

Perception of Communities on Islamic Banking and Islamic Transactions in Palu City, Indonesia

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Abstract

The purpose of this research is to determine the perceptions of practitioners, auditors, scholars, and students on Islamic banking and conventional banking in Palu City. This research is a qualitative research with a phenomenological approach. This research was conducted in Palu City. Informant in this research amounted to nine (9) people, consists of four people as practitioners, two students, two representatives of scholars, and one representative from the Financial Services Authority (OJK) Central Sulawesi. The results of the research are very clear awareness that from the aspect of business mechanism and object, namely anti usury and anti gambling, investment aspects namely halal while in conventional banking that is not anti usury and anti gambling, and investment can be halal or haram. Student information states that the emphasis of the concept of Islamic banks namely Islamic banking activities in accordance with the principles of Islamic law, which are based on the Qur'an and hadith. There is an awareness that the products produced by Islamic banks in addition to the form or name of the product, which are needed to be considered are the Islamic principles used by the product concerned in the contract (agreement), and not just the name of the product as conventional bank products. The research conclusions are the essence and characteristics of Islamic banks are different from conventional banks, and Islamic banks encourage people to transact non-usury or not contrary to Islamic teachings.

Keyword: Society, Islamic Bank, Conventional Bank, Islamic Transaction, Transact non-usury.

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INTRODUCTION

Islamic banking in Palu City has existed since 2003 which was marked by the opening of the Bank Syariah Mandiri (BSM) branch office which is the second commercial bank in Indonesia [1]. In fact, it is one of the biggest Islamic banks at the moment, besides that there is Bank Muamalat Indonesia which is also included in the category of Islamic public banks. In Palu City there are currently 5 (five) Islamic bank branch offices which are sequentially based on the establishment in Palu City, namely Bank Syariah Mandiri (BSM), Bank Muamalat Indonesia (BMI), Bank Mega Syariah, Bank Negara Indonesia (BNI) Syariah and the last is Bank Rakyat Indonesia (BRI) Syariah.

The presence of Islamic banks in the midst of conventional banking is to offer an alternative banking system for Muslims who need or want to obtain banking services without having to violate the prohibition on usury [2, 3].

Inadequate understanding of the existence of Islamic banks leads to the emergence of diverse perceptions and assumes that Islamic banks are

operationally similar to conventional banks [4]. In addition, the prevailing legal instruments and laws and regulations have not fully accommodated the operations of Islamic banks, the limited service network of Islamic banks and the limited human resource and Islamic banking technology [5]. The existence of banks (conventional and Islamic) generally has a strategic function as an intermediary and provides services in payment traffic, but the characteristics of both types of banks (conventional and Islamic) can influence the behaviour of prospective customers in determining their preferences for the choice between the two types of banks [6]. Furthermore, customer behaviour towards banking products (conventional banks and Islamic banks) can be influenced by people's attitudes and perceptions of the characteristics of the banking itself [7].

Ismunawan's research shows that the presence of Islamic financial institutions and Islamic business systems (based on sharia) will influence and determine the accounting organization used [8]. The characteristics of Islamic societies demand different aspects of what happens and applies in capitalist society. This also means that the accounting that applies in the system of Islamic financial institutions is clearly

different from the accounting system that applies to the conventional financial institution system.

The purpose of this research is to determine the analysis of public perceptions of Islamic banking practitioners, auditors, scholars, and students on Islamic banking and Islamic transactions in the Islamic Bank of Palu City.

MATERIALS AND METHODS

This research is a qualitative research. Qualitative methods are methods for exploring and understanding meanings by a number of individuals or groups of people ascribed to social or humanitarian problems. The approach applied in this research is phenomenology.

This research was conducted in Palu City with several research locations, namely Islamic Banks (BMUN and Private), Faculty of Economics, Tadulako University, STIE Panca Bakhti Palu. The research was conducted in May 2018 - September 2018. The selection of Palu City as a research location was because the existence of Islamic banks was more complete and was the capital of Central Sulawesi Province so that the complexity of Islamic Banks, Universities and communities as customers was more complex.

