

Sharia Economic Law Regulation on The Development of Sharia Financial Institutions in Indonesia

Rina El Maza

Institut Agama Islam Negeri Metro

rinaelmaza23@gmail.com

Yuyun Yunarti

Institut Agama Islam Negeri Metro

yuyunyunarti300977@gmail.com

Nazeri

Sekolah Tinggi Agama Islam Tulang Bawang Lampung

nazerizeri7@gmail.com

Rahmat Hidayat

Institut Agama Islam An Nur Lampung

hidayatrahmat677@gmail.com

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Abstract

The analysis of this study aims to provide an objective description and suggest to be able to strengthen and optimize related to the regulation of financial institutions or Islamic banking. In this case, the researcher uses a normative juridical method whose research refers to the rules or regulations of law as reference data which is analyzed with a qualitative description pattern. And the result is that this research illustrates that legal regulations play a role in the development, empowerment and establishment of the regulation of Islamic economic or financial institutions. The implication of study is the creation of progress and synchronization or correlation between financial institutions or Islamic banking in Indonesia. The harmony of regulations and the harmony of legal regulations must have an impact on public trust and have an impact on improving service facilities, protection for the community or customers, economic actors and even Islamic financial institutions themselves.

Keywords: Legal, Law Regulation, Banking, Sharia Economic, Islamic Financial Institutions

A. Introduction

Since its inception, the initiation of the development and establishment of a sharia-based financial institution in the form of Baitul Mal Wat Tamwil (BMT) was initiated in 1984 by students of the Bandung Institute of Technology (ITB) and in conjunction with ICMI activities. The developments that are stretched in the field of economics and sharia institutions are getting more advanced every year. On the basis of this embryo, for about 30 years, nationally, the progress of the Islamic world economy has mushroomed in Indonesia. The beginning of the movement was to empower forms and patterns of cooperation with lenders and borrowers based on an agreement with Islamic principles and principles. This prefix later became the driving force for the formation of more recent Islamic financial institutions.

Since the establishment of Islamic banking which operates as a sharia financial institution in 1992 with Bank Muamalat Indonesia as its form. In the beginning, Islamic financial institutions did not have a legal basis in formal regulation. This is what causes the development of Islamic financial institutions has not developed as it is now. It was only in 1998 since the enactment of Law No. 10 of 1998 concerning amendments to Law No. 7 of 1992 concerning banking.

The regulations that discussed related to Islamic banks emerged and were ratified in 2008 through Law No. 21 of 2008 concerning Islamic banks. Other developments also go hand in hand as shown in the improvement of sharia insurance institutions, sharia capital markets, sharia pawnshops, sharia financial institution pension funds, companies or business entities with sharia principles, sharia cooperatives, waqf bodies, BAZ and BMT (Nigrum, 2016).

A public policy will be interrelated with a legal political regulation. And this is a general principle and functions in directing the government to manage regulations related to public elements. Problems that arise in the community as well as the preparation of regulations and laws until the implementation of the regulations aim to lead to an embodiment of the welfare and prosperity of the community or citizens (Chamelin, N. C., Fox, V. B., & Whisenand, 1979).

If it is related to the regulation of sharia political economic law, this will give birth to the fact that this legal institution is absolute as a form of economic institutional development. As for the positivity of the law, it is indeed what must be provided in regulating institutional regulations and the movement of these economic institutions. This institutional effort is carried out as a form of grounding Islamic rules and procedures in its journey in the national economy. Formal legal provisions governing the implementation of sharia economic activities in Indonesia are all provisions that have gone through a process of positivity by the state. That is why if the regulation has been formalized by the state, it will apply as a whole to the Indonesian people (Hamid, 2006).

Based on the description that discusses legal politics regulation, it is seen as a point of clarity that synergies in the development of Islamic financial institutions. The synergy between legal regulations and sharia economic principles can strengthen the existence of these sharia institutions. Systematically this can be one of the pillars of national development.

