

**POTENTIAL CONTRIBUTION OF ISLAMIC EDUCATION INSTITUTIONS TO
ISLAMIC BANKING'S DEVELOPMENT IN INDONESIA**

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Abstract

Banking is a functioning institution in gathering and channeling public funds effectively and efficiently in order to improve equity, economic growth and national stability towards improving the standard of living of the people. Market share (*market share*) of Islamic banking in Indonesia is considered still small when compared to other majority Muslim countries. Currently the Indonesian sharia banking market share is only around 5.7 percent. But so far, the form of support from the Government to strengthen the role of Islamic education institutions in the utilization of Islamic banking in Indonesia is still very minimal. Therefore, this paper will reveal the potential of Islamic education institutions in developing Islamic banking in Indonesia. With the library method, an in-depth study of the topics discussed is conducted. The results of his discussion that the number of PTKIN in Indonesia as many as 58 PTKIN spread throughout Indonesia both UIN, IAIN, and STAIN. To increase the rate of development of Islamic banking, namely the *Political Will* Government to provide great support in the field of cooperation in Islamic Education Institutions with Islamic banking as a service used for payment traffic and community *Break Up Trust* towards Islamic banking by directing students especially to become sharia banking customers.

Keywords: Government, Islamic Higher Education, Islamic Banking, Political Will

A. Introduction

One element in development that has a strategic role is banking. Banking is a functioning institution in gathering and channeling public funds effectively and efficiently in order to improve equity, economic growth and national stability towards improving the standard of living of the people. Its big role for development encourages banks to always get special attention in supervision so that the collection and distribution of funds can be implemented appropriately in accordance with the objectives of the development itself.

Indonesia, which is one of the developing countries, always carries out various economic activities to support the sustainability of national development continuously. The development of Islamic banks in influential Islamic countries to Indonesia. In the early 1980s, discussions about Islamic banks as a pillar of Islamic economics began.

The presence of banking in Indonesia consists of two types, namely conventional banking and Islamic banking. Islamic banking is currently at the peak of popularity as Indonesia is known as a country that has a Muslim-majority religious community.

Islamic banking in Indonesia consists of Sharia Commercial Banks, Sharia Business Units, and Rakat Syariah Financing Banks. The growth of Islamic banking in Indonesia has now been proven significantly through the number of emerging Islamic financial institutions in Indonesia. Based on statistical data published by OJK (Financial Services Authority) in December 2018, Indonesia has 14 Sharia Commercial Banks (BUS), 20 Sharia Business Units (UUS) and 168 Sharia Rural Financing Banks (BPRS).

Table 1.
Development of Sharia Banks in Indonesia

Indications	Year		
	2016	2017	2018
BUS	12	12	14
UUS	22	22	20
BPRS	166	166	168

Source: OJK Sharia Banking Statistics, 2019

The growing development of Islamic banking in Indonesia presents its own challenges to the various actors so that their existence remains awake. This is because competition with conventional banking is also getting tougher. So that Islamic banking must have *market share* a larger. This triggers Islamic banking to be able to concentrate on its performance so that it can become a business actor who is able to compete in a healthy manner in order to increase *market share* and gain reputation and trust from the public.

Market share (*market share*) of Islamic banking in Indonesia is considered still small when compared to other majority Muslim countries. Currently the Indonesian sharia banking market share is only around 5.7 percent. While the Malaysian sharia banking market share is already at 23.8 percent. Even Saudi Arabia reached 51.1 percent. Quoted from Republika.co.id's website, Sapta Nirwandar, Chairman of the Indonesia Halal Lifestyle Center, said there were several obstacles that made Islamic banks slow to develop in the country. Among them are not yet in harmony with the vision and coordination between government and authorities.

The Indonesian government has demonstrated its role in sharia banking directly limited to the legal sector (issuing Sharia Banking Law and State Sharia Securities Law) and state finances (*endorsing* global sukuk and retail sukuk). Whereas "indirectly" the Government allows several BUMN Banks to establish Sharia Business Units (UUS) or Sharia Commercial Banks as subsidiaries of these BUMN Banks. But as a subsidiary, the Islamic bank has small assets compared to its parent.

