BASIC CONCEPTS OF SHARIA FINANCE AND PRACTICES IN SHARIA BANKING IN INDONESIA

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Abstract

Financing is one of the duties of banking as a financial intermediary institution. Funding is needed to support the smooth running of the business and for planned investments. This study discusses the basic concepts of Islamic financing and the practices of Islamic banking in Indonesia. This research is library research where all the data used comes from library data relevant to the topic under study which comes from books, journals, papers, and other document sources and is verified, interpreted, and analyzed both content and others. The result is that financing is funding provided to certain parties to facilitate investment and has been designed in such a way both for its own sake and the institution. In the practice of Islamic banking in Indonesia, two financing models are very widely used because they are minimal in risk and easy to implement, namely murabaha and mudharabah financing.

Keywords: *Financing, Islamic Banking, Indonesia*

Abstrak

Pembiayaan merupakan salah satu tugas perbankan sebagai lembaga intermediasi keuangan *(financial intermediary*). Pembiayaan di butuhkan untuk mendukung kelancaran usaha maupun untuk investasi yang telah direncanakan. Penelitian ini membahas konsep dasar pembiayaan syariah dan praktik para perbankan syriah di Indonesia. Penelitian ini merupakan penelitian kepustakaan (*library research*) dimana semua data yang digunakan bersumber pada data Pustaka yang relevan dengan topik yang diteliti yang berasal dari buku, jurnal, makalah maupun sumber-sumber dokumen lainnya dan diverfikasi, di interprestasi dan dianalisis baik isi maupun lainnya. Hasilnya bahwa pembiayaan merupakan pendanaan yang diberikan kepada pihak tertentu guna memudahkan investasi dan telah dirancang sedemikian rupa baik untuk kepentingan sendiri maupun lembaga. Pada praktik perbankan syariah di Indonesia, ada dua model pembiayaan yang sangat banyak digunakan karena minim risiko dan mudah dalam implementasinya adalah pembiayaan murabahah dan mudharabah.

Kata Kunci: *Pembiayaan, Perbankan Syariah, Indonesia*

Introduction

Banking in the life of a country is one of the agents of development. This is due to the main function of banking itself, namely as an institution that collects funds from the public in the form of savings and distributes them back to the community in the form of credit or financing. This function is commonly referred to as financial intermediation (Anshori, 2008). Sharia banks are financial intermediary institutions whose operational activities are free from elements prohibited by Islam, namely maysir, gharar, and usury. Banks whose main task is to collect funds from the public, it is hoped that these funds can meet the needs for financing funds. In fund distribution activities, Islamic banks invest and finance. Financing is a very important activity because with financing the main source of income will be obtained and will support the continuity of the bank's business. Conversely, if the management is not good, it will cause problems and stop the bank's business (Erlindawati, 2017).

Islamic banking is a fast-growing area in the global banking industry which is systematically becoming important in many countries in various regions. This is expected to continue to increase in response to economic growth in countries with large Muslim populations that are relatively unbanked. The increasing global demand for Islamic-compliant investments has become the basis for making Islamic banking a fast-growing industry (Rhanoui & Belkhoutout, 2017).

Islamic economics and finance stem from timeless principles rooted in the rule of sharia law. Unlike the legal system which is limited to the secular aspects of daily life, sharia jurisprudence does not distinguish between religious and other aspects of life, including transactions that fall within the political, economic, or social (muamalat) field (Hussain, Shahmoradi, & Turk, 2016). The basic principle of Islamic banking is the sharing of profits and losses and the prohibition of usury (interest) (Ahmed, 2010).

