Conversion of Conventional Bank Into Sharia Bank in Maqashid Sharia Perspective

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Abstract
Maqashid al-syariah is a number of good goals that Islamic sharia wants to achieve by allowing or prohibiting something. This research aims to analyze the benefits of converting a conventional bank operational system to a sharia bank from a sharia maqasid perspective. This research uses a type of library research and is qualitative in nature. Then the research data was analyzed descriptively-qualitatively in order to obtain a complete picture of the problems studied. The research results show that the urgency of converting conventional banks to sharia banks is because a number of ulama believe that interest is the same as usury and is haram, so Muslims must die. The benefits of converting a conventional bank into a sharia bank are in order to realize the maqashid of sharia, namely maintenance, religion, soul, mind, property and descendants.

Keywords: Maqasid sharia, conversion, conventional banks, sharia banks.

Abstrak
Maqashid al-syariah is a number of good goals that Islamic sharia wants to achieve by allowing or prohibiting something. In this case, bank interest according to MUI Fatwa No. 1 of 2004 includes usury and is haram, which must be abandoned. One of the differences between conventional banks and Islamic banks is in terms of operations and is most prominently seen in the application of the interest system. Conventional banks use interest rates as a basic reference and profit while Islamic banks do not use an interest system, but profit sharing or nisbah. Profit sharing is obtained from profit sharing and involves buying and selling activities between the bank and customers. Interest is a liability for borrowing money, which is usually expressed as a percentage of the money lent. Bank interest is intended as a form of remuneration provided by the bank to depositors of funds. Meanwhile, interest is given to borrowers. The purpose of giving and collecting interest is as compensation for the operation of the money taken or saved. The amount of interest is usually around 1-2 ½% of the principal capital each month.

Efforts to avoid the interest system by making conversions to the management system. The conversion of a conventional bank to a sharia bank means changing the business activities of a conventional bank into a sharia bank. This

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change was carried out in a formal legal manner\(^7\) and the mechanism complies with comprehensive banking regulations.\(^8\) Changes in the banking system are not only from a formal legal perspective but also in substance, conversion of the banking system must always be centered on several mechanisms, such as: banking operational systems, supervision, management (corporate governance), financial performance, financial structure and human resources owned by the bank.\(^9\) Apart from that, the conversion process, changing the name to include the word "syariah" is important from the perspective of guaranteeing halalness and branding of a product.\(^10\)

In Indonesia, there are 2 (two) ways to convert a conventional bank into a sharia bank, namely: First, by separating (Spin Off) the sharia business unit from its parent (conventional bank) to become a sharia bank. Second, convert the conventional bank (its parent) and its sharia business unit completely into a sharia bank.\(^11\) The essence of this change is that it makes it possible for conventional banks or conventional bank branches to provide services based on sharia principles without the need to first establish a UUS, but only provides a special unit in the bank.\(^12\)

B. The urgency of converting conventional bank management systems to sharia banks

1. Bank Interest Law

The Muslim community's understanding of bank interest is very diverse. According to the consensus of ulama among all schools of fiqh that interest in all its forms is included in the category of usury without distinguishing between consumer or productive loans, between personal and commercial loans, or whether the borrower is the government, private individual or company and does

\(^7\) Ahmad Ifham Sholihin, *Buku Pintar Ekonomi Syariah*, cet. 1, (Jakarta: PT. Gramedia Pustaka Utama, 2010), hlm. 420.


not differentiate between low interest rates and low interest rates tall. This means that every mu’amalah (economic) activity that has an element of usury is haram and not in accordance with Islamic teachings, as is the opinion of Abul A’la al-Maududi, Sayyid Qutub, Muhammad Abd Al-Arab, Muhammad Abi Zahra, Abdul Manan, Wahbah al-Zuhaili, Yusuf al-Qardhawi, results of the second OIC session in Karachi Pakistan, in December 1970, MUI Fatwa No.1 of 2004 concerning Interest. And the two major Islamic organizations in Indonesia are Muhammadiyah and Nahdatul Ulama (NU) and both have issued a Fatwa regarding the prohibition of bank interest which is equated with usury. The method of determining the law or istinbath al-ahkam istinbath al-ahkam used by Yusuf al-Qaradawi in determining the legal status of interest, namely based on the Al-Qur’an, hadith, Ijma’ or consensus, qiyas or analogy and the rules of jurisprudence, especially the rules relating to intention.

