International Journal of Multicultural and Multireligious Understanding

http://ijmmu.com
editor@ijmmu.com
ISSN 2364-5369
Volume 12, Issue 7
July, 2025
Pages: 263-273

The Law of the Sharia Banking System in Supporting the Real Sector of the National Economy

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http://dx.doi.org/10.18415/ijmmu.v12i7.6985

Abstract

The purpose of this study is to provide views, explanations and perspectives on the role and contribution of Islamic banking in the real sector business world in Indonesia, which is one of the countries with a Muslim majority population in the world. The existence and role of Islamic banking in Indonesia, both for the community and the large, medium and small industrial sectors, have a very significant impact and influence. This is due to the high demand of the community and business actors for Islamic banking services, both for strengthening capital and storing funds, which have become an important part of everyday life. The presence of Islamic banking in Indonesia takes on the role of banking that prioritizes the values of justice, welfare and economic equality, because Islamic banking uses the principle of profit sharing, this aims to guarantee social justice and does not set the principle of interest which will ultimately burden and harm one party, namely customers. The real sector is a real sector that can move and drive the wheels of the economy because it is able to produce goods and services that exist in people's lives.

Keywords: *Islamic Economy; Islamic Banking; Banking Law; Real Sector*

Introduction

As one of the sharia-based financial instruments, the presence of Islamic banking has become a crucial element in the global financial system, especially in Indonesia. Furthermore, the existence and presence of Islamic banking in Indonesia can provide significant influence, impact and contribution, both for the general public and various business sectors, from large industries to small and medium enterprises. As one of the countries with a majority Muslim population in the world that has great prospects in the development of Islamic economics and finance. Therefore, it is not surprising that the growth of the financial market from national Islamic banking has increased rapidly from year to year.

The growth of Islamic banking in Indonesia is driven by the high demand of the community for banking services and products, both for capital strengthening and fund storage, which have become an inseparable part of daily life activities. In order to meet these various needs, while making transactions more convenient and secure, therefore the presence of Islamic banking can offer solutions that can build public trust in banking services to be higher, especially in Indonesia.[1]

The existence of Islamic banking in Indonesia can be said to have experienced very significant development after having a legal basis with the enactment of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking which is more accommodating and provides opportunities for the development of Islamic banking. The presence of this law is further strengthened by the birth of Law Number 21 of 2008 concerning Islamic Banking which explicitly recognizes the existence of Islamic banking and distinguishes it from the conventional banking system.

In a historical review of the history of the Indonesian nation, the presence of Islamic banking in Indonesia first occurred along with the establishment of Bank Muamalat Indonesia (BMI) in 1991. Its presence was supported by the needs of Muslims for a banking system based on Islamic law, as well as a response to national and global economic challenges that required a new approach based on Islamic values.

As one of the sharia-based financial instruments, in addition to being oriented towards economic profit, sharia banking must also always maintain and prioritize the principles of balance and justice in every transaction activity, however, in its implementation it cannot be separated from the challenges it faces, such as the market share which is still relatively small, low sharia financial literacy among the community, and the need for product innovation are the main challenges that must be overcome.[2] By providing a variety of banking products and services with more varied financial schemes, Islamic banking has become a credible alternative banking system that can be enjoyed by all levels of Indonesian society without exception.

Islamic banking is based on Islamic principles, namely the prohibition of riba (interest), gharar (uncertainty or ambiguity), and maysir (speculation or gambling). These three principles are the main pillars in determining the validity of Islamic financial transactions and distinguishing them from conventional finance. In Islam, riba is considered a form of injustice because it provides risk-free profits to one party, while the other party must bear the burden of debt. In addition, transactions that contain uncertainty or speculation are considered not in accordance with sharia because they can harm one party and create instability in the financial market.[3] With these principles, Islamic banking operates with the aim of building a fair and transparent financial system. One of the main mechanisms used is asset-based financing, where every transaction must be based on real assets that can be verified.

