



Analysis of the Presence of the First Islamic Financial Institution and the Contribution of Muslim Scholars in Indonesia

Burhanuddin Al-Butary^{1*}, Andri Soemitra², Alfi Amelia³

¹Al-Washliyah Nusantara Muslim University, Indonesia

²North Sumatra State Islamic University, Indonesia

³Muhammadiyah University of North Sumatra, Indonesia

e-mail*: burhanuddin@umnaw.ac.id

Abstract

In Indonesia, Islamic economic institutions started from establishing Islamic banking in 1991. This study aims to examine and describe the presence of the first Islamic financial institutions and specifically the contribution of the parties involved. This study analyzes descriptions from related literature sources. The findings of this study indicate that there are three prominent Muslim economists who have contributed greatly, namely Adiwarman A Karim, Syafi'i Antonio, and Karnaen A. Perwataatmadja. At the beginning of its establishment, Bank Muamalat Indonesia with the sharia concept was faced with the behavior of customers who previously used the services of conventional banks that applied the interest system. Karnaen A. Perwataatmadja argues practice interest has taken root in such a way in people's lives, the ban on interest is carried out gradually so as not to disrupt economic life or cause difficulties for them. The presence of Islamic financial institutions in Indonesia is appropriate and well received by the community and has been growing until now.

Keywords: Contributions, Islamic Financial Institutions, Muslim Scholars.

1. Introduction

Islamic banking in Indonesia should be able to grow and develop beyond conventional banking, or at least not far behind. The reason is that Muslims are the majority of the population in Indonesia, which is encouraging for Islamic banking itself. The awareness of Indonesian Muslims to build and develop a sharia economy in Indonesia, which for the first time established a sharia bank. This is inseparable from the Government's support for the establishment of the non-governmental or private Bank Muamalat Indonesia in 1991. The establishment of the first Islamic bank in Indonesia was a major contribution from the Indonesian Ulema Council (MUI), Muslim scholars and scholars, and Muslim entrepreneurs at that time. However, in its development, Islamic banks in Indonesia have not been able to grow and develop as other conventional banks operating nationally in the country. The question is, what causes this? Does Islamic banking in Indonesia face the problem of rigidity and flexibility? This question naturally arises, because based on the data it can be found that the development of Islamic banking in Indonesia has become a benchmark for the success of the existence of the Islamic economy.

2. Literature

1. Syariah banking

The banking world is currently still dominated by conventional banks, while Islamic banks are still relatively small, including in Indonesia. Banks are widely known as financial institutions whose main

activity is accepting demand deposits, savings and time deposits. Then for people who need banks, banks also provide facilities for borrowing money (credit) to the public, besides that banks can also be used as places to exchange money, move money, or accept all kinds of payments and deposits such as electricity payments, telephone payments, water payments, payments taxes, and others. According to the Law of the Republic of Indonesia No. 10 of 1998 Dated November 11, 1998 in Kasmir (2012) concerning banking, What is meant by banking is "a business entity that collects funds from the public in the form of savings and distributes it to the public in the form of credit and or other forms in order to improve the standard of living of the people at large". According to Abdurrachman in Suyatno (2007) that, "The bank is a type of financial institution that performs various services, such as providing loans, circulating currency, supervising currency, acting as a place to store valuable objects, financing the business of companies and other". The advantage in the banking business is that it is based on conventional principles obtained from the difference between interest on deposits given to deposits and interest on loans or loans disbursed. act as a place to store valuable objects, finance the business of companies and others". The advantage in the banking business is that it is based on conventional principles obtained from the difference between interest on deposits given to deposits and interest on loans or loans disbursed. act as a place to store valuable objects, finance the business of companies and others". The advantage in the banking business is that it is based on conventional principles obtained

from the difference between interest on deposits given to deposits and interest on loans or loans disbursed.

Meanwhile, Islamic banks are banks whose business activities are based on Islamic laws and strictly adhere to the principles of the Qur'an and hadith. Islamic banks do not charge interest or pay interest to customers. The profits of Islamic banks are obtained based on contracts or agreements from both parties, namely the bank and the customer from the start. Agreements (contracts) contained in Islamic banks must comply with Islamic teachings that have been determined in the Qur'an and hadith. Islamic commercial banks that stand alone in accordance with the deed of establishment, are not conventional banks. Some examples of Islamic commercial banks are Bank Syariah Indonesia (BSI), Islamic bank Bukopin, Bank Muamalat Indonesia (BMI), and others. Islamic banks have a different system from conventional banks, in conventional banks there is interest but in Islamic banks interest withdrawal is prohibited in any form of transaction. In Islamic banks, there is no interest system, whether it is interest from customers who borrow money or interest paid on depositing funds in Islamic banks. It is hoped that the presence of Islamic banks can affect the presence of an Islamic economic system which is the desire of every country that implements Islamic law. The presence of Islamic banks is expected to be an alternative for the public in utilizing banking services, which are still dominated by the interest system. whether it's interest from customers who borrow money or interest paid on depositing funds in Islamic banks. It is hoped that the presence of Islamic banks can affect the presence of an Islamic economic system which is the desire of every country that implements Islamic law. The presence of Islamic banks is expected to be an alternative for the public in utilizing banking services, which are still dominated by the interest system. whether it's interest from customers who borrow money or interest paid on depositing funds in Islamic banks. It is hoped that the presence of Islamic banks can affect the presence of an Islamic economic system which is the desire of every country that implements Islamic law. The presence of Islamic banks is expected to be an alternative for the public in utilizing banking services, which are still dominated by the interest system.