Research Methods

This research includes library research, namely examining library materials or literature related to a research problem by selecting, reading, studying, and researching books or other written sources related to research topics available in library sources, which can be used as sources of information for the preparation of scientific reports

(Hamzani, 2018). While the approach in this study is an analytical descriptive approach. Sources of information used in this study include primary data and secondary data. Primary data is data collected directly from research subjects or first source information (Herdiansyah, 2017). Meanwhile, additional information is information that can be found in reference sources. After all, sources have been collected, the validity of the data is tested, then document analysis or content analysis is carried out. Content analysis is a technique used to obtain the required information from material systematically and objectively by identifying certain characteristics of a material (Martono, 2013).

Discussion

1. Funding Basic Concepts

In general, financing is defined as funding provided by a party to another party to support planned investments, whether carried out individually or by an institution. In other words, financing is funding issued to support planned investments (Muhammad, 2005). About financing in Islamic banking, the technical term is referred to as productive assets. Earning assets are Islamic bank investments, both in rupiah and foreign currency, in the form of financing, receivables, qard', sharia securities, placements, equity participation, temporary equity participation, commitments, and contingencies in administrative accounts, as well as Indonesian wadiah certificates (Muhammad, 2010).

According to Kasmir, (2014) financing is the provision of money or bills that can be equated with that, based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or bill after a certain period in return or profit sharing. Meanwhile, M. Nur Rianto Al-Arif, (2012) financing or financing is funding provided by one party to another party to support planned investments, either carried out alone or by an institution. In other words, financing is funding issued to support planned investments.

The term financing essentially means I believe, I trust. The word financing which means (Trust) means that the financing institution as shahibul maal places trust in someone to carry out the mandate given. These funds must be used properly, and fairly, and must be accompanied by clear and mutually beneficial terms and conditions for both parties (Rivai & Veithzal, 2008). Financing based on an operational pattern is the provision of money or bills equivalent to that based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or bill after a certain period in return or profit sharing (Arbi, 2013). The Islamic Banking Law Number 21 of 2008 states that financing is a type of business activity in Islamic banks. Namely the provision of funds or claims equivalent to that, based on an agreement or agreement between the Islamic Bank or Islamic Business Unit (UUS) and other parties that require the party being financed or provided with a funding facility to return the funds after a certain period in return for ujrah, without compensation or profit sharing. Technically the bank provides financing to support investment or the running of a business that has been planned between the two parties with a profit-sharing agreement in it.

Financing is an activity of providing financial facilities provided by one party to another party to support the smooth running of the business as well as for planned investments. Financing is one of the main tasks of the bank, namely providing funding facilities to meet the needs of parties who are constituencies (Muflihin, 2019). Financing in banking is the provision of money or equivalent claims based on a loan agreement or agreement between a financial institution and another party that requires the borrower to repay the debt after a certain period. Financing in Islamic banking is the provision of funds or equivalent claims in the form of: First, profit-sharing transactions in the form of Mudharabah and Musyarakah. Second, the lease transaction with the option of transferring ownership rights in the form of Ijarah Muntakiyah bit Tamlik. Third, sale and purchase transactions in the form of receivables from Murabahah, Salam, and Istishna. Fourth, lending and borrowing transactions are in the form of Qardh receivables. Fifth, multi-service transactions using Ijarah or Kafalah contracts (Rivai & Veithzal, 2008).

Khaerul Umam, (2016) concluded that financing is the provision of funds or claims that are equated with various forms, namely profit-sharing transactions in the form of mudharabah and musyarakah, leasing transactions in the form of ijarah or lease-purchase in the form of ijarah Rompiits in the form of tamlik bits, sale, and purchase transactions in the form of murabahah, salam and istishna' receivables, lending and borrowing transactions in the form of accounts receivable and qardh, and service leasing transactions in the form of ijarah for multi-service transactions, based on agreements or agreements between Islamic Banks and/or Islamic business units (UUS) and parties others which oblige parties who are financed and/or given funding facilities to return the funds after a certain period in exchange for Ujrah, without compensation or profit sharing.