This analysis and understanding needs to be done integrally as a form of developing Islamic economic institutions. This is because each element of the instrument is complementary which stands in a functional unity.

B. Method

Method in this research is normative which is a research using an approach based on guidelines or main legal materials with patterns and structures examining theories, concepts, principles and principles of law and laws that have a correlation with research (Johni, 2005). The approach taken is with a statute approval of the Act (Suryabrata, 2018). Applying historical approach (historical approach), concept (conceptual approach) and comparative (comparative approach) (Soemitro, 1990). Using a qualitative descriptive analysis unit (Miles, M. B., & Huberman, 1994). Describe the data in detail that is packaged into descriptive sentences. Meanwhile, qualitative analysis is carried out by starting with an in-depth focus and equipped with normative analysis (Soemitro, 1990). In the end, the analysis carried out is then carried out

with a deductive value conclusion. That is, withdrawals are based on actual conditions or general facts and are drawn to specific conclusions (Soekanto, 2007).

C. Results and Discussion

Sharia Law and Economic Regulation in Indonesia

The process of making and implementing a regulation which can show the nature and direction of a law to be built and enforced is the meaning of implementing a law regulation. In this sense it is clear that politics or the regulation of a law is a directive and an official line which then becomes the basis of a foothold in making, implementing and creating benefits in achieving the goals of the state and nation. An effort and way to achieve the state's goals is to make regulation or legal politics the way to achieve it. Because questions will arise as a consequence of the passage of regulations and legal politics, with answers about where or what to do with the law. This arises as a form of statement in a formal perspective and the purpose of the state in achieving state order (Mellina, T., & Ghozali, 2018). Although in terms of juridical studies, in accordance with Article 29 of the 1945 Constitution, the regulation of sharia economic law has a strong basis and foundation in Indonesia (Mashudi, 2013).

Indonesia quickly and widely has learned a lot and is familiar with the term sharia economics. This Islamic economy is an economic system that is very different from a capitalist or socialist economic system. Islamic economics or Islamic economics is often considered to have various positive sides from the advantages of socialist and capitalist economic systems. However, in the Islamic economic system, it is very limited because of the weaknesses and shortcomings of the capitalist and socialist systems. Islam is very strict in setting up an economic system that aims to facilitate economic activities for each individual. A form of cooperation based on sharia by providing skills and moral education for life (Rahman, 2015).

Sharia or Islamic economics, in Umar Chapra (Chapra, 2000) as he expresses it is a science that directly contributes to the forms of reality of change and development of human welfare. In other words, such as in the *maqasid sharia* that every allocation and distribution of every resource must remain concentrated on the objectives that must be realized. This harmony is the same as when Sayed Nawab Naqvi in his writings *Islam, Economy and Society* with the expression sharia or Islamic economics is to explain a system that is indeed man-made, just like any other economic system (Hamid, 2006). It's just that the view that he emphasizes more is related to the concepts and empirical aspects of the Islamic economic system itself which theoretically and practically must be tested (Saeed, 2004).

So, in this case it needs to be reaffirmed that from the aspect of the existing description that legal regulations in Indonesia. In the course of responding positively to an Islamic economic law (sharia) which is the laying of directions, ways or directions of government policies to formulate and legalize various legal studies related to sharia economics itself. So, in this case, the distribution that can be described is by the birth of things that support the sharia/ Islamic economic journey, such as;

First, on February 10, 1999, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) was born. As a religious institution that oversees all compilations of regulations for the Muslim community in Indonesia, MUI has the authority to form and initiate a national-scale sharia structure. This is done as a form of manifestation and embracing all legal rules and

governance for Indonesian Muslim relations. This or the National Sharia Council (DSN) in accordance with MUI Decree No. Kep 754/MUI/II/1999 was officially established and became a mouthpiece in encouraging communication and information for mankind.

Second, with the issuance of the MUI decree and the issuance of a decision with a Law No. 38 of 1999 related to the discussion of Zakat (Aziz, M., Ghofur, A., & Hidayati, 2021). This can be seen with *fundraising* which at that time reached 1 trillion per year. On the basis of the assumption that such zakat can actually be collected on a national scale reaching 39 trillion per year.