2. Stiffness and Flexibility

The word rigidity in KBBI means clumsy, inflexible, and awkwardness. In English "rigidity" (stiffness). As for flexibility, it means can be (easily) adapted to the circumstances (needs), and in English "flexibility" (flexibility). These two words are often used in legal terms. For example, a law is considered to have fulfilled the sense of

justice for Indonesian Muslims, even though the provisions in the legislation turned out to have caused many legal rigidities which resulted in difficulties for the parties to seek justice and the truth because they were blocked by walls. legal procedural wall. Likewise, flexibility is the nature of bending and being able to adapt to the conditions around it. The flexibility of Islamic law means the flexibility of Islamic law in dealing with problems that arise in society. The condition of society that continues to develop and change requires Islamic law to be able to answer various problems that arise. In addition, the conditions and customs of the people in each place are certainly different. This examines how the flexible nature of Islamic law is able to adapt to the circumstances around it. This flexibility seems to be found more in worldly matters, such as in practical technical issues and in the arts, which are more concerned with the means and methods. This is what the Messenger of Allah said. in his saying, which means: "You know better the affairs of your own world". The flexible nature of Islamic law is proven by the formulation of several rules by Islamic jurists, including the fiqhiyah rules which state: "Changes in fatwas due to changes in times, places, circumstances, intentions and habits". This rule implies that the things that should be considered from the fatwa are the factors of changing the law itself, namely in accordance with the changing times, places, circumstances.

3. Sourced on Islamic Teachings

Economic activity is a fact that surrounds humans, because it exists along with human needs to complete the necessities of life in the form of goods and other services. In the economic history of Muslims, financing carried out with sharia-compliant contracts has been part of the Muslim tradition since the time of the Prophet Muhammad. Practices such as accepting deposits, lending money for consumption and business purposes, and making money transfers have been common since the time of the Prophet Muhammad. Various economic practices and policies that took place during the time of the Prophet Muhammad and al-Khulafa al-Rasyidun are empirical examples that are used as a basis for Muslim scholars in producing their economic theories.

Therefore, the main functions of modern banking, namely accepting deposits or deposits, channeling funds and transferring funds have become an inseparable part of the lives of Muslims, even since the time of the Prophet Muhammad. The Messenger of Allah, known by the nickname Al-Amin, was trusted by the people of Mecca to receive treasure deposits, so that at the last moment before moving to Medina, he asked Ali bin Abi Talib ra to return all the deposits to their owners.

A friend of the Prophet Muhammad, Zubair bin al-Awwam ra, chose not to accept the deposit of property. He prefers to receive it in the form of a loan. Zubair's actions have different implications, namely that first, by taking the money as a loan, he has the right to use it; second, because it is a loan, he is obliged to repay it in full. In another narration mentioned, Ibn Abbas ra also sent goods to Kuffah and Abdullah bin Zubair ra sent money from Mecca to his sister Mis'ab bin Zubair ra who lived in Iraq. For example, checks have become widely known in line with the increase in trade between Syria and Yemen, which takes place at least twice a year. In fact, during his reign, Caliph Umar bin Khattab ra used checks to pay allowances to those who were entitled. By using this check, they took the grain at Baitul Mal which at that time was imported from Egypt. In addition, the provision of capital for working capital based on profit sharing, such as mudaraba, muzara'ah, musaqah, has been known since the beginning among you Muhajirin and the Ansar.

From the description above, it is clear that there were individuals who had performed banking functions at the time of the Prophet Muhammad, of course these individuals did not perform all banking functions. If at the time of the Prophet banking functions are usually carried out by individuals only in one function. So during the Abbasid period, the three banking functions were carried out by private persons. During the Abbasid era, banking began to develop rapidly when many types of currencies circulated with other currencies. This is necessary because each currency has a different precious metal content so that it has a different value. People who have special skills are called naqid, sarraf, and zihbiz. This economic activity was the forerunner of what is known today, namely the money changer.

The theoretical concept of Islamic banking first appeared in the 1940s, with the idea of banking based on profit sharing. In this regard, it can be mentioned the thoughts of writers such as Anwar Qureshi (1946), Naiem Siddiqi (1948) and Mahmud Ahmad (1952). A more detailed description of the preliminary ideas on Islamic banking was written by the great Pakistani scholars, namely Abul A'la Al-Mawdudi (1961) and Muhammad Hamidullah (1944-1962).

In this case to set up an interest-free bank first started in Pakistan managing the Hajj funds in the mid-1940s, but this effort was not successful. The next development of the business of establishing the most successful and innovative Islamic bank in modern times was carried out in Egypt in 1963, with the establishment of Mit Ghamr Local Saving Bank. The bank was well received by farmers and

rural communities. But unfortunately, due to political turmoil in Egypt, Mit Ghamr began to decline, so that its operations were taken over by the National Bank of Egypt and the Central Bank of Egypt in 1967. This takeover caused the interest-free principle of Mit Ghamr to be abandoned, so this bank returned to operate on an interest basis. In 1971, Finally, the concept of interest-free was reinvented during the Sadat regime through the establishment of the Naseer Social Bank. The goal of this bank is to re-run the business based on the concepts that have been practiced by Mit Ghamr.

On the jumhur (majority/most) side of the scholars, they agree that bank interest is usury, therefore it is haram. The gathering of 150 prominent scholars at the Islamic Research conference in the month of Muharram 1385 H, or May 1965 in Cairo, Egypt, agreed by acclamation that all profits on various kinds of loans are all forbidden practices of usury, including bank interest. Various international ulama forums also issued fatwas forbidding bank interest. Thus, it can be concluded that in theory and practice banking in Islam is sourced from the teachings of Islam itself. Sources of Islamic law consist of the Qur'an, hadith, ijma' and qiyas. The logical consequence for Islamic banks is that there are things that are allowed (lawful) is done, and some are not allowed (haram) to be done, for example the practice of usury (interest) is unlawful. Because Godswt. has justified the practice of buying and selling in accordance with His provisions and Shari'a, but forbidding the practice of usury (interest). This is in accordance with the word of Allah swt. in the Qur'an Al-Baqarah verse 275 which means: "... And Allah has justified buying and selling and forbids usury ... (Surah Al-Baqarah: 275).

