of Islamic financial statements. *First*, responsibility principle. The principle of accountability is a principle that is closely related to the concept of trust. The issue of trust is the result of human transactions with the *khaliq* from the womb, therefore humans are entrusted with the mandate by Allah Swt. to carry out the function of his caliphate. The implication of trust in business and banking activities is to carry out accountability. The form of accountability is usually in the form of financial statements. *Second*, principle of justice. The principle of justice is a value that is indirectly inherent in human nature. The word justice in the context of the application of financial statements contains two meanings, namely it relates to moral practice, namely honesty. Without honesty financial statements will be misleading and very detrimental. Then, the word fair is more fundamental, namely fair which is still based on ethical/sharia and moral values. *Third*, principle of truth. The principle of truth cannot

²⁴*Ibid.*

be separated from the principle of justice. Financial statements will always be faced with problems of recognition, measurement, and reporting, this activity will be carried out properly if it is based on the value of truth which will create justice.²⁵

In addition to upholding the three basic principles above, quality financial reports must also meet the criteria, namely understandable, relevant, reliable, comparable, and verifiable.²⁶ The characteristics of the principles and several criteria above are characteristics that make the information in financial statements very useful for users.

The purpose of financial statements is to provide information regarding the financial position, performance, and changes in the financial position of an Islamic entity that is useful for a large number of users in making economic decisions. Furthermore, the objectives of other generally accepted financial statements include: (1) Improving bank compliance with sharia principles, as well as providing information on income and expenses that are not in accordance with sharia principles if any and how the income is obtained and how it is used; (2) As information to help evaluate the fulfillment of the responsibility for the trust in securing funds, investing them at a reasonable profit level, and providing information about the level of investment returns obtained by the owner and owner of the tied investment fund; (3) Provide information regarding the fulfillment of bank social functions, including the management and distribution of *zakat*.²⁷

In doing the preparation will pass from one process to another. Just like in preparing financial reports, it will go through several stages, including: (1) Proof of transaction. It is the certainty and validity of recorded transactions and as a reference in the event of problems and discrepancies in the financial statements in the future; (2) Journal. There must be at least one debit and one credit account for each journal entry, so the debit amount must equal the credit amount.

²⁵Ibid.

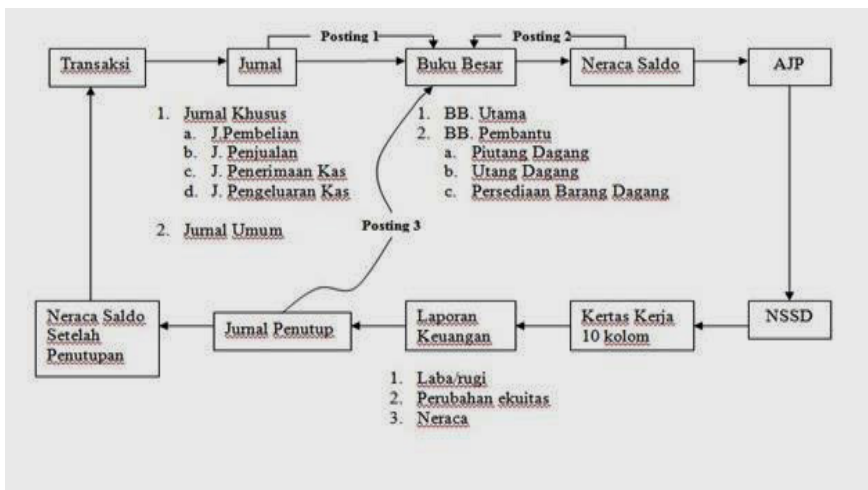
²⁶Rahmat Ilyas, "Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah," *Jurnal Asy-Syari'iyah: Jurnal Ilmu Syari'ah Dan Perbankan Islam* 1, no. 1 (2016): 25, <https://doi.org/10.32923/asy.v1i1.603>.

²⁷Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPK)*, 25.

And this method of recording journal entries is known as the double entry accounting system; (3) Ledger. Represents the transfer data from the journal into the respective estimates (posting), ie debits and credits will be transferred to the general ledger estimates; (4) Trial balance. It is a grouping of general ledger estimates based on their debit and credit balances, so that the total balance will be the same on the debit and credit sides; (5) Adjusting journal entry. Is a journal that is made at the end of the period with the aim of correcting estimates so that they reflect actual conditions; (6) Financial statements. The basic financial statements consist of the balance sheet, profit and loss, and changes in net worth. The balance sheet is the state of financial position on a certain date, profit and loss is a summary of income and expenses for a certain period of time, while changes in net worth is a summary of the increase and decrease in wealth in a company.²⁸

If the above stages are described by a scheme of the accounting process (cycle) for financial statements, they are as follows:

Figure 2. Process (Cycle) of Accounting for Financial Statements



Source: Processed Data

²⁸Muhammad, *Manajemen Bank Syariah*, 273.

It is depicted in the schematic above that to understand the process or cycle in accounting which will lead to a financial report. Therefore, it is important to have a strong understanding and knowledge of the basic elements of financial statements.

Financial statements describe the financial effects of transactions and other events that are classified into several major groups according to their economic characteristics. This large group is the basic element of financial statements. The elements that are directly related are measurement of financial position (assets, liabilities, temporary *syirkah* funds, and equity) and measurement of performance in the income statement (income and expenses), while the statement of changes in financial position usually reflects various elements of the income statement and changes in the income statement various elements of the balance sheet. Thus, this basic framework does not identify the elements of the statement of changes in financial position specifically.²⁹

In addition, the presentation of these various elements in the balance sheet and income statement requires a subclassification process. That is like assets and liabilities can be classified according to their nature or function in the business of Islamic entities. The classification is intended to present information in the best and most useful way for users for the purpose of making economic decisions.

In Islam, Islamic financial reports focus more on honest reporting of the entity's financial position and the results of its operations, namely by disclosing what is lawful and what is unlawful. That means that Islamic financial statements in Islam have targets that must be realized and obeyed. So that all activities in Islamic financial statements are clear and true without any hesitation, let alone to be covered up. In the field of recording in accounting, there are fundamental changes, namely if the general accounting equation for the elements of the balance sheet is as follows:³⁰

²⁹Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 26.

³⁰Sofyan Safri Harahap, Wiroso, and Muhammad Yusuf, *Akuntansi Perbankan Syariah* (Jakarta: LPFE Usakti, 2010), 68–69.

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Because of its characteristics, Islamic accounting has an accounting equation that is different from the general (conventional) accounting equation. If the accounting equation on the elements of the balance sheet in sharia is as follows:

$$\text{Assets} = \text{Liabilities} + \text{Temporary } \textit{Syirkah} \text{ Funds} + \text{Capital}$$

From the above equation, the difference lies in the types of assets and liabilities. Assets in Islamic accounting include receivables from the buying and selling process (*murabahah*, *salam*, and *istishna*). *Ijarah* from *ujrah* and investment from the profit sharing process for *mudharabah* and *musyarakah*. In addition to the addition on the liability side, namely temporary *syirkah* funds, namely funds received as investments with a certain period of time from individuals and other parties where sharia entities have the right to manage and invest these funds with the distribution of investment results based on an agreement.³¹ This difference indicates that there is an additional unrestricted investment in the temporary *syirkah* fund in the form of an unrestricted investment fund (*mudharabah muthlaqah*) consisting of *mudharabah* savings and *mudharabah* deposits.³²

³¹Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 27.

³²Sobana, *Manajemen Keuangan Syariah*, 11.

Table 1. Differences in Islamic Financial Statements with Conventional Finance

Elements of Difference	Conventional Bank Financial Report	Islamic Bank Financial Report
Reporting Corner	The elements of conventional financial statements, consisting of income statement, balance sheet, cash flow statement, statement of changes in equity, and notes of financial statements.	The elements of Islamic financial reports, including income statement, balance sheet, cash flow statement, statement of changes in equity, income reconciliation report, and profit sharing, report on changes in investment funds, reports on sources and uses of <i>zakat</i> funds, and reports on sources and uses of benevolent funds (<i>qardhul hasan</i>).
Contract (<i>Akad</i>) and Legality	Legality which refers to accounting rules, that's where the appropriate preparation of financial statements is based on Financial Accounting Standards (SAK).	Using a contract (<i>akad</i>) as a sign of agreement between two parties, where the terms and conditions have clearly been agreed at the beginning, that's include pillars and conditions. Which in the pillars there are physical elements such as goods, prices, sellers, and buyers, and on the conditions required for the goods and services to be <i>halal</i> , clear, and have ownership.

Elements of Difference	Conventional Bank Financial Report	Islamic Bank Financial Report
Organization	There is no DPS, but this financial report is only addressed directly to all interested parties such as company owners, company management, investors, creditors, and for analysis, and academic financial statements.	There is a DPS (Sharia Supervisory Board) which is responsible for issuing religious <i>fatwa</i> and supervising the board of commissioners of companies that are also sharia based.
Dispute Resolution	If there are financial statement problems with conventional companies, the dispute will be resolved in the district court.	If there is a problem, the financial statements of the sharia company will be resolved using sharia rules and laws at the sharia law institution, the name is Indonesian <i>Muamalah</i> Arbitration Board (BAMUI).
Funded Business	Financial reports on conventional businesses are only used to find out the company's profits and losses, which are only based on business without being based on other things.	Meanwhile, financial reports on Islamic businesses will emphasize belief, where every human activity has accountability and is divine that uses morals and sharia tools as a benchmark for the good or bad of a business activity.

Source: Sobana, 2017.

In addition to the general similarities in accounting, differences also exist in accounts receivable. Accounts receivable in Islamic financial statements are accounts receivable sales, which consist of receivables *murabahah*, receivables *salam*, receivables *istishna*, receivables *qardh*. Whereas in conventional financial statements the accounts receivable account will be named accounts receivable.

Table 2. Assets and Liabilities in Islamic Financial Statements

Assets Receivable Buy and Sell	Passive Financing
<i>Mudharabah</i>	Third Party Funds
<i>Salam</i>	<i>Wadiah</i> Current Account
<i>Istishna</i>	<i>Wadiah</i> Savings
	<i>Wadiah</i> Deposit
Financing Activities	Unbound Investment
<i>Mudharabah</i>	<i>Mudharabah</i> Savings
<i>Musyarakah</i>	<i>Mudharabah</i> Deposits

Source: Sobana, 2017.

Based on the assumptions and principles of Islamic accounting, the contents of Islamic financial statements are certainly different from conventional financial statements. After the formulation of PSAK 59 on Accounting for Islamic Banking in 2002, then in 2007 IAI (Indonesian Institute of Accountants) launched PSAK Syariah, namely PSAK 101 which discusses Islamic financial statements which is also KDPPKLS (Basic Framework for the Preparation and Presentation of Islamic Financial Statements). Therefore, Islamic banking has a standard reference in the preparation of its financial statements. *First*, financial statements that reflect the activities of Islamic banks as investors and their rights and obligations, which are reported in: (1) Statement of financial position (balance sheet); (2) Income statement; (3) Cash flow statement; (4) Statement of changes in equity. *Second*, financial statements reflecting changes in restricted investments managed by Islamic banks for the benefit of other parties based on *mudharabah* contracts or investment agents reported in the report on changes in restricted investment funds. *Third*, financial statements that reflect the role of Islamic banks as trust holders of social activity funds that are managed separately, which are reported in: (1) Report on the source and use of *zakat* funds; (2) Report on the

source and use of benevolent funds (*qardhul hasan*).³³

When compared with the financial reporting instruments of conventional banks as regulated in PSAK 31 concerning Banking Accounting, the conventional and Islamic financial reporting instruments are as follows:

Table 3. Comparison of Financial Statements Conventional Banks and Islamic Banks

Conventional Bank Financial Report	Islamic Bank Financial Report
1. Statement of financial position (balance sheet).	1. Statement of financial position (balance sheet).
2. Income statement.	2. Income statement.
3. Statement of changes in equity.	3. Statement of changes in equity.
4. Cash flow statement.	4. Cash flow statement.
5. Financial statement notes.	5. Report on changes in restricted investment funds.
	6. Report on source and use of <i>zakat</i> funds.
	7. Report on source and use of benevolent funds (<i>qardhul hasan</i>).
	8. Financial statement notes.

Source: Harahap, Wiroso, Yusuf, 2010.

Briefly and in outline, matters related to financial statement tools will be explained as follows.³⁴ *First*, statement of financial position (balance sheet). In the balance sheet elements of conventional banks, the distribution of funds will be written in the estimate of “*credit*” or “*loans granted*”, this is different from Islamic banks where in the distribution of funds will be in accordance with the distribution

³³Harahap, Wiroso, and Yusuf, *Akuntansi Perbankan Syariah*, 68–69.

³⁴Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 59 Tentang Akuntansi Perbankan Syariah* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2002), 35.

principle, namely: (1) The principle of buying and selling is recorded in the estimate of “*receivables*” (*murabahah* receivables, *istishna* receivables, *salam* receivables); (2) The principle of profit sharing is accommodated in the “*investment*” estimate (*mudharabah* financing and *musyarakah* financing); (3) The *ijarah* principle is recorded in the “*ijarah assets*” account. Accordingly, the disclosures in the notes on assets financed by the bank itself and assets financed by the bank together with the owners of unbound investment funds are carried out separately.³⁵

Second, income statement. The presentation of profit reports at Islamic banks will consist of main operating income, third party rights to profit sharing from temporary *syirkah* funds, other operating income and expenses. What distinguishes it from conventional bank income statements is that Islamic banks use the “*revenue sharing*” profit sharing method, while conventional banks use the “*profit sharing*” profit and loss method.

Third, cash flow statement. Presentation of cash flow statements in accordance with PSAK 02 concerning Statements of Cash Flows, which must report cash flows during a certain period and be classified according to operating, investing, and financing activities.³⁶

Fourth, statement of changes in equity. The presentation of the statement of changes in equity is in accordance with PSAK 01 concerning the Presentation of Financial Statements, namely presenting the amount of dividends recognized as distributions to owners during the period, and the value of dividends per share.³⁷

Fifth, report on changes in restricted investment funds. This is a report that separates tied investment funds based on the source of funds and separates investments by type. This report contains a report on *mudharabah muqayyadah* (bound investment) with a channeling

³⁵Nafilatur Rohmah, Meichio Lesmana, and Ahmad Suminto, “Intervensi Harga Produk Sekunder Pada Masa Pandemi Covid-19 Perspektif Islam” 7, no. 1 (2021): 80, <https://doi.org/10.21111/iej.v7i1.6397>.

³⁶Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 02 Tentang Laporan Arus Kas* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2009), 1.

³⁷Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 01 Tentang Penyajian Laporan Keuangan* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2009), 1.

distribution pattern, while the executing distribution pattern is reported in the balance sheet.

Sixth, report on source and use of *zakat* funds. Islamic banks present reports on sources and uses of *zakat* funds as the main components of financial statements, which show: (1) Sources of *zakat* funds come from receipts, namely *zakat* from within the sharia entity and *zakat* from parties outside the sharia entity; (2) Users of *zakat* funds that will be given to eight *asnaf* recipients of *zakat*, namely the indigent, the poor, slaves (*riqab*), people who are in debt (*gharim*), people who have just converted to Islam (*muallaf*), people who do *jihād* (*fisabilillah*), people who are on the way of Allah Swt. (*ibn sabil*), and *amil*; (3) Increase or decrease in sources of *zakat* funds; (4) Initial balance of *zakat* funds; and (5) The ending balance of *zakat* funds.³⁸

Seventh, report on the source and use of benevolent funds (*qardhul hasan*). Islamic banks present reports on sources and uses of *qardhul hasan* funds as the main component of financial reports, which show: (1) Sources of *qardhul hasan* funds come from revenues, namely *infaq*, *shadaqah*, results of waqf management (according to legislation), fines, and non *halal* profit income; (2) Users of *qardhul hasan* funds for loans (productive virtue funds) and donations; (3) Increase or decrease in sources of *qardhul hasan* funds; (4) Initial balance of *qardhul hasan* funds; and (5) The final balance of the *qardhul hasan* fund.³⁹

Conclusion

Based on the discussion that has been described above regarding “*basic concepts for the preparation and presentation of Islamic financial statements*”, it can be concluded that Islamic financial statements are the result of an accounting process that is prepared and presented at least once a year to meet the needs of a large number of users who need to obtain additional information. In addition, Islamic financial

³⁸Mufti Afif et al., “Implementation Shariah Compliance at the Mui Cash Waqf Agency for the Special Region of Yogyakarta,” *International Journal of Business and Economy* 3, no. 4 (2021): 55, <https://myjms.mohe.gov.my/index.php/ijbec/article/view/16393>.

³⁹Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 59 Tentang Akuntansi Perbankan Syariah*, 35.

reports are not only related to environmental and commercial aspects, but also cover all aspects of human life, including economic, political, social, and moral philosophy. Broadly speaking, the basic framework for the preparation and presentation of Islamic financial statements has a scope that discusses the principles and objectives of financial statements, the process which is the cycle of the preparation of financial statements, general accounting equations for financial statements, and the elements that make up financial statements, so that with this framework is expected to be a reference in the presentation of Islamic banking financial statements. Islamic financial statements in addition to reflecting Islamic banking activities that share rights and obligations as reported in the statement of financial position, income statement, cash flow statement, and statement of changes in equity. But it also reflects as a trustee of social activity funds that are managed separately, which are reported in the report on sources and uses of *zakat* funds and reports on sources and uses of benevolent funds (*qardhul hasan*). These two reports are the difference between Islamic financial statements and conventional financial reports. In addition, another differentiator is that Islamic banks also use the profit sharing method in every transaction and collaboration, while conventional banks use the profit (interest) method.

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The Merger of Indonesian Islamic Banks: Impact on the Islamic Economy Development

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Abstract

The development of Islamic banking and financial institutions in Indonesia is getting better from year to year. This development is a benchmark for the success of the Islamic economy. To become a new economic force in Indonesia, the Minister of State Owned Enterprises stated that there are plans to merge state owned Islamic banks namely BRI Syariah, BNI Syariah, and Bank Syariah Mandiri, as the total assets of Islamic banks will increase and become larger in Indonesia. This research aims to determine the impact of the merger of three Indonesian Islamic banks in the development of the Islamic economy. The research employed a qualitative method with a library research approach. The results have shown that the merger of three Islamic banks consisting of Bank BRI Syariah, Bank BNI Syariah, and Bank Syariah Mandiri into Bank Syariah Indonesia (BSI) has positive impacts on the Islamic economy development in Indonesia. Firstly, the increase in banking capital as a result of the merger of the three banks, the increase in economic activity in the field of Islamic capital markets, the promotion of the halal system in all service activities in banking. Secondly, the merger still allows customers to transact using their old accounts from their respective banks throughout the transaction period starting from e-Money, Tapcash, Brizzi, and or card based electronic money. Thirdly, all employees of the three banks are still employees of BSI and there are no layoffs despite the merger of three Islamic banks, and BSI opens talent development programs to all Indonesians to prepare Islamic bank leaders in the future. Fourthly, BSI created a talent development program for the Indonesian community

to increase literacy and understanding of Islamic economics and work with economists and Islamic institutions to support the program, promote Islamic economic development by accelerating the completion of the halal value chain.

Keywords: *Islamic Economics; Islamic Banks; Bank Syariah Indonesia (BSI)*

Abstrak

Perkembangan perbankan dan lembaga keuangan syariah di Indonesia semakin baik dari tahun ke tahun. Perkembangan ini menjadi tolak ukur keberhasilan ekonomi syariah. Untuk menjadi kekuatan ekonomi baru di Indonesia, Menteri Badan Usaha Milik Negara menyatakan rencana untuk menggabungkan bank syariah milik negara yaitu BRI Syariah, BNI Syariah, dan Bank Syariah Mandiri, karena total aset bank syariah akan meningkat dan menjadi lebih besar di Indonesia. Penelitian ini bertujuan untuk mengetahui dampak merger tiga bank syariah Indonesia terhadap perkembangan ekonomi syariah. Penelitian ini menggunakan metode kualitatif dengan pendekatan penelitian kepustakaan. Hasil penelitian menunjukkan bahwa penggabungan tiga bank syariah yang terdiri dari Bank BRI Syariah, Bank BNI Syariah, dan Bank Syariah Mandiri ke dalam Bank Syariah Indonesia (BSI) berdampak positif bagi perkembangan ekonomi syariah di Indonesia. Pertama, peningkatan permodalan perbankan akibat penggabungan ketiga bank tersebut, peningkatan kegiatan ekonomi di bidang pasar modal syariah, promosi sistem halal dalam semua kegiatan pelayanan di perbankan. Kedua, penggabungan masih memungkinkan nasabah untuk bertransaksi menggunakan rekening lama dari bank masing-masing selama periode transaksi mulai dari e-Money, Tapcash, Brizzi, dan atau uang elektronik berbasis kartu. Ketiga, seluruh pegawai ketiga bank tersebut masih pegawai BSI dan tidak ada PHK meskipun tiga bank syariah telah bergabung, dan BSI membuka program pengembangan talenta kepada seluruh masyarakat Indonesia untuk mempersiapkan pemimpin bank syariah di masa depan. Keempat, BSI membuat program pengembangan talenta bagi masyarakat Indonesia untuk meningkatkan literasi dan pemahaman ekonomi syariah serta bekerjasama dengan para ekonom dan lembaga syariah untuk mendukung program tersebut, mendorong pengembangan ekonomi syariah dengan mempercepat penyelesaian rantai nilai halal.

Kata Kunci: *Ekonomi Syariah; Bank Syariah; Bank Syariah Indonesia (BSI)*

Introduction

Economic development in Indonesia can be influenced by changes in global conditions and can be determined from the state of consumers in Indonesia.¹ Increased awareness of the halal

¹Devid Frastiawan Amir Sup, "Melestarikan Lingkungan Hidup Dalam Konsep Ekonomi Syariah," in *Kumpulan Kultum Ekonomi Syariah Seri 2* (Jakarta: Komite Nasional

lifestyle, both in real and financial terms, has greatly influenced the development of Islamic economics and finance in Indonesia.²

The development of banking in Islamic financial institutions in Indonesia is getting better from year to year, this development is a benchmark for the success of the Islamic economy. *Bank Muamalat Indonesia* has witnessed the success of Islamic economy in Indonesia, not to mention *Bank Muamalat Indonesia* is the first bank in Indonesia to adopt a financial system with a sharia system among many conventional banks.³

Banks that implemented the sharia system during the 1998 monetary crisis and the 2008 global financial crisis, remained viable and stable in their banking operations, while banks that implemented the conventional system experienced many bankruptcies and liquidations due to failures in their interest systems. *Bank Muamalat Indonesia* was one of the banks that implemented the sharia system during the 1998 monetary crisis and the 2008 global financial crisis, showing better and improved financial performance, during the 1998 monetary crisis *Bank Muamalat Indonesia* did not receive any assistance from the government at that time, nor during the global financial crisis in 2008, *Bank Muamalat Indonesia* was able to make a profit of around three hundred billion more. This shows that Islamic banking is a strong bank and immune from crisis and able to grow well.⁴

The birth of Islamic banking in Indonesia first began with the establishment of *Bank Muamalat Indonesia* in 1992. Previously, non bank institutions in Indonesia have been established whose system uses the sharia system. Then the government made its implementation rules through Law No. 7/1992, in 1998 the government and the House of Representatives amended Law No. 7/1992 became Law No.

