

The Profit-Sharing System in Financing Islamic Banking

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ABSTRACT: Sharia Banking is a business entity that carries out the function of collecting funds from parties with a surplus of funds and then channeling them to parties with a deficit of funds and providing other financial services based on Islamic sharia principles. This article analyzes. This type of research uses normative legal research, using a conceptual approach and a statutory approach as well as the Koran and hadith, primary and secondary. Legal materials obtained and analyzed qualitatively and then presented descriptively. The article aims to explain in general, the principles of sharia financing business activities include justice ('adl), balance (*tawazun*), *kemashlahatan* (*maslahah*), *universalism* (*alamiyah*), and do not contain *gharar*, *maisir*, *usury*, *zhulm*, *risywah*, and other haram objects. Financing or financing is funding provided by one party to another to support planned investments, both carried out by themselves and institutions. In other words, financing is funding issued to support planned investments. Law Number 10 of 1998 states that financing based on sharia principles is the provision of money or bills that are equated with it based on an agreement or agreement between a bank and another party that requires the financed party to return the money or bill after a certain period of time in return or profit sharing.

Keywords: banking, financing, profit-sharing system, Islamic finance, conceptual approach.

I. INTRODUCTION

Shari'ah banks are financial intermediary institutions whose operations are free from elements prohibited by Islam, namely *maysir*, *garar*, *riba*, *risywah*, and *batil*. Thus, this is different from conventional banks whose operational activities use the principle of interest, which most scholars say is the same as usury. Banks become a forum for financial services mediators (financial intermediary), whose main task is to collect funds from the public, it is hoped that these funds can meet the needs of financing funds that are not provided by the two previous institutions, both state and private forums. In the activity of channeling funds, sharia banks make investments and financing. It is called investment, because the principle used is the principle of investing funds or participation, and the profit will be obtained depending on the performance of the business that is the object of the participation in accordance with the profit-sharing ratio agreed beforehand. It is called financing because sharia banks provide funds to finance the needs of customers who need it and deserve it. As is known, Islamic banks do not recognize the concept of interest in their benefit sharing system for customers. Instead, Islamic banks apply the principle of profit sharing or *nisbah*. Through *nisbah* or profit sharing, the bank and the customer will get legal benefits in Islamic sharia so that they can avoid the origin of usury.

Every sharia financial forum has a philosophy of seeking the pleasure of Allah swt. To obtain virtue in the global and hereafter. Therefore, any financial forum activity that is feared to deviate from the guidance of trust must be avoided. The following is the philosophy that must be applied by sharia banks in carrying out their operations.

- Keeping away from the element of usury, by way of:
Avoiding the use of systems that predetermine the success of a venture. This is in accordance with Allah's words in Q.S. Luqman [31]: 34
"Verily, Allah, with Him alone is the knowledge of the Day of Resurrection, and it is He who sends down the rain, and knows what is in the womb. And, no one can know (with certainty) what he will do tomorrow. And, no one can know on which earth he will die. Verily, Allah knows best." (Q.S. Luqman [31]: 34)
 - Avoiding the use of a percentage system for charging fees on debts or giving rewards on savings that contain the element of automatically multiplying the debt/savings just because of the passage of time. This is as explained in Q.S. Ali Imran [3]: 130: "O you who believe, do not eat usury with double and fear Allah so that you may have good fortune." (Q.S. Ali Imran [3]: 130)
 - Avoiding the use of the system of trading/leasing *ribawi* goods in exchange for other *ribawi* goods by obtaining excess, both quantity and quality.
 - Avoiding the use of systems that stipulate in advance an additional debt that is not voluntarily incurred by the debtor.
- Implementing a profit-sharing system in its trade, with reference to Q.S. al-Baqarah [2]: 275: Those who eat (take) usury cannot stand but as one possessed by a demon because of insanity. This is because they say. Verily, buying and selling is the same as usury, whereas Allah has made buying and selling lawful and usury unlawful. And as for those to whom the prohibition of their Lord has come, and they cease (from taking usury), then to them belongs what they had taken (before the prohibition came), and their affair is (up to) Allah. But whoever returns (to usury), those are the inhabitants of hell, and they shall abide therein. (Q.S. al-Baqarah [2]: 275)

II. LITERATURE REVIEW

Principles of Financing: Conventional financing lends money to the needy and takes a profit in the form of interest and fees by charging interest on the borrowed money. The principle eliminates this kind of transaction and turns it into financing by not lending money to the customer, but financing the customer's project. Typically, in the business of financing principles, there are three schemes in conducting contracts in Islamic banks.