The real sector can be likened to a machine that is able to drive the wheels of the economy. Because, the real sector is a real sector, namely a sector that will produce goods and services that exist in people's lives. Because if the real sector continues to experience significant growth and increase in a country, then the economic development in that country can be said to have experienced very good growth. Therefore, the presence of Islamic banking has a very important role in driving the economy, especially in the real sector, namely as a channel of funds by providing financing, or as a means of channeling funds or collecting funds.

Although Islamic banking in Indonesia continues to experience significant growth and development, in reality, there are still many challenges that must be resolved. One of the main problems is

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1. Nabela, F., & Thamrin, H. (2022). "*Kontribusi Perbankan Syariah Terhadap Pertumbuhan Ekonom Negara Di Asia Tenggara*." Islamic Banking And Finance.

2. Irawan, H., Dianita, I., & Salsabila Mulya, A. D. (2021). "*Peran Bank Syariah Indonesia Dalam Pembangunan Ekonomi Nasional*." Jurnal Asy-Syarikah: Jurnal Lembaga Keuangan, Ekonomi Dan Bisnis Islam, 3(2), 147–158.

3. Decka Aisyah, E., Rosmanidar, & Rahma, S. (2022). "*Pengaruh akuntabilitas dan transparansi terhadap kepuasan muzakki pada Baznas Kota Jambi*." AKUA: Jurnal Akuntansi dan Keuangan, 1(3), 351–360.

the lack of public awareness of Islamic finance, which results in a lack of understanding of the benefits and mechanisms of Islamic banking. In addition, Islamic banking with a market share of only around 6.9% of total national banking assets shows that this system has not been fully accepted as the mainstream in the financial sector.[4] Limited product innovation, low market penetration in remote areas, and very tight competition with conventional banking are also challenges and obstacles that must be overcome to increase the role of Islamic banking's contribution to the Indonesian economy.

Research Methods

The research method used is normative legal research (*juridical normative*) or also known as library legal research, using a conceptual approach by examining the principles, principles, doctrines, norms in the perspective of legal science, banking law and Islamic economics related to Islamic banking, while the statute approach. This research is expected to be able to provide comprehensive information regarding the strategic position of Islamic banking in supporting sustainable economic development in Indonesia. The data used in this study are secondary data obtained by examining library materials in the form of primary and secondary legal sources.

Discussion

1. Understanding Islamic Banking

The word bank is taken from the Italian word banco which means bench. This bench is used by bankers to serve their operational activities to customers. In the 12th century the word banco in Italy referred to a table, counter or money changer. This meaning implies a transaction function, namely exchanging money or in a broader sense of business transactions, namely paying for goods and services. Furthermore, this term is used until now which describes a place of transaction between banks and customers with various products and services offered.[5]

Islamic banking as a financial institution or institution, strives to run and implement its operational business activities in every transaction activity, always prioritizing the principles of justice, honesty, and transparency based on Islamic sharia values. Law No. 21 of 2008, explains that Islamic banks are financial institutions whose business operations are based on sharia principles, which are based on the provisions of Islamic jurisprudence that are directly sourced from the Qur'an and Hadith. The main focus in Islamic banking is not only oriented towards gaining profit, but also aims to create benefits for the community. This is done by ensuring that all transactions are free from indications that point to things that are forbidden by Islam, such as riba (*interest*), gharar (*fraud*), and qimar (*gambling*).[6]

One of the main characteristics of the Islamic banking system is its operational model based on a partnership and profit sharing system. In practice, Islamic banking offers a variety of financial products such as **mudharabah** (*profit sharing agreement*), **syirkah** (*partnership*), **murabahah** (*buying and selling with a profit margin*), and **ijarah** (*renting*). These products are presented to meet the financial needs of the community while maintaining sharia principles. However, Islamic banking also provides alternative solutions for people who want ethical financial services that are in accordance with Islamic values.

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[4]. Suryanto, S., & Rasmini, M. (2018). "*Analisis Literasi Keuangan Dan Faktor-Faktor Yang Mempengaruhinya. Jurnal Ilmu Politik Dan Komunikasi*," 8(2).

