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NOTES FROM THE EDITOR'S DESK

Alhamdulillah, Volume 9, Number 2, (July - December edition) 2020, has been published on time. As always, in the attempts to maintain the quality, each article that has passed the initial review will have gone through a rigorous review process. In this issue, we publish seven articles out of dozens that have been submitted into our online system. The accepted-articles discuss various topics within the field of Islamic economics and finance.

This issue begins with an intriguing article by Mulia Saputra, Muhammad Arfan, and Neni Zahara on the efficiency of conventional insurance companies comparing to Islamic insurance companies in Indonesia. The data were selected from the period of 2014-2018 when the market share of Islamic insurance company is growing up year by year. This article gives a different insight that using the tested variables the conventional life insurance company is more efficient comparing to the shariah life insurance company. Such a finding will also explain how many more steps it is for the sharia insurance company to get in the level of its conventional insurance counterpart.

In the second row, Budi Iswanto, Munadi, and Suriadi discuss the local wisdom in trading activities of Muslim community in Temajuk, Kalimantan, a sub-district located at the border of Indonesia-Malaysia from an Islamic economic perspective. They reveal that the trading activities undertaken by the Temajuk community have a local value that shows the relation with Islamic values, as well as the value of Islamic teachings. Local wisdom values of Temajuk Malay culture like *Belalle*, *Talange*, *Sikutuan*, and *Taware* in a trading perspective are found in the indigenous ethnolinguistic Malay Temajuk. Ethnolinguistics is the value applied in Temajuk Malay customary as a form of communication which also has the value of Sharia trading.

The discussion on how to get a pure applicable Islamic financial system is probably an unending topic to be discussed within the field of Islamic economics and finance. Now, Oluwaseun Sulaiman Saidu, have presented, in this issue, a brief description on marshaling a path towards scripting a pristine and practicable Islamic finance. The article focuses on identifying two salient preconditions to achieve the objective. It utilizes a diachronic approach whilst resorting to scriptural reasoning, historical evidence and were analyzed using inductive rationale.

Moreover, Armiadi Musa, provides us with the findings of the accounting treatment for zakat as locally-generated revenue in Baitul Mal Aceh. As a government institution, Baitul Mal is obligated to present financial statements according to Government Accounting Standards (*Standar Akuntansi Pemerintah - SAP*). This article investigated the compliance of Baitul Mal Aceh with the SAP dan Statement of Financial Accounting Standards No. 109 (*Pernyataan Standar Akuntansi Keuangan - PSAK 109*) in zakat financial reporting issued by the Institute of Indonesia Chartered Accountants (*Ikatan Akuntan Indonesia* –



IAI). The results show that Baitul Mal Aceh has implemented both SAP and PSAK 109 in presenting the financial statements regardless of some items that might not be in accordance with the standards.

Another article that deals with Islamic financial institutions is provided by Nunung Nurlaela and her co-authors. She assesses the fatwas related to financial technology (fintech) that have been implemented within the industry. Her research subjects are; (1) Sharia Cards, (2) Sharia Charge Cards, (3) Transfers and Collections, (4) Payment Services, and (5) Sharia Electronic Money. It is interesting to read how she presents the results for each of these subjects. Although the fatwas have already been implemented, the results provide suggestions for the fatwa creator, the Sharia National Board-Indonesian Council of Ulama (*Dewan Syariah Nasional-Majelis Ulama Indonesia – DSN-MUI*), for future fatwas' adjustments.

In relation to the current pandemic issue, the article by Siti Amarah presents the analysis on how the capital market reacts when the first patient of Covid-19 in Indonesia was announced. This article analyzes the differences in average abnormal returns of 'go public' companies registered on The Jakarta Islamic Index (JII) 70 both before and after the announcement. Observations were made 9 days before the announcement and 9 days after the announcement. It is interesting to know that the average abnormal returns are negative both before and after the announcement. In other words, market react negatively to the announcement indicated by negative average abnormal return.

The final article offering data on the contribution of halal tourism to community economy. In this issue, Arfiwanda, Sofyan Syahnur, and Eddy Gunawan, measure and analyze the application of the halal concept in tourism attractions of the Tsunami Aceh Museum and the PLTD Floating Ship (*Kapal Apung PLTD*) sites in Banda City, Indonesia. The majority of the respondents perceived that the tourist attractions of the Tsunami Aceh Museum and the PLTD Floating Ship had implemented the halal tourism concept. The study also found that those halal tourism objects have contributed to the enhancement of the community's economic development, indicated by the Keynesian Local Income Multiplier and Ratio Income Multiplier of greater than one.

Finally, I would like to say thank you to those who have been helpful in organizing the day-by-day operation of the journal including our editors, reviewers, and also administrative staffs. We also thank our friends at the Rumah Jurnal UIN Ar-Raniry who has also been supportive in keeping the journal meet the academic standards.

Azharsyah Ibrahim

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A COMPARATIVE STUDY OF CONVENTIONAL AND SHARIAH LIFE INSURANCE EFFICIENCY USING DATA ENVELOPMENT ANALYSIS

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ABSTRACT – This study aims to analyze and compare the efficiency between conventional life insurance companies and Islamic life insurance companies in Indonesia over the period of 2014-2018. The sample of this study was taken from 10 conventional life insurance companies and 10 shariah life insurance companies that were selected based on the purposive sampling technique. Measurement of efficiency in this study was conducted using the method of data envelopment analysis (DEA) based on Bankers-Charnes-Cooper (BCC) and Charnes-Cooper-Rhodes (CCR) models of the value-added approach. This was followed by testing the hypothesis using a different Mann-Whitney U-test. Input variables used are assets, capital, general and administrative costs, and commission expenses. Meanwhile, the output variables are premiums and investment income. The results showed that conventional life insurance companies are more efficient than Islamic life insurance companies based on the BCC and CCR models. Furthermore, the results of different tests using the Mann-Whitney U-test showed an insignificant difference in efficiency between conventional life insurance companies and Islamic life insurance companies during the study period. The results of the comparison of the average efficiency value with the DEA method indicated that the efficiency level of a conventional life insurance company was better than a shariah life insurance company.

Keywords: Efficiency. Conventional life insurance. Shariah Life Insurance. Data Envelopment Analysis

ABSTRAK – *Studi Perbandingan Efisiensi antara Asuransi Jiwa Konvensional dengan Syariah Menggunakan Data Envelopment Analysis.* Penelitian ini bertujuan untuk menganalisis perbandingan efisiensi perusahaan asuransi jiwa konvensional dengan perusahaan asuransi jiwa syariah di Indonesia pada periode 2014-2018. Sampel penelitian ini adalah 10 perusahaan asuransi jiwa konvensional dan 10 perusahaan asuransi jiwa syariah yang dipilih berdasarkan teknik purposive sampling. Pengukuran efisiensi dalam penelitian ini menggunakan metode data envelopment analysis (DEA) dengan model BCC dan CCR berdasarkan pendekatan nilai tambah. dilanjutkan dengan melakukan uji hipotesis menggunakan uji beda Mann-Whitney u-test. Variabel input yang digunakan adalah aset, modal, biaya administrasi dan umum, dan beban komisi. Sedangkan variabel outputnya adalah premi dan pendapatan investasi. Hasil penelitian menunjukkan bahwa perusahaan asuransi jiwa konvensional lebih efisien dibandingkan perusahaan asuransi jiwa syariah berdasarkan pengukuran dengan model BCC maupun model CCR. Selanjutnya hasil uji beda menggunakan uji mann-whitney u- test menunjukkan bahwa tidak terdapat perbedaan efisiensi yang signifikan antara perusahaan asuransi jiwa konvensional dan perusahaan asuransi jiwa syariah selama periode penelitian ini. Hasil perbandingan nilai efisiensi rata-rata dengan metode DEA menunjukkan bahwa tingkat efisiensi perusahaan asuransi jiwa konvensional lebih baik daripada perusahaan asuransi jiwa syariah.

Kata Kunci: Efisiensi. Asuransi Jiwa Konvensional. Asuransi Jiwa Syariah. Data Envelopment Analysis

INTRODUCTION

The insurance industry is a non-bank financial institution that acts as one of the pillars of the national economy. This relates to the role of insurance companies as collection agencies and their provision of long-term funds for national economic development. The insurance companies also provide protection against risks faced by the community as well as support developmental stability. Operationally, in the context of Indonesia, insurance companies are fostered and supervised by the Financial Services Authority (*Otoritas Jasa Keuangan* - OJK).

Over the last decade, the companies have shown an increase in development not only in Indonesia but worldwide. The insurance industry in Indonesia continues to grow, especially life insurance. In 2016 the insurance industry contributed around 2.92% to the Gross Domestic Product (GDP). The biggest contribution of the gross premium of the insurance industry comes from the life insurance sector, which is equal to 46.2%. It can be inferred that life insurance contributes significantly to the development of the insurance industry in Indonesia (Financial Services Authority, 2016).

Life insurance is an agreement between insurance participants and an insurance company. The insurance company promises to pay a sum of money in the event of death to the insurance policyholder. Life insurance is intended to protect a person or family from financial loss or loss of one's income due to the death of the insured. This is a form of guarantee for families left behind. In general, there are two types of life insurance companies in Indonesia; namely conventional life insurance and shariah life insurance.

Conventional insurance and shariah insurance have the same purpose which is to manage life risks. However, there are differences in executing the process. The risk management in conventional insurance is by using risk transfer which is distributing the risks of members to the insurance company, while shariah insurance is by using the *risk-sharing* concept among the members under the insurance company where the members help each other by sharing the risks they will face by collecting the premiums which consist of *tabarru'* fund (Puspitasari, 2015; Nisak & Ibrahim, 2014)

Although there are differences between Sharia Insurance and Conventional Insurance, the role of the two insurers is still the same, namely, to protect participants. However, there are benefits of Sharia insurance products that are



not included in conventional insurance, namely *waqf*. The *waqf* is the transfer of property rights or durable assets to recipients of *waqf* or *nazhir*, which aims to benefit the people as contained in the Waqf Program owned by PRUSyariah from Prudential Indonesia. Besides, in Sharia insurance, there is a Sharia Insurance Contract or agreement using a Grant Agreement *tabarru'* which is carried out according to Islamic law and halal. Apart from that, ownership of Sharia Insurance funds is a joint fund owned by all insurance participants. If a participant needs assistance, another participant helps through contribution funds (sharing of risk). Besides that, *zakat* is one of the pillars of Islam that must be done by Muslims. So that Sharia Insurance requires participants to pay *zakat*. The amount is determined based on company profits. The growth of both companies can be observed from the growth rate of gross premiums, assets, and investments, as illustrated in Table 1.

Table 1. The Growth of Conventional and Shariah Life Insurance over the period of 2015-2016 (In IDR Trillions)

Category	Gross Premium		Assets		Investment	
	2015	2016	2015	2016	2015	2016
Conventional Life Insurance	135.13	167.17	378.03	451.03	327.68	396.38
	23.7%		19.3%		21%	
Shariah Life Insurance	8.27	9.44	21.73	26.90	19.60	24.32
	14.1%		23.8%		24.1%	

Source: Financial Services Authority (2017)

As observed from Table 1, the growth of shariah life insurance is relatively higher than the conventional life insurance. This can be highlighted by the higher growth rate of assets and investments. However, the growth of gross premiums on shariah life insurance is far below the growth of gross premiums of conventional life insurance, even though gross premiums of shariah life insurance are growing but the value is insignificant.

Erwin Noekman, a shariah insurance observer, acknowledges that conventional insurance still dominates the insurance industry in Indonesia (Kontan.co.id, 2017). Although, every year the growth of shariah life insurance is always greater than conventional life insurance but the market share of shariah life insurance is far smaller than the conventional ones, which control almost 94% of the total market share. Referring to these figures, an argument could be made that conventional life insurance is more efficient than shariah life insurance.



One of the important aspects of the success of a company is efficiency (Abidin at al., 2009). Efficiency shows that a company has strong managerial abilities (Mawaddah, 2013). Efficiency is important for a company in regards to maintaining the public's trust, and efficiency is also one of the keys to increasing the competitiveness of a company, especially in the tight competition of the insurance industry in Indonesia today.

There some studies that have been conducted in the world which lead to different findings. Take a study done by Abduh et al., (2012) which compared shariah insurance and conventional insurance in Malaysia. The result of the study shows that conventional insurance is less efficient when compared to shariah insurance because shariah insurance is equipped with different products operated under the same system as conventional. Meanwhile, Khan at al., (2014) conducted a study about the level of efficiency of the conventional insurance company and shariah insurance company in Pakistan. The findings show that shariah insurance is more efficient than conventional insurance. This is due to the optimal use of variable input. Based on the elaborated background and the gap found in the previous studies, the researcher is interested to conduct this study.

The difference between this study and previous studies is that the input variables studied in this study were more than the previous research conducted by Abduh et al., (2012). They used two input variables, namely commission fees, and management fees, while in this study, there are two additional input variables, namely assets and capital. This study focuses on comparing the efficiency of life insurance companies, in contrast to Purwanti (2016) research which compares the efficiency of general insurance companies. The next difference is that this study measures the efficiency of insurance companies for the period 2012 to 2016 which is different from the research of Khan at al., (2014) which measures the efficiency of insurance companies for the period 2006 to 2010.

The strength of this research is that this research looks at the comparison of the latest data from 2014 to 2018. Also, this study compares the efficiency of these two insurance companies using Data Envelopment Analysis (DEA). DEA was first developed by Farrel in 1957 which measured the technical efficiency of one input and one output into multi-input and multi-output, using the relative efficiency value framework as the ratio of input to output (Sutawijaya &



Lestari, 2009). The choice of the DEA method has advantages over other methods. Purwantoro (2003) states that the advantages of the DEA are:

- a) Can measure the relative efficiency of several similar DMUs by using many input and output variables.
- b) There is no need to assume a functional relationship between the input and output variables.
- c) DMUs can be compared directly with each other.
- d) Input and output variables can have different units of measurement

The purpose of this study is to analyze the comparisons of efficiency between conventional life insurance and shariah life insurance in Indonesia for the 2014-2018 period using the Data Envelopment Analysis (DEA) method, as well as to test whether or not there are significant efficiency differences between the two.

The benefit of this research is to give an overview of the performance assessment of DEA method and to be input in improving the efficiency of insurance. As for the academics, the benefit of this research is to enrich the literature of this matter and to be used as a review for further research, especially ones about the efficiency of the insurance company.

The benefit of this research for insurance companies is that it can provide an overview of performance appraisal using the DEA method and become an input in increasing efficiency. The benefit for users of the company's financial statements is that they can provide information on the comparison of the efficiency of conventional and sharia life insurance companies so that they are taken into consideration in making decisions. For researchers, this research can add insight and knowledge about company performance, especially regarding the efficiency of the performance of insurance companies. For academics, this research can add to the library treasury and can be used as study material for further research on the efficiency of insurance companies.

LITERATURE REVIEW

The Concept of Efficiency

In general, efficiency is often associated with the performance of a company. This is because efficiency reflects the comparison between output and input in the company. Efficiency is the ability of a company to prepare work correctly



or can be mentioned as a ratio of output and input, or the amount of output obtained from an input used. The company is called efficient if the company can maximize output by using fixed inputs or by minimizing the use of inputs in achieving the same amount of output (Bastian, 2009; Ibrahim & Rahmati, 2017).

Data Envelopment Analysis (DEA)

Data Envelopment Analysis (DEA) is a mathematical programming technique that is used to measure the efficiency of an organization called a decision-making unit (DMU) by using lots of inputs and lots of output. The DEA approach can overcome the shortcomings of ratio analysis or multiple regression analysis. Efficiency measured using the DEA approach is relative efficiency, not an absolute value that can be achieved by an organization. Efficiency is a relative efficiency of a DMU compared to other DMUs in a sample that has similar inputs and outputs (Muharam & Pusvitasari, 2007). DMU whose performances are best is rated 100% while other DMUs whose performances are below the best DMU have varied values between 0% - 100% according to comparisons with the best DMU.

There are two models of efficiency measurement based on the DEA method. There are:

a) CCR Model (Charnes-Cooper-Rhodes. 1978)

CCR Model is also known as CRS because this model uses assumptions with the constant Return to Scale (CRS), which means proportional change at the input level will produce the same proportional change at the output level.

b) BCC Model (Bankers. Charnes and Cooper. 1984)

BCC Model also is known as Variable Return to Scale (VRS) which assumes that proportional change at the input level will not produce the same proportional change at the output level (bias greater or smaller).

Input and Output Relations in Efficiency Measurement

Huang and Eling (2013) state that there are two approaches in determining input and output relations:



- 1) The value-Added Approach which is a combination of a production approach and an intermediation approach that assumes that the insurance company provides three main services as follows:
 - a) Insurance companies operate based on risk pooling and risk-bearing. The company receives premiums from participants and redistributes them to participants who suffer losses.
 - b) Insurance companies provide 'real' services in the form of protection programs.
 - c) Insurance companies act as financial intermediaries by investing their funds and funds from participants in the capital market that are then used to fulfill the obligations of payment of participant claims.

- 2) An intermediation Approach is an approach that treats insurance companies as financial intermediaries. Insurance companies manage assets, borrow funds from policyholders, and invest them and the results are used to pay insurance claims, taxes, and other fees.

The approach used in this study is the value-added approach. The value-added approach is the most suitable approach for the insurance industry. This approach uses the components of the company's assets and liabilities which include investment activities, company capital, and expenses that are liabilities of the company. This value-added approach is also often referred to by other studies that discuss the efficiency of the insurance industry (Huang & Eling, 2013).

Input variables of this study are assets, capital, general and administrative costs, and commission expenses. While the output variables are premium and investment income, these input and output variables reflect the three main services of insurance companies.

I got the input and output from various previous studies which are studies done by Benarda, Sumarwan, U., & Hosen, (2016), Purwanti, (2016), Khan et al., (2014), Rahman, (2015), Ismail et al., (2011). The approach used in this study is a value-added approach. Huang & Eling, (2013) states that the value-added approach is the most appropriate approach for the insurance industry. This approach uses the asset component and company which consist of investment activity, company liability, company capital, and liability expenses of the company. The input variable in this study is based on the approach of asset value-added, capital, administration and general fee, and commission expenses.



The studies about efficiency of either conventional insurance or shariah insurance have been conducted by a few researchers which are studies done by Janjua & Akmal, (2015) about the comparative study of the efficiency of shariah-based insurance and conventional insurance in Pakistan in the period of 2006-2011 which shows that shariah insurance is more efficient than conventional insurance. A few other studies like one done by Yakob et al., (2014) and Abduh et al., (2012) show that Shariah Company shows a better risk management performance when compared to conventional ones. Out of those study findings, this research aims to study the same comparison of two insurances in Indonesia which is the Muslim-majority country in the world.

RESEARCH METHOD

Population and Research Sample

The population used for this study was conventional life insurance and shariah life insurance companies that were registered in OJK during the period of 2014-2018. The total population of Sharia insurance companies in Indonesia is 24 companies. Meanwhile, there are 50 conventional insurance companies (OJK, 2020). Sampling in this study was carried out with certain considerations according to the criteria. The samples taken were ten conventional life insurance companies and ten Sharia life insurance companies with the largest number of participants during the 2014-2018 observation period.

Sampling was done by purposive sampling which is the selection of samples that are not random whereby the information is obtained with certain considerations. A total of ten shariah insurance companies and ten conventional insurance companies were selected as the samples based on the largest number of policies or participants during the 2014-2018 period.

Every sample in this study was taken based on the following criteria.

- a. It is a conventional life insurance company or a shariah life insurance company operating in Indonesia during the 2014-2018 period.
- b. It presented financial reports in the 2014-2018 period which have been published in the Financial Services Authority.
- c. It is a conventional life insurance company or a shariah life insurance company that has complete data relating to input and output variables.

The sample in this study was taken based on the following criteria:



Tabel 2 Research Sample

Conventional Life Insurance	Shariah Life Insurance
PT Asuransi BRI Life	PT Asuransi Allianz Life Indonesia
PT AXA Life Indonesia	PT Asuransi Takaful Keluarga
PT Sun Life Financial Indonesia	PT Prudential Life Assurance
PT Equity Life Indonesia	PT AIA Financial
PT PaninDai-Ichi Life	PT Asuransi Jiwa Sinar Mas MSIG
PT Asuransi Jiwa Manulife Indonesia	PT Asuransi Jiwa Manulife Indonesia
PT Asuransi CIGNA	PT Asuransi Jiwa Central Asia Raya
PT Asuransi Allianz Life Indonesia	PT BNI Life Insurance
PT CHUBB Life Insurance Indonesia	PT Panin Dai-ichi Life
PT Asuransi Jiwa Central Asia Raya	PT Avrist Assurance

Source: Financial Services Authority (2019)

Source and Data Collection Method

This study uses secondary data obtained from the annual financial statements of conventional and shariah life insurance companies which are published through the website of each company and the report of OJK for the 2014-2018 period. Data was collected using the documentation method; which is a method for collecting data in the form of financial statements, published reports, notes, and other information related to the research variable.

Data Envelopment Analysis (DEA) Method

DEA is a linear program-based non-parametric approach for calculating the ratio of output to input across all units compared to a population supported by efficiency software packages, such as *Banxia Frontier Analysis* (BFA), *Warwick Data Envelopment Analysis* (WDEA), *A Data Envelopment Analysis Program* (DEAP), and *Linear Interactive Discreet Optimizer* (Lindo). This research uses DEAP 2.1 software. This is because the DEAP software is more complete and easier to use.

The DEA method is designed to measure the relative efficiency of a DMU with many input conditions and lots of output. This condition is difficult to do by other methods of measuring efficiency. The relative efficiency of a DMU is the efficiency of a DMU compared to other DMUs in the sample. Insurance efficiency research in this study used the DEA CCR model and the DEA BCC model and based on the assumption of output orientation.



The general equation for the DEA method is:

$$h_s = \frac{\sum_{i=1}^m u_i y_{is}}{\sum_{j=1}^n v_j x_{js}}$$

where:

h_s = s insurance efficiency

m = observed s insurance output

n = observed s insurance input

y_{is} = the total of output i produced by s insurance

x_{js} = the total of input j used by s insurance

u_i = the total of output i earned by s insurance

v_j = the total of input j given by s insurance, and I calculated from 1 to m while j calculated from 1 to n

Hypothesis Testing

The next data analysis is testing the hypothesis of the efficiency values of both. The model used to test the hypothesis is the non-parametric statistical technique with the Mann Whitney U-Test different test. The purpose of the Mann Whitney difference test is to determine whether there is a significant difference between the efficiency of conventional and shariah life insurance companies.

The purpose of the Mann Whitney test is to determine whether there is a significant difference between conventional life insurance companies and shariah life insurance companies.

The model used to test the hypothesis is a non-parametric statistical technique in the form of the Mann Whitney U-Test difference test. The purpose of the Mann Whitney difference test is to determine whether there is a significant difference between conventional life insurance companies and Sharia life insurance companies. The Mann Whitney U Test is a non-parametric test used to determine the difference in the median of the two independent groups if the dependent variable data scale is ordinal or interval or ratio but not normally distributed. The Mann Whitney U Test is different from other methods because the Mann Whitney U Test not only tests the Median difference but also tests the Mean. This is because in various cases, the median of the two groups could be the same, but the resulting P-value was small, namely <0.05 , which means there was a difference. This is because the mean of the two groups is significantly different.



RESULT AND DISCUSSION

Descriptive analysis

Descriptive analysis is an analysis in which the data collected is then analyzed and interpreted objectively so that it provides information and an overview according to the topic discussed. The data in this study were analyzed by using DEAP 2.1 and SPSS software. The objective of using DEAP 2.1 software was to analyze the efficiency of conventional life insurance companies and sharia life insurance companies by processing the data from the variables studied, namely assets, capital, general and administrative expenses, commission, premiums, and investment income while the SPSS software was used to perform discrimination test to find out whether there is a significant difference between the degree of efficiency of conventional life insurance companies and sharia life insurance companies.

The development of input collection activities in conventional life insurance companies in Indonesia from 2014 to 2018 is provided in Table 3

Table 3. The development of input collection activities in conventional life insurance companies from 2014 to 2018 (In Milion Rupiah)

No	Perusahaan	2014	2015	2016	2017	2018
1.	PT Asuransi BRI Life	(6.046.243)	(6.528.710)	(8.147.899)	(10.587.464)	(11.906.451)
	• Aset	4.609.582	4.933.309	6.069.870	7.947.140	8.980.594
	• Capital	1.172.922	1.270.713	1.607.091	2.093.693	2.190.095
	• Adm Cost	211.687	243.568	261.527	283.955	341.311
	• Commission Expense	52.052	81.120	209.411	262.676	394.451
2.	PT AXA Life Indonesia	(775.558)	(584.294)	(598.386)	(7.098.153)	(7.821.199)
	• Aset	382.692	287.732	314.512	6.668.460	6.088.571
	• Capital	309.709	181.823	145.565	971.600	1.046.289
	• Adm Cost	53.824	64.768	65.836	389.684	395.684
	• Commission Expense	29.333	49.971	72.473	302.930	290.655
3.	PT Sun Life Financial Indonesia	(7.992.162)	(7.736.364)	(11.695.494)	(14.346.799)	(14.642.495)
	• Aset	6.212.136	6.060.354	9.618.219	11.742.806	11.996.023
	• Capital	1.170.127	1.066.111	1.288.588	1.550.978	1.495.844
	• Adm Cost	336.852	336.852	411.952	514.616	514.961
	• Commission Expense	273.047	273.047	376.735	538.399	635.667



4.	PT Equity Life Indonesia	(2.472.935)	(2.423.912)	(2.680.679)	(2.965.018)	(3.026.955)
	• Aset	2.023.930	1.933.500	2.117.048	2.353.274	2.378.498
	• Capital	285.654	301.786	363.821	404.654	437.677
	• Adm Cost	123.069	143.625	157.824	44.780	43.560
	• Commission Expense	40.282	45.001	41.986	162.310	167.220
5.	PT Panin Dai-ichi Life	(11.908.824)	(13.887.701)	(14.271.739)	(14.613.294)	(14.468.180)
	• Aset	7.554.979	8.887.980	9.079.542	9.158.871	9.082.567
	• Capital	4.101.564	4.605.738	4.758.210	4.972.132	4.874.632
	• Adm Cost	114.569	198.962	218.934	222.319	217.301
	• Commission Expense	137.712	195.021	215.053	259.972	293.680
6.	PT Asuransi Jiwa Manulife Indonesia	(44.312.332)	(46.203.200)	(50.024.815)	(58.920.869)	(59.461.071)
	• Aset	36.366.696	36.751.228	39.719.030	45.637.074	45.704.853
	• Capital	6.184.992	7.497.748	8.026.121	10.863.284	11.253.789
	• Adm Cost	678.021	802.888	895.083	812.498	877.988
	• Commission Expense	1.082.623	1.151.336	1.384.581	1.608.013	1.624.441
7.	PT Asuransi CIGNA	(3.411.293)	(3.316.271)	(3.096.570)	(3.097.667)	(2.974.395)
	• Aset	1.875.399	1.806.614	1.755.058	1.757.783	1.671.159
	• Capital	847.427	740.857	658.727	694.778	587.819
	• Adm Cost	245.703	286.612	315.253	317.133	333.279
	• Commission Expense	442.764	482.188	367.532	327.973	382.138
8.	PT Asuransi Allianz Life Indonesia	(32.673.021)	(34.198.631)	(38.210.070)	(42.204.989)	(41.208.827)
	• Aset	26.768.322	27.635.118	30.294.789	33.189.329	32.440.421
	• Capital	3.743.575	4.355.995	5.381.290	5.692.802	5.306.516
	• Adm Cost	529.537	629.568	890.647	1.537.440	1.650.131
	• Commission Expense	1.631.587	1.577.950	1.643.344	1.785.418	1.811.759
9.	PT CHUBB Life Insurance Indonesia	(2.152.114)	(2.559.889)	(2.858.806)	(3.513.885)	(3.603.618)
	• Aset	1.341.743	1.640.577	2.028.209	2.626.619	2.735.670
	• Capital	376.953	407.183	385.552	509.991	599.879
	• Adm Cost	160.860	175.745	200.911	203.624	177.269
	• Commission Expense	272.558	336.384	244.134	173.651	90.800
10.	PT Asuransi Jiwa Central Asia Raya	(6.874.778)	(6.630.957)	(7.826.317)	(7.551.264)	(8.777.738)
	• Aset	4.725.031	4.598.462	5.419.667	5.618.666	6.696.353
	• Capital	1.929.657	1.729.967	1.928.678	1.270.110	1.395.947
	• Adm Cost	142.187	160.786	231.655	217.595	229.373
	• Commission Expense	77.903	141.742	246.317	444.893	456.065

The table above indicates that in general, the number of inputs collected by the conventional life insurance companies in Indonesia from 2014 to 2018 was



increasing, and the development can be seen through the composition of the total inputs of each conventional life insurance company. Compared to other companies, four conventional life insurance companies had a larger number of inputs, namely PT Sun Life Financial Indonesia, PT Asuransi Jiwa Manulife Indonesia, PT Asuransi Allianz Life Indonesia, and PT Asuransi Jiwa Central Asia Raya that were able to collect the average total input above 5 trillion rupiahs per year. Meanwhile, the other six conventional life insurance companies were only able to collect an average total input below 5 trillion rupiahs per year. The development of input collection activities in sharia life insurance companies in Indonesia from 2014 to 2018 is presented in Table 4 below.

Table 4. Development of input collection activities in sharia life insurance companies 2014 to 2018 (In Milion Rupiah)

No	Perusahaan	2014	2015	2016	2017	2018
1.	PT Asuransi Allianz Life Indonesia	(403.377)	(669.134)	(881.632)	(3.845.264)	(4.261.200)
	• Aset	142.548	238.257	313.307	2.724.009	2.878.705
	• Capital	12.975	207.352	263.420	363.187	486.584
	• Adm Cost	92.963	53.758	80.337	359.907	390.149
	• Commission Expense	154.891	169.767	224.568	398.161	505.762
2.	PT Asuransi Takaful Keluarga	(442.801)	(443.204)	(489.300)	(2.011.041)	(2.083.005)
	• Aset	176.680	181.369	203.492	1.660.572	1.712.378
	• Capital	159.802	162.399	185.805	164.118	173.206
	• Adm Cost	55.505	56.210	54.484	100.730	110.596
	• Commission Expense	50.814	43.226	45.519	85.621	86.829
3.	PT Prudential Life Assurance	(3.779.686)	(5.119.074)	(5.925.281)	(96.060.273)	(92.072.599)
	• Aset	1.644.546	2.321.159	2.611.954	81.652.906	78.937.978
	• Capital	1.521.856	2.155.174	2.524.888	8.797.858	7.600.494
	• Adm Cost	24.053	47.055	173.915	1.672.013	1.784.060
	• Commission Expense	589.231	595.686	614.524	3.937.478	3.750.067
4.	PT Asuransi Jiwa Syariah Al-Amin	(200.230)	(221.514)	(269.003)	(972.731)	(873.036)
	• Aset	93.917	106.002	118.316	723.983	623.688
	• Capital	76.867	82.469	111.181	102.308	105.331
	• Adm Cost	21.477	28.939	35.351	73.995	70.536
	• Commission Expense	7.969	4.104	4.155	72.445	73.481
5.	PT Asuransi Jiwa Sinar Mas MSIG	(355.265)	(433.785)	(531.949)	(1.497.229)	(1.241.290)



	• Aset	185.183	230.735	281.414	1.249.316	1.083.122
	• Capital	130.456	174.477	215.657	222.988	131.632
	• Adm Cost	2.776	2.244	1.551	643	481
	• Commission Expense	36.850	26.329	33.327	24.282	26.055
6.	PT Asuransi Jiwa Manulife Indonesia	(274.307)	(386.616)	(562.505)	(1.330.143)	(1.382.809)
	• Aset	150.624	209.760	320.487	869.682	894.859
	• Capital	105.974	152.020	194.075	241.796	293.290
	• Adm Cost	5.215	7.650	19.029	118.390	62.700
	• Commission Expense	12.494	17.186	28.914	100.275	131.960
7.	PT Asuransi Jiwa Central Asia Raya	(130.966)	(119.382)	(118.714)	(220.570)	(206.392)
	• Aset	70.244	56.935	56.622	156.320	156.561
	• Capital	51.146	52.626	52.528	34.109	43.826
	• Adm Cost	1.114	5.279	6.142	30.141	6.005
	• Commission Expense	8.462	4.542	3.422	0	0
8.	PT BNI Life Insurance	(207.562)	(252.681)	(315.430)	(833.224)	(973.818)
	• Aset	93.534	118.174	150.123	558.677	674.928
	• Capital	84.554	108.566	136.141	163.282	172.396
	• Adm Cost	9.583	11.454	13.541	46.278	60.990
	• Commission Expense	19.891	14.487	15.625	64.987	65.504
9.	PT Panin Dai-Ichi Life	(146.078)	(192.508)	(167.369)	(113.926)	(275.763)
	• Aset	84.838	123.050	85.623	171.091	169.683
	• Capital	57.029	66.964	79.169	92.241	100.339
	• Adm Cost	381	368	749	3.961	5.154
	• Commission Expense	3.830	2.126	1.828	633	587
10.	PT Avrist Assurance	(242.599)	(304.185)	(341.359)	(741.027)	(750.799)
	• Aset	119.949	148.086	167.738	524.110	518.280
	• Capital	116.292	145.117	164.205	184.198	198.373
	• Adm Cost	2.394	3.746	2.392	10.720	11.897
	• Commission Expense	3.964	7.236	7.024	21.999	22.249

Based on the table above, in general, the number of inputs collected by sharia life insurance companies in Indonesia from 2014 to 2018 was also increasing. The development can be seen from the composition of the total inputs of each sharia life insurance company. However, there were only three sharia life insurance companies that were able to collect an average total input above 300 billion rupiahs per year, namely PT Prudential Life Assurance, PT Asuransi Takaful Keluarga, and PT Asuransi Allianz Life Indonesia. Meanwhile, the seven other sharia life insurance companies were only able to collect an average total input below 300 billion rupiahs per year.