Profit sharing principle the financing facilities provided here are in the form of cash or goods valued in money. In terms of amount, it can provide up to 100% of the required capital, or it can also be only partly in the form of a joint venture between the bank and the entrepreneur (customer). In terms of profit sharing, there are two types of profit sharing (depending on the agreement), namely revenue sharing or profit sharing. As for the percentage of profit sharing, it is known as *nisbah*, which can be agreed with the customer who gets the financing facility at the time of the financing contract. This profit-sharing principle is found in products:

- *Mudharabah*, which is an uaha cooperation contract between two parties in which the first party (sahib al-mal) provides all (100%) of the capital, while the other party becomes the manager. The profit of the business in mudharabah is divided from the agreement stated in the contract, while if the loss is borne by the owner of the capital as long as the loss is not due to the negligence of the manager. If the loss is caused by fraud or negligence of the manager, then the manager must be responsible for the loss (Antonio, 2001).
- *Musyarakah*, which is a cooperation contract between two or more parties for a certain business in which each party contributes funds (or charity/expertise) with the agreement that the profits and risks will be shared in accordance with the agreement.
- *Muzara'ah*, which is a contract of cooperation or mixture of agricultural processing between the landowner and the cultivator with a profit-sharing system based on the results of the harvest. The types of muzara'ah are:

- (a) *muzara'ah*, which is a land cultivation cooperation in which the seeds come from the landowner;
- (b) *mukhabarah*, which is a land cultivation cooperation in which the seeds come from the cultivator.

This principle is a system that applies the procedure of buying and selling, where the bank will first buy the goods needed or appoint the customer as an agent of the bank to purchase goods on behalf of the bank, then the bank sells the goods to the customer at a price of the purchase price plus profit (margin / mark-up). This principle is implemented because of the transfer of ownership of goods or objects. The bank's profit rate is set in advance and becomes part of the price of the goods traded. This principle is found in the products:

- *Bai'al-Murabahah*, which is a sale and purchase agreement for certain goods. In the sale and purchase transaction, the seller clearly states the goods being traded, including the purchase price and the profit taken.
- *Bai'al-muqayyadah*, which is a sale and purchase where the exchange takes place between goods and goods (barter). This kind of sale and purchase application can be done as a way out for export transactions that cannot generate foreign exchange (foreign exchange).
- *Bai'al-mutlaqah*, which is an exchange between goods or services with money. Money acts as a medium of exchange. This kind of sale and purchase animates all financial institution products based on the principle of sale and purchase.
- *Bai'as-salam*, which is a sale and purchase contract in which the buyer pays money (at the price) for goods that have been specified, while the goods being traded will be delivered later, namely on an agreed date.
- *Bai'al-istisna*, which is a sale and purchase contract in which the price of the goods is paid in advance, but can be paid in installments according to a mutually agreed schedule and terms, while the goods purchased are produced and delivered later.

Lease principles in addition to the sale and purchase contracts previously described, there are also lease contracts implemented in sharia banking. This principle consists of two types of contracts, namely:

- *Ijarah* agreement, which is a transfer of the right to use goods or services through payment of rental fees without being followed by the transfer of ownership (ownership / *milkiyah*) of the goods themselves.
- *Akad ijarah muntabihabi at-tamlik*, which is a type of combination of sale and lease contract or more precisely a lease contract that ends with the ownership of the goods in the hands of the tenant. The nature of this transfer of ownership also distinguishes it from ordinary *ijarah*.