Ekonomi dan Keuangan Syariah, 2020), 27, <https://knks.go.id/storage/upload/1588559563-Buku Kumpulan Kultum Ekonomi Syariah Seri 2 .pdf>.

²Sri Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," *Al-Misbah* 1, no. 2 (2020): 203, <https://jurnal.umika.ac.id/index.php/almisbah/article/view/135>.

³Hasan Sultoni and Kiki Mardiana, "Pengaruh Merger Tiga Bank Syariah BUMN Terhadap Perkembangan Ekonomi Syariah Di Indonesia," *EKSYPAR: Jurnal Ekonomi Syaria'ah & Bisnis Islam* 8, no. 1 (2021): 18, <https://ejournal.staim-tulungagung.ac.id/index.php/eksypar/article/view/166>.

⁴*Ibid.*

10/1998 which explains the application of two banks in Indonesia, namely Islamic banking and conventional banking.⁵ This is a possible opportunity for the advancement of Islamic banking in Indonesia, because the number of Muslims in Indonesia is very large to the potential to become customers in the Islamic finance industry.⁶

To become a new economic force in Indonesia, the Minister of State Owned Enterprises stated that there are plans to merge state owned Islamic banks namely *BRI Syariah*, *BNI Syariah*, and *Bank Syariah Mandiri*, as the total assets of Islamic banks will increase and become large in Indonesia, with the number of assets is now around Rp 220 trillion - Rp 225 trillion projected in 2025 Islamic bank assets will be Rp 390 trillion, financing reached Rp 272 trillion, and financing Rp 335 trillion.⁷ Merger of banks aims to increase value for shareholders, and can also increase value for the Islamic banking industry, the world of commerce (MSMEs), the world of education, and for developers of the Islamic economic ecosystem in a broad sense, this is regulated. in Government Regulation (PP) No. 28/1999, Company Law No. 40/2007, and the Islamic Banking Law No. 21/2008.⁸

Bank Syariah Indonesia (BSI) officially operated in February 2021 which is a merger between three Indonesian Islamic banks, namely *Bank BRI Syariah*, *Bank BNI Syariah*, and *Bank Syariah Mandiri*. The merger of the three Islamic banks that have undergone due diligence, signing of merger deeds, submission of information disclosure, approval of operating permits from the Financial Services Authority (OJK) results in the determination of the value of *Bank Syariah Indonesia* (BSI) assets reached Rp 239,56 trillion, making Islamic banks the largest assets in Indonesia.⁹ So from this background, the author

⁵*Ibid.*

⁶Ari Sita Nastiti and Agung Ivan Firdaus, "Menuju Tiga Dekade Perkembangan Perbankan Syariah Di Indonesia," *JIAI (Jurnal Ilmiah Akuntansi Indonesia)* 4, no. 2 (2019): 141, <https://doi.org/10.32528/jiai.v4i2.2660>.

⁷Lida Puspangtyas, "7 Alasan Pentingnya Merger Bank Syariah BUMN," *Republika*, 2020, <https://www.republika.co.id/berita/qi6gay440/7-alasan-pentingnya-merger-bank-syariah-bumn>.

⁸Alif Ulfa, "Dampak Penggabungan Tiga Bank Syariah Di Indonesia," *Jurnal Ilmiah Ekonomi Islam (JIEI)* 7, no. 2 (2021): 1103, <https://doi.org/10.29040/jiei.v7i2.2680>.

⁹Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah

formulates the effect of the merger of the three Indonesian Islamic banks in the development of the Islamic economy.

Methodology

The research method used is a qualitative method,^{10 11 12} with a library research approach,¹³ that is trying to describe and analyze in depth based on the library data obtained.¹⁴ Literature review is a method of finding references relevant to the problems encountered.¹⁵ Literature review describes theoretical analysis, scientific studies, references, and literature related to local community habits, value norms constructed based on observed field conditions.¹⁶ Based on this method, the data collection used the documentation method.¹⁷¹⁸ The data used is secondary data, ie data sourced from existing literature or references, such as those contained in scientific journals and papers, encyclopedias, literature, and other data sources related to the research topic. The analytical technique in this research uses

Di Indonesia," 204.

¹⁰Noeng Muhajir, *Metode Penelitian Kualitatif*, 4th ed. (Yogyakarta: Rake Sarasin, 2000), 43–47.

¹¹Judistira K. Garna, *Metode Pendekatan Kualitatif* (Bandung: Primaco Kademika, 1999), 64–71.

¹²Ibrahim Bafadhal, *Pendidikan Dan Pelatihan Penyusunan Proposal Penelitian Kualitatif Dan Literatur* (Malang: Unisma, 2001), 23.

¹³May Shinta Retnowati et al., "Analisis Asas Itikad Baik Dalam Jual Beli Online Berbasis COD (Cash on Delivery)," *Al-Hamra: Jurnal Studi Islam* 3, no. 1 (2022): 12, <http://jurnalnasional.ump.ac.id/index.php/Alhamra/article/view/11867>.

¹⁴May Shinta Retnowati et al., "The Implementation of Profit Sharing on Fathonah Education Savings Products at BMT NU Kapongan Situbondo Branch, East Java, Indonesia," *Journal of Sharia Economics* 4, no. 1 (2022): 3, <https://doi.org/10.35896/jse.v4i1.273>.

¹⁵May Shinta Retnowati et al., "Penerapan Asas Kebebasan Berkontrak Dan Asas Keadilan Dalam Transaksi Bisnis," *Iqtishaduna* 4, no. 2 (2021): 673, <https://doi.org/10.53888/iqtishaduna.v4i2.481>.

¹⁶Mohammad Syifa Urrosyidin, Mohammad Syamsul Arifin, and Devid Frastiawan Amir Sup, "Esensi Keadilan Dalam Ilmu Waris Islam," *Ijtihad: Jurnal Hukum Dan Ekonomi Islam* 15, no. 2 (2022): 260, <https://doi.org/10.21111/ijtihad.v15i2.6742>.

¹⁷Devid Frastiawan Amir Sup, "The State's Efforts in Preserving the Environment Through Regulation," *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 200–214.

¹⁸May Shinta Retnowati et al., "Penerapan Asas Itikad Baik Dalam Perjanjian Waralaba Ditinjau Dari Pasal 1338 KUH Perdata," *Al-Ahkam* 17, no. 1 (2021): 13, <https://doi.org/10.37035/ajh.v17i1.4583>.

a technique in which research of data sources is studied to produce actual conclusions according to the title of the research. The analysis process is carried out continuously from start to finish. The analysis process in question includes data interpretation, language translation, word editing, and compiling them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{19 20}

Results and Discussion

Islamic economy is an economic system based on Islamic principles. The scope of Islamic economics covers all existing economic sectors, both the real sector and the financial sector. Islamic economics has the characteristics of equality and sustainability in providing benefits to all components of the economy. The conceptual and empirical aspects of Islamic economics are based entirely on the behavior of consumers, producers, and value chains in accordance with Islamic values and principles derived from the Al-Quran, *sunnah*, and *ijtihad*. Islamic economics is structured theoretically, conceptually, and practically relevant throughout the ages, this is the value of understanding that Islam is a *rahmatan lil 'alamin*. The economic benefits of sharia include all people, both Muslims and non Muslims, without exception. The embodiment of Islamic economics in *muamalah* is to prevent *muamalah* from transactions or contracts that contain *riba*, *gharar*, and injustice. *Muamalah* according to sharia principles will produce economic and social justice, as well as a balance between the needs of the world and the hereafter, Islamic economics is a solution for financial, real, and social *muamalah* activities. Commitment to Islamic economics will make national and state life based on a *halal* lifestyle that not only creates economic growth but also economic blessings. Islamic economics is the solution

¹⁹Devid Frastiawan Amir Sup, "Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia," *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 103–24, <https://doi.org/10.18592/sjhp.v21i2.4146>.

²⁰Devid Frastiawan Amir Sup, "Tinjauan Masalahah Terhadap Amdal" (IAIN Ponorogo, 2018), 15, <http://etheses.iainponorogo.ac.id/4794/1/212116013> - DEVID FRASTIAWAN AMIR SUP.pdf.

to current and future economic activities.²¹

The financial system is basically an economic structure in a country that plays a role in providing services in the financial sector by financial institutions within the country. The Indonesian financial system is divided into two types, namely the banking system and the non bank financial institution system. In practice, banking financial institutions have a very high share in the management of state financial assets, around 94,4%, which reaches Rp 8.000 trillion in 2018.²² Banks are business entities that raise community funds in the form of savings and channel loans or credits and or other forms to the community in order to improve the living standards of the community. The function of Islamic banking like conventional banking is as an intermediary between those who have a surplus of funds and those who have a deficit of funds through fundraising and distribution of credit or financing that can increase economic activity.²³

The role of banks is particularly important in the economy as it facilitates the share of economic actors who have surplus funds to those in deficit funds, including in improving the business world, economic growth, and assisting government monetary policy.²⁴

The national banking classification based on the principles of financial management is divided into conventional banks and Islamic banks. Islamic bank is a banking institution that conducts its business activities based on sharia principles on its contracts and profit sharing patterns. In accordance with Law No. 21/2008 on Islamic Banking, a Islamic bank is a bank that conducts business activities based on sharia principles, or the principles of Islamic law regulated in the *Fatwa MUI* such as the principles of justice, balance, welfare, and does not contain *gharar*, *maysir*, *riba*, tyranny, and illicit things.

²¹Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," 205.

²²Nasywa Azizah, "Nilai Strategis Merger Bank Syariah Indonesia," *Republika*, 2021, <https://retizen.republika.co.id/posts/11098/nilai-strategis-merger-bank-syariah-indonesia-dalam-perspekt>.

²³Juli Irmayanto et al., *Bank Dan Lembaga Keuangan Lainnya* (Jakarta: Media Ekonomi Publishing (MEP) Fakultas Ekonomi Universitas Trisakti, 1997), 92.

²⁴Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," 206.

Islamic banking is an important part of the country's banking system. The National Development Planning Agency in 2019 has prepared a master plan for the Indonesian Islamic Economy 2019-2024 which states five strategies in the development of the Islamic economy in Indonesia, namely: (1) Strengthening the *halal* value chain; (2) Strengthening Islamic finance sector; (3) Strengthening micro, small, and medium enterprises; (4) Development and strengthening of digital economy; (5) Strategic ecosystem policy.²⁵

Based on the strategy that has been formulated by the National Development Planning Body, which is on the Islamic economic sector which includes Islamic banking. The existence of Islamic banking in Indonesia is growing, so far there are 14 Islamic commercial banks and 20 Islamic business units that participate in Islamic finance.²⁶

Bank Syariah Indonesia (BSI) is a merger of *Bank Syariah Mandiri* (BSM), *Bank BRI Syariah* (BRIS), and *Bank BNI Syariah* (BNIS). The merger will take place from March 2020 until it is inaugurated by the President of the Republic of Indonesia, Joko Widodo, on February 1, 2021.²⁷ The merger of the three Islamic banks has gone through a due diligence process, signed a merger bond, submitted a written disclosure, and passed an operating license from the Financial Services Authority (OJK) which significantly resulted in the unification of the Bank's asset values. *Bank Syariah Indonesia* (BSI) reached Rp 245,7 trillion and Rp 20,4 trillion which makes it the Islamic bank with the largest assets in Indonesia. The total assets of the three Islamic banks, including fixed assets, non fixed assets, human capital, joint venture partners, customers, and chains including branch officers, ATMs, banking applications, or other supporting assets serve as confirmation for the operations of *Bank Syariah Indonesia* (BSI).²⁸

Bank Syariah Indonesia (BSI) officially obtained a permit from the Financial Services Institution (OJK) on January 27, 2021. It is stated

²⁵Ibid., 207.

²⁶OJK, *Statistik Perbankan Syariah* (Jakarta: Otoritas Jasa Keuangan, 2021), 20.

²⁷Arfiah Lestari Putri, "Merger Bank Syariah Indonesia (BSI) Untuk Pengembangan Ekonomi Syariah," *Republika*, 2021, <https://retizen.republika.co.id/posts/11257/merger-bank-syariah-indonesia-bsi-untuk-pengembangan-ekonomi-syariah>.

²⁸Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," 207.

in the Letter No. SR-3/PB.1/2021 regarding the Granting of Permit for the Merger of PT *Bank Syariah Mandiri* and PT *Bank BNI Syariah* into PT *Bank BRI Syariah Tbk*, as well as the Change of Name Permit using the PT *Bank BRI Syariah Tbk* Commercial License to become a Commercial License for PT *Bank Syariah Indonesia Tbk* as the resulting bank from the merger.²⁹

On the Indonesian Stock Exchange (IDX), PT *Bank Syariah Indonesia* is listed with the share code BRIS and BRIS is included in the BUMN20 IDX stock index as of February 2021, with the composition of shareholders in *Bank Syariah Indonesia* being PT *Bank Mandiri (Persero) Tbk* at 51,2%, PT *Bank Negara Indonesia (Persero) Tbk* at 25%, PT *Bank Rakyat Indonesia (Persero) Tbk* at 17,4%, DPLK *BRI Saham Syariah* 2%, and the public 4,4% after the merger.³⁰

The result of the merger of three Islamic banks has affected several sectors such as banking, customers, employees. and society. First, impact on banking. In line with the development of Islamic banks in Indonesia which led to the merger of three Islamic banks, it was declared that it will take effect in February 2021 under the name PT *Bank Syariah Indonesia*. Islamic Banking Law No. 21/2008, Chapter I Article 1 Paragraph 29, “*Merger is a legal action taken by one or more banks to merge with another existing bank which results in the assets and liabilities of the merging bank being transferred by law to the bank receiving the merger, and then the legal entity status of the merged bank terminates in accordance with law*”. The merger will affect the bank itself, where previously there were three banks into one bank.

Efforts to merge Islamic banks could improve banking conditions that are often constrained by limited capital. With the merger of Islamic banks, capital problems can be resolved and Indonesian Islamic banks can grow and improve to meet the needs of society. The total assets of the merger of the three Islamic banks reached Rp 245,7 trillion and core capital of Rp 20,4 trillion, making

²⁹Ulfa, “Dampak Penggabungan Tiga Bank Syariah Di Indonesia,” 1104.

³⁰Chandra Dwi, “RI Punya Bank Syariah Raksasa, Saham Pemiliknya Nyungsep,” CNBC Indonesia, 2021, <https://www.cnbcindonesia.com/market/20210128114244-17-219360/ri-punya-bank-syariah-raksasa-saham-pemiliknya-nyungsep>.

it the Islamic bank with the largest assets in Indonesia.³¹ With this large capital, Islamic banks will optimize in providing financing to the public, will also realize the basic strategic objectives of Islamic banking, and in addition will place Islamic banking according to their respective characteristics.

The position of Islamic banking will affect the level of literacy and understanding of Islamic banking, many still ask what is the difference between Islamic banking and conventional banking, with this positioning people know very little about Islamic banking. In addition to increasing capital, the impact of the merger of Islamic banks can create a movement of cooperation and support between banks that are merged. This collaboration will produce its own injection to improve the quality and quantity of Islamic banks to be able to compete or surpass conventional banks in any aspect.

Another effect of the merger of the three banks was the increase in economic activity in the Islamic capital market. The existence of this merger has made the public's interest in buying Islamic bank shares higher. But investors need to analyze first in buying these shares, because the value of these shares is not owned by one bank only, but owned by three Islamic banks. In addition, the merger of these three Islamic banks is in line with the government's ambition to run a *halal* system in all activities, one of which is that the existence of these Islamic banks will bring progress in the field of Islamic finance in Indonesia. Many conventional banks support the *halal* industry because of the wide and simple scope of all their products, in this *halal* industry *Bank Syariah Indonesia* takes a sharia based role in all transactions or products and replaces the role of conventional banks.³²

Second, impact on customers. The merger of three Islamic banks, namely *PT Bank Mandiri Syariah*, *PT Bank Negara Indonesia Syariah*, and *PT Bank Rakyat Indonesia Syariah* into *Bank Syariah Indonesia (BSI)*, affects the customer's account. Previously, each bank had its own

³¹Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," 208.

³²Anis Fatinah, Muhammad Iqbal Fasa, and Suharto Suharto, "Analisis Kinerja Keuangan: Dampak Merger 3 Bank Syariah BUMN Dan Strategi Bank Syariah Indonesia (BSI) Dalam Pengembangan Ekonomi Nasional," *Jurnal Manajemen Bisnis (JMB)* 34, no. 1 (2021): 30, <https://ejournal.stieibbi.ac.id/index.php/jmb/article/view/199>.

customers and now these customers have to undergo account transfer from the old account to their new account, namely to the *Bank Syariah Indonesia* (BSI) account. During this transition period, *Bank Syariah Indonesia* (BSI) will do so in stages from 15 February 2021 to 30 October 2021, by contacting bank customers by *Bank Syariah Indonesia* (BSI) to transition to a new account, *Bank Syariah Indonesia* (BSI) in accordance with the integration of branch operations, services, and products.

This transition process can be done digitally through the BSI Mobile app or come directly to the BSI branch office. Account transfers can also be done through 14040 call center, WhatsApp, Business BSI, *Aisyah* live chat, and ATM machines.³³ For customers who have a deposit, it can be valid until maturity. For customers who have hajj savings and have not yet received the hajj quota, their account can still be used for hajj registration at the branch. And if you have got the pilgrimage quota, the registration status is still at the branch when the customer registers. After the merger of the three banks, e-Money, Tapcash, Brizzi, and or card based electronic money can still be used.

During the integration process, customers can still use each bank's ATM network. Accordingly, mobile banking and internet banking from their respective banks can still be used and accessed by customers. During the transition period, customers do not need to change debit cards, passbooks, and *hasanah* cards. The *hasanah* card and all debit cards from the three banks can still be used for transactions until the customer receives a new financing card from *Bank Syariah Indonesia* (BSI).

Third, impact on employees. The lead director of *BRI Syariah*, Ngatari, discussed the staff status of the three merged banks. He ensured that there were no layoffs at the three banks.³⁴ It is understood that the number of permanent employees from the three banks is at least 18.734 people. The details are around 8.400 BSM staff, 5.723

³³Nur Rohmi Aida, "Jadwal Dan Cara Migrasi Rekening BRI Syariah Dan BNI Syariah Ke BSI," Kompas, 2021, <https://www.kompas.com/tren/read/2021/05/03/110000565/jadwal-dan-cara-migrasi-rekening-bri-syariah-dan-bni-syariah-ke-bsi?page=all>.

³⁴Hendri Tri Widi Asworo and M. Richard, "BSM, BNI Syariah & BRI Syariah Merger, Begini Nasib Karyawannya," Bisnis, 2020, <https://finansial.bisnis.com/read/20201013/231/1304279/bsm-bni-syariah-bri-syariah-merger-begini-nasib-karyawannya>.

BNI Syariah staff, and 4.611 *BRI Syariah* staff. Hery Gunardi as the President Director of BSI said as many as 20 thousand BSI employees across Indonesia 40% are women and the share of women in senior management is about 20%, this position is due to strong leadership skills and Islamic financial competencies.³⁵ Moch. Amin Nurdi believes the potential for mass layoffs will not be too strong, because according to him, the efficiency of Islamic banks which are candidates for mega mergers at the moment is very good.³⁶ *Bank Syariah Indonesia* (BSI) will conduct a review in the context of the harmonization of employment criteria and human resource policy. BNIS and BSM employees who join the new bank will continue their term of service and will comply with applicable laws and regulations.³⁷ In addition, *Bank Syariah Indonesia* (BSI) opened a talent development program aimed at the people of Indonesia in order to provide superior leaders in the future.³⁸

Fourth, impact on society. *Bank Syariah Indonesia* (BSI) launched a talent development program aimed at Indonesians, this is because the literacy of the Indonesian community has just reached 8% of the understanding of Islamic economics and finance. This literacy program collaborates with several parties to increase the success of the program, including working with 21 universities in Indonesia, KNEKS, the Indonesian Association of Islamic Economists, and the non profit organization *Syafiq NU* as well as working with Islamic organizations. *Bank Syariah Indonesia* (BSI) also organizes seminars to convey all information related to *Bank Syariah Indonesia* (BSI) and also on Islamic banking.³⁹

In addition, the existence of *Bank Syariah Indonesia* (BSI) will encourage the development of the Islamic economy, such as

³⁵Arif Hatta, "40% Pegawai Bank Syariah Indonesia Adalah Perempuan," *The Economics*, 2021, <https://www.theeconomics.com/brand-equity/40-pegawai-bank-syariah-indonesia-adalah-perempuan/>.

³⁶Asworo and Richard, "BSM, BNI Syariah & BRI Syariah Merger, Begini Nasib Karyawannya."

³⁷Ulfa, "Dampak Penggabungan Tiga Bank Syariah Di Indonesia," 1105.

³⁸Adi, "Perkuat SDM, Bank Syariah Indonesia Gelar ODP Dan Literasi Syariah," *Pasardana*, 2021, <https://pasardana.id/news/2021/6/11/perkuat-sdm-bank-syariah-indonesia-gelar-odp-dan-literasi-syariah/>.

³⁹*Ibid.*

accelerating the perfection of the *halal* value chain in the development of the *halal* industry, including financing for MSMEs and being able to participate in financing large scale projects using a sharia scheme. *Bank Syariah Indonesia* (BSI) will continue to support MSMEs through products provided by *Bank Syariah Indonesia* (BSI), either directly or in synergy with banks and the government. *Bank Syariah Indonesia* (BSI) has formulated a special strategy to support Indonesian PKS, one of which is focusing on healthy growth in the MCC and micro sectors using digital technology.⁴⁰ In addition, the Director of three Islamic banks stressed that SMEs are in fact economic actors, *BRI Syariah* Director Fidri Arnaldi stated that SMEs are the largest customer group served by *BRI Syariah* banks, and *BNI Syariah* Director Iwan Abdi will continue to be committed to supporting small groups, business actors, and macro, because *BNI Syariah* has been officially selected by the government as the bank to distribute *Kredit Usaha Rakyat* (KUR), Wawan Setiawan as from BSM presented the distribution of BSM financing to UMKM continues to increase and BSM already has *Mandiri Syariah* net service system for actors SMEs so that they can transact quickly and easily. This will be the basis for *Bank Syariah Indonesia* (BSI) to continue to provide and improve services for MSME players.

