

**SHARIA BANKING DEVELOPMENT INDONESIA  
WITH MALAYSIA  
(STUDY OF COMPARATION OF HISTORY, LEGAL  
PRODUCTS AND ASSETS)**

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**ABSTRAK**

Perbankan syariah dikembangkan sebagai respon terhadap kelompok-kelompok ekonomi dan budaya yang digunakan untuk mengakomodasi mereka yang ingin layanan dilakukan dengan prinsip dan moral syariah Islam. Perkembangan bank syariah di Indonesia dan Malaysia perlu dikaji lebih dalam karena Malaysia pertama kali mendirikan bank syariah pada tahun 1983 melalui Bank Islam Malaysia Berhad (BIMB) sedangkan bank syariah pertama di Indonesia, yang bernama Bank Muamalat, dibakar pada tahun 1991, yang menentukan arah kemajuan bank syariah di Indonesia dengan ketentuan Undang-Undang Nomor 10 Tahun 1998 tentang Perbankan. Tentukan jumlah aset dari bank yang memiliki rasio 1: 10 dengan Malaysia mengingat aset bank syariah di Indonesia berjumlah US \$ 35,62 miliar sementara Malaysia mencapai US \$ 423,2 miliar. Penelitian ini berfokus pada faktor dan efek produk hukum dari kedua negara untuk mendapatkan studi yang lebih komprehensif dan mengetahui hubungan antara produk hukum dengan pengembangan perbankan syariah di Indonesia dan Malaysia.

**Keywords :** *Islamic Bank, Comparison, Indonesia, Malaysia.*

**A. INTRODUCTION**

The Bank is a financial institution that has an important role in the economy of a country as a financial intermediary. Bank in Article 1 paragraph (2) Law No. 10 of 1998 concerning amendment to Law No. 7 of 1992 concerning banking is a business entity that collects funds from the public in the form of deposits and distributes it to the public in the form of credit or other forms in order to improve the standard of living of the people. While Islamic Banks are

banks that follow the Islamic economic system. As for the Islamic economy according to Fazlurrahman, "Islamic economics according to the builders and supporters are built on or at least colored by the principles of religious, world-oriented and the hereafter." In 1992 Bank Muamalat Indonesia was established as a sign of the dual definition of banks, commercial banks and banks People's Credit in Law Number 10 of 1998 Article 1 concerning banking, namely: "Banks are business entities that collect public funds in the form of deposits and channel them to the public in the form of credit and / or other forms in order to improve the standard of living of the people. While the definition of a commercial bank is a bank that conducts business activities conventionally and / or "based on sharia principles" which in its activities provides services in payment traffic.<sup>166</sup> Law Number 10 of 1998 Article 1 Paragraph 13 concerning banking states what is meant by sharia principles, namely:

*"Sharia principles are rules of agreement based on Islamic law between banks and other parties to deposit funds and or finance business activities, or other activities stated in accordance with sharia, including financing based on profit sharing principles (mudaraba), financing based on equity participation (musyarakah), the principle of buying and selling goods by obtaining profits (mudharabah), or financing capital goods based on the principle of pure choice without choice (ijarah). Or with the transfer of ownership of goods rented from the bank by another party (ijarah wa iqtina) "*

Whereas in Law Number 21 of 2008 article 1 paragraph 12 concerning Islamic Banking states that what is meant by sharia principles is the principle of Islamic law in banking activities based on fatwas issued by institutions that have authority in determining fatwas in the field of sharia. From the definition of the bank mentioned above, it can be concluded that a Sharia Bank is a business entity that carries out its intermediary function based on sharia principles or in other words the bank in its activities, both fund raising and distribution of funds provides compensation on the basis of sharia principles.

The position of Islamic banks in the law greatly influences the movement

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<sup>166</sup> Majid, Shabri (2014), *Regulasi Perbankan Syariah: Studi Komparatif Antara Malaysia Dan Indonesia*, jurnal Media Syariah, Vol. XVI No. 1 , Universitas Syiah Kuala. Page 5.

of Islamic banks in the country. Islamic banks operating under Islamic banking laws will be more free to operate in sharia compared to Islamic banks operating under banking laws in general. Because of the characteristics of Islamic banks that are typical and different from banks conventionally, Islamic banks will be shackled by their mobility if limited by conventional banking laws. For example, Islamic banks under conventional bank laws may not be allowed to buy and sell goods, it may not be permitted to lease goods, and so on. In fact, Islamic banks are allowed to use a sale and purchase contract (murabahah, salam, or istishna) or rent (ijarah or ijarah muntahiya bittamlik).