DEA Result

The Efficiency of Conventional Life Insurance Companies

Table 5 reports efficiency values with the CCR model. From the table, it can be identified that four conventional life insurance companies achieve 100 percent efficiency during the 2014-2018 period. These companies are PT Asuransi BRI Life, PT Equity Life Indonesia, PT Panin Dai-ichi Life, and PT CHUBB Life Insurance Indonesia.

Table 5. The Efficiency Value of the Conventional Life Insurance Company Model CCR in 2014-2018 (Percent)

No	Company	Year				
		2014	2015	2016	2017	2018
1.	PT Asuransi BRI Life	100	100	100	100	100
2.	PT AXA Life Indonesia	62.3	100	100	100	59.9
3.	PT Sun Life Financial Indonesia	100	61.5	82.6	96	94.5
4.	PT Equity Life Indonesia	100	100	100	100	100
5.	PT PaninDai-ichi Life	100	100	100	100	100
6.	PT Asuransi Jiwa Manulife Indonesia	100	74	100	100	83.5
7.	PT Asuransi CIGNA	91	100	100	100	100
8.	PT Asuransi Allianz Life Indonesia	100	100	100	95.7	91.9
9.	PT CHUBB Life Insurance Indonesia	100	100	100	100	100
10.	PT Asuransi Jiwa Central Asia Raya	71.7	84.2	100	98.1	96.5
Average of Efficiency		92.5	92.0	98.3	99.0	92.6

Source: Data processed

Meanwhile, the other six conventional life insurance companies do not achieve 100 percent efficiency (inefficiency) during the 2014 -2018 period. These companies are PT AXA Life Indonesia, which experienced inefficiencies in 2014 (62.3 percent) and 2018 (59.9 percent), PT Sun Life Financial Indonesia experienced inefficiencies in 2015 (61.5 percent), in 2016 (82.6 percent), in 2017 (96 percent) and 2018 (94.5 percent). PT Asuransi Jiwa Manulife Indonesia experienced inefficiencies in 2015 (74 percent) and 2018 (83.5 percent). PT Asuransi CIGNA experienced inefficiencies in 2014 (91 percent). PT Asuransi Allianz Life Indonesia experienced inefficiencies in 2017 (95.7 percent) and 2018 (91.9 percent) and PT Asuransi Jiwa Central Asia Raya experienced inefficiencies in 2014 (71.7 percent), in 2015 (84.2 percent), in 2017 (98.1 percent) and 2018 (96.5 percent).

According to the average efficiency with the CCR model, in 2014 conventional life insurance reached an efficiency level of 92.5 percent, in 2015 around 92



percent, in 2016 around 98.3 percent, in 2017 around 99 percent, and in 2018 around 92.6 percent.

The results of the DEA-BCC for conventional life insurance companies are reported in table 4:

Table 6 The Efficiency Value of the Conventional Life Insurance Company Model BCC in 2014-2018 (Percent)

No	Company	Year				
		2014	2015	2016	2017	2018
1.	PT Asuransi BRI Life	100	100	100	100	100
2.	PT AXA Life Indonesia	100	100	100	100	60.3
3.	PT Sun Life Financial Indonesia	100	74.6	83.7	100	94.5
4.	PT Equity Life Indonesia	100	100	100	100	100
5.	PT PaninDai-ichi Life	100	100	100	100	100
6.	PT Asuransi Jiwa Manulife Indonesia	100	100	100	100	100
7.	PT Asuransi CIGNA	100	100	100	100	100
8.	PT Asuransi Allianz Life Indonesia	100	100	100	100	100
9.	PT CHUBB Life Insurance Indonesia	100	100	100	100	100
10.	PT Asuransi Jiwa Central Asia Raya	82.6	86.5	100	100	100
Average of Efficiency		98.3	96.1	98.4	100	95.5

Source: Data processed

From the above table 6 efficiency values with the BCC model, it can be identified that seven conventional life insurance companies achieve 100 percent efficiency during the period 2014-2018. These companies are PT Asuransi BRI Life, PT Equity Life Indonesia, PT Panin Dai-ichi Life, PT Asuransi Jiwa Manulife Indonesia, PT Asuransi CIGNA, PT Asuransi Allianz Life Indonesia, and PT CHUBB Life Insurance Indonesia.

Meanwhile, the other three conventional life insurance companies that failed to achieve 100 percent efficiency (inefficiency) during the 2014-2018 period include PT AXA Life Indonesia, which experienced inefficiencies in 2018 (60.3 percent), PT Sun Life Financial Indonesia experienced inefficiencies in 2015 (74.6 percent), in 2016 (83.7 percent), and 2018 (94.5 percent), and PT Asuransi Jiwa Central Asia Raya experienced inefficiencies in 2014 (82.6 percent) and 2015 (86.5 percent).

According to the average efficiency with the BCC model, in 2014 conventional life insurance reached an efficiency level of 98.3 percent, in 2015 around 96.1 percent in 2016 around 98.4 percent in 2017 around 100 percent, and in 2018 around 95.5 percent.



The efficiency of Shariah Life Insurance Companies

The results of processing the DEA-CCR liner program for shariah life insurance companies can be referred to table 5. Regarding Table 7, the efficiency value with the model CCR shows that there are only 2 shariah life insurance companies that achieve 100 percent efficiency (efficient) in 2014-2018; namely PT Asuransi Allianz Life Indonesia and PT Panin Dai-Ichi Life.

Table 7. The Efficiency Value of Shariah Insurance Company Using CCR Model in 2014-2018 (Percent)

No	Company	Year				
		2014	2015	2016	2017	2018
1.	PT Asuransi Allianz Life Indonesia	100	100	100	100	100
2.	PT Asuransi Takaful Keluarga	86.5	88	77.9	74.3	77.3
3.	PT Prudential Life Assurance	100	100	66.8	76.5	100
4.	PT Asuransi Jiwa Syariah Al-Amin	100	100	100	86.5	80.2
5.	PT Asuransi Jiwa Sinar Mas MSIG	100	80.3	100	100	100
6.	PT Asuransi Jiwa Manulife Indonesia	91.7	100	95	93.6	100
7.	PT Asuransi Jiwa Central Asia Raya	100	100	96.6	100	100
8.	PT BNI Life Insurance	84.6	86.6	80.2	100	100
9.	PT Panin Dai-ichi Life	100	100	100	100	100
10.	PT Avrist Assurance	100	100	69.1	100	68.5
Average Efficiency		96.3	95.5	88.6	93.1	92.6

Source: Data processed

The table also shows that there are 8 shariah life insurance companies that are unable to achieve 100 percent efficiency (inefficiency) during the 2014-2018 period. The company is PT Asuransi Takaful Keluarga that experienced inefficiencies in 2014 (86.5 percent), in 2015 (88 percent), in 2016 (77.9 percent), in 2017 (74.3 percent), and in 2018 (77.3 percent), PT Prudential Life Assurance experienced inefficiencies in 2016 (66.8 percent) and 2017 (76.5). PT Asuransi Jiwa Syariah Al-Amin experienced inefficiencies in 2017 (86.5 percent) and 2018 (80.2 percent). PT Asuransi Jiwa Sinar Mas MSIG experienced inefficiencies in 2015 (80.3 percent). PT Asuransi Jiwa Manulife Indonesia experienced inefficiencies in 2014 (91.7 percent), in 2016 (95 percent), and in 2017 (93.6 percent). PT Asuransi Jiwa Central Asia Raya experienced inefficiencies in 2016 (96.6 percent). PT BNI Life Insurance experienced inefficiencies in 2014 (84.6 percent), 2015 (86.6 percent), and 2016 (80.2 percent), and PT Avrist Assurance experienced inefficiencies in 2016 (69.1 percent) and in 2018 (68.5 percent).



Based on the efficiency average with the CCR model, in 2014 shariah life insurance reached an efficiency level of 96.3 percent, in 2015 amounted to 95.5 percent, in 2016 amounted to 88.6 percent, in 2017 amounted to 93.1 percent and year 2018 amounted to 92.6 percent.

Furthermore, the results of processing the DEA-BCC liner program for shariah life insurance companies are shown in table 6.

Table 8. Efficiency Value of Shariah Life Insurance Company for BCC Model in 2014-2018 (Percent)

No	Company	Year				
		2014	2015	2016	2017	2018
1.	PT Asuransi Allianz Life Indonesia	100	100	100	100	100
2.	PT Asuransi Takaful Keluarga	88.8	100	92.1	75.5	80.1
3.	PT Prudential Life Assurance	100	100	100	100	100
4.	PT Asuransi Jiwa Syariah Al-Amin	100	100	100	100	85.8
5.	PT Asuransi Jiwa Sinar Mas MSIG	100	84.8	100	100	100
6.	PT Asuransi Jiwa Manulife Indonesia	92	100	100	100	100
7.	PT Asuransi Jiwa Central Asia Raya	100	100	100	100	100
8.	PT BNI Life Insurance	89.6	86.7	85.2	100	100
9.	PT Panin Dai-ichi Life	100	100	100	100	100
10	PT Avrist Assurance	100	100	94.7	100	71.4
Average of Efficiency		97	97.1	97.2	97.5	93.7

Source: Data Processed (2019)

Table 8 efficiency values with the BCC model show that there are only 4 shariah life insurance companies that achieve 100 percent efficiency during the period 2014-2018; namely PT Asuransi Allianz Life Indonesia, PT Prudential Life Assurance, PT Asuransi Jiwa Central Asia Raya, and PT Panin Dai-Ichi Life.

The table also shows that there are 6 shariah life insurance companies that do not achieve 100 percent efficiency (inefficiency) during the 2014-2018 period. The company is PT Asuransi Takaful Keluarga that experienced inefficiencies in 2014 (88.8 percent), in 2016 (92.1 percent), in 2017 (75.5 percent), and in 2018 (80.1 percent). PT Asuransi Jiwa Syariah Al-Amin experienced inefficiencies in 2018 (85.8 percent). PT Asuransi Jiwa Sinar Mas MSIG experienced inefficiencies in 2015 (84.8 percent). PT Asuransi Jiwa Manulife Indonesia experienced inefficiencies in 2014 (92 percent). PT BNI Life Insurance experienced inefficiencies in 2014 (89.6 percent), 2015 (86.7 percent), and in 2016 (85.2 percent) and PT Avrist Assurance experienced inefficiencies in 2016 (94.7 percent) and 2018 (71.4 percent).



According to the average efficiency with the BCC model, in 2014 shariah life insurance reached an efficiency level of 97 percent in 2015 which amounted to 97.1 percent, in 2016 to 97.2 percent, in 2017 to 97.5 percent, and in 2018 to 93.7 percent.

Hypothesis Testing Results

Before testing the efficiency differences between conventional and shariah life insurance. Normality and homogeneity tests must be carried out as different test conditions using Mann-Whitney U-Test.

Before testing the difference in efficiency between conventional life insurance companies and shariah life insurance companies, the normality and homogeneity tests must be carried out first. The normality test and homogeneity test are carried out to determine whether the statistical discrimination test would be carried out using the Mann Whitney U-Test or the Independent T-Test. The Mann Whitney U-Test is used when the data are homogeneous and come from a population that is not normally distributed while the Independent T-Test is used when the data are homogeneous and come from a normally distributed population (Carver, R. H., & Nash, 2012).

Normality Test Results

The purpose of the normality test is to find out whether the data collected has been distributed normally or not. The results of the normality test can be seen in the following table:



Table 9. Normality Test Result

Tests of Normality

Asuransi Jiwa		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
CCR	Conventional	0.383	50	.000	.545	50	.000
	Syariah	0.365	50	.000	.700	50	.000
BCC	Conventional	0.504	50	.000	.366	50	.000
	Syariah	0.449	50	.000	.568	50	.000

The results of the normality test state that the two data groups (CCR and BCC models) and the two sample groups have a significance value of 0.000 smaller than $\alpha = 0.05$. It can be concluded that the two groups of data are not normally distributed.

Homogeneity Test Results

The homogeneity test aims to determine whether a data variant of two or more groups is homogeneous (same) or not. The homogeneity test results can be observed in the following table:

Table 10. Homogeneity Test Result. Test of Homogeneity of Variances

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
CCR	.792	1	98	.376
BCC	1.060	1	98	.306

Regarding the table, it is known that the significance value of the CCR and BCC models Based on Mean is equal to 0.376 and 0.306 greater than $\alpha = 0.05$. It can be concluded that the variance of the two groups of the efficiency values of the CCR and BCC models is homogeneous or the same.

After the normality test and homogeneity test, it was observed that the data group was not normally distributed and homogeneous. So the assumption in the use of a different test analysis of the Mann-Whitney U-Test statistical model has been fulfilled so that it can be continued.

Different Test Results of Mann-Whitney U-Test



Different Tests Result of the Mar-Whitney U-Test is conducted to find out whether there are significant efficiency differences between conventional life insurance companies and shariah life insurance. The results of the different test U-Test can be observed in table 9:

Table 11. Mann-Whitney U-Test Result. Ranks

		Ranks		
Asuransi Jiwa		N	Mean Rank	Sum of Ranks
CCR	Conventional	50	52.79	2639.50
	Syariah	50	48.21	2410.50
	Total	100		
BCC	Conventional	50	53.26	2663.00
	Syariah	50	47.74	2387.00
	Total	100		

Test Statistics		
	CCR	BCC
Mann-Whitney U	1135.500	1112.000
Wilcoxon W	2410.500	2387.000
Z	-.935	-1.420
Asymp. Sig. (2-tailed)	.350	.156

a. Grouping Variable: insurance

On the behalf of the output table test statistics in the Mann-Whitney U-Test above, it is shown that the efficiency of conventional and shariah life insurance companies uses the CCR and BCC models to have significant value or Asymp. Sig. (2-tailed) of 0.350 and 0.156 greater than the value of $\alpha = 0.05$. H1 is rejected. Therefore, it could be inferred that there is no significant efficiency difference between conventional life insurance and shariah life insurance in Indonesia

DISCUSSION

The calculation of the DEA-CCR during 2014-2018 shows that conventional life insurance companies are more efficient than shariah life insurance. From 10 of the conventional life insurance companies studied 4 companies achieved 100 percent efficiency. Whereas in the shariah life insurance company, from



the 10 companies studied, there were only 2 companies that achieved a 100 percent efficiency level.

The same results were also obtained by calculating DEA-BCC, namely conventional life insurance companies more efficient than shariah life insurance companies for the period of 2014-2018. Hence, from the sample of 10 conventional life insurance companies studied 7 companies achieved 100 percent efficiency. Whereas, with shariah life insurance companies there are only 4 companies out of 10 companies that achieve 100 percent efficiency.

The comparisons of the average efficiency values of conventional and shariah life insurance companies during the 2014-2018 period based on the calculation of DEA-CCR and DEA-BCC can be seen in the following table.

Table 12 Comparison of the Average Efficiency Value of Conventional Life Insurance Companies and Shariah Life Insurance in the Year 2014-2018 (percent)

Year	Company	CCR	BCC
2014	Mean of Conventional Life Insurance	92.5	98.3
	Mean of Shariah Life Insurance	96.3	97.0
2015	Mean of Conventional Life Insurance	92.0	96.1
	Mean of Shariah Life Insurance	95.5	97.1
2016	Mean of Conventional Life Insurance	98.3	98.4
	Mean of Shariah Life Insurance	88.6	97.2
2017	Mean of Conventional Life Insurance	99.0	100
	Mean of Shariah Life Insurance	93.1	97.5
2018	Mean of Conventional Life Insurance	92.7	95.5
	Mean of Shariah Life Insurance	92.6	93.7

Source: Data processed (2019)

The table shows that in 2014 conventional life insurance companies had an average value of efficiency with a CCR model of 92.5 percent and in the BCC model of 98.3 percent. Whereas shariah life insurance companies had an average value of efficiency with a CCR model of 96.3 percent and a BCC model of 97 percent. It can be concluded that in 2014 conventional life insurance



companies were more efficient than the shariah companies based on calculations with the BCC model. However, calculations using the CCR model show that shariah life insurance companies are more efficient than conventional life insurance in the same year.

In 2015, conventional life insurance companies had an average value of efficiency with a CCR model of 92 percent and a BCC model of 96.1 percent. While shariah life insurance companies had an average value of efficiency with the CCR model of 95.5 percent and the BCC model of 97.1 percent. It can be inferred that in 2015 shariah life insurance companies were more efficient than conventional companies with both the CCR and BCC models.

In 2016, conventional life insurance companies had an average efficiency value with a CCR model of 98.3 percent and a BCC model of 98.4 percent. Whereas shariah life insurance companies have an average value of efficiency with a CCR model of 88.6 percent and a BCC model of 97.2 percent. Therefore, it can be concluded that in 2016 conventional life insurance companies were more efficient than shariah with both the CCR and BCC models.

In 2017 conventional life insurance companies had an average efficiency value with a CCR model of 99 percent and a BCC model of 100 percent. While shariah life insurance companies had an average value of efficiency with the CCR model of 93.1 percent and the BCC model of 97.5 percent. it can be concluded that in 2017 conventional life insurance companies were more efficient than shariah life insurance companies with both the CCR and BCC models.

In 2018 conventional life insurance companies had an average efficiency value with a CCR model of 92.7 percent and a BCC model of 95.5 percent. Shariah life insurance companies had an average value of efficiency with the CCR model of 92.6 percent and the BCC model of 93.7 percent. Therefore, in 2018 conventional life insurance companies were more efficient than shariah with both the CCR and BCC models.

Regarding the calculation results using the CCR and BCC models in the 2014-2018 period, it is seen that conventional life insurance companies had a higher average value of three years efficiency with the CCR model and four years higher with the BCC model than shariah life insurance companies. Based on the results of the research during these five years of observation, it can be concluded that conventional life insurance companies achieved a better level of



efficiency than the shariah life insurance companies based on both the CCR model and the BCC model. The results of this study are in line with the research of Abduh et al., (2012) which states that conventional life insurance is better than shariah life insurance.

The results of testing different test hypotheses with the Mann Whitney U-Test model indicate that there is no significant difference in efficiency between conventional life insurance companies and shariah life insurance. These results indicate that managerial capabilities between conventional life insurance companies and shariah life insurance companies at an equivalent size generally have no difference in managing input factors to produce optimal output (Sari, D., 2015). Although the market share of shariah life insurance companies is very small compared to conventional life insurance companies, shariah life insurance companies can achieve an efficiency level that is equivalent to conventional life insurance companies. Therefore, shariah life insurance companies have great potential to achieve a higher level of efficiency than conventional by increasing market share in Indonesia.

The results of this study do not match the research of Ismail et al., (2011) which states that there is a significant difference in efficiency between Islamic insurance and conventional insurance. It can be inferred that the form of the organization does not have direct implications for its efficiency.

CONCLUSIONS AND IMPLICATION

According to the results of the research conclusions can be drawn as follows:

1. From the sample of 10 conventional life insurance companies studied, there were 4 companies that always achieved 100 percent efficiency in 2014-2018 based on the calculations using the CCR model, namely PT Asuransi BRI Life, PT Equity Life Indonesia, PT PaninDai-Ichi Life, and PT CHUBB Life Insurance Indonesia. There are 7 companies that always achieved 100 percent efficiency based on the calculations using the BCC model; namely PT Asuransi BRI Life, PT Equity Life Indonesia, PT Panin Dai-ichi Life, PT Asuransi Jiwa Manulife Indonesia, PT Asuransi CIGNA, PT Asuransi Allianz Life Indonesia, and PT CHUBB Life Insurance Indonesia.
2. With shariah life insurance companies regarding the calculations using the CCR model, there were only 2 companies that always achieved 100 percent efficiency from 10 companies which were from the research samples.



Namely PT Asuransi Allianz Life Indonesia and PT Panin Dai-ichi Life. Based on calculations with the BCC model there were 4 companies that always achieved 100 percent efficiency: PT Asuransi Allianz Life Indonesia, PT Prudential Life Assurance, PT Asuransi Jiwa Central Asia Raya, and PT Panin Dai-ichi Life.

3. The results of the comparison of the average efficiency value with the DEA method indicated that the efficiency level of a conventional life insurance company was better than a shariah life insurance company.
4. The results of different tests using the Mann-Whitney U-Test method indicated that there was no significant efficiency difference between conventional life insurance companies and shariah life insurance companies for the 2014-2018 period.

IMPLICATION

The implications of this study are as follows:

1. For a company, it can provide an overview of the performance appraisal with the DEA method and be used as input in determining steps and efforts to improve efficiency.
2. For users of the company's financial statements, it can provide information about the comparisons of the efficiency between conventional and shariah life insurance companies for use in making important decisions.
3. For academics, it can add to the treasury of the literature and can be used as study material for further research regarding the efficiency of insurance companies.

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UNCOVER LOCAL WISDOM VALUES OF TRADE AT THE BORDER OF INDONESIA-MALAYSIA: AN ISLAMIC ECONOMICS PERSPECTIVE

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ABSTRACT – This article focuses on the study of local wisdom values of trade at the Indonesia-Malaysia border (in Perspective of Islamic Economics and Islamic teachings). The research location is in the community of Temajuk Sub-district which is directly adjacent to Malaysia. The trading activities undertaken by the Temajuk community have a local value that shows the relation with Islamic values, as well as the value of Islamic teachings. Local wisdom values of Temajuk Malay culture like *Belalle*, *Talangge*, *Sikutuan*, and *Taware* in a trading perspective are found in the indigenous ethnolinguistic Malay Temajuk. Ethnolinguistics is the value applied in Temajuk Malay customary as a form of communication which also has the value of Sharia trading. Ethno linguistics above contains the value of Falah in trade, the form of Ethnolinguistics in trade communications is known by the Malay Community Temajuk and already being applied in the acceptance of trade, but the understanding of the values Contained in the indigenous Ethnolinguistics Malay Temajuk has not been known by the Temajuk Malay community, it is due to the interruption of the transfer of values between generations. So that the process of internalization of value needs to be conducted so that cultural functions as a manifestation of ideas that form the behavior of communities in trade can be implemented.

Keywords: Local Wisdom Values, Trade between regions, Indonesia-Malaysia border, Economics, Islamic teachings.

ABSTRAK – *Menguak Nilai-nilai Kearifan Lokal dalam Perdagangan di Perbatasan Indonesia-Malaysia: Suatu Perspektif Ekonomi Islam.* Artikel ini memfokuskan pada kajian Nilai-Nilai Kearifan Lokal Perdagangan Daerah Perbatasan Indonesia-Malaysia (Dalam perspektif Ekonomi dan Pendidikan Islam). Dengan mengambil lokasi penelitian pada masyarakat di Daerah Temajuk yang berbatasan langsung dengan Malaysia. Kegiatan perdagangan yang dilakukan masyarakat temajuk ternyata memiliki nilai lokal yang menunjukkan keterkaitan nilai ajaran Islami, serta nilai pendidikan Islam. Nilai-nilai kearifan lokal budaya Melayu Temajuk seperti *belalle*, *talangge*, *sikutuan*, dan *taware* dalam perspektif perdagangan terdapat dalam etnolinguistik adat Melayu Temajuk. Etnolinguistik tersebut merupakan nilai yang diaplikasikan dalam adat Melayu Temajuk sebagai bentuk komunikasi. Dan memiliki nilai perdagangan syariah. Etnolinguistik di atas mengandung nilai falah dalam perdagangan, bentuk etnolinguistik dalam komunikasi perdagangan diketahui oleh masyarakat Melayu Temajuk dan telah diaplikasikan dalam transaksi perdagangan, namun pemahaman terhadap nilai-nilai yang terkandung dalam etnolinguistik adat Melayu Temajuk tersebut belum diketahui oleh masyarakat Melayu Temajuk disebabkan terputusnya transfer nilai antar generasi. Sehingga proses internalisasi nilai perlu dilakukan, agar fungsi budaya sebagai wujud ide dan gagasan yang membentuk perilaku masyarakat dalam perdagangan yang dapat diimplementasikan.

Kata Kunci: Nilai-nilai Kearifan Lokal, Perdagangan Daerah, Perbatasan Indonesia-Malaysia, Ekonomi, Ajaran Islam.

INTRODUCTION

Islam has a high business spirit. Prophet Muhammad in many literatures is a trader, as well as the companions of the Prophet are also businessmen who even trade between countries. In the study of the Indonesia archipelago, Islam enters to Indonesia, even Southeast Asia through merchants who conduct business activities and preach. Thus, Islam encourages its people to become traders to fulfil their temporal and spiritual needs. On the contrary, the basic principle of business and trade according to Islam is the element of freedom in the transaction, but these activities are still accompanied by the hope of obtaining the pleasure of Allah SWT (Kamri, Ramlan, & Ibrahim, 2014). Therefore, in order to obtain the *falah* value in the trading system, a "moral trade" is required. Rasulullah SAW clearly gave many models of this moral trading system, which are honest, fair trade, and does not harm both parties, so that the trader will get welfare in this world and in the afterlife (*falah*).

Many variables affect the behaviour of a person in conducting business activities, one of the factors that encourages human behaviour, including the behave economically is culture. Culture is part of thoughts, minds, or customs. Grammatically, culture derived from the word practice that tends to point to human mindset. In the era of globalization today, human behaviour are also not detached from the culture or customs believed. Human daily behaviour is a reflection of the knowledge, attitude, and behaviour that is a habit owned and inherited by the members of the community (Ibrahim, & Kamri, 2017).

The economic activities undertaken by the community at this time are also closely related to the culture that each individual belongs to (Ibrahim, 2012). Indonesia knows a specific community that has capability in the economic field because it is driven by cultural values, such as Minang, Malay, Acehnese, and Tiong Hoa tribes, where everyday behaviour are customary inherited from the predecessor, so that interest in economic activities, especially entrepreneurship is more dominant.

The majority of Sambas regencies are Malay people. Historically, Malay tribes were already in Sambas long before Islam entered Indonesia. The Malay people's lives firmly hold the concept of customs in everyday life. In 1980s, Temajuk Malay community still applied customary law in planting crops, including economic activities conducted; covering production, consumption, and distribution as a form of local wisdom at this time.



Temajuk Malay customary which has border with Malaysia as part of Malay culture is believed to have values governing society in various aspects of life including supporting the implementation of Islamic aspects that have been integrated with value and Temajuk Malay customary norm since long ago, because the values and customs norms of Temajuk Malay does not contradict the values in the teachings of Islam. Malay customary values of Temajuk are customary values influenced by the *Qur'an* and the *Sunnah* of the Prophet Muhammad SA, so that socially and culturally the Malay community Temajuk tied by two groups of values and norms intertwined and related one another; the value of Islamic teachings and the customary value of Temajuk itself. Temajuk Custom is a behaviour that binds the Temajuk community widely with various values and norms, including the pattern of public life in general, economic patterns in particular (Ibrahim & Pinan, 2010).

There is one value in Temajuk Malay culture that shows the linkage of Islamic values and the value of Malay culture Temajuk in trading in community life, among others, the help of the society known as *Belalle*, *Talangge*, *the Sikutuan and Tawarre*. These values were understood by the Malay people of Temajuk, as well as describing the relevance of religious and customary values. The customary value of Temajuk Malays supports religious teaching, and the customary function as a impetus for sharia, by implementing the customary norm with the most well to make a person's self-esteem. The aspect of economic activity is a different study of the economic phenomenon (trade) of the Temajuk Malay community, a value system that puts forward the value of local wisdom, which means; Have a each other sense, loyal friends, social sensitivity becomes a supporter of its own in economic behaviour.

Temajuk Malay Society understands the value of *Belalle*, *Talangge*, *Sikutuan and Tawarre* as an effort to maintain harmony, so that economic activity in the early stages that override personal interests. This statement can be seen in the pattern of social systems that occur in the community, where the customary value in the form of indigenous events are strongly held closely by the community, but the customary value of trade motivation containing less applied. The local wisdom of the Temajuk Malays encourages trade behaviour, but when the value of local wisdom is misinterpreted will affect the trade behaviour. People know local wisdom in the form of language, but understanding as a value that encourages economic behaviour is still not fully understood. For example, the customary values found in the *Belalle*, *Talangge*, *Sikutuan and Tawarre*, communities interpret that as effort to help each other.



Erroneous understanding and meaning of local wisdom will affect the behaviour of the community. Temajuk Malay Society in the more female gender dominated economic activity; Temajuk Malay women are more creative in economic activity than men. This phenomenon occurs because it is wrong in referring to the traditional philosophy of Temajuk Malay that put forward mutual help. The indigenous wisdom of Malay customary Temajuk encourages its community to prosper economically, as it is conducted by every individual in the social system of society.

Behaviour of the Malay Community business Temajuk prioritizes the value of mutual trust, referring to the value of local wisdom each other society is very easy to trust new business associates, even provide certain commodities in the transaction without any guarantees, So that when the loss happen, the Malay community Temajuk can't prosecute and the impact of direct loss is felt, behaviour that prioritize mutual trust are still carried out some people in business activities. The value of each other also affects the business behaviour, where the community is too easy to love family and others in business activities, this behaviour often harm for Temajuk Malay community in business activities. People know local wisdom in the form of language, but understanding as a value that encourages economic behaviour is still not fully understood. For example, the customary values found in the *Belalle*, *Talange*, *Sikutuan* and *Tawarre*, communities interpret that as effort to help each other. Erroneous understanding and meaning of local wisdom will affect the behaviour of the community. Temajuk Malay Society in the more female gender dominated economic activity; Temajuk Malay women are more creative in economic activity than men. This phenomenon occurs because it is wrong in referring to the traditional philosophy of Temajuk Malay that put forward mutual help. The indigenous wisdom of Malay customary Temajuk encourages its community to prosper economically, as it is conducted by every individual in the social system of society.

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LITERATURE REVIEW

Previous Studies

Literature review in qualitative research is something that must be done and known by a researcher before conducting his research. According to Khalifa Mustami that: This literature review is carried out to obtain information relevant to the problem to be or is being studied. This information regarding the theories, concepts and findings related to the central theme of the research conducted (Mustami, 2015). Therefore the literature review in a study entitled the value of *falah* perspective of local wisdom of traders in the Indonesia-Malaysia border area is as follows:

Research conducted by Kalson Abdul Wahab and Ahmad Rafiqi entitled "Measuring Small Firm Entrepreneur's Performance Based on *Falah*" aims to investigate the performance measures of muslimpreneuers in *falah* which is conceptualized as the performance of human resources based on the values, ethics, and beliefs of Muslims. Two main theories surrounding entrepreneurial success and Islamic religiosity are used as supporting theories in explaining *al-falah*. Five independent variables are drawn from each theory to develop multivariate performance models. Variables including Islamic business practices, Islamic work ethics, Muslim world views, Muslim personal assistance, and Muslim practices are used as independent variables, while the dependent variable is *falah* entrepreneurs. The proposed hypothesis examines the relationship between the 5 variables and *al-falah* entrepreneurs. The sample size was represented by 271 small business owners randomly selected from four regions in North Sumatra Province, Indonesia. The findings conclude that all five variables are positively related to *al-falah* entrepreneurs. Using multivariate regression tools, both the theories of entrepreneurial success and Islamic religiosity had been confirmed to illustrate the concept of *al-falah*. This states that *al-falah* is a comprehensive performance measure in the concept of Islamic business (Wahab & Rafiqi, 2014).

Research conducted by Inkong Ala, DB Paranoan, and Suartadjaja entitled "The role of cross-border trade in the acceleration of infrastructure development in the Kayan Hulu District of Malinau Regency" stated that factors underlying the occurrence of cross-border trade are geographical and



topographic factors, accessibility factors, cost and price factors, as well as cultural and emotional backgrounds. In addition to meeting the basic needs of surrounding communities, cross-border trade also plays a role in infrastructure development in border areas. The results of the study found that the main purpose of cross-border trade carried out by the people of Kayan Hulu Subdistrict, Malinau District in the border area is to fulfill basic needs, there is a form of trade from barter patterns to pure buying and selling patterns, while local and individual traders limit buying and selling volumes for its own purposes, while the location of trade is in the territory of Malaysia (about 23 kilometers from the border). The results of the analysis indicate the implications (positive and negative) of cross-border trade activities in improving people's welfare (*falah*) and accelerating development; positive implications associated with the ability of the community to meet basic needs in a relatively easier, cheaper, and faster than if they had to buy into the capital of Malinau Regency. Negative implications related to cross-border trade include: the smuggling of various types of goods and other commodities, as well as theft of natural resources in the area (Ala, Paranoan, & Djaja, 2013).

Research conducted by Hamka Siregar about *muamalah* problems at the border of Indonesia-Malaysia indicates that sale and purchase of illegal comedians occurred in Jagoi Babang Bengkayang Regency, West Kalimantan. Based on Article no. 1337 of Indonesian Civil Code (KUHPerdata), trader that is officially permitted to trade in the jurisdiction of Indonesia is a trader who does not conflict with the law of decency or law order (Siregar, 2015).

Based on the definition of illegal trade and seeing the reality that occurred in the Jagoi Babang community, the practice of trading or buying and selling between Indonesian and Malaysian border communities does not include black market trading or smuggling because as stated above, on May 26, 1967 the government of Indonesia and Malaysia had signed Border Crossing Management or Overland Border Trade. From this agreement, people in the border of both countries are allowed to carry out transactions of buying and selling of commodities with a maximum price of MYR 600 or IDR 2,125,800.00 (1 MYR = 3,543 IDR) per month on condition that they carry a Cross-border Identity Card or Blue Pass. Local governments need to give priority attention to the people and border areas, because there are high differences in the quality of prosperity between the conditions of the Malaysia's border and the conditions of the Indonesia's border.



Lack of state attention from all aspects relating to the border region, indirectly causes problems that are experienced by border communities. Among the important roles that can provide great benefits to the communities is to do re-agreement between Indonesia and Malaysia to increase the minimum price of transactions legalized between border communities, which was originally 600 MYR increased according to current conditions, and certainly it would be better if the country could accompany and ensure the entry into force of the ASEAN Trade Area (free market) so that border communities are not trapped in illegal transactions anymore (Siregar, 2015).