The object of this research is the perception of the application of Islamic accounting to banks that have Islamic characteristics. In phenomenology,

individuals who have an awareness related to the reality of research objects are research subjects who can participate as informants. The subjects in this research are individuals who have experience, interaction and special knowledge about the application of Islamic accounting in the context of Islamic banking. Subjects based on experience, interaction and knowledge of Islamic accounting in Islamic banking, include managers of Islamic banks, accounting students at Higher Education in Palu City, and auditors, namely auditors in the Audit Board of the Republic of Indonesia, Financial Services Authority Inspectorate, and Bank Indonesia).

Primary data of this research are in the form of interviews result, observations result, and the results of a review of studies of the Qur'an and hadith, while secondary data are in the form of data obtained from the search of documents that are relevant to the object of research. The analysis step in this research is based on the conceptual component of transcendental phenomenology.

RESULTS

The informants in this research amounted to nine (9) people, consisting of four people as practitioners, two students, two representatives of scholars, and one representative from the Financial Services Authority (OJK) Central Sulawesi. Information retrieval is conducted by indepth interview method. In detail the information is presented in Table-1.

Table-1: Characteristics of Informants

No	Name of informant	Information
1	MHT	BNI Syariah Practitioner
2	ABB	Bank Mega Syariah Practitioner
3	BMM	Bank Syariah Mandiri Practitioner
4	AAA	Manager of Bank Muamalat
5	MSY	Auditor
6	ZA	Scholars of MUI of Central Sulawesi
7	HB	Scholars of MES of Central Sulawesi
8	RSZ	Student
9	MPL	Student

Practitioner

The perception of Islamic banking practitioners is related to the concept of Islamic and conventional banks as follows:

“Islamic banks are commercial banks whose operational systems are based on Islamic principles, which are based on Alquran and hadith. So we have savings products and financing products and services. In each product, both our savings and financing are based on each contract, so we adjust the product to the contract. For example in our savings products there are wadiah contracts and then there is a mudarabah contract. So the wadiah contract is in the form of a

deposit, it means that the customer entrusts the goods or in the form of a deposit of funds to the bank and because of that, the bank has an obligation to maintain it” (BNI Syariah Practitioner)

“Islamic banking is a financial service institution that is engaged in banking which in its operational process refers to the provisions of Islamic law and in its operational principles Islamic banking prohibits usury. Usury in the context of banking is to increase profits, income beyond what has been promised. If in a conventional bank there is income from fines, there is income when the restructuring process is carried out by increasing the time period but the conventional bank

does not reduce the interest rate so that the customer's debt will increase. There is not a lot of burden but the customer's debt will never end while the Islamic bank will not change at any time even though a restructuring process is carried out with an extended period of time or rescheduling. That is what is meant by usury in Islamic banking operational transactions. Here is very real, sir, the difference between conventional banks and Islamic banks" (Practitioner of Bank Mega Syariah).

"Actually the purpose of the bank was in its intermediation, intermediation was to receive deposits in the form of vaulting and then distribute financing and thirdly services meant that if the bank only accommodate did not need the interest we should return, the conventional bank would pay for everything if the Islamic bank could only finance according to sharia. For example, the bank financed the hotel; the hotel got the money from the savers. For example there were those who said that I didn't need the interest, he accommodated the money for the hotel, even though he didn't need the interest indirectly sponsored by the hotel but if the sharia is financed by the hotel but it must have a syariah hotel label issued by the MUI" (Practitioner of Bank Syariah Mandiri)

Concerning Islamic banks with conventional banks, it is clearly very different from the side. First from the product agreement or contract. From conventional banks, the customer is considered a saver, if in us, the Islamic bank is the investor, so they are as *Sohibbul Mall* (Bank Muamalat Practitioner).

The four informants who are a practitioner of Islamic banking showed a very clear awareness that from the aspect of business mechanism and object, namely anti usury and anti gambling, the investment aspect is halal, whereas in conventional banking, it is not anti usury and anti gambling, and investment can be halal or haram. In addition, the operating concept of Islamic banks, namely Islamic banks, carries out fundraising activities from customers through deposits / investments as well as deposits or savings deposits. The funds raised are then invested in the business world through self-investment (non-profit sharing / trade financing) and investment with other party (profit sharing). When there is a profit, then the share of profits for the bank is divided between the bank and the funding customer. In addition, Islamic banks can provide various banking services to their customers.