In subsequent developments in the 1970s, efforts to establish Islamic banks began to spread to many countries. Some countries such as Pakistan, Iran and Sudan have even changed the entire financial system in the country to an interest-free system, so that all financial institutions in the country operate without using interest. Meanwhile, in other Islamic countries such as Malaysia and Indonesia, interest-free banks operate side by side with conventional banks.

Now, Islamic banking has experienced a fairly rapid development and spread across many countries, even to Western countries, such as Denmark, England, Australia which are vying to become the center of World Islamic finance (Islamic Financial hub) to open Islamic banks and Islamic windows. in order to provide banking services in accordance with the principles of Islamic law.

4. Awareness of Indonesian Muslims

The awareness of Muslims in Indonesia to the Islamic economy is marked by the start of building Islamic financial institutions commonly called Islamic banking. The first development and development of the sharia economy in Indonesia was with the support of the Government for the establishment of the non-government or private Bank Muamalat Indonesia in 1991. The development of business in Islamic financial services in Indonesia is now experiencing rapid progress and development. This can be seen from almost all banks operating in Indonesia, apart from running the conventional system, they also run the sharia system, for example BNI 46 with BNI Syariah, BRI with BRI sharia, and others. Various Islamic financial institution service products, with various contract systems. Banks function to regulate and collect funds from the public and then channel them back to the community in the form of financing, not savings and loans and so on.

In the midst of the development of Islamic banking in Indonesia, there are still some Muslim communities who think that the practice of Islamic banking in Indonesia is not much different from the conventional system. Whereas Islamic banks are beneficial for the customer community as a forum that makes it easier for the customer community to save or use the services of funds managed by the bank. Unfortunately, it turns out that the rampant development and growth of Islamic banks is seen as cynical by some circles. This cynicism towards Islamic banking can be seen from the very low trust of the Islamic community towards Islamic banks. This can be seen from the participation of Muslims in investment or revolving capital. Some of them are Muslim scientists who criticize Islamic banking, they argue that Islamic banks in carrying out their transactions actually contradict the concept. Not in accordance with the spirit of sharia. Likewise, the implementation of the business activities of the Islamic banks, in order to avoid collecting interest and intending to share the risk, has it been carried out in accordance with this purpose or in practice it turns out to be just a mere substitution of terms.

The idea of establishing a sharia bank in Indonesia started from history when it was first coined in a workshop of the Indonesian Ulema Council (MUI).MUI with the theme "The Problem of Interest in Banks and Banking" in mid-August 1990 in Cisarua, Bogor, where at the MUI National Conference it was decided that MUI should take the initiative to establish an interest-free bank. The follow-up to that, Then on the basis of Deed No. 1 dated November 1, 1991 AD or 24 Rabiul Akhir 1412 H, made before Yudo Paripurno, SH, Notary, in Jakarta, PT. Bank Muamalat Indonesia Tbk hereinafter referred to as "Bank Muamalat

Indonesia" or "BMI" stands under the name PT. Bank Muamalat Indonesia. BMI was founded on the idea of the Indonesian Ulema Council (MUI), the Indonesian Muslim Intellectuals Association (ICMI) and Muslim entrepreneurs who later received support from the Government of the Republic of Indonesia, so that on May 1, 1992 or 27 Shawwal 1412 H, Bank Muamalat Indonesia officially operated as a the first bank that runs its business based on sharia principles in Indonesia. Regarding the historical journey of the establishment of Islamic banking in Indonesia, it cannot be separated from the thoughts of the experts on Islamic banking both in theory and practice. This is marked by differences and debates among outstanding scholars or scholars. Differences in views among Indonesian scholars regarding interest are broadly divided into three groups, namely; first, the group that justifies, second, the group that says doubtful and third, the group that forbids. This situation, of course, has more or less influence on the public's response to Islamic banks.

Over time, in 1998, the government and the DPR made improvements to Law no. 7/1992 became Law no. 10 of 1998. Which explicitly explains that there are two banking systems in the country (dual banking system), namely the conventional banking system and the Islamic banking system. Bankers responded to this opportunity and policy, marked by the establishment of several other Islamic banks, namely Bank IFI, Bank Syariah Mandiri, Bank Niaga, Bank BTN, Bank Mega, Bank BRI, Bank Bukopin, BPD Jabar and BPD Aceh and others.

Subsequently, several legal products were ratified that provide legal certainty and increase sharia financial market activities, such as:

- a) UU no. 21 of 2008 concerning Islamic Banking.
- b) UU no. 19 of 2008 concerning State Sharia Securities (sukuk); and
- c) U no. 42 of 2009 concerning the Third Amendment of Law No. 8 of 1983 concerning VAT on Goods and Services.

The impact of the enactment of Law no. 21 of 2008 concerning Islamic Banking on July 16, 2008, that the development of the national Islamic banking industry has a more adequate legal basis and will encourage even faster growth. The impressive progress of development, which has reached an average asset growth of more than 65% per year in the last five years, is expected to play a more significant role in the Islamic banking industry in supporting the national economy.

NowIndonesia has the largest Islamic bank, due to the merger of the three state-owned Islamic banks

(BUMN), named Bank Syariah Indonesia or BSI, operating since February 1, 2021. This BSI is a merger of three state-owned Islamic banks (BUMN). Namely PT Bank BRI Syariah Tbk (BRIS), PT Bank BNI Syariah (BNIS), and PT Bank Syariah Mandiri (BSM). Its total assets are estimated at Rp 245.7 trillion. While the core capital is Rp 20.4 trillion. With this amount, this Islamic bank will immediately enter the top 10 largest banks in Indonesia in terms of assets. Precisely at number 7.