In general, the previous studies conducted by researchers had been very relevant to this article, but specifically there are some differences, where the results of the above studies only focus on border trade, border economy, marketing in Islam with different locations and different cultures in each study. While in this study, the assessment begins with the value of *falah* in elements of business ethics for Muslim traders in the border areas of the state which almost similar to the local wisdom of social life in border area and it is hoped that eventually it can contribute to Muslim traders to implement Islamic ethics in trading to obtain world welfare and the hereafter (*falah*) as taught by Rasullulah peace be upon him, especially in the border area of Temajuk Village, Sambas Regency.

In addition, what distinguishes this research from previous studies is that this research uses phenomenology about the cultural conditions of the two countries that are interconnected with each other so as to help create opportunities and challenges for the two countries' border region in realizing Islamic values in doing business with profit orientation. From the perspective of *falah*, this phenomenon is expected to be able to bring the border area to become the center of Islamic international trade, in accordance with the example of the Prophet Muhammad in trade between countries.

Local Wisdom Concept

Ethnology is a part of science that attempt to achieve the understanding of human principles, by studying cultures in people's lives from as many tribes as possible across the earth today (Koentjaraningrat, 2009). Ethno logicians have a flow in the study; there are two flows in ethnology or two studies. First, the group that refers to the field of Diachronic (consecutive in time), while the second emphasizes on the field of synchronic (at the same time) of the culture



of mankind. The fixed name for both sorts of studies does not exist yet, but we often see there are names such as descriptive integration for diachronic research, and general approach to synchronic research (Koentjaraningrat, 2009). For the first form, the scholar named with Ethnology in a special meaning and social anthropology for the second.

Furthermore, the descriptive integration always talks about a particular area, even the main content is a description of ethnographic form, by discussing the materials obtained from artefacts (materials and prehistory), local language (ethnolinguistics), processed into one and integrated with the ethnographic material earlier. The purpose of descriptive integration is to find an understanding of the development history of an area. Ethno pedagogy is an educational practice based on local wisdom in various domains such as medicine, martial arts, environmental preservation, agriculture, economics, governance, and other systems. Ethno pedagogy views the knowledge or local wisdom as a source of innovation and skills that can be empowered for the welfare of the community. Local wisdom is a collection of facts, concepts, beliefs, and public perception of the world around, local wisdom is the process of how knowledge is generated, stored, applied, managed and inherited.

Trade in Islamic Economics Perspective

Historically, policy developments related to sustainability process of the economic system and its relationship with the development of education can be classified into three main policy trends: (a) various trading activities and policies that support the growth and development of Muslim traders and the islamic trading system and Islamic teachings system. (b) Agricultural policies and activities and its relationship to the development of education system, (c) Industry development policies and activities that support the development of science and education (Fachruddin, 2013). Moreover, the islamic perspective of trade practices cannot be separated from the figure of Prophet Muhammad SAW, as a role model who practiced the *muamalah* with nature of honesty, intelligent, trustworthy and communicative.

The practice of trading as part of worship has a high value in religious practice. The main orientation in this world is to gain profit along with the goals to seek happiness in the afterlife. Trading in the perspective of Islamic teachings with the rise of economic activities will impact the growth and development of Islamic teachings institutions. In addition, as a tangible manifestation of human



means in doing *muamalah*, with the resulting product must contribute to the creation worthy life environment (welfare). Muslim traders to get the welfare in this world and the hereafter generally motivated in the form of materialistic and non materialistic can be described as follows:

1. Material - Materialized means of obtaining value in transactions, material wealth becomes a barometer of human welfare. Contemporary economics does not put the welfare of the *ukhrawi* (hereafter) as a paradigm. To achieve a state of *falah* in the economy is not easy. The *Mashlahah* concept must be achieved first. *Mashlahah* can be interpreted as any kind of condition, both material and non-material, which is able to increase human state as the most glorious creature. In the Indonesia-Malaysian border trading practice, trading is not only driven by profit purpose but also by seeking happiness in the afterlife, as the human should be accountable for his life in the world which will affect his life in the hereafter. It was recorded at the time of Aaron Al-Rashid (786-809), acquisition of *Baitul Mal* was 7 1/2 tons of gold and 150 million dinars (Lapidus, 1991). The large funds that went into the country's treasury were used to fund the importance of advancing education at mosques (Khan Mosque and Jami ' Mosque), the *khalaqah* and Ta'lim Council, the translation of books, copying books and the management of the *Baitul Hikmah*, Libraries, hospitals and observatories as well as for scholars who are actively involved in education there.

The values of the local wisdom of the Temajuk Malay community (*Belalle, Talangge, Sikutuan, Tawarre*) are shown when the community benefiting from plantations, fisheries as well as trade profits. They always share the wealth to their neighbours and families nearby as an indication that their businesses are succeed. Even some materials are also donated to develop their village.

2. Spiritual (religion) - The establishment of the spirit of worship in *muamalah* will be a foundation for business people and policy makers in trading. The concept of *falah*, which puts the importance of placing the welfare in the Hereafter, inevitably, will guide them to run the business and the economy. Islam comes to this world as a guidance with spiritual values that come from God, one in which as the basis of our life objectives in this world.



Business is also the medium for *da'wah*, as practiced by Rasulullah SAW. It has actually been practiced by traders in the village Temajuk. The traders start their business activities with praying to Allah to give them the smooth way in doing business. Some of them also understand that providing information to customers about the price and type of product is kind of worship even the customers do not buy things at the end, and if there is a sales transaction, it means that the seller and the buyer are blessed (by God), so clearly Islam considers the activity of attempting worship and cannot be separated from life and it underlies the spirit of business. As this spirituality existed, lack of material resources never be a business barrier for trader.

This can also be seen in the XII century when Islam began to penetrate into hinterland which almost its people embraced Hindu and mythological beliefs, a strong sufistic approach such as that of the *wali* (Islamic scholars) did was the most appropriate and suitable approach to spread Islamic teachings. As stated by Johns, the main factor for the success of converting is the ability of the Sufis to present Islam in an attractive packaging, especially by promoting conformity to Islam or continuity rather than changing existed local religious beliefs and practices (Johns, 1961). Not only does trading improve welfare but also facilitate the broadcasting of Islam and the mobility of scholars and open the occasion of Muslim Nusantara to do Hajj to Mecca especially during the Ottoman dynasty in XV century.

The spiritual momentum is a rational bridge between the wave of God and human. The harmony of the two must be kept, cared for, and honed in order to experience enlightenment from time to time. The actualization of a person's spiritual is the dynamics that change according to space and time dimensions. In local wisdom, *Belalle* ', *Talangge* ', *Sikutuan*, *Tawarre* ', traders and buyers need each other is a reflection of the religious life that seeks the happiness of the Hereafter, because in the Islamic trade, providing the correct information (telling the truth) is worship.

3. Social - The world of trading in business ethics has a positive response to society, it is present to establish a relationship with customers through information and communication to create a familiarity between sellers and buyers, this happens even no transactions yet. When a transaction occurs it has a more significant impact on the product that can be used by the customer because it will affect the satisfaction of the customer, when



customers satisfied, the demand will increase. This will create a social value called interdependence bond. The profit gained by a seller will affect the customer.

In the historical perspective of Damascus, the second largest city after Baghdad, was a trade centre for the territory of Asia Minor and the Euphrat region to Arabia and Egypt or vice versa to the city of Bashrah Kaufah, Medina, Cairo, Kairouan, and the cities of Persia. To regulate and supervise that wide trading area, Abasiyah dynasty formed the supervisory and regulatory board of trading and market (Lapidus, 1991). The coastal cities of Andalus are also centre of trade in the Mediterranean Sea and Europe. Then, the successful traders appear to be an Agniya' group that are interested and feel obliged to develop science and teachings. Since the time of the prophet Muhammad, the activity of advancing education from among traders continues to be promoted in addition to the obligation to fulfil zakat. Many of these aghniya' from the traders also established a private library that was used to the public and became the charitable supporting the funding of various scholars, mosques, and madrasahs in the XI century. The roles of traders and middle class, including officials and scholars, also took place in various Islamic kingdoms such as the Umayyah in Spain, Andalusia and Fathimiyah in Egypt and the Islamic kingdoms outside of Arabia including in Nusantara create a long list of the institution that receive the charitable goods as well as the charitable organizations (Lapidus, 1991).

Fairness in market in Islamic teachings is also manifested when some people who are not engaged and incapable to involve in the market deserve social concern to receive *zakat*. A trader who has already conducted their obligation in social care in society in the transaction and business has impacted the application of local wisdom *Belalle*, *Talangge*, *Sikutuan*, *Tawarre* in the Indonesian-Malaysian border trade and the application of business ethics in Islam. The value that is reflected in the local wisdom of the Temajuk Malay becomes a driving spirit in trading because the goal has been set for the profit in this world and the hereafter, so that the level of submission is directed to seek the pleased of Allah SWT.

4. *Cultural* - Trading progress since the early Islam era had increased the income of people and countries. Excise on incoming and outgoing goods, which ranges from 5-10% to the state treasury, are partially transferred to the regional treasury and some are transferred to the central government.



Excise is the biggest income after the *kharaj* or *jizyah* income tax which tends to get smaller due to the reduced number of people who pay *jizyah* because they embrace Islam. However, it does not interfere with state revenue because with the progress of trade and other economic sectors the revenue from *zakat* has increased even more than the *kharaj* tax. It was recorded that during the time of Harun al-Rashid (786-809) the receipt of Baitul Mal was 7 1/2 tons of gold and 150 million dinars (Lapidus, 1991). Most of the funds that go to the state treasury are used to fund the interests of advancing education in mosques, the Khan Mosque and the Jami 'Mosque, *halaqah* and *majlis ta'lim*, book translation and management of Baitul Hikmah, libraries, hospitals and observatories. as well as scholars who take part in education in that place.

Culture enhances the habit of mutual cooperation, in a cultural perspective, mutual cooperation and mutual assistance called *Belalle* ', *Talangge*', *Sikutuan*, *And Tawarre*' in the Temajuk Malay community are incorporated with togetherness towards happiness and prosperity, which is reflected in helping the community in supporting children's education by lending money from business profits, even in the form of agricultural and plantation products. Apart from that, helping out at weddings, the commemoration of holidays is always prioritized by mutual cooperation (*Belalle* ', *Talangge*', *Sikutuan*, *And Tawarre*'). Community culture has been formed from generation to generation and cannot be separated from their lives, when a Muslim trader enters this system, it is not too difficult because it is in accordance with Islamic teachings so that the interests of togetherness are always prioritized. This condition is utilized by the Malaysian border community of Telok Melano Village who has the same culture and religion, there is no difference, supported by the same language, so it is easy for a trader to apply ethical trading values in accordance with Islamic law.

The community system of the Temajuk Malay tribe in living life is bound by Islamic religious values and integrated customary values contained in the customary values of the Temajuk Malay. The integration of customary values with sharia can be seen through the division of the types of Temajuk Malay custom itself. Traditional Temajuk in trade is divided into four, each of which has a close relationship with one another:

- a. *Belalle* or mutual assistance, mutual assistance, synonymous with mutual cooperation, has been applied to the Temajuk Malay community from



- generation to generation in spiritual, material, social and cultural, preserved until now. Every newcomer must follow and adapt himself to the process of this type of custom in an obedient manner and it applies to all inhabitants (*di mana bumi dipijak, di situ langit dijunjung*). Life needs help from others, and other people also need help, they cannot live alone.
- b. *Talangge* or capital assistance in trade, this custom which is agreed upon and implemented and obeyed jointly by the community from generation to generation because it is seen and felt good and beneficial by generation after generation, and does not contradict the Islamic law.
 - c. *Sikutuan* or collection of capital to buy the completeness of traditional life. Tranquility, harmony, and happiness are formed by performing *Sikutuan*. Individuals and the community feel at ease and happy because they can be helped in buying products that are not affordable with this pool of money, the values contained in *Sikutuan* provide benefits and blessings for the community.
 - d. *Tawarre* or price reduction in trade. A trader provides assistance by lowering prices to buyers because they are already regular customers. In this case, the sale and purchase of goods at the original price is subject to a reduction or discount. Traders and buyers in transactions can apply the *Tawarre*' (price reduction) if the value of the product is expensive and the money owned by the buyer is insufficient. A trader can be kind. In other words, a discount is usually done by traders in Temajuk as long as many products have been sold. This is intended to help consumers who are unable to get the price of these goods.

Based on local wisdom in border trade, people's behavior in social life is regulated in customary norms derived from sharia, deviant behavior will have consequences for both Sharia and custom. The form of customary norms that must be avoided by the community in the Temajuk Malay custom is contained in customary norms. Fraudulent acts are examples of deviant behavior in society.

RESEARCH METHOD

This study uses a qualitative research approach with a phenomenological method approach, namely research that seeks to explain or reveal the meaning of a concept or phenomenon of experience based on awareness that occurs in some individuals. The reason for using a qualitative approach in this study is because the researcher explores the main focus of uncovering the value of local



wisdom of trade at the Indonesia-Malaysia border (in the perspective of Economics and Islamic teaching) which is a process, event or activity of a person (several people) in a dynamic process that must reveal the substance and the meaning of truth in research, so that in-depth observation with the background is needed naturally to understand social phenomena or phenomena comprehensively and contextually by describing the empirical reality of the object of research.

In accordance with the research approach and design used, the instrument used to collect data is the researcher himself. The presence of researchers in qualitative research is a must. Because this type of research prioritizes the observational findings made by the researcher in the natural setting of direct research.

The research was conducted in Temajuk, Sambas Regency, Indonesia, which is a border area and directly adjacent to Malaysia. In-depth research is directed at data sources to determine activities, behavior, and culture from data sources, resulting in a contextual understanding and a holistic view (Sugiyono, 2005). Observations were made on traditional events and the life of the Temajuk Malay tribe community which contained entolinguistic deliveries that had *falah* values both in community groups and in small families, especially in social forms. Systematic observation and recording of symptoms that illustrate the value of *falah* contained in the Temajuk Malay custom or culture (ethnography), whose implementation increases the entrepreneurial capacity of the Temajuk Malay community, is carried out to look closely at the activities carried out by the object of research, both human behavior and action, natural phenomena, work processes and use of small respondents.

This study uses qualitative data in the form of words, behavior or policies of each cultural actor in schools, data contained in documents, manuscripts, notes and others regarding cultural values. Sources of data in qualitative research can be obtained from key informants who are the main actors of the object under study related to the transformation of cultural values in schools. The principal is the main source of data (key informant). To determine informants, researchers used sampling (especially key informants) with purposive sampling, which was then developed for other informants using snowball sampling.

To obtain data, researchers used data collection techniques that were validly used in qualitative research. In general, qualitative research uses data collection



techniques such as in-depth interviews, participatory observation, and documentation studies. Primary data source data obtained directly from the object of research (authority) or key informants. Among them are obtained by conducting dialogue with speakers consisting of traditional leaders and practitioners who are in Sambas Regency and pay attention to traditional events in society based on dialectical motives so that unlimited data can be found. Authority is determined deliberately, because it is considered to have knowledge of traditional Malay values and themes of Malay local wisdom and to understand the meaning of trade at the Indonesian-Malaysian border contained in these values (during the research process, twelve relevant authorities determined).

Source of primary data in this study came from religious leaders, community leaders, and Muslim traders. Meanwhile, secondary data is in the form of documentation, to support existing data, documentary techniques are used to track official documents, such as historical data, letters, reports, instructions, announcements, institutional rules, decisions and so on. This data was obtained by reading, understanding, and analyzing various primary literatures related to understanding the philosophical values of *falah* in the Malay tradition in Temajuk.

This study uses individual case data analysis (individual cases). The data analysis steps were carried out together with data collection and followed the directions of Miles & Huberman: (1) data reduction, (2) data presentation and (3) conclusions (provisional conclusions, verification, and final conclusions) (Miles & Huberman, 1992).

RESULT AND DISCUSSION

Wisdom Values of Local Trade at Indonesia-Malaysia Border Area

Customary values are part of the Temajuk Malay value system which plays a role in providing principle direction for the Temajuk Malay community. The Temajuk Malay cultural value system is formulated in people's lives, as expressed in the behavior of the Temajuk Malay community in the process of life, especially in trading activities (production, distribution, consumption, and promotion). Culture through the customary norms of the community reflects the behavior and character of the community. Ideas developed in life are related to the value system adopted by the social community in all aspects of life,



including trading behavior. The values of local trade wisdom in the border area between Indonesia and Malaysia are discussed as follow:

Belalle

The entolinguistic meaning of the word *belalle* in language means helping each other in life, including economics (Mahrus, 2013). Based on data from authorities, the terminology of the entolinguistic meaning can be examined, there is a relationship between helping each other (*belalle*) to realize big dreams such as a house, which cannot be realized immediately if done alone, because building a house requires large funds to buy building materials. Integration of the world and the hereafter is the meaning conveyed from this philosophy. From this meaning, it can be understood that trading (economic) activities cannot be separated from the existing provisions in the power of religion and customary norms. In the Temajuk Malay custom, *belalle* is very in accordance with the teachings of the Religion contained in the word of Allah Almighty in the Al Quran:

... وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

“.... And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in punishment” (QS. Al-Maidah 5:2)

Religion regulates humans to help each other in fulfilling the necessities of life, because since humans are born on this earth until they die, they cannot be separated from the help of others. Assistance varies from social life to material in order to meet the needs of life and build a better life. However, religion also regulates how to help by not helping in evil and sin, but helping each other in benefit and goodness (virtue).

In getting the value of *falah* from this local wisdom, the Temajuk Malay community has a social sensitivity which is based on helping each other in doing a job or getting products that cannot be done alone, in this case the help of others is needed. Helping is a social aspect that shapes a person's behavior. Without *belalle* in social and economic activities, it will cause injustice and loss of a group or individual so that it will destroy the cultural structure of a society. Helping each other is closely related to prosperity, welfare refers to the ethnolinguistic of the Temajuk Malay culture, namely *belalle* which is a value that must be upheld, especially in social and economic activities.



The transformation of customary values is carried out in the daily life of the Temajuk Malay community, in the process of mutual need to be manifested by helping to obtain a product that is beyond the capabilities of a certain individual. This value actually embodies the life of a society in accordance with *falah*, for the sake of a wealth. The entolinguistics of the sentence “*mun nak bangun rumah semue dek beradek pakai belalle, mun daan susah nak tibangun*” actually contains economic values of equity and justice which are the principles in carrying out Islamic economic activities, these values can be used by the community in trading activities by integrating these values. with the meanings contained in the Quran and Hadith. Based on research conducted on *belalle* 'local wisdom in trade, the value of *falah* are: (1) Mutual help (Social) (2) Professionalism in the economy (Social) (3) Get Blessings (Spiritual), (4) Motivation for Worship (Spiritual).

Spiritualism is a value that becomes a motivation for people to carry out economic activities, by combining the worldly and ukhrawi dimensions, namely believing that the impact of actions carried out by society will be related to the afterlife. The behavior of the Temajuk Malay community in building and developing economic enterprises is in accordance with religious rules. Making religion a rule in economic activity will benefit not only worldly but also ukhrawi (blessing, *halal*, good).

The second value is social. Social is a form of professionalism in carrying out economic activities. Economic activities that are motivated by spiritualism and expressed in a social form will build a mechanism for trading activities in accordance with economic needs and do not violate religious rules. A good social life will direct trading activities towards the achievement of goals.

Talangge

The values contained in ethnolinguistics; *talangge* '(capital assistance in trading) is a form of trading business where someone who does not have capital in trading is given capital by some other Temajuk Malay people who are unable to trade but have capital, when they meet they make mutual agreements with the concept of *talangge*'. In the Temajuk Malay custom, the obligation to work and earn a living to meet basic human needs, including primary, secondary and tertiary needs. Fulfilling these needs is carried out with good (*halal*) processes and sources, meeting needs with good processes and sources can be obtained if motivated by good ideas, values or ideas including those of the owner of capital. In creating a good trade, trading business must start with clear capital and agreements so that the spiritual aspect becomes an important element in the trading process.

In linguistic terms, *talangge* means capital assistance. As explained by the authorities, "*Nak bedogong disartae ade jua yang talangge dan semangat,*



mun sian dan bise maju Bedogong” (Iwan, 2018). The purpose of this philosophy can be achieved if trading is carried out with capital (material), especially motivation (spiritual) and aims to improve the quality of faith. Islamic law which is derived from the Quran and Hadith as outlined in Islamic teachings becomes the rules and guidelines for fulfilling the basic needs of society, so that the purpose of meeting trade needs can support individual faith (spiritualism), fulfillment of needs is not only based on desire (want).) and use value (utility) for a commodity only but begins with good cooperation such as the talangge 'culture. Therefore, in applying local wisdom there is no conflict with the teachings of Islamic law in trade as in the hadith of Ibn Abbas *radhiyallahu anhum*a narrating that (Al-Baihaqi):

كَانَ الْعَبَّاسُ بْنُ عَبْدِ الْمَطْلَبِ رَضِيَ اللَّهُ عَنْهُ إِذَا دَفَعَ مَالًا مُضَارَبَةً اشْتَرَطَ عَلَى صَاحِبِهِ
أَلَّا يَسِيرَ بَرًّا وَلَا بَحْرًا وَلَا يَنْزِلَ بِهِ وَادِيًا وَلَا يَشْتَرِيَ بِهِ ذَاتَ كَيْدٍ رَطْبَةً فَإِذَا فَعَلَ ذَلِكَ
فَهُوَ ضَامِنٌ فَرَفَعَ شَرْطَهُ إِلَى النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَأَجَازَهُ

"Abbas bin Abdul Muthallib (Prophet's uncle) if he gave up his property as *mudharabah*, he required his *mudharib* (manager) not to roam the land, not to cross the sea and not to go down the valley, and not to buy livestock. If these requirements are violated, he (*mudharib* / manager) must bear the risk. When the conditions set by Abbas were heard by the Prophet, he confirmed them" (Al-Baihaqi, 1459).

According to the term *fiqh*, *mudharabah* is a contract agreement (business cooperation) between the two parties, one of which provides capital to the other to do business, while the profits are shared between the two according to the agreed terms. The value of local wisdom in the Temajuk Malay community, namely *talangge* 'is full of meaning and provides a value that is obtained by the owner of capital (material) and the manager in the economy (trade) because when both agree to carry out the contract according to Islamic conditions and the Malay Temajuk culture, the necessities of daily life will be fulfilled, and business motivation will increase and it will increase faith so that the value of welfare (*falah*) between *sahibul mal* and *mudharib* will be obtained. According to what was conveyed:

“Providing trade motivation for the community, support in the form of capital (material) and will have an impact on basic needs that will be met, because more and more people trade it is easier to get products in a halal and legal way so that trade like this will become an example in border communities” (Suma, 2018).



Economic progress, supports the stability of faith. Humans consist of two main elements, namely body and spirit, happiness in the world and the hereafter. The most basic physical need is halal and good food, in the Malay Temajuk *talangge* is the beginning of realizing trade, if the beginning of the process is correct it will have an impact on the right transaction. Physical needs or adequate economic progress must be able to strengthen a person's faith, so that he is happy. There are two economic values in talangge ethnolinguistics' while the *falah* values include; fulfillment of the basic needs of life (material), and faith as a trade motivation (spiritual)

Based on the value of the philosophy in *talangge*, there is mutual fulfillment of needs, so the needs in question are needs expressed by A. Maslow which are the fulfillment of physical needs at each level, individuals must try to meet these needs. The important point that makes the fulfillment of needs based on the ethnolinguistic of Malay Temajuk is the word *iman* (faith). Faith as a spiritual aspect becomes its own value in the process of meeting individual or group needs. When it is related to the Islamic economy, which is based on a spiritual economy which refers to the Koran and hadith, the faith and the context of the Temajuk Malay culture becomes relevant in the process of meeting human needs, including economic practices (production, distribution, consumption, promotion) and other material fulfillment. If these two aspects are fulfilled the *talangge* value is very much in line with the *falah* value.

Sikutuan

This sentence consists of several words which have a meaning that is closely related to business (trade) including joining, partnering, cooperation, and association. In language, *sikutuan* can be interpreted as a collection of venture capital for business, while the meaning contained in the ethnolinguistics is; “*betol mule’kan bodogong kemaolan, otak jolon, mun digobongkan pakai sikutuan bedogong jodi berosel, sige age doon pemullo*” (Asman, 2018). The relationship between knowledge and the results obtained is very close, the mind can be analogized as knowledge, intelligence and expertise. This sense becomes the capital in carrying out economic activities. This ethnolinguistic becomes attractive, because it puts money at the end, not as the main capital. The main capital in carrying out economic activities is knowledge, expertise and effort as well as honesty. In *sikutuan*, it is strictly forbidden to lie, be dishonest, and betray because it will damage the relationship and have an impact on the order of social, cultural, material and spiritual life.



A trader must be able to use his knowledge to be able to develop his business, such as opening a new market, introducing new products and other activities that support his economic business. A trader who does not upgrade knowledge, ideas, innovation will find it difficult to compete. There are stages that must be passed by individuals who want to play a role in the business world (entrepreneur) and can compete based on this Temajuk Malay philosophy.

First, the process of building and developing capabilities through science, especially business economics and finance, this knowledge can also be obtained from experience and training. The ability of a person in a certain field that is mastered in the Malay Temajuk philosophy is called *sikutuan* (pool of capital), the concept of a pool of capital here is an alternative in building a business if you don't have capital (money) because the classic problem of starting a new business is capital.

Second, after having the knowledge, ability, experience in a certain business field, you can create, innovate, keep up with developments and changes, especially in the economic aspects of production and marketing because market changes are very fast in the era of unlimited digital information, especially in the border areas of Indonesia and Malaysia. A person who has a lot of knowledge but does not force himself to innovate and be creative will find it difficult to develop, as well as business. Other elements are needed in developing a business so that it can compete.

Third, after going through and carrying out the two previous stages, the results of the business will be obtained, the results are at the final stage not the beginning (output or income), in the Temajuk Malay philosophy it is called blessing (*barokah*) which means the *sikutuan* value has the basic value of Islamic religion, namely *falah*, which makes people are equally happy, mutually profitable. In the context of sharia trading, the profit mentioned earlier are worldly profit and the benefit in the hereafter (*falah*). This ethnolinguistic was previously used by the Temajuk Malay community as advice to their children, as expressed by the authorities as follows, "*banglong otak asah tolen, age jua tinggi macam ape pun kepintaran mu usah sekali-kali bula, mun pembula sian age ratinye kepintaran mu*" (Noor, 2018). Those are examples of old advice from a father to his eldest son. "If we are honest, even though we don't have capital, we will still be trusted by people, but knowledge first". The word *otak asah* means adding knowledge, meaning that trading activities are carried out by prioritizing a structured process by following planned (systematic) and consistent (*istiqomah*) stages in carrying out an honest



mindset, because this word has spiritual and cultural dimensions by promoting a process that does not violate rules (sharia) so that the effort that is carried out can be beneficial (profit) in the world and the hereafter.

This Temajuk Malay philosophy is a form of communication in the form of advice to younger people, which aims to build a mindset at work by preparing one's abilities, knowing the risks of a job being carried out, with good managerial. This advice relates to all aspects of activities including trading activities.

Togetherness in this traditional Temajuk Malay expression does not mean that people carry out economic activities together, or that they must do something together. However, what is meant by togetherness is unity with the same principles, the Temajuk Malay community holds religious principles in life. Trading activities can be carried out in different forms but still within the framework of unity among the Temajuk Malay people, in the same principle because humans need other people and other groups to meet economic needs, including in trading activities.

Cooperation is absolutely necessary as an effort to develop an economic business, without cooperation with other parties, the trade business will be more difficult to develop. Relationships or networks in building a business are absolutely necessary, the value of SIKuttuwan directs to build networks and relationships that are meant by equating perceptions about a business venture so that they can help each other. With business unity, cooperation will be built between communities, although the cooperation meant is not limited to the Temajuk Malay, but is open to and accepting of other tribes. Consensus to bring blessings is the value of cooperation, to agree means an agreement that has spiritual values (sacred), an activity is said to be sacred if the activities carried out are approved by ancestors or previous generations and the activities carried out do not violate customary and religious norms. Like an analogy that says, "united we stand, divided we fall". Cooperation carried out on the basis of a good agreement will encourage professionalism and form a trustworthy character. Cooperation in the perspective of local wisdom, the Temajuk Malay custom upholds a principle based on religious values. Religious values that have been integrated with adat will build the same principles, these values are also principles in business networks. This activity is the result of deliberation which is also based on sacred (religious) values.



Tawarre

The values contained in ethnolinguistics; *tawarre* (price reduction) is the value of helping a consumer who is unable to buy an item but he really needs the item while the capital or money is not enough, usually the trader gives the item with no conditions for the buyer, it's just that usually this condition occurs when the merchant has sold the same goods in large quantities so that he has made a profit and his capital has returned. This causes the trader to provide a price reduction.

However, not all buyers get this relief only because of the condition of the buyer who is in shortage, in the Malay Temajuk custom, *tawarre* is also carried out because of kinship ties, frequent *silaturrahmi* makes buyers and traders have kinship ties to help each other, this price relief (*tawarre*) is based on the principle *antaradhim minkum* which is accordance with the Word Allah SWT in the Quran: *surah An-Nisa* verse 29:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَن تَرَاضٍ مِّنْكُمْ ...

“O believers! Do not devour one another’s wealth illegally, but rather trade by mutual consent...” (QS. An-Nisa 4:29)

Table 1. Trade Value on Malay Temajuk Custom Ethnolinguistics

No	Malay Temajuk Custom In Trading	Value of <i>Falah</i>	Form
1	<i>Belalle</i> (Mutual Help)	- <i>Social</i>	1. Mutual Help
		- <i>Spiritual</i>	2. Professionalism in trading
			3. Gain blessing
			4. Motivation to worship
2	<i>Talange</i> (Capital Help)	- <i>material</i>	5. Life needs fulfilled
		- <i>Spiritual</i>	6. Faith as trade motivation
		- <i>Material</i>	1. Sequence in business-step planning, consistency
3	<i>Sikutuan</i> (Capital Collection)		2. Understand business risk.
		- <i>Spiritual</i>	3. Honest information
		- <i>Social</i>	4. Business management
		- <i>Cultural</i>	5. Receive parent’s advice
		- <i>Cultural</i>	6. Strengthen <i>Silaturrahmi</i> (friendship/gathering)
			7. Market balance
4	<i>Tawarre</i> (Price Reduction)	- <i>Material</i>	8. Trade that create mutual consent
		- <i>Spiritual</i>	



It is very important in providing the value of the local wisdom of the *tawarre'* based on mutual consent because it will create mutual happiness and tie a relationship between traders and buyers. Happiness and pleasure in trading between buyers and sellers will create value of *falah* which has an impact on perfect market development even though profits are small, the market will experience a smooth operation so that the supply of goods, even though it is far from the Regency Capital to the Indonesia-Malaysia border area, does not experience any obstacle. There are 14 (fourteen) components that can be written that contain the trading values of each of the Temajuk Malay philosophies, as described in Table 1.

Based on the interpretation of the local wisdom of the Temajuk Malay custom which has been identified through the events and dialogues that occur in the Temajuk Malay community, there are four values that encourage trade behavior, then the researcher will implement the values of local wisdom of the Temajuk Malay culture from a trade perspective by analyzing each of them. each value using the domein which comes from the Quran and hadith and the grand theory of commerce. A trader in obtaining a response from his target market requires value in a business context to achieve his goal of selling a product or service effectively to a target customer group, a customer will feel satisfaction in trading because a product or service is not only measured based on shape and quality but provides impression of satisfaction on both sides (Kotler, 2000).

The decision taken by the buyer is the interaction with traders who need each other, the buyer needs the goods, the seller provides his services so that mutual need is created because it is based on mutual help, in Islam it is called *antarodhim minkum*. Mutual consent is the basis of trade on the border between Indonesia and Malaysia which creates a Temajuk Malay culture. This local wisdom initially comes from a desire for interdependence, then the value of satisfaction with this value is realized so that social reactions create cultural values that have been preserved by Malay Temajuk to date, the value of local wisdom has entered the joints of social, religious to trade life. In Islam, trading activities should always be based on the spirit of worship only to Allah SWT. Trading activities should be carried out as an effort to gain common prosperity (*falah*) and not for momentary interests, certain groups, or their own interests. Islam is an extraordinary religion that governs all matters relating to human life. Islam views trading as a strategic business discipline that directs the process of creating, offering, and changing values from an initiators to the stakeholders.



According to Abuznaid, in Islam every business and trade activity must comply with two principles, first obeying the rules or moral order that Allah has set, and second, empathy in being grateful for Allah's grace and creation by refraining from actions that harm people and preventing the spread of unethical practices (Abuznaid, 2012). The desire to get profit together preceded the correct information of the customs and ethical in trading, as the informant narrative above, became an inquisitor of the desire of the border of Indonesia-Malaysia. The desire to gain profit together begins with correct information according to custom and ethics in trading, as said by the informant above, a signal of a desire to become a trader in the Indonesia-Malaysia border area. According to Abuznaid, trading like this is a trade that abides by the rules with the value of empathy from the customs that have been embedded in the Temajuk Malay community by avoiding unethical trading practices.

Trade carried out as conveyed by the informants makes transactions lasting and sustainable and has a very big impact on both countries due to the interdependence between sellers and buyers. Based on the fact, some important terms expressed by Abuznaid, namely the existence of wisdom in this case is "*hikmah*" in understanding the Quran, then the needs, Muslim consumers, market, good conduct: ethical behavior, *halal (toyiban)*, mutual agreement, welfare (*falah*) (Abuznaid, 2012).

CONCLUSIONS

There are eight values that promote trade conduct based on the understanding of the local wisdom of the Temajuk Malay custom that has been established through the events and dialogues that occur in the Temajuk Malay community, they are: *Belalle* (Mutual Help), *Talangge* (Capital Help), *Sikutuan* (Capital Collection), and *Tawarre* (Price Reduction). Each value established based on the Islamic values in the Quran and hadith and the values of grand theory of trade. In order to achieve its goal of successfully selling a product or service to a target consumer, a trader needs value in order to receive a response from his target market, a customer would feel satisfaction in trading because a product or service is not only evaluated on the basis of form and quality, but offers an impression of satisfaction on both sides. The decision made by the buyer is to deal with traders who need each other, the buyer needs commodities, the seller offers services in such a way that mutual need is generated because it is focused on mutual assistance, in Islam it is called *antaradhim minkum*. Mutual consent forms the basis for trade that establishes a Temajuk Malay community on the border between Indonesia and Malaysia. Trade operations should be carried out



as an attempt to achieve collective prosperity (*falah*) and not for the sake of transient interests, groups or their own interests. Islam is an extraordinary religion which governs all matters relating to human life. Islam sees trade as a strategic business discipline that guides the process of developing, offering and changing values from initiators to the stakeholders.