Third, the Indonesian government through state institutions stipulates a draft law which is then ratified by Law No. 41 of 2004 regarding the issue of Waqf. Which is due to the stipulation of Government Regulation No. 42 in 2006 related to the implementation structure of Law No. 41 2004. Then also added to the Regulation of the Minister of Finance with a Decree signed with the Minister of Finance No. 4 of 2009 related to the composition of the Administration of Cash Waqf.

Fourth, in 1989 it was approved a law related to the discussion of the Religious Courts contained in Law No. 7. And then in 2006 with the initiation of the 1989 Law, it was issued and re-enacted as a replacement Law with letter No. 3 of 2006. Related to the direction of new basis for the competence of religious courts in deciding, handling and resolving various forms of cases at tk. 1 among Muslims in the field of Islamic economics. This is solely intended to meet the needs of the community, which are primarily related to and in tandem with the development of Islamic economic practices and activities in Indonesia.

Five, in 1992 there was a regulation relating to the discussion of the Implementation of Insurance Business which was ratified by PP No. 73 of 1992. In which the PP did not include PP related to the discussion of sharia insurance. Only in 2008 was amended and lowered by the provisions of PP No. 39 of 2008 which discussed issues related to sharia insurance. The government's alignment with sharia insurance believes in developments related to the compilation of regulations or Islamic economic politics.

Sixth, Political will which is the assumption of developing and increasing the value of interest rates which later becomes the development of national development and is the impetus for national-scale capabilities in financial assets. This rapid development is considered to be a stimulant in financing and progress in funding the APBN through Islamic financial tools. This is read by the existence of a goal to finance the APBN which is considered to be always in deficit, and even strategic projects. Therefore, on May 7, 2008 the government issued Law No. 19 of 2008 related to the discussion of State Sharia Securities (SBSN) (Anshori, 2018).

Seventh, the subsequent adoption of the Law on Sharia Banking which was ratified by Law No. 21 of 2008 on June 17, 2008 indicates a basis for strengthening the existence and regulations related to Islamic banking in Indonesia. Then this refers to efforts and roles in increasing the capacity and contribution of banking in alleviating poverty or increasing people's welfare (*poverty alleviation*) (Ali, 2008). This is a concept in an effort to increase and encourage national development.

Eight, SOEs continue the development of the banking world by inaugurating the establishment of Islamic Banks. This effort is considered as a concrete form and proof of political power in

sharia economic regulation which was initiated by policy makers, especially the banking world. A term that we often understand is the language of the *dual banking system* (Irawan, 2018).

Nine, with the establishment of the Directorate of Sharia Financing in a government regulatory agency in this case the Ministry of Finance (Directorate General of Debt Management, Ministry of Finance, RI) (Republika, 2011.). As mandated in Law No. 19 of 2008 related to SBSN and gave birth to the types of state, retail and corporate sukuk.

Ten, for the initiator of the Supreme Court which was subsequently ratified in the Regulation of the Supreme Court of the Republic of Indonesia No. 2 of 2008 related to the preparation and publication of the Sharia Economic Law Compilation (KHES). This later became a polarization and the forerunner to the development of a new era of the study and practice of Islamic economic activities in Indonesia. This effort is a positive fruit of the rule of law and Islamic civil law which is also a national legal system as in the KHES. This is like the hectic struggle and Islamic economic activities through various kinds of Islamic financial institutions.

With various forms of laws covering Islamic or sharia economic struggles and activities, it marks a new era in the world of Islamic banking. Because, when the basis and basis as a clear legal umbrella, this will align the Islamic economy with the economic system or the legal basis for conventional bank regulations. Legally *standing* with the appointment and the realm of Islamic economics indicates that the realm of politics or regulations and rules regarding Islamic economics increasingly appears to be in favor of Islamic public finance. Then what needs to be added, the existence and movement of the MUI DSN increasingly explains the strong authority in maintaining the operational values of good Islamic financial institutions. Nevertheless, there are other important things, such as the government has given full trust and validity regarding sharia economic practices nationally. The politics of legal regulation regarding Islamic economics (sharia) is the full support of the government in all sectors of Islamic finance in Indonesia. The nature and character of Islamic economics which is universal and includes moral values will further facilitate the development of good financial management (Republika, n.d.).