The types of financing products in Islamic banking are,

- Sharia working capital financing, namely financing provided by the company to finance its business working capital needs based on sharia principles in one business cycle.
- Sharia investment financing, namely the investment of funds with the intention of obtaining benefits or profits in the future or can be called

III. MATERIAL AND METHOD

This research is a type of normative research, this research design is an empirical study, empirical used to estimate the casual impact of an intervention on the target population without random assignment (Cook & Campbell, 1979). Purposive sampling was used as a method in selecting the subjects of this study. This method is also known as judgmental, selective or subjective sampling. It is a sampling technique in which the researcher relies on his or her own judgment when selecting members of the population to participate in the study (Lewin, 2019). The purpose of this research is to analyze the profit-sharing system in Islamic banking financing, where the implementation is adjusted to the rules in Islamic banking, also examined the writings of experts contained in the literature. as well as from the Qur'an and hadith. This approach covers two fields of science, namely Islamic law and civil procedural law.

The main differences between Islamic banks and conventional banks consist of several things. Islamic banks do not implement the interest system in all their activities, while conventional banks use the interest system. This has a very deep effect and is very influential in the operational aspects and products developed by the Islamic bank. Islamic banks emphasize the work system and partnership, togetherness, especially the readiness of all parties to various including in matters of profit and loss.

Profit Sharing Arrangements in Islamic Banking Financing: If we examine the legal provisions regarding the provision of Islamic Bank products mentioned above, we will return to the provisions of the Law on Banking No. 10 of 1998, where in this law revisions have been made to several articles that are considered important and are legal rules freely using the term sharia by no longer using the term profit sharing. Among these provisions include:

- Article 1 paragraph (12) states: "Financing based on sharia principles is the provision of money or bills that are equated with it based on an agreement or agreement between a bank and another party that requires the financed party to return the money or bill after a certain period of time in return or profit sharing.
- Article 1 paragraph (13) reads: "Sharia principles are the rules of agreement based on Islamic law between banks and other parties to save funds and finance business activities, or other activities that are stated to be in accordance with sharia, including financing based on the principle of profit sharing (*mudharabah*), financing based on the principle of equity participation (*musharakah*), the principle of buying and selling goods with profit (*murabahah*), or financing capital goods based on the principle of pure lease without option (*ijarah*), or with the option of transferring ownership of goods leased from the bank by other parties (*ijarah waiqtina*).\" (Article 1 paragraph (13).
- The provisions of Article 6 letter m are amended, so that Article 6 letter m reads as follows "Providing financing and or conducting other activities based on Sharia Principles, in accordance with the provisions stipulated by Bank Indonesia".
- The provisions of Article 13 letter c are amended, so that Article 13 letter c reads as follows "Providing financing and placement of funds based on Sharia Principles, in accordance with the provisions stipulated by Bank Indonesia".

To implement the law, a Decree of the Board of Directors of Bank Indonesia on Commercial Banks and Rural Banks was issued in 1999, including Commercial Banks Based on Sharia Principles and Rural Banks Based on Sharia Principles. The rules relating to Commercial Banks Based on Sharia Principles are set out in the Decree of the Board of Directors of Bank Indonesia No. 32/34/KEP/DIR dated May 12, 1999, namely:

- Article 1 letter a state: "Bank is a Commercial Bank as referred to in article 1 number 3 of law No.7 of 1992 concerning Banking as amended by law No.10 of 1998, which conducts business activities based on Sharia Principles".
- Article 1 letter g states: "Business activities based on Sharia Principles are banking business activities conducted based on Sharia Principles as referred to in article 1 number 13 of law No.7 of 1992 on Banking as amended by law No.10 of 1998".
- Business activities, article 28 states that: "Banks must apply Sharia Principles in conducting their business activities which include:

Collecting funds from the public in the form of deposits which include (1) current accounts based on the principle of *wadi'ah*, (2) savings based on the principles of *wadi'ah* or *mudharabah*, (3) time deposits based on the *wadi'ah* principle or other forms based on the principles of *wadi'ah* or *mudharabah*.