The desire to make a profit together was followed by the right knowledge on customs and trade ethics, as the informant's narration above has been an inquisitor of the desire of the Indo-Malaysian frontier. The desire to make a profit together starts with the correct knowledge in terms of customs and trading ethics, as mentioned by the informant above, as a sign of a desire to become a trader in the border region of Indonesia-Malaysia. Trade carried out as stated by informants makes transactions long-lasting and sustainable and has a very large effect on both countries due to the interdependence between sellers and buyers.

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TOWARDS A PRISTINE ISLAMIC FINANCE: PRECONDITIONS

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ABSTRACT – The need for an alternative to the current mainstream financial architecture is not in doubt. As exigent as this call might be through the Islamic finance conduit, it has to be done properly. This is particularly important if we must avoid associated shari'ah risks, avoid rubbing the face of the religion, Islam in the mud and of course if we must reap the benefits that accrues from following Allah's dictates in all our affairs including "econo-financial" matters. This study aims at marshalling a path towards scripting a pristine and practicable Islamic finance by identifying two salient preconditions for it. It utilizes a diachronic approach whilst resorting to scriptural reasoning, historical evidence and were analyzed using inductive rationale. The study finds some unique issues cum scenarios that cannot be shoved or brushed aside as far as Islamic financing is concerned. viz; Scenario one: The impracticability of Islamic financing without an enabling Islamic Law; Scenario two: The non-implementability of Islamic financing without the Islamic man; Scenario three: Islamic finance orchestrated without an Islamic law but with an Islamic man; Scenario four: A "globalized" Islamic finance that can at best fit into a practicable legal micro framework in today's world; and Scenario five: A non-global Islamic finance within a practicable legal micro framework.

Keywords: Pristine Islamic finance, Preconditions, Islamic Man, Islamic Law, Plausible Scenarios

ABSTRAK – Prasyarat Menuju Praktik Keuangan Islam Sejati. Kebutuhan akan sebuah arsitektur keuangan alternatif dari yang ada sekarang merupakan suatu hal yang tidak diragukan lagi. Walaupun seruan ini mungkin mendesak melalui saluran keuangan Islam, itu harus dilakukan dengan benar. Hal ini sangat penting untuk menghindari risiko yang terkait kesyariahan sistem keuangan dalam Islam, ibaratnya ini merupakan upaya untuk menghindari menggosok wajah agama Islam dengan lumpur. Jika kita harus menuai manfaat dari melaksanakan perintah Allah, maka itu ada dalam semua urusan termasuk masalah "Econo-financial". Kajian ini bertujuan menyusun jalan menuju skrip keuangan Islam yang murni dan praktis dengan mengidentifikasi dua prasyarat penting untuk itu. Studi ini menggunakan pendekatan diakronis dengan melakukan penalaran terhadap teks-teks keagamaan, bukti sejarah, dan dianalisis dengan rasionalisasi induktif. Penelitian ini menemukan beberapa masalah unik sekaligus skenario yang tidak dapat disingkirkan atau disingkirkan sejauh menyangkut keuangan Islam. yaitu; Skenario satu: Ketidakpraktisan pembiayaan keuangan syariah tanpa adanya hukum Islam yang memungkinkan; Skenario dua: Ketidakimplementasian pembiayaan keuangan Islam tanpa Islamic man; Skenario tiga: Keuangan Islam diatur tanpa hukum Islam tetapi dengan Islam man; Skenario empat: Keuangan Islam yang "diglobalisasi" yang paling sesuai dengan kerangka mikro hukum yang dapat diterapkan di dunia saat ini; dan Skenario lima: Keuangan Islam non-global dalam kerangka mikro hukum yang praktis.

Kata Kunci: Keuangan Islam Sejati, Prasyarat, Islamic Man, Hukum Islam, Skenario Yang Realistis.

INTRODUCTION

Since its inception as a supposed alternative paradigm to its conventional counterpart, the Islamic financial industry has been plagued with unnecessary imperfections and defects cutting across all aspects of Islamic financial theorizing and applications (Bacha, & Mirakhor, 2013). The response to this imperfection and defects has been chiefly regulatory and supervisory prescriptions (Ibrahim & Kamri, 2017). This approach is however symptomatic and not without flaws; A fundamental flaw is the tendency to want to ensure the workability of the system without an ideal operational/enabling law (Hasan, 2014b; Nienhaus, 1983). Another flaw is that the approach seems to champion the idea that: “in the absence of morals, we have regulation and supervision” translating into wanting to coerce the people, stakeholders, practitioners into observing best practices (Kamri, Ramlan, & Ibrahim, 2014), failing to realize that supervisory and regulatory roles are in fact played by man and that the observance of best practices has a lot to do with internal conviction reinforced with correct knowledge and belief (Graiss & Pellegrini, 2006; Hasan, 2014a, 2014c).

Against this backdrop, the author suggests that there are two prerequisites for Islamic financing; an enabling Islamic law and of course an Islamic man. Perhaps a plausible way out of the current embarrassing Islamic financing ambience is religious enlightenment which focuses on institutionalizing an Islamic law and developing a truly Islamic man even though the former might seem out of reach on a macro parlance.

The paper therefore presents evidence and explanations for these two prerequisites by resorting to historical experiences of two epochs, highlights some issues relating to the applicability of Islamic law, thereafter expounds the credentials of a truly Islamic man as defined by the Quran and the Sunnah and concludes with some recommendations. The author is aware that religion often connotes different belief systems, the paper however limits itself to the religion of total submission to Almighty God (Islam) as Islamic financing naturally dictates.

RESEARCH METHOD

This study utilizes a qualitative approach with a diachronic approach. Data for this study is gathered through resorting to scriptural reasoning and historical



evidence from the practices of the prophets and his companions and the people who come after that. The data were then analyzed using inductive rationale.

LITERATURE REVIEW AND DISCUSSIONS

Two Nations with Implicit Islamic Financing

Narrated `Adi bin Hatim:

“While I was in the city of the Prophet, a man came and complained to him (the Prophet,) of destitution and poverty. Then another man came and complained of robbery (by highwaymen). The Prophet (saws) said, "Adi! Have you been to Al-Hira?" I said, "I haven't been to it, but I was informed about it." He said, "If you should live for a long time, you will certainly see that a lady in a Howdah traveling from Al-Hira will (safely reach Mecca and) perform the Tawaf of the Ka`ba, fearing none but Allah." I said to myself, "What will happen to the robbers of the tribe of Tai who have spread evil throughout the country?" The Prophet (saws) further said. "If you should live long, the treasures of Khosrau will be opened (and taken as spoils)." I asked, "You mean Khosrau, son of Hurmuz?" He said, "Khosrau, son of Hurmuz; and if you should live long, you will see that one will carry a handful of gold or silver and go out looking for a person to accept it from him, but will find none to accept it from him. And any of you, when meeting Allah, will meet Him without needing an interpreter between him and Allah to interpret for him, and Allah will say to him: 'Didn't I send a messenger to teach you?' He will say: 'Yes.' Allah will say: 'Didn't I give you wealth and do you favor?' He will say: 'Yes.' Then he will look to his right and see nothing but Hell, and look to his left and see nothing but Hell." `Adi further said: I heard the Prophet (saws) saying, "Save yourself from the (Hell) Fire even with half a date (to be given in charity) and if you do not find a half date, then with a good pleasant word." `Adi added: (later on) I saw a lady in a Howdah traveling from Al-Hira till she performed the Tawaf of the Ka`ba, fearing none but Allah. And I was one of those who opened (conquered) the treasures of Khosrau, son of Hurmuz. If you should live long, you will see what the Prophet (saws) Abu-l-Qasim had said: 'A person will come out with a handful. of gold...etc.'" (Sahih al-Bukhari 3595: Book 61, Hadith 102).

The above Hadith is a prediction of (a) future prosperous nation(s) with visible financial cum economic prosperity, peace, safety and security of lives, in short, a co-existence of absolute wealth and paucity of poverty. The prophecy of peace, safety and security was fulfilled during the life of the narrator; however,



he did not live to see the holistic nation including the first two prophecies and the third prophecy of financial prosperity. This prophecy was however fulfilled during two unique caliphates; The Caliphate of Umar Ibn al-Khattab and that of Umar ibn Abdul-Azeez. These “nations”, in modern terminology represent nations with implicit Islamic financing without all the features modern finance. Short relevant accounts of these societies are presented below;

The Era of Umar Ibn al-Khattab

The epoch of Umar (May Allah be pleased with him) is typified by immense justice and great abundance. The nation flourished and so were the inhabitants. A brief story of a particular incident that happened during Umar’s reign gives a vivid picture of the kind of prosperity that occurred in that land. Reported in al-Amwal written by Abu Ubayd: Mu’adh ibn Jabal one of the companions of the Prophet (peace be on him) was stationed in Yemen as an envoy to the state, he served in this position and capacity during the time of the Prophet through the time of Abu Bakr (may Allah be pleased with him) and he was reappointed to this position during the reign of Umar. Mu’adh sent a third of the compulsory charity collected from the people to Umar, however, Umar refused to accept the Zakah proceeds saying; I have not sent you to as a tax collector or as a gatherer of the security tax (jizyah) but rather your job is to redistribute resources. Mu’adh explained his position saying that; he only sent what he could not find anyone to accept. In following year, the same repartee ensued following the same action by Mu’adh. Also, in the following year, Mu’adh again sent Zakah to Umar but this time not half but all, Umar declined acceptance but he (Mu’adh) said; I could not find anyone to accept any of it from me. This account reflects a real Utopian state with great level of financial sufficiency, contentment, honesty and justice.

A prominent Islamic financial feature of the caliphates under Umar’s is the Waqf which he himself institutionalized as the following Hadith reveals;

Narrated Ibn `Umar:

Umar bin Khattab got some land in Khaibar and he went to the Prophet (saws) to consult him about it saying, "O Allah's Messenger (saws) I got some land in Khaibar better than which I have never had, what do you suggest that I do with it?" The Prophet (saws) said, "If you like you can give the land (corpus) as endowment and give its fruits in charity." So `Umar gave it in charity as an endowment on the condition that would not be sold nor given to anybody as a



present and not to be inherited, but its yield would be given in charity to the poor people, to the Kith and kin, for freeing slaves, for Allah's Cause, to the travelers and guests; and that there would be no harm if the guardian of the endowment ate from it according to his need with good intention, and fed others without storing it for the future (with a view to becoming rich) "(Sahih al-Bukhari 2737 : Book 54, Hadith 24).

This tradition continues till this day though less pronounced in Muslim lands.

The Era of Umar Ibn Abdul Azeez

Like the era of Umar ibn Al-Khattab, the reign of Umar ibn Abdul Azeez is also an evidence of economic prosperity. The following first hand narrations and reports allude to this fact; Yahya ibn Sa'eed reported that he was sent to collect the Zakah of North of Africa by Umar ibn Abdul-Azeez, I collected the Zakah but I could not find any poor person to give it to as Umar Ibn Abdul Azeez has made the people rich, so I bought some slaves with them and thereafter set them free. The governor of Basra which was under Umar's reign communicated in a letter to him (Umar) that the citizens have become so prosperous that he fears that they may become vain and reckless but he replied with a quotation from the holy Quran of Chapter 39 verse 72-74; "it will be said, enter the gates of Hell to abide eternally therein, and wretched is the residence of the arrogant. But those who feared their Lord will be driven to Paradise in groups until, when they reach it while its gates have been opened and its keepers say, "Peace be upon you"; you have become pure; so enter it to abide eternally therein, [they will enter]. And they will say, Praise to Allah, who has fulfilled for us His promise and made us inherit the earth [so] we may settle in Paradise wherever we will. And excellent is the reward of [righteous] workers." He added; so, tell the people to praise their Lord (Allah). Abu Ubayd also narrated in Al-amwal that Umar ibn Abdul Azeez wrote to Abdul-Hameed Ibn 'Abdul-Rahman in Iraq instructing him to give the people their entitlements. Abdul-Hameed replied that he had done that but there is money left in the treasury(Bayt al-mal), Umar then instructed that anyone who had incurred a genuine debt out of need should be helped to pay the debt, he replied again that he has done that and there is money left in the treasury, Umar then said that he should help anyone who wanted to get married to arrange the marriage and pay the dowry, Abdul-hameed said he has done this for every single man but still money remains in the treasury, At this point, the caliph gave an instruction that anyone who owed the land tax and needed finance to



cultivate the land should be given whatever he needed and that this need not be repaid until after one or two years. It was also narrated in *ad-Dala'il* by Al-Bayhaqi that Umar ibn Usayd ibn Zayd ibn al-Khattab said; the reign of Umar ibn Abdul Azeez (may Allah be pleased with him) lasted for two years and six months and he did not die until it happened that men would offer large amount of money for charity but they would have to go back with their offer faced with a dilemma of finding who to receive their offer as Umar ibn Abdul-Azeez has made the people rich.

A salient Islamic finance feature of the regime was non- interest agricultural loans by the state to the farmers as well as land owners to ease cultivation.

A panoramic analysis of these epochs reveals that the four fundamentals of any Islamic financial system was adhered to; these fundamentals are; the prohibition of interest which has anchorage in risk sharing and avoidance of unnecessary risk, ambiguity and uncertainties; the feature of material finality, no exploitation between contracting parties and of course the prohibition of dealing in “unhalal” products (Ibrahim, 2000). Also deducible is that, two ingredients were largely responsible for the success cum prosperity witnessed in these eras; a perfect divinely-prescribed legislation (Islamic law) and a truly Islamic man i.e. a law which outperformed all other unperfect man made legal systems on which all economic, social, moral, spiritual activities were based and of course the man whose objective is to obey Allah at all times in all his dealings (Iqbal & Molyneux, 2005); a true slave of Allah, seeking Allah’s pleasure in all his actions; both mundane and otherwise, doing all he does for His sake, establishing a connection between all his earthly dealings and the hereafter and thereby emancipating himself from the shackles of illusory whims and desires as well as the trivialities of this transient world (Khan & Mirakhor, 1989). Therefore, if the two deduced prerequisites were in place and in continuum prior and during the described reigns with features of Islamic financing, by, extension, it follows arguably that they are indeed plausible requirements for today’s Islamic financing (Iqbal & Mirakhor, 2011).

Enabling Islamic Law in Modern Times; Is It Wishful Thinking?

Hutchings (1934) defines Law as a body of principles and rules developed in the light of the rational sciences of Ethics and Politics. He was of the opinion that the aim of politics and ethics is good life and so is the aim of Law. Legal positivism presents laws as commands issued by the uncommanded



commander; the sovereign whose commands are enforced by sanctions and one who is obeyed by the majority (Austin, 1875). In spite of its variations, the theory of legal positivism explains that the legal validity and acceptability of a norm in any system rests not on its merits but on its sources (Lewis, Ariff & Mohamad, 2014). If the above definitions are put into the right perspective, they might forge our understanding of that law that originates from the Creator of the worlds.

The Quran makes it crystal clear that it is mandatory to rule by Allah’s law. This is stressed in not less than six places in the Quran; “Indeed, We have revealed to you, [O Muhammad], the Book in truth so you may judge between the people by that which Allah has shown you. And do not be for the deceitful an advocate (Quran 4 verse 105). And judge, [O Muhammad], between them by what Allah has revealed and do not follow their inclinations and beware of them, lest they tempt you away from some of what Allah has revealed to you. And if they turn away – then know that Allah only intends to afflict them with some of their [own] sins. And indeed, many among the people are defiantly disobedient. (Quran 5 verse 49). Then is it the judgement of [the time of] ignorance they desire? But who is better than Allah in judgement for a people who are certain [in faith] (Quran 5 verse 50). Legislation is not but for Allah (Quran 12 verse 40) and He shares not His legislation with anyone (Quran 18 verse 26).

The law of the creator is an embodiment of the Quran and the Sunnah of the prophet i.e. his saying, actions and of course tacit approvals. This is because obeying the messenger is tantamount to obeying Allah as evidenced in the following Quranic verses; He who obeys the Messenger has obeyed Allah (Quran 8 verse 40). It is not for a believing man or a believing woman, when Allah and His Messenger have decided a matter, that they should [thereafter] have any choice about their affair. And whoever disobeys Allah and His Messenger has certainly strayed into clear error (Quran 33 verse 36). But no, by your Lord, they will not [truly] believe until they make you, [O Muhammad], judge concerning that over which they dispute among themselves and then find within themselves no discomfort from what you have judged and submit in [full, willing] submission (Quran 4 verse 65). And whoever obeys Allah and His Messenger has certainly attained a great attainment. (Quran 33 verse 71).

The rationale for Allah’s injunction and insistence on ruling with His laws is so that justice is always established in any social system or organization as Allah



clearly spell out in Chapter 57 verse 25 of the Quran; “We have already sent Our messengers with clear evidences and sent down with them the Scripture and the balance that the people may maintain [their affairs] in justice.” Therefore, it is incumbent on any nation who wants to establish justice in all its affairs to rule with what the Creator has revealed. Allah likens those who do not judge by his Laws to unbelievers, wrongdoers and transgressors. Allah says; ...And whoever does not judge by what Allah has revealed – then it is those who are the disbelievers (Quran 5 verse 44). And whoever does not judge by what Allah has revealed – then it is those who are the wrongdoers (Quran 5 verse 45). And whoever does not judge by what Allah has revealed – then it is those who are the defiantly disobedient. (Quran 5 verse 47). Cross referencing verse 2 and verse 55 of chapter 2 and 24 respectively with the just mentioned verses of the Quran reveals that not judging by what Allah has ordained is akin to wrong doing and rebellion, disobedience which is in fact disbelieve in Allah. Disbelieve here would mean a tacit and implicit denial of Allah’s divinity by rejecting his command, wrongdoing would denote making people follow other than the clear path of Allah thereby accentuating corruption, while rebellion would connote a deviation from the prescribed divine injunctions.

Therefore, it is imperative to rule by the laws of Allah as it is the effective and complete code that governs all aspects of any social system; relationships, business dealings, dispute resolutions, punishment and reproaches, compensations and so on. It is after this law has been institutionalized that Islamic finance can flourish otherwise an attempt to practice Islamic finance will mean putting square pegs in round holes or better still wanting to build a house without a land let alone a foundation. It is however worthy of mention that ruling by Allah’s injunction does not necessarily imply compulsion in religion, or islamizing all persons of “different” faiths but rather it entails tolerance to all other beliefs without compromising the laws of Allah.

Of particular concern to the author is the realizability of this prerequisite in today’s world. Establishing an Islamic law on a macro scale might be unattainable, nevertheless, this is possible on a micro level (Iqbal, Mirakhor & Krichene, 2012). Settling for micro institutionalization presents a stumbling block which borders on whether Islamic financing is a global phenomenon or not? Hence, we might have to settle for the implementation of the second prerequisite; Islamic man which seems realizable but quite a herculean task.



The Islamic Man Described

The word Islam in his verbal noun form occurs 8 times in the Quran and is derived from the Arabic trilateral root word Sin Lam Min which occurs 140 times in the Quran. It simply means peace acquired by total submission to Allah. It follows that the Islamic man is one who acquires peace through total submission to Allah. This prerequisite (the Islamic man) is pertinent as all applications as well as implementations rests with him. The following exposition presents the Islamic man in relation to his Lord, himself, and the society.

The Islamic Man and his Lord

The Islamic man is a true servant of Allah. He knows that he is in this world solely to worship Allah as his Creator has informed him in Chapter 51 verse 56 of the Quran that “And I did not create the jinn and mankind except to worship Me”. He is therefore aware that all his deeds both religious and mundane constitute worship and does them wholly for His sake. He knows that this earthly life and its adornment are a test of his/her deeds or actions which has an apparent connection to the next life i.e. hereafter; Quran 67 verse 2 and Quran 18 verse 7 says; “..[He] who created death and life to test you [as to] which of you is best in deed - and He is the Exalted in Might the Forgiving”. “ Verily! We have made that which is on earth as an adornment for it, in order that We may test them (mankind) as to which of them are best in deeds. [i.e. those who do good deeds in the most perfect manner, that means to do them (deeds) totally for Allah's sake and in accordance to the legal ways of the Prophet SAW].” and as such every deed both mundane and religious not performed for the sake of Allah is a wasted deed as the Hadith of Umar ibn Khattab confirms; “I heard Allah's Messenger (saws) saying; "The reward of deeds depends upon the intentions and every person will get the reward according to what he has intended. So, whoever emigrated for worldly benefits or for a woman to marry, his emigration was for what he emigrated for." (Sahih Bukhari Book 1 Volume 1). This message is also repeated in Sunan an-Nasa'i 3140: Book 25, Hadith 56 where the Prophet is reported to have said; “Allah does not accept any deed, except that which is purely for Him, and seeking His Face.”

The Islamic man loves Allah more than any other phenomenon or entity that exists in the heavens and the earth both animate and inanimate. He is conscious of the message contained in verse 24 chapter 9 of the Quran where Allah says;



“Say: If your fathers, your sons, your brothers, your wives, your kindred, the wealth that you have gained, the commerce in which you fear a decline (the trade you fear may have no profit), and the dwellings in which you delight (the homely life) ... are dearer to you than Allah and His Messenger, and striving hard and fighting in His Cause, then wait until Allah brings about His Decision (torment). And Allah guides not the people who are Al-Fasiqun (the rebellious, disobedient to Allah).” and knows that if he loves anything equally or more than Allah including obedience and allegiance to other than Him, it is tantamount to worshipping other than Him (i. e. Shirk) taking note of verses 106 and 165, chapter 12 and 2 respectively of the Quran where Allah says; “And most of them believe not in Allah except while they associate others with Him”. “And [yet], among the people are those who take other than Allah as equals [to Him]. They love them as they [should] love Allah. But those who believe are stronger in love for Allah”.

The truly Islamic man is full of “eeman” translated narrowly as belief/faith in the English language. He acquires and develops eeman because he knows he cannot fulfil his obligation to Allah without it holding on to the saying of the Prophet that no one can enter paradise until he possesses faith.... (Sahih Muslim Book 1 Hadith 102). Eeman has been defined by the early scholars of Islam as the product of three variables; utterances of the tongue, conviction in the heart and action of the limbs (Quran 48 verse 4, Quran 9 verse 124, Quran 3 verse 173, Sahih Muslim Book 1, hadith number 84 and 60). His eeman increases or decreases depending on his knowledge, remembrance of his Creator and other fruitful activities. He is aware that if any one of the three components becomes zero his eeman automatically becomes zero meaning he would not enter paradise as all deeds or action both religious and mundane are done in futility and ultimately baseless (Askari, Iqbal, & Mirakhor, 2010).

The Islamic man stays away from all religious innovations and abstains from unlawful activities in all ramifications as they are the sanctuary of the Creator .He therefore acts on the Hadith reported by An-Numan bin Bashir which states; "The lawful is clear and the unlawful is clear, and between that are matters that are doubtful (not clear); many of the people do not know whether it is lawful or unlawful. So, whoever leaves it to protect his religion and his honour, then he will be safe, and whoever falls into something from them, then he soon will have fallen into the unlawful. Just like if someone grazes (his animals) around a sanctuary, he would soon wind up in it. Indeed, for every king is a sanctuary (pasture), and indeed Allah's sanctuary is what He made



unlawful." (Jami at-Tirmidhi Book of Business (14) Hadith number 1) and he is also quick to sincerely repent and ask for forgiveness from his Lord when he falters as he is aware, he forgives all sins except the sin of ascribing partners to Allah (Quran 4 verse 17-18, 48, 116, Quran 39:53).

The Islamic man establishes and maintains a close contact with Allah by observing the five compulsory five daily prayers and the supererogatory prayers and never delays them (Quran 2 verse 238, Quran 19 verse 59, Quran 23 verse 1-2 etc.). He is aware that the call to the prayers is indeed a call from/to Allah and responds swiftly by leaving whatever "obligation" he is doing and proceeds to the prayer centre to pray in congregation (stipulated for the male) as the following hadith reveal and compels;

It was narrated that 'Abdullah said:" Whoever would like to meet Allah tomorrow as a Muslim, let him regularly attend these five (daily) prayers whenever the call for them is given (that in the mosques), for Allah prescribed for His Prophet the ways of guidance, and they (the prayers) are part of those ways of guidance. I do not think that there is anyone among you who does not have a place where he prays in his house. But if you were to pray in your houses and forsake the Masjids, you would be forsaking the Sunnah of your Prophet, and if you were to forsake the Sunnah of your Prophet you would go astray. There is no Muslim slave who performs Wudu and does it well, then walks to the prayer, but Allah will record one Hasanah (good deed) for each step he takes, or raise' him one level by it or erase one sin from him. I remember how we used to take short steps, and I remember (a time) when no one stayed behind from the prayer except a hypocrite whose hypocrisy was well known. And I have seen a man coming Supported by two others until he would be made to stand in the row." (Sunan an-Nasa'i 849: Book 10, Hadith 73). Also narrated from Ibn 'Abbas that: "The Prophet said: "Whoever hears the call and does not come, his prayer is not valid, except for those who have an excuse" (Sunan Ibn Majah 793: Book 4, Hadith 59). The narrator was asked what counts as excuse and he said fear or sickness.

The Islamic man does all the above confident of the promises contained in the Hadith of Abu Huraira where Allah's Messenger (saws) said, "Allah said, 'I will declare war against him who shows hostility to a pious worshipper of Mine. And the most beloved things with which My slave comes nearer to Me, is what I have enjoined upon him; and My slave keeps on coming closer to Me through performing Nawafil (praying or doing extra deeds besides what is obligatory)



till I love him, so I become his sense of hearing with which he hears, and his sense of sight with which he sees, and his hand with which he grips, and his leg with which he walks; and if he asks Me, I will give him, and if he asks My protection (Refuge), I will protect him; (i.e. give him My Refuge) and I do not hesitate to do anything as I hesitate to take the soul of the believer, for he hates death, and I hate to disappoint him." (Sahih al-Bukhari 6502: Book 81, Hadith 91).

The Islamic man and himself

The Islamic man takes care of his body and soul. As far as his body is concerned, he maintains good health by not committing excesses in eating and drinking. He takes seriously his creator's injunction in Chapter 7 verse 31 as well as in Chapter 5 verse 87 where Allah says; "O children of Adam, take your adornment at every masjid, and eat and drink, but be not excessive. Indeed, He likes not those who commit excess." He is also equally aware of the Hadith of the prophet reported in Vol. 1, Book 29, Hadith 3349/Book 29, Hadith 3474 of Sunan Ibn Majah where Miqdam bin Madikarib said: "I heard the Messenger of Allah (saws) say: 'A human being fills no worse vessel than his stomach. It is sufficient for a human being to eat a few mouthfuls to keep his spine straight. But if he must (fill it), then one third of food, one third for drink and one third for air.'" He does this because he knows a strong believer is better and more beloved to Allah than a weak believer even though both are good (Sunan ibn Majah Vol. 1, Book 1, Hadith 79/Book 1, Hadith 83). He knows he needs strength and good health to worship Allah; the purpose of his existence. The Islamic man keeps all parts of his body clean and tries to look good at all times as instructed by the Messenger of Allah that "It is Allah's right on every Muslim that he should take a bath (at least) once in seven days." (Sahih Bukhari 898: Book 11, Hadith 22).

Upon realization that he cannot fully achieve his purpose of existence on earth without acquiring adequate knowledge, the Islamic man seeks beneficial and useful knowledge. He is aware that "There is no one who goes out of his house in order to seek knowledge, but the angels lower their wings in approval of his action. (Sunan Ibn Majah: Vol. 1, Book 1, Hadith 226/Book 1, Hadith 231). He therefore "Ask(s) Allah for beneficial knowledge and seek refuge with Allah from knowledge that is of no benefit (Sunan Ibn Majah 3843: Book 34, Hadith 17). He is not oblivious of the fact that it is only those who fear Allah among His slaves who have knowledge (Quran 35 verse 28) and knows that those who



know are quite distinct from those who do not know (Quran 39 verse 9) and he further knows that sincerity is the key to seeking knowledge, beneficial for achieving success in the hereafter and in this world.

The Islamic man is constantly in the remembrance of his lord because he knows that “Unquestionably, by the remembrance of Allah hearts are assured.” (Quran 13 verse 28). He knows that; Abu Huraira reported that the Prophet (saws) said, "Allah says: 'I am just as My slave thinks I am, (i.e. I am able to do for him what he thinks I can do for him) and I am with him if He remembers Me. If he remembers Me in himself, I too, remember him in Myself; and if he remembers Me in a group of people, I remember him in a group that is better than they; and if he comes one span nearer to Me, I go one cubit nearer to him; and if he comes one cubit nearer to Me, I go a distance of two outstretched arms nearer to him; and if he comes to Me walking, I go to him running “ (Sahih al-Bukhari 7405: Book 97, Hadith 34). Therefore, his soul is constantly at rest, connected to Allah, his actions are thus guided by his Creator and his activities in this world is fruitful and with a reasonable level of perfection.

The apt Islamic man has no personal opinion except that which coincides with what Allah and his messenger has decreed because he is aware of Allah’s statements in the Quran which says “It is not for a believing man or a believing woman, when Allah and His Messenger have decided a matter, that they should [thereafter] have any choice about their affair. And whoever disobeys Allah and His Messenger has certainly strayed into clear error” (Quran 33 verse 35), hence his decisions rule on any matter is; what is good is what the Creator okays and what is bad is what the Creator detests. In short nothing matters to the Islamic man other than Allah, indeed the Islamic man is Allah centred.

The Islamic Man and the Society

While the true Muslim gets along effectively with all members of the society and never discriminates because he knows that origin of man as the Quran reveals; “O mankind, indeed We have created you from male and female and made you peoples and tribes that you may know one another. Indeed, the most noble of you in the sight of Allah is the most righteous of you. Indeed, Allah is Knowing and Acquainted (Quran 49 verse 13), he however keeps close contact with the righteous as his creator has equally instructed in chapter 18 verse 28; “And keep yourself patient [by being] with those who call upon their Lord in the morning and the evening, seeking His countenance. And let not your eyes



pass beyond them, desiring adornments of the worldly life, and do not obey one whose heart We have made heedless of Our remembrance and who follows his desire and whose affair is ever [in] neglect” and he never leaves a gathering whether religious or mundane without remembering Allah because he takes note of the Hadith of the Prophet reported by Abu Hurairah :” The Prophet (saws) said, "Whenever a group of people sit in a gathering in which they do not remember Allah the Exalted, nor supplicate to elevate the rank of their Prophet, such a gathering will be a cause of grief to them. If Allah wills, He will punish them, and if He wills, He will forgive them." (Jami at-Tirmidhi. Book 5, Hadith 836).

The Islamic man fosters love among the inhabitants of the society by extending greetings to every individual he comes across as instituted by the Prophet where He observed and said; “You shall not enter Paradise so long as you do not affirm belief (in all those things which are the articles of faith) and you will not believe as long as you do not love one another. Should I not direct you to a thing which, if you do, will foster love amongst you: (i. e.) give currency to (the practice of paying salutation to one another by saying) as-salamu alaikum. (Sahih Muslim Book 1, Hadith 101). He loves every member of the society for the sake of Allah because he knows that Anas reported that the Prophet, may Allah bless him and grant him peace, said, "When two men have love for one another, the better of them is the one who has the strongest love for his companion." (Al-Adab Al-Mufrad Book 30, Hadith 7) and does not forsake them. Even when there are disputes he is just and quick to reconcile with people whether they are of the same faith or not (Quran 60 verse 8) as he is not allowed to hold grudges as the prophet has commanded; "Beware of suspicion, for suspicion is the worst of false tales; and do not look for the others' faults and do not spy, and do not be jealous of one another, and do not desert (cut your relation with) one another, and do not hate one another; and O Allah's worshipers! Be brothers (as Allah has ordered you!)" (Sahih al-Bukhari Book 78, Hadith 94).

The Islamic man collaborates with the society in good and not in sin and aggression (Quran 5 verse 2). He helps the people if they are wronged by defending them or if they are the wrongdoers by stopping them. (Sahih Muslim 2584a: Book 45, Hadith 80). He is indeed one of the people described in the Quran in Chapter 3 verse 110 as; “You are the best nation produced [as an example] for mankind. You enjoin what is right and forbid what is wrong and believe in Allah...”He is compassionate and merciful towards other members of the society because of the message contained in Chapter 4 verse 36 of the



Quran; “Worship Allah and associate nothing with Him, and to parents do good, and to relatives, orphans, the needy, the near neighbour, the neighbour farther away, the companion at your side, the traveller, and those whom your right hands possess. Indeed, Allah does not like those who are self-deluding and boastful”. He is aware that no one will have faith till he wishes for his (Muslim) brother what he likes for himself." (Sahih al-Bukhari 13 In-book reference : Book 2, Hadith 6) and as such does not do any of the following as mandated by the Prophet; “Don't nurse malice against one another, don't nurse aversion against one another and don't be inquisitive about one another and don't outbid one another (with a view to raising the price) and be fellow-brothers and servants of Allah”. (Sahih Muslim Book 45, Hadith 37).

In fact the Islamic man prefers other members of the society to himself , he spends on people in times of ease and hardship, restrains anger and pardons people for Allah likes the doers of good (Quran 3 verse 134).The Islamic man reminds himself of the above obligations and many more by frequently remembering the destroyer of pleasures; death (Vol. 1, Book 37, Hadith 4258/Book 37, Hadith 4399) which marks the end of his test(life) in this world for which the results will be shown to him in the hereafter by his Lord as Allah informs in Chapter 67 verse 1-2 of the Quran. Overall, the Islamic man should be able to “Say Indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds (Quran 6 verse 162).