Conclusion

The results of the research stated that the merger of three Islamic banks consisting of *Bank BRI Syariah*, *Bank BNI Syariah*, and *Bank Syariah Mandiri* into *Bank Syariah Indonesia* (BSI) gave an impression to several sections, namely, banking, customers, workers, and the community. *First*, the impression on banking, increasing banking capital as a result of the merger of three banks, increasing economic activity in the field of Islamic capital market, promoting the *halal* system in all service activities in banking. *Second*, impression to customers is that customers can still do business using their old accounts from their respective banks as long as the transaction period starts from e-Money, Tapcash, Brizzi, and/or card based electronic

⁴⁰Ulfa, "Dampak Penggabungan Tiga Bank Syariah Di Indonesia," 1106.

money. *Third*, impressions on workers, all employees of the three banks are still employees of *Bank Syariah Indonesia (BSI)* and there has been no layoff even though there has been a merger of three Islamic banks, and *Bank Syariah Indonesia (BSI)* has opened a talent development program for all Indonesian people to prepare Islamic bank leaders in the future to come. *Fourth*, impact on the community, *Bank Syariah Indonesia (BSI)* realizes a talent development program aimed at the Indonesian people to improve literacy and understanding of Islamic economics and collaborates with economists and Islamic institutions to support the program, promote Islamic economic development by accelerating the perfection of the *halal* value chain development of the *halal* industry, including financing and support for MSMEs through products provided by *Bank Syariah Indonesia (BSI)*, either directly or in synergy with banks and the government.

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Investing in the Afterlife as a Bridge to Financial Freedom (Study on Pekalongan City BWI Representative)

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Abstract

Most people believe that financial independence has a large amount of money, goods, and assets. What is meant by financial independence is not only having a lot of money, goods, and assets, but the magnitude is in the financial goals that must be met. However, people who care about the hereafter will assume that whatever they do is compatible with happiness in the afterlife. This research uses empirical studies and descriptive analysis in the form of a mixture of field research and library research conducted using qualitative research strategies. This research uses primary data obtained from interviews and direct observations at the Indonesian Waqf Board of Pekalongan city, as well as secondary data obtained from publications, books, internet, previous research, and other relevant reference sources. The technique used in primary data collection is through interviews with related parties and direct observation in the field. The results of this research are as a Muslim who is oriented to the afterlife, there is awareness for Muslims who have assets that are considered valuable and have been calculated when the object is donated will not harm their family as Islamic teachings that cash waqf. A beloved treasure is a charity that will not harm his family break up because it will help him when experiencing difficulties in the hereafter and the urgency

of this waqf, the property belongs to Allah and must be returned to Allah for the benefit of others. All activities are fully entrusted to the head of BWI Pekalongan city.

Keywords: *Investing; Financial Freedom; Happiness*

Abstrak

Kebanyakan orang percaya bahwa kemandirian finansial memiliki sejumlah besar uang, barang, dan aset. Yang dimaksud dengan kemandirian finansial bukan hanya memiliki banyak uang, barang, dan aset, tetapi besarnya ada pada tujuan finansial yang harus dipenuhi. Namun, orang-orang yang peduli pada akhirat akan menganggap bahwa apapun yang mereka lakukan itu sesuai dengan kebahagiaan di akhirat. Penelitian ini menggunakan studi empiris dan analisis deskriptif berupa campuran penelitian lapangan dan penelitian kepustakaan yang dilakukan dengan menggunakan strategi penelitian kualitatif. Penelitian ini menggunakan data primer yang diperoleh dari wawancara dan observasi langsung di Badan Wakaf Indonesia kota Pekalongan, serta data sekunder yang diperoleh dari publikasi, buku, internet, penelitian terdahulu, dan sumber referensi lain yang relevan. Teknik yang digunakan dalam pengumpulan data primer adalah melalui wawancara dengan pihak terkait dan observasi langsung di lapangan. Hasil dari penelitian ini adalah sebagai seorang Muslim yang berorientasi pada akhirat, ada kesadaran bagi umat Islam yang memiliki harta yang dianggap berharga dan telah diperhitungkan ketika benda tersebut dihibahkan tidak akan merugikan keluarganya sebagaimana ajaran Islam yaitu wakaf uang. Harta yang dicintai adalah sedekah yang tidak akan merugikan keluarganya karena akan membantunya ketika mengalami kesulitan di akhirat, dan pentingnya wakaf ini, harta itu milik Allah dan harus dikembalikan kepada Allah untuk kepentingan orang lain. Seluruh kegiatan dipercayakan sepenuhnya kepada kepala BWI kota Pekalongan.

Kata kunci: *Investasi; Kebebasan Finansial; Kebahagiaan*

Introduction

The economy is one of the problems of life that is often experienced by society and the state. Inequality of social status, income inequality, and poverty are some of the issues of economic problems in people's social life.¹ These three economic issues will result in various negative impacts, such as increasing unemployment, crime, and the number of poor families. Meanwhile, the quality of health, the quality of education, and the purchasing power of the

¹Kris Dipayanti, "Pengelolaan Wakaf Produktif Terhadap Peningkatan Perekonomian Masyarakat Tangerang Selatan," *JIMF (Jurnal Ilmiah Manajemen Forkamma)* 4, no. 1 (2020): 18, <https://doi.org/10.32493/frkm.v4i1.6928>.

people will decline.²

The percentage of Indonesia's poor population in rural areas in March 2021 fell to 13,10 million people, whereas previously in September 2020 the percentage was 13,20 million people. This decrease does not apply to urban areas, because urban areas have increased by 0,01 million people. Where previously in September 2020 it was 7,88 million people and in March 2021 it was 7,89 million people.³ The Gini Ratio in urban areas was 0,401 in March 2021, an increase over the 0,399 recorded in September 2020 and the 0,393 recorded in March 2020. Meanwhile, the Gini Ratio in rural regions was measured at 0,315 in March 2021, down from 0,319 in September 2020 and 0,317 in March 2020. As a result, the Gini Ratio indicates that the level of disparity in the expenditure of the Indonesian population in March 2021 is 0,384. This number is 0.001 point lower than the September 2020 Gini Ratio of 0,385 and 0,003 point higher than the March 2020 Gini Ratio of 0,381.⁴

According to figures from the Ministry of Home Affairs' Directorate General of Population and Civil Registration (*Dukcapil*), the overall population of Indonesia in June 2021 was 272,23 million people, with 236,53 million (86,88 percent) of the Indonesian population professing Islam.⁵ The country with the largest Muslim population in the world is Indonesia.^{6 7 8} Apart from being a spiritual

²Usman Zainuddin Urif, Nuril Iffa Mahillatul Fajria, and Silvia Maula Aulia, "Peran Zakat Dan Wakaf Dalam Pembangunan Ekonomi Umat Perspektif Ekonomi Islam," *Fitua* 1, no. 2 (2020): 212, <https://doi.org/10.47625/fitua.v1i2.270>.

³BPS, "Persentase Penduduk Miskin Menurut Provinsi," Badan Pusat Statistik, 2021, <https://www.bps.go.id/indicator/23/192/1/presentas>.

⁴Ibid.

⁵Ninie Fajar Puspita et al., "Pendampingan Menuju Sertifikasi Halal Pada Produk 'Socolat' UMKM Pondok Modern Sumber Daya At-Taqwa," *JPP IPTEK (Jurnal Pengabdian Dan Penerapan IPTEK)* 5, no. 1 (2021): 18, <https://doi.org/10.31284/j.jpp-iptek.2021.v5i1.1611>.

⁶Husin Nasution and Khairunnas, "Peran Ekonomi Islam Dalam Pembangunan Ekonomi Nasional," in (*INSIS*) *International Seminar on Islamic Studies*, vol. 1 (Universitas Muhammadiyah Sumatera Utara, 2019), 2, <http://jurnal.umsu.ac.id/index.php/insis/article/view/4177>.

⁷Devid Frastiawan Amir Sup, "Melestarikan Lingkungan Hidup Dalam Konsep Ekonomi Syariah," in *Kumpulan Kultum Ekonomi Syariah Seri 2* (Jakarta: Komite Nasional Ekonomi dan Keuangan Syariah, 2020), 63, <https://knks.go.id/storage/upload/1588559563-Buku Kumpulan Kultum Ekonomi Syariah Seri 2 .pdf>.

⁸Devid Frastiawan Amir Sup, *Pengantar Perbankan Syariah Di Indonesia (Sejarah,*

dimension in Islamic teachings, waqf is also a social dimension that emphasizes the importance of the economic welfare of the community.⁹ The welfare of the people in Indonesia can be realized by maximizing the role of waqf.¹⁰

At first, the Indonesian Muslim community thought that waqf was just a range, mosques, cemeteries, and other buildings that had no economic value. Waqf assets owned by Indonesia will be very useful if some of their assets are managed into productive waqf such as plantations, rice fields, and shops. The community's active engagement in building and administering cash waqf or productive waqf is supposed to eliminate poverty in the community.¹¹ If managed and coordinated properly, this productive waqf can be an alternative to solve the problem of poverty in the midst of the increasing number of poor people.¹²

Waqf in Indonesia began to grow rapidly with the passage of Waqf Law No. 41/2004. Since then the community paradigm regarding waqf has changed, among the changes are about institutionalization, property, and management of waqf development.¹³ The productive waqf empowerment assistance program is one of the policies issued by the Ministry of Religion to encourage the use of consumptive waqf assets to be productive.¹⁴

Perkembangan, Regulasi, Dan Fatwa (Ponorogo: UNIDA Gontor Press, 2022), 12.

⁹Itang and Iik Syakhabyatin, "Sejarah Wakaf Di Indonesia," *Tazkiya* 18, no. 2 (2017): 223, <http://103.20.188.221/index.php/tazkiya/article/view/1151>.

¹⁰Bashlul Hazami, "Peran Dan Aplikasi Wakaf Dalam Mewujudkan Kesejahteraan Umat Di Indonesia," *Analisis* 16, no. 1 (2016): 183, <https://doi.org/10.24042/ajsk.v16i1.742>.

¹¹Naimah, "Implemetasi Yuridis Terhadap Kedudukan Wakaf Produktif Berbasis Peningkatan Ekonomi Masyarakat Di Indonesia," *At-Taradhi: Jurnal Studi Ekonomi* 9, no. 1 (2018): 15, <https://doi.org/10.18592/at-taradhi.v9i1.2093>.

¹²Robi Setiawan, Tenny Badina, and Mohamad Ainun Najib, "Strategi Pengelolaan Wakaf Produktif Dalam Rangka Pemberdayaan Ekonomi Umat Pada Wakaf Produktif Dompot Dhuafa Banten," *Al Maal: Journal of Islamic Economics and Banking* 3, no. 1 (2021): 69, <https://doi.org/10.31000/almaal.v3i1.4587>.

¹³Mansur Efendi, "Pelaksanaan Pasal 43 Undang-Undang Nomor 41 Tahun 2004 Mengenai Pengelolaan Dan Pengembangan Harta Wakaf Di Pondok Modern Darussalam Gontor," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 4, no. 2 (2019): 159, <https://doi.org/10.22515/al-ahkam.v4i2.1961>.

¹⁴Ani Nurbayani, "Strategi Pemberdayaan Wakaf Produktif Dalam Upaya Memakmurkan Umat," *Tadbir: Jurnal Manajemen Dakwah* 5, no. 2 (2020): 175, <https://doi.org/10.15575/tadbir.v5i2.2101>.

Indonesia also has a waqf-based educational foundation. Waqf Board is the highest institution in the organization of the Pondok Modern Education Center Darussalam Gontor. This institution started from the waqf of Pondok Modern Darussalam Gontor, on 28 Rabiul Awwal 1378/12 October 1958, by the founders (*Trimurti*) to the Darussalam Modern Boarding Family Association Gontor is represented by 15 people who are believed to be *nazhir*. The whole *nazhir*, which numbered 15 people, was later formed into an institution Waqf Board of Modern Darussalam Gontor *Mu'allim*.¹⁵

The Indonesian Waqf Board, or *Badan Wakaf Indonesia* (BWI), plays an important role in the fruitful waqf empowerment program. The goal of establishing BWI is to improve waqf management in Indonesia. BWI is an independent and professional organization that complements the government's function as a regulator, facilitator, motivator, and supplier of public services.¹⁶

The Indonesian Waqf Board's task is to foster *nazhir* in managing and developing waqf assets, to manage and develop waqf assets on a national and international scale, to approve the exchange of assets waqf object, to approve and/or permit changes to the designation and status of waqf property, to dismiss and replace *nazhir*, and to provide advice and considerations to the government in the preparation of waqf policy.¹⁷

The use of waqf objects still revolves around physical things, so that it does not have a significant economic impact on the welfare public.¹⁸ However, the number of productive waqf or investment

¹⁵Jarman Arroisi and Syamsuri, "Manajemen Wakaf Pondok Modern Darussalam Gontor: Analisis Model Pemeliharaan, Pengembangan Wakaf, Dan Kesejahteraan Umat," *Ijtihad: Jurnal Hukum Dan Ekonomi Islam* 14, no. 2 (2020): 160, <https://doi.org/10.21111/ijtihad.v14i2.4701>.

¹⁶Muhammad Aziz, "Peran Badan Wakaf Indonesia (BWI) Dalam Mengembangkan Prospek Wakaf Uang Di Indonesia," *JES: Jurnal Ekonomi Syariah* 1, no. 2 (2017): 196, <https://doi.org/10.30736/jes.v1i2.15>.

¹⁷Rimanto, Sonny Zuhuda, and Agus Hermanto, "Repositioning the Independence of the Indonesian Waqf Board in the Development of National Waqf: A Critical Review of Law No. 41 of 2004 Concerning Waqf," *Justicia Islamica: Jurnal Kajian Hukum Dan Sosial* 18, no. 1 (2021): 66, <https://doi.org/10.21154/justicia.v18i1.2303>. the laws and regulations have weakened the Indonesian Waqf Board (BWI)

¹⁸Purwanto, "Hambatan Dalam Pengelolaan Wakaf Produktif," *Wahana Islamika: Jurnal Studi Keislaman* 3, no. 2 (2017): 102, <https://doi.org/10.5281/wahanaislamika.v3i2.53>.

waqf is still very small. *Nazhir's* lack of ability to manage waqf in the form of investment is one of the causes of the small number of waqf findings. In the Islamic economic system, *zakat* and waqf (*ziswaf*) are not many explored optimally, even though *zakat* and waqf are a very potential instrument for the economic empowerment of the people. For this reason, *zakat* and waqf are very important to be managed and managed maximally developed. Revitalization of *zakat* and waqf management reforming the pattern of management of *zakat* waqf (*ziswaf*) is a must. Transformation of traditional *zakat* and waqf management towards professional management is a necessity.¹⁹ So that researchers try to find information to explain investment in the afterlife as a bridge to financial freedom.

Methodology

This research employs an empirical study as well as a descriptive analysis in the form of a mix of field research and library research conducted utilizing a qualitative research strategy. This research employs primary data acquired from interviews and direct observations at the Indonesian Waqf Board of Pekalongan city, as well as secondary data derived from publications, books, the internet, prior studies, and other relevant reference sources. The technique used in collecting primary data is through interviews with related parties and direct observations in the field. While the technique used in collecting secondary data is through a review of the existing literature. Understanding and analysis of field data sources and library data sources are used to produce studies on the topics discussed and in drawing research conclusions to get an explanation of what is being studied.²⁰ The data obtained is then processed by editing and

¹⁹Aya Yahya Maulana and Danang Dwijo Kangko, "Kemas Ulang Informasi Sebagai Solusi Alternatif Literasi Hukum Wakaf Uang: Sebuah Studi Literatur," *Bibliotech: Jurnal Ilmu Perpustakaan Dan Informasi* 3, no. 2 (2018): 133, <https://doi.org/10.33476/bibliotech.v3i2.915>.

²⁰Nurwarniatun, "Pengembangan SDM Pustakawan Di Perpustakaan IAIN Kediri," *Al-Kuttub: Jurnal Kajian Perpustakaan, Informasi, Dan Kearsipan* 1, no. 2 (2019): 8, <https://doi.org/10.24952/ktb.v1i2.1808>.

organizing the data, then analyzed by the deduction method.^{21 22} The analysis process is carried out continuously from start to finish. The analysis process in question includes data interpretation, language translation, word editing, and compiling them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{23 24 25}

Results and Discussion

As a Muslim who is oriented towards the afterlife, it is there must be aware for the Muslim community who has assets or goods that they consider valuable and have been calculated when the object is donated it will not cause harm to his family as Islamic teachings that waqf of beloved property is a charity that will not cause harm to his family break up because it will help him when experiencing difficulties in the hereafter as well as the urgency of this waqf, the property essentially belongs to Allah and must be returned to Allah for the benefit of others. The task of BWI is important and is needed by the community for its existence and legality.²⁶

The productive waqf empowerment program includes the construction of business centers, educational buildings, and

²¹Devid Frastiawan Amir Sup, "Al-Qawa'id Al-Fiqhiyah: Tantangan Ilmiah Kemunculannya Dan Aplikasinya Dalam Bidang Ekonomi Shari'ah," *An-Nuha: Jurnal Kajian Islam, Pendidikan, Budaya Dan Sosial* 8, no. 2 (2021): 333, <https://doi.org/10.36835/annuha.v8i2.457>.

²²Zulfatus Sa'diah, Annas Syams Rizal Fahmi, and Devid Frastiawan Amir Sup, "Analisis Penyelesaian Pembiayaan Murabahah Bermasalah Menurut Fatwa DSN MUI No. 17/DSN-MUI/IX/2000 Dan No. 43/DSN-MUI/VIII/2004 (Studi Kasus Di BMT La Tansa Ponorogo)," *Journal of Islamic Banking* 2, no. 1 (2021): 8, <http://journal.iaialhikmahtuban.ac.id/index.php/JIB/article/view/201>.

²³Devid Frastiawan Amir Sup, "Mengawal Nilai-Nilai Produksi Melalui Amdal: Perspektif Ekonomi Syariah," in *Isu-Isu Kontemporer Dalam Pendidikan, Ekonomi, Dan Hukum* (Yogyakarta: Trussmedia Grafika, 2021), 320.

²⁴May Shinta Retnowati et al., "Penerapan Asas Itikad Baik Dalam Perjanjian Waralaba Ditinjau Dari Pasal 1338 KUH Perdata," *Al-Ahkam* 17, no. 1 (2021): 16, <https://doi.org/10.37035/ajh.v17i1.4583>.

²⁵Devid Frastiawan Amir Sup and Ifandi Suhendi, "The Concept of Muqasah on Murabahah Financing in the Perspective of Fatwa DSN-MUI," *Kodifikasia: Jurnal Penelitian Islam* 16, no. 1 (2022): 7, <https://doi.org/10.21154/kodifikasia.v16i1.3818>.

²⁶Aziz, "Peran Badan Wakaf Indonesia (BWI) Dalam Mengembangkan Prospek Wakaf Uang Di Indonesia," 198.

multipurpose buildings, shops, mini markets, shop houses, boarding houses, pharmacies, clinics, gas stations, convection, fattening cattle, and chicken farms, and others. In preparing plans and programs for productive waqf empowerment, *nazhir* needs to cooperate and synergize with the Regional Government and the Local Ministry of Religion Office. The waqf land that will be used as the project location must be in a strategic location and wide enough and has been registered with the local land office.²⁷

In implementing the productive waqf empowerment program, *nazhir* needs to build synergies and coordinate, cooperate, and consult with local governments, offices of the ministry of religion, Indonesian waqf bodies, religious organizations, land offices, and related technical agencies, investors, and Islamic banks, educational institutions Islamic finance and other parties related to the program. With this networking, it is hoped that synergies will form across institutions and related agencies that can support the successful implementation of productive waqf empowerment programs. This synergy will be realized if each of the parties concerned is in a state of balance, mutual need, and respect for each other as well as shared perceptions and motivations towards the program.²⁸

The benefits of networking include increasing cooperation, utilizing resources together, solving various problems together, providing technical support more easily, increasing efficiency, and increasing greater work results. While the goals of the network include professional study and management (management), development of waqf assets productively, maximum utilization of waqf assets for the public interest, waqf socialization, and promotion of public awareness for waqf including collecting cash waqf and seeking investors.²⁹

²⁷Agus Hermanto, Meriyati, and Dwi Wulandari, "Modernisasi Badan Wakaf Indonesia (BWI)," *Al-Iqtishady: Jurnal Ekonomi Syariah* 2, no. 1 (2021): 8, <https://ejournal.stainupacitan.ac.id/index.php/Al-Iqtishady/article/view/129>.

²⁸Neneng Hasanah, Indah Sulistyana, and M. Iqbal Irfany, "Strategi Pengelolaan Wakaf Uang Oleh Badan Wakaf Indonesia (BWI)," *Al-Awqaf: Jurnal Wakaf Dan Ekonomi Islam* 13, no. 1 (2020): 46, <https://doi.org/10.47411/al-awqaf.v13i1.95>.

²⁹Henik Hari Astuti and Hendri Tanjung, "Analysis of Nazhir Accountability Implementation in Empowerment of Productive Waqf in Indonesia," *Tazkia Islamic Finance and Business Review (TIFBR)* 13, no. 1 (2019): 70, <https://doi.org/10.30993/tifbr.v13i1.199>.

This network can be formed if there are common interests and goals of cooperation, there is a desire to share resources and expertise to solve problems together, there is a desire to add to each other something mutually beneficial, and there is a reciprocal relationship and the understanding that networking is in principle a system approach to management. Waqf management is closely related to several aspects, including the historical context of colonialism, the political power of local Muslim groups, the form of the state and post-colonial economic practices, and the pattern of political/economic relations with former colonizers. In the historical context of colonialism, for example, there is no punishment for those who do not pay waqf.³⁰

Management of *zakat* and waqf needs to be revitalized. In recent years, public interest in the topic of waqf has begun to increase. Some parties believe that waqf is another alternative for strengthening the Islamic economy. The reason is, almost three decades have passed, the share of Islamic financial institutions is still not significant. The increasing public interest in the topic of waqf, according to the author, can be seen from at least two main streams, namely the level of theoretical studies and practice in the field. From the academic world, recently more and more academics and researchers have raised this topic in their writings and research. Students from undergraduate to doctoral levels are starting to be busy choosing waqf as a topic for writing undergraduate theses, postgraduate theses, and dissertations.³¹

The discussion of waqf, in general, is only limited to the religious approach in legal and sociological studies. Currently, the discussion on the topic of waqf has begun to penetrate the economic context. Both in terms of potential and various management and empowerment options that can be done to make the existing waqf

find solutions and strategies that can be done by nazhir and related institutions, namely Ministry of Religion and BWI using the ANP (Analytical Network Process

³⁰Mohamed Aslam Mohamed Haneef, Nazrol Kamil Bin Mustaffa Kamil, and Qurroh Ayuniyyah, "Development of Waqf in Indonesia: The Swot Analysis of Indonesia Waqf Board (BWI)," *Al-Infraq: Jurnal Ekonomi Islam* 8, no. 2 (2017): 143, <https://doi.org/10.32507/ajei.v8i2.16>.