Distributing funds through (1) sale and purchase transactions based on the principles of: *Murabahah*, *Istishna*, *Ijarah*, *Salam* (delivery), and other sale and purchase. (2) Profit sharing financing based on the principles of: *Mudharabah*, *Musyarakah*, and other profit sharing. (3) Other financing based on the principles of: *Hiwalah*, *Rahn*, and *Qard*.

- To purchase, sell and/or guarantee at its own risk third party securities issued on an undertransaction basis based on the principles of sale and purchase or *hiwalah*.
- To purchase government and/or Bank Indonesia securities issued on the basis of Sharia Principles.
- To transfer money or own interests and/or customers based on the principle of *wakalah*.
- Receiving payment of bills for securities issued and making calculations with or between third parties based on the principle of *wakalah*.
- To provide a place to store goods and securities based on the principle of *wadi 'ah yad amanah*.
- To carry out custodial activities including its administration for the benefit of other parties based on a contract with the principle of *wakalah*.
- Placing funds from customers to other customers in the form of securities that are not listed on the stock exchange based on the principle of *ujr*.
- Providing letter of credit (L/C) facilities based on the principles of *wakalah*, *murabahah*, *mudharabah*, *musyarakah* and *wadi 'ah*, and providing bank guarantee facilities based on the principle of *kafalah*.
- Conducting debit card business activities based on *ujr* principles.
- To conduct trustee activities based on the principle of *wakalah*.
- Performing other activities commonly conducted by banks as long as approved by the National Shariah Council.
- Article 29 states "In addition to conducting business activities as referred to in article 28, banks may also (1) conduct activities in foreign exchange based on Sharia principles. (2) To carry out capital participation activities based on the principles of *musyarakah* and/or *mudharabah* in other banks or companies that carry out business activities based on Sharia Principles. (3) Conducting temporary equity participation activities based on the principles of *musyarakah* and/or *mudharabah* to overcome the consequences of financing failure under the condition that the equity participation must be withdrawn. (4) Acting as a founder of a pension fund and administrator of a pension fund based on Sharia Principles in accordance with the provisions of the applicable pension fund legislation. (5) The Bank may act as a *baitul mal* institution by receiving funds from *zakat*, *infaqshadaqah*, *waqaf*, grants or other social funds and channeling them to those entitled to compensation and/or benevolent loans (*qardulhasan*).

These positive legal bases are used as a foothold for Islamic banks in Indonesia in developing their products and operations. Based on these positive laws, Islamic banks in Indonesia actually have the freedom to develop products and operational activities.

IV. FINDINGS AND DISCUSSION

1. IMPLEMENTATION IN FINANCING IN ISLAMIC BANKING

In the implementation of financing, sharia banks must fulfill two very important aspects, namely:

- Shari'i aspect, where in every realization of financing to customers, shari'ah banks must remain guided by Islamic shari'ah, including not containing elements of *maysir*, *garar*, *usury*, and the business field must be *halal*.
- Economic aspects, namely by continuing to consider the acquisition of profits, both for sharia banks and for sharia bank customers.

In general, the principles of Islamic financing business activities include justice ('*adl*), balance (*tawazun*), benefit (*maslahah*), universalism (*alamiyah*), and do not contain *gharar*, *maisir*, *usury*, *zhulm*, *risywah*, and other haram objects. In addition, there are various contracts used in Islamic financing according to the business activities carried out. However, there are several contracts that are commonly recognized in Islamic financing including:

- *Murabahah*, which is a sale and purchase contract of an item by confirming the purchase price (acquisition price) to the buyer and the buyer pays more (margin) as profit in accordance with the agreement of the parties;
- *Mudharabah*, which is a business cooperation contract between two parties in which the first party (shahib mal) provides all the capital, while the second party (mudharib) acts as the manager, and the business profits are shared between them according to the agreement of the parties, the mudharabah principle is divided into two, namely (1) *Mudharabah mutlaqah*, there are no restrictions for the bank in using the funds raised. The customer does not give any requirements to the bank as to what business the deposited funds should be channeled to, or stipulate the use of certain contracts, or require the funds to be reserved for certain customers. So, the bank has full freedom to channel the URIA funds to any business that is estimated to be profitable. (2) *Mudharabah Muqayyadah*, this type of *mudharabah* is a special deposit (Restricted Investment) where the owner of the funds can set certain conditions that must be obeyed by the bank. For example, it is required to be used for certain businesses, or required to be used with certain contracts, or required to be used for certain customers.
- a. *Ijarah*, which is a contract for the transfer of use rights (benefits) of an item within a certain period of time with rental payments (*ujrah*), without being followed by the transfer of ownership of the item itself.

2. FUNDING DISTRIBUTION

In channeling funds to customers, Islamic financing products are broadly divided into four categories which are distinguished based on their intended use, namely: 1) Financing with the principle of buying and selling, 2) Financing with the principle of rent, 3) Financing with profit-sharing principles, 4) Financing with complementary contracts.

1) Sale and Purchase Principle (Ba'i)

The principle of sale and purchase is implemented in connection with the transfer of ownership of goods or objects (transfer of property). The bank's profit level is determined in advance as part of the price of the goods sold. Sale and purchase transactions can be distinguished based on the form of payment and the time of delivery of the goods, namely as follows.

a) *Murabahah* financing

Murabahah (*al-bai bi tsaman ajil*) is better known as just *murabahah*. *Murabahah* comes from the word *ribhu* (profit), is a sale and purchase transaction in which the bank mentions the amount of profit. The bank acts as the seller, while the customer is the buyer. The selling price is the bank's purchase price from the supplier plus profit (margin).

Both parties must agree on the selling price and payment term. The selling price is stated in the sale and purchase contract and if it has been agreed, it cannot be changed during the validity of the contract. In *murabahah* banking, it is always done by paying in installments (*bi tsaman ajil*, or *muajjal*). In this transaction, the goods are delivered immediately after the contract, while payment is made in installments.

b) Salam financing is a sale and purchase transaction in which the goods being traded do not yet exist. Therefore, the goods are delivered on a deferred basis while payment is made in cash. The bank acts as a buyer, while the customer as a seller. At first glance, this transaction is similar to *ijon* sale and purchase, but in this transaction the quantity, quality, price, and delivery time of the goods must be determined with certainty.

In banking practice, when the goods have been handed over to the bank, the bank will sell them to the customer's partners or the customer himself in cash or in installments. The selling price set by the bank is the bank's purchase price from the customer plus profit. In this case the bank sells it in cash, usually called bridging financing. Meanwhile, in the event that the bank sells it in installments.

c) *Istishna'* Financing

Istishna' products resemble *salam* products, but in *istishna'* the payment can be made by the bank in several payments (terms). The *istishna'* scheme in Islamic Banks is generally applied to manufacturing and construction financing. The general provisions of *Istishna'* Financing are that the specifications of the ordered goods must be clear such as type, size, quality and quantity. The agreed selling price is stated in the *Istishna'* contract and may not change during the validity of the contract. If there is a change in the order criteria and there is a change in price after the contract is signed, all additional costs will still be borne by the customer.

2. Lease principle (*jarah*)

Ijarah transactions are based on the transfer of benefits. So basically, the principle of *ijarah* is the same as the principle of buying and selling, but the difference lies in the object of the transaction. If in buying and selling the object of transaction is goods in *ijarah* the object of transaction is services. At the end of the lease period, the bank may sell the leased goods to the customer. Therefore, in Islamic banking, *ijarah vomhiyah bittamlik* (lease followed by transfer of ownership) is known. The rental price and selling price are agreed upon at the beginning of the agreement. Profit sharing principle (*shirkah*) - sharia financing products based on the principle of profit sharing are as follows:

- a) *Musyarakah* financing, a common form of profit-sharing business is *musyarakah* (*shirkah* or *syarikah*). *Musyarakah* transactions are based on the desire of the cooperating parties to increase the value of the assets they own together. All forms of business involving two or more parties in which they jointly combine all forms of resources, both tangible and intangible.
- b) *Mudharabah* Financing, specifically, there is a form of *musyarakah* that is popular in Islamic banking products, namely *mudharabah*. *Mudharabah* is a form of cooperation between two or more parties in which the owner of capital to the manager (*mudharib*) with an agreement on the distribution of capital.