Understanding the prohibition of bank interest has implications for increasing the market share of sharia banks, especially in Indonesia, for example Bank Muamalat, Bank Syariah Mandiri (BSM), BNI Syariah, BRI Syariah. The three Sharia Banks mentioned above were merged into Bank Syariah Indonesia (BSI) on February 1 2021. Apart from that, the conversion of conventional banks into sharia banks is often carried out by regional development banks or Regionally

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13 Ismail Pane, et al, Fiqh Mu’amalah Kontenporer, (Aceh : Yayasan Penerbit Muhammad Zaini, 2022), hlm. 84
16 Annisa Eka Rahayu dan Nunung Nurhayati, Telaah Kritis Pemikiran …, hlm. 66.
19 Didin Hafifudin, Islam Aplikatif, Cet, I, (Jakarta: Gema Insani Press,2003), hlm. 73
20 Nurhadi, Konversi Bank Riau, hlm 276
21 Fahruddin Mansyur dan Hasanuddin, Bunga Bank Di Sulawesi Selatan (Muhammadiyah dan NU), Jurnal Hukum Ekonomi Syariah, Vol 1, No.2, (September 2017):123-134
22 Annisa Eka Rahayu, et al, Perbandingan Konsep Riba …, hlm. 1191
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Owned Public Bodies, such as Bank Aceh in 2016, Bank NTB Regional Development (BPD) on September 4, 2018, and Bank Riau Kepri with the Decree of the Members of the Board of Commissioners of the Financial Services Authority Number KEP-93/D.03/2022 date July 4, 2022. And after conversion, some Muslims are reluctant to save money in conventional banks because they consider saving in conventional banks to be haram and prohibited by Islam, and people make decisions to use sharia banking products. This was followed by the birth of Sharia Financial Institutions, such as Sharia Pawnshops, Sharia Insurance, Sharia hotels, Sharia Mutual Funds and so on.

The conversion of conventional banks to sharia banks is a form of strengthening and increasing awareness of the Indonesian Muslim community in using halal products and leaving behind the stigma of making transactions with bank interest. Apart from that, it is caused by sharia compliance, sharia banking performance, and customer needs for sharia products, and the desire to

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implement Islamic sharia in a good manner.\textsuperscript{32} This shows that the conversion of conventional banks to sharia banks is very important to avoid usury which is prohibited.

Some argue that bank interest is acceptable. It is not the same as usury and the law is halal, as in the opinion of Muhammad Sayyid Thantawi and M. Quraish Shihab. The method of determining law or istinbath al-ahkam used is based on mashlahah, qiyas, and consensual principles or antardhin principles.\textsuperscript{33} According to Abdullah Saeed, a modernist cleric, that usury which is forbidden by Islam is usury which causes injustice (zalim) and does not cause bad consequences which is based on the proposition of lā taźlimūna wa lā tuźlāmūn (you neither wronged nor were you wronged). As long as bank interest does not cause injustice between the debtor and the creditor and has bad consequences, then bank interest is permissible.\textsuperscript{34} What’s more, interest is collected for production or trying to make a profit and does not involve extortion.\textsuperscript{35}

In Muslim economic activities, especially banking activities, it is very difficult to avoid bank interest, such as activities for home loans, cars, motorbikes, business capital and so on.\textsuperscript{36} On the other hand, bank interest has a big social side and it can be said that without banks a country would be destroyed.\textsuperscript{37} The impact of the opinion above can give rise to a stigma among people who lack understanding of Islamic banks and still tend to be conventional.\textsuperscript{38}

2. Socio-economic Impact of Usury

Usury (interest) can have a negative impact on a person’s personality, social life and the economy. Such as destroying human resources, the main cause of inflation, hampering the rate of economic growth, creating social inequality, the main factor in the global economic crisis.\textsuperscript{39} The widespread practice of usury (bank interest) carried out in countries adhering to the capitalist economic system and


\textsuperscript{33} Annisa Eka Rahayu, et al, Perbandingan Konsep Riba ..., hlm.1191

\textsuperscript{34} Wartoyo, Riba dan Bunga Bank (Studi Komparatif Pemikiran Abdullah Saeed dan Yusuf Qardhawi), \textit{Al-Amwal: Jurnal Kajian Ekonomi dan Perbankan Syariah}, Vol.7 No.2, (2015):216-228


\textsuperscript{37} Annisa Eka Rahayu dan Nunung Nurhayati, Telaah Kritis Pemikiran ..., hlm. 48

\textsuperscript{38} Annisa Eka Rahayu, et al, Perbandingan Konsep Riba ..., hlm.1190

\textsuperscript{39} Ismail Pane,et al, \textit{Fiqh Mu’amalah Kontenporer...},hlm.73
taking place on an international scale is one of the fundamental causes of the economic crisis. When an economic crisis occurs, all basic necessities and fuel oil will increase. Because according to Sayyid Qutub, in all aspects, the interest burden will ultimately be borne by society in general. Industrialists and business people will increase the prices of their goods and the burden of these price changes will be borne by consumers. Even government debt will become a burden on consumers, because the government will collect taxes from them in an effort to pay loan interest to the party providing the loan. This loan will only give birth to colonialism, the result of which is unrest and war.