The reality is that so long as the man is truly Islamic, his finance will be Islamic. Simply put, the Islamic man naturally practices Islamic finance . He is always ready to do away with widely perceived important aspects of modern finance which seem irreconcilable with his Creators dictates.

CONCLUDING REMARKS

By and large, the paper has employed a diachronic approach in deducing two perceived prerequisites for Islamic financing; The Islamic law and the Islamic Man both of which, while not mutually exclusive and not unconnected are mutually reinforcing, in fact their inexistence synergistically precludes the workability as well as practicability of a pristine clear Islamic finance. Deducible from the paper are some unique issues cum scenarios that cannot be shoved or brushed aside as far as Islamic financing is concerned. viz;

1. Scenario one: The impracticability of Islamic financing without an enabling Islamic Law



The first scenario foreshadows that Islamic finance cannot exist without an Islamic law and if it does it will be filled with unforgivable pitfalls which is not befitting of a complete system called Islam on which such financing is purportedly based (Rehman, 2007). In other words, the finance practiced in the absence of an Islamic law cannot be deemed to be Islamic finance. Allah clearly states in the Quran Chapter 5 verse 3 that; "... This day I have perfected for you your religion and completed My favour upon you and have approved for you Islam as religion." It follows that a form of finance based on a perfected system should be free of defects. Hence the common argument that Islamic finance is still in its infancy does and cannot hold water.

2. Scenario two: The non-implementability of Islamic financing without the Islamic man.

Scenario two connotes that a necessary but insufficient ingredient for Islamic financial practice is an Islamic man. This man is instrumental to the development of the financial system as everything rests on him. He in fact executes the legislated law of Allah, as such Islamic finance cannot exist without the Islamic man.

3. Scenario three: Islamic finance orchestrated without an Islamic law but with an Islamic man.

Scenario three sends a signal of the workability of Islamic finance by meeting one prerequisite. It is however contentious whether the Islamic man can operate effectively without an Islamic law which charts the course for a practicable Islamic finance. Perhaps a route would be to develop an Islamic man which would uphold an Islamic law, this might nevertheless mean an "unislamic" finance before the Islamic man evolves. This could be pursued in view of the highlighted shortcomings by developing curriculum which inculcate pedagogical modules in eeman/aqeedah (belief) and other related basic Islamic sciences within Islamic finance institutions such as universities, research centres, Islamic banks, central banks, Islamic insurance companies and so on. These modules are to be tested via oral and written exams. The examiners also must have passed these modules via the same process. In addition, there should be operational shut down in these institutions at specific times such as prayer times and Islamic dress codes should be prescribed and enforced.



4. Scenario four: A “globalized” Islamic finance that can at best fit into a practicable legal micro framework in today’s world.

The fourth scenario simply construes setting up or establishing Islamic law on a micro scale e.g. city, municipal unit, family, communal level etc. and thereby implementing Islamic finance within that social organization but the Islamic finance we have today is global considering the growth, demand and the number of legitimacies seeking Muslims seeking Islamic financing. This is incongruent and preposterous.

5. Scenario five: A non-global Islamic finance within a practicable legal micro framework

Scenario five sends a message that Islamic finance is at best a micro phenomenon within a micro organization such as family, society, city and other forms of micro social organizations. It entails individuals or people within such social organizations governing themselves with Allah’s laws, doing financing among themselves as far as the divine Law allows. This scenario seems most realizable as it incorporates the Islamic law and the Islamic man.

This write up should be seen as a sincere advice in view of the Prophetic statement narrated from Abu Hurairah where the Messenger of Allah is reported to have said: "Religion is sincerity/sincere advice, religion is sincerity (Al-Nasihah), religion is sincerity." they said; 'to whom, O Messenger of Allah?' He said: "to Allah, to His Book, to His Messenger, to the imams of the Muslims and to their common folk" (Sunan an-Nasa'i 4199: Book 39, Hadith 51). It therefore represents a reminder and I hope it benefits the believers; as Allah says; And remind, for indeed, the reminder benefits the believers (Quran 51 verse 55).

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ZAKAT AS LOCALLY-GENERATED REVENUE: ITS ACCOUNTING TREATMENT AT BAITUL MAL ACEH

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ABSTRACT – In Aceh, Indonesia, zakat is included as a locally-generated revenue (Pendapatan Asli Daerah – PAD) and it is managed by a government body called Baitul Mal. As a government institution, Baitul Mal is obligated to present financial statements according to Government Accounting Standards (Standar Akuntansi Pemerintah - SAP). This article reports the findings of the accounting treatment for zakat financial statements in Baitul Mal Aceh. Baitul Mal Aceh as the government zakat institution is annually required to disclose two different financial statements, both financial statements based on Government Accounting Standards (SAP) and based on a statement of financial accounting standards 109 (PSAK 109). Therefore, the purpose of this study is to investigate the compliance of Baitul Mal Aceh with SAP dan PSAK 109 in zakat financial reporting. This research is a descriptive study from the data obtained through field study. The results showed that Baitul Mal Aceh has implemented both SAP and PSAK 109 in presenting the financial statements regardless of some items that might not be in accordance with the standards. In financial statements based on SAP, a variance was found in the presentation of information related to the procurement of assets and the details of the depreciation. As for the financial statements based on PSAK 109, it has been presented from 2012 to 2017. From the available data, there are some differences in the disclosure compared to PSAK 109. Amil funds and non-halal funds were not disclosed in the balance sheet as well as there was no statement of changes in assets under management. Moreover, these financial statements were not presented in the last two years due to limited supporting facilities/devices and human resources.

Keywords: Accounting for Zakat, Locally-Generated Revenue, Baitul Mal Aceh; PAD, PSAK 109

ABSTRAK – Zakat sebagai Pendapatan Asli Daerah: Perlakuan Akuntansinya pada Baitul Mal Aceh. Di Aceh, Indonesia, zakat dimasukkan sebagai salah satu Pendapatan Asli Daerah (PAD) yang dikelola oleh sebuah institusi pemerintah yang disebut Baitul Mal. Sebagai badan pemerintah, Baitul Mal diwajibkan untuk membuat laporan keuangannya sesuai dengan Standar Akuntansi Pemerintah (SAP). Artikel ini menyajikan temuan dari perlakuan akuntansi pada laporan keuangan zakat di Baitul Mal Aceh. Baitul Mal Aceh sebagai lembaga amil zakat pemerintah diwajibkan menyajikan dua laporan keuangan yang berbeda setiap tahunnya, yaitu laporan keuangan menurut Standar Akuntansi Pemerintahan (SAP) dan menurut Pernyataan Standar Akuntansi Keuangan Nomor 109 (PSAK 109). Untuk itu, tujuan dari penelitian ini adalah untuk menginvestigasi kepatuhan Baitul Mal Aceh dengan SAP dan PSAK 109 dalam penyajian laporan keuangan zakat. Penelitian ini adalah studi deskriptif berdasarkan data yang diperoleh dari studi lapangan. Hasil penelitian menunjukkan bahwa Baitul Mal Aceh telah menerapkan sistem pelaporan sesuai dengan kedua standar yang dimaksud meskipun masih terdapat beberapa item yang tidak sesuai. Pada pelaporan keuangan menurut SAP, masih ditemukan ketidaksesuaian dalam penyajian informasi terkait pengadaan aset dan rincian penyusutannya. Adapun untuk laporan keuangan dengan PSAK 109, Baitul Mal Aceh sudah pernah menyajikannya dari tahun 2012-2017. Dari data yang tersedia, terdapat beberapa ketidaksesuaian penyajian laporan keuangan dengan PSAK 109. Dana amil dan dana non-halal tidak disajikan dalam laporan posisi keuangan serta tidak ada laporan perubahan aset kelolaan. Bahkan dalam dua tahun terakhir, tidak ada penyajian laporan keuangan ini dikarenakan keterbatasan sarana/perangkat pendukung dan sumber daya manusia yang tersedia.

Kata Kunci: Akuntansi Zakat, Pendapatan Asli Daerah, Baitul Mal Aceh

INTRODUCTION

The implementation of Sharia Law in Aceh has affected the management of Zakat that is used as a financial component in the Aceh regional budget (*Anggaran Pendapatan dan Belanja Aceh - APBA*) and is recognized as a locally generated income (*Pendapatan Asli Daerah - PAD*). The Act No.11/2006 on Aceh Government (*Undang-undang Pemerintahan Aceh – UUPA*) in Article 180 Paragraph (1) Letter d states that Zakat is one of the regional income sources for Aceh District/City. In addition, Article 191 Paragraph (1) mentions that zakat, waqf, and religious funds are managed by Baitul Mal Aceh and Baitul Mal District/City.

Baitul Mal, according to Aceh's provincial bylaws (*Qanun Aceh*) No. 10/2018, is a non-structural regional institution that executes its duties independently according to sharia law and is given the authority to manage and develop zakat, waqf, religious funds for the benefits of the people at the level of Province, District/City and Sub-District. However, the UUPA on Article 180 Paragraph 1 that is explained in Qanun Aceh No. 10/2018 Article 90 requires Baitul Mal to account/report the managed zakat fund to the Governor by first including it into PAD. Afterward, the fund can be distributed in accordance with the programs planned by Baitul Mal. The consequences of Zakat as PAD not only it must be deposited in the regional treasury, but the distribution of zakat must also follow the rules of regional financial management that are the Law No. 17/2003 on State Finances, the Home Affairs Ministry Regulation (*Peraturan Menteri Dalam Negeri - Permendagri*) No. 13/2006 on Guidelines for Regional Financial Management, and several other regulations relating to PAD (Musa, 2015).

This issue is certainly different from other regions in Indonesia. Theoretically, the implementation of every new policy adopted by the government will surely have both positive and negative effects. This also happens to a policy regarding the recognition of Zakat as one of the PADs. When zakat becomes PAD, the logical consequence is that it can be used to finance regional expenditure like other PADs. This is different from the Sharia provisions that have regulated the management of zakat conducted by Amil, in this case, is Baitul Mal Aceh, and specifically intended for each *Asnaf* according to the provisions in Islamic law.

Therefore, the presence of Baitul Mal Aceh has greatly and differently improved the traditional zakat management systems towards new systems that



are more modern and professional. However, Ibrahim (2016:155) stated that these efforts face many challenges and obstacles, including the lack of trust by the public as well as its management that must be gradually and continuously improved.

In order to create a reliable zakat governance system, transparency, and accountability in the management of zakat is a major concern for Baitul Mal Aceh. As a government institution, Baitul Mal Aceh is obligated to present financial statements according to Government Accounting Standards (SAP) to facilitate transparency and accountability in government financial management because zakat has become part of PADs. Additionally, Baitul Mal Aceh as one of the zakat management organization is also required to disclose financial statements in accordance with financial accounting standards 109 (PSAK 109) in order to meet the professional standard as well as to create accountability, understandability, relevancy, reliability, and comparability (Tim Penyusun PA-OPZ, 2005).

This study aims to investigate the compliance of Baitul Mal Aceh with SAP and PSAK 109 in disclosed zakat financial statements. The explanation about both standards will be discussed as a basis to analyze whether the financial statements reported fulfilling the standards.

LITERATURE REVIEW

The study of accounting for zakat and analysis of the implementation of accounting standards on zakat financial reporting has been conducted and measured by numerous researchers. Most of the literature examining the implementation of accounting standards were focused on PSAK 109 while there are no studies on the implementation of SAP as most of zakat institutions are non-government institution. Therefore, the literatures about the implementation of SAP on government institution in general were used as reference, such as conducted by Lee et al (2005), Marsella & Aswar (2019), and Dewi et al (2019). The studies were conducted by investigating financial disclosure, information quality and financial accounting in local government.

Meanwhile, previous studies about the implementation of PSAK 109 was also conducted by Kristin and Umah (2011), Megawati and Trisnawati (2014), Rahman (2015), Shahnas (2015), Amelia and Qibtiyah (2015), Ritonga (2017), and Alkahfi et al (2020). Kristin and Umah (2011) investigated the implementation of accounting for zakat in LAZ Dompok Peduli Umat Darut



Tauhid Semarang. The study focused on accounting transactions recording models that record all revenues and the utilization of funds received.

Megawati and Trisawati (2014) investigated the application of PSAK 109 in BAZ Pekanbaru. The results showed that the BAZ Pekanbaru has applied PSAK 109 on its financial reports. Furthermore, the embodiment of transparency and accountability has a positive impact on the increase of zakat collection and public trust.

Shahnas (2015) studied the implementation of PSAK 109 in BAZNAS North Sulawesi and found that the financial statements reported were not in accordance with PSAK 109. The report presented was the only Statement of Cash Flows. The study suggested that BAZNAS North Sulawesi prepare financial statements according to accounting standards. Additionally, Amelia and Qibtiyah (2015) also analyzed whether the accounting treatment of zakat in BAMUIS BNI is based on PSAK 45 and PSAK 109.

Ritonga (2017) discussed PSAK 109 as one of the tools used by Zakat Management Organization (OPZ) to create good zakat governance system. Last but not least, Alkahfi et al (2020) examined the effects of accounting for zakat on public accountability. The study was conducted on 18 of BAZNAS and LAZ in South Sumatera. The results showed accounting for zakat influences the accountability of BAZNAS and LAZ in South Sumatra Province by 73.9%.

Although the former researches have provided proof about the analysis of accounting for zakat and improved our understanding of such issues, they retain several limitations. The studies did not cover the accounting treatment of zakat as PAD specifically as well as the implementation of both SAP and PSAK 109 in Baitul Mal Aceh. Therefore, this research intends to broaden and complement literature of accounting for zakat, especially for zakat as PAD.

RESEARCH METHOD

This study is both field and library research that is descriptive analysis. The research was conducted in the Baitul Mal Aceh office, Komplek Keistimewaan Aceh Banda Aceh, from February to June 2020. The data was collected from in-depth interviews as the primary data. Primary data is the data collected by a researcher specifically for the study and directly from first-hand sources (Silalahi, 2006:266). Interviews were conducted for about three months started from January until March 2019. It began with the Head of the Treasury Division



in Aceh Financial Agency (DKA) who understand the accounting treatment of zakat as PAD and with the Treasurer in the Financial Department of Sekretariat Baitul Mal Aceh regarded the process of SAP implementation in the preparation of financial statements. The information about the implementation of PSAK 109 in preparing financial statements was gathered from the officer of Sub Division of Accounting and Reporting Badan Baitul Mal Aceh.

Futhermore, the secondary data was also used in this study sourced from literatures studies, such as books, articles, internet, and other sources. According to Blaxter et al. (2001:229), secondary data is public information that has been collected by other people or for other research and it can act as a strong foundation for any research project. Annual financial reports of Baitul Mal Aceh and other related documents were collected to analyze the implementation of SAP and PSAK 109 on the presentation of financial statements.

Data analysis is then processed for obtaining, managing, and analyzing data systematically to improve the understanding of the issue in this study. The results of data analysis are then presented in a communicative narrative text so that it can be easily understood and the conclusion can also be drawn.

RESULTS AND DISCUSSIONS

This section starts with the explanation about SAP and PSAK 109 as standards used in financial reporting in Baitul Mal Aceh. Afterwards, the accounting treatments for zakat based on both standards is also discussed. At the end, the compliance of Baitul Mal Aceh with SAP and PSAK 109 is evaluated based on financial statements disclosed.

Standards of Financial Statements in Baitul Mal Aceh

Zakat as PAD marks Baitul Mal Aceh as a regional institution whose operational activities are supported by regional budgets (APBD/APBA). Meanwhile, Qanun Aceh No. 10/2007 that was later substituted by Qanun Aceh No. 10/2018 on Baitul Mal in Article 90 also requires Baitul Mal to present the accountability reports to the government including both financial statements and activity reports. The reports will be audited by a public accountant at the request of the Sharia Supervisory Board (DPS).



Therefore, Baitul Mal Aceh is obligatory to present two different financial statements as a form of accountability in the completion of annual performance. Both of the reports that must be presented are financial statements based on SAP and financial statements based on PSAK 109. The reports aim to provide information for the interested party as a form of accountability for the zakat/infaq management mandated to Baitul Mal Aceh.

Financial Statements Based on SAP

Baitul Mal Aceh as one of the government institutions is obligated to present a complete set of financial statements including budget execution reports and financial reports. Both of the reports are prepared to provide appropriate information regarding the financial position and all transactions performed during a certain period as a form of accountability to the public in order to create transparency of the institution.

According to Government Regulation (PP) No. 71/2010 on Government Accounting Standards and PP No. 12/2019 on Regional Financial Management, the components of financial statements that must be prepared by Baitul Mal Aceh as part of regional working units (SKPD), which is now called regional apparatus organization (OPD), at least include:

a. Statement of Budget Realization (LRA)

LRA provides information related to OPDs' budget on revenue and expenditure and its realization. This report used to analyze the difference between the budget and its realization as well as the expenditure-to-revenue ratio. LRA also offers the data implying the efficiency and maturity of planning activities conducted by Baitul Mal Aceh.

b. Balance Sheet

The balance sheet presents the financial position at a certain date or the end of the fiscal year. Based on SAP, the relationship between assets and accounts in liabilities is parallel. The value of asset components has a direct connection to liabilities. Therefore, the numbers in the balance sheet provide information about the wealth of Baitul Mal Aceh and its sources.

c. Operational Report (LO)

LO shows data related to economic resources and their use in all operational activities of OPD during one reporting period. This report includes sources of revenues, expenditures, and operational surplus/deficit of Baitul Mal Aceh and its disclosure is juxtaposed with the previous period.



d. Statement of Changes in Equity

The statement of changes in equity provides information about the increase or decrease of equity included beginning equity, surplus/deficit-LO, correction, and ending equity at a certain date. This should be noted that the value of ending equity in the statement of changes in equity must be equal to the total value of equity in the balance sheet.

e. Notes to Financial Statements (CaLK)

Information regarding various unreadable matters from the LRA and balance sheet as well as the further details of the elements included in the statement of changes in equity are explained in notes to financial statements. CaLK not only gives supplementary details about the accounts in financial statements but also enlightens the various policies, approaches, methods, and basics in determining the numbers presented in the financial statements. Additionally, it also informs all of the information related to factors, assumptions, and conditions affecting the numbers shown in the reports.

In the process of preparing financial statements based on SAP, the accounting basis that must be used by the government is accrual basis as regulated in PP No.71/2010 Article 4 Paragraph (1). Furthermore, technical measures in preparing financial statements are thoroughly explained in the Home Affairs Ministry Regulation (Permendagri) No. 64/2013 on the Implementation of Accrual-Based Governmental Accounting Standards on Regional Government. Permendagri No.64/2013 Article 1 Paragraph (10) states that an accrual basis is an accounting basis that measures the transaction at the time it occurs regardless of the cash is made or received. The financial statements based on SAP are expected to have at least four qualities of information, which are relevant, reliable, comparable, and understandable.

Financial Statements Based on PSAK 109

Baitul Mal Aceh as an institution whose main activities are collecting and distributing zakat/infaq funds is demanded to be able to increase public trust that will also impact on optimizing the potential of zakat/infaq. Therefore, the implementation of an adequate accounting system in managing zakat is expected to improve the effectiveness, efficiency, transparency, and accountability of Baitul Mal. In 2010, the Indonesian Institute of Accountant



(IAI) has issued a statement of financial accounting standards 109 (PSAK 109) on Accounting for Zakat and Infaq/Sedekah. The components of financial statements as the final result of accounting processes in accordance with PSAK 109 are as follows:

a. Balance Sheet

The balance sheet provides the information related to assets (included assets under management), liabilities, and funds balance as well the information about the relationship among these elements at a certain date. Kustiawan et al. (2012:22) mentioned that the information presented in the balance sheet used together with the disclosure of information in other financial statements can help to assess:

1. Ability of amil zakat to provide continuous services; and
2. Liquidity, financial flexibility, and ability to fulfill the obligations as well as external funding needs, if any.

b. Statement of Changes in Fund

The statement of changes in the fund is presented as a material to evaluate to performance of amil zakat institutions in detail including the efforts, capabilities, and sustainability in providing services as well as responsibilities and performance of amil. In other words, this report reflects the performance of Baitul Mal particularly related to its ability to attract funds in large amounts and types as well as to distribute the funds right on the target. Therefore, the main purpose of the statement on changes in the fund is to provide information on:

1. The effects of transactions and other events that change the amount or nature of the balance;
2. The relationship between transactions and other events; and
3. The use of resources in performing various programs and services.

c. Statement of Changes in Assets under Management

The statement of changes in assets under management illustrates the changes of funds balance on quantity and value of assets under management, which is included current assets and non-current assets for each type of funds in one period. According to Megawati and Trisnawati (2014:40-59), current assets under management are the assets that have been managed for no more than one year, i.e. revolving receivables funded from infaq. Meanwhile, non-current assets under management are the assets in the form of facility/infrastructure that is physically managed by amil



zakat for more than one year, i.e. school, hospital, land, etc. The report of changes in assets under management covers posts as follows:

1. Information, i.e. type of funds, current/non-current assets, and name of assets;
2. Beginning balance;
3. Increase;
4. Decrease;
5. Accumulated depreciation;
6. Accumulated allowance; and
7. Ending balance.

d. **Statement of Cash Flows**

The statement of cash flows explains the details of transactions, both cash inflows and outflows, to detect the net decrease/increase of cash and cash equivalents based on the activities of operating, investing, and financing for one accounting period. The report informs the ability of amil zakat in generating and managing cash and cash equivalents.

e. **Notes to Financial Statements**

The notes to financial statements describe the details of the numbers presented in financial reports in both qualitative and quantitative forms. The notes also cover the general information about Baitul Mal Aceh, accounting policies used in financial reporting, further explanation of each account requiring more details, and other information deemed necessary.

In the process of preparing financial statements based on PSAK 109, the revenues of zakat and infaq or alms are recognized at time cash and other assets are received. If the revenues of zakat and infaq or alms are received in cash, the receipts are recognized at the amount received. If the revenues of zakat and infaq or alms are received in the form of non-cash, the receipts are recognized at fair value (market price) of the non-cash assets. Additionally, the disclosure of zakat, infaq or alms, amil, and non-halal funds must be separately recorded in the balance sheet. The financial statements based on PSAK 109 are expected to create uniformity and comparability in the financial reporting presented by zakat institutions and to make them prepared to be audited by a public accountant.



Accounting Treatments for Zakat in Baitul Mal Aceh

Accounting Treatments for Zakat Based on SAP

The history of provisions on zakat as locally generated income (PAD) begins with the enactment of Law No. 18/2001 on Special Autonomy for Aceh and reaffirmed in Law No. 11/2006 on Aceh Government in Article 180 Paragraph (1) letter d. The regulations strengthen the role of the state in zakat management as part of the implementation of Sharia law, especially in Aceh.

The further provisions regarding this issue are mentioned in Qanun Aceh No. 10/2007 on Baitul Mal Aceh in Article 24 Paragraph (2) and Qanun Aceh No. 10/2018 on Baitul Mal Aceh in Article 109 states that all the receipt of zakat managed by Baitul Mal Aceh is a source of Aceh PAD that must be deposited to Aceh Regional Treasury. Additionally, Article 25 Paragraph (2) mentions that all the receipts of zakat managed by Baitul Mal at District/City level must be deposited to the District/City Treasury.

The regulation of zakat as PAD in Aceh is like a fiscal policy that has been applied by the Prophet Muhammad SAW. The fiscal policy refers to how a government adjusts the state budget to influence a nation's economy for the better (Ibrahim, 2011). The changes in tax policies and government spending are expected to overcome the economic problems encountered (Sukirno, 1995: 170). However, there are several problems after the enactment of these provisions while there is no the derivative of them that regulates the management of zakat as PAD specifically.

Musa (2016:9) identified that the emergence of problems in the management of zakat as PAD in Baitul Mal Aceh, among others is in the mechanism of zakat disbursement. Due to the recognition of zakat as PAD, the disbursement of zakat must follow regional financial rules where zakat is equal to other PADs. Consequently, it can only be distributed by Baitul Mal Aceh when Aceh regional budget (APBD/APBA) is approved. This condition is not under Qanun Aceh No. 10/2018 Article 120 and Pergub No. 6/2015 Article 10 stating that to maintain the continuity of zakat distribution to the beneficiary (mustahik), Baitul Mal Aceh is permitted to withdraw the zakat funds deposited in Aceh general cash even though the APBA is not approved yet. The maximum that can be withdrawn is as much as the remaining realization of zakat receipt from the previous fiscal year. The amount of zakat distributed does not have to be equal to the zakat received because it is bound to the platform specified in



APBA. Likewise, there is a controversy in the procurement of goods and services for the zakat productive program conducted by Baitul Mal Aceh as it must follow the mechanism of government procurement. As a result, Baitul Mal Aceh has experienced difficulty in realizing the program.

Theoretically, the standards for zakat management should be done as stated in Regional Government Regulation (Pergub) No. 6/2015 on the procedures for receipt and disbursement of zakat funds in Aceh general cash. The zakat collected by zakat management unit (UPZ) at public/private institutions, Baitul Mal Aceh, and Aceh general treasury will be deposited to the zakat receipt account of Aceh general cash. Pergub No. 6/2015 Article 4 states that Aceh Financial Agency through Treasury Division should prepare and present a monthly report about the receipt of zakat to Baitul Mal Aceh no later than the 10th of the following month. The monthly report is a consolidated report containing all of the zakat receipt in the account of Aceh general cash as well as zakat deposited by UPZ, Baitul Mal, public, and Aceh general treasury.

The roles of the Treasury Division at Aceh Financial Agency included verifying the deduction of zakat from every payment warrant (SPM), ensuring files for the payment of zakat are attached, checking that the number of zakat deducted as well as collecting/depositing it to zakat receipt account of Aceh general cash, and any other activities that be able to increase the receipt of zakat until the issue of the warrant for fund disbursement (SP2D). Furthermore, Article 9 mentions that in terms of the realization of zakat funds that is not completely distributed by Implementing Agency Baitul Mal Aceh, the remaining of zakat funds must be redeposited to the zakat receipt account of Aceh general cash before December 31 of the current year and it will be the beginning balance of zakat receipt in the following year.

In the process of financial reporting on activities performed by Baitul Mal as a government institution, several accounting policies are governing the recognition, measurement, assessment, disclosure and presentation of transactions based on SAP. The presentation of financial statements for general purpose is compiled on an accrual basis. The financial statements for general purpose are intended to meet the common needs of the users including legislative as stipulated in the regulations.

Meanwhile, the accountability of the amount of zakat distributed is performed by Baitul Mal Aceh according to the latest data that has been inventoried based



on the Decree of the Sharia Supervisory Board and is the responsibility of the Head Office of Baitul Mal Aceh. The Head of Baitul Mal Aceh is responsible to present a statement of cash flows at the end of the year to the Aceh Governor and Sharia Supervisory Board as an activity report.

Accounting Treatments for Zakat Based on PSAK 109

Theoretically, Baitul Mal Aceh is an independent government institution that aims to serve the public. It is a non-profit organization collecting and distributing funds of the people. The purpose of this institution is to provide benefits to the community-sourced from donation, funding, or other legal sources of revenue from the public that is the main income of Baitul Mal Aceh (Wahid et al., 2014).

Although Baitul Mal Aceh is a non-profit institution, its finances must be well managed. It should implement good practice to ensure that all of the revenue sources correspond to the continuity of operational objectives and provide solutions to any problems arise. The financial management activities of this organization consist of planning and budgeting, handling of transactions and accounting as well as managing finance. Planning and budgeting include the right personnel in the budgeting process, considering both internal and external factors budgeting development, using both past and present information to advance realistic goal projection as well as approving the budget's utilization in managing operational sustainability (Hud & Cash, 1998:29).

The handling of transactions and accounting is related to financial activities, which are a cheque must be written in order to pay the liabilities, the incoming cheque must be immediately deposited, the organization commitment must be written, the continuity of financial activities must be maintained, and the information must be presented by the executive of organization understandably. The activities also cover recruiting suitable and competent staff, recording of financial transactions timely and accurately, authorizing of payments properly, depositing receipts precisely, and preparing financial statements punctually and reliably.

The managing of finance encompasses the management of financial operations based on knowledge and financial information analysis on the planning and objectives of the organization. The financial management also includes anticipating of financial problems, maximizing financial sources, ensuring tax compliance, confirming agreement with funders, guaranteeing obedience with



financial accounting standards for nonprofits, and providing useful information for the program manager.

Baitul Mal Aceh as a nonprofit and social institution must have several qualifications and minimum standards as other nonprofits. Stewart (2017) stated seven characteristics that should be possessed by a nonprofit so that it can be categorized as financially healthy, which are:

1. Sufficient income to ensure program stability;
2. Appropriate liquidity to cash in times of shortfall;
3. Engaging in the income-based budget, rather than budget-based spending;
4. Consistent surpluses at the end of each year;
5. Accumulated sufficient funds to cover in years where a deficit does occur;
6. Established operational reserve funds; and
7. Maintaining financial stability.

Therefore, Baitul Mal Aceh is required to prepare financial statements properly and adequately as it has special tasks in managing the funds of the people. This organization especially manages the zakat funds and distributes it to those who deserve it, namely the group of *asnaf tsamaniyah*. Qardhawi (1999:123) explained that *asnaf tsamaniyah* is a group determined as recipients of zakat as mentioned in Al-Quran Surah Al-Taubah (9:60). They are the poor, the needy, zakat administrators (amil), new Muslims (mu'allaf), slaves/captives, the debt-ridden, in the cause of God (fisabilillah) and the wayfarer (ibn al-sabil)

The requirement to present two different financial statements creates a problem in financial reporting. The duality in financial statements occurs as Baitul Mal Aceh has become part of government institutions due to the recognition of zakat as PAD. On the other hand, Baitul Mal Aceh is also a nonprofit organization that is systematically required to be able to follow appropriate rules in preparing financial reports, which is PSAK 109.

Accounting for zakat explained in PSAK 109 aims to regulate the recognition, measurement, presentation as well as disclosure of zakat and infaq or alms transactions. The details of accounting treatment are as follows:

1. Beginning recognition
 - a. The receipt of zakat is recognized at the time cash or other assets received and is recorded as the increase of zakat funds.



- b. The receipt of infaq or alms is recognized at the time cash or other assets received and is documented as either specified or unspecified funds of infaq or alms under the objectives of infaq/sedekah benefactor.
- c. If zakat and infaq or alms are received in cash, the receipts are recognized at the amount received. If zakat and infaq or alms are received in the form of non-cash, the receipts are recognized at fair value (market price) of the non-cash assets.
- d. The zakat received is recognized as amil fund for amil rights and as zakat funds for non-amil share. If the donor (*muzakki*) determines the beneficiary (*mustahiq*) who must receive zakat through amil, the receipt of zakat is entirely recognized as zakat funds and no amil rights. If amil receives a fee (*ujrah*) from the service provided, it is recognized as the increase of amil funds.
- e. The receipt of infaq or alms is recognized as amil funds for amil rights and as infaq or alms funds for the share of infaq or alms recipients.

2. Measurement

The decrease values of zakat assets and non-current assets of infaq or alms are recognized as (1) deduction of zakat and infaq or alms funds (if not caused by amil); (2) loss and deduction of amil funds (if caused by amil's negligence).

3. Distribution

Zakat and infaq/sedekah distributed to mustahiq are recognized as deduction of zakat and infaq/sedekah funds in the amount of (1) number given (if in the form of cash); (2) recorded number (if in the form of non-cash).

4. Presentation

Amil presents zakat, infaq/sedekah, amil, and non-halal funds separately in the balance sheet.

5. Disclosure

- a. Amil must disclose matters related to zakat and infaq or alms transactions, including distribution policies, details of the distribution amount, and so forth.
- b. Amil discloses the existence of non-halal funds.
- c. Amil discloses the performance of amil on the receipt and distribution of zakat and infaq or alms funds.



Therefore, motivational steps are needed as the solution for the problems occurred in Baitul Mal Aceh. The government policies and authorized officials along with accountants must provide soluble measures by preparing more dynamic accounting standards that be able to accommodate the position of Baitul Mal Aceh as both nonprofit organization and government working unit. The standards are expected to facilitate Baitul Mal Aceh in performing the mandate of people.

Evaluation of Accounting for Zakat in Baitul Mal Aceh

Baitul Mal Aceh is required to present adequate financial statements properly as the reports are used by a variety of interested users. Baitul Mal Aceh is an institution that has special tasks in managing the funds of the people, included the receipts and distribution of the funds to the Muslims who deserve it. Therefore, Baitul Mal Aceh presented financial statements based on both Government Accounting Standards (SAP) and a statement of financial accounting standards 109 (PSAK 109) to increase the institution's transparency and accountability.

Evaluation of Accounting for Zakat Based on SAP

As a form of accountability for the authority performed, Baitul Mal Aceh prepares the complete financial statements annually based on SAP and applicable regulations of regional financial management. The reports are provided to the Governor as a form of liability for regional financial management.

The accounting basis used in financial statements reported by Baitul Mal Aceh is an accrual basis, which is an accounting basis that measures the transaction at the time it occurs regardless of the cash is made or received. This matter is under Permendagri No.64/2013 on the Implementation of Accrual-Based Governmental Accounting Standards on Regional Government as a follow up to PP No.71/2010.

Based on the interview with the Treasurer in the Financial Department of Sekretariat Baitul Mal Aceh, the preparation of financial statements based on SAP in Baitul Mal Aceh was operated by a computer. "We used an application called regional financial management information system (SIPKD) so that the process of making reports becomes easier" said the Treasurer. The responsible party preparing financial statements only needs to enter the transaction data to



the application, then the system will automatically display the relevant journals, post it to the ledger and the balance can be immediately disclosed in the trial balance. Moreover, operational report and statement of budget realization also can be immediately seen after the transactions are journalized. The statement of changes in equity and balance sheet are also automatically presented in SIPKD.

The use of SIPKD is generally considered to be very helpful in answering the human resources problems faced by almost all government institutions, including Baitul Mal Aceh. The lack of human resources remains a major obstacle in the implementation of SAP. This issue becomes a problem due to the incompatibility placement between the available human resources and required qualifications. Human resources who at least have an educational background in accounting and have an understanding of accrual-based accounting are expected to facilitate the process of preparing financial statements based on SAP.