So it can be understood that financing broadly means financing or spending, namely funding issued to support planned investments, either carried out alone or carried out by other people. In a narrow sense, financing is used to define funding made by financing institutions, such as Islamic banks, to customers (Mandasari, Wawan, Agus, Juhadi, & Ade, 2021). Financing in Islamic banks or also called credit in conventional banks, is basically an agreement between a bank and a customer who requires funds to finance certain activities or activities.

The agreement on channeling bank financing to customers can be differentiated based on the contract used, the financing contract is in the form of a sale and purchase contract, an investment or investment contract, a lease/purchase contract, and there is also a loan/borrowing contract without additional principal or interest. Sharia banking is indeed not allowed to charge fees and interest to their customers. Islam prohibits Muslims from taking or charging interest because interest is 'usury' which is a transaction that is not permitted by Allah SWT (QS. Al-Baqarah [2]: 275) regardless of the purpose of the loan being given and regardless of the interest rate charged (Rani & Cahyono, 2017). Therefore, the main principle of Islamic financing is to prohibit usury (interest), gharar (ambiguity), and speculation, and include some actual information in the contract (Tabash & Dhankar, 2014). Specifically, in carrying out financing, it must not go beyond the five aspects of Islamic rules or norms, such as no interest-based financial transactions, the introduction of taxes or the giving of alms, zakat, the prohibition of the production of goods and services that are contrary to Islamic values, the avoidance of economic activities that involving maysir or gambling and gharar (uncertainty) and provision of takaful (Islamic insurance) (Mervyn Lewis, 2001)

Islam does not prohibit lending and borrowing in an economic activity this activity is highly recommended because it aims to help each other among human beings.

Even the Prophet Muhammad SAW carried out lending and borrowing transactions both in the form of money and goods, in small or large amounts, from Muslims and non-Muslims, from men and women (Siddiqi, 1995). In addition, the Islamic system is ethically oriented; refuses absolute ownership; encourages its followers to pay attention to others including non-Muslims (Azid, 2010).

The legal basis for the permissibility of borrowing and borrowing in financing is based on the word of Allah SWT in Al-Baqarah [2] verse 245; “Whoever lends Allah a good loan, Allah multiplies him in abundance. Allah withholds and expands (sustenance) and to Him, you will be returned ".

Funding is given on the basis of trust. Thus, providing financing is giving trust. This means that the achievements given really must be believed to be returned by the recipient of the financing following the terms and conditions that have been mutually agreed upon. Based on the above, the elements in the financing are:

1. There are two parties, namely the financier (shahibul mal) and the recipient of the financing (mudharib). The relationship between the giver and the recipient of financing is a mutually beneficial cooperative relationship, which is also interpreted as a life of mutual help.
2. There is shahibul mal's trust in mudharib based on the mudharib's achievements and potential
3. There is an agreement, in the form of an agreement between the shahibil mal and other parties who promise to pay from mudharib to shahibul mal. The promise to pay is in the form of an oral, written promise (financing agreement) or in the form of an instrument.
4. There is the delivery of goods, services, or money from shahibul mal to mudharib
5. There is an element of time. The element of time is an essential element of financing. Funding occurs due to the element of time, both from the shahibul mal viewpoint and from the mudharib perspective
6. There is an element of risk from both shahibul mal and mudharib parties. The risk from the shahibul mal is the risk of default either due to business failure (commercial loans) or inability to pay (consumer loans) or due to inability to pay. The risk from the mudharib is a fraud from the financing party, including in the

form of shahibul mal who intends to annex the company that is given the financing or the collateralized land (Rivai & Veithzal, 2008).

7. There is remuneration. Where as a result of the credit facilities provided by the bank, of course, expect a certain amount of profit. The advantage of giving credit is called interest for conventional principal banks, while for Islamic banks it is called profit sharing (Kasmir, 2014b).

