

THE BARRIERS AND CHALLENGES TO THE IMPLEMENTATION OF ISLAMIC SHARIA IN THE BANKING INDUSTRY

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Abstract - The growth of Islamic banking is relatively smaller than national banking, which means that there are still obstacles or obstacles that must be conquered by Islamic banking. Although Islamic banking is increasingly recognized in the community, not only by Muslims, but by society at large. The market share of Islamic banks is still very low compared to 87% of the Muslim population in Indonesia, which reaches 230 million people. By using data analyzed using a descriptive qualitative approach, this study explains the obstacles and challenges faced by Islamic banking institutions. One of these obstacles is that the level of trust of the Muslim community in Islamic banks is still low, as well as public concerns about the issue of interest rates and usury in Islamic banking practices.

Keywords: sharia bank, sharia implementation, sharia transaction

1. Introduction

The development of Islamic banks in Indonesia has not shown a significant increase, when compared to the growth of conventional banks. Meanwhile, if you look at the population of Indonesia, which reaches more than 273 million people, of which 87% are Muslim, Islamic banks should have promising development potential.

The slow growth of Islamic banks in Indonesia is a challenge for Islamic financial institutions. The Financial Services Authority (OJK) has classified the challenges faced by Islamic banks. The first challenge faced by Islamic banking is the very low market share, which is considered not comparable to the majority of the Muslim population in Indonesia (Apriyanti, 2017).

The lack of development of Islamic banks in the midst of Muslims, shows that there are problems in the Islamic finance sector. One of these problems is the unprofessional management of Islamic banks. This problem is also strongly influenced by the low literacy factor of Muslims related to Islamic economics. It can be seen that there are still many Muslims who do not understand Islamic economics or do not practice it in daily business and financial transactions (Antonio, 2001). One of the factors that cause the reluctance of Muslims to practice the sharia transaction system in their daily lives is the concern that they will become poor because of it.

These concerns arise regarding usury, interest rates, and the emphasis on the prohibition of interest rates which are identified with usury.

2. Research Method

This study uses a descriptive approach that analyzes secondary data from banking institutions in the form of operational reports, strategic plans, and regulations governing banking operations. The data were analyzed using a descriptive qualitative approach to explain the phenomena that occur in Islamic banking institutions..

3. Results and Discussion

A. Obstacles faced by Islamic banks

In general, Islamic banking is a banking management system that applies sharia principles. According to the Handbook of Islamic Banking, Islamic banking is to provide facilities for obtaining instruments that are in accordance with sharia provisions and norms (Hassan & Lewis, 2007). In the implementation of Islamic banking in the community, the growth of Islamic sharia-based banking institutions is still slow when compared to conventional banking institutions.

When viewed in practice, it turns out that there are many challenges and problems faced in the development of Islamic banks, especially in relation to the implementation of a new banking system and has a very principle difference from the dominant profit system and has developed rapidly at this time (Marimin et al, 2015). This problem is both banking operations and aspects of the macro environment. Among the challenges and problems faced in the development of Islamic banks in Indonesia, are:

1. Capital Financing

Capital is a problem faced by many business actors, including the Islamic banking business. Limited capital often causes the business activities of Islamic banks to not run well. Islamic financial institutions still face capital problems, so this is considered to still hamper the expansion of the range of financing and funding for business actors at lower costs. So we need a third party who can provide capital support. However, it is not easy to get capital support from investors. Problems in fulfilling capital for business actors are caused, among others; first, investors' doubts about the prospects and future success of Islamic banks, so that the funds placed are lost; second, the business calculations of investors who are not based on a sense of *ubudiyah* value so that it seems that they are merely looking for worldly profits and object to having to invest some of their funds in Islamic banks as capital; third, Bank Indonesia regulations in capital placement are relatively high (Sjahdeini, 2014).

2. Banking Regulations

The general function of laws issued by the Indonesian government is to serve the people and meet the needs of the people. This is part of the principle of enactment in a material sense, where the law is the maximum possible means to achieve spiritual and material welfare for society and individuals (Majid, 2014).