³¹Haniah Lubis, "Potensi Dan Kendala Pengembangan Wakaf Uang Di Indonesia," *Islamic Business and Finance (IBF)* 1, no. 1 (2020): 50, <https://doi.org/10.24014/ibf.v1i1.9373>.

assets productive. Conferences and seminars on the topic of waqf, both at home and abroad, began to appear. Not only national institutions are starting to see the potential of waqf in Indonesia, international institutions such as The United Nations Development Program (UNDP) also believe that waqf can support the achievement of the Sustainable Development Goals. This can be seen from BI's initiation to facilitate the creation of the waqf core principles and the collaboration carried out by BWI-UNDP.³²

In terms of practice in the field, some *nazhir* (waqf managers) have also begun to offer productive waqf management. On social media, invitations to the public to waqf productively have also begun to be echoed by waqf institutions. Various breakthroughs to encourage waqf were also offered by Islamic financial institutions. For example, *Hasanah Waqf* by *BNI Syariah* and *iB Mapan Waqf Savings* by *CIMB Syariah*. After the change of BWI members at the end of 2017, the community is waiting for innovation and leaps of new members to realize the huge potential of waqf. There are many ways to do it. According to the author, two of them are by optimizing technology and executing collaboration. The first is related to technology, BWI can optimize the use of technology in carrying out its duties. For example, by initiating applications for online licensing, coaching, and supervision of *nazhir*. Although the development of this online system certainly requires a separate budget, there are many benefits to be gained.³³

One of the main issues in the world of waqf in Indonesia is related to the quality of *nazhir*. Inadequate competence of *nazhir*, in general, is a problem because *nazhir* plays a central role in managing waqf assets. How many waqf assets are abandoned and do not develop because the *nazhir* does not have enough competence to produce these assets. With the online application, granting permits

³²Diah Sulistyani et al., "Pelaksanaan Dan Pengembangan Wakaf Uang Di Indonesia," *Jurnal USM Law Review* 3, no. 2 (2020): 335, <https://doi.org/10.26623/julr.v3i2.2874>.

³³Khairuddin Abdul Rashid et al., "Zakat and Wakaf Funded Housing for the Poor and Needy – An Analysis of the Zakat and Wakaf Authorities Roles from the Authorities' Perspectives," *Planning Malaysia Journal* 17, no. 1 (2019): 77, <https://doi.org/10.21837/pmjjournal.v17.i9.587>.

to new *nazhir* can be more efficient. Online tests also make it possible to screen for potential *nazhir* without incurring a lot of additional costs. Through the online system, the guidance and supervision of the *nazhir* can be carried out more effectively. Indicators of success can also be measured clearly. Learning media for registered *nazhir* can also be carried out regularly according to the scheduled time to increase the knowledge and abilities of *nazhir*.³⁴

In addition to the initiation of online applications, the latest information about BWI activities and programs can be published through BWI's official social media accounts. In this case, the researcher feels that BWI needs to be more active on social media. Thus the process of socialization and education about waqf to the community can run well. To increase community participation in advancing waqf, BWI can initiate an open house inviting practitioners, researchers, and academics.³⁵

It is undeniable that waqf is an additional source of income new. This will lead to an increase in demand for goods. Meanwhile, in the production sector, it will lead to an increase in productivity, so that existing companies are increasingly moving, even creating new companies the establishment of new companies to meet this demand. On the other side, more and more capital is coming into the company. Every item very important and is a basic need, every request is not will change. This is what causes the company's continuous productivity and guaranteed capital invested.

The emergence of an increase in demand can be proven when the waqf property is distributed to those who deserve it. And the increase in those purchases will not happen except with the addition of income, one of which is waqf. When waqf is taken and collected from those who have high income and given to those who have limited income, then the tendency consumption of those who have

³⁴Mochammad Masrikhan, "Optimalisasi Potensi Wakaf Di Era Digital Melalui Platform Online Wakafin.Com Dengan Konsep Crowdfunding Sebagai Penggerak Ekonomi Masyarakat," *Istismar: Jurnal Ekonomi Syariah* 1, no. 1 (2018): 8, <https://doi.org/10.32764/.v1i0.300>.

³⁵Kamariah, Sukman, and Nirwana, "Problema Wakaf Di Indonesia," *Ats-Tsarwa: Jurnal Ekonomi Islam* 1, no. 1 (2021): 59, <https://e-journal.stishid.ac.id/index.php/ats-tsarwah/article/view/103>.

a high income will be less than them who have limited income. The optimistic effect of waqf is the exception to the degree of difference between consumptive tendencies and existing income for achieve a balance between income and expenditure. With the meaning that the consumptive tendency will be even greater when the waqf has been implemented compared to before.

However, to overcome so that objects can be maintained properly so that they can be managed optimally then can make it as a productive waqf of course, the handling of the project has also been carried out by other social institutions. the funds that collected can be used to improve the inner and outer welfare of the community,

Representatives of the Indonesian Waqf Board (BWI) of Pekalongan city have been established since 2017. From its inception until now, the presence of representatives of BWI Pekalongan city has begun to be felt, meaning that representatives of BWI Pekalongan city have functioned the role of BWI. Representatives of the Indonesian Waqf Board in the city of Pekalongan socialized waqf through several mass media. District/city BWI representatives have the responsibility and authorized: (1) Policy outline and implementation of BWI duties at the level area/city; (2) Coordinate with the Ministry of Religion and related agencies to carry out the duties of district/city BWI; (3) Provide guidance to *nazhir* on the management of development of waqf assets; (4) Work under BWI representatives inside and outside the region, represent, and be responsible for the representatives of BWI; (5) To revoke and replace *nazhir* with land area less than 1.000 m²; (6) Issuing proof of registration of *nazhir* with an area of land waqf less than 1.000 m²; (7) Carry out and report the proposal for the allocation of waqf assets for changes in the form of land with an area of less than 1.000 m²; (8) Implement and prepare reports on proposals exchange/change in status of waqf assets (*ruislag*) in the form of land which has an area of less than 1.000 m²; (9) Line of other obligations mandated by provincial BWI representative.³⁶

Based on the narrative of Mr. Tubagus Surur as chairman of

³⁶Muhammad Budi Buchari Harahap and Darwanto, "Peran Strategi Badan Wakaf Indonesia (BWI) Dalam Meningkatkan Profesionalisme Nazhir Kota Semarang," *Tawazun: Journal of Sharia Economic Law* 4, no. 1 (2021): 111, <https://doi.org/10.21043/tawazun.v4i1.10192>.

the Pekalongan branch of BWI, all socialization activities were fully entrusted to the head of Pekalongan city BWI. The main targets in the socialization are the entire Muslim community of Pekalongan city who earn above the average and are usually 30 years old, the *nazhir* managers of individual and group cash waqf, and institutions concerned with representatives of the Indonesian Waqf Board of Pekalongan city, such as the Islamic Education Foundation (*Yayasan Pendidikan Islam*) and the Muslim Foundation (*Yayasan Muslimin*). All existing policies are the decisions of the chairman, but when there a work program meeting all divisions coordinate/deliberate socialization policies. For the mass media itself, representatives of BWI Pekalongan city use internet media such as websites and social media and collaborate with *Batik TV* and *Radar Pekalongan*. For internet use, the Indonesian Waqf Board has an official website where all information about the Indonesian Waqf Board can be accessed and the official social media accounts Facebook and Instagram as a form of embodiment following the times in disseminating information. All mass media help, but every mass media has its advantages and its drawbacks, such as television and newspapers which spend a lot of budgets only for one time socialization, in contrast to socialization via the internet and social media, with a very minimal budget they can reach all information related to representatives of BWI Pekalongan city.

Aspects that must be possessed so that a *nazhir* can be called a professional has been formulated by the Ministry of Religion of the Republic of Indonesia Directorate of Development *Zakat* and Waqf Directorate General of Islamic Community Guidance and Organization of Hajj. These aspects are: (1) Have special expertise and skills to be able to do job well. These skills and expertise are usually acquired through education, training or experience for a certain period of time. Knowledge, these skills and abilities help professional people recognize the problem well in his work. That way, the person can formulate the right solution which will result in good quality success; (2) Have a moral commitment. *Nazhir's* profession is a social service profession. Service profession social responsibility really requires a moral commitment as a professional code of ethics. Ethics in this form is a rule that must be held in carrying out the work

mandate. This professional code of ethics also intended to protect the public from losses and negligence. Regardless of intentional or unintentional, so it can be protect people who hold the profession from behavior bad behavior; (3) Live from the profession that is lived. Professional people are paid appropriate wages and salaries in return for his efforts to mobilize energy, mind, time, expertise, and skill. By demanding *nazhir* work professionally, then *nazhir* should also can support himself and his family from his profession. The *nazhir* should be guaranteed to be able to meet the needs daily without the need to look for additional income outsideher job; (4) Serving the community. Regarding the moral commitments included in the code of ethics professions where people who hold certain professions like *nazhir* are more put the interests of the community ahead of individual interests; (5) Legalization. Licensing or legalization is very important for professions the interests of the wider community and related to human values. Every *nazhir* must be ratified and officially appointed so that build public trust.³⁷

Based on the narrative of Mr. Tubagus Surur as chairman of the Pekalongan branch of BWI, in particular, BWI representatives in the city of Pekalongan only focused on coaching for *nazhir* so that waqf management was more productive and beneficial for the community, then *nazhir* handed over waqf objects to BWI. Therefore, the function of the Waqf Board as *nazhir* waqf is only as a guideline for implementing the mechanism that has been made by the central BWI. Another target to be achieved by representatives of BWI Pekalongan city related to waqf is that all waqf objects are certified, especially land and physical buildings. In all sub-districts, there is education and socialization about waqf land certification and assisting the process. In addition, the Pekalongan City BWI also provided recommendations to *nazhir* who changed his management and provided recommendations for the new waqf land to be donated to Pekalongan City BWI. The most important achievement that has been obtained is the attention to waqf management is the collaboration with many partners such as the Islamic Education Foundation (YPI) and the Muslim Foundation, as well as collaboration with the community by forming

³⁷*Ibid.*, 112.

a WhatsApp group with *nazhirs* that concentrates on the sub-district area as a medium to support BWI interests. The development of waqf management which is increasingly accepted by the community and the discussion about waqf is growing is also one of the achievements for BWI representatives in the city of Pekalongan.

Investment means an asset owned by a person or company to generate periodic income (dividends) or sales which are generally carried out for a long period.³⁸ Another definition is that investment is an activity to place funds in one or more types of assets during a certain period in the hope of earning income or increasing the value of investments in the future to meet future needs. In addition, investment has a higher level of profitability and has a variety of instruments when compared to saving activities.³⁹ Thus, the concept of investment is to place funds in the present for a certain period to get benefits or profits in the future. This means that the funds invested are funds that should be consumed but are diverted to achieve future profits.⁴⁰ As the word of Allah Swt. in surah Al-Baqarah verse 268:

الشَّيْطَانُ يَعِدُكُمُ الْفَقْرَ وَيَأْمُرُكُم بِالْفَحْشَاءِ ۗ وَاللَّهُ يَعِدُكُم مَّغْفِرَةً مِّنْهُ وَفَضْلًا
وَاللَّهُ وَاسِعٌ عَلِيمٌ

"Satan threatens you with poverty and orders you to immorality, while Allah promises you forgiveness from Him and bounty. And Allah is all-Encompassing and Knowing".

Investment activities are part of *muamalah* activities that are permitted unless there are restrictions from the texts of the Al-Qur'an and *hadis* that prohibit it. Al-Qur'an and *hadis* are two main things that become authoritative sources for Muslims. Therefore,

³⁸Elif Pardiansyah, "Investasi Dalam Perspektif Ekonomi Islam: Pendekatan Teoritis Dan Empiris," *Economica: Jurnal Ekonomi Islam* 8, no. 2 (2017): 343, <https://doi.org/10.21580/economica.2017.8.2.1920>.

³⁹Andreas Rudiwantoro, "Langkah Penting Generasi Millennial Menuju Kebebasan Finansial Melalui Investasi," *Moneter: Jurnal Akuntansi Dan Keuangan* 5, no. 1 (2018): 46, <https://doi.org/10.31294/moneter.v5i1.2502>.

⁴⁰Amalia Nuril Hidayati, "Investasi: Analisis Dan Relevansinya Dengan Ekonomi Islam," *Malia: Jurnal Ekonomi Islam* 8, no. 2 (2017): 233, <https://doi.org/10.35891/ml.v8i2.598>.

investment activities carried out by a Muslim must be by *syar'i* law that has been stipulated in the Al-Qur'an and *hadis*, as well as being a guide in acting.⁴¹

Investment in Islam can be divided into two, namely investment in the real sector and investment in the financial sector. Real sector investment is an investment activity carried out by buying and storing real objects which are expected to have a higher selling value in the future. While investment in the financial or financial sector is an investment activity carried out by trading short-term securities on the money market or trading long-term securities on the futures capital market.⁴²

While financial freedom according to Orman is, "*A situation where you are free from fear and anxiety over your finances will run out and have freedom over your financial strength without having to work harder*". Therefore, one way that can be done to achieve financial freedom is through investment activities. As the benefits of investing are related to financial freedom, namely getting more profits in the future by investing some of the assets or assets currently owned. In addition, investment is also useful for fighting inflation and as passive income.⁴³

Based on the narrative of Mr. Tubagus Surur as chairman of the Pekalongan branch of BWI, for a Muslim, being financially independent is different from the conventional perception of financial freedom. Where the meaning of financial independence in an Islamic perspective is when a person can carry out all obligations and religious advice related to finance and freedom to use the money to carry out the essence of the purpose for which humans were created, namely only to worship Allah Swt. Therefore, one alternative that can be done is to endow part of the assets or assets owned for the benefit of people in need, either in the form of waqf of movable objects (cash) or waqf of immovable objects (land and buildings). "*There has been a lot of awareness from the community to waqf*

⁴¹*Ibid.*, 234.

⁴²*Ibid.*

⁴³Izdihar Naufal Afaf and Reni Yendrawati, "Sosialisasi Pentingnya Mencapai Financial Freedom Dalam Mengatur Keuangan Di Masa Pandemi Bagi UMKM," *Rahmatan Lil 'Alamin: Journal of Community Services* 1, no. 1 (2021): 17, <https://ojs2-journal.uui.ac.id/rla/article/view/20772>.

their assets and manage them as productive waqf, for example, such as the Islamic Education Foundation (YPI) with the establishment of the Buaran Batik Center (BBC). Also includes the Muslim Foundation by developing a sharia hotel. The two foundations have been able to report their results every year to representatives of BWI Pekalongan city". The statement above illustrates that although the representatives of BWI Pekalongan city are a newly established waqf agency, the implementation related to the management of productive waqf has been carried out in the city of Pekalongan. Where a waqf is a form of waqf contribution to the economic benefit of the people of Pekalongan city. The BBC and *Hotel Syariah* from the beginning until now have continued to exist and have contributed to the economy of the city of Pekalongan, and have also reported their productive results to BWI regularly every year. Quantitatively, so far the role of waqf is still religious, not yet optimized for a special economic role. But in the city of Pekalongan, there are several waqf lands where there is a mosque building whose land is also used to support economic activities. Another example of productive waqf in the city of Pekalongan according to the chairman of the BWI Pekalongan branch is the *Al-Fairus Mosque* which is located on Jl. Dr. Sutomo Pekalongan city, *The Martyrs Mosque* whose land was partially used for the establishment of the Pekalongan city, *Bank Syariah Indonesia (BSI)* which is located on Jl. Pemuda Pekalongan city, and the *Al-Ihsan Mosque* located on Jl. Veteran, Kraton, Pekalongan city which is planned to be used for economic development such as street vendors.

Conclusion

As a Muslim who is oriented towards the afterlife, there must be aware for the Muslim community who has assets or goods that they consider valuable and have been calculated when the object is donated it will not cause harm to his family as Islamic teachings that waqf of beloved property is a charity that will not cause harm to his family. break up because it will help him when experiencing difficulties in the hereafter as well as the urgency of this waqf, the property belongs to Allah and must be returned to Allah for the benefit of others. All socialization activities are fully entrusted to the

head of BWI Pekalongan city. The main targets in the socialization are the entire Muslim community of Pekalongan city who earn above the average and are usually 30 years old, the *nazhir* managers of individual and group cash waqf, and institutions concerned with representatives of the Indonesian Waqf Board of Pekalongan city, such as the Islamic Education Foundation (*Yayasan Pendidikan Islam*) and the Muslim Foundation. Investment means an asset owned by a person or company to generate periodic income (dividends) or sales which are generally carried out for a long period. Another definition is that investment is an activity to place funds in one or more types of assets during a certain period in the hope of earning income or increasing the value of investments in the future to meet future needs. In addition, investment has a higher level of profitability and has a variety of instruments when compared to saving activities.

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Implementation of the Qardh Agreement on the Financial Technology Lending Platform in the Development of Small and Medium Enterprises (SME) in Indonesia

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Abstract

Financial technology is a new financial innovation that has an important role in the development of the national economy. The convenience offered is the main attraction among the people. Besides that it also has a very high impact on the development of Small and Medium Enterprises (SME). However, the system applied is the same as the conventional financial system, such as the interest system on online loans. Although innovative and helpful, the interest system applied is the same as a loan from a loan shark, where the interest given is very burdensome. So in this study, we discuss the implementation of qardh contracts on the financial technology lending platform, and how it affects the development of SME. This type of research is library research, which is research conducted by collecting data from various literature books, journals, website writings, magazines, laws, fatwas, or from various writings. The approach used in this research is qualitative, where the research procedure uses descriptive data in the form of written words. The researcher will explain the terms and elements that must be met in implementing the qardh contract on the peer to peer lending

platform. The result is, the implementation of qardh contracts on financial technology lending platforms should avoid the various elements namely riba, gharar, maysir, tadlis, dharar, zhulm, and haram. If in practice all these elements are avoided, it will facilitate all actors of SME. Where the perpetrator will not be stuck in huge debt because of interest, and avoid ambiguity and fraud that will be to the detriment of one party. In addition, the existence of the qardh contract based financial technology loan platform will make it easier for SME actors to obtain loans or capital to develop their SME.

Keywords: *Implementation; Qardh; Financial Technology; SME*

Abstrak

Financial technology (fintech) merupakan inovasi keuangan baru yang memiliki peran penting dalam pembangunan perekonomian nasional. Kenyamanan yang ditawarkan menjadi daya tarik tersendiri bagi masyarakat. selain itu juga berdampak sangat tinggi terhadap perkembangan Usaha Kecil Menengah (UKM). Namun sistem yang diterapkan sama dengan sistem keuangan konvensional, seperti sistem bunga pinjaman online. Meski inovatif dan membantu, sistem bunga yang diterapkan sama seperti pinjaman dari rentenir, di mana bunga yang diberikan sangat memberatkan. Maka dalam penelitian ini, kami membahas implementasi akad qardh pada platform fintech lending, dan bagaimana pengaruhnya terhadap perkembangan UKM. Jenis penelitian ini adalah penelitian kepustakaan, yaitu penelitian yang dilakukan dengan mengumpulkan data dari berbagai literatur buku, jurnal, tulisan website, majalah, undang-undang, fatwa, atau dari berbagai tulisan. Pendekatan yang digunakan dalam penelitian ini adalah kualitatif, dimana prosedur penelitian menggunakan data deskriptif berupa kata-kata tertulis. Peneliti akan menjelaskan syarat dan unsur yang harus dipenuhi dalam pelaksanaan akad qardh pada platform peer to peer lending. Hasilnya, pelaksanaan akad qardh pada platform fintech lending harus menghindari berbagai unsur yakni riba, gharar, maysir, tadlis, dharar, zhulm, dan haram. Jika dalam praktiknya semua elemen tersebut dihindari, maka akan memudahkan semua pelaku UKM. Di mana pelaku tidak akan terjerat hutang yang besar karena bunga, serta terhindar dari kerancuan dan penipuan yang akan merugikan salah satu pihak. Selain itu, dengan adanya platform pinjaman fintech berbasis akad qardh akan semakin memudahkan para pelaku UKM untuk mendapatkan pinjaman atau modal untuk mengembangkan UKM-nya.

Kata Kunci: *Implementasi; Qardh; Financial Technology; UKM*

Introduction

The term thought in Islamic economics has existed since the time of the Prophet Muhammad Saw. who became the Messenger of God, where at that time, the Prophet issued several policies

related to social problems namely from legal issues (*fiqh*), politics (*siyasiah*), and trade issues or economic problems (*muamalah*). The emergence of various types of economic problems in the community at that time troubled the Prophet Saw., because this economic problem is one of the pillars of one's faith that needs to be given attention to remain vigilant. Later, the Qur'an and Hadith were made the basis of economic theory by the caliphs after the death of the Prophet Muhammad in managing the economy of a country.

Economic dynamics continues to grow from time to time, from the time of the Prophet Saw., the time of *Khulafaurrasyyidin*, Abu Bakr Ash-Siddiq, Umar bin Khattab, Ustman bin Affan, Ali bin Abi Talib, until now, the era of digitalization, where the development of information technology especially interconnection networking has become a secondary need for society.

Information technology is the result of human work in the form of technology that can be used by the general public for data management including processing, obtaining, storing, manipulating data in various ways to produce quality information that is accurate, reliable, and timely information, used in personal, business or government needs, and is the right information for decision making. At the beginning of the development of information technology, mass media was only understood as a tool of message delivery through the media, with delayed feedback, but for now the communication process in mass media can be done very quickly.¹

The development of information technology and technological intelligence is very influential on the innovation of the financial industry in Indonesia. Various types of financial services industries are emerging. One of the innovations that has been developed is the integration of the financial system with information technology, the innovation is called financial technology. Financial technology is the implementation and use of technology to improve banking and financial services using software, internet, communications, and computer technology.²

¹Muslimin Machmud, "Perkembangan Teknologi Dalam Industri Media," *Jurnal Teknik Industri* 12, no. 1 (2011): 57, <https://doi.org/10.22219/JTIUMM.Vol12.No1.57-64>.

²Muliaman Hadad, "Public Lecture: Financial Technology (FinTech) Di Indonesia"

One of the manifestations of the development of the world of technology is the emergence of financial technology in various types of platforms, which can now be felt and accessed by the general public. The concept of financial technology encompasses financial services based on digital systems that have been developed in Indonesia, such as online digital banking, payment channel systems, peer to peer lending (P2P), or mass financing.³

Based on data from OJK (The Financial Services Authority), the technological development of financial technology has increased by a very significant amount. Based on Financial Services Board data, there are 117 registered companies and 36 licensed companies, while conventional companies are 143 companies and Islamic companies are 10 companies. The data is data as of November 30, 2020.