Besides that, in educational institutions especially under the auspices of the Ministry of Religion, it is one of the elements that plays an important role in the development of Islamic banking in Indonesia. The distribution of educational institutions both universities and madrasas shows that the greater the opportunity for the entry of Islamic banking in academics. But so far, the form of support from the Government to strengthen the role of Islamic education institutions in the utilization of Islamic banking in Indonesia is still very minimal. Therefore, this paper will reveal the potential of Islamic education institutions in developing Islamic banking in Indonesia.

B. Islamic Banking Concept

When looking at history, the forerunner to the establishment of Islamic banks has been around since the time of the Prophet Muhammad. But at that time, State financial activities went through *Baitul Maal* (House of Wealth). Over time, there were banks in Indonesia who then began to grow and develop Islamic banking. The presence of Islamic banking was welcomed by Indonesia's high enthusiasm. Its huge potential in Indonesia is supported by the

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majority Muslim population. So that in the perspective of users of Islamic banking services, there is no need to doubt.

The presence of Islamic banking is also supported by legality in Indonesia through Law No. 21 of 2008. The Law states that Sharia Banking is everything that concerns Sharia Banks and Sharia Business Units, including institutions, business activities, and ways and processes in carrying out their business activities.

Sharia banking has an operational principle based on sharia which is certainly very different from conventional. In Article 2 of Law No. 21 of 2008 states that Sharia Banking in carrying out its business activities is based on Sharia Principles, economic democracy, and the principle of prudence. Article 3 also states that Sharia Banking aims to support the implementation of national development in order to improve justice, togetherness and equal distribution of people's welfare.

The presence of Islamic banking in Indonesia is not only a mediator for people who have more funds with the community who need funds with sharia principles, but also have a contribution in national development.

Through the establishment and establishment of Islamic banking, of course there are many goals and benefits to be achieved, especially intended to build the economy of the people. However, by referring to the practice of Al Qur'an, the main purpose of the establishment of Islamic banks in general is divided into two, namely first to avoid the practice of usury, and secondly to practice Islamic principles in banking for the purpose of benefit.

Islamic banks are financial institutions whose main business is providing credit and other services in the payment and circulation of money that operate in accordance with sharia principles. Islamic banks are financial institutions that function to facilitate economic mechanisms in real sector through business activities (investment, buying and selling, or other) based on sharia principles, namely rules based on Islamic law between banks and other parties to save funds or finance business activities, or activities others stated in accordance with sharia values that are macro and micro in nature.

Islamic banks in Indonesia are also limited by supervision carried out by the Sharia Supervisory Board. This last point implies that each Islamic bank product gets approval from the Sharia Supervisory Board before being introduced to the public.

Some things that characterize and differentiate them from conventional banks are as follows:

1. Islamic sharia principles in asset management emphasize the balance between individual and community interests. Property must be used for productive things, especially investment activities which are the foundation of economic activity in society. Not every person is able to directly invest his property to make a profit. Therefore, an intermediary institution is needed that connects the community of fund owners and entrepreneurs who need funds (fund managers). One form of intermediary is a bank whose business activities are based on sharia principles.
2. Islamic banks are banks that are based on, among others, the principles of partnership, fairness, transparency and universality and conducting banking business activities based on sharia principles.

The fundamental difference between Islamic banking and conventional banking provides its own characteristics which are the hallmarks of Islamic banking. The potential can be seen from two sides, namely for the interest of mobilizing funds / deposits and for the purpose of channeling / financing. The strength of Islamic banks can be seen from the following things:

1. Support of Muslims who make up the majority of the population

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This can be seen from several elements of society. As has been done by MUI by launching the National Sharia Economic Movement. The number of Indonesian Muslims is a huge potential for Islamic banking.

2. Support from Islamic financial institutions throughout the world

The existence of Islamic banks that are in accordance with Islamic sharia principles is very important to keep Muslims falling prey to the unlawful. Several international Islamic banks came to Indonesia to explore the possibility of opening a joint Islamic bank with a national bank. This shows the level of hope and support of international financial institutions for the existence of Islamic banks in Indonesia.