5. Analysis of Islamic Banking in Indonesia

1) Adiwarman Azwar Karim's contribution.

a) Ir. H. Adiwarman Azwar Karim, SE, MBA, MAEP He was born in Jakarta on June 29, 1963, his nickname Adiwarman or Adi is a young man who likes to study. He took the first level education (S1) at two different universities, IPB and UI. He obtained his Engineer degree in 1986 from the Bogor Agricultural University (IPB).

b) Adiwarman Karim's struggle.

Adiwarman together with approximately forty-five Indonesian Muslim figures and scholars agreed to establish the International Institute of Islamic Thought Indonesia (The International Institute of Islamic Thought Indonesia) or abbreviated as IIIT-I in 1999. As the parent organization domiciled in the United States is a research institute Islamic thought that seeks to explore the Islamization of science as an Islamic response to the development of science. Efforts were initiated by several Muslim scholars in the United States in 1981. Meanwhile in Indonesia, similar efforts have been made through the development and exploration of Islamic economics. As a result, there has been a response to this effort, as evidenced by the increasing number of banking institutions adopting the sharia system. Just like its parent organization, III-Indonesia developed as a non-profit and independent organization, not affiliated with any local movement. Its mission is to develop Islamic thought, its methodology within the framework of increasing the contribution of Muslims in building a better common civilization. Together with IIIT-I, Adiwarman spread his ideas about Islamic economics. Adiwarman's expertise in the field of Islamic economics is increasingly recognized by his appointment as a member of the National Sharia Council and his involvement in preparing the issuance of the Sharia Banking Law.

Some of Adiwarman's writings that have been published include: Islamic Economics A Contemporary Study, History of Islamic Economic Thought, Islamic Microeconomics, Islamic Economics A Macro Study, This book is a mandatory lecture material at the various universities where he teaches. Finally, he wrote a book that seeks to provide a comprehensive view of Islamic banking by providing an analysis from the perspective of fiqh and economics (finance). The book is entitled Islamic Bank, Fiqh and Financial Analysis. Together with several other Indonesian Islamic economic figures, such as AM Saefudin, Karnaen Perwataatmaja, M. Amin Aziz, Mohammad Syafi, Antonio, Zainal Arifin, Mulya Siregar, Riawan Amin and so on, by Dawam Rahardjo, Adiwarman was included in the Fundamentalist think tank in the field of economics. Islam. Finally, he wrote a book that seeks to provide a comprehensive view of Islamic banking by providing an analysis from the perspective of fiqh and economics (finance). The book is entitled Islamic Bank, Fiqh and Financial Analysis. Together with several other Indonesian Islamic economic figures, such as AM Saefudin, Karnaen Perwataatmaja, M. Amin Aziz, Mohammad Syafi, Antonio, Zainal Arifin, Mulya Siregar, Riawan Amin and so on, by Dawam Rahardjo, Adiwarman was included in the Fundamentalist think tank in the field of economics. Islam. Finally, he wrote a book that seeks to provide a comprehensive view of Islamic banking by providing an analysis from the perspective of fiqh and economics (finance). The book is entitled Islamic Bank, Fiqh and Financial Analysis. Together with several other Indonesian Islamic economic figures, such as AM Saefudin, Karnaen Perwataatmaja, M. Amin Aziz, Mohammad Syafi, Antonio, Zainal Arifin, Mulya Siregar, Riawan Amin and so on, by Dawam Rahardjo, Adiwarman was included in the Fundamentalist think tank in the field of economics. Islam.

c) The Contribution of Adiwarman Karim's Thoughts in Sharia Economics The main principle in human life is Allah swt. is the Supreme Being. He is the only God and creator of the entire universe, as well as the sole owner, ruler and custodian,

Adiwarman Karim argues that the development of Islamic economics is identical with the development of Islamic financial institutions. Islamic banks as the main motor of financial institutions have become a locomotive for the development of Islamic economic theory and practice in depth, Islamic economics forbids cheating and injustice, all transactions carried out by a believer must be based on the principle of being voluntary and no party should be wronged and wronged. This basic principle has very broad implications in the fields of economics and business, included in the practice of banking and Islamic banking as an institution is a coherent part of Islamic teachings. The practice of Islamic banking is not something new, but long before the development of banking in Europe, the Islamic world was already familiar with the practice of Islamic banking. The enormous contribution of the Muslims to the survival and development of economic thought in particular and world civilization in general has been neglected by Western scientists. Western economics textbooks almost never mention the role of these Muslims. Although some of the blame lies with the Muslims for not adequately articulating the contributions of the Muslims, the West has a hand in this, because it does not give proper appreciation for the contributions of other civilizations to the advancement of human knowledge. In line with Islamic teachings about empowering the mind by sticking to the Qur'an and the hadith of the prophet, economic concepts and theories in Islam are essentially the response of Muslim scholars to various economic challenges at certain times. This also means that Islamic economic thought is compatible with Islam itself. According to Adiwarman Karim various economic practices and policies that took place during the time of the Prophet Muhammad. And Khulafa Rasyidun is an empirical example that is used as a foothold for Muslim scholars in giving birth to their economic theories. This is one thing clear, the focus of their attention is on the fulfillment of needs, justice, efficiency, growth, and freedom, which are none other than the main objects that have inspired Islamic economic thought since the early days. And Khulafa Rasyidun is an empirical example that is used as a foothold for

Muslim scholars in giving birth to their economic theories. This is one thing clear, the focus of their attention is on the fulfillment of needs, justice, efficiency, growth, and freedom, which are none other than the main objects that have inspired Islamic economic thought since the early days. And Khulafa Rasyidun is an empirical example that is used as a foothold for Muslim scholars in giving birth to their economic theories. This is one thing clear, the focus of their attention is on the fulfillment of needs, justice, efficiency, growth, and freedom, which are none other than the main objects that have inspired Islamic economic thought since the early days. According to Adiwarman Karim, in paying interest on loans and deposits, conventional savings and current accounts provide loans by requiring interest payments of a fixed amount and determined in advance at the beginning of the transaction, even though customers who get loans do not necessarily get clear benefits. Because in business there is always the possibility of loss, break even or profit whose amount cannot be determined from the start. So charging an interest rate for a loan is an act that ensures something that is uncertain, and it is forbidden in Islamic teachings.