Economic Laws and Regulations in Indonesia Economic

Development and growth in Indonesia are not something we can ignore. Advances in the world of finance will lead to changes and developments in other fields. So, it is only natural that the global consensus linking the economic basis will improve the basis of the welfare of the nation and state. So that this edict becomes a guideline for mutual empowerment and progress, which is to encourage the economy to move forward together, even as the locomotive of progress.

Associated with various regulations or legal basis that questions economic problems in a state system, it must be considered. It is hoped that the coverage will not lead to political discrimination or even an economic system built for the purpose of prospering together.

For example, regulations, rules or legislation regarding Islamic economics (sharia). This is considered to be very capable in providing support for the growth, development and progress of the national economic sector. Even the development of Islamic economic practice is felt to be a momentum for the revival of the Islamic economic system and the progress of national civilization. As a government, it strives to always develop and implement its function as a regulatory body. So as to create a humane and harmonious nuance in the development of

Islamic financial institutions in particular and in general. It was added that the arrangement of regulations related to the sharia economy was carried out with the aim of monitoring and balancing in an effort to increase the development of the sharia economy itself. So actually, the purpose of the rules of regulation and political economy of sharia is as an effort to maintain the legality of society to institutions that practice business based on the principles of sharia values. Then guarantee and protect for business people, customers and their own Islamic financial institutions (Aziz, M., Ghofur, A., & Hidayati, 2021).

Regarding the basis and legal basis of sharia economics in Indonesia, the legal products that regulate the institution as published are (Marzuki, 2005); *First*, Law No. 7 of 1992 and Law No. 10 of 1998 which discusses Banking. Jakarta August 1990 as mandated in the National Conference of the Indonesian Ulema Council (MUI) which aims to establish financial institutions or institutions such as banks based on Islam. With this principle, the birth of the financial institution Bank Muamalat Indonesia (BMI). The ratification which then obtained absolute approval on November 1, 1991 which then resulted in the regulation changing Bank Muamalat Indonesia as a sharia bank on May 1, 1992. With the mandate and principle of profit sharing as stated in Law No. 72 of 1992.

From this basis, which is a banking regulation Islam in Indonesia, in addition to regulating financial institutions, also regulates the operations of Islamic banks themselves. Then it was reaffirmed with the issuance of the Decree of the Board of Directors of Bank Indonesia whose purpose was to strengthen the development and capacity building of Islamic banking in Indonesia. According to this information, the various letters issued are as follows; 1) Decree of the Board of Directors relating to the discussion of commercial banks based on sharia principles as stated in BI Decree No. 32/34/KEP/DIR 12 May 1999. And then re-issued in a format that discusses people's credit banks based on sharia as stated in the BI Decree No. 32/36/KEP/DIR 12 May 1999. 2) Then a decree was issued to discuss the implementation for commercial banks with all activities based on sharia concepts and principles, as stated in BI regulation No. 6/24/PBI/2004. And 3) those born on July 1, 2004 are related to people's credit banks based on sharia principles as stated in BI Regulation No. 6/17/PBI/2004 (*lex specialis derogat legi generali*) (Aziz, M., Rofiq, A., & Ghofur, 2019).