Based on the law, the beginning of the emergence of conventional or syariah financial technology is protected by the legal umbrella of POJK No. 77/POJK.01/2016 on Peer to Peer Lending/P2P Lending Ownership Loan Services issued since 2016.⁴ However, in line with the development of syariah financial technology, to support the loan process, was issued *Fatwa* DSN-MUI No.117/DSN-MUI/II/2018 related to Information Technology Based Financing Services Based on Shariah Principles. This is done in order for companies that are registered as syariah financial technology to the OJK to be given protection based on *Fatwa* DSN-MUI.

In the process of economic development in Indonesia, financial technology can provide considerable opportunities and potential in developing Small and Medium Enterprises (SME) in Indonesia.⁵ With

(Financial Services Authority FinTech, 2017).

³Ahmad Yudhira, "Analisis Perkembangan Financial Technology (Fintech) Syariah Pada Masa Pandemi Covid-19 Di Indonesia," *Value: Jurnal Ilmiah Akuntansi, Keuangan, Dan Bisnis* 1, no. 2 (2021): 14, <https://doi.org/10.36490/value.v2i1.118>.

⁴Sri Maulida, Ahmadi Hasan, and Masyitah Umar, "Implementasi Akad Pembiayaan Qard Dan Wakalah Bil Ujrah Pada Platform Fintech Lending Syariah Ditinjau Berdasarkan Peraturan Otoritas Jasa Keuangan (OJK) Dan Fatwa DSN-MUI," *Al-Tijary* 5, no. 2 (2020): 177, <https://doi.org/10.21093/at.v5i2.2303>.

⁵Diah Rahayu Ningsih, "Peran Financial Technology (Fintech) Dalam Membantu Perkembangan Wirausaha UMKM," in *Prosiding Seminar Nasional Pendidikan Program Pascasarjana Universitas PGRI Palembang* (Palembang: Universitas PGRI Palembang, 2020), 271, <https://core.ac.uk/download/pdf/322574022.pdf>.

the facilities provided by financial technology in terms of services, it is hoped that it can overcome difficulties in financial and capital aspects in general in order to assist the community in developing SME more effectively, productively, and efficiently. This situation also has differences in terms of services provided by conventional banks in general. Based on the above description, this research will discuss the results of the analysis and study of the implementation of *qardh* contracts on financial technology lending platforms and its opportunities in the development of SME in Indonesia.

Methodology

This type of research is qualitative, descriptive, library research, which is research conducted by collecting data from various literature books, journals, website writings, magazines, laws, *fatwas*, or from various writings.⁶ So that the researcher does not go down the field in conducting research. According this methodology, collecting data used documentation method.⁷ *Fatwa* in this research is *Fatwa* DSN-MUI. DSN-MUI is an institution that carries out the duties of the MUI in establishing fatwas and supervising their implementation in the context of developing Islamic finance, business and economics in Indonesia.⁸ The authors only searched *qardh* contract theory data and financial technology data from various literatures. The approach used in this study is qualitative, where the study procedure uses descriptive data in the form of written words. This research method is conducted to explain and analyze a phenomenon that occurs in society. Methods that formulate basic assumptions and rules of thought. The data obtained is then processed by editing and data organizing methods, then analyzed by the inductive method to get

⁶Devid Frastiawan Amir Sup, Selamet Hartanto, and Rokhmat Muttaqin, "Konsep Terminasi Akad Dalam Hukum Islam," *Ijtihad: Jurnal Hukum Dan Ekonomi Islam* 14, no. 2 (2020): 139, <https://doi.org/10.21111/ijthad.v14i2.4684>.

⁷Devid Frastiawan Amir Sup, "The State's Efforts in Preserving the Environment Through Regulation," *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 203.

⁸Devid Frastiawan Amir Sup, *Pengantar Perbankan Syariah Di Indonesia (Sejarah, Perkembangan, Regulasi, Dan Fatwa)* (Ponorogo: UNIDA Gontor Press, 2022), 26.

a description as complete as possible.⁹ The analysis process includes data interpretation, translation, word editing, and arranging them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{10 11 12}

Results and Discussion

The term *qardh* is derived from the Arabic word “قرضا-يقرض قرض” which literally means to decide or cut. *Al-qardh* is something given by the owner of the fund to the borrower to be paid later.¹³ Later the word *qardh* was adopted into the word crade in Roman terms, credit in English terms and credit in Indonesian terms. The word *qardh* is found in Al-Quran surah Al-Baqarah verse 245:

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضْعِفَهُ لَهُ أَضْعَافًا كَثِيرَةً وَاللَّهُ يَقْبِضُ وَيَبْصُطُ وَإِلَيْهِ تُرْجَعُونَ

*“Whoever wants to give a loan to God, a good loan (spending his wealth in the way of God), then God will double the payment to him by multiplying. And Allah restricts and enlarges (the provision) and to Him you will be returned”.*¹⁴

Meanwhile there are several meanings of *qardh* according to *fiqh* scholars, such as Sayyid Sabiq, *al-qardh* is the property given

⁹Devid Frastiawan Amir Sup, “Wakaf Kontemporer Di Indonesia Dalam Perspektif Hukum Dan Fatwa,” *Jurnal Hukum Ekonomi Syariah* 4, no. 2 (2021): 239, <https://doi.org/10.30595/jhes.v4i2.11093>.

¹⁰Devid Frastiawan Amir Sup, “Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia,” *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 105, <https://doi.org/10.18592/sjhp.v21i2.4146>.

¹¹Devid Frastiawan Amir Sup, “Al-Qawa’id Al-Fiqhiyah: Tantangan Ilmiah Kemunculannya Dan Aplikasinya Dalam Bidang Ekonomi Shari’ah,” *An-Nuha: Jurnal Kajian Islam, Pendidikan, Budaya Dan Sosial* 8, no. 2 (2021): 330, <https://doi.org/10.36835/annuha.v8i2.457>.

¹²Devid Frastiawan Amir Sup, “Mengawal Nilai-Nilai Produksi Melalui Amdal: Perspektif Ekonomi Syariah,” in *Isu-Isu Kontemporer Dalam Pendidikan, Ekonomi, Dan Hukum* (Yogyakarta: Trussmedia Grafika, 2021), 320.

¹³Akhmad Farroh Hasan, *Fiqh Muammalah Dari Klasik Hingga Kontemporer* (Malang: UIN Malik Press, 2018), 59.

¹⁴Kemenag, *Mushaf Al-Qur’an Terjemah* (Bandung: Nur Publishing, 2009), 20.

by the debtor (*muqrid*) to the debtor (*muqtarid*) to be returned to him (*muqridh*) as he received, when he is able to pay it. According to the *Mazhab* Hanafi, a *qardh* is a person who gives *mitsil* property (which has a parable) to be later paid or returned.¹⁵ According to the *Mazhab* Maliki, *qardh* is the payment for something of value to be reciprocated with something commensurate with it. According to the *Mazhab* Hanbali, *qardh* is giving property to another person for use then returning it to a successor.¹⁶

So it can be concluded that the *qardh* contract is a loan agreement between the lender/owner of the fund to the borrower of the fund that needs to be returned when the maturity date based on the initial agreement, without expecting a return to help, in other words, the loan money will return to its original state.¹⁷

The pillars of the *qardh* contract: (1) *Muqhtaridh*, people who borrow debt funds from lenders; (2) *Muqridh*, a person or entity that provides a loan or debt to a borrower; (3) *Mauqud 'alaih*, the amount of money or goods lent to the borrower; (4) *Shigat, ijab* and *qabul* made by borrowers and lenders.¹⁸

Financial technology or also called financial technology, according to The National Digital Research Center (NDRC), in Dublin, Ireland, defines financial technology as “*innovation in financial services*” or “*innovation in finance*” which is innovation in the financial sector with a touch of modern technology.¹⁹ In other words, financial technology is a financial innovation based on modern technology by leveraging the development of information technology to create new innovations in the financial services sector, which are faster and easier to use by the general public in need.²⁰ According to the

¹⁵Ahmad Wardi Muslich, *Fiqh Muamalah* (Jakarta: Amzah, 2010), 273.

¹⁶Sri Sudiarti, *Fiqh Muamalah Kontemporer* (Medan: FEBI UIN-SU Press, 2018), 168.

¹⁷Ghufran A. Mas'adi, *Fiqh Muamalah Kontekstual* (Jakarta: PT Raja Grafindo Persada, 2002), 171.

¹⁸Taufik Hidayat, *Buku Pintar Investasi Bank Syariah* (Jakarta: Mediakita, 2011), 47.

¹⁹Dina Dwi Setiani et al., “Fintech Syariah: Manfaat Dan Problematika Penerapan Pada UMKM,” *Jurnal Masharif Al-Syariah: Jurnal Ekonomi & Perbankan Syariah* 5, no. 1 (2020): 78, <https://doi.org/10.30651/jms.v5i1.4718>.

²⁰Kornelius Benuf, Siti Mahmudah, and Ery Agus Priyono, “Perlindungan Hukum Terhadap Keamanan Data Konsumen Financial Technology Di Indonesia,” *Refleksi Hukum: Jurnal Ilmu Hukum* 3, no. 2 (2019): 147, <https://doi.org/10.24246/jrh.2019.v3.i2.p145-160>.

Bank Indonesia Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology, financial technology is the use of technology in the financial system that produces new products, services, technologies, and/or business models, and can impact monetary stability, financial system stability, and/or efficiency, smoothness, security, and reliability of payment systems.

One of the forms of financial technology circulating in Indonesia, namely peer to peer lending or commonly abbreviated as P2P, is a service that provides financing and loans on the same platform. Or in another definition a peer to peer (P2P) loan is a financial services scheme that brings together lenders and borrowers online.²¹ Peer to peer lending is a place for transactions whether one wants to borrow a certain amount of funds to develop a business, or if one wants to invest by borrowing some funds and acting as an investor.²²

In the peer to peer lending platform, there are several parties that play a role in carrying out transactions, namely lenders, borrowers, and platform organizers. A lender is a fund lender or a party with a debt. A borrower is a borrower or a person who owes funds to a lender. The platform organizer is the party that provides, manages and operates online loan and lending services.²³

Meanwhile, the mechanism of lending and lending transactions in the peer to peer lending platform is to bring together lenders and borrowers in one platform on the internet, where the platform organizer is only a third party responsible for bringing together 2 platform users, namely lenders and borrowers. The platform operator is also the party responsible for regulating and protecting both parties in the transaction, such as acting as a witness in providing evidence of lending and lending agreements.²⁴

²¹Anisa Fadilah Zustika, "Financial Technology (Fintech) Berbasis Sistem Peer To Peer Lending (P2PL) Dalam Perspektif Hifdzu Mal: Studi Kasus Perusahaan Investree" (UIN Sunan Ampel Surabaya, 2019), 44, http://digilib.uinsby.ac.id/38637/2/Anisa_Fadilah_Zustika_G94216152.pdf.

²²Muhammad Irkham Firdaus et al., "Implementasi Akad Murabahah Terhadap Platform Peer to Peer Lending," *Muamalatuna* 13, no. 1 (2021): 10, <https://doi.org/10.37035/mua.v13i1.4582>.

²³*Ibid.*, 12.

²⁴*Ibid.*

In this era of digitalization, technology has become a useful tool to achieve convenience and efficiency. As this affects the financial sector, which also develops and innovates in financial technology or commonly referred to as financial technology. Financial technology has changed the way things are related to lending money. Previously, business capital loans were generally only made through banks through a series of relatively long, complicated, burdensome and even tiring processes. Financial technology comes by providing convenient services to business capital borrowers simply by using internet technology services that are accessible when a person is in a situation or wherever they are.

Financial technology is not only available in the conventional type, but financial technology also has a sharia type that is based on Islamic sharia principles. The presence of sharia financial technology has its own special role and characteristics in providing services to the community such as the basis applied, the absence of benefits and also there are some agreements in transactions that are commonly heard by the general public, especially those who hold fast to the religion of Islam applied by the platform.

The types of contracts available on sharia compliant financial technology, among others, as stipulated in the Fatwa DSN-MUI No: 177/DSN-MUI/II/2018 on Information TechnologyBased Financing Services Based on Sharia Principles, that financial technology services allowed conditionally in accordance with sharia principles. The provisions of the *fatwa* in accordance with the principles of sharia must use a contract in accordance with the field of financing, such as *al-bai'*, *ijarah*, *mudharabah*, *musyarakah*, *wakalah bi al ujah*, and *akad*.

First, *murabahah* contract is a sale and purchase agreement in which sharia financial technology becomes the buyer of the product for the product desired by the customer. *Second*, the *ijarah wal iqtina* contract, which is a lease contract in which the provider of sharia financial technology becomes the buyer of the goods desired by the customer. *Third*, *musyarakah mutanaqishah* contract is a financing program that originates from financial technology providers and customers. *Fourth*, *qardh* which is a loan agreement that takes place between the investor or lender and the borrower with the condition

that the borrower must return the money in the agreed manner and time.

On the peer to peer loan service platform, you can apply for a *qardh* contract. *Muqhtaridh* (borrowers) apply for a loan through the platform provided and upload all the required data or documents. Data or documents that usually need to be uploaded are in the form of identity card (KTP), financial history and purpose of the loan. This data can then be accessed by the prospective *muqridh* (borrower) through the dashboard provided. If the *muqridh* decides to allocate a loan, the *muqridh* can immediately provide a certain amount of funds after transferring the funds to the *muqhtaridh* according to the agreement of both parties.

However, in lending and borrowing transactions on the peer to peer loan service platform, these various elements should be avoided namely *riba*, *gharar*, *maysir*, *tadlis*, *dharar*, *zhulm*, and *haram*. It can be concluded that the implementation of *qardh* contracts in lending transactions on the peer to peer lending platform must meet the following conditions: (1) Do not take advantage in the form of additional value on the funds returned by the borrower, because this is included in the category of usury; (2) Clarity of intention and purpose of the transaction, there is no element of *gharar*; (3) There is no element of opportunity. So the loan round must be clear without any additions and benefits that are against Islamic law; (4) There is no element of deception (*tadlis*); (5) Transactions on the platform on the peer to peer loan platform cannot be disadvantaged which in turn harms one of the parties; (6) There is the protection of funds belonging to both parties; (7) The funds used are intended for matters that do not violate Islamic law; (8) Transparency between the three parties in the transaction; (9) The loan agreement must be agreed in writing in electronic media; (10) Lending transactions on the peer to peer lending platform must be based on mutual assistance.

If the mechanism of the peer to peer lending platform complies with the elements of sharia, then this innovation can greatly help the actors of SME, with loans without added value that will provide enormous assistance. So that the debt burden to be repaid is not too great. In contrast to the online lending phenomenon that is rampant

now. So much so that many ensnare the borrower, because the interest given is very large, while the borrower is unable to pay his debts.

In addition, the development of sharia based peer to peer lending platform also plays an important role for SME entrepreneurs (Small and Medium Enterprises), where in providing capital loans through sharia peer to peer lending is easier than conventional or offline finance institutions, because financial technology requires only a few complete documents from the borrower. This is in line with the objectives of financial technology as described in the Financial Services Authority Regulations: (1) Encourage the low export capacity of SME; (2) Encourage the equal distribution of the welfare level of the population; (3) Assist in meeting the still very large domestic financing needs; (4) Encourage the distribution of national funding is still uneven in 17 thousand islands; (5) Increase the country's financial inclusion.

In general, SME are productive economic activities owned by individuals or business entities in accordance with the criteria set out in Law Number 20 of 2008 on Micro, Small, and Medium Enterprises in article 3 states that micro, small, and simple enterprises aim to grow and develop enterprises in the context of national economic development based on fair economic democracy.

Small and Medium Enterprises (SME) are also one of the priorities in the economic development agenda in Indonesia, this is evidenced by the survival of the SME sector during the major economic crisis in 1998, compared to other larger sectors that could not even weather the crisis.²⁵

Thus, SME have an important role in building the development of Islamic economy and finance in Indonesia and Islamic financial technology will also be able to help more in addressing the problem of financing so that SME (Small and Medium Enterprises) can grow more advanced.

²⁵Setiani et al., "Fintech Syariah: Manfaat Dan Problematika Penerapan Pada UMKM," 88.

Conclusion

The implementation of *qardh* contracts on financial technology lending platforms should avoid the various elements namely *riba*, *gharar*, *maysir*, *tadlis*, *dharar*, *zhulm*, and *haram*. If in practice all these elements are avoided, it will facilitate all actors of SME. Where the perpetrator will not be stuck in huge debt because of interest, and avoid ambiguity and fraud that will be to the detriment of one party. In addition, the existence of the *qardh* contract based financial technology loan platform will make it easier for SME actors to obtain loans or capital to develop their SME.

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The Concept of Minimum Wage for Workers in Law No. 11/2020 in the Perspective of Fiqh Muamalah

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Abstract

Law No. 11/2020 on Copyright of Works is a change from Law No. 13/2003 on Employment. The law was passed in 2020. In its ratification, many employees disagreed with some of the articles contained in the law, one of them is Article 89 Paragraph (1) which discusses the minimum wage. Employees do not agree with this article because of the change of the provincial minimum wage to the provincial minimum wage and the district/city minimum wage. It is feared that changes in the minimum wage will create injustice between workers and employers. The purpose of this research is to know and analyze the concept of minimum wage of employees working in Law No. 11/2020 which is guided by fiqh muamalah. The method used in this research is a kind of normative juridical study or literature by taking a statutory and conceptual approach in fiqh muamalah by examining documents through some data to analyze the concept of minimum wage of employees in Law No. 11/2020. The result is that in determining the size of the minimum wage based on employee welfare, Law No. 11/2020 does not correspond to what is described in fiqh muamalah. The researcher suggest that the data used in determining the minimum wage based only on economic growth and

inflation must be conditional. Because basically, not all employees can meet their basic needs by setting such a minimum wage.

Keywords: *Minimum Wage; Fiqh Muamalah; Decent Living Necessities*

Abstrak

UU No. 11/2020 tentang Cipta Kerja merupakan perubahan dari UU No. 13/2003 tentang Ketenagakerjaan. Undang-undang tersebut disahkan pada tahun 2020. Dalam pengesahannya, banyak tenaga kerja yang tidak setuju dengan beberapa pasal yang terdapat dalam undang-undang tersebut, salah satunya adalah Pasal 89 Ayat (1) yang membahas tentang upah minimum. Tenaga kerja tidak setuju dengan pasal ini karena adanya perubahan upah minimum provinsi menjadi upah minimum provinsi dan upah minimum kabupaten/kota. Perubahan upah minimum dikhawatirkan akan menimbulkan ketidakadilan antara tenaga kerja dan pengusaha. Tujuan penelitian ini adalah untuk mengetahui dan menganalisis konsep upah minimum tenaga kerja yang bekerja dalam UU No. 11/2020 yang berpedoman pada fiqh muamalah. Metode yang digunakan dalam penelitian ini adalah jenis studi yuridis normatif atau kepustakaan dengan mengambil pendekatan hukum dan konseptual dalam fiqh muamalah dengan menelaah dokumen melalui beberapa data untuk menganalisis konsep upah minimum tenaga kerja dalam UU No. 11/2020. Hasilnya adalah, dalam penentuan besaran upah minimum berdasarkan kesejahteraan tenaga kerja, UU No 11/2020 tidak sesuai dengan apa yang dijelaskan dalam fiqh muamalah. Peneliti menyarankan agar data yang digunakan dalam penentuan upah minimum hanya berdasarkan pertumbuhan ekonomi dan inflasi harus bersyarat. Karena pada dasarnya tidak semua tenaga kerja dapat memenuhi kebutuhan dasarnya dengan menetapkan upah minimum tersebut.

Kata Kunci: *Upah Minimum; Fiqh Muamalah; Kebutuhan Hidup Layak*

Introduction

Labor as an active source is one of the factors in the smooth running of a production process in a company or organization. The existence of manpower in carrying out their activities should be supported by facilities and infrastructure as well as good and humane forms of management, so that these employees can work well and according to company expectations without feeling frustrated, dissatisfied, and anxious. However, today Indonesia was shocked by the ratification of the Draft Law (RUU) on job creation into Law No. 11/2020, to be precise on Monday, 05 October 2020.

The ratification of the *Omnibus Law Cipta Kerja* was confirmed by the DPR after nine factions in the DPR expressed their approval. Only two factions in the DPR rejected the ratification of the *Omnibus Law Cipta Kerja*, namely the Democratic Party and the SME.¹

The incident immediately sparked controversy, because before the bill was passed, workers in various provinces rejected the job creation omnibus bill.² On the cause of the polemic, there are controversial articles that are considered detrimental to workers as well as beneficial to foreigners or foreign workers. There are a number of reasons workers reject omnibus laws, among them because they are worried about losing the minimum wage, and workers will be paid hourly wages. In Law No. 11/2020 Article 88 B reads, "*Wages are determined based on: units of time; and/or revenue units*". Later in Article 88 C reads, "*The governor may set the county/city minimum wage under certain conditions*". While in Law No. 13/2003 on Employment, Article 89 Paragraph 1 reads, "*The minimum wage as referred to in Article 88 paragraph (3) letter a may consist of: a. minimum wage by region or county/city; b. minimum wage based on sector in region or district/city*".

There are many differences between copyright law and labor law, and the most notable among workers is the comparison of the concept of wages. In work copyright law, labor wages are determined based on units of revenue and units of time. Unit of output means wages determined based on the agreed result of work, and unit of time means based on how many hours the employee works. This is not yet in the labor law. Then in the omnibus law, job creation is to eliminate the Regional/City Sector Minimum Wage (UMK), the Regional/City Sector Minimum Wage (UMSK), so that the determination of wages is only based on the Provincial Minimum Wage (UMP).³

Islam encourages its people to work and produce, even

¹Garjito Dani, "Benarkah Upah Dihitung Perjam Dalam Omnibus Law Cipta Kerja? Ini Faktanya," 2020, <https://www.suara.com/news/2020/10/08/121408/benarkah-upah-dihitung-per-jam-dalam-omnibus-law-cipta-kerja-ini-faktanya?page=all>.

²Dipna Videlia Putsanra, "Dampak Omnibus Law UU Cipta Kerja: Rugikan Buruh Hingga Abaikan HAM," 2020, <https://tirto.id/dampak-omnibus-law-uu-cipta-kerja-rugikan-buruh-hingga-abaikan-ham-f5Cs>.