[5]. Mohamad Ainun Najib, "*Penguatan Prinsip Syariah Pada Produk Bank Syariah*," Jurnal Jurisprudence 7, no. 1 (2017): 15–28, https://doi.org/10.23917/jurisprudence.v7i1.4351.

[6]. Ami'in, S. N., & Janah, T. N. (2023). *Layanan Bank Syariah Berbasis Multikultural*. JIOSE: Journal Of Indonesian Sharia Economics, 2(2), 107–124.

Along with the increasing public awareness to conduct financial transactions in accordance with sharia, the development of sharia banking has encouraged and initiated the emergence of other sharia financial institutions, such as: sharia insurance, sharia pawnshops, and sharia capital markets, as well as educational institutions that open sharia economics and finance study programs, all of which support the development of the sharia banking and finance industry itself.[7] The basic philosophy of the operation of Islamic banks that inspires all of its transaction relationships is efficiency, justice and togetherness. Efficiency refers to the principle of helping each other synergistically to obtain the greatest possible profit, while justice refers to a relationship that is not cheated, sincere with mature agreement on the proportion of input and output. And togetherness refers to the principle of offering each other assistance and advice to increase productivity.

The uniqueness of Islamic banking lies in its focus on moral and social aspects, in addition to economic aspects. Unlike conventional banks that are oriented towards interest (riba), Islamic banks prioritize financing that supports productive sectors such as MSMEs, education, and infrastructure that have a positive impact on society. Islamic banks also carry out social functions through the management of zakat, infak, sedekah, and waqf (ZISWAF), which aims to help reduce poverty rates and increase the level of community welfare as a whole. Specifically, Islamic banking is an institution whose entire law is determined directly by Allah SWT which has the intention and purpose for the welfare of all mankind. Islamic banking is an applied science in conducting ijtihad (effort) to produce opinions that do not conflict with sharia (law) to realize goodness and oppose evil. Islamic banks include the maintenance of religion, soul, mind, descendants, and property.[8]

2. History of Islamic Banking in Indonesia

Initially, the banking system only developed in Europe before spreading to various parts of the world. At that time, the growth of banking was still very dependent on colonial countries. For example, the Netherlands implemented a banking system in its colonies, including Indonesia, by establishing banks such as *De Postspaarbank* and *De Javasche Bank*, as well as several other financial institutions. Over time, Indonesia began to have its own national bank. Both state-owned and private banks showed significant development in the banking industry in the country.[9]

For a long time, the Muslim community in Indonesia has wanted a financial institution based on Islamic teachings and involving Muslim scholars, academics, and Islamic economists. In fact, the idea of this has been around since K.H. Mansur, Chairman of PP Muhammadiyah from 1937 to 1944. At that time, he expressed his opinion on the prohibition of interest on financial transactions in conventional banks. Therefore, KH. Mansur suggested establishing a financial institution based on Islamic principles in Indonesia. Islamic banking was initiated by ulama, Muslim scholars, and economic experts. In addition, the contribution made by the third President of Indonesia, B.J. Habibie, who at that time was the Chairman of ICMI, and Rahmat Saleh, the former Governor of Bank Indonesia, were also very significant. These two figures played an important role in attracting the attention of investors to support the development of Islamic banking.[10]

Bank Indonesia, as the highest authority in the banking system in Indonesia, pays serious attention to the development of Islamic banks. This support is based on the belief that Islamic banking will be able to present a better system for banking in Indonesia, with the main goal of providing broad

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7. Ikatan Bankir Indonesia, "*Memahami Bisnis Bank Syariah*." (Jakarta; Gramedia Pustaka Utama, 2014), hal 3-4

8. Ikatan bankir Indonesia, "memahami bisnis bank syari'ah" (Gramedia Pustaka utama):5

9. Nurbaiti, A. M. & Muhammad Iqbal Fasa. (2021). Peran Perbankan Syariah Dalam Membantu Usaha Mikro Kecil Dan Menengah Menerapkan Konsistensi Pencatataan. Revenue : Jurnal Ekonomi Pembangunan Dan Ekonomi Islam, 4(01), 1–13.