On the other hand, as a process and impact in the development of Islamic financial institutions or sharia principles, BI is trying to design a regulation whose purpose is to cover the development of these principles. As stated in Law No. 23 of 1999 concerning the discussion of Bank Indonesia with regulations such as; *First*, as in the discussion regarding the Statutory Reserves (GWM) dated February 23, 2000. In Bank Indonesia Regulation (PBI) No 2/7/PBI/2000, it discusses commercial banks conducting business activities in foreign currencies and rupiah based on current accounts. minimum requirements based on sharia principles. *Second*, the issuance of PBI letters in conjunction with numbers 2/8/PBI/2000 and 2/9/PBI/2000 on February 23, 2000 with the first rule discussing the Interbank Money Market based on sharia principles and both related to *Wadi'ah* Bank Indonesia. *Third*, discussion related to clearing issues for Islamic commercial banks and the like as well as sharia business units for conventional commercial banks on February 11, 2000 in accordance with Bank Indonesia Regulation No. 2/4/PBI/2000. Then *Fourth*, according to the content in PBI No 5/3/PBI/2003 related to the Short-Term Financing Facility for Islamic Banks (FPJPS) dated February 4, 2003. Referring to the rules and Law No. 23 of 1999 related that BI gave a mandate in the form of establishing bank or branch and unit of Islamic bank.

Second, concerning the management of Zakat in Law No. 38 of 1999. Zakat in Indonesia as started in 1968 and the issuance of regulations that discuss it. Also, through the Minister of Religion Regulation No. 4 of 1968 related to the formation of a zakat body or council. Such as the Amil Zakat Agency at the village/*kelurahan* level and structured until the coordinator is above. Which then gave birth to a Joint Decree between the Minister of Religion and the Minister of Home Affairs which later legalized BAZIS and BAZ as a non-governmental organization or agency.

Third, Law No. 3 of 2006 issued a discussion of regulations related to the Religious Courts. The amendments to the regulations contained in Law No. 7 of 1989 on February 21, 2006 changed to Law No. 3 of 2006 which in its language is related to religious courts. The discussion regarding the basis for absolute competence of the religious courts was changed to an *extensive* related to absolute competence (*absolute competence*). So that under the pretext of expanding authority, the judiciary has an arena in solving problems related to the economy. And it becomes the absolute competence of religious courts with the same as those carried out by general courts.

Fourth, Law No. 40 of 2007 concerning Limited Liability Companies. In accordance with this mandate, every limited liability company or financial institution that runs its business based on sharia principles must have a sharia supervisory board (DPS) and other elements. Because as in Article 109 of Law No. 40 of 2007 states that a limited liability company engaged in the *first business*, which has a board of commissioners, must have a sharia supervisory board. *Second*, the sharia board as referred to in point 1 is a person who is an expert in the field of sharia and or who is recommended by the MUI. *Third*, DPS is given the task to provide advice, input, suggestions, brainstorming to the company's leadership even to the employee level and always supervises these business activities to stay within the corridor based on sharia.

Fifth, the National Sharia Securities (SBSN) described in Law No. 19 of 2008 is a regulation that finances the State Revenue and Expenditure Budget. Either because of the deficit or others such as national projects related to infrastructure. This later became a basis for the state to attract and issue interest rates in an effort to attract investors' funds.

Sixth, Law No. 21 of 2008 which discusses Islamic Banking. In line with the issuance of the Law, the legality of Islamic financial institutions or Islamic banking has become stronger. Explaining the *dual banking system* in the national banking system which also confirms the equality of Islamic and conventional banks in the scope of the national banking system.

Seventh, Law No. 40 of 2014. embryo Insurance from the issuance of various regulations concerning insurance law in sharia eyes, and followed by the regulation of the finance minister related to sharia insurance, which include; a) Decree of the Minister of Finance concerning the financial health of insurance companies and reinsurance companies No. 242/KMK.06/2003. b) Derivatives from the decision No. 426/KMK.06/2003 concerning business licenses and institutions of insurance and reinsurance companies. And c) A letter issued by the Director General of Financial Institutions No. Kep.4499/LK/2003 concerning types, restrictions on investment of insurance companies, valuations and reinsurance companies with a sharia system.