3. Commitment and support from the banking authority, namely Bank Indonesia.

This can be seen from the regulations that were born. Starting from Law No.7 of 1992 and Law No.10 of 1998 and Law No. 21 of 2008 which is a refinement of the two laws so that the foundation of the legality of shari'ah banking in Indonesia is stronger. In some cases, the regulatory concept of Islamic banks has similarities with the regulations of conventional banks. Rationalization for the implementation of regulations in the banking sector includes:

- a. Protecting consumers from the possibility of monopoly exploitation.
 - b. Protect consumers who do not have access to information.
 - c. Maintain system stability.
4. The concept inherent in Islamic banks is very much in accordance with development needs. Both now and in the future.
 5. The development of Islamic Education Institutions within the Ministry of Religion is a great potential for the development of Islamic banking in the academic field. This matter still needs an in-depth study of how much government attention this potential has.

C. Government Regulation in the Islamic Banking Sector

Indonesia which has a majority of Muslim population reads a great opportunity if the Islamic banking system is implemented. The government actively supports the presence of Islamic banking. It can be seen that so far government regulation has the biggest contribution in the development of Islamic banking in Indonesia. The following are some regulations that show the Indonesian government's great support for the development of Islamic banking:

1. The October 1988 Policy Package (Pakto 88) which opens the widest opportunity for the banking business to support development. The Indonesian Ulema Council (MUI) formed a working group in 1990 to establish Islamic Banks in Indonesia. As a result of the work of the MUI Banking Team, the first Islamic bank in Indonesia was established, namely PT Bank Muamalat Indonesia (BMI)
2. Law No. 7/1992 concerning Banking. In the Law it has allowed banks to operate based on the principle of profit sharing
3. Law No.10 / 1998 is a change to Law No. 7 of 1992 which explicitly uses the word *Islamic banks* and clearly stipulates that banks, both commercial banks and rural banks, can operate and conduct financing based on sharia principles.
4. UU no. 21/2008 concerning Sharia Banking which substantively regulates the sharia banking business in a comprehensive manner is a very urgent need to be realized.

5. Exit Operational Regulations and Institutions: BI stipulates sharia banking institutional regulations and their establishment PUAS (Sharia Interbank Money Market) & SWBI (Bank Indonesia Wadi'ah Certificate)

In general, the regulations listed above are quite good especially when this is accompanied by government political will. who continue to try to find solutions in a sustainable manner both from academics and practitioners. However, the regulations listed above have not fully accommodated the overall mechanism of Islamic banking operations.

D. Potential Contribution of Islamic Education Institutions to the Development of Sharia Banking

government is a very dominant organ in a country. Besides having rights, the government also has functions. One of the functions of the government is the regulatory function or policy maker. The policy is intended to enable the state to achieve its goals. The policy also includes policies in Islamic banking. Although currently Islamic banking in Indonesia is developed within the framework of a dual banking system in the Indonesian Banking Architecture (API), the future of Islamic banking must be taken into account.

The Islamic banking industry in Indonesia needs a kind of *breakthrough* that can significantly enlarge the size of the industry. So far, the growth of external sharia banking has only been supported by Bank Indonesia as the regulator. The government in this case has a very big role. By utilizing various elements of existing government, it can enlarge the number of users of Islamic banking in Indonesia, one of which is Islamic education institutions.

So far the role of Islamic education, especially Islamic Higher Education has sought in the dissemination and education of Islamic banking. Universities have also opened many Islamic economics and Islamic banking study programs. However, the fact is that this has not had a major impact on the development of Islamic banking in Indonesia. The socialization and education carried out are only limited to the knowledge of the community or users. There is still a lack of sense of community trust to become sharia banking customers.

Quoted from Kompas.com that even though Indonesia has a large Muslim population, the market share of Islamic banking in the country is still relatively low. In fact, Indonesian Islamic banking is still lagging behind other Muslim countries. Currently, the market share of Islamic banking has only reached 5.3 percent of the total assets of the national banking industry. According to Bank Indonesia (BI) Deputy Governor Perry Warjiyo, the market share of Islamic banking can still be enlarged. Indonesia's sharia banking market share is still far away when compared to Islamic banking in other countries. Saudi Arabia, for example, has reached 51.1 percent, Malaysia 23.8 percent and United Arab Emirates 19.6 percent.