Based on the observed financial statements data, the accounting processes done by Baitul Aceh have been precisely performed and under technical measures in preparing financial statements stated in Permendagri and the laws related to SAP. However, information about the procurement of assets as a basis to calculate the assets depreciation was not included in a complete set of financial statements presented. In addition, Accrual-based SAP Statement No. 07 states that the information related to depreciation must include either the useful life or the depreciation rates used. Unfortunately, this material was not found in a set of financial statements disclosed. This is because the details numbers of the data are available at General Affair Department and are in the process of synchronization with Aceh Financial Management Board (BPKA) as a regional asset's manager.

Evaluation of Accounting for Zakat Based on PSAK 109

Baitul Mal Aceh is one of Aceh special institutions whose formation is intended to collect and distribute the funds of zakat and infaq or alms. Therefore, it is required to present financial statements by referring to PSAK 109 as a tool for the public to gain information related to the management of zakat and infaq or alms as well as to monitor it (Kusumawati, 2018). The financial statements were prepared by Sub Division of Accounting and Reporting Baitul Mal Aceh



and it has been presented from 2012 to 2017. Unfortunately, the financial statements based on PSAK 109 were not presented in the last two years. The main problem faced in the preparation of financial statements based on PSAK 109 is related to the lack of human resources and supporting facilities/devices. A shortage of available human resources with the required qualifications prevents the presentation of financial statements regularly.

Based on the available financial statements, there are some differences in treatment between Baitul Mal Aceh and PSAK 109, which are:

a. Disclosure of Amil Funds

According to PSAK 109 Paragraph 12, the receipt of zakat is recognized as amil fund for amil rights and as zakat funds for non-amil share. The receipt of amil funds is recognized at the value allocated for amil share from zakat, infaq or alms and other revenues. If amil receives a fee (*ujrah*) from the service provided, it is recognized as the increase of amil funds. Amil funds are commonly used for general and administrative expenses, including program socialization costs, human resources development costs, and other important costs.

PSAK 109 also mentions that Amil funds are separately presented in the balance sheet at the time of financial statements presentation. However, there was no item for Amil funds in the balance sheet disclosed by Baitul Mal Aceh. This is because the value of amil funds usage from zakat received was zero as all of the operational costs in performing Baitul Mal Aceh activities are charged from regional budgets.

Additionally, amil funds, which must be distributed and recognized as the increase of amil funds according to PSAK 109, are included in the post of zakat funds and distributes to the beneficiary (*mustahik*). The intended mustahik are amil at Aceh General Treasury, amil served as zakat fundraiser at public or vertical institutions, and amil volunteers at work unit in Baitul Mal Aceh.

b. Disclosure of Non-halal Funds

The receipt of non-halal funds is all revenues from activities that are not under Sharia principles, including the receipts of current account service or interest sourced from a conventional bank (PSAK 109 Paragraph 32). Non-halal revenue are generally occurred in emergency situations or undesirable conditions by sharia entity because it is principally prohibited. This receipt is recognized as the non-halal fund, separated from zakat, infaq or alms, and amil funds. Non-halal assets are distributed according to sharia.



Up to this moment, Baitul Mal Aceh still has active accounts in the conventional banks as there are still the payers (*muzakki*) who deposit their zakat/infaq to these accounts. Additionally, Baitul Mal Aceh is also received operational funds from Religious Ministry, the bonus from activities, and other revenues that cannot be recognized as zakat or infaq. According to PSAK 109, the presentation of non-halal funds is must be separated in the balance sheet. However, Baitul Mal Aceh disclosed the receipt of non-halal funds sourced from current account service or interest in the post of other funds. The matter related to the usage of non-halal funds, there was no explanation on it. This is because Baitul Mal Aceh has never distributed the funds.

c. Disclosure of Statement in Changes in Assets under Management

On the page of accounting policy overview, it is important to mention that the basis of financial statements prepared by Baitul Mal Aceh refers to Indonesia Financial Accounting Standards, especially PSAK 109 on Accounting for Zakat and Infaq/Sedekah. PSAK 109 mentions that the complete components of financial statements prepared by amil consist of the balance sheet, statement of changes in funds, statement of changes in assets under management, statement of cash flows, and notes to financial statements.

However, from the data observed, Baitul Mal Aceh did not present the statement of changes in assets under management implying that the disclosure of financial statements was incomplete. Even though Baitul Mal Aceh has a funding program sourced from infaq funds for one year, it was not disclosed in the statement of changes in assets under management. The usage of infaq funds for this program should be reported as a current asset under management in the statement of changes in assets under management as explained in PSAK 109. Meanwhile, the information related to this program can be found in the annual report that is separately prepared by the unit managing the program called ZIS Productive Unit.

CONCLUSION

Baitul Mal Aceh as an independent government institution is required to present two types of financial statements, which are financial statements under Government Accounting Standards (SAP) and also refers to the statement of financial accounting standards 109 (PSAK 109) in order to create good zakat



governance. This study investigated the compliance of Baitul Mal Aceh with both standards in its zakat financial reporting.

The findings showed that Baitul Mal Aceh has implemented accrual-based SAP in presented annual financial statements according to the Government Regulation (PP) No.71/2010. In general, the accounting processes until the completion of financial statements conducted by Baitul Mal Aceh are under the practical guidelines on the implementation of SAP. However, a variance was found in the presentation of information related to the procurement of assets and the details of their depreciations.

In addition, Baitul Mal Aceh also disclosed financial statements based on PSAK 109. Due to limited human resources and supporting facilities/devices, the presentation of financial statements regularly is a major obstacle for Baitul Mal Aceh. From the available financial statements data, there are some differences in the disclosure compared to PSAK 109. First of all, there was no item for Amil funds in the balance sheet because the value was zero. Secondly, there was also no Non-halal funds post in the balance sheet as it was mentioned as other funds. In addition, the distribution of Non-halal funds was not explained in detail because the number was also zero. Finally, there was no statement of changes in assets under management whereas Baitul Mal Aceh has a funding program sourced from Infaq for 1 year. This program should be reported as current asset management in the report of changes in assets under management.

From this study, it is expected that Baitul Mal Aceh could prepare its financial statements under both SAP and PSAK 109 standards accordingly. In addition, Aceh government and authorized officials are expected to make a policy of accounting for zakat on Baitul Mal Aceh so that the presented financial statements should be able to connect both standards as a commitment to creating transparency and accountability of zakat management. Furthermore, Baitul Mal Aceh is anticipated to compile Standard Operational Procedures (SOP) for financial statements immediately and to design an accounting application system so that the recording of transactions until the reporting of completed financial statements become easier, transparent, and credible.

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REVIEWING THE FATWAS RELATED TO FINTECH APPLICATIONS IN ISLAMIC FINANCIAL INSTITUTIONS IN INDONESIA

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ABSTRACT – The tendency of the community towards halal products is currently increasing, not only related to objects/goods but also related to muamalah/interactions. The development of the latest fintech applications needs to be examined and detailed again, to be linked with related sharia law. In addition to examining legal status, an interesting thing to develop is how to formulate a fintech application that is following the Islamic economic perspective. Therefore, it is crucial to always review the National Sharia Board – Indonesian Council of Ulama (Dewan Syariah Nasional – Majelis Ulama Indonesia – DSN-MUI)'s fatwa related to fintech applications in Islamic financial institutions (LKS). The results of this study will be used as input for DSN-MUI to formulate policies and fatwas that is issued. This research is a qualitative type. The research subjects are; (1) Sharia Cards, (2) Sharia Charge Cards, (3) Transfers and Collections, (4) Payment Services, and (5) Sharia Electronic Money. There are differences in the bases for determining the contract of each of these products between Islamic countries. The results of this study indicate that: (1) the sharia card product is more appropriate to use the hawalah contract than the kafalah contract, and it is necessary to fix fines due to maturity, monthly fees that are not related to the amount of debt, and to write off merchant fees; (2) Sharia Charge Card products should use a hawalah contract rather than a kafalah contract and need to eliminate fines due to late payment; (3) the use of the wakalah contract on transfer and collection products is correct; (4) payment service products that use a wakalah and ijarah contract should be sufficient to use one of the two; and (5) electronic money can function as money, with transactions using the hawalah principle, as well as debit cards (wadi'ah principles). So, four improvements are proposed to the DSN-MUI fatwas related to the fintech application.

Keywords: DSN-MUI, Fintech, Muamalah, Fatwa, Islamic Financial Institutions

ABSTRAK – Tinjauan Terhadap Fatwa Terkait Penerapan Fintech pada Lembaga Keuangan Syariah di Indonesia. Kecenderungan masyarakat terhadap produk-produk halal saat ini semakin meningkat, tidak hanya terkait dengan benda/barang namun juga terkait muamalah/interaksi. Perkembangan aplikasi fintech terbaru perlu dicermati dan didetailkan lagi, untuk dikaitkan dengan hukum syariat terkait. Selain pencermatan status hukum, hal yang menarik untuk dikembangkan adalah bagaimana merumuskan aplikasi fintech yang sesuai dengan pandangan ekonomi Islam. Oleh karena itu sangat perlu untuk selalu meninjau fatwa DSN-MUI terkait aplikasi fintech pada lembaga keuangan syariah (LKS). Hasil kajian ini akan menjadi masukan bagi DSN-MUI untuk merumuskan kebijakan-kebijakan dan fatwa-fatwa yang dikeluarkannya. Penelitian ini berjenis kualitatif. Subjek penelitiannya adalah: (1) Syariah Card, (2) Syariah Charge Card, (3) Transfer dan Inkaso, (4) Jasa Pembayaran, dan (5) Uang Elektronik Syariah. Terdapat perbedaan dasar-dasar penentuan akad dari setiap produk tersebut di antara negeri-negeri Islam. Hasil penelitian ini menunjukkan bahwa: (1) produk syariah card lebih tepat menggunakan akad hawalah dibandingkan dengan akad kafalah, serta perlu membenahi denda akibat jatuh tempo, monthly fee yang tidak dikaitkan dengan jumlah utang, dan menghapus merchant fee; (2) produk Syariah Charge Card sebaiknya menggunakan akad hawalah dibandingkan dengan akad kafalah serta perlu menghilangkan denda akibat keterlambatan pelunasan; (3) penggunaan akad wakalah pada produk transfer dan inkaso sudah tepat; (4) produk jasa pembayaran yang menggunakan akad wakalah dan ijarah seharusnya cukup menggunakan salah satu dari keduanya; dan (5) uang elektronik dapat berfungsi sebagaimana uang, dengan transaksi menggunakan prinsip hawalah, sebagaimana kartu debit (prinsip wadi'ah). Jadi, diusulkan empat perbaikan atas fatwa-fatwa DSN-MUI terkait aplikasi fintech.

Kata Kunci: DSN-MUI, Fintech, Muamalah, Fatwa, Lembaga Keuangan Syariah

INTRODUCTION

Financial technology (Fintech) is a computer program and other technology used to support or enable banking and financial services. Various financial transactions that have emerged include transactions with machines via ATM/debit cards, credit cards, e-money, fund transfers, and various payment gateway/payment processor services. The reason for launching sharia-based fintech services is to accommodate service users who want sharia-based loan transactions. Sharia-based fintech services in addition to providing offers and schemes that are different from existing (conventional) services, also provide certain restrictions on the use of funds provided by investors or lenders (Alwi, 2018).

In Indonesia, the agency authorized to oversee fintech activities is the Financial Services Authority (Otoritas Jasa Keuangan - OJK). Concerning fintech applications, Bank Indonesia has issued a Consumer Protection Education Program related to the Fintech section. This is to achieve the principles of (1) fairness and reliability, (2) transparency, (3) protection of consumer data and information, also (4) effective handling and resolution of complaints (OJK, 2016).

The development of the latest fintech applications needs to be scrutinized and detailed again, to be linked with related sharia law. In addition to examining this legal status, an interesting thing to develop is how to formulate a fintech application that is in accordance with the Islamic economic perspective, because the application of fintech cannot be avoided nowadays. The development of this application is in line with the increasing awareness of the public in doing halal transaction according to sharia.

Fatwas are not the same as positive law which has binding power for all citizens, but fatwas can only have binding power after being transformed into statutory regulations. In Indonesia, all fatwas regarding the sharia economic and finance are issued by the National Sharia Board-Indonesian Council of Ulama (Dewan Syariah Nasional-Majelis Ulama Indonesia – DSN-MUI). Up to the date when this study was conducted, there were approximately 107 fatwas have been issued and they have contributed positively to the regulation of the sharia economic legal system in Indonesia (Fariana, 2017). The development of information technology (IT) that cannot be dammed should not be feared or avoided but instead used as an opportunity to provide various



conveniences for humans, including in the financial industry (Fariana & Safii, 2018).

The cases and phenomena of conventional fintech that occur in society make the community assume that there is no difference between Sharia Fintech and Conventional Fintech (Hiyanti, Nugroho, Sukmadilaga, & Fitrijanti, 2019). Thus, support from the people is really in need and this is considered as one of the ways to gain Allah's blessing. Islamic banks need times to fully adhere with Islamic principles, hence continuous support especially from Muslims is crucial for survival (Yunus, Kamaruddin, & Embong, 2017). On the other hand, there are variations related to the contracts used in Islamic countries, such as Malaysia, Sudan, and Pakistan (Darsono, Sakti, Astiyah, Darwis, & Suryanti, 2017).

The results of this study will be an input for the DSN-MUI to formulate policies and fatwas that it issues about (1) Fatwa No. 54/DSN-MUI/ X/2006, (2) Fatwa No. 42/DSN-MUI/V/2004, (3) Fatwa No. 10/DSN-MUI/IV/2000), (4) Fatwa No. 9/DSN-MUI/IV/2000, and (5) Fatwa No. 116/DSN-MUI/IX/ 2017. On the other hand, the public's demands for standardization of halal products will increase in the future, therefore it needs to be anticipated.

LITERATURE REVIEW

Previous Research

Ansori (2016) researched the digitalization of the Islamic economy and explained that the digitalization of the sharia economy has occurred, where almost all economic activities use information and communication technology or digitalization, either in packaging products or in marketing products. Suwarsi (2017) observed that efforts are needed to encourage an increase in market share which was still relatively small in number, such as synergies with other Islamic financial industries and the Capital Market, as well as with Fintech companies. Fintech promises to reach a wider range of customers. This condition is a potential increase in the number of new customers of Islamic banks so that the market share value will also increase. all trades labeled as sharia must apply the principles of Islamic law. DSN-MUI needs to do an in-depth study because there will always be developments in financial transactions (Karim Consulting Indonesia, 2017).



Study and Theory Framework

The majority of scholars allow hybrid contracts in Islamic banking. But some scholars underline the hybrid contract aims to legalize usury, it is strictly forbidden. To issue a fatwa, there needs to be a moderate *manhaj* in using sharia texts and *maqashid* sharia (Atmaja, 2018).

All sharia activities must apply the principles of Islamic law in their business (Kurniawan, 2017). The *Ijtihad* process is a process of extracting sharia law. The first concern is why sharia law needs to be explored. Based on the al-Qur'an (21: 107), it can be understood that the sharia law must contain benefits for all humans (ar-Rifa'i, 1999). Islam, as a universal value order should be accepted by all human beings. The function of reason is to understand facts as they are, then reason is used to understand *syara'* texts related to these facts (Ismail, 2014).

The concept of Islamic life requires that every mukalaf (those who are burdened with the law), must know the legal status related to actions and objects, before committing deeds and using objects. It is Allah SWT who determines the legal status of these deeds and objects; some are clear but some need *ijtihad* first to understand them. The legal status of these various actions and objects is simplified by compiling the rules of *fiqh*. Hasbi Hasan stated that Islamic law originated from two main sources, namely revelation and reason. Hasbi Hasan based his opinion on two terms that are very popular among scholars, namely sharia and *fiqh*. Sharia produces a solid union with revelation, while *fiqh* is a product of the human mind (Hasan, 2011).

Abdurrahman (1976) stated that the Syafi'iyah school of thought mentioned that "the basic law (original law) of everything is permissible, until there are arguments that show its prohibition". This opinion was strongly opposed by the Hanafiyah school of thought, which put forward the rule, that "the basic law (original law) of everything is haram, until there is an argument to order." These propositions are often used as a foundation for building the concept of muamalah.

'Atha bin Khalil (2003) detailed this general rule, because there is potential for legal confusion when dealing with contemporary muamalah transactions. The resulting rule is "the law of origin of human action is bound by *syara* law" while related to objects "the law of origin regarding objects is permissible, as long as there is no argument which prohibits it". The difference in rules is what makes



the difference of opinion possible. This is a clear opinion regarding the rules of fiqh regarding the law of origin of actions and objects (Khalil, 2003).

The standard method in Islam for exploring the solution to each problem is as follows: (1) *fahm al-waqi'* (understanding the facts to be punished), (2) *fahm an-nushus* (understanding texts which are the legal basis for the facts to be punished), and (3) *inthibatqan-nash 'ala al-waqi'* (applying texts to facts appropriately). The result is that the Islamic solution does not change because the texts that are referred to do not change. If there is a difference of opinion, for example, *qaul qadim* Imam Syafi'iy which is different from his *qauljadid*, it does not mean that there has been a change in law, because both are still the law of sharia (Abdurrahman, 2016).

Buying and selling law

Buying and selling is the exchange of property with other assets, both to be owned and controlled (an-Nabhani, 2002). The law of buying and selling is permissible according to the al-Qur'an (2: 275 and 4: 29), whether it requires bargaining or without bargaining because it is clear (*bay 'al-mu'athah*) (al-Banjari, 2016). This buying and selling have several variants that are allowed but some are prohibited. Trading that is allowed is the sale and purchase of credit and *salaf/salam*, while what is not allowed is the existence of two contracts in one purchase/sale, fraudulent buying and selling, and usury.

Buying and selling on credit is allowed in Islam, which is a form of sale and purchase in which goods are handed over at the time of the contract, while the price is paid after a certain time, either all at once or in installments (al-Banjari, 2016). The price in buying and selling of this type, whether paid in lump or installments, is a trade debt (*dayn*). *Salam/salaf* is the handover of existing assets to obtain other assets (goods) that have clear specifications in certain "debts" for some time (an-Nabhani, 2002).

Islam has prohibited certain conditions in a sale and purchase transaction so that there are two transaction contracts in one contract. The prohibition related to *muamalah* is very strict. Buying and selling in which there are *aregharar* and buying and selling using the *al-'inah* system (al-Banjari, 2016). The existence of fines in credit transactions in the event of late payment is prohibited in Islam and is categorized as usury.



Lending and borrowing laws

Providing loans to people in need is sunnah. Seeking a legal loan is also sunnah, not makruh. On the other hand, sharia has prohibited usury, regardless of the amount, whether a little or a lot. The characteristic that appears in usury is that there is a profit taken by usury eaters, which is the result of the exploitation of other people's labor because it is guaranteed to bring profit, it is impossible to lose (an-Nabhani, 2002). Related to this lending and borrowing, four things are related, namely qardh, wakalah, wadi'ah, and hawalah.

Qardh is a form of salaf, which is to give property to others to then ask for it to be returned. This Qardh is permissible (Triono, 2017). One of the provisions in this qardh is that the ownership of assets transferred, from creditor to debtor, must be owned by the creditor or has been permitted by the owner of the property. Qardh becomes usury when there is an addition to the loan or there is a fine if it does not pay off according to the time agreement. Allowable additions as intended for better returns should not be required from the start, but purely from the debtor's initiative (al-Banjari, 2016).

Wakalah, Hawalah, and Kafalah though considered secondary to primary contracts such as Musharakah and Mudarabah, are a crucial part of the foundation of Islamic Finance. Hawalah means “change” or “transfer” and usually refers to the transfer of debt from the original debtor to the legal personality. Wakalah refers to a contract in which a party (muwakkil) authorizes another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with the imposition of a fee. Kafalah is an Arabic word for responsibility, amenability, or suretyship. It often refers to an act of someone adding himself to another person and making himself liable to perform the responsibility, together with the person (Maryam Sofia Mohd Suhaimi, et al., 2016).

The legal time is allowed (*jaiiz*). *Wakalah* is the act of someone leaving their dealings to another person on the dealings that can be represented, so that the other person does their business at the time of the representative's life. This *wakalah* can be done without *ujrah* (wages) or can also be done with *ujrah* (*wakalah bi al-ujrah*) (al-Banjari, 2016).

Wadi'ah the law is allowed. Wadi'ah is the property that is entrusted by the owner to someone else for safekeeping, not up to *tasharuf*. If the property is managed or used, it will no longer be categorized as wadi'ah, even if it is



permitted by the owner. If there is a permit to take or use the benefits of the property, while the property is permanent or unchanged, then the contract must be a borrow-use contract, whereas if the permit is in the form of consuming, selling, etc., but guarantees to hand over the property when the owner is assets ask for it, then the contract is a debt contract, both *qard* and *dayn* (al-Banjari, 2016).

Hawalah is a transfer of rights from one dependent to another, that is, the person bears a right to transfer the claim from the person who claims the rights to him, to another person who has rights. *Hawalah* is not categorized as a contract which requires the approval of each party (an-Nabhani, 2002).

RESEARCH METHOD

This research is a qualitative type. The applied research aims to determine how appropriate and good a program and its goals are (Hamzah, 2020) Qualitative research departs from problems that are still dim, sometimes even starting from dark conditions, the scope of discussion is complex and dynamic so that it can develop or even change after the researcher is in the field. Through qualitative research, it is expected to be able to see phenomena more broadly and deeply following what is happening and developing in the social situation studied (Sugiyono, 2017).

A review of the DSN-MUI fatwas related to fintech applications in Islamic financial institutions (LKS) is needed to always improve the quality of fatwas. There are five fatwas of Fintech applications that have been formulated by DSN MUI and are the research subjects, namely: (1) Sharia Card (DSN-MUI, 2006), (2) Sharia Charge Card (DSN-MUI, 2004), (3) Transfer and Collection (DSN-MUI, 2000), (4) Payment Services (DSN-MUI, 2000) (DSN-MUI, 2000), and (5) Sharia Electronic Money (DSN-MUI, 2017).

RESULTS AND DISCUSSIONS

A review of the DSN-MUI fatwa regarding the application of fintech in Islamic financial institutions (LKS) is needed to re-examine the fatwa so that it reaches a higher level. There are five DSN MUI fatwas examined in this study, namely: (1) Sharia Card (2) Sharia Charge Card, (3) Transfer and Collection, (4) Payment Services and, (5) Sharia Electronic Money. This is where a meeting point is needed between the Sharia and the various needs of economic transactions, concerning convenience, security, comfort, and speed.



There are differences of opinion regarding the contracts used in each product related to Fintech in several countries, such as Malaysia, Sudan, Pakistan, and Indonesia. The closing article of each fatwa also states implicitly to always correct the fatwa. The study of these differences is important and urgently needed.

Sharia Card

The National Sharia Council has issued fatwa No. 54/DSN-MUI/X/2006 regarding the Sharia card. This sharia card was initiated to facilitate economic transactions, against the backdrop of requests for fatwas regarding credit cards that are following sharia principles from several Islamic banks (Ibrahim, 2010; 2011).

The basic principle of the sharia card, which refers to a credit card, is to provide bailout services. There are three parties involved in the transaction process using sharia cards, namely: card issuers (*mushdir al-bithaqah*), card holders (*hamil al-bithaqah*) and card recipients (*qabil al-bithaqah*). The contracts stipulated in fatwa no. 54 of 2006, there are three, namely: (1) *kafalah*, (2) *qardh*, and (3) *ijarah*. The *kafalah* contract occurs because of a guarantee from the card issuer to the card holder against the merchant for all payment obligations (*dayn*) arising from transactions between the card holder and the merchant. A *qardh* contract occurs when the card issuer makes a loan to the cardholder through cash withdrawals from the bank or the ATM of the card issuing bank. The third contract is *ijarah*, in which the card issuer as a payment system service provider and cardholder is entitled to get *ujrah*, so the cardholder is subject to a membership fee.

Sharia card products also impose fines for tardiness and *ta'widh*, namely compensation for costs incurred by card issuers due to the cardholder's delay in carrying out its obligations that are due. The difference with conventional credit cards is only in the distribution of the proceeds of fines, namely as social funds, not part of the profits for the card issuer.

If we pay closer attention, there is actually no process of *kafalah* in it. This is because the card issuer pays off the debt that occurs between the card holder and the merchant, then the card holder makes payments to the card issuer. The concept of *kafalah* itself should be a guarantee provided by the insurer (*kafii*) to a third party to fulfill the obligations of the second party (the insured party). The third party needs a guarantee that they will not be harmed by the non-cash



transaction, because if the second party (the one who owes) is unable to pay, the guarantor will pay the debt, without any compensation to the guarantor.

Kafalah according to the definition of *syara'* "is a combination of the guarantor's dependents to the dependents of the guaranteed party in the obligation to fulfill their rights (i.e. debt)". *Kafalah* is usually used for security in the affairs of a person or person, while the term *dhaman* is for security in matters of property (*fi al-amwal*). The laws of *kafalah* and *dhaman* are *jaiz (mubah)*.

The process that occurs is not like that, because from the start the insurer has paid the debt of the second party to the third party, then the second party pays the guarantor the amount of debt that has occurred. This process is actually close to the concept of *hawalah*. The *hawalah* process is the process of transferring debt from one party to another with the consent of all parties. The debt that occurs between the card holder and the merchant is then transferred to become debt from the card holder to the card issuer.

The concept of *qardh* actually can also be applied in this case, where the second party (card holder) takes *qardh* (debt) for payment of transactions with the third party (merchant), after which the second party repays the debt to the card issuer. On the other hand, sharia card holders are also provided with services to take *qardh* either through ATMs or directly to the card issuing bank. If we choose the *qardh* concept for this sharia card product, it will actually make the concept of the sharia card very simple, that is, there is only one contract in one product, namely the *qardh* contract.

The second thing to pay attention to is the merchant fee. This fee is given to card issuers by merchants for transactions using cards as wages (*ujrah*) for intermediary services (*samsarah*), marketing (*taswīq*), and billing (*tahsil al-dayn*). The problem that must be considered is that what the card issuer does to the economic transaction process does not reflect brokering activities (*samsarah*) or marketing assistance. Practically the card issuer is not involved in the transaction process, except in terms of providing bailout funds that will be returned on due or installments. Regarding collection fees, there is no need for bailout funds from the credit card issuer, so that the cardholder will pay installments and bills before maturity directly to the merchant's account. In fact, installment transactions and payments directly to the card issuer. So, in fact there is no right at all to the card issuer to get a merchant fee.



A membership fee is a membership fee and an extension of the membership period of the cardholder as a reward for permission to use the sharia card. There are two types of membership fees, namely the annual fee (annual fee), the amount of which is influenced by the type of card and credit limit given, and the monthly membership fee (monthly membership fee). Even though it is called a membership fee, it is influenced by the size of the existing debt, in essence, it is an addition to debt, and so it can be categorized as usury. Late charges are imposed on cardholders due to late payment of debts. Even though these fines are entirely recognized as social funds, in this transaction there are still additional late payments. This is a part of *jahiliyah* usury.

The end result is that there are several things that need to be examined again, such as the use of the *kafalah* contract where it is more appropriate to use the *hawalah* contract or directly use the *qardh* contract, unclear merchant fees, fines even for social funds but still an additional result of not being unable pay off at maturity, as well as monthly membership, the amount of which is influenced by the amount of debt.

Sharia Charge Card

Another product that is regulated by the DSN is the sharia charge card. Sharia charge card is adopted from charge card. Charge cards are generally almost the same as credit cards. The difference between the two, first, lies in the existence of a usage limit on the credit card, while the charge card is not limited. Second, the debt in the charge card must be paid off at maturity or the card cannot be used (blocked) and subject to a fine for the delay. Third, even though the charge card does not charge interest, there are penalties for not paying the bills when they are due. So, there is *riba jahiliyah*, *nasi'ah* usury, in the charge card.

DSN Fatwa no. 42 of 2004 regulates the use of sharia charge cards, where the point of view is to use limits, fines are recognized as social funds, only for activities that comply with sharia and do not encourage excessive attitudes, and are limited to halal merchants. Sharia card is a bailout card facility that is used by cardholders as a means of payment or cash withdrawal at certain places that must be paid in full to parties who provide services at a predetermined time. There are two contracts related to this sharia card, namely the *kafalah wal ijarah* contract for transactions between cardholders and merchants, and the *qardh wal ijarah* contract for cash withdrawal transactions.



In relation to the provisions of fees, there are three types of fees, namely: (1) membership fee, including an extension of the membership period, as a license to use the card; (2) a merchant fee in which the card issuer may receive a fee taken from the price of the object of the transaction as a form of deployment, marketing and collection fees; and (3) cash withdrawal fee. This cash withdrawal fee is not affected by the amount of the withdrawal amount. This sharia charge card product imposes two types of fines, namely: (1) late charge and overlimit charge. Both types of fines are recognized as social funds.

Sharia charge card products use two main contracts, namely: (1) the *kafalah wal ijarah* contract is used for transactions between cardholders and merchants, and (2) *qardh wal ijarah* contracts for cash withdrawal transactions. So, there are actually three kinds of contracts, namely *kafalah*, *qardh*, and *ijarah*.

There are two types of Islamic charge card products with different contracts, both for transactions with merchants and cash withdrawals. There are two contracts in one transaction, in both types of transactions. However, there has been no change in the contract since the issuance of fatwa no. 42 of 2004 concerning Sharia Charge Card. This product has been implemented in Indonesia, but did not develop due to weak market acceptance, so that no one has issued Islamic charge cards anymore (Darsono, 2017).

There are similarities in the process between the sharia card and the sharia charge card, so the discussion of the *kafalah* contract is not appropriate when viewed from the facts of the *kafalah* and the facts of the transaction. Card issuers provide bailout funds for transactions between cardholders and merchants, then cardholders pay off debts to the insurer (card issuer) before maturity. From these facts it is very clear that it is not the concept of *kafalah* that occurs, but closer to the *hawalah* process, the transfer of debt.

As with the sharia card, you can also simply use the *qardh* contract for transactions with merchants. Where the transaction is a *qardh* contract with the card issuer to settle transactions with merchants made in cash. It's just that, it is necessary to change the transaction process, namely the cardholder takes debt to the card issuer at the limit of the sharia charge card to be entered in a personal account, which is recorded on the card. With this card transactions are made in cash. With this *qardh* pattern, there is only one type of contract in the sharia charge card, namely the *qardh* contract.



Regarding the fee for each cash withdrawal with a *qardh* contract, the amount is fixed, not affected by the amount of the withdrawal made, but it is still an addition. This addition can be categorized as usury. If the use of the facility is subject to a fee, it should not depend on the existence of a transaction, but as a membership fee, where a transaction occurs or does not occur the fee will still be withdrawn from the card holder.

The penalty due to being late in paying off is also an addition that can be categorized as *jahiliyah* usury. Even though these extras are not part of the card issuer's profits, there are still additions due to late payment of debts.

Fines for exceeding the ceiling (overlimit charge) are not necessary, because the concept that the primary cardholder must have the financial capacity to pay off on time requires a limit that cannot be exceeded. It is this part that cannot be removed from the concept of sharia charge cards so that there is a "license" to exceed the limit. The existence of a license to exceed the limit should contradict the concept of limiting the cardholder's financial capacity. On the other hand, the existence of fines exceeding the ceiling with information without the approval of the card issuer is also contradictory, because without approval it should not exceed the ceiling.

Merchant fees are recognized as part of the card issuer's rights, as wages / rewards for *samsarah* and marketing services (*taswiq*) or collection services, which are taken from the price of the object of the transaction. It is necessary to pay more attention. The facts show that there is no role for the card issuer in every transaction, except in the case of bailouts. So, this merchant fee should not exist in the case of transactions with merchants. In fact, a merchant fee makes two contracts in one transaction.

The general membership fee, without being influenced by the transaction made, is actually sufficient to oversee the *hawalah* or *qardh* process that occurs. If it is influenced by the size of the transaction, it appears that there are additions that are not justified by sharia into the transaction.

Transfer and Collection

Transfers and collections are services provided by banks to represent customers in transferring funds from customer accounts (transfers) or collecting collections for customer accounts (collection). Sharia financial institutions are entitled to a reward (*ujrah*) for these services, where customers find



convenience / practicality in transactions. The contract used in this product is the *wakalah* contract, which is the transfer of power from one party to another in certain things that may be done (Darsono, Sakti, Astiyah, Darwis, & Suryanti, 2017).

Transfer and collection service products at LKS have been regulated based on the DSN-MUI Fatwa No. 10 of 2000 about *wakalah*. LKS acts as a representative of customers in financial transaction activities, both in terms of book-entry or collection for customer accounts. LKS has the right to receive *ujrah* or reward in the transfer and collection process.

Transfer and collection products provide many conveniences to customers (Ibrahim, 2017). Money transfers and collections are very simple, because they are not limited by distance. Related to this convenience, LKS gets *ujrah* (wages). Transfer and collection products use a *wakalah* contract. A *wakalah* contract is a statement of consent and *qabul* by the parties to show their will in entering into the contract. The *wakalah* referred to here is *wakalah* with reward, where this type of *wakalah* is binding and cannot be canceled unilaterally.

The use of the *wakalah* contract for this product is correct, so there are no problems arising in connection with this transaction. In this case, the LKS is the representative of the customer to deliver (transfer) certain money to another party. Some countries use *wakalah* contracts for transfer and collection products, such as Sudan and Pakistan (Darsono, Sakti, Astiyah, Darwis, & Suryanti, 2017). Even so, it is possible for this product to only use an *ijarah* contract, that is, by looking at the product as a service, namely a service for transferring and invoicing to customer accounts. LKS provides the money transfer facility and customers who use the facility must pay a fee for the services provided. Either using the *wakalah bil ujah* contract or the *ijarah* contract, both are permitted by the sharia.

Payment Service (Payment Point)

LKS provides products in the form of payment services (payment points). There are three types of systems related to payment services: (1) electronic banking, (2) ATM (automatic teller machine), and (3) standing instruction or automatic debit. The deduction of zakat, infaq, and alms is an example of this auto-debit.