Student

The students' perceptions of Islamic banks with conventional banks are described as follows:

"The concept of Islamic banks is indeed very different from conventional banks. The difference is in the law used. In Islamic banks all the contract on transaction must be in accordance with the Islamic principles; it is based on al-quran and hadith which have been stated

by MUI. Well, while in conventional all transactions and agreements are made with positive law that applies in Indonesia, namely civil law and criminal law. Well, for the other difference is the difference in terms of investment. In an Islamic bank a person can borrow business funds from a bank if the type of business is lawful in terms of the Islamic point of view. Whereas in conventional banks, someone is said to be allowed to borrow funds from a bank for a type of business that is permitted for positive law that applies in Indonesia. So, in my opinion, conventional banks do not see it as a halal transaction or not. That is, whether someone borrows money for a business is lawful or not is not seen in a conventional bank. Well, for another difference, there is a difference in orientation, sir. Islamic banks are oriented to profit, prosperity and happiness in the afterlife while in conventional banks they are more likely to prioritize profit alone or profit oriented only" (Student 1).

"If the concept is in terms of the law it is in accordance with Al-Quran and hadith and also in Indonesia in accordance with the MUI statement, it is from a legal point of view. Furthermore, in terms of profit, the Islamic bank is profitable from the profit sharing from interest" (Student 2).

The two informants who are students that the emphasis of the concept of Islamic banks is Islamic banking activities in accordance with the principles of Islamic law, which is based on the Qur'an and hadith

Auditor and Scholar

The results of interviews with auditors and scholars regarding the concept of Islamic banking and conventional banks are as follows:

"Well, indeed people's opinions cannot be denied, sir. When we conduct education dissemination, indeed the community considers it the same as Islamic banks and conventional banks. They said that conventional banks were cheaper. For example, I, as an employee at the OJK, analyzed this problem, indeed we cannot blame the public perception completely, because the first is indeed a business process, a product and several other problems that are almost the same. But if we look inside again from the operational side, in terms of the application of accounting it is clearly different" (Central Sulawesi OJK Auditor)

"The term Islamic economy is certainly a variety of experts have different opinion about that. But I think the substance is the same as an economy that can run in accordance with Islamic teachings. Overall, how the economy means the occurrence of a transaction in the community, whether it is through banking, trade or other things that can be understood by not contradicting religious teachings, or in language, there is no usury in it, there are no elements that harm others unilateral and always benefit both parties. That is what

I understand from various Islamic economic writings” (Ulema, Central Sulawesi MUI”

The two informants who were auditor from the OJK and scholar from the Central Sulawesi MUI confirmed that transactions through banking, trade, etc. should not conflict with Islamic values. Based on the explanation above, it is clear that the essence and characteristics of Islamic banks are different from conventional banks

DISCUSSIONS

Islamic banks in their operational systems are based on Islamic sharia principles. The principle of Islamic sharia is what distinguishes it from conventional banks. In essence, the Islamic principles refer to Islamic sharia which is primarily guided by the Qur'an and Hadith. Islam as a religion is a concept that regulates human life comprehensively and universally both in relation to the Creator (HabluminAllah) and in human relations (Hablumminannas).

The research results showed that the informants had a fairly adequate perception regarding the differences in Islamic banks and conventional banks. Practitioners, auditors, students and scholars stated that Islamic banking is a financial service institution engaged in banking which in its operational process refers to the provisions of Islamic law and prohibits the existence of usury [9, 10].

Based on its own contract, Islamic banks and conventional banks have different agreements or contracts in accordance with its basis. Conventional banks are made in accordance with agreements that are based on positive law, while Islamic banking contracts or agreements are made in accordance with Islamic law [11]. Islamic banks themselves have various kinds of provisions, such as the existence of pillars and the existence of conditions. The pillars intended here are sellers, buyers, qobul, prices and goods. While for the conditions themselves consist of the nature of goods and services that must be halal, and also the price of goods and services that must also be clear.

In Islamic banks the contract that is carried out has worldly and religious consequences because of the contract that is carried out based on Islamic law. Customers often dare to violate agreements or contracts that have been made if the law is only based on mere positive law, but not so if the agreement has accountability until the yaumul qiyamah later [12].