According to M. Umer Chapra, the practice of bank interest will further widen the gap between the rich and the poor. This is because when someone borrows credit from a bank, it cannot be separated from the elements of capital and collateral. If someone wants a loan from a bank, whether for consumption or productivity, if they don't have capital and collateral, they won't get credit from the bank. This will mean that the poor, who do not have capital and collateral but have business skills, will not progress in business. Meanwhile, the rich, because they have the ability in terms of capital and collateral, can easily get capital for their business. This is where there will be a deep gap between the rich and the poor. And the sources of wealth belong to the rich who are able to provide collateral, so that the rich get richer and the poor get poorer. Apart from that, interest creates injustice (tyranny) because the owner of the capital will definitely make a profit without considering the results of the business carried out by the borrower. If the borrower does not make a profit or his business goes bankrupt, he will still pay back the capital he borrowed plus interest. In conditions like this, the borrower has gone bankrupt as if he has fallen down another ladder and it is not uncommon for interest to be applied instead of helping the creditor's business, actually adding to his problems.

C. Mashlahat conversion of conventional banks to sharia banks from the maqashid sharia aspect

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41 Sayyid Qutb, *Tafsir Ayat ar-Riba*, (Ttp.: Dar al-Buhuts al-Ilmiah, tt.), hlm. 16
44 Ismail Pane,et al, *Fiqh Mu’amalah Kontenporer.....*, hlm.79
Linguistically, Maqashid al-syari'ah is composed of two words, maqashid and syari'ah. The word maqashid is the plural form of the word maqshid which means demand, intention or purpose. Meanwhile, the linguistic definition of the word sharia is "the path to water". In terms of terms, maqashid al-syari'ah is al-ma'ani allati syuri'at laha al-ahkam (the value content that is the aim of legal enactment). So maqashid al-syari'ah are the goals to be achieved from a legal enactment.

Wahbah Al-Zuhaili defines maqashid syari'ah as the meanings and objectives maintained by syara' in all its laws or most of its laws, or the final goals of syari'ah and the secrets placed by syara' in all its laws. Maqasid sharia is defined as the ideals and goals of sharia. Therefore, maqasid sharia includes all the ideals and goals of sharia which include standards, criteria, values and guidelines originating from Revelation to be applied in solving human problems and also as guidance in life.

Asy-Syatibi explained in more detail that the main goal of sharia is the realization of human benefit which is measured by fulfilling human needs, both needs in this world and needs in the after life. The division of levels of human needs in ash-Syatibi's view is seen in terms of quality and human interests, divided into three forms, namely, First, Maslahah ad-Daruriyyah, maslahah at this level is the benefit related to basic human needs in the world and in the hereafter which must be realized, namely maintaining religion (hifdzu ad-din), soul (hifdzu an-nafs), reason/intellectuality (hifdzu akl), offspring (hifdzu an-nasl), and property (hifdzu al-mal). in this case it is included in the scope of maqasid syari'ah. Second, Maslahah al-hajiyah, namely the benefits needed to perfect maslahah daruriyyah, namely in the form of relief to maintain and maintain basic human needs. Third, Maslahah Tashiniyah, namely maslahah which is complementary in nature, in the form of freedom and propriety which can complement the previous benefits.

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49 Abu Ishaq Al-Syathibi, *Al-Muwafaqat fi Ushul Al-Syari‘at*, jilid 2, (Beirut-Lebanon: Dar Al-Ma‘arifat, t.t.),hlm.8
According to Abdel Majid Najjar Maqasid, sharia includes four objectives, including protection of the values of human life, protection of humans, protection of society and protection of the physical environment. Protection of human life values (safeguarding human life value) includes loyalty/belief (faith) and the rights and interests of stakeholders (rights and stakeholding), protection of human self (safeguarding human self) includes the individual self (self) and intellectuality (intellectual), protection for society (safeguarding for society) consists of offspring (posterity) and wealth (wealth), and protection for the physical environment (safeguarding physical environment) is aimed at society (society) and ecology (ecology).

Specifically in Islamic finance and economics, maqashid sharia refers to the overall goals and objectives in financial transactions and activities and includes: First, the circulation of wealth. Wealth circulation includes all processes related to how to obtain wealth, consumption and distribution. Second, transparent and fair financial practices. This principle facilitates the realization of problems and minimizes difficulties and losses in financial transactions. Third, justice in the micro and macro dimensions. The goal of wealth circulation is related to the macro goals of sharia, while the goals of justice and transparency are related to the goals of the micro dimension in transactional instruments and mechanisms.