To avoid non-performing financing or bad credit, a financial institution must have three important aspects of financing, namely safe, smooth, and profitable: *First*, Safe, namely the belief that funds that have been thrown into the community can be withdrawn according to the agreed period. *Second*, smooth, namely the belief that these funds can be circulated by financial institutions smoothly and quickly. *Third*, profitable, namely accurate calculations and projections (Ridwan, 2004).

At least there are several functions of financing provided by Islamic banks to customers who make financing, including; First, increasing the usability of money so that savers save their money in the bank in the form of demand deposits, savings, and time deposits. the use of the money is increased by the bank to increase productivity. Second, by increasing the usability of goods, with financing assistance, banks can produce raw materials into finished materials, so that the price of these materials can increase. Increasing the circulation of money, financing that is channeled via accounts, and newspapers, then entrepreneurs can create increased circulation of demand deposits and the like such as checks, demand deposits, money orders, promissory notes, and so on. Third, As a bridge to increase national income, financing is channeled to stimulate increased export activities which will increase the country's foreign exchange. As a tool for international economic relations, rich countries or those with strong economies, for the sake of the friendship between countries, provide much assistance to developing countries. or currently building. Fourth, giving rise to pleasure in companies, entrepreneurs will always have good relations with banks to obtain capital assistance to increase their business, demand, and supply, so that in all kinds and types of business, demand will continue to increase if the community has started making offers (Muhammad, 2010).

Sharia financing is a system in which all financing transactions are carried out according to Sharia (Biancone & Radwan, 2018). In other words, the distribution of financing is carried out based on sharia rules. In its implementation, sharia financing must comply with the principles of justice ('adl), balance (tawazun), benefits (maslahah), and universalism (naturalyah) and not contain gharar, maysir, usury, zhulm, risywah, and other illicit objects. (Lianny, 2020). Sharia financing can be alternative financing to facilitate installment returns from financing sources where returns are determined based on the results obtained (Asnawi, Amrawaty, & Nirwana, 2018). In addition, profit and loss are shared between investors and customers. Because all parties in financing must share the risks and profits or losses from the business being carried out (Biancone & Radwan, 2018).

Other financing objectives consist of two interrelated functions with financing: First, Profitability, namely the objective of obtaining results from financing in the form of profits achieved from profit sharing obtained from businesses managed with customers. Second, Safety, namely the security of the achievements or facilities provided must be truly guaranteed so that profitability goals can be achieved without significant obstacles (Asiyah, 2015).

In particular, banks also have specific objectives in the financing process. The purpose of the financing carried out by the bank is to meet the needs of stakeholders, namely: 1) The owner of the fund expects to get income from the funds invested in the bank. 2) Employees hope to obtain prosperity for the work of the managed bank. 3). The community as the owner of the funds will expect to receive profit sharing on what is invested. The community as a debtor is helped by the existence of financing in running their business and assisted in procuring the goods they want. Communities as consumers will get the goods they want. 4) The government will be assisted in financing development. Besides that, the State will also receive income tax on profits earned by the bank. 5) Banks can continue and develop their business to survive and expand their business network so that there are more businesses and more people they can serve (Abdullah, 2003).

According to Vietzal & Arviyab, (2010), the purpose of financing can be seen from a macro and micro perspective. On a macro basis, financing aims to; First, Improve the people's economy, meaning that people who cannot access it economically, with the financing can make economic access. Thus, it can increase its economic level. Second, the availability of funds for business expansion, means that business development requires additional funds. These additional funds can be obtained through financing activities.

Third, increasing productivity means that financing provides opportunities for the business community to be able to increase their production power. Fourth, opening new jobs, means that by opening business sectors through additional financing funds, the business sector will absorb labor. Fifth, there is income distribution, meaning that productive business people can carry out work activities, meaning they will earn income from the results of their business.