This very small sharia banking market share can be indicated because of the lack of *political will from the government*. So far the government is only limited to giving regulation as a fundamental force. However, in fact more attention is needed to expand the expansion of the development of Islamic banking in various lines. When looking at the distribution of Islamic education institutions in Indonesia, it can be known that the potential development of Islamic banking is very large.

Table 2.
PTKIN Distribution in Indonesia

Provinces	UIN	IAIN	STAIN	Number of
Aceh	1	2	2	5
Bangka Belitung	0	0	1	1

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Banten	1	0	0	1
Bengkulu	0	1	1	2
IN Yogyakarta	1	0	0	1
DKI Jakarta	1	0	0	1
Gorontalo	0	1	0	1
Jambi	1	1	0	2
West Java	1	1	0	2
Central Java	1	4	1	6
East Java	2	3	2	7
West Kalimantan	0	1	0	1
South Kalimantan	1	0	0	1
Central Kalimantan	0	1	0	1
East Kalimantan	0	1	0	1
Riau Islands	0	0	1	1
Lampung	1	1	0	2
Maluku	0	1	0	1
North Maluku	0	1	0	1
NTB	1	1	0	1
Papua	0	0	1	1
West Papua	0	0	1	1
Riau	1	0	1	2
Sulawesi Barat	0	0	1	1
South Sulawesi	1	1	2	4
Sulawesi Tengah	0	1	0	1
Southeast Sulawesi	0	1	0	1
North Sulawesi	0	1	0	1
West Sumatra	1	2	0	3
South Sumatra	1	0	0	1
North Sumatra	2	1	0	3

Total	58
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Source: <http://diktis.kemenag.go.id>, 2019

Based on the above data, it can be seen that the number of PTKIN in Indonesia as many as 58 PTKIN spread throughout Indonesia, both UIN, IAIN, and STAIN. Of the 58 Islamic education institutions, of course they have a large number of students. This is a great potential for the development of Islamic banking. However, in reality this educational institution still uses Conventional Banks as banking services used in payment traffic.

An example is the current payment process for PTKIN entry routes using conventional banks. It is known how much the number of registrants from Colleges / Madrasas will take the PTKIN test path. However, this huge market share cannot be given to Islamic banking.

Therefore, there are two important highlights in this paper which provide an overview of the important points to increase the rate of development of Islamic banking, namely:

1. *Political Will* Government to provide great support in the field of cooperation of Islamic Education Institutions with Islamic banking as services used to payment traffic. *Political Will* is an important aspect to develop the Islamic economy in Indonesia. The reason is that efforts to develop a sharia economy require a joint commitment at the highest level to then be translated into national programs.
2. *Break Up Trust* Community towards Islamic banking by directing students especially to become sharia banking customers.

Through the two things above, it can be an evaluation for the government as a policy maker and institution of Islamic education as one of the Islamic banking markets to be more intensive in utilizing existing market shares. The government should be able to be a mediator for interrelated institutions to be able to cooperate well and sustainably in the development of Islamic banking in Indonesia.

E. Closing

Islamic banks are financial institutions that function to facilitate the economic mechanism of real sector through business activities (investment, buying and selling, or other) based on sharia principles. So far, government regulation has the biggest contribution in the development of Islamic banking in Indonesia starting from Pakto 88, Law No. 7/1992, Law No. 10/1998 and Law No. 21/2008 as a complementary law that specifically addresses sharia banking. This very small sharia banking market share can be indicated because of the lack of *political will from the government*. So far the government is only limited to giving regulation as a fundamental force. The number of PTKIN in Indonesia is 58 PTKIN spread throughout Indonesia, both UIN, IAIN, and STAIN. To increase the rate of development of Islamic banking, namely the *Political Will* Government to provide great support in the field of cooperation in Islamic Education Institutions with Islamic banking as a service used for payment traffic and community *Break Up Trust* towards Islamic banking by directing students especially to become sharia banking customers.

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