³Wage Indicator Foundation, "Kebijakan Pengupahan Di Indonesia," 2022, <https://gajimu.com/pekerjaan-yanglayak/pengupahan/pertanyaan-mengenai-gaji-atau-upah-kerja-1>.

obligating those who can afford it, more than that Allah Swt. will give a reward in accordance with deeds/work in accordance with the words of Allah Swt. in the Al-Quran surah An-Nahl verse 97 which means:

مَنْ عَمِلَ صَالِحًا مِّنْ ذَكَرٍ أَوْ أُنْثَىٰ وَهُوَ مُؤْمِنٌ فَلَنُحْيِيَنَّهٗ حَيٰوةً طَيِّبَةً وَلَنَجْزِيَنَّهُمْ أَجْرَهُمْ بِأَحْسَنِ مَا كَانُوا يَعْمَلُونَ

“Whoever does good deeds, whether male or female, in a state of faith, then surely We will give him a good life and surely We will reward them with a reward better than what they earned”.

Based on the introduction above, the purpose of this research is to know and analyze the concept of minimum wage of employees working in Law No. 11/2020 which is guided by *fiqh muamalah*.

Methodology

This type of research is qualitative, descriptive, library research, which is research conducted by collecting data from various literature books, journals, website writings, magazines, laws, *fatwas*, or from various writings.⁴ The research method used in this research is to use normative legal research method. As a research of normative law, this research belongs to the category of descriptive law studies that aim to find solutions to problems. This research uses law material. The legal material collection techniques used in normative legal research are done through library review and document review. Documents taken based on laws in force in Indonesia such as Law No. 11/2020 on Job Creation, Law No. 13/2003 on Employment, and Government Regulation (PP) No. 36/2021 on Wages. According this methodology, collecting data used documentation method.⁵ The data obtained is then processed by editing and data organizing methods, then analyzed by

⁴Devid Frastiawan Amir Sup, Selamet Hartanto, and Rokhmat Muttaqin, “Konsep Terminasi Akad Dalam Hukum Islam,” *Ijtihad: Jurnal Hukum Dan Ekonomi Islam* 14, no. 2 (2020): 139, <https://doi.org/10.21111/ijtihad.v14i2.4684>.

⁵Devid Frastiawan Amir Sup, “The State’s Efforts in Preserving the Environment Through Regulation,” *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 203.

the inductive method to get a description as complete as possible.⁶ The analysis process includes data interpretation, translation, word editing, and arranging them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{7 8 9}

Results and Discussion

In Indonesia, the word “*wage*” is often used in the context of the relationship between employers and workers or laborers. Wages themselves have the meaning according to *Kamus Besar Bahasa Indonesia* (KBBI) as, “*Money and so on that are paid as a reward for services or as payment for labor spent to do something*”.¹⁰ Generally, wages are defined as wages given by employers to their employees paid by the hour, day or week, and sometimes by month.¹¹

The definition of wages has also been defined in Labor Law No. 13/2003 which reads, “*Wages are the rights of workers/laborers received and expressed in money in return from the employer to workers/laborers stipulated and paid in accordance with employment agreements or legislation, including benefits of workers/laborers and their families or services that have been or will be performed*”.

While what is explained in the conventional economy is that there are conditions of wages. The difference between the two terms

⁶Devid Frastiawan Amir Sup, “Wakaf Kontemporer Di Indonesia Dalam Perspektif Hukum Dan Fatwa,” *Jurnal Hukum Ekonomi Syariah* 4, no. 2 (2021): 239, <https://doi.org/10.30595/jhes.v4i2.11093>.

⁷Devid Frastiawan Amir Sup, “Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia,” *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 105, <https://doi.org/10.18592/sjhp.v21i2.4146>.

⁸Devid Frastiawan Amir Sup, “Al-Qawa’id Al-Fiqhiyah: Tantangan Ilmiah Kemunculannya Dan Aplikasinya Dalam Bidang Ekonomi Shari’ah,” *An-Nuha: Jurnal Kajian Islam, Pendidikan, Budaya Dan Sosial* 8, no. 2 (2021): 330, <https://doi.org/10.36835/annuha.v8i2.457>.

⁹Devid Frastiawan Amir Sup, “Mengawal Nilai-Nilai Produksi Melalui Amdal: Perspektif Ekonomi Syariah,” in *Isu-Isu Kontemporer Dalam Pendidikan, Ekonomi, Dan Hukum* (Yogyakarta: Trussmedia Grafika, 2021), 320.

¹⁰Depdiknas, *Kamus Besar Bahasa Indonesia* (Jakarta: Balai Pustaka, 2005), 1250.

¹¹Murtadho Ridwan, “Standar Upah Pekerja Menurut Sistem Ekonomi Islam,” *Equilibrium : Jurnal Ekonomi Syariah* 1, no. 1 (2013): 243, <https://doi.org/10.21043/equilibrium.v1i2.217>.

lies in who gives. The term salary is commonly used in government agencies while the term salary is commonly used by private companies.¹² Yet, in reality, most private companies use the term salary in providing compensation to employees.

The term salary in everyday life is the remuneration given to leaders, supervisors, administrative workers, office workers, and other managers.¹³ Then in terms of payment, the salary is usually given based on the time set by the company. Generally, the degree or level of pay itself is considered higher than the pay received by a hired or laborer, although in reality it is often not so.

Then the wage referred to in the conventional economy is the receipt as a reward from the employer to the recipient of the work including any benefits, both for the worker himself and his family.¹⁴ In this regard, wages are often categorized as remuneration for employees who tend to rely on physical strength in their jobs. Payments are usually set in relatively short units of time, either an hour, a day, or a week.

The minimum wage has been implemented in Indonesia since the 1970s. Beginning in 1990, the minimum wage policy in Indonesia continued to increase after pressure from the international community. Beginning from 1989 to 2000, the minimum wage in Indonesia increased faster than Gross Domestic Product (GDP) at current prices, so that the minimum wage became the wage level applied by most workers, especially in medium to low scale companies. All skilled and unskilled employees in the company receive approximately the same amount of salary which is the minimum wage. Even the minimum wage appears to have reduced incentives for employees to increase productivity.¹⁵ For more than fourty years since the implementation of the minimum wage in Indonesia, there have been three changes in living standards as the basis for the implementation of the minimum wage. The components of living necessities include the Minimum

¹²F. Winarni and G. Sugiyarso, *Administrasi Gaji & Upah* (Yogyakarta: Pustaka Widyatama, 2006), 6.

¹³*Ibid.*, 16.

¹⁴*Ibid.*, 17.

¹⁵Markus S. Sidauruk, *Kebijakan Pengupahan Di Indonesia: Tinjauan Kritis Dan Panduan Menuju Upah Layak* (Jakarta: Bumi Intitama Sejahtera, 2013), 52.

Physical Requirement (KFM) which was in force in 1969-1995, the Minimum Subsistence Requirement (KHM) which was in force from 1996-2005, then the KHL which was in force from 2006 to now. In addition, the definition of the minimum wage and its terms have also undergone some changes in line with developments and changes in regulations.¹⁶ Practice in the 1970s to 1980s, the government did not intervene in determining wage rates. In addition, the government also strictly controlled trade unions by allowing only one officially recognized union.¹⁷

Setting a minimum wage is often a problem between employers and employees. On the one side, setting a minimum wage that is too high can burden entrepreneurs, in addition employers will also be more careful in choosing the workforce to be used, by looking at the productivity and efficiency of the workforce.

And conversely, employee welfare must be taken into account. Because most of the country's population is workers. The minimum wage is also a source of political debate supporting or favoring the view of a higher minimum wage as a way to increase income. On the other side, opponents of a higher minimum wage claim it is not the best way because a minimum wage increase has the potential to increase unemployment.¹⁸

The main purpose of determining the minimum wage is to control the arbitrary attitude of employers in determining the wage.¹⁹ Therefore, an entrepreneur cannot pay the salary of his employees less than the money salary that has been determined by the minimum value. The minimum wage has been used to cover every point of an employee's sweat and the rules are moral and not economic revisions. The majority of people accept that everywhere and for whatever reason workers are in a vulnerable position, so it is morally desirable for the government to protect them by setting a minimum wage level.²⁰

¹⁶*Ibid.*

¹⁷*Ibid.*, 53.

¹⁸N. Gregory Mankiw, *Teori Makroekonomi*, 4th ed. (Jakarta: Erlangga, 2000), 158.

¹⁹Bambang Setiadji, *Upah Antar Industri Indonesia* (Surakarta: Muhammadiyah University Press, 2002), 30.

²⁰Mira Apriani, "Tinjauan Hukum Islam Tentang Penangguhan Kewajiban

City Minimum Wage (UMK) is the minimum wage that applies to all regions/cities in one province, while the Provincial Minimum Wage (UMP) is the minimum wage that applies in a province. Previously, UMP was known as the Level I provincial minimum wage. The legal basis for setting this minimum wage is in Government Regulation (PP) No. 36/2021 on Wages.²¹

According to Article 24 Government Regulation (PP) No. 36/2021 on Wages, the minimum wage is the lowest monthly wage which includes wages without allowances and basic wages with fixed allowances imposed on employees or laborers with a period of service of less than one year in the company. However, if the employee or laborer works for a period of a year or more, it is guided by the salary structure and scale that has been determined by the employer taking into account the ability and productivity of the company.

According to Law No. 11/2020 on Job Creation, it is explained that the minimum wage in force in Indonesia from February 2020 is the Provincial Minimum Wage (UMP) and the City Minimum Wage (UMK) determined based on economic and labor conditions in each region that includes purchasing power parity, labor absorption rate, and median salary.

The adjustment of the minimum wage value consisting of the above three variables is carried out annually and is set at a certain value range between the lower limit and the upper limit of the minimum wage in the area. The limit on the minimum wage as referred to in Government Regulation (PP) No. 36/2021 on Wages is a reference to the value of the highest minimum wage, while the lower limit of the minimum wage is a reference to the value of the lowest minimum wage.

According to Article 88 C (2) Law No. 11/2020 on Job Creation, the governor is obliged to set the provincial minimum wage each year and may set the district/city minimum wage with certain conditions that include regional economic growth or inflation of the district or city concerned obtained from the calculation of statistical data by the

Membayar Upah Sesuai Dengan Upah Minimum (Analisis Putusan Mahkamah Konstitusi Nomor 72/PUU-XII/2015)" (UIN Raden Intan Lampung, 2018), 43, http://repository.radenintan.ac.id/3462/1/SKRIPSI_FIX_MIRA.pdf.

²¹Foundation, "Kebijakan Pengupahan Di Indonesia."

provincial wage board.

According to Government Regulation (PP) No. 36/2021 on Wages, the provincial minimum wage that has been designed and approved by the governor should be announced to the public through various media no later than November 21 each year. And if that date coincides with a national or official holiday, the announcement of the provincial minimum wage must be distributed the day before November 21 each year and take effect from January 1 each year. The calculation of the value of the district/city minimum wage is done by the district/city wage council. Then the results of the minimum wage calculation are submitted to the regent/mayor to be proposed to the governor through the department that organizes government affairs in the provincial labor sector. However, if the result of calculating the district/city minimum wage is lower than the provincial minimum wage, the regent/mayor cannot recommend the value for approval by the governor. The mechanism for determining UMP or UMK is: (1) The head of the provincial or district/city payroll council forms a survey team whose members consist of three party elements, trade union representatives, employers, the government, and non partisans from academia; (2) Eligible Living Standard (KHL) is stated in Ministerial Decree No. 13/2015, based on these standards, the payroll council survey team conducted a price survey to determine the eligible subsistence value which was then submitted to the respective provincial governors; (3) Surveys are conducted once a month from January to September, while for October to December forecasts are made using the last square method. The average survey results will be taken each month to obtain the KHL value; (4) The value of this KHL will later be used as one of the considerations in determining the minimum wage that applies to employees or laborers with a working time of less than one year. While the salaries of employees with a working period of one year and above are negotiated bipartit between employees or trade unions and employers from the company; (5) Based on the survey value, the pay council also considers other factors such as productivity, economic growth, least affluent businesses, labor market conditions, and recommendations or considerations from the provincial or district/city pay council; (6) The governor

will determine the value of the minimum wage. The setting of this minimum wage is carried out 60 days before the effective date of 1 January and must be distributed at least on 21 November.

According to Article 23 (1) Government Regulation (PP) No. 36/2021, the minimum wage is the wage without allowance or basic wage and fixed allowance. Then in Article 81 Number 32 of Law No. 11/2020 on Job Creation which amends Article 94 of Law No. 13/2003 on Employment, it is explained that the minimum wage component consists of basic wage and fixed allowance so that non fixed allowance is not included in the wage portion minimum. The total basic salary must also be at least 75% of the minimum wage and the remaining 25% is a fixed allowance.

For example, the minimum wage from the province of East Java is Rp 1.868.777,-. If a person works in the province of East Java, the company is prohibited from giving wages to that person with a wage lower than the minimum wage of the province of East Java or Rp 1.868.777,-. The company must also provide a basic salary of at least 75% of Rp 1.868.777,-, which is Rp 1.401.583,-. So if a company gives a salary of Rp 2.000.000,- which is actually greater than the minimum wage for the province of East Java, but the basic salary is only Rp 900.000,-, then this company has paid its employees below the minimum wage for the province of East Java. In practice, benefits are often greater than the basic salary received by the employee. Because the benefits provided are large, the total salary is deemed to have exceeded the minimum wage, even though the minimum wage consists only of basic salary and fixed allowances.

Based on provincial minimum wage data obtained from CNN Indonesia, the average increase in provincial minimum wage in 2022 is only 1,09% due to economic conditions and inflation that form the basis of the minimum wage calculation.²²

According to *fiqh muamalah*, *ijarah* is a form of *muamalah* in meeting the needs of human life, such as renting, contracting, or marketing hospitality services, etc. Based on the sharia opinion, *ijarah*

²²Safyra Primadhyta, "Daftar Lengkap UMP 2022 Di 34 Provinsi," CNN Indonesia, 2021, <https://www.cnnindonesia.com/ekonomi/20211203073357-92-729299/daftar-lengkap-ump-2022-di-34-provinsi>.

has the meaning of contract activities to take advantage of something received from others by paying something in accordance with the agreement that has been determined with certain conditions.²³

While the definition of *ijarah* based on *fiqh* scholars is as follows. Based on the opinion of Imam Hanafi, "A contract for advantage with a successor". Based on the opinion of Imam Syafi'i, "A contract for a benefit that serves a specific and permissible purpose, and receives a replacement or consent with a specific successor".²⁴ Based on the opinion of Malikiyah and Hanabilah, "To make the ownership of the benefits allowed in a certain time with the successor".²⁵ From some of the definitions mentioned above, it can be understood that wages are a form of workers right to receive compensation in the form of something of value and paid for services to workers, which has been determined by agreement and on the basis employment agreement between the company and the employee.

The basis of the law of *ijarah* is stated as the word of Allah Swt. in the Al-Qur'an surah At-Talaq verse 6 as follows:

أَسْكِنُوهُنَّ مِنْ حَيْثُ سَكَنْتُمْ مِنْ وُجْدِكُمْ وَلَا تُضَارُّوهُنَّ لِتُضَيِّقُوا عَلَيْهِنَّ وَإِنْ كُنَّ أُولَاتٍ حَمْلٍ فَأَنْفِقُوا عَلَيْهِنَّ حَتَّىٰ يَضَعْنَ حَمْلَهُنَّ فَإِنْ أَرْضَعْنَ لَكُمْ فَآتُوهُنَّ أُجُورَهُنَّ وَأَتَمِرُوا بَيْنَكُمْ بِمَعْرُوفٍ وَإِنْ تَعَاَسَرْتُم فَسَرِّضْ لَهَا أُخْرَىٰ

"Lodge them (in a section) of where you dwell out of your means and do not harm them in order to oppress them. And if they should be pregnant, then spend on them until they give birth. And if they breastfeed for you, then give them their payment and confer among yourselves in the acceptable way, but if you are in discord, then there may breastfeed for the father another woman".

Based on the opinion of the majority of scholars, there are four pillars of *ijarah* as follows: (1) Committed people. There are two people who perform the *ijarah* contract, namely *mu'jir* and *musta'jir*. *Mu'jir* is the one who gives wages and *musta'jir* is the one who receives wages.

²³Syaifulallah Aziz, *Fiqh Islam Lengkap* (Surabaya: Asy-Syifa, 2005), 377.

²⁴Sohari Sahrani and Ru'fah Abdullah, *Fikih Muamalah* (Bogor: Ghalia Indonesia, 2011), 168.

²⁵M. Ali Hasan, *Berbagai Macam Transaksi Dalam Islam (Fiqh Muamalat)* (Jakarta: PT Raja Grafindo Persada, 2004), 227.

For *mu'jir* and *musta'jir*, they must know the object of the covenant in order to avoid disputes;²⁶ (2) Contract *sighat*. That is, doing *ijab qabul* in the form of expressions, statements, and explanations that come out of a person who has a contract as a reflection of his will in holding an *ijarah* contract.²⁷ In Islamic engagement law, *ijab* is defined as a statement of promise or offer from the first party to do or not do something, while *qobul* is a statement from the party who has a contract (*musta'jir*) on the acceptance of a will the first party, i.e. after consent. The conditions are the same as the conditions of *ijab qabul ba'i* only *ijab qobul ijarah* must mention the specified period or time;²⁸ (3) Wages, are given to the *musta'jir* for services rendered or utilized by the *mu'jir*. With the following conditions: (a) The amount is known clearly and in detail; (b) Civil servants such as judges are not allowed to take money from their colleagues, as they have already received the salary set by the government; (c) Money must be submitted together with the receipt of the rented goods. If the item to be rented is complete, the rent must also be complete;²⁹ (4) Benefits. Everything related to property and services can be sealed in the *ijarah* contract as long as it meets the conditions related to benefits as follows: (a) The property may be used directly and without any defects affecting its functional impediment. Similarly, recruitment services must be usable after signing an employment contract; (b) The owner explains transparently about the quality, quantity, and benefits of the goods without hiding anything about the condition of the goods; (c) Assets that are the object of *ijarah* must be used repeatedly without causing damage to the substance and its properties. For example, food cannot be an object of *ijarah* because it cannot be used repeatedly without causing it to diminish as it is used; (d) The benefits of the object of *ijarah* do not conflict with Islamic law such as not being allowed to rent a place to commit immorality; (e) The object to be rented is the direct benefit of an object, such as renting a shop for business, a bicycle to ride, etc., and it is not allowed to rent an indirect object such as

²⁶Sayyid Sabiq, *Fiqh Sunnah Jilid 4* (Jakarta: Pena Ilmu dan Amal, 2006), 205.

²⁷Akhmad Farroh Hasan, *Fiqh Muammalah Dari Klasik Hingga Kontemporer* (Malang: UIN Malik Press, 2018), 54.

²⁸Aziz, *Fiqh Islam Lengkap*, 378.

²⁹Hasan, *Fiqh Muammalah Dari Klasik Hingga Kontemporer*, 55.

renting a tree to pick its fruit when it is harvesting.³⁰

Ijarah is divided into two types as follows: (1) *Ijarah* for interest is also known as rent. In this first *ijarah*, the object of the covenant is the benefit of an object; (2) *Ijarah* for work or commonly referred to as wages. In the second part of the *ijarah*, the object of the contract is alms or one's work.³¹ Beneficial *ijarah*, for example such as renting a house, vehicle, etc. If the interest of a lease is allowed in sharia, the scholars of fiqh agree that it can be used as the object of the lease.

Ijarah for work is by employing someone to do a job and the object taken from this contract is service. *Ijarah* like this is allowed if the type of job is clear, such as factory workers, company workers, and others. *Ijarah* like this is usually personal in nature such as giving wages to domestic helpers, as well as unions, such as a group of people who sell their services for the benefit of the people.³²

Referring to the existing basic principles of Islam, wages or salaries are determined to meet one's basic needs. Thus wages do not depend on supply and demand factors for labor as in modern economic systems. Then, how is the standardization of the minimum wage according to Islam and is it in accordance with the provisions contained in Law No. 11/2020?

In general, Islam does not allow wages to be below the minimum level set based on the basic needs of the employee, but Islam also does not allow any salary increase above a certain level determined based on the contribution to production.

Employees are generally classified into two, namely government employees and non government employees. For government employees, the majority of scientists are of the opinion that the government must pay attention to the level of living adequacy of its employees, in the sense that the standard of salary fixing does not depend solely on their job benefits alone based on the adequacy of workers in the form of basic needs in the form of clothing, food, and shelter, as well as treatment and others. In fact, Rasulullah Saw. wives as a necessity for those who do not have wives, as well as as

³⁰*Ibid.*

³¹Hasan, *Berbagai Macam Transaksi Dalam Islam (Fiqh Muamalah)*, 329.

³²Hasan, *Fiqh Muamalah Dari Klasik Hingga Kontemporer*, 56.

a helper for workers who cannot serve themselves. In *hadis riwayat* Abu Dawud (2945), Rasulullah Saw. said, “Whoever is an employee to us, then he should find a wife, if he does not have a helper then he should find a maid and if he does not have a place to live he should find a place to live”.

The above *hadis* is a benchmark for the companions and his heirs. In the narration of Abu Ubaidah, in his dialogue with the Caliph Umar bin Khattab on the wages of government workers, it is mentioned that Abu Ubaidah asked that the minimum wage limit be a wage that can meet the needs of workers in terms of food, clothing, and shelter, and prevent them from betraying them given to him. History records that after the territory of Islam was very large, Caliph Umar bin Khattab sent many prominent companions to the regions, both within the Arab region and outside the Arabian peninsula to carry out state duties. Abu Ubaidah feared that the busyness of the leading companions would make them slip with worldly affairs, rather than with *da'wah* and religion, so it was better for them not to be busy with such affairs. Abu Ubaidah said to Caliph Umar, “You have defiled the companions of Rasulullah”, then Caliph Umar replied, “If I do not ask for help from a clergyman for the safety of my religion, then to whom do I ask for help?”, then Abu Ubaidah replied, “If you do so, then enough of them from the work of betrayal”. By means of salary they must meet the requirements.³³

During his caliphate, Umar bin Khattab determined the salaries of his government officials based on the conditions of a city and their personal needs. Umar’s action can be taken as an example to determine the standard of salary according to the basic needs of the society because nowadays there are additional needs such as transportation, education, health, and other requirements so that the salary or wages should be in accordance with the relevant factors, such as inflation, health costs, unemployment, and others.