The essence of the maqashid al-syari’ah theory is to realize goodness while avoiding evil or attracting benefits and rejecting evil. The term that is commensurate with the essence of maqashid al-syari’ah is maslahat, because the determination of law in Islam must lead to benefit.

The conversion of a conventional bank into a sharia bank is an effort to carry out business activities based on sharia principles in the context of benefit. Sharia bank products and operations in order to realize maqashid sharia values, namely:

1. Maintain religion. This is realized by Sharia Bank using the Al-Qur’an, hadith and other Islamic laws as guidelines in carrying out all its operational systems and products. With the existence of the Sharia Supervisory Board and the National Sharia Council, the bank’s legitimacy in accordance with Islamic

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51 Mehmet Asutay dan Astrid Fionna Harningtyas, Developing Maqasid al-Shari’ah Index to Evaluate Social Performance of Islamic Banks: A Conceptual and Empirical Attempt, International Journal of Islamic Economic and Finance Studies, Year 1, Volume 1, Number 1, (2015):5-64
53 Ghofar Sidiq, Teori Maqashid Al-Syariah …,hlm.118
54 Sandy Rizki Febriadi, Aplikasi Maqashid Syariah dalam Bidang Perbankan Syariah, Amwaluna: Jurnal Ekonomi dan Keuangan Syariah Vol. 1 No.2,(Juli 2017):231-245 DOI : https://doi.org/10.29313/amwaluna.v1i2.2585
values and rules is increasingly guaranteed and God willing, it can be trusted by Muslims and non-Muslims.

2. Protect the soul. This is realized from the contracts that are implemented in every transaction at a sharia bank. Psychologically and sociologically, the use of contracts between parties leads people to respect each other and maintain the trust given. Apart from that, this is also realized by the stakeholders and stockholders of Islamic banks where when dealing with customers they are required to behave, dress and communicate politely and Islamically.

3. Maintain the common sense of both the customer and the bank. This is manifested from the demand that banks must always disclose details about their product systems and are prohibited from covering up anything in the slightest. Here it can be seen that customers are invited to think together when carrying out transactions at the bank without being wronged by the bank. Sharia banks participate in educating customers by providing education on each bank product to customers.

4. Protect assets. This is clearly manifested in every product issued by the bank, where the bank strives to maintain and allocate customer funds properly and lawfully and is allowed to make a reasonable profit. Apart from that, it can also be seen from the implementation of the zakat system which aims to clean up customers' assets transparently and together.

5. Protect offspring. This is realized by maintaining the four things above, then customer funds which, God willing, are guaranteed to be halal will have a good impact on the family and descendants who are supported by savings and business funds.

Al Kautsar, et al, in their research results stated that conventional banks after converting to Islamic banks have a lower risk of bankruptcy.\textsuperscript{55} In the results of Yoesoef and Khairisma’s research, it is stated that post-conversion of murabahah products can improve people’s welfare.\textsuperscript{56} Figana et all, in their research stated that after conversion assets and customer satisfaction increased.\textsuperscript{57} That this conversion creates customer satisfaction and comfort, both mind and soul. If a bank goes bankrupt, many employees will lose their jobs and income while they need money to meet their and their families’ needs. This will have an impact on the level of (religious) obedience to

\textsuperscript{55} Sinathrya Al Kautsar et al, Pengaruh Konversi Bank …,hlm.556
\textsuperscript{56}Yoesrizal Muhammad Yoesoef dan Khairisma, Eksistensi Bank Aceh Pasca Konversi Terhadap Kesejahteraan Masyarakat Aceh, Al-Masharif: Jurnal Ilmu Ekonomi dan Keislaman ,Volume 8 Nomor 2 ( Juli – Desember 2020) :162-176
Allah, disrupting his mind, soul, honor and descendants because it is difficult to meet his needs. On the other hand, if the welfare of society increases, it will create comfort in worship and peace of mind, soul and peace in the family. Thus, the conversion of a conventional bank into a sharia bank is an embodiment of maqashid sharia, namely the benefit of religion, soul, mind, property and descendants.

D. Kesimpulan

Jumhur Ulama is of the opinion that interest is equated with usury and is haram. The implication of this opinion is the birth of sharia banks and other sharia financial institutions and the conversion of conventional banks into sharia banks. The aim is to avoid the interest system and implement a profit sharing system based on sharia principles. The urgency of converting conventional bank management systems to sharia banks in order to comply with Allah SWT’s prohibitions. The benefit of converting a conventional bank into a sharia bank is in the context of realizing maqashid sharia, namely the maintenance of religion, soul, mind, property and descendants. Because this conversion is a manifestation of obedience to Allah, increasing sharia banking assets, customer satisfaction and comfort, avoiding injustice (tyranny), economic crisis, bankruptcy, inflation and social inequality.

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