The prevailing banking regulations have not fully accommodated the operations of Islamic banks, given that there are a number of differences in the operational implementation of Islamic banks with conventional banks. Existing banking regulations still need to be adjusted to meet sharia provisions so that Islamic banks can operate relatively and efficiently and be able to compete, among others; first, the instruments needed to overcome liquidity problems; second, monetary instruments that are in accordance with sharia principles for the purpose of carrying out the duties of the central bank; third, standardization of accounting, auditing and reporting systems; fourth, regulations governing the precautionary principle. The provisions of these four regulations are needed so that Islamic banks can become the most important elements of the monetary system that can carry out their functions properly, are able to develop and compete (Ainley et al, 2007).

3. Human Resources.

The growth of Islamic banks in Indonesia is not matched by adequate human resources, especially the background of Islamic banking disciplines so that its development is slow. The Islamic banking system has not been known for a long time in Indonesia, besides that educational and training institutions are still limited, so that staff are educated and experienced in the field of Islamic banking, both from the implementing bank and the central bank (bank supervisors and researchers). Human resource development is very much needed because the success of developing Islamic banks at the micro level is largely determined by the quality of management and the level of knowledge and skills in managing the bank. Its human resources require general knowledge in banking, understand the implementation of sharia principles in banking practice and have a commitment to implement them consistently (istiqamah) (Nafis, 2015).

4. Product

Another problem is that Islamic bank products are not varied and cannot be accessed by the public. Access to Islamic bank funding is still lacking in certain sectors, especially infrastructure, agriculture, maritime, and plantations (Sjahdeini, 2014).

5. Limited Literacy

The understanding and concern of the majority of the people regarding the system and principles of Islamic banking is not right, even among Muslim scholars and scholars there is still no agreement to support the existence of Islamic banks (Yulianti, 2015). In fact, there are still scholars who have no firm opinion on the existence of Islamic banks, so it feels less firm. This is because; first, the lack of comprehensive information that reaches scholars and scholars about the dangers and destructive effects of the interest system, especially when the monetary crisis and the economy are hit by sluggishness; second, the undeveloped extent of Islamic Financial Institutions (LKS) so that ulama are in a difficult position to prohibit conventional

financial transactions that have been running and developing widely and which are ingrained in society; third, the in-depth and comprehensive understanding of Islamic bank operations; fourth, intellectual laziness and laziness that tend to be pragmatic so that there is an assumption that the current interest system is already running or does not conflict with sharia provisions. In fact, history recognizes that ulama are not only knowledgeable figures, but also as motivators and motivators for the community. The scholars who are competent in sharia laws have a very large function and role in sharia banking, namely as the Sharia Supervisory Board and the National Sharia Council. The lack of understanding of Islamic banking may be due to the fact that the system and operational principles are relatively new compared to the interest system, and its development is still in its early stages when compared to conventional banks that have already taken a position in the hearts of the people, as well as the reluctance of users of conventional banking services to switch to other banking services. Islamic banks due to the loss of the opportunity to earn a steady income from interest.

6. Dissemination

The socialization that has been carried out in order to fully and comprehensively inform the business activities of Islamic banks has not been carried out as much as possible so that it can be said to be half-hearted. While the responsibility for socialization is not only on the shoulders of Islamic bankers as implementers of daily bank operations, but that responsibility rests on all elements of the ummah both individually, congregations and institutions (Campra, 2000). In other words, those who have the ability and great access in disseminating information must focus, which perhaps the public does not know or understand in detail about what and how the existence and operations of Islamic banks are, even though from the perspective of fiqh they understand very well. The scope of socialization is certainly not just introducing the existence of Islamic banks in a place, but also introducing the mechanisms, products and financial instruments of Islamic banks to the public (Hoetoro, 2018).

7. Usury

Current monetary instruments in financial institutions still refer to the interest system. Meanwhile, in the minds of the general public, the interest system is closely related to usury, which is forbidden in Islamic law. This makes it difficult for Islamic banking to fulfill and support monetary policy and Islamic bank business activities, such as excess/shortage of funds that occur in Islamic banks or the inter-Islamic money market while still paying attention to sharia principles. Bank Indonesia as the determinant of banking policy must prepare monetary instruments in accordance with sharia principles.