Meanwhile, on a micro basis, financing is provided to: a). Efforts to optimize profits, meaning that every business opened has the highest goal, which is to generate business profits. b). Efforts to minimize risk, meaning that the business is carried out to be able to generate maximum profit, the entrepreneur must be able to minimize the risks that may arise. c). Utilization of economic resources, meaning that economic resources can be developed by mixing existing natural resources and human resources, and no capital resources. d). Distribution of excess funds, meaning that in the life of this community, those who have advantages while some are lacking it can become a bridge in balancing and channeling excess funds from those who have excess to those who lack funds.

B. Financing Practices in Islamic Banking in Indonesia

Islamic banks are financial institutions engaged in the provision of financing and other services in the payment process and circulation of money that operate based on Islamic principles (Said, 2015). The main task of Islamic banks is to channel financing, namely by providing loan facilities (Effendi, Thiarany, & Nursyamsiah, 2017). So when the contract is made, both Islamic banks (investors and customers) do not set a certain interest rate as a profit received or a burden to be paid. This concept is a sharia solution to avoid detrimental financing (Zulfikar & Sri, 2019). Islamic banks offer financial instruments that are consistent with the religious beliefs and cultural characteristics of the Muslim community (How, Karim, & Verhoeven, 2005). In Islamic finance, the term "loan" only refers to benevolent loans (qard al hasan), a form of financial assistance to those in need to be repaid without charge (Hussain et al., 2016).

Financing in Islam is permissible except for financing on worthless items, dead animals or dust, illegitimate commodities (eg pork, wine), or exchanges that have elements that are not permitted by Sharia, such as gambling (maysir). interest (riba), intolerable levels of uncertainty or ignorance (gharar, or al-jahalah), intimidation, time restrictions, uncertain specifications (gharar al-wasf), danger (al-darar), and damaging conditions (al-shurut al mufsidah) (Azid, 2010). This financing model is a practical solution as well as the main alternative to interest-based financing (Khan, 1994).

In general, according to Andrianto & M. Anang Firmansyah, (2019) that the types of financing in Islamic banks can be grouped based on the period, nature of use, and needs, as well as the nature of the withdrawal and method of repayment. More details will be described as follows:

First, the type of financing is based on the intended use. This type of financing can be divided into two types, namely: 1). Consumptive financing, namely financing provided to customers used to finance consumer goods. This financing is generally for individuals, such as for buying a house or buying a car for personal use. Repayment of financing, in the form of installments, comes from the salary, not from the object being financed. Types of consumer financing such as; (1) Housing Financing, namely financing facilities for the purchase/construction/renovation of residential houses, flats, shop-houses, office houses, apartments, etc. with collateral in the form of the object being financed. (2) Car Financing, namely financing facilities for the purchase of two-wheeled motorized vehicles or wheeled vehicles with collateral in the form of the motorized vehicles being financed. (3) Multipurpose Financing, namely financing facilities for all consumptive purposes, with guaranteed income as an employee or professional, and/or land including residential buildings. (4) Financing Cards, namely collateral-free financing facilities for ease of payment and cash withdrawal transactions. Transactions are carried out using cards issued to individual cardholders. Financing cards are issued by the bank after the application has been approved by the bank concerned. 2). Commercial Financing, namely financing provided to individuals or business entities that are used to finance a particular business activity. Forms of commercial financing such as; (1) Microfinance, namely financing facilities provided to finance microbusiness activities. (2) Small Business Financing, namely financing facilities to finance small business activities. (3) Medium Business Financing, namely financing facilities provided to finance medium business activities. (4) Corporate Financing, namely financing facilities provided to finance company/corporation business activities. Determination of the size of micro, small, and medium financing is determined by the policies of each bank.

Second, the type of financing is based on needs. This type of financing can include, among others; 1). Working Capital Financing, namely financing facilities used to increase the working capital of a company. Working capital financing is used to purchase raw materials, production costs, marketing, and working capital for other operations. 2). Investment Financing, namely facilities used to purchase capital goods and services needed for rehabilitation, modernization, and expansion. Investment financing is usually long or medium-term. 3). Project Financing, namely financing facilities used to finance investment and working capital for new projects.