Although non governmental employees or commonly referred to as private employees, classical scholars do not explicitly endorse this provision. History stating the obligation to pay salaries according to the needs of the above employees applies to state employees

³³Ahmad Al-Khusary, *Al-Siyasah Al-Iqtishadiyah Wa an-Nuzhum Al-Maaliyah Fi Fiqhi Al-Islam* (Beirut: Dar Al-Kitab Al-Arabi, 1960), 99–100.

working in public and government spaces. However, many scholars tend to make it a standardization of the minimum wage for every employee who works fully for his or her employer, both state and private employees.³⁴ This opinion is reinforced by the *hadis* of the Prophet Muhammad Saw. on the obligation to meet the needs of a servant. In *hadis riwayat* Bukhari (2407), Rasulullah Saw. said, “If someone has his brother under his authority, he should feed him from what he eats and clothe him”.³⁵

From the history and opinion of the above scholars, it can be concluded that Islam gives rights to workers with some humanitarian guarantees such as willingness, justice, ability, and feasibility of life. Islam prohibits coercion in employment, giving wages unjustly or disproportionate to the work done, and prohibits deferment of payment of wages. Islam regards people who employ unpaid workers as enslaving them. Some scholars consider the person who consumes the work of an employee (does not give him wages) as the person who sells the person and then consumes the proceeds of the sale. This is based on the *hadis* of *Kudsi* narrated by Abu Hurairah (2227) that Rasulullah Saw. said, “I am the opponent of three on the day of resurrection, and if I am someone’s opponent I will defeat him. A man who makes promises in my name, then proves treacherous, a man who sells a free man and consumes his price, and a man who hires a worker, makes use to him, then does not give him his wages”.

In the concept of Islamic politics and economics, one of the responsibilities of the state is to provide social security to maintain the standard of living of all individuals in society. However, it does not mean that the fulfillment of the needs of every citizen lies in the hands of the government because the responsibility of the government is to ensure that every citizen meets their needs, not the obligation to meet their needs.

The fulfillment of the basic needs of the individual in the concept of social security is essentially an obligation in question, so finding income and working is mandatory. A person should work

³⁴Ahmad Jalaludin, *Al-Siyasah Al-Iqtisadiyah Fi Daw’ Al-Maslahah Al-Shar’iyah* (Malang: UIN Malang Press, 2008), 418.

³⁵Al-Bukhari, *Sahih Al-Bukhari Juz 2* (Beirut: Dar Al-Kutub Al-‘Ilmiyah, 2012), 899.

to keep himself from begging, to support himself and his family with the property derived from his employment, and of course that employment is a lawful occupation. Meanwhile, the community is obliged to help provide suitable employment for them and train them to carry out their work.

Basically Islam obliges everyone to find a job, by working he can support himself and his family, while Islam does not encourage every individual to be lazy and beg. Therefore, Rasulullah Saw. on various occasions always encouraged his people to work and earn a living. In other cases, Rasulullah Saw. also forbade his people to be unemployed, begging, and dependent on others.

This obligation to earn a living carries the meaning of the understanding that basically everyone has an obligation to meet his or her own needs, except in certain circumstances that cause them to be unable to meet the needs of themselves and their families. Meeting the necessities of life is an obligation so that everyone will strive to find a job that can at least meet the necessities of his life. Therefore, if an employee is already working in a company, it is appropriate for the company or the person who employs him to provide wages that can meet the needs of himself and his family. This situation is a phenomenon of the industrial economy nowadays, where the majority of the population works for companies or individuals who have working hours which renders them unable to earn extra livelihood. This situation is different from the agrarian economy, especially in the time of Rasulullah Saw. and classical times, where the majority of the people worked in the agricultural and trade sectors. Thus, in today's industrial economy, a minimum wage policy based on the average basic needs of employees is much needed and means it does not transfer state obligations to employers. As long as the life of the employee depends on the salary of the entrepreneur, it is the duty of the employer to be able to provide wages that can cover his daily needs, just as Rasulullah Saw. obliged the employer to feed and clothe his employees.

In addition, several narrations of classical scholars and companions on the fulfillment of the needs of government officials and those working in public spaces also prove that the state is not

obliged to meet all the needs and wants of the people.

If the state is obliged to meet all the needs of its people, of course paying state workers with adequate limits is unfair and disrespectful of their jobs. It's just like they're not being paid. Because everyone will get a gift from the state according to their needs.

Therefore, the task of the state in general in implementing social security for its people is divided into two levels. For the first stage, the state provides various facilities and employment opportunities, as well as opportunities to participate in productive economic activities for each individual so that each can live based on their efforts and work. However, if the individual is unable to work or earn a living properly due to physical disability or the state in certain circumstances so as not to be able to provide employment opportunities, then there will be a second stage that the state implements this directly the concept of social security. The government provides adequate allocations to meet the basic needs of individuals.

Conclusion

The minimum wage in *fiqh muamalah* does not use a formula taken from various sources as in Law No. 11/2020 but uses evidence based on the Al-Quran and *hadis* so that the minimum wage in Islam is more able to adapt to the conditions of the people employees and employers who employ workers. In a *hadis* narrated by Ibn Umar that the Rasulullah Saw. said that wages should be paid before the sweat of workers dries. Meaning in Islam, wages must be paid on time and according to the hard work of the employee. During the caliphate of Umar bin Khattab, he determined the wages of workers based on the conditions of a city and their personal needs. This action may be used as an example to determine the level of wages according to the basic needs of society. Then Rasulullah Saw. also said in a *hadis* narrated by Bukhari that whoever employs someone should be given food and clothes as they eat and wear. This means that the level of standardization of the minimum wage according to Islam is equivalent to what is consumed by the employer. Viewed from the point of view of the mechanism of calculating wages based on the pattern of meeting the needs of decent living, in Law No. 11/2020,

the determination of the minimum wage is done by calculation from various sources through the existing formula. This is not in accordance with the rules of *fiqh muamalah* because the minimum wage calculated is not fully sufficient to meet the needs of workers who work from food, clothing, and even shelter because the value of the minimum wage is taken from the average the value of living necessities in an area. While the value of living necessities for some workers is higher and even lower than the average minimum wage. Then in *fiqh muamalah*, the minimum wage is what is paid to the employee according to the amount of what the employer eats from the employee.

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Al-Maqrizi's Inflation Concepts and Proof for the East Java Inflation Case 2015-2020

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Abstract

The standard of individual and collective life in a nation state has become economic life, and inflation is one of present economic problems, particularly in monetary matters. When compared to other provinces in the Java region, East Java had the highest inflation rate. The purpose of this research is to discuss the thinking on inflation in East Java from 2015 to 2020 from Taqiyuddin Abul Abbas Al-Husaini's from Maqorizah, Cairo, or more commonly known as Al-Maqrizi. This research is library research. The method used is a descriptive and inductive analysis method, in which thought is analyzed using data and the role of Al-Maqrizi's thinking on inflation is examined. The analysis indicate that the circulation of money, the existence of state debt, exchange rates, production costs, excessive taxes, corruption, collusion and nepotism, increased currency circulation, and increased demand were the causes of inflation in East Java. This is exactly what Al-Maqrizi says in several parts of his book, which clearly says that inflation is generally divided into two types, natural inflation and human error inflation. Al-Maqrizi's views on inflation in East Java advocated for the government to use the central bank to control the money supply or interest rates as a tool for price control. Furthermore, the central bank is required to control the exchange rate of the domestic currency. Based on this analysis, the researcher advises the East Java government to take precedence an economic step, namely Islamic philanthropy. This

Islamic social financial instrument is a component that can provide assistance to economically disadvantaged communities in the short to long term.

Keywords: *Al-Maqrizi; Inflation; East Java; Monetary*

Abstrak

Standar kehidupan individu dan kolektif dalam suatu negara telah menjadi bagian dari kehidupan ekonomi, dan inflasi merupakan salah satu masalah ekonomi saat ini, terutama dalam masalah moneter. Jika dibandingkan dengan provinsi lain di wilayah Jawa, Jawa Timur memiliki tingkat inflasi yang paling tinggi. Tujuan dari penelitian ini adalah untuk membahas pemikiran tentang inflasi di Jawa Timur dari tahun 2015 hingga 2020 dari Taqiyuddin Abul Abbas Al-Husaini dari Maqorizah, Kairo, atau yang lebih dikenal dengan Al-Maqrizi. Penelitian ini merupakan penelitian kepustakaan. Metode yang digunakan adalah metode analisis deskriptif dan induktif, di mana pemikiran dianalisis dengan menggunakan data dan mengkaji peran pemikiran Al-Maqrizi terhadap inflasi. Hasil analisis menunjukkan bahwa peredaran uang, adanya utang negara, nilai tukar, biaya produksi, pajak yang berlebihan, korupsi, kolusi dan nepotisme, peredaran uang yang meningkat, dan permintaan yang meningkat menjadi penyebab inflasi di Jawa Timur. Hal ini persis seperti yang dikatakan Al-Maqrizi dalam beberapa bagian bukunya, yang secara gamblang menyebutkan bahwa inflasi secara umum terbagi menjadi dua jenis, inflasi alamiah dan inflasi kesalahan manusia. Pandangan Al-Maqrizi tentang inflasi di Jawa Timur menganjurkan agar pemerintah menggunakan bank sentral untuk mengendalikan jumlah uang beredar atau suku bunga sebagai alat pengendalian harga. Selanjutnya, bank sentral diharuskan untuk mengontrol nilai tukar mata uang domestik. Berdasarkan analisis tersebut, peneliti menyarankan kepada pemerintah Jawa Timur untuk mengutamakan langkah ekonomi yaitu filantropi Islam. Instrumen keuangan sosial Islam ini merupakan komponen yang dapat memberikan bantuan kepada masyarakat yang kurang mampu secara ekonomi dalam jangka pendek hingga jangka panjang.

Kata Kunci: *Al-Maqrizi; Inflasi; Jawa Timur; Moneter*

Introduction

The standard of individual and collective life in a nation state has become economic life. The level of economic progress of a country determines its advantage. The definition of success becomes increasingly materialistic. As a result, economics becomes extremely important in the life of a nation.¹ Today's economic

¹Akhmad Mujahidin, *Ekonomi Islam: Sejarah Konsep, Instrumen, Negara, Pasar* (Jakarta: PT Raja Grafindo Persada, 2013), 6.

problems, which economics is unable to interpret clearly and precisely, and provide appropriate solutions to prevent negative consequences, include the problem of inflation. Even Western economists have publicly acknowledged to this inability.

According to Maurice Allais, the biggest problem confronting the Western market economy that has yet to be resolved is economic turmoil and changes in the original price value of the currency. The facts demonstrate that the injustice felt by society stems from changes and differences in the form of income resulting from changes in the currency's original price value.^{2 3}

Because national inflation is a weighted average of regional inflation in Indonesia, it is necessary to study regional inflation behavior, including looking for causes and understanding the implications for controlling regional inflation, with a focus on the province of East Java. East Java province was chosen because it had the highest inflation rate in the Java region when compared to other provinces.⁴ Despite a downward trend, East Java has the highest inflation weight among the provinces. This high level of inflation suggests that the time it will take for inflation to return to its average level is still quite long.

Islam had a significant economic period from the 11th to the 15th centuries AD, which is known as the "*brilliant period*" because it left a wealth of intellectual heritage. During this time, many people were motivated by a variety of issues, most notably the economic situation of the Islamic community, which was prosperous at the time Al-Mawardi, Ibn Taimiyyah, and Al Maqrizi are among the great thinkers whose works have been used as references until now.⁵ The

²Maurice Allais, "Les Conditions Monétaires D'une Économie De Marchés: Des Enseignements Du Passé Aux Réformes De Demain," *Revue D'économie Politique* 103, no. 3 (1993): 317–67, <https://www.jstor.org/stable/24699393>.

³Arnaud Diemer, "The Contribution of Maurice Allais to Contemporary Macroeconomics: From French Planning to National Accounting," *Theoretical Economics Letters* 10, no. 2 (2020): 334–55, <https://doi.org/10.4236/tel.2020.102023>.

⁴Syahrizal Sidik, "Emas Perhiasan, Penyumbang Terbesar Inflasi 2019!," CNBC Indonesia, 2020, <https://www.cnbcindonesia.com/news/20200102182924-4-127206/emas-perhiasan-penyumbang-terbesar-inflasi-2019>.

⁵Adel Allouche, *Mamluk Economics: A Study and Translation of Al-Maqrizi's Ighathah* (Salt Lake City: University of Utah Press, 1994), 4–7.

last name clarifies the concepts of wages, labor, and inflation.

According to Al-Maqrizi, there are two types of inflation, natural and artificial. Natural inflation is caused by natural causes, such as too much money coming in from abroad, famine, war, or exports and imports in East Java. Errors made by humans inflation is inflation caused by human problems, such as corruption and poor administration.⁶ Monetary policy is one method of controlling inflation in Islam. Monetary policy is defined as the monetary authorities coordinated plans and actions to maintain monetary balance, stabilize the value of money, and encourage smooth production and development.⁷

The situation in East Java can be viewed through data from the Central Statistics Agency (BPS) of East Java, which will release the previous month's inflation figures every month. This month, we discover the same thing. BPS released inflation figures for August 2020 on Saturday (1/10/2020). Throughout August 2020, BPS reported that East Java experienced monthly inflation of 0,4% (Month on Month/MoM), with three CPI cities experiencing inflation and five experiencing deflation. Surabaya had the highest inflation rate, at 0,07%, followed by Sumenep at 0,03% and Kediri at 0,02%. Jember experienced 0,11% deflation, Probolinggo experienced 0,07% deflation, Malang experienced 0,06% deflation, Madiun experienced 0,02% deflation, and Banyuwangi experienced 0,01% deflation. If overall inflation in 2019 is 0,53%, it will be lower than in 2018, and 2020 will be the lowest since 2010 or the previous ten years.⁸ Various studies and research on Al-Maqrizi's economic thought on inflation conducted by various parties have generally been more concerned with aspects of human error inflation on the concept of inflation and analysis of Al-Maqrizi's concept of inflation. This research will explain how Al-Maqrizi's concept affects inflationary conditions in East Java.

⁶Adiwarman A. Karim, *Sejarah Pemikiran Ekonomi Islam* (Jakarta: PT Raja Grafindo Persada, 2004), 41.

⁷Mariam El Hamiani Khatat, "Monetary Policy in the Presence of Islamic Banking," 72 (Washington, D.C., 2016), 5–10, <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Monetary-Policy-in-the-Presence-of-Islamic-Banking-43812>.

⁸BPS, "Inflasi," BPS Provinsi Jawa Timur, 2022, <https://jatim.bps.go.id/subject/3/inflasi.html#subjekViewTab3>.

Methodology

This research used qualitative, descriptive, library methodology,⁹¹⁰¹¹ that is trying to describe and analyze in depth based on the library data obtained.¹² This research is more of a follow up research to complement things that may not have been discussed in previous research,¹³ especially regarding the concepts and thoughts of Al-Maqrizi. Based on this method, the data collection used the documentation method.¹⁴¹⁵ The data obtained is then processed by editing and organizing the data, then analyzed by the deduction method.¹⁶¹⁷ The analysis process is carried out continuously from start to finish. The analysis process in question includes data

⁹Devid Frastiawan Amir Sup, "Amdal Dalam Tinjauan Maqasid Al-Syari'ah," in *Proceeding International Conference on Usul Fiqh* (Ponorogo: UNIDA Gontor Press, 2019), 63, <http://hes.unida.gontor.ac.id/wp-content/uploads/2020/06/Proceeding-ICUF-2019-Universitas-Darussalam-Gontor.pdf>.

¹⁰Daud Sukoco et al., "Sharia Economic Views on Tabzir Behavior," *Al-Iktisab: Journal of Islamic Economic Law* 5, no. 2 (2021): 150, <https://doi.org/10.21111/al-iktisab.v5i2.7032>.

¹¹Selamet Hartanto and Devid Frastiawan Amir Sup, "The Concept of Production and Environment in the Perspective of Islamic Economic," *Journal of Economic Studies* 5, no. 2 (2022): 1, <https://doi.org/10.32506/joes.v5i2.705>.

¹²Nurizal Ismail, Siti Aisyah, and Devid Frastiawan Amir Sup, "Faktor Penentu Harga Dalam Tinjauan Pemikiran Ekonomi Islam," *Islamic Economics Journal* 6, no. 2 (2020): 211, <https://doi.org/10.21111/iej.v6i2.4880>.

¹³Devid Frastiawan Amir Sup, Selamet Hartanto, and Rokhmat Muttaqin, "Konsep Terminasi Akad Dalam Hukum Islam," *Ijtihad: Jurnal Hukum Dan Ekonomi Islam* 14, no. 2 (2020): 137–52, <https://doi.org/10.21111/ijtihad.v14i2.4684>.

¹⁴Devid Frastiawan Amir Sup, "The State's Efforts in Preserving the Environment Through Regulation," *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 200–214.

¹⁵Fadhila Sukur Indra, Devid Frastiawan Amir Sup, and Sahira Sajjadia Luthia, "The Application of Al-Wakalah Bil Ujrah Contract on PRULink Syariah Generasi Baru (Approached with Fatwa DSN-MUI No: 52/DSN-MUI/III/2006)," in *Proceeding 9th AICIF 2021 (Asean Universities International Conference on Islamic Finance)* (Yogyakarta: UIN Sunan Kalijaga, 2021), 21, <http://febi.uin-suka.ac.id/web/agenda/download/834/asean-universities-international-conference-on-islamic-finance-aicif-2021>.

¹⁶Devid Frastiawan Amir Sup, "Wakaf Kontemporer Di Indonesia Dalam Perspektif Hukum Dan Fatwa," *Jurnal Hukum Ekonomi Syariah* 4, no. 2 (2021): 235–56, <https://doi.org/10.30595/jhes.v4i2.11093>.

¹⁷May Shinta Retnowati, Faridl Noor Hilal, and Devid Frastiawan Amir Sup, "Unpaid Plastic Bag Discount Analysis Based on Islamic Law Perspective (Case Study on Waralaba Retail X in Ponorogo)," in *INSLA E-Proceedings* (Bandar Baru Nilai: Universiti Sains Islam Malaysia, 2020), 149, <https://insla.usim.edu.my/index.php/e proceeding/article/view/28>.

interpretation, language translation, word editing, and compiling them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{18 19}

Results and Discussion

Taqi Al-Din Abu Al-Abbas Ahmad bin Ali bin Abdul Qadir Al-Husaini bin Muhammad Al-Maqrizi (1364–1442) was an Egyptian Arab historian known as Al-Maqrizi or Makrizi who was born in Cairo in 766 H. His ancestors are from Maqarizah, a village in the town of Ba'labak.²⁰ For this reason, Al-Maqrizi became famous for his *nasab*. Al-Maqrizi's grandfather Sheikh Muhyiddin Abu Muhammed Abdul Qadir bin Muhammad bin Abraham went to Cairo several times, but did not stay in Egypt and died in Damascus in 733 H (1332). His father, Alaeddin Ali bin Abdul Qadir later came to Cairo and settled here and lived in Cairo until he died in 779 H (1377-1378). Al-Maqrizi's family belonged to the *mazhab* Hanbali, at least from his grandfather.²¹ Because Abdul Qadir bin Muhammad was considered one of the great scholars of this *mazhab*, as well as one of the famous Hanbali *fiqh*. After Abdul Qadir's son Ali immigrated to Egypt and settled in Cairo, he served in many duties related to *Dîvânü't-tevkî*, *Dîvân-ı İnşâ*, and accounting works. Al-Maqrizi's father, who was a Syafi'i, married Esmâ, the daughter of the Hanafi scholar, Kazasker, and professor Ibn Al-Saigh Ez-Zumurrudi, in 765 H (1364). Ibn Khaldun, a great man and the originator of the social sciences, including economics, was one of the famous figures who greatly influenced his thinking.²² His interaction with Ibn Khaldun

¹⁸Devid Frastiawan Amir Sup, "Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia," *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 103–24, <https://doi.org/10.18592/sjhp.v21i2.4146>.

¹⁹Devid Frastiawan Amir Sup, "Tinjauan Maslahah Terhadap Amdal" (IAIN Ponorogo, 2018), 15, <http://etheses.iainponorogo.ac.id/4794/1/212116013> - DEVID FRASTIAWAN AMIR SUP.pdf.

²⁰Dewan Redaksi Ensiklopedia Islam, *Suplemen Ensiklopedia Islam Jilid 2* (Jakarta: PT Ichtiar Baru Van Hoeve, 1999), 2.

²¹Eymen Fuâd Seyyid, "Makrîzî," TDV İslâm Ansiklopedisi, 2003, <https://islamansiklopedisi.org.tr/Makrizi>.

²²Hammad bin Abdurrahman Al-Janidal, *Manahij Al-Bahitsin Fi Al-Iqtishad Al-Islamy Juz 2* (Riyadh: Syirkah Al-Ubaikan li Al-thaba'ah wa Al-Nasyr, 1985), 208.

began when Abu Al-Iqtishad settled in Cairo about two years,²³ and became chief justice (*Qadi Al-Qudah*) of the *mazhab* Maliki during Sultan Barquq's reign (786-801 H).²⁴ Al-Maqrizi began to have a lot of contact with various market, trade, and *mudharabah* issues around this time, so his attention was focused on current prices, the origin of money, and the rules of the scales.²⁵

Al-Maqrizi is an Islamic economist who conducted a special study on money and inflation. The focus of Al-Maqrizi's attention on two aspects which during the reign of the Prophet and Khulafa Al-Rasyidin did not cause this problem, appears to be motivated by the increasing number of deviations from Islamic values, particularly in these two aspects, which were carried out by the heads of the Umayyah government and later.²⁶ This situation inspired Al-Maqrizi to present his various views on the causes of the crisis in his work *Ighatsah Al-Ummah bi Kasyf Al-Ghummah*.²⁷

Armed with sufficient experience as a *muhtasib* (market regulatory), Al-Maqrizi discusses inflation and the role of money in it, an amazing discussion at the time because it correlated two things that Muslim and Western thinkers rarely did. In his work, Al-Maqrizi seeks to demonstrate that the inflation that occurred between 806 H and 808 H was distinct from previous periods of Egyptian history.²⁸ Thus, it can be said that Al-Maqrizi was the last medieval Muslim scholar to notice the problem and link it to inflationary events that occurred in a country.²⁹

Al-Maqrizi stated, after presenting various facts about the Egyptian famine, that inflation is a natural phenomenon that has afflicted the lives of people all over the world since ancient times

²³Syarifah Siregar and T. Masri, "Teori Inflasi Menurut Al-Maqrizi," *Mudharabah: Jurnal Perbankan Syariah* 2, no. 1 (2019): 63, <https://jurnal.staitapaktuan.ac.id/index.php/mudharabah/article/view/116>.

²⁴Zainab Al-Khudhairi, *Filsafat Sejarah Ibn Khaldun* (Bandung: Pustaka, 1995), 16.

²⁵Al-Janidal, *Manahij Al-Bahitsin Fi Al-Iqtishad Al-Islamy* Juz 2, 210.

²⁶Adiwarman A. Karim, *Ekonomi Islam: Suatu Kajian Kontemporer* (Jakarta: Gema Insani, 2001), 67.

