

The need for social theology to strengthen the social functions of Islamic banking in Indonesia

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This study is based on the objective conditions of Islamic banking in Indonesia, which have not carried out their social functions optimally. Based on reports from the financial services authority, Indonesia bank and several related research, the efforts to optimise the social function of Islamic banking still encounters several problems related to the distribution of banking funds that are more focused on business interests, lack of real business run by Islamic banks, customer funds that are mostly deposited in Indonesia bank and have not been distributed to the real sector effectively, to banking activities by referring to the capitalistic economic paradigm and not fully referring to sharia guidelines. The results of the study of documents, literature and actual phenomena using descriptive and holistic analysis methods indicate that the degradation of the social function of Islamic banking appears as a result of a lack of understanding of the concept of Islamic economics based on the construction of Islamic social theology. The lack of understanding of banking management towards Islamic social theology has created a gap between the practical and conceptual sides of Islamic social theology, which in turn has an impact on the lack of social commitment from related parties in the implementation of Islamic banking activities. Strengthening the practical side of Islamic social theology is a necessity to overcome the existing problems.

Contribution: The article contributes to the discourse on the application of Islamic social theology to Islamic banking practices. It aims to contribute to theological thought in Islam in order to strengthen the social function of Islamic banking, by focusing on the main objective of Islamic economics: *al-falah* or the achievement of spiritual and material prosperity.

Keywords: *falah*; Islamic banking; Islamic laws; justice; prosperity; Sharia; social function.

Introduction

The presence of Islamic banks in Indonesia is basically to meet the demands and needs of the community, especially those who are Muslim, regarding financial facilities and financial instruments that may be accessed and used by the community in accordance with sharia provisions and norms. Therefore, since its presence in the 1990s, with the emergence of Muamalat bank in 1991, the Islamic banking industry in Indonesia continues to undergo significant developments, which shows that the Islamic banking industry is not only here to meet the needs of the people but also has great business potential (Antonio 2006:23; Wiroso 2009:48).

Based on data from the financial services authority, by the end of 2020, it was recorded that the Islamic banking industry already had 14 sharia commercial banks, 20 sharia business units and 163 sharia rural banks, with total assets that are very significant as may be seen as follows:

Data released by the financial service authority regarding the general condition of Islamic banking at the end of 2020 showed positive growth from the Islamic banking industry in Indonesia, especially as seen from the increase in the Capital Adequacy Ratio for Islamic or sharia commercial banks by 105 units to 21.64%. The same condition may also be seen from the growth of the intermediation function, in particular from the value of disbursed financing and third-party funds, which are 8.08% and 11.98%, respectively. During the coronavirus disease 2019 (COVID-19) pandemic, which caused a decline in economic activity in the community, Islamic banking actually recorded consistent asset growth, which was 13.11%. This value is even higher than that of conventional banking that only recorded an asset growth value of 6.74%. The growth of Islamic banking deposits during the pandemic also recorded a stable value, which was 11.98% and higher than conventional banking at 10.93% (Financial Service Authority 2020a:12, 2020b:17; Indonesia Bank 2020:2).

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The growth and development of Islamic banks show that the existence of Islamic banks has a strategic value in helping to achieve the welfare and economic stability of Muslims in Indonesia. This is also in line with the purpose of implementing sharia economics in society as an economic order that prohibits the practice of usury (*riba*), gambling (*maysir*), uncertainty (*gharar*) or financial practices that are not in accordance with Islamic teachings (*haram*) (Ayub 2007:43; Darmalaksana 2015:98; Rahman 2010:144). In the 2015–2019 Indonesia sharia banking roadmap report, the Islamic economic principles that form the basis for sharia banking have four main foundations as follows: *firstly*, faith (*akidah*) that raises an awareness that every human activity has divine accountability; *secondly*, sharia principles (Islamic law related to *muamalah* in the economic field) that guide economic activities in accordance with sharia guidelines; *thirdly*, Islamic brotherhood (*ukhuwwah*) in business relations to achieve mutual success and *fourthly*, moral teachings in Islam (*akhlak*) that guide economic actors to always prioritise virtue in achieving goals (Financial Service Authority 2015:7).

The foundation of sharia economy is then strengthened by the three main pillars of sharia economy as follows: (1) Justice (*adalah*). Economic activities must be carried out to provide justice to the community by avoiding exploitative, speculative and excessive hoardings and refraining from unproductive and arbitrary behaviour; (2) balance (*tawazun*). Economic activities must be carried out to achieve a balance between the real-financial sector, risk-return management, business and social responsibility aspects, spiritual and material welfare, resource utilisation and sustainability and (3) goodness (*maslahah*). Various activities in the sharia economy are carried out by emphasising aspects of the common good (*maslahah*). The aspect of the common good (*maslahah*) also refers to the main objectives of sharia (*maqashid al-syariah*), which include: protecting religion, protecting the soul, maintaining reason, maintaining the regeneration of offspring, and safeguarding wealth assets. While the main objective of the Islamic economy that is the basis for the practice of Islamic banking is *falah* or the welfare of the people, that is, both material and spiritual welfare (Financial Service Authority 2015:7).