Product development policies or approaches chosen by the sharia banking authorities also determine the products and services offered to customers. A product development approach that is careful of Sharia principles will lead to products and services that are always compliant to Shariah principles Syariah in accordance with Sharia principles. Consequently, product development is slower. Conversely, a pragmatic and market driven product development approach will generally lead to a variety of product variations along with similar products in conventional banking. This approach generally adheres to sharia provisions that are more lax, so that the instruments and products produced are creative and innovative following market demand.

With these differences products, services, and Islamic financial instruments that are available and marketed in one country may not exist and are not offered in other countries because the country's scholars believe that the contract used is not in accordance with Sharia principles in accordance with the schools adopted by the state. or Muslim in the country. For example, the BBA contract (BBA) in Malaysia is not used in the Middle East or in Indonesia, because the BBA uses the Bai 'al-Inah contract in it which is considered by Middle Eastern scholars and Indonesian scholars not in accordance with Sharia principles. These differences make Islamic world products, services and financial instruments very divergent, varied, and have no standards. Therefore international financial institutions such as IFSB (Islamic Financial Services Board) and AAOIFI (Accounting and Auditing Organization of Islamic Financial Institution)

are two Islamic financial institutions whose task is to converge, standardize products and operations of Islamic banks internationally.<sup>167</sup>

## **B. DISCUSSION**

### **1. Overview of the Society in Malaysia and Indonesia**

Malaysia is a country that consists of various ethnic groups with diverse religious followers, consisting of Muslims 58%, Hindus 8%, Christians 24% and others 10%. However, the official state religion is Islam. Therefore, the Malaysian government has an obligation to accommodate the development of Islamic financial institutions in Malaysia in accordance with the Islamic religion adopted by the state and the majority of its people. On that basis Malaysia began implementing dual economic systems and developing Islamic financial and banking systems since 1983.

Indonesia is the largest archipelagic country in the world with diverse ethnicities, languages, and religions with a population of 240 million. Although not an Islamic country, Indonesia is a country with the largest Muslim population in the world with a population of Muslims as much as 88%, Christians 5%, Catholics 3%, Hindus 2%, Buddhists 1%, and others 1%. With the increasingly advanced financial and banking systems as well as the increasing welfare, the needs of the community, especially Muslims, who want banking services that are in accordance with the principles of Sharia religion that he adheres to become even greater.

### **2. Regulation of Sharia Banking in Malaysia and Indonesia**

Islamic banks in Malaysia are under different laws depending on the form of institution. The full Islamic bank (full fledged Islamic bank) is under the Islamic Banking Act issued in 1983. Meanwhile, Islamic windows or conventional banks that offer sharia banking products are under conventional banking laws. With the different laws governing it, full fledged Islamic bank operations are more flexible than Islamic windows, especially in the application of

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<sup>167</sup> Ibid Page 8.

Sharia provisions. In addition, the Sharia banking law of 1983 is a civil law so that it remains under the jurisdiction of the civil court.<sup>168</sup> This situation has implications that although with the Shariah banking law of 1983 Islamic banks can apply Sharia values in their operations, but it is not enough to cover conventional banking laws to reflect the pure concept of buying and selling (al-bai'). In accordance with banking laws, Islamic banks or conventional banks may only provide financing facilities. Banks are not allowed to buy and sell assets for profit. investment banking, merchant banking, leasing company, investment agent, and as an institution of zakat infaq and sadaqah. The difference in operations between BUS and UUS is almost absent except in terms of freedom of management policy. BUS is its own business entity that has policy independence, so it has autonomy in choosing its business strategy and development. Meanwhile, UUS is part of its parent conventional bank, so it lacks the freedom to determine management policies.<sup>169</sup>

Islamic banks in Indonesia, whether in the form of Islamic public banks or BUS (full fledged Islamic banks), sharia business units or UUS (full branch Islamic banks), or sharia people's credit banks or BPRS, are under banking law (Law No .10 of 1998). Banking operations with Sharia principles are fully accommodated by law. Thus, Islamic banks in Indonesia can make transactions based on deposits, loans, for results, buying and selling, leasing, and other principles permitted by Sharia. Thus Islamic banks in Indonesia are universal banks that can try as consumer banking, investment banking, merchant banking, leasing companies, investment agents, and as an institution of zakat infaq and sadaqah amil. The difference in operations between BUS and UUS is almost absent except in terms of freedom of management policy. BUS is its own business entity that has policy independence, so it has autonomy in choosing its business

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<sup>168</sup> Ibid Page 10.