Regarding Islamic economics, so far the definition that is often found is economics based on the Qur'an and As-Sunnah. Often the definition is not accompanied by a complete explanation, so that it seems that Islamic economics is any kind of economics wrapped in arguments from certain verses or hadiths. For many people, a simple explanation is not able to provide a satisfactory answer. Because conventional economics can be said to be Islamic as long as it can be legitimized by certain verses. And that is what by necessity, justice, efficiency, growth, and freedom, which are nothing but the main objects that have inspired Islamic economic thought from the very beginning. According to Adiwarman Karim, in paying interest on loans and deposits, savings and current accounts, conventional banks provide loans by requiring interest payments of a fixed amount and determined in advance at the beginning of the transaction, even though customers who get loans do not necessarily get clear benefits. Because in business there is always the possibility of loss, break even or profit whose amount cannot be determined from the start. This means that charging an interest rate on a loan is an act of ascertaining something that is uncertain, and it is forbidden in Islamic teachings. Talking about Islamic economics, so far the definition that

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Adiwarmarman Azwar Karim is an icon of Islamic economics and finance. Previously, he was in the management of Bank Muamalat Indonesia. He is also the author of five best-selling books on Islamic economics, namely *Islamic Banks: Analysis of Jurisprudence and Finance*, *Islamic Microeconomics*, *Islamic Macroeconomics*, *History of Islamic Economic Thought*, *Islamic Economics: A Study of Contemporary Economics*. He also wrote more than 70 articles on Islamic economics which were presented in various national and international forums such as the 3rd, 4th, and 5th International Islamic Economics Conference sponsored by the Islamic Development Bank (IDB) and the International Western Economics Annual Conference. The 76th Association.

He is trusted to be the Deputy Chairman of the Daily Executive Board of the MUI National Sharia Council (2015-2020), a member of the International Islamic Financial Market (IIFM) Sharia Advisory Panel (January 2011-2012), Deputy of the Sharia Finance Standing Committee of the Indonesian Chamber of Commerce and Industry (KADIN), and the Sharia Supervisory Board at several sharia financial institutions such as Great Eastern Sharia Insurance (2002-2012), Prudential Life Insurance (2007-2012), Bank Danamon Syariah (2002-Shareholders Meeting 29 April 2010), HSBC

Amanah Syariah Indonesia (2003- 31 March 2008), BNP Paribas Investment Partners (formerly Fortis Investments) (2007-29 February 2012) and a UFO-Multi Level Marketing company.

Adiwarmarman Azwar Karim's thoughts regarding Islamic banking in Indonesia cannot be separated from the great contribution of world Muslim scientists who first provided ideas. In line with Islamic teachings about adhering to the Qur'an and the Prophet's hadith, economic concepts and theories in Islam are essentially the responses of Muslim scholars to various economic challenges at certain times. Various economic practices and policies that took place during the time of the Prophet Muhammad and al-Khulafa al-Rasyidun are empirical examples that are used as a foothold for Muslim scholars in producing their economic theories (Adiwarmarman A Karim: 2019).

As mentioned, at the beginning of the development of Islam, the activities of mobilizing savings owned by the community were realized by developing shar'i investment opportunities and preventing leakage or the use of savings for un-Islamic purposes. Where before the arrival of Islam, the use of money saved by the public was usury. The owner of the savings provides debt by wanting the money received at the time of repayment is greater than what is owed. The Messenger of Allah, peace be upon him, condemned usury and forbade Muslims to take advantage of this activity. So, in Adiwarmarman A Karim's view, additional withdrawals from funds lent to banks are not in accordance with Islamic sharia.

The focus of Adiwarmarman A Karim's thinking is that according to him the concept of money in Islamic economics is different from the concept of money in conventional economics. In Islamic economics, the concept of money is very clear and unequivocal that money is money, money is not capital. whereas in the conventional concept money is defined as interchangeability, namely money as money and money as capital (Adiwarmarman A Karim: 2015). On the side of Adiwarmarman Karim and several studies by Muslim scientists, it can be understood that in the Economic Value of Time theory, time has economic value, not money which has time. Adiwarmarman Karim explained the arguments for this based on the arguments. In Islamic values, time is explained by the concept of time in the view of Islam, it is not just a question of the routines of daily life. Islam places time as an important value. It is not only a passing period but also a profit value. The balance of time from the material side is in line with the value of worship in the process of getting it. In the Qur'an it is mentioned about time (the value of time), where time contains many values, including economic value determined by

faith, good deeds, mutual increase in kindness and patience. Time is the main human capital, if it is not filled with positive activities, it will pass. On the other hand, if the time is negligent, its value will be lost, and at that time, let alone the profits, the capital will be lost. Money was then developed and evolved following historical developments. From this development, money was classified into three types, namely goods money, paper money, and demand deposits or credit.

2) Muhammad Syafi'i Antonio's contribution.

a) Dr. Muhammad Syafii Antonio, M.Ec. (born in Sukabumi, West Java, May 12, 1967) is a doctorate, Islamic banking expert, and head of the Tazkia College of Economics (STIE). He had embraced Christianity and his name changed to Pilot Sagaran Antonio. Dr. Muhammad Syafi'I Antonio, M.Ec. real name (Nio Gwan Chung) born 12 May 1967 is a figure who became an icon of Islamic banking and finance in Indonesia.

b) Contribution of Thoughts.