8. Public Service

It should be noted that the banking world is always inseparable from competition issues, both in terms of rates / margins provided and services. The results

of the field survey prove that service quality is the first rank why people choose to join a bank. It turns out that conventional banks are competing to always pay attention and improve services to customers, not to mention in this case, of course also for Islamic banks which in their operations are obliged to provide services, of course, elements of good and Islamic service must be prioritized and constantly improved. Of course it must also be supported by the presence of human resources who are quite reliable in their fields, the impression of being dirty, dirty, poor, shabby and appearing perfunctory which has been inherent in Islamic tradition must be removed so that it must be replaced with modern, modified and harmonious nuances as long as it does not conflict with the basic principles of the texts.

9. Non-Islamic Sharia Banks

If it is observed that almost all existing banks, began to develop the Islamic banking system. What opportunities will be achieved, it turns out that Islamic banks thrive like mushrooms in the rainy season. But unfortunately the reality in the field, in practice it can not be expected more to fight for the final value of sharia in practice. There are still banks that are labeled sharia but use the capitalist system. The use of the name sharia is more aimed at reaching Muslim customers. But on the other hand, Islamic bank practitioners have not mastered Islamic practices in the field (Nurfalah et al, 2018).

Evidenced by the comparison of several people who tried to borrow from certain Islamic banks, but what happened turned out to be higher interest rates than conventional banks. This case has happened more or less, and must be followed up, in the long term there must be training on Islamic bank products in their daily practice, or now what is developing is that each bank is looking for alternative supervisors consisting of scholars, or parties who have mastered the rules. sharia products. With this alternative supervisor, the banking transaction process has been supervised by an expert, so that errors that occur in the field can be minimized.

The concept will certainly raise the face of the nation's economy, meaning that it strengthens the economic base of the nation which has so far adhered to the capitalist system. In the long term, it will give understanding to the community, property is no longer private property, but social ownership. From this point of view, of course, bringing back the nation's economy with the ta'awun system, it is hoped that the aghni'a can help lower middle class people (dhuafa) to raise their economic level to a more established level.

B. Solutions to the Problems of Sharia Banking Development

Behind the problems that are currently and will be faced by Islamic banking, of course there are opportunities that will always be promising in front of the eyes, behind these problems a solution must be found (problem solving) so that Islamic banking can answer the nation's economic downturn. Among the solutions that can be followed up collectively are:

1. Correlation of Educational Institutions in the Development of Islamic Banking.

As mentioned above that one of the obstacles to the development of Islamic banks is the existence of human resources, efforts to create reliable and professional human resources in the field of Islamic banking certainly cannot be separated from the role of educational institutions which in this case do play a role as human resources printers. Considering the prospect of Islamic banks in the banking world is promising and very good and even received positive responses from all parties, on the contrary, the development of Islamic banks is still in the growth phase, it is very critical / risky. There is only one option, namely how to realize success or success, with the support of qualified, integrity and moral human resources. Considering that until now there is still a lack of reliable and quality educational institutions / institutions in creating Islamic banking human resources, it's time for all Muslim elements to participate in thinking about its development by preparing reliable and professional human resources through their educational institutions. This solution will certainly answer the shortcomings of Islamic banking academics who have been based on instruments and are more familiar with conventional literature in this way, Islamic banks will certainly gain scientific legitimacy in the community.

2. Government Policy

Seeing the large role of the sharia economy, the Government should pay serious attention, in the form of full support for the practice of sharia banking, one of which is by convincing some parties who are still doubtful about sharia banking which is not only beneficial for Muslims, but also for the people of Indonesia as a whole. as a whole (Schinasi, 2004). The government must participate in encouraging the investment climate of Islamic banks in Indonesia, because it must be the duty and responsibility of the Government to encourage the growth and development of Islamic banking which is currently a demand of the wider community. However, sometimes the government does not seem serious enough to cooperate with the community, especially Muslims in economic matters. Whereas the Muslim community is the majority in this country and recorded an amazing and touching history in fighting for the independence of this republic. History records that it was the ulama and Muslims who often sparked resistance to colonial rule. In terms of the rapid growth and development of the world's Islamic economy, the application of Islamic banking in the Indonesian context often encounters obstacles that come from the nation itself. Even according to Prof. Abdul Manan, not yet fully adequate government regulations in the field of sharia banking as well as solutions to address the problems of developing sharia banks, efforts to realize a more comprehensive law are not yet adequate, in order to be able to interpret the development of sharia banks in the future which requires a gradual banking process (Sumitro, 1997).