<sup>169</sup> Saeed, Abdullah (1999), *Islamic Banking and Interest: A study of the Prohibition of Riba and its Contemporary Interpretation*, EJ Brill, Leiden. Page 32.

strategy and development. Meanwhile, UUS is part of its parent conventional bank, so it lacks the freedom to determine management policies.

### 3. Differences of Sharia Banking in General Aspects between Malaysia and Indonesia

Issues	Indonesia	Malaysia
Population	240 Million 88% Moslem (Syafi'i)	24 Million 58% Moslem (Syafi'i)
State Religion	N/A	Islam
Economic System	Dual Financial / Banking System Started in 1992	Dual Financial / Banking System Started in 1983
Legal Framework	IBA (1983) under Civil Court (unable to overrun Banking Laws)	Banking Act (1992, 1998) Islamic Banking Act (2006 est.)
Policy Making Involvement	Mainly Bank Indonesia	National Agenda (Government & BNM)
Focus	Substance	Symbol / Form
Development Paradigm	Market Driven, Fair Treatment, Gradual & Sustainable, and Sharia Compliance.	Government Driven, Comprehensive, & Pragmatic
Development Stage	Meletakkan Fondasi (02 – 04) Memperkuat Struktur (04 – 08) International Standards (08 – 11)	Establish Infrastructures (83 –93) Create Critical Mass (93 – 00) Global Harmonization (00 – 10)
Network Development Strategy	Islamic Bank (Full Fledged) Islamic Branch (Full Branch) Office Channelling	Islamic Bank (Full Fledged) Islamic Banking Scheme (Windows)

		Subsidiary bank Foreign Islamic Bank
Sharia Compliance	Middle East Oriented Comply to IFA	Not Comply to IFA
Sharia Authority	DSN – MUI as an Independent Body to issue Fatwa	NSAC Under BNM & Merely issuing Resolution
Specific Contracts	N/A	Bai' al-Dayn, Bai' al- Inah, BBA
Financing Portfolio	Varied with 33% PLS	Focused on BBA & Murabahah with only 0.05% PLS
NPF	Less than 5%	Reach 10 %
Asset Share	1.34% (started from 1992)	+/- 9% (Started from 1983)

Table 1<sup>170</sup>, in a comparative analysis of the application of sharia principles to Malaysian and Indonesian Islamic banks, Malaysian banks implemented products based on the principles of Bai 'al-Inah and Bai' al-Dayn which were not approved by the Islamic Fiqh Academy (IFA), while Indonesian banking was in line with the IFA, namely do not apply these two principles.

<sup>170</sup> Abd. Majid, M.S. and Amri, 2010. Perbankan syariah di Indonesia: Antara tantangan dan harapan, *Jurnal Perspektif Manajemen dan Perbankan*, Vol. 1, No. 2. Page 53.

Comparing Indonesian and Malaysian banks must also pay attention to environmental conditions in both, for example the Malaysian environment which is more concerned with the symbolization of the implementation of Islamic practices, meaning more attention to symbolic issues than the issue of the substance of the application of Islamic banking that adheres to sharia principles. This is related to the Muslim population which is relatively not dominant so that the implementation of Islamic practices becomes a representation of maintaining the existence of Muslim society, so that attention to the compliance of Islamic principles is still not the main focus. On the contrary, what happened in Indonesia, with a population that was so dominant and the demands of the Muslim community who hoped for banking operations in an ideal form, Islamic banking operational must pay attention to the substance, especially operational compliance with sharia principles. From one side this is seen as a positive trend, because there has been supervision by the community. Besides that the development of Islamic banking in Malaysia is a national agenda, in contrast to Indonesia where the development of Islamic banking is dominated by Bank Indonesia initiatives. In the development of Malaysian Islamic banking it is seen that the issue of sharia compliance is relatively less of a concern. This should be a competitive advantage for the Indonesian Islamic banking industry, where in the development of the sharia banking industry in Indonesia, compliance with sharia principles is one of the basic considerations in industrial development. This advantage can be used as a strong capital in promotion to attract foreign investors (especially the Middle East who are currently enjoying petro dollars due to the increase in world crude oil prices). Meanwhile, financing channeled by Malaysian Islamic banking is dominated by Bai 'Bithaman Ajil (BBA) and Murabahah portfolios where the share of the share of profit sharing is only 0.05%. On the contrary, the financing portfolio in Indonesian Islamic banking is relatively varied, where the profit sharing portfolio reaches 33%.