Along with these regulations, the institution and the existence of sharia insurance on a legal basis are getting stronger. It is one of *dual insurance systems* between Islamic or sharia

insurance and conventional insurance. As explained in Article 1 point 2 regarding sharia insurance, it is a collection of agreements between companies and policyholders based on the principle of helping and protecting each other.

Eight, Halal Products in Law No. 33 of 2014. The JPH Law as issued on September 25, 2014 is a major milestone for the protection of Muslim consumers who consume products on the market. The urgency is to question the guarantee that products that enter, circulate, and trade in Indonesian territory must be licensed by the MUI halal.

Forms of the Movement of Islamic Financial Institutions and Its Development in Indonesia in brief

Flash back, Islamic finance in Indonesia is mostly managed by Muslim groups with a practice orientation. The basis and principles of thought that developed is to focus on the application of *muamalah* values in life. So, the conceptualization is a continued development that must always be escorted by the national sharia board and their respective sharia financial institutions. If we look closely, there will be phases of the development of Islamic institutions in Indonesia. Such as the rules that emerged because of the initiation of religious figures and statesmen who pay attention to sharia or Muslim professionals. As in Pasha (Pasha, 2017) which discusses the emergence of modern Islamic financial institutions in Indonesia.

As a presentation in analyzing the movement and development of Islamic economic financial institutions in Indonesia, some of these phases are considered to be able to spread helpful information. However, we do need to look at the phases and patterns together so that they will explain the development of the Islamic economic financial institution.

1) First Phase 1991-1999

The beginning of Islamic economic growth was the establishment of Islamic/ sharia banks. The establishment of Bank Muamalat Indonesia (BMI) in 1991 and operating a year after. Which at that time still did not use the name of Islamic banks, but others or profit-sharing banks? By regulation, there is no clear legal umbrella related to the law that covers the establishment of the term Islamic bank. Running slowly even though it is slow, indeed the development of Islamic banks from 1991-1999 is considered to be stagnant. It is not without reason that the legal umbrella that overshadows the journey of Islamic banks in Indonesia has not been realized properly from government regulations. Support in legal regulations and laws is still not in favor of the development and journey of Islamic banking. We can see that the current law is Law No. 7 of 1992 which regulates banking. The derivatives of which are contained in government regulation no. 72 of 1992 and are the implementing regulations of the law.

As stated in Article 6 of Law No. 7 of 1992, that rural credit banks and commercial banks whose work system is profit sharing are not permitted to conduct business that is not based on a profit-sharing system and vice versa. On this basis, it means that there is no legitimacy for any financial institution business actor to have the opportunity to open *sharia windows*. This is one of the barriers to expanding business development among conventional and Islamic banks in opening their wings. And for Islamic banks this is a stumbling block in the development and progress of their financial institutions. Because more than that, Islamic financial institutions or economic growth paths are through the expansion and expansion of existing Islamic bank offices or branches or opening new ones with large funds.

2) Second Phase 2000-2014

At the beginning of this period various efforts in developing the world of Islamic banking were still in place. Significant developments are still not seen in the process of progress. However, when recently in this phase, between 2007 and 2009 there was growth and development in the world of Islamic banking (Irawan, 2018).

However, the development of this second phase when approaching the end of the phase began to see very rapid progress and stretching. This is shown by the growing development and establishment of offices or even units of Islamic financial institutions. As shown in the balance sheet table below.

Table 1.
 Islamic Banking Network 2005-2007

Information	Year		
	2005	2006	2007
Sharia Commercial Banks:			
- Number of banks	3	3	3
- Number of offices	304	349	401
Sharia Business Unit:			
- Number of banks	19	20	26
- Number of offices	154	183	196
Islamic people financing bank			
- Number of banks	92	105	114
- Number of offices	92	105	185

Source: BI, Sharia Banking Statistics 2005-2007

Visually, we will be presented with data which, when calculated mathematically, experienced an increase in the development of Islamic banking until 2007. If we look at it since 1998, there has only been one Islamic commercial bank and 76 Islamic credit banks. Islamic commercial banks, 26 sharia business units and 114 people's financing banks.

