

SOCIOLOGICAL ANALYSIS OF THE DEVELOPMENT OF ISLAMIC BANKS IN INDONESIA

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Abstract

This research is a literature study that aims to analyze the development of Islamic banks in Indonesia from a sociological perspective. Islamic banks, operating based on Islamic sharia principles, have played an important role in the transformation of the financial sector in Indonesia. However, the role of Islamic banks does not only reflect financial aspects, but also reflects the broader social and cultural dynamics in Indonesian society. This research methodology is based on a literature study involving searching, selecting, and analyzing relevant literature related to the development of Islamic banks in Indonesia. Data is obtained through literature search in various sources, including academic databases, scientific journals, books, and research reports. The results of this literature analysis will include an in-depth understanding of the sociological aspects that influence the development of Islamic banks in Indonesia. This includes the role of culture, social factors, as well as the social and economic impact of the development of Islamic banks. The main findings will be synthesized and presented in this study to provide a comprehensive picture of the dynamics of Islamic bank development in the social context of Indonesian society.

This research is expected to provide valuable insights for stakeholders in the Islamic financial sector, as well as policy makers who seek to understand the role of Islamic banks in the social and economic transformation of Indonesian society. The study also provides the basis for further research focusing on the role of sociology in the context of Islamic banking in Indonesia.

Keywords: *Sharia Bank, Indonesia, Social Factors, Financial Sociology*

1. INTRODUCTION

Indonesia, as a Muslim-majority country, has witnessed rapid development in the Islamic banking sector. Islamic banks, operating on the basis of Islamic sharia principles, have become an integral part of the transformation of the financial sector in the country. In recent decades, Islamic banks have attracted attention as a financial alternative that conforms to religious values for Muslim societies. However, the development of Islamic banks in Indonesia does not merely reflect financial aspects. It also reflects the broader social and cultural dynamics within society.

The pioneer of Islamic banks in Indonesia in 1991 was Bank Muamalat Indonesia which was initiated by MUI and supported by ICMI. The presence of Islamic banks in Indonesia, followed by the establishment of several Islamic financial institutions in Indonesia as evidence of public interest in Indonesia towards the Islamic economy. Formation (Januri, 2013) *Baitutamwil Teknosa* in Bandung then *Baitutamwil* Ridho Gusti in Jakarta. Until it becomes a movement *Baitul*

Maal Wattamwil in 1992. Islamic economics is built on the rational basis of Islamic individual behavior. This rational individual is built to achieve the goal of happiness ((Buchori, 2012)*Falah*) either the world or the afterlife. Because it leads society to a long goal. So that it will sacrifice its world interests for the afterlife, including in terms of the development of the Islamic economy. Islamic financial activities are one of the proofs of the reality of sacrifices in the development of financial aspects to achieve this happiness. (P3E1, 2015)

This study aims to examine the development of Islamic banks in Indonesia from a sociological perspective using literature study methods. In a deeper sense, this study aims to answer important questions about how the development of Islamic banks is reflected in Indonesian society, and how social and cultural factors influence the role and acceptance of Islamic banks in people's lives.

As one of the countries with the largest Muslim population in the world, the development of Islamic banks in Indonesia raises important questions about the role of culture, religious compliance, and social dynamics that shape people's financial practices. Understanding the interaction between Islamic banking and Indonesian society from a sociological perspective is essential in detailing the social, cultural, and economic impacts brought about by the development of this sector.

This research methodology is based on a literature study involving searching, selecting, and analyzing relevant literature on Islamic banks in Indonesia. Data is obtained through literature search in various sources, including academic databases, scientific journals, books, and research reports. The results of the literature analysis will provide a deeper understanding of the sociological factors that influence the development of Islamic banks and interaction with the public.

In the following chapters, this research will explore key themes emerging in the literature, such as the role of culture, social factors, and the socio-economic impact of the development of Islamic banks in Indonesia. The results of this study are expected to provide valuable insights for stakeholders in the Islamic financial sector, as well as policy makers who seek to understand the role of Islamic banks in the social and economic transformation of Indonesian society. Furthermore, this research can also provide the basis for further in-depth research on the role of sociology in the context of Islamic banking in Indonesia.

2. IMPLEMENTATION METHOD

This research is in the form of qualitative research with literature methods. Literature study sources in the form of books, journals and the internet in accordance with the object of study. . Data collection using documentation on related sources. (Zed, 2018)

3. RESULTS AND DISCUSSION

3.1 The Role of Culture in Sharia Bank Acceptance

Culture has a significant impact on the selection of financial products and services that conform to Islamic principles, and a deep understanding of the role of this culture is important in understanding the interaction between Islamic banks and society. The establishment of Islamic banks is sociologically related to social systems and entities of public life such as politics, culture, economics, religious beliefs (especially in the manufacturing phase from fiqh to Islamic bank

regulations in Indonesia). The intellectual discourse that grew and developed at that time became its anthropological factor. (Hakim, 2011)

Islamic culture in Indonesia has a strong influence in shaping the acceptance of Islamic banks. People's understanding of Islam and its alignment with sharia principles greatly influences the selection of Islamic bank products. For example, a deeper understanding of sharia law and the prohibition of usury makes people more likely to choose financial products that adhere to these principles, such as home financing without usury. It is no stranger that *riba* is one of the prohibited acts in Islam. One of the seven destructive deeds is usury. The usury eater is like a demonic trance. Usury eaters are challenged by war by the Apostle and Allah. This immorality gets such a harsh threat compared to other immorality. A chaotic economy is the effect of usury. Muslim businessmen will surely beware of this usury trap. (Badri, 2017) (ash-Shawi, al-Mushlih, & Abdullah, 2015)