#### **4. Sharia Banking Development Strategy in Malaysia and Indonesia**

The long-term goal to be achieved in the development of Islamic banking in Malaysia is to create a comprehensive Islamic financial and banking system



that operates parallel to the conventional banking system. To create a strong banking system, three important elements are needed, namely: 1) a large number of players; 2) wide variety of instruments; and 3) Islamic money market. The chosen development strategy is the development of a comprehensive, gradual, and pragmatic, which begins with the stages to create an enabling environment by preparing various financial infrastructure, especially the legal framework. The next stage is to increase the volume and create a market for Islamic financial institutions so that Islamic financial institutions can compete. The third stage is to create harmonization and convergence with the international Islamic financial market so that Malaysian Islamic financial institutions can compete internationally.

The first phase of development began with the issuance of the Islamic Banking Act (IBA) on April 7, 1983. With the promulgation of the IBA, Bank Negara Malaysia (BNM) was authorized to regulate and supervise Islamic banks, as well as conventional banks. The first Islamic bank was Bank Islam Malaysia Berhad (BIMB) which began operations on July 1, 1983 with a total asset of RM 369.8 million or equivalent to Rp. 1,035 trillion (RM 1 = Rp. 2,800). In 1983 a Government Investment Act (GIA) was also issued which authorized the government to issue Government Investment Issues (GII) which were securities issued by the government based on Sharia principles. GII is a form of Islamic financial instruments needed for the management of Islamic bank liquidity needs. After that, in 1984 the Takaful Act was issued which became the legal foundation of sharia insurance to operate as one of the supporting infrastructure for Islamic banking. The first Islamic insurance company was Syarikat Takaful Malaysia which was established that same year. Other provisions issued in this first stage are the obligations of banks and sharia insurance to have a Sharia Supervisory Board whose task is to ensure that operations and banking and sharia insurance products are in accordance with Sharia provisions.<sup>171</sup>

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<sup>171</sup> Bank Islam Malaysia Berhad, 1994. *Islamic Banking Practice from Practitioner's Perspective*, Kuala Lumpur. Page 93.

The second phase of development began on the fourth of March 1993 by introducing the "Free Banking Scheme" or SPTF (Interest Free Banking Scheme). With this scheme conventional banks are allowed to offer Islamic banking products, or commonly called Islamic Windows. With this strategy the number of bank offices offering Sharia products is increasing rapidly effectively and efficiently because the sharia banking service outlets have increased in a short time as many existing bank office networks and conventional financial institutions are initiated by three banks and 54 financial institutions as pilot projects. In the following year, in 1994, the Islamic Interbank Money Market was established on January 4 to connect Islamic financial institutions through Sharia money market instruments, which also became a milestone in the development of Islamic financial instruments. Meanwhile, the sharia capital market followed in 1996 which encouraged the development of Sharia securities. In an effort to smooth and harmonize interpretations of Sharia provisions, a Sharia Advisory Board for Islamic Banking and Insurance was established on May 1 (National Sharia Advisory Council on Islamic Banking and Takaful or NSAC), as the highest Sharia authority in banking and sharia insurance. in Malaysia. In addition, during this second phase of development, the second Islamic bank was established on October 1, 1999, namely Bank Muamalat Malaysia Berhad or BMMB, and three Islamic insurance companies were granted an operating license, namely Takaful National Sdn. Berhad, Maybank Takaful Berhad, and Takaful Ikhlas Sdn. Berhad. The third phase of development begins with the creation of the FSMP Financial Sector Master Plan in 2000 for the period 2000 - 2010 which covers the Islamic finance sector. FSMP for sharia banking and insurance is divided into three phases, namely: 1) Strengthening operational and institutional infrastructure; 2) Stimulate competition and improve infrastructure; and 3) Improve performance standards through progressive liberalization and ensure effective infrastructure. To support FSMP, a review of the Islamic Windows strategy was carried out which still caused debate about its compliance with Sharia provisions and issued provisions in 2004 to encourage Islamic Windows to transform into an Islamic Subsidiary. In the same year liberalization of banking and sharia insurance was