Table 2.
 Islamic Banking Network 2008-2014

Information	Year						
	2008	2009	2010	2011	2012	2013	2014
Sharia Commercial Bank							
-Number of Banks	5	6	11	11	11	11	12
-Number of Offices	581	711	1.215	1.401	1.745	1.998	2.151
Sharia Business Unit							
-Number of Banks	27	25	23	24	24	23	22
-Number of Offices	241	287	262	336	517	590	320
Sharia People's Financing Bank							
-Number of Banks	131	138	150	155	158	163	163
-Number of Offices	202	225	286	364	401	402	439

Source: Sharia Banking Statistics December 2014

Over a period of 7 years, there have been many developments and changes related to the quantity of Islamic financial institutions in Indonesia. Starting from the number of Islamic commercial banks related to banks or their offices. The sharia business unit also underwent many changes, to the BPRS which significantly increased drastically. It was also recorded that during the 2010s, such as non-bank financial institutions, the insurance bureau Bapepam-LK, there were approximately 45 sharia insurance institutions consisting of 42 sharia insurance companies and 3 sharia reinsurance companies. As for the sharia pawnshops, which were recorded as of 2009 reaching 1.6 trillion with 600 thousand customers with a number of branch offices reaching approximately 120 offices (Ali, 2008).

3) Third Phase 2015-2017

Until this phase the development and progress of Islamic banking has a good value. During the period until 2017, there was a lot of growth in the network and branch units of Islamic banking offices which spread to cities and districts in Indonesia. In terms of development achievements in the world of Islamic banking which continues to run and progress, coupled with an increase in the number of banks. And it was recorded that until January 2017 there were 200 units in 13 Islamic commercial banks and 21 sharia business units. And sharia people's credit banks during that period reached 166 units.

Table 3.
Islamic Banking Network 2015-2017

Information	Year		
	2015	2016	2017
Sharia Commercial Banks:			
- Number of banks	12	13	13
- Number of offices	1.990	1.869	1.825
Sharia Business Unit:			
- Number of banks	22	21	21
- Number of offices	311	332	344
Islamic people financing bank			
- Number of banks	163	166	167
- Number of offices	446	453	441

Source: Sharia Banking Statistics December

Reality explains that the flow and direction of Islamic or sharia economics shows a significant balance of development. The point of the *constitundum* and *policy* is to question and concern regulations and sharia economic law. This development is an encouraging achievement, especially for Islamic financial institutions. Therefore, if the development and progress of the economy or Islamic financial institutions want to progress, they must have policies and are supportive of these developments. The movement and development of Islamic economic institutions must be guided by the accompanying regulations and laws. The question is how should the regulation of Islamic economic regulation be so that the progress of Islamic financial institutions is noticed and returns to its goals and objectives. In political regulation, *checks and balances* need to be enforced as a form of creating regulations whose contents contain policies that support Islamic economic growth in an institutionalized or directed system. The ending in the development and development of the sharia economy is the benefit of the people or the people of Indonesia in general.

Starting with the movement and changes in the world Islamic economy, it was also the birth of the movement and development of the Islamic economy in Indonesia. This is clearly seen in the analysis of Muslim scholars and intellectuals in Indonesia who frankly consider that a socialist and capitalist economy cannot be expected. So, in the opinion of Muslim scholars and scholars, there is a need for a new breakthrough as an alternative to the two economic poles. Regarding patterns, methods and efforts, among others, are the *first* comparison of the two economic systems into new economic patterns and methods and *secondly* the emergence of a new economic system that is very different from the previous economic system. With this analysis, it is not an inevitability if the Islamic economic system gets the heart and enters into the cracks of the economic chaos in Indonesia. It is ignored and judged as a backward pattern or *idealistic bombast* because it is different and tends to be new from previous systems such as capitalist, socialist and even communist. Sharia or Islamic economics is considered to be able to cover the shortcomings and weaknesses of each of the previous economic systems. This is the history that really exists and even happens a lot in Islamic countries and Indonesia is no exception.