10. Syarifah, S., Zuhriadi, M., Amanda, D., & Purba, B. (2023). Kontribusi Pemikiran Ekonomi Islam Dalam Sejarah Ekonomi Dunia. As-Syirkah: Islamic Economic & Financial Journal, 3(1).

benefits to the Muslim community and encouraging social equality in all levels of society. In 1998, Law No. 10 of 1998 was enacted, amending Law No. 7 of 1992 concerning Banking. The changes were made with the aim of supporting the development of Islamic banks or sharia banking in Indonesia, where the law explains the main objectives of the establishment and development of sharia banks, accompanied by implementation guidelines regulated through the Decree (SK) of the Board of Directors of Bank Indonesia and other regulations in line with Bank Indonesia policies.

Furthermore, on July 16, 2008, Law No. 21 of 2008 concerning Islamic Banking was enacted. The ratification of this law provides a more solid legal basis to support the implementation of Islamic banking operations in Indonesia. This law also provides a theoretical legal framework to support the implementation and development of Islamic banking, thus enabling the acceleration of the growth of this industry in the next five years. Sharia Bank is often referred to as Islamic Bank, which is a banking institution that does not operate based on an interest system. Sharia Bank is known as a bank without interest, so that all its activities and outputs are based primarily on the Qur'an and Hadith. Islamic Bank is a financial institution that in all its activities seeks to provide services and other services through payment transactions that are in accordance with Islamic law principles.

Viewed from a macro economic perspective, the development of Islamic banks in Indonesia has great potential because of its broad market opportunities, with the support of the majority of the Indonesian population who are Muslim. Law (UU) No. 10 of 1998 does not rule out the possibility for state bank owners, national private banks and even foreign parties to open Islamic branches in Indonesia. With the opening of this opportunity, it will clearly increase the opportunities for financial transactions in our banking world, especially if there is a cooperative relationship between Islamic banks.

A fundamental question arises, why are Islamic banks present and operating in Indonesia? There are situations and circumstances that demand the birth and operation of Islamic banks. The main problem is related to the interest rate device that has been developed by conventional banks. Because, if traced further, the issue of bank interest in Indonesia itself has long been a stumbling block for Muslims that must be solved immediately. Therefore, the presence of Islamic banking is expected to contribute to the economic growth of the community, especially the real sector through financing issued by Islamic banks. Through this financing, Islamic banks can become partners with customers, so that the relationship between Islamic banks and customers can no longer be as creditors and debtors but become a partnership relationship.

Islamic banks in Indonesia continue to develop more and more advanced from time to time. The monetary crisis experienced by Indonesia at that time actually had a positive impact on the banking sector, because the community and economists began to realize the importance of implementing the sharia system as a whole. With the development of sharia, it is expected to provide a positive contribution to the country's economy.

3. Principles of Islamic Banking

Based on Article 1 point (12), Law No. 21 of 2008, sharia principles are Islamic legal principles in banking activities based on fatwas issued by institutions that have the authority to determine fatwas in the sharia field.[11] With these principles, Islamic banking can carry out its business activities by referring to the fatwa that has been determined by the National Sharia Council-Indonesian Ulema Council (DSN-MUI). The principles of Islamic economics contained in Fiqh and Sharia are based on the ijtihad of scholars through the DSN-MUI fatwa, even in general the principles of civil law do not conflict with

[11]. Faisal, "Prinsip-prinsip perjanjian muamalat dalam hukum perbankan syariah di Indonesia ", Jurnal Reusam, Volume 4 Nomor 1 (Mei 2015).

Islamic law, so they can be applied to Islamic banking. This can be applied considering that the principle or principles are general in nature so that they can be applied to banking products.