carried out by issuing permits for three foreign sharia financial institutions and four Takaful with the participation of foreign parties. In addition, at this stage efforts were also made to: 1) improve regulatory, prudential and operational frameworks; 2) review return to the legislative process and the court; 3) developing the Sharia governance framework by establishing the National Shariah Advisory Council at BNM and Shariah Committees in Islamic financial institutions; and 4) forming endowment funds for sharia experts to support their role.

On the basis of encouraging community needs for Islamic banking services, the first Islamic bank was established in 1992 and the Indonesian government began introducing the dual banking system. The Government's commitment in the development of sharia banking has only begun to be felt since 1998 which provides wide opportunities for Islamic banks to develop. The following year Bank Indonesia (the central bank) was given the mandate to develop Islamic banking in Indonesia. In addition to adhering to a market driven and fair treatment strategy, the development of Islamic banking in Indonesia is carried out with a gradual and sustainable approach in accordance with Sharia principles (comply to Sharia principles). The first stage was intended to lay the foundation for a strong growth of Islamic banking (2002 - 2004). The next phase enters a phase to strengthen the structure of the Islamic banking industry (2004 - 2008). Meanwhile, the third stage of Islamic banking is directed to be able to meet international financial and service quality standards (2008 - 2011). In 2011, it is expected that Indonesian Islamic banking has a significant share that will take part in developing the Indonesian economy which will prosper the wider community.

## **5. Comparison of Products**

Islamic banking products and services in Malaysia vary greatly to more than 40 types of sharia financial products and services using various contracts. These products and services include products and services for funding, financing, trade finance, banking services, card services, card services, and treasury and money market instruments. These products and services are very similar to the products and services offered by conventional banking. The naming of sharia

products and services follows the name conventional products and services by adding the initials i behind which indicate that the product or service is a product or service that uses sharia principles (Islamic). For example, savings or savings accounts are named savings account-i, project financing or project financing is named project financing-i. So on.

#### A. Funding

The funding products offered by Malaysian Islamic banking are no different from Islamic banks funding products in general which include demand deposits, savings, general investment, special investments and specific investments. The contracts used are also contracts commonly applied to the product in question. However, demand and savings products can also use the mudharabah contract. Current accounts with mudharabah agreements are not commonly used. Funding products and contracts used in Malaysia can be read in table 2.<sup>172</sup>

<b>Products / Services</b>	<b><i>Akad</i></b>
Current account- i	<i>Wadiah Yad Dhamanah / Mudharabah</i>
Savings account-i	<i>Wadiah Yad Dhamanah / Mudharabah</i>
General investment account-i	<i>Mudharabah</i>
Special investment account-i	<i>Mudharabah</i>
Specific investment account-i	<i>Mudharabah</i>

#### B. Financing

Financing products offered by Malaysian Islamic banking are more varied compared to the financing products offered by Islamic banks in general, which number no less than 33 types of financing products. These financing products mostly use BBA (BBA) agreements, followed by Murabahah and Bai ‘al-Inah contracts. The variety of financing products offered by Malaysian Islamic banking

<sup>172</sup> Rosly, Saiful Azhar (2005), Critical Issues on Islamic Banking and Financial Markets, Dinamas Publishing, Kuala Lumpur, Malaysia. Page 20.

is inseparable from the use of the Bai 'al-Inah and Bai' al-Dayn contracts by the NSAC or the Malaysian sharia council. By allowing Bai 'al-Inah to make the BBA agreement that contains elements of Bai 'Al-Inah permissible as well. BBA agreement is a contract that is flexible enough to be applied to various financing products. Financing products and contracts used in Malaysia can be read in table 3.