Payment services are facilities provided by Islamic banks to deposit and/or investment account holders to facilitate payment transactions at the expense of



the account in question. Account-holders must register themselves first to use any or all of these facilities. LKS registers registration and authorizes the use of facilities to customers, then LKS determines the terms of use of the facility and has the right to set a fee for the use of the facility. LKS in this case must apply modern information technology and systems appropriately with due observance of the applicable information technology and system risk management standards to anticipate operational risks such as damage/ failure/ disruption to hardware, software, or telecommunications networks.

Payment services are facilities provided by LKS to deposit and / or investment account holders in the context of facilitating payment transactions at the expense of the account in question. Payment products and services in Indonesia use two types of contracts, namely the *wakalah* contract and the *ijarah* contract. The use of the contract rests on the DSN-MUI fatwa No. 9 of 2000 concerning Ijarah Financing and No. 10 of 2000 concerning Wakalah.

The *ijarah* contract is used as a form of providing Islamic financial services from LKS to its customers. The customer acts as the party renting services and various tools in the payment system through banking, such as ATM machines. *Wakalah* contract is used by LKS to carry out various financial transactions and payments. So, LKS acts as a representative who is entrusted by the customer to complete the payment (*wakalah* contract) and provides facilities in the payment (*ijarah* contract), then LKS gets a fee from the *wakalah* and *ijarah*.

Payment service product applications in several other countries are sufficient for the *ijarah* contract, namely Malaysia, Sudan and Pakistan (Darsono, Sakti, Astiyah, Darwis, & Suryanti, 2017). The point of view of these three countries is from the aspect that payment service transactions are a form of service in which LKS get a service fee for the facilities provided. Actually, this *ijarah* contract is sufficient, because the *ijarah* contract can already cover the *wakalah* contract. The use of the *wakalah* contract in Indonesia for payment services is used so that the contract becomes binding and cannot be canceled unilaterally. On the other hand, the use of a *wakalah* contract only for a reward is actually sufficient, because the provision of the various systems required can be part of the process of completing duties as a representative, so there is no need for a double contract, *wakalah* contract and *ijarah* contract.



Electronic Money or e-Money

Electronic money (e-money) is a tool that functions as money. Inside, there is a nominal amount of money stored on the card, which is digital data stored in the memory of a card that is practically carried everywhere. E-money varies, some require users to have an account at a particular bank, but some are sold freely. Through an e-money card purchased with physical money according to the desired value, it can be used to make transactions, namely simply by tapping or swiping at a merchant's payment checkout. Regarding the legal status of electronic money, it can be seen from three aspects, namely: (1) physical aspects of electronic cards, (2) gharar aspects in card issuance, and (3) aspects of its use.

Physical aspects of the electronic card

This electronic money is no different from debit card facts. The bank issues a debit card because the owner of the card has a deposit at the bank where the debit card was issued. Debit cardholders can use them to make transactions because there is a deposit of money that is kept in the bank that issued the debit card. Debit card law itself is allowed.

Issuing cards that function as money like this is allowed, so administrative costs, including the physical production of the card, following the permissibility of card issuance. This ability is due to the similarity with the *hawalah* contract to the bank when transferring certain money which is subject to an administration fee per transaction of a certain nominal value. This administrative fee is justified, because it is an *ijarah* contract, in the form of services provided. Because it is a *hawalah* contract, this electronic money in the *hawalah* contract can be called *muhalbih* (transferred debt).

This *muhalbih* formula must meet four conditions: (1) the debt is an electronic money holder (*mihil*) owed by the electronic money issuer (*muhal 'alayh*); (2) the debt must be a binding debt (*laazim*), not a debt that is not binding (*jaa'iz*), such as the price of goods when the *khiyaar* deadline; (3) The type, grade, value, and deadline are known, and (4) something that can be exchanged or transferred. Based on these four conditions, the status of the electronic money is fulfilled. Therefore, as *muhalbih* used in this *hawalah* contract, this electronic money is also clearly valid.



Gharar aspect in card issuance.

Gharar (obscurity) is what is doubtful between two things that could have happened simultaneously, or most likely, was more worrying between the two. From the facts of e-money, if it is related to the definition of *gharar*, it is clear that this electronic money does not contain *gharar* aspects. This is because the nominal value that can be used is exactly the same as what was deposited.

The administrative fee, in this context, is a service that is allowed because of the services obtained by the electronic money holder. Even if there is *gharar*, it actually occurs when the electronic money is issued by a second party, not a third party. This is because the second party is the direct publisher, while the third party is a partner, who at that time collaborated with the second party. The cost of making and administering the card itself is actually separate from the *hawalah*.

When the cooperation ends, the money cannot be used in connection with the merchant or third party. Even if this is considered *gharar*, what is certain is that the nominal value of the cardholder's money will not be lost. So, actually it can't be called *gharar*.

Aspects of use

The fact that e-money is like a debit card, because the money used in electronic money is consumer money, not debt accompanied by usury, then the status of using electronic money is actually a *hawalah* contract. Debit card users actually make transactions by transferring their funds to another party, through a third party (bank). The funds owned by the customer are stored in the bank, then instruct the bank (which borrows money or gets the customer's money deposited) to transfer it to another party. Therefore, in that law, actually there is also debt, but what owes is not the customer as a debit card user, but a bank.

Hawalah is an agreement to transfer a dependent debt (receivable) to another party. This is an air fact. Based on the facts of *hawalah* and electronic money, the law of electronic money and its use is the same as the law of *hawalah* itself, so the use of electronic money is permissible. This *hawalah* contract is permitted under three conditions, namely (1) it is carried out on fixed debt, which is borne by the bank or card issuer; (2) both debts, both the one that is borne and that which will be paid are the same; and (3) the pleasure of the



person who is the right owner (*muhil*), namely the user of electronic money, not the pleasure of the bank (*muhal 'alayh*).

The case of electronic money is clear that with existing funds on the side of the bank or issuer, the debt on the bank to the user is fixed. Then in the context of what electronic money users are used / transferred to other parties, it is clear that in accordance with the limits they have in the bank account or card issuer, nothing more. If it exceeds the limit, the system will automatically refuse. The third condition, namely the existence of this pleasure clearly exists when the user of this electronic money transfers his funds to another party, namely by ordering the bank / issuer (*muhal 'alaiyh*) to make the payment transfer. With the fulfillment of these three conditions, it is clear that the use of electronic money is a form of *hawalah* contract.

CONCLUSION

Sharia card products still need to be reviewed regarding the use of the kafalah contract for transactions with merchants. A more appropriate contract is *hawalah* contract or debt transfer. This is because the card issuer has provided the bailout first and the card carrier then pays both in due and installments to the card issuer. Regarding merchant fees, there is not enough involvement of card issuers in the economic transaction process. In fact, if you are involved in an economic transaction, either as a broker or in marketing, it results in more than one contract in one transaction. The existence of fines due to late payment at maturity even for social funds also needs to be considered again, because it can fall into the category of *riba nasi'ah* (a type of usury). On the other hand, even though it is called a monthly fee, the amount is determined by the amount of debt incurred which is calculated after maturity, so this is another form of interest.

Sharia Charge Card products are similar to charge cards, where the charge card is another form of credit card. The difference is the absence of a limit for taking credit and not using an interest system, so the sharia charge card is actually issued a fatwa first compared to the sharia card. It's just that in the sharia charge card, a limit is given to take credit, because of the consideration of the prohibition for *israf* (exaggeration). The middle ground chosen was a fine if it exceeded the limit, so that it became confused between carrying out the original form of the charge card and blocking *ishraf* (wasting money) attitude. The existence of fines due to late repayment even for social funds needs to be



reviewed, because it can fall into the category of *riba jahiliyah* (another type of usury). The sharia card is actually not right when using a *kafalah* (guarantee) contract, it should use a *hawalah* contract, a debt transfer.

Regarding transfer and collection products, the use of the *wakalah* contract is appropriate. Even if the *ijarah* contract is used it is also sufficient. Payment service products use *wakalah* and *ijarah* contracts. It should be enough to use only one, whether using the *wakalah* contract or the *ijarah* contract only. Electronic money, whether registered users or not, functions like money, which can be used for economic transactions, because it is a deposit like a debit card, so it can be used. There is no case of *gharar* in this electronic money, because it is clear that the nominal value is being stored. Regarding administration fees and card making, the law is permissible as in the *ijarah* contract. The process in transactions with e-money uses the *hawalah* principle, so that e-money that is patterned as a debit card (*wadi'ah* principle) is allowed, but if the pattern is a credit card (*qardh* principle) then it is not allowed.

Based on the conclusion, it is necessary to review the DSN-MUI fatwas: No. 54/DSN-MUI/X/2006 for sharia card, (2) No. 42/DSN-MUI/V/2004 for sharia charge card, (3) No. 9/DSN-MUI/IV/2000 and No. 10/DSN-MUI/IV/2000 for payment service, and (5) No. 116/DSN-MUI/IX/2017 for using e-money. The using DSN-MUI fatwa No. 10/DSN-MUI/IV/2000 for transfer and collections product collections is appropriate.

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COVID-19 OUTBREAK AND CAPITAL MARKET REACTION: AN EVIDENCE FROM THE JAKARTA ISLAMIC INDEX 70

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ABSTRACT – The COVID-19 outbreak has become a global problem affecting human life entirely. This paper provides evidence of the market reaction to Jokowi's announcement regarding the first patient of COVID-19 in Indonesia on March 2, 2020. This research is an event study that looks at whether or not there is a difference in average abnormal returns of 'go public' companies registered on The Jakarta Islamic Index (JII) 70 both before and after the announcement. The observations were made 9 days before the announcement and 9 days after the announcement. Based on descriptive data, the average stock returns of JII 70 fluctuated which increased on the first day after the announcement but decreased sharply after the fifth day of the announcement. The test showed that the average abnormal returns are negative both before and after the announcement. The paired sample t-test provided evidence that there is a difference in the average abnormal return during the testing period between before and after the announcement. The market reacted negatively to the announcement indicated by negative average abnormal return and support a semi-strong market hypothesis.

Keywords: Market Reaction, Event Study, Market Efficiency, COVID-19, Jakarta Islamic Index

ABSTRAK – *Wabah Covid-19 dan Reaksi Pasar Modal: Bukti dari Jakarta Islamic Index 70.* Wabah COVID-19 telah menjadi masalah global yang mempengaruhi kehidupan manusia sepenuhnya. Paper ini memberikan bukti reaksi pasar terhadap pengumuman Presiden Jokowi mengenai pasien perta COVID-19 di Indonesia pada 2 Maret 2020. Penelitian ini merupakan studi peristiwa yang melihat apakah terdapat perbedaan rata-rata abnormal return perusahaan go public yang terdaftar di Jakarta Islamic Index (JII) 70 baik sebelum maupun sesudah pengumuman. Pengamatan dilakukan 9 hari sebelum pengumuman dan 9 hari sesudah pengumuman. Berdasarkan data deskriptif, rata-rata return saham JII 70 mengalami fluktuasi yang meningkat pada hari pertama setelah pengumuman namun menurun tajam pada hari kelima setelah pengumuman. Hasil pengujian menunjukkan bahwa rata-rata abnormal return bernilai negatif baik sebelum maupun sesudah pengumuman. Uji-t sampel berpasangan memberikan bukti bahwa terdapat perbedaan rata-rata abnormal return selama periode pengujian antara sebelum dan sesudah pengumuman. Pasar bereaksi negatif terhadap pengumuman yang ditunjukkan oleh rata-rata abnormal return negatif dan mendukung hipotesis pasar semi-kuat.

Kata Kunci: Reaksi Pasar, Studi Peristiwa, Efisiensi Pasar, COVID-19, Jakarta Islamic Index

INTRODUCTION

The Corona virus is a new type of virus known as Coronavirus Disease 19 (COVID-19) that began to attract the attention of the world after on January 20, 2020. Health authorities in Wuhan City, Hubei Province, China, announced that three people died in Wuhan presumed due to this virus. This virus spreads to become a global pandemic that changes various aspects in human life compared with previous condition. This outbreak has caused great concern about public health around the world.

Simultaneously with the outbreak, concerns about the economic consequences was starting to emerge because households are required to stay at home to slow down the spread of the virus. Economic activity is hampered and impacted by supply chain, household demand, and financial stability of the economy largely unknown. As a result, policymakers, business and market player are trying to revise growth expectation in the short term and long term.

Since World Health Organization (WHO) officially announced COVID-19 as a pandemic, capital markets around the world has started turbulent. The Shanghai Stock Exchange Composite Index, Dow Jones Index, S&P 500 Index and Nasdaq Composite Index moved down. The rapid spread of the outbreak caused more victims every day and increased market pessimism regarding future economic conditions.

Stock returns is influenced by economic and non-economic events. Merger and acquisition announcement affect the acquiring company's wealth with a positive average abnormal return around the announcement day (Sachdeva *et al.*, 2015). The dividend announcement both in cash and shares have an impact on the increase of stock prices and a positive average abnormal return, especially after the announcement (Rosario & Chavali, 2016). Sukuk issuance announcement has a negative impact on stock returns the day before the announcement decisions (Mohamed *et al.*, 2017). Reshoring announcement decisions produced positive abnormal returns (Brandon-Jones *et al.*, 2017). The announcement of quarterly earnings has an effect on the formation of abnormal returns in the Saudi Arabia capital market which indicates the absence of a semi-strong efficiency market hypothesis (Syed & Bajwa, 2018). Dividend declaration produced abnormal return due to the allegations of market abuse in the form of insider trading (Tanveer & Jamil, 2019). The cumulative abnormal return rate decreases before the company included in the participation index



and continues in the following days (Koca *et al.*, 2019). Divestment has positive impact on shareholders wealth and resulted average abnormal return on the day of announcement (Teschner & Paul, 2020).

Khajar (2012) tested the efficiency of the Islamic capital market before and after the 2008 monetary crisis. The result showed that the Indonesian Islamic capital market was efficient eventhough weak and being decrease in efficiency during the monetary crisis but the efficiency increased rapidly after crisis. Beik & Fatmawati (2014) emphasized that the national macroeconomic is relatively stable and shows positive growth so that Islamic stocks were able to recover better after a downturn due to the global financial crisis. The ability of sharia industry to encounter various economics and non economics problems is an added value for the market to consider its existence. Choi *et al.* (2019) investigated the impact of travel ban on the stock price of high-tech companies. The study found that abnormal return decrease on the first day after the announcement. These losses were greater for companies with higher R&D expenditure, but smaller for global firms located in the outside of United States. Jamil *et al.* (2020) examined the effect of sharia compliance announcement on stock returns in Malaysia. The study was conducted to assess whether the information was valuable and has an impact on stock returns in the period of 2007-2015. The study provided evidence that the inclusion of shares in the sharia compliance list has increased share price and positive rates of return. Meanwhile, stocks that were excluded from the sharia compliance list had negative abnormal return.

Several previous studies also found varying market reaction on the global outbreaks. Severe Acute Respiratory Syndrome (SARS) epidemic had a negative impact on the tourism, wholesale, and retail industry but positively impact on biotechnology sectors (Chen *et al.*, 2009). The bird flu did not reflect the delays in travel of elderly tourist in Asia (Lee & Chen, 2011). The SARS outbreak weakened the long-term relationship between China and four Asian stock markets (Chena *et al.*, 2018). Countries in Asia have shown negative abnormal return due to COVID-19 (Liu *et al.*, 2020). The adverse effect of the corona virus was lesser in countries that are free to declare a pandemic, while ivestors in countries that were less free to announce it actually cause an overreaction (Erdem, 2020).

The President of the Republic of Indonesia, Joko Widodo, announced the first patient of COVID-19 in March 2, 2020. This information had surprised many



parties because so far Indonesia was considered safe from the virus. Public was starting to predict the development of the capital market. The pandemic was considered to have a serious impact on national economic stability and investment in the future. Industrial sector was considered to be the most vulnerable to being affected because the outbreak has systemic impact.

Figure 1: Average Return Before and After Announcement (-9 days and +9 days)

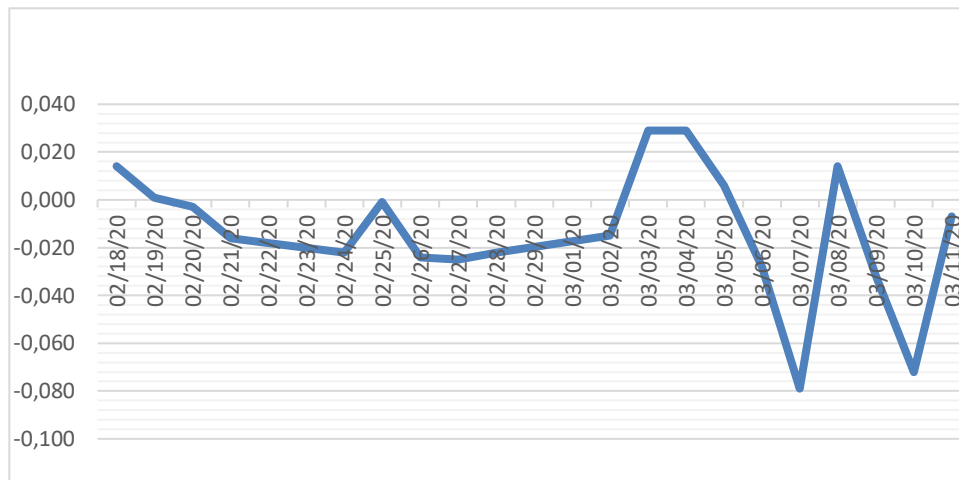


Figure 1 shows the data with a period of 9 days before and 9 days after the announcement shows that the average stock return of JII 70 was fluctuated. The market responded optimistically that Indonesia would be able to handle the pandemic as indicated by the increase in average return of JII 70 on the first day or event the third day after the announcement. In general, the market was still producing adequate returns although it fell sharply some time after the announcement. Islamic stocks were considered withstand to economic crisis because they work in the real sector.

The effect of COVID-19 pandemic on Islamic stocks returns in Indonesia requires in-depth testing. Research on the impact of an event aims to contribute on future economics policies. This paper will test statistically whether or not there is a difference in the average abnormal returns of listed companies in JII 70 before and after the announcement of the first COVID-19 patient in Indonesia. This study purposes to prove market efficiency in responding to this information.



LITERATURE REVIEW

Islamic Stocks

The main source of Islamic investment is in QS. Al-Baqarah: 275 which states that “Allah has made buying and selling legal and forbidden usury”. Likewise, in QS. An Nisa’: 29 which contains the prohibition of eating each other’s property by false way except by commerce that applies consensually between the parties. Based on Al-Qur’an, hadith, and the opinion of fiqh experts that something is prohibited or forbidden because of the substance, it is *haram* because of apart from the object and because the contract is not valid. This prohibition is caused the thing becomes the object of activity (Kamri, Ramlan. & Ibrahim, 2014). These objects include pigs, liquor (*khamr*), animal carcasses, and blood. *Haram* apart from object with the intention that the object is actually permitted but it is forbidden because of the presence of willingness (*tadlis*), uncertainty (*gharar*), usury (*riba*), or because of the occurrence of hoarding (*ikhhtikar*) (Ibrahim & Kamri, 2013; 2017). Objects are categorized as *halal* if the contract or agreement that as basis of transaction is not prohibited in Islam such as linkages (*ta’alluq*) and occurs where the perpetrator, object, and period are at the same time (Ibrahim, 2015).

The Islamic capital market is a capital market whose entire mechanism of activity, ultimately concerning issuers and types of securities traded in accordance with sharia principles (Wardiyah, 2017). In the concept of the Islamic capital market, traded shares must be from companies that engaged in sectors that meet the criteria of sharia by avoiding speculative practices. Speculation is prohibited not because of the uncertainty, but more on the purposes or intention and way of using the uncertainty. The act of leaving senses of responsibility and the rule law in order to obtaining profit solely from the uncertainty is prohibited in Islam. *Gharar* and *maysir* are related to negative result (*mudharat*) or hazard.

Shares that included in Islamic stock index must fulfill several requirements based on the type of business, activity, and other provisions (Soemitra, 2015). The type of business, product, and services, contract, and method of managing the company must not conflict with sharia principles. The issuer’s type of activities that are listed in the sharia index are shares that do not contradict with sharia principles, including: (1) non-gambling and games that are classified as gambling or illicit trading; (2) non-conventional financial institution including



conventional banking and insurance; (3) not a business that produces, distributes, and trades food and beverages classified as *haram*; and (4) not a business that produces, distributes, and/or provides goods or services which is harmful and destroys moral. In addition, it is also prohibited to make fake offer (*najsy*), insider trading, providing misleading information, interest-based securities, and *ikhthikar*. Issuers must meet and have a Sharia Compliance Officer. If it does not meet the requirements as well, the issuers will be excluded from the list.

The advantages of investing in Islamic stocks in addition to obtaining dividend and capital gain are accommodated with Islamic principles, safe, and avoidance of *riba* so not conflicting with religious teachings. Investment in Islamic stocks in Indonesia is guaranteed to be *halal* by the Indonesia Ulama Council as known as Majelis Ulama Indonesia (MUI) as part of the clarity of the absence of *riba*, *gharar* and *maysir* content. Islamic stocks are considered to have minimum risk because it is classified as a large capitalized stock (blue chip).

The Islamic stock index is used to as a measure of the performance of Islamic stock and can be used by investors to select stocks to buy. The Indonesian Sharia Stocks Index (ISSI) which contains of all Islamic stocks listed on the Indonesia Stock Exchange (IDX), the Jakarta Islamic Index (JII) which contains of 30 Islamic stocks, and the Jakarta Islamic Index 70 (JII70) which contains of 70 Islamic stocks. Establishment of sharia principles in Indonesia through the Fatwa of the National Sharia Council known as DSN-MUI. The JII 70 was selected by IDX based on liquidity criteria among constituents listed in ISSI for the last 6 months, then 150 shares were selected based on the order of the highest average market capitalization for the last 1 year. After the step, 70 shares were selected from 150 shares based on the highest average daily transaction value in the regular market. Islamic stocks will be reviewed twice a year in accordance with the schedule from the Sharia Securities List and the Financial Services Authority. The JII 70 is the latest index of Islamic stocks launched by the IDX.

Abnormal Return

Return is an outcome of investment in capital market obtained by shareholders. The return component includes cash flow generated periodically (yield) and income due to an increase (capital gain) or a decrease (capital loss) (Tandelilin, 2001). Yield is indicated by the size of dividend received by shareholders.



Return is also called as a reward for the desire of investors to spend money despite knowing the risk to be faced.

Calculating abnormal return requires several stages. First, determine actual return that is a real profit and counted based on historical data. Actual return is important because it is used as a measure of company performance and useful for determining expected return and risk in the future. Actual return occurs at current time (t) which is the gap between current price and previous price. The formula to calculate actual return is in equation 1 below:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}} \dots\dots\dots (1)$$

Where, R_{it} = actual return of securities i at time t; P_{it} = price of securities i at time t; P_{it-1} = price of securities i at one time before.

Second, calculate expected return as return expected by investors in the future. Unlike actual return which has already occurred but expected return has not yet. Meanwhile, expected return can be measured by market returns (Jogiyanto, 2009).

$$E(R_{it}) = Rm_t \dots\dots\dots (2)$$

Where; $E(R_{it})$ = expected return of the securities i at time t; Rm_t = market return at time t

As for Islamic capital market return is calculated by return of JII 70 with the following formulation:

$$R_{mt} = \frac{JII70_t - JII70_{t-1}}{JII70_{t-1}} \dots\dots\dots (3)$$

Where; Rm_t = market return at time t; $JII70_t$ = Jakarta Islamic Index 70 at time t; $JII70_{t-1}$ = Jakarta Islamic Index 70 at the day before time t

Third, calculate abnormal return. Abnormal return is the excess of stock return before and after announcement that may received by shareholders. Abnormal return is the difference between expected return and actual return (Jogiyanto, 2010). Abnormal return can occur before the information published or there has been information leakage after it was published (Tandelilin, 2010). When expected return can be calculated based on market return, thus abnormal return



is the difference between actual return and expected return such the following equation:

$$AR_{it} = R_{it} - E(R_{it}) \dots\dots\dots (4)$$

AR_{it} = Abnormal return of securities i at time t; R_{it} = actual return of securities i at time t; $E(R_{it})$ = expected return of securities i at time t

For $E(R_{it}) = R_{m_t}$ as in equation 2

$$E(R_{it}) = R_{m_t}$$

Therefore,

$$AR_{it} = R_{it} - R_{m_t} \dots\dots\dots (5)$$

Where AR_{it} = abnormal return of securities i at time t; R_{it} = actual return of securities i at day t; R_{m_t} = return market at time t

Abnormal return generally accours around the announcement of an event. The sum of daily abnormal return from the first day to the following days for each stock type are used to calculate the Cummulative Abnormal Return (CAR). Therefore, CAR during the period before an event will be compared with CAR after event. Average abnormal return is CAR divided by all securities affected by the announcement

According to Sutarni and Dermawan (2004), identifying efficient abnormal returns requires some assumptions. First, the assumption of Efficient Market Hypothesis (EMH). Efficient market condition indicates that all information is relevant to stock prices. If the efficient market assumption does not apply because the market is known to be inefficient, an adjustment is made to the normal return measurement model then developed model close to actual market conditions. Second, unanticipated event and announced in media or press. Market does not have information about an event before announced through the press, not other sources and no possibility of information leakage before officially announced. Third, compounding effect. This assumption relates to the mixing of an event with others. The measurement of a market reaction should be based on a single event. The existence of this mixed effect causes the measurement of market reaction to be inaccurate, considering that there is more than one event affects it. Isolating other events that affect a particular event is



intricate. Therefore, it is necessary to determine the assumption of the mixed effect that has been isolated by researcher to facilitate their study.

Event Study

Event study is a study about market reaction to an event whose information published as an announcement. If the announcement contains information, market is expected to react on it. Event study examines whether the announcement has a value for the market or not and used to test content of information and semi-strong efficiency of market. Testing information content merely assess market reaction but does not test how quickly the market reacts. Market is efficient in a semi strong form if investors react fast to absorb abnormal returns to the new equilibrium price.

Fama (1970) classified the efficient market into three forms, they are weak form efficient market, semi strong efficient market, and strong efficient market. A weak form occurs when stocks price reflects past information. A semi strong efficient happens if stock price reflects all published information such in financial statements. In a semi strong efficient market, abnormal returns occur around the date of announcement as a sign of investor's reaction. A strong market efficient indicated if the stock price represents all available information, including published and highly confidential information. If the market is efficient in a strong form, no investor gains abnormal return.

Fama (1970) also classified information into three types including past price changes, information available to the public, and information availability both to public and private. Analysis of financial reports does not provide benefits to efficient market because the information is already owned by public, subsequently, investors react rapidly. Price at the buy or sell level of stock reflects this information due to market reaction. Contrary, semi-strong proponents of efficient markets argue that investors expect to create profit by closely observation to available information on the market.

The announcement of an event is considered be information for investor and potential investors. Previous studies have shown a variety of findings in response to information. Based on the event study theory and research results, the following hypothesis is formulated:

H₀: There is no difference in the average abnormal return before and after the announcement of the first COVID-19 patient in Indonesia



H_a: There is a difference in the average abnormal return before and after the announcement of the first COVID-19 patient in Indonesia

RESEARCH METHOD

This research is included in the event study which is used to determine market response to disseminated information. Using daily stock returns data of companies listed on JII 70 as an Islamic stock index launched by Indonesia Stock Exchange (IDX) on May 17, 2018. The JII 70 constituency consists of 70 most liquid stocks categorized as Islamic stocks. The observation period is 9 days before the event and 9 days after the event. The announcement of the first COVID-19 patient was delivered by President of the Republic Indonesia, Mr. Joko Widodo accompanied by Minister of Health of the Republic of Indonesia, Mr. Terawan Agus Putranto on March 2, 2020. The test was conducted through a paired t-sample test using the Statistical Package for the Social Sciences (SPSS) software. Hypothesis testing with paired sample-t test is tested after for normality and collinearity tests.

RESULTS AND DISCUSSIONS

Statistical Descriptive

This study was conducted to test whether or not there is a difference in the average abnormal return of stock listed in JII70 before and after the announcement of the first COVID-19 patient in Indonesia.

Table 1. Statistical Descriptive

	N	Min	Max	Mean	Stdev
AAR_Before Announcement (-9 days)	70	-0.04054	0.00242	-0.01689	0.00918
AAR_After Announcement (+9 days)	70	-0.03205	0.02601	-0.00547	0.01500

Observation were conducted before the announcement during the 9 trading days starting February 18, 2020 and 9 trading days after the announcement began March 3, 2020 based on the Average Abnormal Return (AAR). Table 1 shows that the lowest AAR before the announcement is -0.04054, the highest AAR is 0.00242, the average AAR is -0.01689, and the standard deviation is 0.00918. Meanwhile, the lowest AAR after the announcement is -0.03205, the highest



AAR is 0.02601, the average AAR is -0.00547, and the standard deviation is 0.01500.

Normality Test

The normality test is carried out to see whether the data is normally distributed or not. This test used to assess data distribution from a normal population. The normality test is processed by using the Shapiro-Wilk test with the condition that if the $p\text{-value} > 0.05$ and H_0 is accepted accordingly, which means the data is normally distributed. Conversely, if the probability value or $p\text{-value} < 0.05$ then H_0 is rejected and is accepted H_a , which means the data is not normally distributed.

Table 2. Shapiro-Wilk Normality Test

			Statistic	Df	Sig
AAR_Before	Announcement	(-9	0.991	70	0.914
days)					
AAR_After	Announcement	(+9	0.972	70	0.125
days)					

Based on the result of normality test in table 2, it shows that all data are normally distributed both before the announcement with a significance value of 0.914 and after the announcement with a significance value of 0.125. Thus, the requirement for conducting the paired sample t-test is acceptable.

Correlation Test

The result of correlation test for the market reaction to the announcement of the first COVID-19 patient in Indonesia is as follows:

Table 3. Correlation Test

			N	Correlation	Sig.	
Pair 1	AAR_Before	Announcement	(-9	70	-0.025	0.835
	days)					
	AAR_After	Announcement	(+9			
	days)					

Output in the table 3 above shows the result of correlation test or relationship between two variables before and after the announcement. Based on the output, correlation coefficient value is at level of -0.025 with a significance value of



0.835. The significance value is $0.835 > 0.05$ then it can be said that there is no relationship between the variables before and after the announcement.

Hypothesis Test

Market reaction testing toward an event is carried out to find the difference of average abnormal return before dan after an event.

Table 4. Paired Sample t-Test Result of AAR Before and After Announcement

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. deviation	Std Error Mean	95% Confidence Interval of The Difference				
				Lower	Upper			
Pair 1_ AAR_Before announcement (-9 days) AAR_After announcement (+9 days)	-0.01143	-0.01778	0.00123	-0.01567	-0.00719	-5.378	69	0.000

Based on the results of the paired sample t-test in table 4, t-value is -5.378 with a significance of 0.000. This significance value is less than 0.05 so that H_0 is rejected and H_a is accepted. It shows that there is a difference in average abnormal return before and after the first COVID-19 patient in Indonesia.

Analysis

The pattern of stock price movement follows random walks or does not have a standard. Many factors affect it to find out market efficient or inefficient. Definite information affects market efficiency. The EMH theory is a reference for market performers in planning investment policies to capture profit opportunities. The extracted information must be perceptible to convince market conditions entirely.

The stock price index is a barometer of capital market health that represents stock market performance. If the index rise, capital market is going up and indicates a good economic condition. Investor often use stock price index as a benchmark to continue, postpone, or stop to invest. Market index escalation exhibits that the market is bullish and generally dominated by buying action.



Conversely, when market is in slow movement or bearish then it is dominated by selling action and declining stock prices.

Based on the results of this study, the average abnormal return is negative both before and after the announcement. Paired sample t-test was carried out, it showed a difference in the average abnormal return. Capital market reacts more quickly to information considered interfere stocks performance. The epidemic spreads rapidly around the world and has impact on large capital markets. Investors generally have negative sentiment and are pessimistic about market uncertainty in the future. Investors take steps to buy, sell, or holds shares and rearrange their portfolio to gain return in profitable sectors.

The result is similar to previous researches conducted in testing the impact of COVID-19. Al-Awadhia *et al.* (2020) investigated the influence of COVID 19 on Chinese stock market with panel data analysis. This study found that the daily growth in total confirmed cases and total cases caused by the virus had a negative impact on company stock returns on Chinese capital market. Other capital markets were also predicted shocked due to the virus because it has preyed many victims in various countries including Indonesia. Zhang *et al.* (2020) assessed that rapid spread of COVID-19 had had a dramatic impact on financial markets. Investors suffer significantly, individual stock market reaction being severity, and the market became unstable and unpredictable. Ashraf (2020) examined the impact of government action in dealing with COVID-19 pandemic on stock market returns. It was found that the announcement of social distancing policy had a direct negative effect on stock returns. Meanwhile, the government announcement of the quarantine policy and financial support package had a positive impact.

These results also confirm that if information is considered good, it will be responded positively by the market which can be seen from the abnormal return around the announcement. However, if it is considered as bad news, it will be responded negatively by the market which can be seen from the negative abnormal return around the announcement. Market sentiment is basically an indicator for the direction of capital market movements. Negative sentiments can weaken the market, on the other hand, positive sentiments will strengthen stock price movements. Investor sentiment relates to investors' confidence in the issuer's future either with adequate informations or predictions. Investor behavior is largely determined by their preference for risk whether they tend to be risk averse, risk moderate, or risk taker. Investors who are scrupulous to



seize opportunities and dare to act even in a pandemic will have a chance to make a profit.

Information as good or bad news has economic value for capital markets. The announcement of the first COVID-19 patient was considered to contain bad news so that investors began to count possibility of future investment. This condition is different from when information with a good value that creates market optimism which increase the demand for well-performed stock. According to the signaling theory, information that has bad value (bad news) causes negative reactions from investors and indicated by negative abnormal returns. Mostly investors wait until normal condition for further investment. Investor action causes the capital of go public companies decrease and has impact on the decline of stock price.

CONCLUSION

Event study is used to measure market reaction toward an information published in media. This study examines market reaction to the announcement of the first COVID-19 patient in Indonesia. The purposes of this study is to capture whether capital market is efficient in responding the information.