Third, the type of financing is based on the method of withdrawal. This type of financing such as; a). At the same time, namely a financing facility with withdrawals that are carried out once in the amount of the approved financing limit. Withdrawals are made in cash or transferred to a savings/giro account belonging to the financing customer. b). Gradually according to a set schedule, namely financing facilities with withdrawals carried out according to the schedule set by the bank, both based on the level of project progress/completion and the financing needs of financing customers. c). Current Account (Revolving) or withdrawal as needed. Namely a financing facility with withdrawals that are carried out according to the needs of the financing customer. Withdrawals are made in cash or transferred to a savings account / current account belonging to the financing customer.

Fourth, the type of financing is based on the method of financing. This type of financing is divided into two types, namely; 1) Bilateral Financing, namely financing facilities provided to customers by only one bank. 2). Syndicated Financing, namely financing facilities provided by two or more financial institutions to finance a particular project/business. Syndicated Financing is provided with the same terms and conditions, uses the same documents, and is administered by the same agent. Syndicated financing is generally financing with certain characteristics such as:

1. The amount of financing usually includes a large amount.
2. The term of granting is usually medium or long.
3. The responsibility of syndicated participants is not joint responsibility. Each syndicated participant is responsible only for that portion of the financing amount to which it is committed.
4. One of the syndicated banks is appointed as the agency administering the syndicated financing.

Fifth, Types of Financing Based on period. This type of financing is grouped into 1). Short Term Financing, namely financing facilities with a grace period for repayment to the bank of not more than one year. This type of financing is generally in the form of working capital financing for trade, industry, and other sectors. 2). Medium Term Financing, namely financing facilities with a grace period of more than one year to three years. Examples of this type of financing are financing for the purchase of vehicles, and working capital financing for construction. 3). Long-term financing, namely financing facilities with a financing period of more than three years. Examples of long-term financing are financing for the construction of large factories, toll roads, large airports, and others.

Sixth, the type of financing is based on a financing agreement or contract. This type of financing is divided into four types:

1. Financing under a sale and purchase agreement, namely a financing facility based on a sale and purchase agreement or contract between the bank and the customer. Financing under this contract includes murabaha, istishna, and salam financing.
2. Financing based on investment transaction agreements, namely financing facilities based on bank investment agreements or contracts for customers with mutually agreed profit-sharing ratios. Financing under this contract includes mudharabah and musyarakah financing.

3. Financing based on lease transaction agreements, namely financing facilities based on agreements or leases or leases between the bank and the customer. This financing includes ijarah and ijarah mumburya bit tamlik financing.
4. Financing based on a loan transaction agreement, namely a financing facility based on a loan agreement or contract between the bank and the customer. Financing under this contract is called Qard.

In the Indonesian context, banking policies that began to regulate the Islamic economy in 1992 based on the provisions of Law Number 7 of 1992 concerning Banking, although these regulations have not comprehensively regulated the specifics of the Islamic economy, are a starting point towards further amendments. In 1998 the Government of Indonesia made amendments to the banking laws. The Indonesian government issued Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking.

In 2008 the Indonesian government stipulated Law Number 21 of 2008 concerning Islamic Banking, ratified on June 17, 2008, whose promulgation in the State Gazette was made on July 16, 2008. The intended law introduced several new legal institutions aimed at supporting the implementation of development national level to improve justice, togetherness, and equal distribution of people's welfare (Ibrahim, 2014).

Meanwhile, the most widely used Sharia-bank financing is murabahah financing. Murabahah financing is a form of financing that is quite dominant in Islamic banking not only in Indonesia but throughout the world. Although in theory, this financing should be second only to Mudharabah financing, Murabaha financing ranks first among Islamic banking financing. Murabaha is the most commonly used financing instrument (Wilson, 2008). Murabaha transactions tie the bank's financing business to real economic activity (Nienhaus, 2010). Murabahah financing, which is considered low risk, continues to dominate the financing of Islamic banks, Islamic commercial banks, and Islamic commercial institutions.