Islamic bank contracts and products are two things that cannot be separated. Because every product in Islamic banks is always based on Islamic contracts and Islamic principles. Among them are [12]: 1. Fund collection products (Islamic demand deposits using wadiah and mudharabah contracts; Islamic savings using wadiah and mudharabah contracts; Islamic

deposits using mudharabah contracts); 2. Fund distribution products (Financing with the principle of profit sharing contract is mudharabah and musyarakah; Financing with the principle of buying and selling, the contract is murabahah, salam and istishna'; Financing with lease principle, the contract is ijarah and IMBT; Financing with the principle of helping the contract is Qardh); 3. Service products consist of: services using Wakalah, Kafalah, Hiwalah, Sharf and Rahn contracts

Transactions in Islamic banking are civil cases that cannot be separated from the practice of daily life, except that the forms and types of their products are more unique with Islamic sharia rules that should not be violated. Everyone who deals with Islamic banks must be able to properly understand the product characteristics provided by Islamic banking so that they are not trapped into misunderstandings and give rise to negative perspectives on Islamic banking institutions.

KDPPLK (Basic Framework for Preparation and Presentation of Financial Statements) Sharia also states that Islamic transactions refer to 5 (five) principles of Islamic transactions, namely, brotherhood (ukhuwah), justice ('adalah), benefit (maslahah), balance (tawazun), and universality (syumuliyah) [13]. The application of the five principles of Islamic transactions cannot be separated from one another, because the implementation of one principle will strengthen the other principle and vice versa, the neglect of some of these principles will have a direct or indirect relationship to the neglect of the principles of other Islamic transactions. The principle of brotherhood cannot be developed without the existence of a relationship with the principle of justice between the parties to the transaction as well as the principle of benefit, the principle of balance and the principle of universality cannot be achieved without the fulfillment of the principle of justice [13].

The development of Islamic financial institutions with a variety of existing instruments has led to optimism about changes in the attitude of the community towards the state of usury. However, there are still a number of reasons that make interest less acceptable as usury. These reasons include, because they are closely related to the religious emotional problems of the community that involve the "beliefs" of the community towards the position of usury as interest. Furthermore, the existence of a critical towards Islamic financial institutions, some people who reject interest as usury, and Muslim communities are more familiar with the interests of conventional financial institutions [14]. This is the task of Islamic banking in the future to introduce Islamic-based banking and usury-free banking that needs to be applied to society at large.

The characteristics and requirements that must be met in implementing transactions that are in accordance with the paradigm and principle of Islamic

transactions are: a) Transactions are only carried out based on the principle of mutual understanding and mutual pleasure; b) The principle of freedom of transaction is recognized as long as the object is halal and good; c) Money only functions as a medium of exchange and a unit of measure of value, not as a commodity; d) It Does not contain elements of usury, injustice, masyir, gharar, haram; e) It is not adhering to the principle of time value of money because of the profits obtained in business activities related to the risks inherent in the business activity with the principle of al-ghunmu bil ghurmi; f) Transactions are carried out based on a clear and correct agreement and for the benefit of all parties without harming the other party so that it is not permitted to use double price standards for one contract and not use two concurrent transactions related in one contract; g) There is no price distortion through demand engineering, or through bidding engineering; h) It does not contain collusion with bribes.

Based on the results of the study by Tim Beinwes, it shows that there are five factors that trigger the development of Islamic banking in Indonesia, as well as being a differentiator between Islamic banking and conventional banking, namely [15]: 1) Market that is considered to be wide has not been worked out to the maximum (especially Islamic banks are not only devoted to Muslims because in some banks there are non-Muslim customers), 2) The profit sharing system proved to be more profitable compared to the interest system adopted by conventional banks, 3) Returns given to customers holding Islamic bank funds are greater than conventional bank deposit rates, 4) Islamic banks do not provide loans in cash, but work together on the basis of partnerships, such as the principle of profit sharing, the principle of equity participation, the principle of buying and selling, 5) The principle of profit for Islamic banks is not the only goal because Islamic banks strive to utilize the existing financial resources to build people's welfare.

Thus, the presence of Islamic banks as an alternative to accelerate the economic development of the people, especially Muslim communities who believe that the operation of Islamic banks are in accordance with Islamic law

CONCLUSION

The community consisting of Islamic banking practitioners, auditors, scholars and students has the same perception regarding Islamic banking and conventional banks which state that Islamic banking is a financial service institution engaged in banking which in its operational process refers to Islamic legal provisions and prohibits the existence of usury. Public perception on Islamic transactions states that Islamic banks encourage people to make non-usury transactions or do not conflict with Islamic teachings

Conflict of Interest

There is no conflict of interest in the preparation and completion process of this research.

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