In its implementation and operations, Islamic banking must always be based on the following principles:[12]

1. ***Justice***, namely sharing profits based on real sales according to the contribution and risk of each party;
2. ***Partnership***, which means the position of customers or investors (fund depositors), and fund users, as well as the financial institution itself, are equal as business partners who synergize with each other to gain profit;
3. ***Transparency***, Islamic financial institutions will provide financial reports openly and continuously so that customers or investors can know the condition of their funds;
4. ***Universal***, which means not distinguishing between tribes, religions, races, and groups in society in accordance with the principles of Islam as rahmatan lil alamin (Islam that is anti-violence and causes damage).

The basic principles can be broadly stated as follows:

1. **Maysir (Speculation)**

In Arabic, maysir is identical to the word qimar.[13] Maysir refers to the easy acquisition of wealth or the acquisition of property based on chance, whether by taking the rights of others or not. Law number 21 of 2008 concerning Islamic banking defines maysir as a transaction that is dependent on an uncertain or lucky situation. It can be concluded that maysir is a transaction that is dependent on something uncertain and contains elements of gambling, betting or risky games that are clearly prohibited in Islamic law (haram).

2. **Gharar**

Gharar is any economic transaction that involves elements of uncertainty, fraud or crime.[14] In the Qur'an, the word gharar and its derivatives are mentioned 27 times in QS. Ali-Imran [3]: 185 and QS. Al-Anfal [8]: 49. So it can be concluded that gharar is a transaction that contains ambiguity and doubt.

3. **Haram**

In terms of language, it means prohibition and affirmation, where the word haram itself is repeated 83 times in the Qur'an, including QS. Al-Baqarah [2]:173, QS. An-Nahl [16]:115, and QS. Al-Maidah [5]:3.[15] In economic activities, everyone is expected to avoid everything that is forbidden, both substances and methods, whether in the fields of production, distribution or consumption.

4. **Usury**

Etymologically, the word usury means additional or excess. Abdullah Saeed as quoted by Latifa M. Algaoud and Mervyn K. Lewis said that usury whose root word is r-b-w in the Qur'an has the meaning of growing, increasing, rising, swelling, increasing, and becoming large and high. It is also used in the

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12. Maimun dan Dara Tzahira, “Prinsip dasar perbankan syariah”, Al-Hiwalah: (Sharia Economic Law), Volume 1 No. 1. July 2022.

13. Muhammad Ayub. (2009). Understanding Islamic Finance: A-Z Keuangan Syariah. PT Gramedia Pustaka Utama. hal. 34

14. Ascarya, & Yumanita, Bank Syariah: Gambaran Umum. In Pusat Pendidikan dan Studi Kebanksentralan (PPSK).

15. Soemitra, A. (2009). Bank dan lembaga Keuangan Syariah. Kencana hal. 43

sense of a small hill. All of these uses seem to have the same meaning, namely addition, either in quality or quantity. Meanwhile, according to terminology, usury is formulated by Islamic jurisprudence as a special addition owned by one of the two parties involved without any particular reward.[16] Sayyid Sabiq defines usury as an addition to capital, whether the addition is small or large. So usury is an addition to income that is invalid and illegitimate in making transactions either in terms of quality or quality.

5. **Bathil;**

In terms of language, it means null and void. Economic activities related to the prohibition of void such as reducing the weight, mixing good and bad goods for sale to gain greater profits.

4. The Role of Islamic Banking in The Real Sector

Philosophically, Islamic banking is a financial institution that is in accordance with the ideology of the Indonesian nation, namely Pancasila and the preamble to the 1945 Constitution.[17] Pancasila which provides the foundation of values starting from the first principle "Belief in the One Almighty God, to the fifth principle "Social Justice for All Indonesian People" none of the five principles are in conflict with Islamic banking which applies the sharia principle of sharing profits and losses. Likewise, Islamic banking is in accordance with the opening of the 1945 Constitution which outlines an ideal as a just and prosperous Indonesian state, which is also one of the objectives of the Islamic banking legal system in Indonesia.[18]

The role and function of banks in the context of business is as a financial intermediary, namely between fund owners and entrepreneurs who manage funds, while also having an important role in two things, namely implementing the mandate of the 1945 Constitution concerning economic equality for the community and also supporting the country's economic development. Therefore, banking businesses are often called the heart of the driving force of a country's economy, so if banking is destroyed in a country, the result is that the country's economy will also decline as experienced by Indonesia.