Murabahah is a deferred payment transaction designed to facilitate the purchase of goods and does not exchange money for additional money (or money equivalent) within a certain period. The bank buys the goods and sends them to the customer, transferring payment to the time agreed between the two parties. The expected return on a murabaha is usually in line with the conventional interest rate on the loan, drawing parallels between a murabaha sale and an asset-backed loan. However, unlike traditional loans, after the murabaha contract is concluded, the amount financed cannot be increased or subject to a penalty in the event of late payment or negligence, unless the buyer deliberately refuses to make payment. In addition, the seller must bear responsibility for the delivery of defective goods. Murabaha transactions are widely used to finance international trade. More recently, some banks have adopted a sophisticated variant of murabaha contracts known as Tawarruqi for interbank financing and liquidity management. However, in some jurisdictions, Tawarruq transactions are considered contrary to sharia principles (Hussain et al., 2016).

Furthermore, what is widely used in Indonesia is Mudharabah financing. Mudharabah is a contract in which one party provides funds (financier as principal) and another party provides business and managerial knowledge (mudharab or entrepreneur as agent) to share profits. is. Profit sharing is determined by mutual agreement, but all losses are fully borne by the Funders unless the loss is caused by negligence, negligence, or violation of the terms of the Mudarib Agreement (Hussain et al., 2016).

Mudharabah financing is one of the permissible financing in Islam because it benefits the parties, and is used as a forum for bringing together parties who have financial advantages but lack expertise and opportunities to develop together, with parties who have expertise and opportunities, but no additional capital. (capital) to start a business. The meeting certainly benefited the parties because each party needed each other, in addition to that, the existence of mudharabah financing allowed wealth not only to flow to the upper middle class (wealth) but also to the lower middle class (poor). Within the framework of this privilege, Islamic Banks apply this contract to various business products of Islamic Banks, one of which is savings or savings products in capital raising activities, hereinafter known as mudharabah savings or mudharabah savings (hereinafter referred to as mudharabah). More specifically, Mudharabah deposits are also defined as customer deposits (in this case it is called Shahibul Mal) kept in a bank (in this case the bank calls it Mudharib), which is used as capital and is an investment in nature. Based on this contract, the capital received from the customer or Shahibul Mal is then invested by the bank or Mudharib with an agreed profit sharing.

Thus it can be understood that the most widely practiced financing in Islamic banking both in the world and in Indonesia is murabaha and mudharabah financing. Both of these financing models are considered minimal risk and the potential benefits for both parties are enormous and very easy to understand and implement. While other financing models have various instruments that are not optimal and in the application and implementation stages there is often misalignment so that it has the potential to violate the sharia procedure itself. Nonetheless, the types of products generally offered by Islamic banks can be understood in the Statement of Financial Accounting Standards (PSAK) No. 59 concerning Accounting for Islamic Banks. It describes the recognition, evaluation, and presentation of financial reporting for the products offered by Islamic banks around the world. PSAK No.102-107 explains in more detail these products consist of Murabahah, Salam, Istisna, Mudharabah, Musyarakah, and Ijara products. DSN MUI No.4 to 9 and these products describe the operational principles of Islamic banks.

Conclusion

From the description and analysis above, it can be concluded that financing is funding provided to certain parties to facilitate investment and has been designed in such a way both for its interests and the institution. Funding in Islam is strictly regulated in the letter Al-Baqarah [2] verse 245 which is based on trust and not on items that are worthless and not permissible because they contain maysir, usury, gharar, darar or al-shurut al mufsidah. In the practice of Islamic banking in Indonesia, two financing models are very widely used because they are minimal in risk and easy to implement, namely murabaha and mudharabah financing.

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