<b>Products / Services</b>	<b>Akad</b>
Benevolent loan-i	<i>Qardh</i>
Block discounting-i	<i>Bai' al-Dayn</i>
Bridging finance-i	<i>Istisna / BBA</i>
Bungalow lots financing-i	<i>BBA</i>
Cash line facility-i	<i>Bai' al-Inah / BBA / Murabahah</i>
Club membership financing-i	<i>BBA</i>
Computer financing-i	<i>BBA</i>
Contract financing-i	<i>Murabahah / BBA / Istisna</i>
Education financing-i	<i>Murabahah / BBA / Bai' al-Inah</i>
Equipment financing-i	<i>BBA</i>
Factoring facility-i	<i>Bai' al-Dayn</i>
Fixed asset financing-i	<i>BBA</i>
Floor stocking financing-i	<i>Murabahah / BBA</i>
Hire purchase agency-i	<i>Wakalah</i>
Hire purchase-i	<i>Ijarah Thumma Bai'</i>
Home / house financing-i	<i>BBA / Istisna / Variable Rate Ijarah</i>
Industrial hire purchase-i	<i>Ijarah Thumma Bai'</i>
Land financing-i	<i>BBA</i>
Leasing-i	<i>Ijarah</i>
Pawn broking-i	<i>Rahn (Qardh dan Wadi'ah Yad Dhamanah) / Rahn</i>
Personal financing-i	<i>BBA / Murabahah / Bai' al-Inah</i>

Plant & machinery financing-i	<i>BBA / Istisna / Variable Rate Ijarah</i>
Project financing-i	<i>BBA / Istisna / Ijarah</i>
Property financing-i	<i>BBA / Istisna / Variable Rate Ijarah</i>
Revolving credit facility-i	<i>BBA / Murabahah / Hiwalah / Bai' al-Inah</i>
Share financing-i	<i>BBA / Bai' al-Inah</i>
Shop house financing-i	<i>BBA / Istisna / Variable Rate Ijarah</i>
Sundry financing-i	<i>BBA</i>
Syndicated financing-i	<i>Istisna / BBA / Ijarah Thumma Bai'</i>
Term financing-i	<i>BBA</i>
Tour financing-i	<i>BBA</i>
Umrah & visitation financing-i	<i>BBA</i>
Working capital financing-i	<i>Murabahah / BBA</i>

From table 3 shows that the development of financing products carried out by Malaysian Islamic banking is quite innovative following market demand. Almost all products offered by conventional banks are also offered by Islamic banks in Malaysia, such as i-cash line facility which is the equivalent of the current account credit facility and i-revolving credit facility which is the equivalent of revolving working capital loans in conventional banks. Uniquely, various financing products offered are not using profit sharing contracts, such as mudharabah and musyarakah, which are conceptually the most ideal and suitable contracts for financing products. Thus, financing for working capital is also carried out using a murabahah or BBA contract.

### C. Trade Financing

The trade financing products and services offered by Malaysian sharia banking are basically no different from trade credits offered by conventional banking, but by using Sharia contracts. Commonly used contracts, such as murabahah, kafalah, wakalah, and ijarah. Typical contracts include Bai 'al-Dayn

and BBA. Trade financing products and services and contracts used in Malaysia can be read in table 4.

<b>Products / Services</b>	<b>Akad</b>
Accepted bills-i	<i>Murabahah / Bai' al-Dayn</i>
Bank guarantee-i	<i>Kafalah</i>
Export credit refinancing-i	<i>Murabahah / Bai' al-Dayn</i>
Letter of credit-i	<i>Wakalah / Murabahah / Ijarah / BBA</i>
Shipping guarantee-i	<i>Kafalah</i>
Trust receipt-i	<i>Wakalah / Murabahah</i>

#### **D. Banking Services**

Banking services offered by Malaysian sharia banking are also no different from banking services offered by conventional banking, such as fund transfers, ATM services and telebanking, but by using Sharia contracts. The contract used for that is the Ujr contract. Banking services and contracts used in Malaysia can be read in table 5.