The development of an economic system based on the real sector in various industrial fields needs to be done to anticipate overliquidity conditions where non-real sector investment dominates. Here the role of banking is needed in credit distribution with priority on investment in the real sector. The application of the sharia economic system can be a promising choice, considering that the principles of sharia economics emphasize the principle of cooperation to be able to drive the real sector that rejects speculative and usurious activities. In its application, the role of sharia banking is actually very much expected as the spearhead to realize it. It is hoped that sharia banking can take over the role by prioritizing the profit-sharing basis in financing distribution. With this, the circulation of capital and investment through financing distribution is expected to be more targeted by being able to directly touch the driving force of the real economy, namely MSMEs.

Case Studies and Applications Asset-based financing in Islamic finance is not only beneficial for economic stability in general, but also in various specific situations, including infrastructure projects, investments in the real sector, and microfinance. Some examples of asset-based financing in practice are as follows:

[16]. Ash-Shawi, S., & Abdullah al-Mushlih. (2013). Fikih Ekonomi Islam (IV). Darul Haq, hal. 24

[17]. Mustaghfirin, Rekonstruksi Sistem Hukum Perbankan di Indonesia Kajian dari Aspek Filososfis, Sosiologis dan Budaya, Unissula Press, Semarang, 2006, hal. 9-16. Dan Dadan Muttaqien, Sistem Perbankan Syariah di Indonesia dalam Perspektif Politik Hukum, Disertasi Universitas Diponegoro, Semarang, 2007, hal. 361.

[18]. Undang-Undang Nomor 21 Tahun 2008 Tentang Perbankan Syariah Pasal 1

1. **Infrastructure Financing**

In infrastructure projects, asset-based financing allows for long-term financing secured by physical assets, such as roads, bridges or power plants. This provides stability for projects that require ongoing funding because the assets have a measurable value over the long term.[19]

2. **Real Sector Investment**

Islamic finance encourages investment in real sectors, such as property, manufacturing, and agriculture, which directly contribute to real economic activity. With real asset-based financing, Islamic financial institutions can reduce the risk of drastic declines in value that often occur in securities or derivatives-based investments.[20]

3. **Microfinance**

Asset-based financing is also applied in microfinance, where Islamic financial institutions provide loans to individuals or small businesses with small but tangible assets as collateral. This allows small businesses to access financing without burdening themselves with large debts, thereby increasing their resilience to economic fluctuations.[21]

The real sector according to the production approach is the amount of added value of goods and services produced by various production units in a country's territory within a certain period of time (usually one year). Bank Indonesia as a regulator, provides encouragement for the development of Islamic banking in the real sector. This is because financing products in Islamic banks must use underlying transactions. So that the impact is more real in driving economic growth. In addition, Islamic bank products are not gharar (speculative) so that they are more resistant to the global financial crisis. The principle of profit-loss sharing has good and fair benefits for the fund owners, entrepreneurs and the bank.

Micro, Small and Medium Enterprises (MSMEs) in the Indonesian economy have a very important role in increasing the competitiveness of the economy at a micro level, this role includes the MSME sector which is known as a sector that can absorb a large number of workers nationally, accommodate the role of the poor in the economic structure, and is a sector that has great potential to contribute to the gross domestic product (GDP). Therefore, it is an obligation for the government and related parties to take a leading position in encouraging this sector to develop better. One of the efforts that is a driving force for the development of the MSME sector is to provide easy access to business capital for the MSME sector.