The essential difference between *musyarakah* and *mudharabah* lies in the amount of contribution to management and finance or one of them. In *mudharabah*, capital comes from only one party, whereas in *musyarakah* capital comes from two or more parties. *Musyarakah* and *mudharabah* in *fiqh* literature take the form of a trust agreement (*uqud al-amanah*) which demands a high level of honesty and upholds justice. Therefore, each party must maintain honesty for the common good and any attempt by each party to commit fraud and injustice in the distribution of income will actually damage the teachings of Islam.

3. OTHER BANKING SERVICES PRODUCTS

Other banking service products are banking services where Islamic banks receive rewards for banking services outside their main function as financial intermediaries. *Wakalah* or representation, means handover, delegation or mandate. Namely, the bank is given a mandate by the customer to carry out a matter in accordance with the mandate / request of the customer. In technical banking, *wakalah* is a contract of authorization from an institution / person (as a mandate giver) to another party (as a representative, in this case the bank) to represent him to carry out affairs with a limit of authority and within a certain time. All rights and obligations carried out by the representative must be on behalf of the authorizer. The bank and the customer stated in the power of attorney contract must be legally capable. *Kafalah* is a guarantee given by the insurer to a third party to fulfill the obligations of the second party or the insured. In another sense, *kafalah* means transferring the responsibility of someone who is guaranteed by holding on to the responsibility of another person as a guarantor (QS. Yusuf 12: 72). In technical banking, *kafalah* is a customer guarantee service where the bank acts as a guarantor (*kafil*) while the customer is the guaranteed party (*makfullah*). This sharia is the basis for bank guarantee services, which guarantee payment of a payment obligation. The bank may require the customer to place some funds for this facility as collateral. For these

funds, the bank can treat them with the *wadiah* principle. In this case, the bank gets a reward for the services provided.

Sharf, foreign exchange buying and selling banking services are in line with the *sharf* principle. The sale and purchase of currencies that are not similar, the delivery must be made at the same time based on the selling rate or buying rate that applies at that time (spot transaction). Types of services based on spot transactions are: today, tomorrow, and spot. Islamic banks do not serve forward, swap, and option transactions in which hedging is applied as explained above. Because these transactions are delivered in the future and contain elements of speculation.

Qardh is the giving of assets to others that can be collected or requested again. According to banking techniques, *qardh* is the provision of loans from banks to customers that are used for urgent needs, such as bailout funds with certain criteria and not for consumptive loans. The return of the loan is determined within a certain period of time (according to mutual agreement) at the amount of the loan without any additional profit and payment is made in installments or at once. The bank may ask the borrower for collateral for this loan (QS al-Hadid 57:11).

Rahn is holding one of the borrower's assets as collateral for the loan he receives. The purpose of the *rahn* contract is to provide a guarantee of repayment to the bank in providing financing. In simple terms, *rahn* is a guarantee of debt or pawn. Usually, the contract used is a *qardh wal ijarah* contract, which is a loan contract from the bank to the customer accompanied by the assignment of a task for the bank to protect the collateral submitted. The goods that are pawned must meet the criteria, namely the customer's own property; have economic value so that the bank gets guarantee to be able to take all or part of the debt; must be clear in size, nature, and value determined based on the real market value; can be controlled but may not be used by the bank.

Hiwalah is a transaction to transfer debts and receivables. In Islamic banking practice, *hiwalah* facilities are usually used to help suppliers obtain cash capital so that they can continue their production. The bank is reimbursed for the cost of debt transfer services. To anticipate the risk of loss that will arise, the bank needs to conduct research on the ability of the debtor and the correctness of the transaction between the transferor and the debtor. Let's say a supplier of building materials sells his goods to a project owner who will be paid two months later. Due to the supplier's need for liquidity, he asks the bank to take over his receivables. The bank will receive payment from the project owner.