The statistical test using paired sample t-test shows that the average abnormal return differs around day of the announcement. Market reacted negatively to the announcement because information was considered negative for it raised concerns about the spread of the outbreak globally. The COVID-19 is not solely a health problem but also has an impact on economic, social, and cultural sectors. Investors consider various informations about the impact of this outbreak on their share ownership and also raises question about how long it will take to recover economic sector. No proper vaccine and handling method to overcome the virus in the short run. Therefore, shareholders and policy makers must be concerned about the impact of the catastrophic epidemic. COVID-19 pandemic is considered as an unprecedented rare event and the world is taking emergency actions to break the chain of transmission such as social distancing, self-isolation, financial support package for small business, and other relevant programs. Further research can be carried out to explore the impact of COVID-19 pandemic on capital market stability in other indices and select industries which are able to withstand with epidemic crisis.



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HOW DOES HALAL TOURISM CONTRIBUTE TO COMMUNITY ECONOMY? THE CASES OF TSUNAMI MUSEUM AND THE PLTD FLOATING SHIP IN BANDA ACEH, INDONESIA

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ABSTRACT – This study aims to measure and analyze the application of the halal concept in tourism attractions of the Tsunami Aceh Museum and the PLTD Floating Ship (*Kapal Apung PLTD*) sites in the Banda City, Indonesia. It also attempts to assess the contributions of halal tourism to the economy, measured by income multiplier effects. Of 1,243 halal tourism visitors, entrepreneurs surrounding the halal objects, and employees in the halal tourism sites, 93 of them were selected as the sample of the study using the proportionate stratified random sampling technique. Observation, interviews, and questionnaires were used to gather the primary data. Majority of the respondents perceived that the tourist attractions of the Tsunami Aceh Museum and the PLTD Floating Ship had implemented the halal tourism concept. The study also found that those halal tourism objects have contributed to the enhancement of the community's economic development, indicated by the Keynesian Local Income Multiplier and Ratio Income Multiplier of greater than one. To further enhance the community income surrounding the halal tourism objects, the halal tourism facilities should be well-equipped and ensured a conducive surrounding environment.

Keywords: Halal Tourism, Community Economy, Multiplier Effect, Tsunami Aceh Museum, PLTD Floating Ship

ABSTRAK – *Bagaimana Kontribusi Pariwisata Halal terhadap Perekonomian Masyarakat? Kajian pada Museum Tsunami dan PLTD Apung Banda Aceh, Indonesia.* Penelitian ini bertujuan untuk mengukur dan menganalisis penerapan konsep halal pada objek wisata Museum Tsunami Aceh dan situs Kapal Apung PLTD (*Kapal Apung PLTD*) di Kota Banda, Indonesia. Penelitian ini juga mencoba untuk menilai kontribusi pariwisata halal bagi perekonomian, diukur dengan efek pengganda pendapatan. Dari 1.243 pengunjung wisata halal, pengusaha di sekitar objek wisata halal, dan tenaga kerja di lokasi wisata halal tersebut, 93 orang di antaranya dipilih sebagai sampel penelitian dengan menggunakan teknik proporsate stratified random sampling. Pengamatan, wawancara, dan kuesioner digunakan untuk mengumpulkan data primer. Mayoritas responden menilai tempat wisata Museum Tsunami Aceh dan Kapal Apung PLTD sudah menerapkan konsep wisata halal. Hasil penelitian juga menemukan bahwa obyek wisata halal tersebut telah memberikan kontribusi terhadap peningkatan pembangunan ekonomi masyarakat yang ditunjukkan dengan Keynesian Local Income Multiplier dan Ratio Income Multiplier lebih besar dari satu. Untuk lebih meningkatkan pendapatan masyarakat sekitar obyek wisata halal, maka sarana wisata halal harus dilengkapi dengan baik dan terjaminnya lingkungan sekitar yang kondusif.

Kata Kunci: Pariwisata, Pendapatan, Angka Pengganda, Museum Tsunami, PLTD Apung

INTRODUCTION

Along with the increasing public awareness of the importance of permissibility (halal) and prohibition (haram) in various activities in Muslim life, nowadays, halal tourism has been an emerging issue in Islamic economics (Ibrahim, 2018). The halal tourism sector has the potential to excel in the future, as evidenced by the research conducted by MasterCard-Crescent Rating (2015) published in the Global Muslim Travel Index 2015. In 2014, there were around 108 million Muslims who had travelled on tours and spent USD145 billion. This figure is predicted to increase to 150 million Muslim tourists and spend USD200 billion worldwide in 2020. The Indonesian Sharia Economic Master plan (2019-2024) issued by Komite Nasional Keuangan Syariah (KNKS) aspires to develop regional sharia economic development, *inter alia*, by grasping the potential of the halal industry and its halal tourist attraction (KNKS, 2018). Based on the National Tourism Development Master Plan (2010-2025) (National Tourism Development Master Plan (2010-2015), 2011), several potential halal destinations in Indonesia have been selected out of 34 provinces nationwide, including the areas of Aceh, West Sumatra, Yogyakarta, and South Sulawesi. The selection of halal tourism destination is based on the social aspects, including the role of Islamic culture and values in these areas.

Based on data from Tourism Ministry of Republic Indonesia and Statistic Indonesia (*Badan Pusat Statistik – BPS*) (BPS, 2017), the tourism sector in the Aceh province amounted to IDR10.87 trillion, equivalent to 8.97% of the provincial GDP. These figures indicate that the tourism sector in Aceh province has a vital role in the economy. Banda Aceh City has six mainstay tourist attractions, namely the Tsunami Museum, the Floating PLTD Ship (*Kapal PLTD Apung*), the Boat above the House (*Boat di atas Rumah*), the Tomb of Teungku Syiah Kuala (*Batu Nisan Teungku Syiah Kuala*), Baiturrahman Grand Mosque, and Rumoh Aceh Museum. Of the six tourist objects, the Tsunami Museum and the PLTD Floating Ship received a significantly higher number of tourist visits than other tourist objects, both from foreign and local tourists (Aceh Tourism Office, 2018).

Tourist attractions in the city of Banda Aceh, such as the Aceh Tsunami Museum and the PLTD Floating Ship, are expected to meet the standardization of halal tourist objects set by the National Sharia Council-Indonesian Council of Ulama (*Dewan Syariah Nasional-Majelis Ulama Indonesia – DSN-MUI*), considering Aceh has been ranked second as a halal tourist destination in



Indonesia, following Lombok. However, based on our preliminary observations, we found that several things confused the application of the principles of halal tourism. These include disaster props in the Aceh Tsunami Museum, which were not suitable for children to consume because there were an uncovered woman's genitals' miniatures and showed woman body concavity. Another finding was that there was no special seating division between men and women in the mini-theatre to watch the documentary Tsunami film, while the illumination of the room is dim and this can trigger the teenagers to do a thing that violates the *halal* tourism principle. Similarly, in the Floating PLTD Ship tourism, the researcher found the teenagers show their affection in public by holding hands.

Furthermore, the researcher will observe the impact of the multiplier rate from two tourism objects toward the economy of the surrounding community. The high number of tourists visited Tsunami Museum and the Floating PLTD Ship encourage the local society of this area to build economic activity such as opening stalls, photo services, souvenir stalls, and other entrepreneurial activity. Tourists who come to these two tourist objects significantly affect the income of the people in Banda Aceh City, especially those who live nearby, because tourists will spend part of their money on tourism activities.

Previous research conducted by Wazni Felyana (2019) examined the analysis of the development strategy of the tourism sector and its contribution to the economy of Banyuwangi Regency found that the development of a halal tourist attraction had an impact on increasing the income of traders in the halal tourist area. This is evidenced by an increase in revenue of traders, merchants in the field of souvenirs, food, and kiosks over the 2015-2017 periods.

Ramadhany and Ridlwan (2018) investigated the effect of halal tourism on income and community welfare in Lombok city, Indonesia. The study found that the overall level of community welfare in Lombok can be said to be prosperous due to tourism. The significant increase in tourist visits in 2015 until 2020 has become a benchmark for increasing people's income because, with a large number of tourists' visits, people's income has also increased. Therefore, the existence of Sharia tourism, which has been planned since 2015, has positively contributed to the welfare of the community as part of the goals of regional development.



In a similar vein, Dristasto and Anggraeni (2013) also found that, in general, tourism activities in Tidung Island had a positive impact on the economic community even though the impact felt is quite small. This economic impact occurs due to the circulation of money between tourists, business units, and workers. The increasing number of tourists who come to Tidung Island affects the form of more income to the business unit.

Furthermore, Anisah and Riswandi (2015) also documented that tourism activities taking place at Lampuuk Beach in Aceh Province have an impact on the welfare of business actors which is getting better, both measured in terms of income, education, and health levels. The income of business actors in the tourist area of Lampuuk Beach has increased after being involved in tourism activities. Thus, an increase in revenue affects people's consumption behaviour. The rise in income also affects the education of the respondent's family members including an increase in the cost of expenses for children's school allowances and an increase in the number of respondents who provide additional learning outside school hours (courses) for their children. Not only that, but the rise in income is also found to affect the respondent's access to health, which includes the adequacy of the fulfilment of daily foodstuffs and an adequate source of obtaining clean water.

Ghani (2016) researched the influence of Muslims on the number of visitors. The results showed the positive impact of Muslim countries that increase the number of visitors by around 90% from non-Muslim countries. The low number of visitors from Muslim countries was due to the low income of many Muslim countries. In addition, the population of Muslim countries with high income is relatively small. The obstacle also appears from the geographic distance of Muslim countries from Malaysia.

Devi and Firmansyah (2019) identified the factors that attract Muslim tourists to the Halal tourism concept and the tourism sector. The results showed most of the customers are interested in offering the tourism Halal concept and it is the first determinant factor. Meanwhile, the second determinant is halal tourism and the third is the awareness of halal tourism.

Harahsheh, et.al (2019) investigated the Jordanian tourist perception about halal tourism with the Jordan marketing implication as to the purpose of halal tourism. The finding showed that halal tourism in Jordan is well established but



requires an improvement and higher promotion. The evaluation showed there are 14 positives and 10 negatives value of halal services

Rahmah and Tapotubun (2020) researched the development of halal tourism in Japan and German as non-muslim countries. The finding of this study presents that although there were various discourses and interests, big neoliberals' discourse, halal tourism in non-muslim countries can be understood as the hegemonic discourse that only obtains the benefit of state and market but ignores society. From this finding can be learned, Indonesia as a country with the largest Muslim population is expected to be able to develop a friendly halal tourism industry not only for tourists dan investors but also for the community as the frontline of the halal destination industry.

Rahmi (2017) evaluated the Economy of Syariah Tourism in Banda Aceh and conclude that the tourism sector development based Syariah in Banda Aceh is increasing. It is indicated by the tourism contribution sector to the economic regional sector which can be seen from PDRB structure of Banda Aceh. The synergic cooperation between the government and community is needed to create good tourism management in all supporting fields, in turn, will increase local revenue and contribute to foreign exchange increasing.

Rindrasah (2019) conduct research about post-tsunami and conflict transformation of tourism destinations; A study of halal tourism, Aceh, Indonesia that found the tsunami opened a new window for tourism by putting forward a peace agreement and followed by the implementation of Islamic law, infrastructure improvements and finally the halal tourism is emerging. It also showed how the term 'rebuild with better' can be applied in the tourism industry after natural disasters.

Mohsin, et.al (2016) in the study of the opportunity for the halal tourism market is to get the result for high Muslim population countries such as Malaysia and Indonesia, have a greater preference for being selected by Muslims around the world as halal tourism destinations. Thus, Muslims will feel more comfortable in an environment that strictly follows Islamic laws in food, clothing, and other customs. In addition, Turkey has emerged as a halal tourism destination due to its historical tolerance for religious beliefs, attracting both Muslim and non-Muslim tourists.

Subarkah (2018) discuss halal tourism as an instrument of Indonesian public diplomacy to increase tourist visitor and improve the regional economy. The



results of this study show that Indonesian public diplomacy by presenting itself as a halal tourist destination is considered successful in attracting foreign tourist visitors, especially Muslim tourists, and attracting investment, and has experienced a positive halal tourism development increase. Therefore, by increasing tourist visitors and investment it can be used to improve the economy such as West Nusa Tenggara as a halal tourist destination.

Farahani and Eid (2016) investigated tourism & pilgrimage among OKI member countries and the result that tourism and pilgrimage have terrific potential in most Muslim countries. However, generally, it is constrained by several internal and external factors that cause the industry contribution to economic growth and among Muslim unity countries to be relatively limited.

Finally, El-Gohary (2016) researched the concept of halal tourism, its roots, and principles. The findings show that Islamic Syariah has a major impact on travel and encourages Muslim tourists to be closer to God. Islam as a religion is built on five main pillars and the importance of tourism in Islam is an undeniable fact as one of the pillars of Islam (Hajj) requires every Muslim do a trip to Mecca to perform Hajj.

In general, the above-reviewed studies have investigated the contribution of the tourism sector and economy, and none of them has identified the extent to which the tourism objects have applied the concept of halal tourism. To fill the existing gaps in the literature, this study intends to measure and analyze the application of halal tourism concept, taking the cases of Tsunami Museum and the PLTD Floating Ship sites in the Banda Aceh city, Indonesia. It also attempts to measure their presence and effects on the community economic development.

The findings of the study are hoped to shed some lights for the relevant government authorities in designing proper tourism policy to promote halal tourism. Besides, the results of the study are expected to be used as a reference to enhance halal tourism to encourage community economic income further.

The rest of the study is structured in the following sequences. Section 2 reviews the previous relevant studies on halal tourism and its contribution to the economy. Section 3 provides the research methods, followed by the discussion of the findings and their implications in Section 4. Finally, Section 5 concludes the study.



LITERATURE REVIEW

Halal Tourism

Tourism is an activity that directly touches and involves the community so that it can have various impacts on society. In addition to increasing the income of the tourism community, it also improves the quality of life. It, in turns, affects multiple aspects of life, such as increasing opportunities to get a higher education, improving the quality of life of the community in obtaining better health services, as well as the socio-cultural life of the surrounding community (Riswandi & Anisah, 2015). Meanwhile the word halal (حلال) comes from Arabic which means permitted, the acceptable, concept of halal is not only related to food or food products but also covered all aspect of Muslim life (El-Gohary, 2016). Thus, halal tourism is a tour which all processes are in line with Islamic sharia values. Whether starting from his intention solely to worship and admire Allah's creation, during his journey, a tourist can perform worship smoothly. After arriving at a tourist destination, he/she does not lead to things that are contrary to sharia, eating and drinking permissible and tasty foods and drinks (*halalan thayyiban*), until his return he can increase gratitude to Allah (Bawazir, 2013).

Halal tourism can also be interpreted as an activity supported by various facilities and services provided by the community, businessmen, government, and local governments that comply with Syariah provisions. Halal tourism is used by many people because of the universal characteristics of its products and services. Tourist products and services, tourist objects, and tourist destinations in halal tourism are the same as products, services, objects, and tourism destinations in general as long as they do not be in conflict with Syariah values and ethics. Thus, halal tourism is not limited to religious tourism (Adinugraha et al., 2018). It can be concluded that halal tourism is the process of incorporating Islamic values into all aspects of tourism activities.

The government has regulated the implementation of halal tourism through the Regulation of the Minister of Tourism of the Republic of Indonesia No. 12 of 2016. The regulation states that all implementation related to the halal tourism business must follow the regulations issued by the National Sharia Council-Indonesian Council of Ulama (*Dewan Syariah Nasional-Majelis Ulama Indonesia – DSN-MUI*) No. 108/DSN-MUI/X/2016 concerning guidelines for organizing tourism based on Sharia principles, namely: (1) Availability of



worship facilities that are suitable for use, easy to reach, and meet the requirements of shariah, (2) Availability of halal food and drinks that are guaranteed halal with MUI halal certificates, (3) There are no tourism activities that lead to idolatry such as giving ritual offerings, (4) There are no tourism activities that lead to immorality, such as intimate activity between man and woman who are *non-Muhrim* (unlawful spouse), (5) Do not provide pictures/figures that point to pornography, (6) Tourist maintain cleanliness by throwing garbage to the dump and others, (7) Tourists adhere to the principles of syariah by avoiding *syirik*, immorality, ignored, and damage (*fasad*), (8) Tourists maintain the obligation of worship during their tour, (9) Tour guides understand tourism *fiqh* (such as the boundaries of men and women), (10) Tour guides are friendly, honest and responsible, (11) Tour guides have been certified as tour guides, (12) Tour guides are polite and attractive. (National Sharia Council - Indonesian Ulema Council, 2016).

Halal Tourism and Community Income

Income is defined as the total amount of money received by a person or household during a specified period (usually one year). It consists of wages, or labour receipts, income from wealth such as rent, interest and dividends, and transfer payments or receipts from the government, such as social benefits or unemployment insurance (Samuelson & Nordhaus, 1996). Meanwhile, according to Boediono (1992), income is the result of selling the production factors he owns in the production sector. Income is the value of all goods and services produced by a business entity in a certain period.

Sukirno (2006) further states that income is a remuneration received by the owner of the factors of production for sacrificing in the excellent production process. Each of the production factors, such as land receives compensation in the form of land rent, workers receive remuneration in the form of wages/salaries, capital gets a reward in the form of the capital interest, and expertise, including entrepreneurs, receives compensation in the form of profit. Thus, the income received related to halal tourism activities are expected to increase due to the presence of tourist and business-related activities surroundings the tourism sites.

Wardiyanta (2006) states that the tourism sector has a substantial multiplier effect because it does not only involves many other Industries, but it also



absorbs labour. Soekadijo (1997) explains that there are five positive impacts of tourism development. These include:

1. Contributing to the balance of payments,
2. Spreading growth to non-industrial areas,
3. Creating job opportunities,
4. Multiplier impacts, and
5. Linkage of the tourism sector to other economic areas

RESEARCH METHOD

Data

The data used in this study consisted of primary and secondary data. Direct interviews with respondents are conducted to obtain primary data by asking written questions using questionnaires to visitors, people who have business units (business actors), and workers. The question has the aim to know how many visitor expenditures, the income of business unit owner, and personnel. Meanwhile, secondary data is supporting data collected from various agencies, literature studies, or other references (journals, books, articles of previous research results, and internet searches) related to the scope of research problems.

Data collection in this study was carried out by direct observation at the Aceh Tsunami Museum and the PLTD Floating Ship sites based on the halal tourism object standards issued by the fatwa No. 108/DSN-MUI/X/2016 (DSN-MUI, 2016). Several indicators of halal tourist objects in the form of 12 statements were asked to the respondents, and the interview was conducted to identify the halal tourism objects. To measure the impact of halal tourism on community income, the multiplier value is calculated. There are three units of the study examined in this study, namely tourism visitors, business actors, and workers in the tourism sites.

Of 1243 population of the study, 93 of them were selected using the proportionate stratified random sampling method using the Slovin (1930) formula with a precision level of 10%. The respondents chosen in this study were based on a stratified proportionate random sampling, as shown in Table 1. This study selects a group of research unit based on three strata, namely business unit, employee, and visitors.



Table 1. Population and Sample

No.	Halal Object	Research Unit	Population	Sample
1.	Tsunami Museum	Business Unit	16	11
		Employee	35	18
		Visitors	750/day	21
2.	The PLTD Floating Ship	Business Unit	18	11
		Employee	24	13
		Visitors	400/day	19
Total			1243	93

Data Analysis Method

To evaluate the application of the concept of halal tourism in the Tsunami Museum and the PLTD Floating Ship sites, the observations and interviews were conducted with the tourism object management using observation sheets compiled based on the DSN-MUI fatwa regarding the provisions for implementing halal tourism. Meanwhile, to explore the impact of halal tourism on community income, the values of multiplier effects are calculated. The visitors' expenditures, as well as the flow of money in the tourism sites, results in a direct impact, an indirect impact and an induced impact on the local economy, are calculated.

The direct economic impact is obtained from the amount of income earned by local people who have business units in the Aceh Tsunami Museum and the PLTD Floating Ship tourist attractions. The indirect economic impact is derived from the amount of income earned by local workers who work in business units and tourist objects for the Aceh Tsunami Museum and the PLTD Floating Ship. An induced impact is obtained from the total expenditure incurred by local workers and business unit owners on local community business units outside the Aceh Tsunami Museum and the PLTD Floating Ship tourist attractions.

Based on META (2001), cited in Dritasto and Anggraeni (2013), in measuring the economic impact of tourism activity on the economy of local communities, two types of multipliers are calculated, namely (Norbert Vanhove, 2005):

1. Keynesian Local Income Multiplier, a value that shows how much visitor expenditure has an impact on increasing local people's income (in the form of business owners and workers).



2. Income Multiplier Ratio, a value that shows how much the direct impact felt by visitor spending has an impact on the local economy (in the form of business owner's income, labour income, and consumption expenditure at the local level).

Mathematically, these multipliers can be calculated using the following formula:

$$\text{Keynesian Income Multiplier} = \frac{D+N+U}{E} \quad (1)$$

$$\text{Ratio Income Multiplier - Type I} = \frac{D+U}{D} \quad (2)$$

$$\text{Ratio Income Multiplier - Type II} = \frac{D+N+U}{D} \quad (3)$$

where E is the total visitors' expenditure (in IDR); D is the local income obtained directly from E (in IDR); N is the local income earned indirectly from E (in IDR); and U is the local income that is obtained continuously from E (in IDR). The value of Keynesian Local Income Multiplier, Ratio Income Multiplier - Type I, Ratio Income Multiplier Type- II have the following criteria:

1. If these values are less than or equal to zero ($= 0$), then halal tourism has no impact on community income.
2. If the values are between zero and one ($0 < x < 1$), then halal tourism has little impact on community income.
3. If these values are greater than or equal to one ($= 1$), then halal tourism has a significant impact on community income.

RESULTS AND DISCUSSIONS

The application of the principles of halal tourism in the Aceh Tsunami Museum and the PLTD Floating Ship tourism sites, the principles of halal tourism issued by the DSN-MUI in 12 statements regulating the tourist destinations, tourists, and tour guides were asked to the respondents. Table 2 illustrates the respondents' perception of the halal tourism application in tourism sites.

As illustrated in Table 2, the application of the principles of halal tourism in the Tsunami Museum and the PLTD Floating Ship sites is categorized as high, with 83% for the Tsunami Museum and 92% for the PLTD Floating Ship tourism



sites, respectively. Two things did not fulfil the principles of halal tourism as stipulated by the DSN-MUI at the Tsunami Museum tourist attraction. These include the presentation of pictures/figures and miniatures with open body parts, including genitals. Besides, there are non-blood-related (*non-muhrim*) youths who conducted immoral behaviour in tourist objects. They were sometimes holding hands and sitting close together without being separated by men and women in the theatre room in a dimly lit room when the lights were turning off while watching a tsunami documentation film. These acts and behaviours violate the principles of halal tourist objects. The same thing is also found in the PLTD Floating Ship tourism object, where many *non-muhrim* youths have a wrong attitude, such as dating and displaying indecent behaviours.

Table 2. Recapitulation of Halal Tourism Object

Tourism Object	Response		Percentage	
	Yes	No	Yes	No
Tsunami Museum	10	2	83	17
The PLTD Floating Ship	11	1	92	8

Source: Primary Data Processed (2020)

Chi-Square Test of Respondent Characteristics

Chi-square test is one type of non-parametric comparative analysis that is carried out on two variables, in which the data scale of the two variables is nominal. If of two variables, there is one variable with a nominal scale, then a Chi-square test is carried out by referring that the test at the lowest degree must be used. Table 3 illustrates the results of the Chi-square test of the characteristics of the respondents in this study.

Table 3 shows that the characteristics of visitors that have a direct relationship are those that have a Pearson Chi-Square significance value below 10%, namely education with income, age with income, age with expenditure, residence with expenses, marriage with income and work with expenses. For the Chi-square test, the characteristics of business unit actors that have a direct relationship are education with income, type with income, type of business with expenditure, length of business with income and length of business with expenditure. Meanwhile, the Chi-square test for labour characteristics has a direct relationship, namely age with income, age with expenditure, marriage with expenses and place of work with expenses.



Table 3. Chi-Square Crosstab Analyses based on Characteristics of Visitors, Entrepreneurs, and Employees in the Halal Tourism Objects

Respondent Characteristics	Pearson Chi-Square (P-value)		
	Visitors	Entrepreneurs	Employees
Education*Income	0.099*	0.087*	0.715
Education*Expenditures	0.541	0.406	0.147
Age* Income	0.000***	0.642	0.000***
Age* Expenditures	0.014***	0.400	0.082*
Residence* Income	0.360	0.653	0.499
Residence* Expenditures	0.099*	0.452	0.898
Marital Status* Income	0.000***	0.653	0.202
Marital Status* Expenditures	0.148	0.452	0.002***
Occupation* Income	0.158	-	-
Occupation* Expenditures	0.014***	-	-
Business Type* Income	-	0.010***	-
Business Type* Expenditures	-	0.003***	-
Years of Business*Income	-	0.011***	-
Years of Business*Expenditures	-	0.081*	-
Workplace*Income	-	-	0.496
Workplace*Expenditures	-	-	0.060*

Source: Primary Data Processed (2020).

Note: *** and * indicate significance at the 1% and 10% levels, respectively.

Halal Tourism and Its Impact on Community Economy

The Aceh Tsunami Museum and the PLTD Floating Ship tourist attractions were built to commemorate the 2004 tsunami tragedy and become a learning destination for future generations. During the tsunami tragedy, the quake caused the ocean floor to suddenly rise by as much as 40 meters, triggering a massive tsunami. Within 20 minutes of the earthquake, the first of several 100-foot waves hit the shoreline of Banda Aceh, killing more than 100,000 people and pounding the city into rubble.

Several years after the Indian Ocean tsunami hit hardly the Banda Aceh city, the local government has also launched a flagship program to attract visitors, including Aceh halal tourism so that the number of tourist visits continued to experience from year to year. The tourism objects of the Aceh Tsunami Museum and the PLTD Floating Ship is expected to have an economic impact on the surrounding community. These economic impacts can be direct, indirect and induced. This secondary impact can be interpreted as continued local economic activity from additional local community income. The economic implications arising from tourism activities can be viewed from the overall expenditure of tourists for accommodation, consumption (both consumption



from home and at tourist sites), travel costs to tourist sites, purchasing souvenirs, and other expenses.

The economic impact of tourism activities is generally measured from the overall expenditure of visitors when visiting a tourist location. These economic impacts are divided into three categories, namely direct, indirect, and subsequent or induced impacts. The economic effects of the Aceh Tsunami Museum and the PLTD Floating Ship tourist attractions are reported in Table 4.

Table 4. The Economic Impacts of Halal Tourism Objects of Tsunami Museum and the PLTD Floating Ship (in IDR)

	Direct Impact	Indirect Impact	Induced Impact
Mean	576,50000	79,783	219,302
Median	360,000	95,000	75,000
Maximum	130,0000	200,000	1,000,000
Minimum	70,000	30,000	15,000
Std. Dev.	395,065	36,259	283,997
Skewness	0.7199	1.2292	1.7419
Kurtosis	2.0698	6.4001	4.7701
Jarque-Bera	2.4488	16.8707	27.3595
Probability	0.2939	0.0002	0.0000
Sum	11,530,000	1,835,000	9,430,000

Source: Primary Data Processed (2020).

The direct economic impact of activities at the Aceh Tsunami Museum and the PLTD Floating Ship tourism objects comes from economic activities that occur between visitors and communities who have business units at tourist sites (Dritasto & Anggraeni, 2013). With the existence of a business unit at a tourist location, it is beneficial for visitors to meet their needs while in the tourist attraction. The direct economic impact can be measured through the income of the business unit in the tourist attraction. The average salary of the business unit from visitor expenses at the Aceh Tsunami Museum and PLTD Floating Ship was IDR576,500. This figure means that people who have a business unit in the tourist attraction have experienced a direct impact of IDR576,500.

Meanwhile, the indirect economic impact can be seen from the salaries or wages received by workers at the location of the Aceh Tsunami Museum and the PLTD Floating Ship tourism sites (Dritasto & Anggraeni, 2013). The existence of tourist objects would indirectly open up employment opportunities



for people around tourist sites, which in turn reduce unemployment. The average salary or wages received by workers at the Aceh Tsunami Museum tourist attraction was IDR7,9782 per day or IDR2,280,000 per month.

Finally, the induced economic impact is the income earned by the community around the location of the tourist attraction based on the expenses incurred by the workforce working in the business unit in the Aceh Tsunami Museum and the PLTD Floating Ship tourism sites (Dritasto & Anggraeni, 2013). Expenditures from labour are, generally, used for children's school fees, electricity costs, health costs and meeting daily needs in local community business units around tourist objects. The average expenditure for labour and business units at the Aceh Tsunami Museum and Floating PLTD Ship tourism sites was IDR219,302 per day.

The results of this study are in accordance with the findings of Felyana's research (2019) presented the development of *halal* tourism objects on the PLTD Floating Ship also has an impact on increasing the income of traders who are in the *halal* tourist area. This is evidenced by the increasing income range of traders from 2015-2017, both souvenirs merchants, food, and kiosks. Another finding is found in the research of Ramadhany and Ridlwan (2018) showed that the overall level of welfare of the people in Lombok can be said to be prosperous. The significant increasing visits to tourists in 2015 until now have become a benchmark for increasing people's income because the larger number of tourists visiting, people's income also increased. Therefore, the implications of the existence of Syariah tourism which has been planned since 2015 have good implications for the welfare of the community which is one of the regional development goals.

Similarly, Anisah and Riswandi (2015) stated that tourism activities that take place at Lampuuk beach have an impact on the welfare of business doers is getting better. It is measured in terms of income, education, and health levels. The income of businesspeople in Lampuuk Beach tourism area has increased after being involved in tourism activities. Therefore, income increasing can affect people's consumption behavior. This aspect also has an influence on education which in the respondent's family members including an improvement in the cost of expenses for their children and additional learning outside the school (courses) for their children



Values of Halal Tourism's Multiplier Effects

The value of the multiplier effect is a value that indicates the extent to which visitor spending would stimulate further expenditures, which in turn caused an increase in local economic activity. There are two multiplier values in measuring the economic impact of tourism activities at the local level. Firstly, the Keynesian Local Income Multiplier, which shows how much visitor expenditure affects increasing the income of local people who have business units in tourist areas. Secondly, the Income Multiplier Ratio, which shows how much the direct impact of visitor spending affects the overall local economy (META-Project, 2001).

Table 5 reports the values of the multiplier effects of halal tourism activities at the Aceh Tsunami Museum and the PLTD Floating Ship tourism objects.

Table 5. Multiplier Value of Halal Tourism Objects, Tsunami Museum and the PLTD Floating Ship

Multiplier	Multiplier Value	
	Tsunami Museum	The PLTD Floating Ship
Keynesian Income Multiplier	2.04	1.58
Ratio Income Multiplier (Type I)	1.17	1.06
Ratio Income Multiplier (Type II)	1.44	1.17

Source: Primary Data Processed (2020).

As illustrated in Table 5, the value of Keynesian Local Income Multiplier at the Aceh Tsunami Museum was 2.04. This finding means that every increase in visitor spending by IDR1 has an impact on the local income of IDR2.04. Meanwhile, the value of Keynesian Multiplier Local Income on the PLTD Floating Ship was 1.58, meaning that every increase in visitor expenditure of IDR1 caused an increase in the income of the local community by IDR1.58.

Furthermore, the value of the Type I Multiplier Income Ratio at the Aceh Tsunami Museum was 1.17, meaning that every increase in visitor spending by IDR1 resulted in an increase in community income by IDR1.17. Meanwhile, the Type I of Multiplier Income Ratio value on the PLTD Floating Ship was 1.06, meaning that every increase in visitor expenditure by IDR1 resulted in an increase in community income by IDR1.06.



As for the Type II of Income Multiplier Ratio, the study found the value of 1.44 for the Aceh Tsunami Museum, meaning that every increase in visitor spending by IDR1 caused a rise in community income by IDR1.44. Meanwhile, the Type II of Multiplier Income Ratio value on the PLTD Floating Ship was 1.17, meaning that every increase in visitor expenditure by IDR1 resulted in an increase in community income by IDR1.17.

From the overall analysis of the multiplier number of activities in the two tourist objects, it is safely concluded that the multiplier values in the Aceh Tsunami Museum were higher than the PLTD Floating Ship tourism object. This finding is simply due to the volume of tourist visits at the Aceh Tsunami Museum was higher than the PLDT Floating Ship tourism objects. Additionally, the tourism support facilities and infrastructure are more well-equipped at the Aceh Tsunami Museum than those on the PLTD Floating Ship tourism sites. These findings imply that to enhance the impact of halal tourism on community economy; the halal tourism site should be made more attractive, supported by well-equipped facilities and infrastructures.

CONCLUSION

This study measured and analyzed the application of the halal concept in tourism attractions of the Tsunami Aceh Museum and the PLTD Floating Ship (*Kapal Apung PLTD*) sites in the Banda City, Indonesia. It also attempted to measure the contributions of halal tourism to the economy, measured by their multiplier effects. Majority of the respondents perceived that the tourist attractions of the Tsunami Aceh Museum and the PLTD Floating Ship had implemented the halal tourism concept. In addition, the study also found that those halal tourism objects have contributed to the enhancement of the community's economic development, indicated by the Keynesian Local Income Multiplier and Ratio Income Multiplier of greater than one.

However, comparing the values for the multiplier effects in the two tourist objects, the finding showed that the presence of the tsunami museum tourism object contributed a more significant impact on community economy than those of the PLTD Floating Ship tourism sites. This empirical finding is due to well-equipped tourism facilities available in the tsunami museum area. Based on these findings, the study recommends that to enhance further the community income surrounding the halal tourism objects, the halal tourism facilities should be well-equipped, and its surrounding environment should be made conducive.



To provide a more comprehensive finding on the issue of halal tourism and its impact on economic development, future studies could incorporate more halal tourism sites nationwide. Considering more respondents into the survey, covering more halal tourism stakeholders would also improve the findings on the halal tourism-related topic.

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