His knowledge of Islamic banking in Indonesia has colored Islamic banking activities in Indonesia today. He views that Islam is a system of life (way of life) that has its own uniqueness. Islamic Sharia is not only comprehensive or comprehensive, but also universal. Comprehensive means that Islamic sharia summarizes all aspects, both ritual (worship) and social (muamalah) and universal means that Islamic sharia can be applied at any time and place until the end of the day (Syafii Antonio: 2001). This thinking is used as the foundation of thinking in reconstructing Islamic banking in Indonesia.

In addition, Syafi'i Antonio also criticized the interest that is equated with usury in conventional banks. In the view of Islam, it is clear that usury is prohibited, either usury Qardh, usury Jahiliyyah, usury Fadhl and usury Nasiah. Where interest is an economic injustice that does not provide justice. In contrast to conventional banks, Islamic banks are encouraged to invest and are prohibited from lending money. According to him, there is a difference between investing and paying interest. Investment is a business activity that contains risk because it is dealing with an element of uncertainty so that it is allowed to get a return from the investment. While interest money is an activity that contains less risk and the return is in the form of interest that is relatively certain and fixed.

Islamic banks are developed based on the principle

that it does not allow the separation between temporal (worldly) and religious matters. As a consequence of this principle, Islamic banks are operated on the basis of the concept of profit sharing and risk sharing in accordance with one of the Islamic principles "profit is for the party who bears the risk". Islamic banks reject interest as a fee for using money and loans as investments. Islamic banks invest by providing confidence that their own funds (equity) as well as other funds available for investment, generate income that is in accordance with sharia and is beneficial to society.

In Muhammad Syafi'i Antonio's thoughts, there are several similarities between conventional banks and Islamic banks, especially in terms of technical acceptance of money, transfer mechanisms, computer technology and so on. However, there are very basic differences between the two banks, namely regarding the contract and legal aspects, organizational structure, financed businesses and work environment. This difference is also a characteristic of Islamic banking.

Some of the contributions of Muhammad Syafi'i Antonio's Islamic economic thought, especially when viewed from the literacy of the Islamic banking sector, include: Islamic banking as a diversification of Islamic financial institutions, bank interest, usury, and profit sharing as well as Islamic banking supervision. In response to the existing thinking, Muhammad Syafi'i Antonio argues, Islamic banking is only a sub-unit of other Islamic financial units, as well as the Islamic finance unit is part of the Islamic economic sub-system, while the Islamic economic sub-system is an integral part of the Islamic economic system. mu'amalah in Islam. The development of sharia banking sub-units will not run well if it is not supported by other units and sub-systems, such as the education sub-system (tarbiyah) and the political sub-system. Because the legality of Islamic banks will not come out without affirmative political conditions, so will Islamic banks lose customers if Islamic banks do not socialize to do mu'amalah in an Islamic way to the public. Muhammad Syafi'i Antonio in the concept of Islamic banking cannot be separated from his understanding of the interpretation of usury which is identified with bank interest. After all, the success of Islamic banks today is the fruit of the neo-revivalist interpretation of usury related to bank interest. When examined more deeply, Syafi'i's thinking emphasizes the reactualization of fiqh mu'amalah about the sharia economic system, especially sharia banking in the context of Indonesian society. Likewise, Islamic banks will lose customers if Islamic banks do not conduct socialization for Islamic mu'amalah to the community. Muhammad Syafi'i Antonio in the

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The characteristics of his thinking have a tendency to fall into the neorevivalist group by using a comparative historical approach. This can be proven from how he always tries to explore the basic ideas of previous generations by re-examining his philosophical conceptions, then he tries to criticize and re-examine which is finally followed by steps of reorientation and reformulation of these conceptions in an effort to formulating new ideas that are in accordance with the Indonesian people. Muhammad Syafii Antonio towards sharia economics began in the economic crisis that hit Indonesia in 1997-1998. In that year, many banks were closed. Syafii is of the opinion that there is something "wrong" in the current financial system. "There are no divine values that underlie the

operations of banks and other financial institutions," said Syafii Antonio as quoted by Kompas. According to him, the presence of Islamic banks in the midst of problems in conventional banks as well as monetary and financial crises, could be a very appropriate solution for Muslims. Syafii Antonio's thoughts in the concept of Islamic banking cannot be separated from the issue of the principle of usury related to bank interest.

He argues that bank interest is a source of danger and evil and will suffer and destroy society through its influence on human character. Implicitly in the practice of usury there is an element of oppression or tyranny against people who need help.

3) Karnaen A. Perwataatmadja contribution.

- a) Karnaen A. Perwataatmadja was born 11 September 1940, and on Monday 10 July 2017/16 Shawwal 1438 H, died at Premier Bintaro Hospital. The figure who is the first generation of sharia economists in Indonesia is a retired career official of the Indonesian Ministry of Finance and one of the historical actors who gave birth to the first Islamic bank in Indonesia, namely Bank Muamalat. Karnaen served as Executive Director of the Islamic Development Bank (IDB) in 1988 – 1992 and 1997 – 2001. Then as a member of the Board of Directors of Ikhlas Finance Istanbul Turkey and a member of the Board of Directors of National Refinery Ltd Karachi Pakistan. In the country he also co-founded several Islamic microfinance institutions, such as BPRS and BMT.