It's time for the government to give understanding to those who reject the application of sharia economics which so far have been based on cliché reasons, namely the application of certain religious laws in the life of the Indonesian people, they seem to have a phobia of Islam which will gradually replace the basis

of the Indonesian state. In fact, history records that Indonesian Muslims are big-hearted and humble people who for reasons of national unity are willing to accept the abolition of the first precept clause which reads "and the obligation to carry out Islamic law for its adherents." It should be remembered that with the Islamic economy, there are many benefits that will be obtained not only for Muslims but for the Indonesian people as a whole, such as the entry of very potential foreign investors, especially from Middle Eastern countries which are arguably the richest countries.

Likewise, what is very important is the issue of regulation, the increasingly widespread application of sharia from the financial and capital industry requires regulations that do not conflict with or overlap with the rules of the conventional economic system. Islamic economic actors really hope that regulations for Islamic banking can make it easier for them to expand, not even limit them. The reality on the ground shows that sharia economic actors still face serious challenges to instill sharia principles so that they take root in the national economy and Muslims themselves (Sari, 2013). In this regard, the application of sharia economics must be understood as an integral part of the kaffah implementation of sharia. Our belief in the application of sharia law in the economy has been supported by the application of sharia law in other fields such as the settlement of sharia economic disputes which have been firmly resolved as Article 55 paragraph 2 of Law Number 21 of 2008 concerning Sharia Banking 12 has been annulled by the Constitutional Court through a decision Number : 93/PUU-X/2012 put an end to dualism (choice of forum) in the settlement of sharia economic disputes between the religious courts and the general courts. A good sharia economic theory and system, of course, must put an end to the doubts of dispute resolution.

3. The Real Role of Sharia Economics

The practice of fair sharia banking, which is based on profit sharing, besides being profitable, has also succeeded in attracting customers with indications of very rapid growth. In addition, the practice of the Islamic finance sector is always in accordance with the real sector, whose main actors are the lower middle class (Chapra, 2001). The larger the portion of the Islamic financial sector operating, the larger the real sector operating so that there is no inequality between the real sector and the monetary sector and the narrower the gap between the rich (aghnia) and the poor (masakin). With the growth of the real sector, economic growth can be felt by the community more fairly and equitably. In addition, the sharia sector that cannot be underestimated is the socio-economic role of sharia through its instruments such as zakat, infaq, alms and waqf. Through optimal management, it has great potential to overcome various problems of the nation, both economic and social.

4. Network.

The development of a sharia bank office network is needed in order to expand the range of services to the community. In addition, the lack of existing Islamic banks also hampers the development of cooperation between Islamic banks. The wide

number of bank office networks will also increase business efficiency and increase competition towards improving the quality of public services and encouraging innovation in sharia banking products and services.

Network development can be done with several options; first, improving the quality of Islamic Commercial Banks and Sharia Rural Banks that have been operating; second, changes in the business activities of conventional banks that have good business conditions and are interested in conducting bank business activities based on sharia principles; third, the opening of a sharia branch office (full branch) for conventional banks that have good business conditions and are interested in conducting business activities based on sharia principles (Rivai and Ismail, 2013).

3. Conclusion

In developing the Islamic banking system in Indonesia, there are quite a number of obstacles faced by Islamic banks, namely the low level of Sharia working capital financing, the lack of strict regulations in the banking sector for sharia banking activities, and the lack of human resources who understand the legal principles in the banking system. sharia banking, the limitations of available bank products, the low level of understanding and concern of Muslims towards Islamic banks, the socialization of sharia banking which is half-heartedly carried out by the government, the existence of usury elements in the practice of bank interest rates, the low level of public services, and the public perception that Islamic banks have not carried out their activities according to sharia.

To overcome these obstacles, solutions to problems in the development of Islamic banking can be provided, namely by encouraging the correlation of educational institutions in the development of Islamic banking, increasing the government's attention to the existence of Islamic banking, emphasizing the real role of the Islamic economy, and building networks between financial institutions. .

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