²⁷Allouche, *Mamluk Economics: A Study and Translation of Al-Maqrizi's Ighathah*, 9.

²⁸*Ibid.*, 11.

²⁹Abdul Azim Islahi, *Economic Concepts of Ibn Taimiyah* (Leicester: The Islamic Foundation, 1988), 19.

until now. Inflation, he claims, occurs when prices in general rise and continue to rise indefinitely. At the moment, the supply of goods and services is in short supply, forcing consumers to spend more money for the same number of goods and services.³⁰ Al-Maqrizi goes into considerable detail about inflation in the following description. He classified inflation into two types based on the factors that cause it, inflation caused by natural factors and inflation caused by human error.³¹

Natural inflation, this inflation is primarily caused by natural events that humans cannot control. According to Al-Maqrizi, when a natural disaster strikes, many commodities and other agricultural items become rare as a result of crop failures, resulting in a dramatic reduction in supply and a scarcity. The demand for these commodities, on the other side, has soared due to their importance in life. Prices skyrocketed, greatly outstripping the average person's purchasing ability. This has ramifications for the price of a variety of other goods and services. As a result, economic transactions have slowed or halted, resulting in starvation, disease outbreaks, and death among the population. The people were forced to exert pressure on the administration to pay immediate attention to their deteriorating status as a result of the deteriorating scenario. To deal with the disaster, the government spent a considerable amount of money, causing the state treasury to plummet. On the other side, the government had a budget imbalance, and the state became politically, economically, and socially unstable, ultimately leading to the government's collapse.³² Drought (limited supply of goods) or conflict caused the occasion that occurred during the Prophet Muhammad's and Khulafa Al-Rasyidin's periods.

Human error inflation, when it comes to human error, Al-Maqrizi believes that there are three main causes of inflation, corruption and poor management, high taxes, and increase circulation of fiat currency.³³ Human error inflation is defined as inflation that

³⁰Taqiyyuddin Abi Al-'Abas Ahmad bin 'Ali Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah* (El-Haram: 'Ainul Madrasat wal Buhuts Al-Insaniyah wal Ijtima'iyah, 2007), 30.

³¹Karim, *Sejarah Pemikiran Ekonomi Islam*, 424.

³²Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 27–49.

³³Taqiyyuddin Abi Al-'Abas Ahmad bin 'Ali Al-Maqrizi, *Kitab Al-Suluk* (Egypt:

is caused by human errors. Human error inflation can be classified into the following categories based on their causes.³⁴

First, corruption and poor administration. Al-Maqrizi argued that appointing government officials based on bribes rather than their abilities would result in the appointment of those who lack credibility in significant and respected posts in the legislative, judicial, and executive branches.³⁵ They are willing to pawn all of their belongings in order to obtain the desired position and meet their daily requirements as officials. As a result, government officials were no longer immune to the court's meddling and intrigues. They were not only taken away from time to time, but their assets were also seized and they were even executed. This, in turn, has a significant impact on the civil and military administrations' morale and efficiency.³⁶ Because producers must increase the selling price of their product to compensate the costs they have already paid, corruption raises the price level. Convoluted licensing bureaucracy, where obtaining a licence requires going through many authorities, will almost surely increase producers' production costs and lead to price rises. The government must eliminate corruption and overhaul the bureaucracy.³⁷ Once in power, these officials began to abuse their positions to further their own personal interests, both in terms of meeting their financial commitments and enjoying life's luxuries. They rationalize sharing methods in order to amass as much riches as feasible. The widespread unfairness perpetrated by these officials has exacerbated the people's situation, forcing them to flee their homes and jobs. As a result, the fall in tax revenues and state revenues is strongly linked to production results.³⁸

Second, excessive taxes. According to Al-Maqrizi, state spending has risen dramatically as a result of the domination of corrupt officials in government. In exchange, they impose a tax system that oppresses

Dar Al-Kutub Press, 1972), 1016.

³⁴Adiwarman A. Karim, *Ekonomi Makro Islam* (Jakarta: PT Raja Grafindo Persada, 2007), 143.

³⁵Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 52–53.

³⁶Adam Sabra, *Poverty and Charity in Medieval Islam: Mamluk Egypt, 1250–1517* (Cambridge: Cambridge University Press, 2000), 151.

³⁷*Ibid.*, 53.

³⁸Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 53.

the people by imposing new taxes and raising existing ones.³⁹ This has a significant impact on the farmers, who make up the majority of society. Landowners who wished to shift the tax burden on to the peasants through land rentals at all times. Officials and landowners increased and escalated their pressure on farmers as a result of the good tax returns. As the frequency of taxes for dam maintenance and other comparable projects rises, so do the costs of cultivating land, sowing seeds, harvesting crops, and so on. To put it another way, the rice harvest produced under these conditions necessitates a higher cost that is out of reach for the farmers.⁴⁰ As a result, farmers lose interest in working and producing. They would sooner abandon their homes and occupations than live in constant agony for the rest of their lives and become nomadic in the hinterlands. As a result, there will be a decline in the number of workers and an increase in vacant land, both of which will have a significant impact on rice and other agricultural product output, resulting in food shortages and rising costs.⁴¹ Excessive taxation will have the same effect on the economy as corruption and poor administration, resulting in a contraction in the downward aggregate supply curve. Excessive taxes, on the other side, result in efficiency or dead weight loss.⁴² This includes issues in Indonesia's economy, particularly since the implementation of regional autonomy, in which each region has its own policy for exploring sectors that can be used as objects to increase regional original income.

Third, increased circulation of fiat currency. According to Al-Maqrizi, excessive money printing will clearly lead to an increase in the price level. According to him, an increase in commodity prices is measured in full or nominal *dirham*, whereas when measured in silver *dirham*, the prices of these commodities rarely increase, implying that there is no real price increase and so, money should be printed only at the minimum amount required for buying and selling transactions, and in small denominations so that it does not

³⁹*Ibid.*

⁴⁰Karim, *Sejarah Pemikiran Ekonomi Islam*, 50.

⁴¹Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 54.

⁴²Karim, *Ekonomi Makro Islam*, 144.

pile up.⁴³ When there is a budget deficit as a result of bad conduct by officials who misuse state funds for personal and group interests, the government eventually prints money on a large scale. According to Al-Maqrizi, these activities are expanding at a time when the government's desire to make huge profits from low cost currency printing is becoming increasingly uncontrollable. They issued edicts requiring people to use the currency as rulers. The amount of money owned by the general public is increasing, and its circulation has increased so dramatically that foreign currency has become the dominant currency.⁴⁴ According to Al-Maqrizi, the government's policy has implications for the existence of other currencies. Along with the enormous profits made from printing money, the government discontinued the printing of silver as currency. In fact, as a result of the official lifestyle, a number of *dirham* owned by the community were melted down and turned into jewelry. As a result, the *dirham* became scarce and eventually went out of circulation. Meanwhile, the *dinar* currency is still in circulation, despite the fact that only a few people own it. In this case, *fulus* is the standard value for certain goods and services. According to Al-Maqrizi, the large scale printing of money had a significant impact on the currency's precipitous decline in value.⁴⁵

In his work, *Ighatsat Al-Ummah bi Kassf Al-Gummah* (Helps the Ummah by Healing the Causes of its Crisis), Al-Maqrizi or Taqi Al-Din Abu aAl-Abbas Ahmad bin Ali bin Abdul Qadir Al-Husaini bin Muhammad divides inflation into two categories, human error and natural inflation. Natural inflation is inflation produced by a drop in aggregate supply or an increase in aggregate demand, and inflation induced by human errors is inflation generated by natural causes.⁴⁶

The ignorant Arabs used gold *dinar* and silver *dirham* as currency, which were adopted from Rome and Persia, respectively, and weighed twice as much in Islam, according to Al-Maqrizi. Following the arrival of Islam, the Prophet Saw. created several *muamalah* activities using the two currencies, even linking them to the *zakat* on property law.

⁴³Karim, *Sejarah Pemikiran Ekonomi Islam*, 373.

⁴⁴Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 71.

⁴⁵*Ibid.*, 72.

⁴⁶*Ibid.*, 137.

The use of these two currencies remained unchanged until the reign of Caliph Umar ibn Al-Khattab in 18 H. According to Al-Maqrizi, the chaos in Egypt's socioeconomic phenomenon began when the Mamluks' influence in the court grew stronger, including the policy of printing mixed *dirham*. The printing of fiat money, or copper currency, began during the reign of Sultan Muhammad Al-Kamil ibn Al-Adil Al-Ayyubi of the Ayyubid dynasty.⁴⁷

Al-Maqrizi's analysis supports the assertion that a country's wealth is determined not by the amount of money in the country, but by the level of production and a positive balance of payments. A country can print as much money as it wants, but if it does not reflect rapid growth in the production sector, the abundant money has no value. This perspective demonstrates that the pattern of international trade had become the primary topic of discussion among scholars at the time. Countries that have exported demonstrate the ability to produce more than their domestic needs while also demonstrating that the country is more efficient in production. Because of his growing interest in monitoring economic history and attempting to explain some economic wisdom, Al-Maqrizi has become one of the most prominent economic thinkers.⁴⁸ Al-Maqrizi is concerned with the following issues: (1) The market in terms of its type, history, and location at the time; (2) Corruption, administration, and the economy that have characterized several stages of the Islamic state's history; (3) The state's general budget, as well as the method of preparation and the system that spans time and country; (4) Money and the various stages it has gone through, as well as various monetary policies; (5) The pre crusade economic system that dominated the Mediterranean; (6) Tax price correlation (tax returns, i.e. returns to final consumers); (7) Pints and scales (he dedicated a special book to it).⁴⁹

Inflation in the first type of socioeconomic phenomenon occurred during the Prophet's and Khulafa Al-Rasyidin's time, namely as a result of drought and unemployment.⁵⁰ Meanwhile, according to Al-Maqrizi, the second type of inflation is the same as

⁴⁷Karim, *Sejarah Pemikiran Ekonomi Islam*, 421.

⁴⁸*Ibid.*, 34.

⁴⁹*Ibid.*, 32.

⁵⁰Karim, *Ekonomi Makro Islam*, 143.

the underlying causes of Egypt's crisis, namely corruption and poor government administration, excessive taxes that burden farmers, and excessive circulation of fiat currency. According to Al-Maqrizi, the study of the impact of inflation on socioeconomic phenomena by dividing Egyptian society into seven social strata groups. With this division, it appears that Al-Maqrizi is attempting to determine which segment of society is the most severely affected by the insane inflation.

Controlling the inflation rate, for example, can be accomplished by identifying the source of the problem and implementing a good and non corrupt administrative system, taking into account the tax capabilities of the people, and adjusting the printing of limited amounts of money in accordance with a country's level of production. This is Al-Maqrizi's invention, which scientists have most likely never attempted before. At the time, the strata and classifications of society included: (1) The ruler and his advisers; (2) Rulers, big traders, and wealthy people; (3) The middle class of rulers and big traders, including professionals; (4) Farmers who live in rural areas in general; (5) According to Al-Maqrizi, the poor are all jurists, students, and soldiers; (6) Fishermen and manual laborers; (7) The poor and the beggars.⁵¹

After categorizing Egyptian society into seven groups, Al-Maqrizi went through each one, emphasizing the intensity of his pain, and suffering as a result of the hyperinflation. The first group has a higher nominal income, but their purchasing power has decreased dramatically due to a sharp drop in real income due to inflation. Inflation does not have a significant impact on this group. According to Al-Maqrizi, the second group consists of traders and big rulers, whose assets have decreased as a result of rising costs and inflation. The third group, professionals, receive nominally higher wages, but their standard of living remains unchanged due to rising prices. When it came to the fourth group's impact, Al-Maqrizi divided it into two categories, upper middle farmers and lower middle farmers. The first group benefited from the monetary crisis, which increased their wealth assets. Meanwhile, the second group was severely disadvantaged because the price was so high that it did not correspond to the value of their agricultural products. The

⁵¹Al-Maqrizi, *Kitab Al-Suluk*, 324.

fifth group, which includes teachers, jurists, students, and soldiers, suffers the most from the first five groups. This, he claims, is due to the fact that their income in the form of salaries and wages is fixed. The sixth and seventh groups are the members of society who not only suffer the most, but also starve to death.⁵²

Inflation is the general and continuous tendency to raise the prices of goods and services, in other words, inflation is the percentage increase in the price of a number of goods and services that are commonly consumed by households. Inflation occurs in every region, including East Java province, as shown in the graph below, which depicts the movement of inflation in East Java over the last five years, from January 2015 to December 2020.

Table 1. Inflation Movement in East Java

Month	Monthly Inflation (by percent)					
	2020	2019	2018	2017	2016	2015
January	0.50	0.34	0.60	1.52	0.65	0.20
February	0.31	-0.18	0.16	0.25	-0.10	-0.52
March	-0.01	0.16	0.06	-0.09	0.04	0.31
April	-0.12	0.41	0.18	0.29	-0.25	0.39
May	0.18	0.29	0.17	0.48	0.14	0.41
June	0.28	0.13	0.42	0.49	0.60	0.45
July	-0.29	0.16	0.07	0.15	0.76	0.51
August	0.04	0.12	0.11	-0.25	-0.05	0.36
September	-0.15	-0.07	-0.01	0.19	0.16	0.24
October	-0.02	-	0.19	0.02	-0.14	-0.19
November	0.26	-	0.27	0.23	0.33	0.06
December	0.46	0.53	0.60	0.71	0.56	0.85

Source: Central Bureau of Statistics of East Java

⁵²*Ibid.*

If we look at the inflation rate in the table from 2015 to 2020, we can see that inflation in Indonesia is classified as light because it is less than 10% per year. Changes in people's consumption patterns in response to the Covid-19 pandemic influence the inflation risk in East Java 2020. In terms of commodities, gold jewelry commodities had the highest inflation risk (High Risk) from 2018 to 2020.⁵³ Meanwhile, in the Medium Risk category, broiler eggs, purebred chicken meat, red chilies, air transportation, shallots, rice, cayenne pepper, gasoline, and education (college or university) costs are the largest inflation contributors and the frequency that frequently affects inflation in East Java.⁵⁴

The formula to suppress inflation, according to Khofifah Indah Parawansa, includes optimizing the role of Regional Owned Enterprises (BUMD) in food, monitoring price disparities between regions and the phenomenon of food inflation in areas near food production centers, maximizing the format of planting, picking, processing, packing, selling. Including interactions between regional heads.⁵⁵

In general, we can conclude that the causes of inflation in East Java: (1) Money circulation affects the price of goods and services produced and sold. Too much money circulates, causing economic imbalance, the level of consumption rises, reducing the number of products and services sold, and gradually, product prices rise and experience inflation; (2) The existence of state debt, which occurs in a country where more and more taxes must be paid, along with additional interest that must be repaid; (3) Exchange rate, the money exchange rate is the cause of inflation, which causes the prices of all basic commodities to rise and the rupiah to fall; (4) Because the production costs of goods and services, as well as raw materials for a product, have increased, business owners have increased the

⁵³Kanalsatu, "TPID Jatim: Inflasi Tetap Terkendali Sampai Akhir Tahun," Kanalsatu, 2020, <https://kanalsatu.com/id/post/55296/tpid-jatim---inflasi-tetap-terkendali-sampai-akhir-tahun>.

⁵⁴*Ibid.*

⁵⁵Kominfo Jatim, "Kendalikan Inflasi, Gubernur Jatim Minta TPID Lakukan Sinergitas Lintas Sektor," Kominfo Jatim, 2020, <https://kominfo.jatimprov.go.id/read/umum/kendalikan-inflasi-gubernur-jatim-minta-tpid-lakukan-sinergitas-lintas-sektor>.

selling price of their products; (5) Demand in East Java is said to be very high, owing to the community's high consumption of clothing, food, and housing.

Bank Indonesia considers inflation to be a monetary phenomenon because it results from a decline in the value of the monetary unit relative to a commodity. In dealing with the inflation that occurred during the Al-Maqrizi period in the middle ages, the solution is Islamic monetary policy where instruments exist. Al-Maqrizi discusses the inflation theory, which is caused by natural and human error factors and is then implemented in Islamic monetary policy, with the goal of being able to answer the inflation theory if the solution to these problems can be solved by Islamic monetary policy. The efforts of the government and Bank Indonesia have agreed on three strategic steps to keep inflation in 2019 in the 2,5-4,5 percent range (year on year/yoy). The first strategic step, the government and Bank Indonesia will keep inflation in the food category with volatile foods in the range of 4-5 percent range. To control volatile foods inflation in the 4-5 percent range, the government and Bank Indonesia formulated four main policies (4K) namely price affordability, supply availability, smooth distribution, and effective communication.⁵⁶

In Islamic economic politics, inflation control is primarily achieved by avoiding the use of instruments based on usury (interest), such as *gharar*, *maysir*, and *zhulum*. In Indonesia, three parties are in charge of inflation control, *first*, the monetary authority, namely Bank Indonesia, as the recipient of the act's mandate. *Second*, the government, specifically various ministries coordinated by the minister of economy, as well as local governments. *Third*, society as a whole, as economic actors. When we examine the phenomenon of extremely high inflation (hyperinflation) in various parts of the world, we find that Al-Maqrizi already had a mature concept that could explain the occasion.

The Southeast Asia region's experience with the 1997-1998 monetary crisis and inflation. In Indonesia, for example, several

⁵⁶Iping Supingah, "Tiga Langkah Strategis Pemerintah-BI Jaga Inflasi," Suara Surabaya, 2019, <https://www.suarasurabaya.net/ekonomibisnis/2019/Tiga-Langkah-Strategis-Pemerintah-BI-Jaga-Inflasi/>.

economists concluded after conducting an analysis that some of the causes of the crisis are a crisis of trust in the government due to the practice of Corruption Collusion Nepotism (KKN), inconsistent policies implemented by the Indonesian government, the unfavorable influence of economic globalization, as well as long droughts and food insecurity in several areas such as Jayawijaya (Irian Jaya), Donggala (South Sulawesi), Grobogan, and Boyolali.⁵⁷ This is consistent with Al-Maqrizi's concept of natural inflation and human error inflation. Not to mention the experience in other countries and regions that have experienced economic crises, which demonstrated the suitability of Al-Maqrizi's concept with the facts on the ground. It's a very clear, precise, and in depth observation.

If we relate it to the global monetary crisis, we can see that the existing conventional monetary economy as it is today will only cause a monetary crisis, because one of the main causes of the modern monetary crisis is the issue of interest, which is the instrument of monetary policy. Al-Maqrizi proposes a natural monetary system in which *dinar* and *dirham* are used in economic transactions.⁵⁸ What Al-Maqrizi wants to say is that the country's dire economic situation can be reversed without the need for drastic measures that frequently harm the community's interests and reduce overall well being. In conclusion, mistakes in economic regulation, as well as the government's lack of legitimacy, are not to blame for the suffering of the poor during famines and other natural disasters.⁵⁹ This research acknowledges Al-Maqrizi's leadership in dealing with his subject and the economic crisis. He provides a systematic research effort from an Islamic perspective in his research. According to him, Islam has sufficient tools to deal with the effects of the economic crisis as well as sufficient means to prevent it. The thoughts of Al-Maqrizi can also be used as a reference by the East Java government in order to avoid imitating the government's behavior during the Al-Maqrizi period,

⁵⁷Diro Aritonang, *Runtuhnya Rezim Daripada Soeharto* (Bandung: Pustaka Hidayah, 1999), 67.

⁵⁸Al-Maqrizi, *Ighātsatul Ummah Bikasyfil Ghummah*, 137.

⁵⁹Mustafa Edwin Nasution, *Pengenalan Ekstusif Ekonomi Islam* (Jakarta: Kencana Prenada Media Group, 2007), 284.

namely seeking profit from currency printing.⁶⁰

Conclusion

The researcher draws conclusions after conducting in depth observations and investigations into Al-Maqrizi's thought about inflation and how they affect in East Java. Natural inflation and human error inflation cause the occurrence of monetary problems, one of which is inflation. Al-Maqrizi proved to be very understanding and observant, particularly in financial matters. This shows that compared to the data obtained by researchers in relation to what occurred in East Java. The findings revealed that an increase in currency circulation, the presence of state debt, a declining exchange rate, the amount of production costs, excessive taxes, Corruption Collusion Nepotism (KKN), and increased demand were the causes of inflation in East Java. And if this continues, it will have a negative impact, particularly on the East Java economy. The government, through the central bank, must be present to control the money supply and interest rates as an instrument for price control. Furthermore, the central bank is required to maintain control over the domestic currency's exchange rate. This is because the value of a currency can be internal (reflected by the inflation rate) or external (reflected by the exchange rate), and the inflation targeting pattern is currently widely used by central banks all over the world, including Bank Indonesia. When there is an increase or decrease in commodity prices with high persistence values, the East Java government and Bank Indonesia are more vigilant through the provincial inflation control policy. In order to overcome money problems, the government must implement monetary policy, which involves regulating the money supply and interest rates.

⁶⁰Ankasha Arif and Malik Shahzad Shabbir, "Common Currency for Islamic Countries: Is It Viable?," *Transnational Corporations Review* 11, no. 3 (2019): 230, <https://doi.org/10.1080/19186444.2019.1657330>.

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Transliteration Guidelines

Arabic romanization in *Al-Iktisab* refers to the transliteration system of Library of Congress (LC) combined with the model of Department of Religious Affairs of Indonesia which based on Joint Decree Letter between Ministry of Religious Affairs and Ministry of Education and Cultural.

b =	ب	dz =	ذ	ṭ =	ط	l =	ل
t =	ت	r =	ر	ẓ =	ظ	m =	م
ts =	ث	z =	ز	‘ =	ع	n =	ن
j =	ج	s =	س	gh =	غ	w =	و
ḥ =	ح	sy =	ش	f =	ف	h =	ه
k =	ك	ṣ =	ص	q =	ق	’ =	ع
d =	د	ḍ =	ض	k =	ك	y =	ي

1. The transliteration system of Library of Congress (LC) and Department of Religious Affairs of Indonesia:

For *madd* and diphthongs:

ā	=	a long
ī	=	i long
ū	=	u long
او	=	aw
او	=	uw
اي	=	ay
اي	=	iy

2. Examples:

√ The person's name is written in Indonesian without transliteration.

Example: al-Syahrastani, not as-Syahrastāni, written as usual and not italic.

- √ For the foreign terms are not entered into the Indonesian language, written as the original and italics, instead of the underscore.

Example: *al-qawā'id al-fiqhiyyah; isyrāqiyyah; 'urwah al-wutsqā*

While foreign terms that have been popular and entry into the Indonesian language, written in plain, without transliteration.

Example: al-Qur'an, not al-Qur'ān; objektif, not objektive.

- √ The title of the book is written as the original and italics.

Example: *Irsyād al-Fuḥūl*.