Local cultural traditions also play an important role in the acceptance of Islamic banks. In rural areas, communities often have traditional financial practices based on deliberation, mutual assistance, and collective agreement. Islamic banks can play a role in supporting or changing this practice. For example, in areas with strong mutual aid traditions, Islamic banks might develop products that support this approach and help integrate it with Islamic principles. One of the principles of Islamic banks is their focus on fairness. Justice according to the Salafs is synonymous with *al-mi'za'n* meaning balance. The establishment of law generally connotes justice. The principle of justice is another principle after monotheism that governs the relationship between the individual and himself, the individual and the individual as well as with society, and with other parties related to this principle of justice. (Praja, 2009)

People's understanding of the principles of sharia is also an important part of the role of culture. This level of understanding varies between individuals and groups, and this study analyzes the extent to which such understanding influences participation in Islamic banks. In other words, the extent to which people's understanding of sharia principles encourages them to use Islamic bank products and services. Research conducted by Hardivizon one of the conclusions said the community's choice of Islamic banks is a factor of religious understanding. Even in Indonesia, the rules have supported the development of the sharia economy by regulating sharia economic conflicts (mainly sharia banking) in the Religious Courts. Law enforcement related to dispute resolution in the economic context of sharia business, as stipulated by Article 52, is within the scope of the authority of the Religious Court. This is in accordance with the absolute authority granted by Law No. 3 of 2006 along with Law No. 4 of 2004. There are a number of factors influencing the implementation of law in the Islamic banking industry, including the availability of adequate human resources, institutional frameworks, community empowerment efforts, the development of effective dispute resolution mechanisms, the establishment of sharia standards in the problem resolution process, as well as policy formulation and the provision of adequate infrastructure. The fullness of all these factors depends on the level of commitment shown by policy makers (political will) in dealing with problems that arise in the economic realm of Islamic business itself. (Hardivizon, Sholihin, & Anrial., 2016)(Mansyur, 2011)

The extent to which local cultural values and Islamic sharia values can be integrated. This integration can be an important factor in the acceptance of Islamic banks by the public. In line with this statement, Syaifuddin said in his research that many researchers from outside Indonesia, such

as Omer, Hegazy Metwally Metawa, Almosawi, Naser, and others, have affirmed that religion has a significant role. Cultural factors can have a significant or not effect on the progress of Islamic banks in a region can be significant or not depending on the culture of the region. . (Syaifuddin, 2016)(Supiani, Rahmat, & Budiman, 2021)

3.2 Social Factors in the Growth of Islamic Banks

The laws governing human relations are called muamalah. Muamalah in a community group in a country is synonymous with Islamic banking. Islamic banking is a form of financial system that operates based on Islamic sharia principles. These principles are based on the teachings of the Islamic religion, especially those contained in the Quran and Hadith (Islamic tradition). Education plays an important role in influencing public understanding and awareness of Islamic banks. (Rozalinda, 2017)

Awareness grew that Islamic banks had differences that created a positive atmosphere among their customers, and as a result, they began to understand that in choosing Islamic banks, prioritizing value considerations, such as religion, was a more blessed act. . Social factors can influence the stance of an individual or community in saving at Islamic banks.(Hardivizon, Sholihin, & Anrial., 2016) (Banowati & Sholeh, 2018)

3.3 Socio-Economic Impact

At the initial stage when customers will choose Islamic banks, there is a tendency for these choices to be motivated by instrumental reasons such as the desire to get higher profits through profit-sharing schemes offered by Islamic banks. (Hardivizon, Sholihin, & Anrial., 2016). It can be seen from the economic stability during the pandemic, the stability of Islamic banks is not much different from conventional banks that are much more experienced for a long time in Indonesia. .(Tahliani, 2020)

3.4 Comparison between Islamic Banks and Conventional Banks

Islamic economic products avoid perjury, fraud in the dose of either weighing or measuring a product. And avoid prohibited products. . In general, the financial performance of Islamic Banking and Conventional Banking during the period 2015-2019 indicates conditions that meet the standards set by Bank Indonesia. However, Islamic Banking showed more positive financial performance compared to Conventional Banking in terms of solvency (CAR), asset quality (NPL), liquidity (LDR), and leverage (DER). On the other hand, Conventional Banking achieves better profitability in terms of ROA and BOPO compared to Islamic Banking.(Mujahidin, 2017) (Putri & Irdianty, 2018)

4. CONCLUSION

In this study, we have explored important aspects related to public acceptance and response to sharia principles in banking through literature study. The results of this study provide valuable insights into how people interpret, accept, and respond to the implementation of sharia principles in their financial activities.

One of the key findings of the study is that the public has a diverse understanding of sharia principles in banking. This understanding is influenced by a variety of factors, including culture,

religion, education, and personal experience. Adherence to sharia principles is often a key consideration for Muslim communities, who want to ensure that their financial activities are in line with their religious beliefs.

The advantages of Islamic banking, such as adherence to Islamic principles, financial fairness, and transparency, are considered as determining factors influencing positive acceptance from the public. Strong transparency in Islamic banking gives confidence to the public and creates a fairer financial environment.

However, challenges also exist. Limited product diversification, difficulties in developing complex products in accordance with Islamic principles, and limited markets are some of the challenges faced by Islamic banking. Quality management and leadership that understands both sharia principles and its business aspects are decisive factors in the success of Islamic banking.

In conclusion, Islamic banking has become an important alternative for people who want to adhere to ethical and moral principles in their financial activities. Understanding people's understanding, acceptance, and response to sharia principles is an important step in the further development of this banking sector. With a better understanding, Islamic banking institutions can develop more effective strategies and products that better suit people's preferences, while policy makers can support the growth of the Islamic banking industry more broadly. Likewise, this study provides a foundation for further research in this field that can more deeply understand the dynamics of Islamic banking and its impact on society and the economy as a whole.

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