The *ijarah* agreement is not only the sharia basis for financing products, namely installment rent, but also the basic principle in other banking services, including the rental service of a safe deposit box (SDB). The bank gets a rental fee for the service.

Akad al-wadiah in addition to being the sharia basis for savings products, including current accounts, is also the basic principle of document administration services (custodian). The bank gets a reward for these services.

4. LEGAL CONSEQUENCES OF DEFAULT IN FINANCING ACTIVITIES IN ISLAMIC BANKING

It is a common practice in banking practice, as in other business practices, that for the provision of a financing facility or other banking services, the correlation between banks (including sharia banks) and their customers is always set out in a written agreement (Wulandari, 2015). If the legal relationship between the bank and its customers is set forth in an agreement, then for the legal relationship the provisions and conditions set forth in the agreement apply. In banking practice for legal relations for exclusive services, banks also provide general provisions and conditions that the validity of these provisions and conditions is based on a statement signed by the customer or based on an agreement between the bank and the customer which contains a statement that the customer is subject to the provisions and conditions of the lay. Sometimes the terms and conditions are registered at a notary office. With the submission by the customer to the general terms and conditions based on the statement or agreement, then if there is a difference of opinion regarding

the legal relationship between the sharia bank and the customer, both parties will refer to these terms and conditions.

In this regard, there are at least two kinds of dispute resolution methods between the sharia bank and the customer, namely dispute resolution through the court, in this case the general court and completing the dispute resolution process through arbitration (Rashid, 2015). Conventionally, dispute resolution is generally done through litigation or concurrency resolution before the Court. In such circumstances, the position of the parties to the dispute is very antagonistic (opposing each other). Concurrency settlement is not recommended. Even if it is eventually pursued, the settlement is merely an ultimatum remedial after other alternatives have been evaluated to no effect. The concurrency settlement process, which takes a long time, causes the company or the parties to the dispute to experience uncertainty. Such a settlement method is not accepted by the business world because it is not in sync with the demands of the times. The settlement of business disputes through the judicial forum is not always fairly favorable to the interests of the parties to the dispute.

In contrast to Conventional Banking, if in Islamic banking there is a dispute or dispute between the bank and its customers, for example in financing activities, then there are alternatives in resolving the dispute. The parties to the dispute can settle in a public court or in an arbitration body that carries out material law based on sharia (Cahyadi, 2011). In current practice, in every deed of agreement between Islamic Banks using their business partners, they always include a clause that if there is a dispute between Islamic banks using customers including in financing activities, the dispute will be resolved through the Indonesian *Muamalat Arbitration Board* (BAMUI). It should be noted that since the establishment of the Indonesian *Muamalat Arbitration Board* (BAMUI) in 1994, there have been approximately 5 (five) cases/business disputes submitted to and decided by the Indonesian *Muamalat Arbitration Board* (BAMUI) where the legal decision of the Indonesian *Muamalat Administrative Board* (BAMUI) is determined and registered by the District Court where the BAMUI is domiciled. However, after Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution came into force, the legal decision of BAMUI is determined and registered at the District Court where the parties to the dispute (defeated) are domiciled.

V. CONCLUSION

In the application of financing, sharia banks must fulfil two very important aspects. First, the shar'i aspect, where in every realization of financing to customers, sharia banks must be permanently guided by Islamic law (among others, it does not contain elements of *maysir*, *garar*, *usury*, and the business field must be halal). Second, the economic aspect, which is to continue to consider the acquisition of profits, both for sharia banks and for sharia bank customers. Simply put, profit sharing provided in Islamic banks is a substitute for the interest method in conventional banks. In the profit-sharing concept, Islamic financial institutions and customers will share profits and risks together. This is a special attraction for customers who want to avoid the practice of usury as forbidden in Islam. The provision of profit sharing also has definite rules according to the fatwa of the Indonesian Ulema Council (MUI), the rules of the Financial Services Authority (OJK), and the provisions of the banking company itself.

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