Karnaen Anwar Perwataatmadja, holds a Bachelor's degree in Economics (Drs) from Gajah Mada University (1967), and a Master's degree in Public Administration (MPA) from Syracuse University, Maxwell School, USA (1979). In the academic field, he has served as Chair of the Husnayain College of Islamic Economics (STEI) (2006-2015), Postgraduate Lecturer at the University of Indonesia (2000-present), Postgraduate Lecturer at Trisakti University (2005-present), Postgraduate Lecturer at Islamic University As Syafi'iyah (2005), Member of the Plenary Session of the National Sharia Council – MUI (2004). In the international arena, Karnaen's expertise is also recognized, especially in the field of Islamic finance. This is evidenced, among other things, by the position he has held. Among other things, he served as Executive Director of

the Islamic Development Bank (IDB) in 1988 – 1992 and 1997 – 2001. Then as a member of the Board of Directors of Ikhlas Finance Istanbul Turkey and a member of the Board of Directors of National Refinery Ltd Karachi Pakistan. In the country, he also co-founded several sharia microfinance institutions, such as BPRS Harta Insan Karimah (2004-2015), Asuransi Bintang Syariah Unit (2006) and Manulife Insurance Syariah Unit (2009).

He has also served as Member of the Sharia Supervisory Board, Sharia Business Unit of PT Bank Danamon Indonesia, Tbk. since 2010 and reappointed to the same position at the Annual GMS on April 12, 2017. The deceased died at the age of 76 years (10/7/2017). He left a number of writings either written by himself or with his colleagues, namely Grounding Islamic Economics in Indonesia, Islamic Banks: Theory, Practices and Its Roles, What and How Islamic Banks Are, Islamic Banks After Two Decades: Thoughts and Biography of Karnaen Anwar Perwataatmadja, and others. -other. (AKH, sharianews).

b) His Thoughts.

He is the first generation of Islamic economists in Indonesia. He is one of the figures involved in the birth of the first Islamic bank in Indonesia, namely Bank Muamalat. At the international level, he served as Executive Director of the Islamic Development Bank (IDB) in 1988-1992 and 1997-2001 and as a member of the Board of Directors of Ikhlas Finance Istanbul Turkey and a member of the Board of Directors of National Refinery Ltd Karachi Pakistan (Karnaen A. Perwataatmadja: 2008).

The development of Islamic banking thought in Indonesia cannot be separated from the influence of the development of Muslim intellectuals in the world, especially Islamic countries. In Indonesia, one of them is Karnaen A. Perwataatmadja, who also gave his thoughts regarding the establishment of a bank that operates without using interest. According to him, because flowers have taken root in such a way in people's lives, the prohibition of interest is carried out gradually so as not to disrupt the economic life of the community or cause difficulties for them. This thinking is a

form of flexibility so that in the early stages of this new system being implemented it can be easily accepted by the community.

Furthermore, Karnaen gives his thoughts that there are three phases of the journeyHistory of Islamic Bankin Indonesia, namely First, the introduction phase. Second, the recognition phase (recognition), and Third, the purification phase (purification). These three phases are carried out sequentially and continuously so that the development of Islamic banks in Indonesia gets a good response from the public. Currently, according to him, we are in the purification phase. (Republika.Com:2020)

Another thought from Karnaen who says that the economic system adopted by a nation (state or group of people) is influenced by a set of values adopted by that nation or community group. Such as: customs, habits, norms, beliefs, ideologies, and philosophies. So it can be concluded that the Islamic economic system that was formed during the time of the Prophet until now is an economic system that is influenced by the customs of the Arabs and an economic system that is influenced by a set of values.

c) The Important Role of Karnaen.

As quoted from his autobiography, "Thoughts and Biography, Karnaen Anwar Perwataatmadja" borrowed the term from the Islamic economist Dr. M. Syafii Antonio, the traces of Karnaen's struggle are recorded in several main spectrums, namely philosophical, academic, technical, and political. According to Syafii Antonio, philosophically, Karnaen has participated in educating the Indonesian Muslim community about the philosophical aspects of the profit-sharing financial system in an Islamic perspective, the forerunner of the Islamic banking system through writings and various papers submitted in many invitations to seminars and scientific discussions.

As a practitioner of Karnaen's experience as Executive Director of IDB from Indonesia, who was the first to hold this position, when the banking world and the bureaucratic climate in Indonesia still felt foreign to Islamic finance, it was clear that this was a common thread that would

later pave the way for cooperation for the establishment of Islamic banking in Indonesia. In addition, as a high-level bureaucrat in the Ministry of Finance, Karnaen has also played an important role in convincing the government and the bureaucracy that Islamic banking is different from a sharia state or an Islamic state. Islamic banking is an economic institution to accommodate people who because of their spiritual beliefs are reluctant to relate to conventional banking.

In an academic context, Karnaen has served as Dean of the Faculty of Economics, As-syafi'iyah Islamic University for 5 years. Karnaen is also listed as the Head of the Husnayain Islamic Economics College (STEI) under the Ihdal Husnayain Islamic Boarding School Foundation. Karnaen's integrity is increasingly recognized because of his consistency (istiqamah) in upholding the integrity of sharia principles. Realizing that Islamic banking must be able to break away from capitalist benchmarking such as the murabahah price which is measured by LIBOR plus, on many occasions Karnaen has stated that ideally Indonesian Islamic banking should have an independent calculation system.

As an alternative, Karnaen offers a calculation that refers to an efficient operating cost and a desired level of reasonable profit. He assumes that the more efficient an Islamic bank, the more competitive rate or margin it offers. According to him, competition between Islamic banks will in turn be determined by how efficient and how high the level of service provided. The greater the number of Islamic banking in a country, the easier it will be to determine benchmark prices.

Considering the sustainability aspect of the newly established Islamic banking system, Karnaen then said that in order to be able to lead to the idealized situation, the establishment of an Islamic banking system must go through three stages of journey, namely first, the introduction phase. Second, the recognition phase (recognition), and Third, the purification phase (purification). On many occasions, after a long time, today's Islamic banking system in Indonesia should have started to move to the final phase, namely the

purification phase. On many occasions, not only in domestic forums, but also in international forums, Karnaen has always been istiqamah in conveying the importance of sharia banking in upholding pure sharia banking rules, according to the right rules.