Bank Indonesia's Islamic Banking stated that the focus of the role of Islamic banking at this time is to help the MSME sector. Islamic banking realizes that the MSME sector is the largest sector in Indonesian society. There are around 52 million MSME units active in Indonesia and as many as 9 percent of them are engaged in the micro sector. Related to working capital funding, Islamic banks channel it through direct and indirect financing. Several Islamic banks utilize baitul maal wat tamwil (BMT) to channel financing. This reflects significant developments in the management of public funds and increased public trust in the Islamic banking system. This growth also shows the strategic role of

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[19]. Putra, D. I. A., Farida, U., Sartika, D., Kasdi, A., & Handayani, S. (2023). Quranic mental health amidst pandemic: A culturalhermeneutic reading to the Salawat community in Indonesia. Mental Health, Religion & Culture, 26(1), 1–15. https://doi.org/10.1080/13674676.2021. 2009787

[20]. Rusliani, H. (2015). Kebijakan muamalah pemerintah Indonesia terhadap sumber daya alam dan sumber daya manusia sebagai modal pembangunan ekonomi. Kontekstualita: Jurnal Penelitian Sosial Keagamaan, 30(2), 2015.

[21]. Miftah, A. (2014). Refusal on qiyas and implications for development contemporary Islamic law (Study on the Ibn Hazm critics to qiyas). International Journal of Innovation and Applied Studies.

Islamic banking in supporting the national economic sector, especially through investment management based on Islamic principles.

The contribution given by Islamic banking in driving national economic growth is carried out through various mechanisms in a sustainable and inclusive manner. Among its main contributions is through the collection of Third Party Funds (TPF) which continues to increase significantly every year. This TPF is then distributed in the form of productive financing to real sectors such as MSMEs, agriculture, and trade, which are important parts of the national economy. The implications of Islamic banking are not only an alternative to an ethical financial system but also have the potential to encourage inclusive economic growth. Thus, the function of Islamic banking is not only as a financial institution, but also as a development agent that supports community welfare. This encourages further development in this sector to answer the global need for a fair financial system.

In order to increase the role of Islamic banking for the MSME sector, Islamic banking also establishes partnership programs with unbankable businesses, linkage programs with microfinance institutions as an effort to expand funding services. The Islamic banking service products that serve as a guide for the MSME sector include:

1. **Profit Sharing (Musyarakah)**

That is, the profits obtained will be divided in a ratio agreed upon at the beginning, while losses will be divided based on the equity ratio owned by each party. The fundamental difference with mudharabah is that in this concept there is management intervention while in mudharabah there is no intervention.

2. **Mudharabah**

Is an agreement between a capital provider and an entrepreneur. Any profits earned will be shared according to a certain agreed ratio. The risk of loss is fully borne by the Bank except for losses caused by mismanagement, negligence and deviations on the part of the customer such as embezzlement, fraud and abuse.

Based on the two types of sharia banking services that have high potential to help MSME business actors above, it can be concluded that financing from sharia banking institutions greatly supports economic and industrial activities. This means that sharia banking has rules and tolerance for business conditions and facilitates the needs of entrepreneurs and customers for financing facilities. One of the leading products for financing micro, small and medium enterprises in sharia banking is mudharabah, in the mudharabah system the determination of profit sharing is guided by the borrower's profit and loss. The amount of profit sharing deposited with the sharia institution is known after trying or after there is a profit. Because the mudharabah system is profit sharing and is guided by profit and loss, this is considered very suitable for financing micro, small and medium enterprises for small business actors because they do not feel burdened.

Conclusion

This study reveals that Islamic financial institutions play a significant role in supporting economic stability. Islamic banking should be more innovative in developing financing products that prioritize investment in the real sector such as credit (mudharabah and musyarakah). Mudharabah and Musharakah can provide a complete contribution in reducing poverty, unemployment and inflation. If Islamic banking wants to contribute to development, then Islamic banking must predominantly channel its financing to sectors that can have a positive effect on development, namely the productive sector (production, distribution and consumption). In the future, further research is needed that utilizes empirical data to measure the quantitative contribution of Islamic financial institutions to economic stability in a more measurable manner.

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