<b>Products / Services</b>	<b>Akad</b>
Stockbroking services	<i>Ujr</i>
TT / funds transfer	<i>Ujr</i>
Travellers' cheques	<i>Ujr</i>
Cashiers' order	<i>Ujr</i>
Demand draft	<i>Ujr</i>
Standing instruction	<i>Ujr</i>
ATM service	<i>Ujr</i>
Telebanking	<i>Ujr</i>

### E. Card Services

Malaysian Islamic banking provides card services as well as cards offered by conventional banking, such as debit cards, pay cards, and credit cards, but by using Sharia contracts. The contracts used for this are Qardh, Bai'In-Inah, BBA, and Ujr. Sharia debit cards and pay cards have been widely applied by Islamic banks in various countries, but Islamic credit cards generally have not received an agreement (fatwa) from the sharia board. Sharia credit card services in Malaysia are possible by allowing Bai 'al-Inah and BBA contracts in other countries including prohibited contracts. Sharia card services and contracts used in Malaysian Islamic banking can be read in table 6.

<b>Products / Services</b>	<b>Akad</b>
Charge card-i	<i>Qardh</i>
Credit card-i	<i>Bai' al-Inah / BBA</i>
Debit card-i	<i>Ujr</i>

### F. Treasury and Money Market Instruments

Malaysian Islamic banking also has money market products and services through Islamic financial instruments, such as GII, Islamic T-Bills, commercial securities and Repo. The Islamic financial instruments offered are generally the same as the financial instruments in the conventional money market, but by using Sharia contracts. The contract used for this is the contract of Bai 'al-Inah, BBA, Mudharabah and Murabahah. The variety of Islamic financial instruments in Malaysia is possible by allowing Bai 'al-Inah and BBA contracts in other countries, including banned contracts. Islamic financial instruments and contracts used in Malaysian Islamic banking can be read in table 7.



**Tabel 7. Treasury and Money Market Instruments**

<b>Products / Services</b>	<b>Akad</b>
Government investment issues-i	<i>Bai' al-Inah</i>
Malaysian Islamic treasury bills	<i>Bai' al-Inah</i>
Bank Negara negotiable notes-i	<i>Bai' al-Inah</i>
Cagamas papers	<i>BBA / Mudharabah</i>
Commercial papers-i	<i>Murabahah</i>
Negotiable debt certificate-i	<i>BBA</i>
Negotiable instrument of deposit-i	<i>Mudharabah</i>
Sell and buy back agreements (Repo-i)	<i>Bai' al-Inah</i>
Foreign exchange	<i>Ujr</i>

Sharia Bank Products in Indonesia, Islamic financial products and services offered by Islamic banks in Indonesia are quite varied, but not as many as Islamic financial products and services in Malaysia. These products and services include products and services for funding, financing, product services, operational services and investment services.

#### A. Funding

The funding products offered by Indonesian Islamic banking are no different from those of Islamic banks in general, which include demand deposits, savings, general investment, special investments and bonds. The contracts used are also contracts commonly applied to the product in question. Funding products and contracts used in Indonesia can be read in table 8.

<b>Products / Services</b>	<b>Akad</b>
Clearing (Rp / USD / SD)	<i>Wadiah Yad Dhamanah</i>
Korban Saving	<i>Wadiah Yad Dhamanah</i>
Haji Saving	<i>Wadiah Yad Dhamanah / Mudharabah</i>
General Saving (Rp / USD)	<i>Mudharabah</i>
Education Investment Saving	<i>Mudharabah</i>
General Deposito (Rp / USD)	<i>Mudharabah</i>
Special Deposito (Rp / USD)	<i>Mudharabah</i>
Retired Fund Program	<i>Mudharabah Muqayyadah</i>
Debenture	<i>Mudharabah wal Murabahah</i>

## B. Financing

The financing products offered by Indonesian Islamic banking are quite numerous and varied to meet business and personal needs. The contracts used by these financing products mostly use Murabahah contracts, followed by Mudharabah and Musyarakah. Salam contract is used for agricultural financing, while Istishna is used to finance the ordering of manufactured goods. Financing products and contracts used in Indonesia can be read in table 9.<sup>173</sup>

<b>Produk / Jasa</b>	<b>Akad</b>
Working Capital Support	<i>Mudharabah, Musyarakah, Murabahah</i>
Investment	<i>Mudharabah, Musyarakah, Murabahah</i>
Supply Investment of goods	<i>Murabahah</i>
Supply Facilities	<i>Murabahah</i>

<sup>173</sup> Anshori, A. S., 2008. Sejarah Perkembangan Hukum Perbankan Syariah di Indonesia dan Implikasinya bagi Praktik Perbankan Nasional, *La Riba: Jurnal Ekonomi Islam*, Vol. II, No. 2. Page 23.