In his biography, he believes, if Islamic banking can be carried out kaffah - returning to its original khittah / ideals, in order to reach a baldatun toyyibatun warrobbun ghofer Indonesia, then in addition to the benefits of blessing, it will belong to the Indonesian people.

d) Untold story The birth of an Islamic Bank in Indonesia.

Of course there is another version or story around the history of the establishment of the first Islamic bank in Indonesia. One of them is as told by M. Fuad Nasar, in his writing entitled "Karnaen Perwataatmadja and the History of Islamic Banks in Indonesia" as published by the news page REPUBLIKA.CO.ID (13/7/2017). The establishment of the first Islamic bank in Indonesia apparently also involved the encouragement of ulama and fighter figure M. Natsir, the former Prime Minister, who at that time served as Vice President of the Islamic Natural Conference.

It is said that Karnaen and his friends at that time found a clause in the Banking Act that it was possible to establish a bank without usury. Karnaen and colleagues then met with M. Natsir, who turned out to be very supportive of the idea of establishing an Islamic bank. Karnaen then met with IDB President Ahmed Mohammad Ali, who is based in Jeddah, Saudi Arabia for support. From here, Karnaen and his friends approached President Suharto to get his blessing, through two approaches at once. Through the line or approach of assistant ministers in the cabinet and through their sons and daughters.

The approach through President Soeharto's sons was taken by I. Nyoman Moena, a senior banker and former Director of Bank Indonesia. While the path of the ministers is carried out by the Indonesian Ulema Council (MUI) team. A workshop on "Banking and Banking Interest" was then held in Puncak, Bogor, after a meeting between the MUI team

and President Soeharto (August 18-20, 1990). This is a monumental event and paved the way for the birth of the first Islamic Bank in Indonesia.

The next MUI meeting with President Suharto, no longer asked about what is an Islamic Bank. President Suharto's question at that time was, "Ulama want to establish a bank, do you already have the funds?" At that time, the General Chairperson of MUI KH Hasan Basri replied, "If we don't have funds, sir, what we have is prayer". President Soeharto spontaneously stated his commitment to help with the initial capital for the establishment of an Islamic Bank, which was lent from the Pancasila Muslim Amal Bakti Foundation (YAMP) amounting to Rp 3 billion. The President then launched a fundraising event at the Bogor Palace to raise capital for the establishment of a bank. At that time, around Rp. 60 billion was collected. The amount that exceeds the initial capital requirements of the bank's establishment at that time.

Regarding the name, when MUI met with President Soeharto again, the New Order figure asked the name of the bank with the profit-sharing system and without interest. Chairman of the MUI KH Hasan Basri submitted two proposed names to the President, namely: (1) Bank Muamalat, (2) Bank Muamalat Islam. It is said that President Suharto, who was not yet fluent in pronouncing a foreign syllable, namely "muamalat", was pronounced as "mualamat", asking, "Does that include the meaning of Islam?" Answered, by KH Hasan Basri, "included." So President Soeharto set the name of the first Islamic bank in Indonesia with the name, "Bank Muamalat".

3. Results and Discussions

What was stated at the beginning of this article, that awareness of Indonesian Muslims to build and develop a sharia economy in Indonesia, which for the first time established a sharia bank. This is inseparable from the Government's support for the establishment of the non-government or private Bank Muamalat Indonesia in 1991. If you look at the current development of Islamic banking, it cannot be separated from the contribution of the thoughts of Indonesian Muslim scholars, especially by the three figures of Islamic economics (Adiwarman, Syafi'i, and Karnaen).

What is described in kaidah fiqihyah: "Changes in fatwa due to changes in times, places, circumstances, intentions and habits". So the rule implies that what should be considered from the fatwa are the factors of changing the law itself, namely in accordance with the changing times, places, circumstances, intentions and habits, and still being guided by the Qur'an and Hadith. Thus, the rigidity of Islamic banking is not true because it is supposed to enforce God's law. While the flexibility of Islamic banking is true, but still in the provisions of Islamic sharia.

That is one thing that distinguishes this research from previous research, so that it becomes the author's novelty where this research reveals why Islamic banking in Indonesia is rigid and flexible.

4. Conclusion

Islamic Islamic banks are developed based on the principle that does not allow the separation between temporal (worldly) and religious matters. Therefore, Muslims of various backgrounds are carrying out reform measures of their banking and financial systems to conform with Islamic teachings. Of course the challenge for Muslims today is how to design and run a banking and financial system in a sustainable manner that is in line with the essence of Islamic ideology, abolishing usury, and helping to realize the socio-economic goals of Islam. Until now, the development of the Islamic banking system in Indonesia is carried out within the framework of a dual banking system with a sharia and conventional system.

The economic thoughts of the three Islamic economists are: First, the focus of Adiwarman A Karim's thinking, according to him the concept of money in Islamic economics is different from the concept of money in conventional economics. The concept of money is very clear and unequivocal that money is money, money is not capital. whereas in the conventional concept money is defined as interchangeability, namely money as money and money as capital. Second, Syafi'i Antonio, regarding Islamic banking in Indonesia is based on his thought that bank interest will suffer and destroy society because there is an element of dzulmun, in addition to the stipulations on the prohibition of usury in the Qur'an. Third, Karnaen A. Perwataatmadja In his biographical book, he believes, if Islamic banking can be carried out kaffah - back to its original khittah / ideals, in order to reach a baldatun toyyibatun warrobbun ghofur Indonesia, then in addition to the benefits of blessing, it will belong to the Indonesian people. According to him Because interest has been so deeply rooted in people's lives, the prohibition of interest is carried out in stages so as not to disrupt

economic life or cause difficulties for them. This thinking is a form of flexibility so that in the early stages of this new system being implemented it is easily accepted by the community.

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