Even this one-sided view and tends to be cynical lasted until the 1990s. Slowly and surely the Islamic economy began to start its stage in the arena of the economy and state financial institutions. As an alternative system value from the shock of the previous system, Islamic economics began to play its role and began to be accepted by the community (Iswanto, 2013).

4) Fourth Phase 2018-2021

The development of civilization that is taken by Indonesia in the economic path is an important step that must be achieved. One of them is the service of financial institutions or banking. Increasing Muslim participation, which is considered full of developments and progress in national development, is seen as a step of success in the banking sector. The needs of the Muslim community and their participation in the economy are felt to be a success in instilling the fundamental values of the economy itself. When we refer to the dullness of the economic pole, it is felt that it has not fulfilled the overall needs of the world economy and especially Indonesia. 87% of Indonesia's population is Muslim, and this is a manifestation in terms of civilization and world development.

In line with this narrative, the development and progress of Islamic or Islamic financial institutions is indeed considered to have a significant balance sheet. With the potential of the population in general, the Indonesian economy is required to be able to maximize the accommodation and aspirations of the Muslim community in all aspects of development. And one of them is the development of Islamic economic institutions.

Table 4.
 Islamic Banking Network

Information	Year			
	2018	2019	2020	2021
Sharia Commercial Bank				
-Number of Banks	14	14	14	12
-Number of Offices	1.875	1.919	2.034	2.042
Sharia Business Unit				
-Number of Banks	20	20	20	20
-Number of Offices	354	381	392	380
Sharia People's Financing Bank				
-Number of Banks	167	164	163	163
-Number of Offices	495	617	627	639

Sumber: OJK Statistics Perbankan Sharia June 2021

From this table, it shows a very stable and large development of Islamic finance valleys. Starting from Islamic commercial banks, sharia business units and BPRS, significant progress has been made.

Sharia financial regulations as a foothold in realizing sharia economic law regulations need to be strengthened and tightened again. Legal regulation in all respects and especially the Islamic economy is necessary and must support the growth, development and strengthening of Islamic financial institutions. This is done as a reinforcement in improving the success strategy of the sharia economy.

So based on the existing descriptions, the analysis that develops is that the rate of sharia economic growth and its institutions is growing rapidly in Indonesia. The emergence of institutions or financing companies that offer many sharia financial businesses or services with the segmentation to be achieved with the strategy (Nazaruddin et al., 2020). Then another strengthening is that the Islamic finance business or industry or non-Sharia bank has no difference with the conventional non-bank financial industry or business. But on the other hand, there are several special styles and methods that are used as transaction mechanisms which are based on sharia principles. As has been done by Islamic Financial Institutions (LKS) with a sharia basis (Sholikhah, S., Syukur, F., & Junaedi, 2021). As stated by the MUI fatwa through its National Sharia Council which discusses *qiradh* or *mudharabah*, *wakalah musyarakah financing*, financing, *ijarah*, with *mudharabah musyarakah* contracts or *kafalah contracts*.

D. Conclusion

The movement and narrative change in the progress of Indonesia's sharia economy does have very fundamental values. Starting from the application and application of sharia economics, to the rules of the game and legislation or politics and legal regulations. So, it can be concluded as a juridical analysis study, namely;

First, the development of Islamic financial institutions is indeed far more advanced than the previous management of Islamic financial institutions. We can examine and observe this with the large amount of data that states the growth of Islamic finance offices.

Second, the regulation of sharia economic political law looks increasingly oriented towards the concept of positivity. Where the government is trying to develop directions, policies or ways to formalize laws relating to sharia economic systems or principles in Indonesia. The conception of the government with its regulations and politics as determining the legal basis of a case, for example sharia economics based on checks and balances. The content of policies and support in economic activities as well as their growth, provides clarity that the Islamic economy has a strategic position in responding to the turmoil in the business world. Political will that is predicted by the government is considered to be able to accelerate the pace of independence, justice in realizing a beneficial sharia economy.

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