Funding Constant Aset	<i>Murabahah</i>
Funding Goods Supply	<i>Murabahah</i>
Funding Factory and Mechine	<i>Murabahah / Istishna</i>
Booking Goods Investment	<i>Istishna</i>
Project Funding	<i>Mudharabah, Musyarakah, Murabahah</i>
Supply Consumption Good	<i>Murabahah</i>
Properties Funding	<i>Murabahah</i>
House/shop/office Funding	<i>Murabahah</i>
Vehicles Funding	<i>Murabahah</i>
Computer Funding	<i>Murabahah</i>
Renovation	<i>Istishna</i>
Reserve Funding	<i>Qardh</i>
Virtue Loan	<i>Qardhul Hasan</i>
Pawning	<i>Rahn / Qardh</i>
Takeover / Transfer Services	<i>Hawalah</i>
Agriculture	<i>Salam</i>

### C. Product Services

The product services offered by Indonesian Islamic banking are quite numerous and varied to meet business and personal needs. The contracts used by these financing products mostly use *Murabahah* contracts, followed by *Mudharabah* and *Musyarakah*. Product services and contracts used in Indonesia can be read in table 10.

<b>Products / Services</b>	<b>Akad</b>
ATM Card	<i>Ujr</i>
Kartu Haji/Umrah Card	<i>Ujr</i>
SMS Banking	<i>Ujr</i>
Claim Payment	<i>Ujr</i>
Electronic Income Payment	<i>Ujr</i>
Selling and Buying Foreign Valuta	<i>Sharf</i>
Bank Guarante	<i>Kafalah</i>
L/C Indonesia Area	<i>Wakalah</i>
L/C	<i>Wakalah</i>

#### D. Operational Services

The financing products offered by Indonesian Islamic banking are quite numerous and varied to meet business and personal needs. The contracts used by these financing products mostly use Murabahah contracts, followed by Mudharabah and Musyarakah. Operational services and contracts used in Indonesia can be read in table 11.

<b>Produk / Jasa</b>	<b>Akad</b>
Clearance Deposit	<i>Wakalah</i>
City-to-City Clearance	<i>Wakalah</i>
RTGS	<i>Wakalah</i>
Inkaso	<i>Wakalah</i>
Transfer	<i>Wakalah</i>
Transfer Foreign Valuta	<i>Wakalah</i>
Online Tax	<i>Wakalah</i>
Import Tax	<i>Wakalah</i>
Bank References	<i>Surat Keterangan</i>
Standing Order	

#### E. Investment Services

The financing products offered by Indonesian Islamic banking are quite numerous and varied to meet business and personal needs. The contracts used by these financing products mostly use Murabahah contracts, followed by Mudharabah and Musyarakah. Investment services and contracts used in Indonesia can be read in Table 12.

<b>Produk / Jasa</b>	<b>Akad</b>
Special Investment	<i>Mudharabah Muqayyadah</i>
Reksadana Investment	<i>Mudharabah Muqayyadah</i>

#### G. CONCLUSION

There is a difference in the level of development of the Islamic banking industry between Malaysia and Indonesia due to the different approaches adopted by each country in providing a legal response to the emergence of Islamic banking. Islamic banking regulations in Malaysia have been very adequate even since the first Islamic bank (BIMB) appeared. Whereas in Indonesia, after 16 years the first Islamic bank (BMI) operated, the new Islamic banking regulation was promulgated. The elimination of double taxes and the settlement of sharia business disputes has only been set up since 2010. Though this regulation has been established in Malaysia before BIMB was born. Unlike in Indonesia, in fact the Malaysian government has previously established regulations on Islamic banking before the first Islamic banking was established in 1983. Whereas in Indonesia, the regulation only emerged after 16 years the Islamic bank operated. This difference has affected the rate of growth and development of Islamic banking in each country. Islamic banking in Malaysia has shown steady and fast progress compared to Indonesia.

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