Sharia banking activity is one of the economic activities regulated in sharia, especially in the study of Islamic *muamalah*. The regulation of Islamic banking institutions is based on the rules of *ushul fiqh* that states that a complementary requirement is also considered obligatory (ما لا يتم الواجب إلا به فهو واجب). All parties involved in banking practices and/or using the Islamic banking system for financial transactions must maintain their behaviour and intentions so as not to cause harm to others. This is intended as a form of obedience to one of the principles in the important aspect of *muamalat*: the *adamul gurar* principle. This principle is a continuation of the *antaradin* principle, which means that in every *muamalat*, there should be no *gurar* or practice that causes one party to feel that the other party has harmed.

In the rules of *ushul fiqh*, it is stated that people should not do anything that endangers themselves or others (لا ضرر ولا ضرار) (Antonio 2006:36; Darmalaksana 2015: 115–116, 387).

Islamic banks, in practice, have various units (see Table 1) and products for raising funds and distributing funds to the entire community, especially their customers in accordance with sharia provisions. Some of the main products of the distribution of funds, in this case, are carried out by adhering to certain principles, such as *salam* and *itishna*, *murabahah*, *mudharabah*, *musyarakah*, *ijarah* and *qardh*. In the process of distributing these funds, Islamic banks also carry out their social functions, especially in the type of distribution of funds in the form of *qardhul hasan* such as *zakat*, *shadaqah* and *infaq* (Antonio 2006:73; Wiros0 2009:109). The distribution of funds for the good is part of the efforts of Islamic banking in achieving *falah* conditions or the achievement of the social welfare goals for the people both materially and spiritually (Financial Service Authority 2015:8–10).

The existence of Islamic banking institutions not only has a theological mission as the enforcement of sharia values or Islamic teachings in various banking financial activities, but also has a social mission to help the community to achieve economic prosperity. Islamic banking, in other words, not only serves as a solution to build community economic practices based on sharia, but also to assist the community in distributing resources equitably for the better welfare of the community (Muslims). This is in line with the word of God in az-Zukhruf verse 32, which Allah has created social stratification so that humans help each other and work together to meet their needs. Therefore, the main services of Islamic banking, both related to aspects of fundraising and distribution of funds, are carried out with the intention and commitment to help others based on sharia principles (*adalah*, *tawazun*, *maslahah*, *ukhuwwah* and others) (Asutay 2012:95; Darmalaksana 2015:145–149).

However, in the practice of Islamic banking, especially if one looks at the practice of distributing funds carried out by various Islamic banks today, there are some interesting facts such as follows: first, referring to the report on the distribution of Islamic banking funds issued by Indonesia bank, it is known that there are fluctuations in the nominal of *qardhul hasan* (*zakat*, *shadaqah*, *infaq*) issued by Islamic banks, Secondly, Islamic banks tend to carry out financial

TABLE 1: Islamic banking indicators 2020.

Banking industry	Number of institutions	Number of offices	Asset (trillion)	Disbursed financing (trillion)	Third-party funds (trillion)
Sharia commercial banks	14	2.034	397.07	246.53	322.85
Sharia business units	20	392	196.88	137.41	143.12
Sharia rural banks	163	627	14.95	10.68	9.82
Total	197	3.053	608.90	394.63	475.80

Source: Financial Service Authority, 2020b, *Statistik Perbankan Syariah*, viewed 13 December 2021, from <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/statistik-perbankan-syariah/Documents/Pages/Statistik-Perbankan-Syariah---Januari-2020/SPS%20Januari%202020.pdf>

transactions or distribution of funds that are considered the safest and most profitable for the bank. Therefore, *musyarakah* or *mudharabah* transactions as transactions that are most in accordance with sharia principles, are rarely carried out. This is because these two forms of transactions do not provide guarantees and certainty of refunds by customers to the Islamic bank. Thirdly, there are several cases of transactions with sharia contracts, but they are carried out with conventional transaction patterns (Arshad, Yusoff & Tahir 2015:221–222; Indonesia Bank 2020:82; Iswanaji 2018:103; Saputro, Rois & Al-Bazi 2018:132–135). Several facts related to Islamic banking services basically not only indicate certain problems in the efforts of Islamic banking to apply Islamic values or teachings as a whole in banking services, but also indicate that Islamic banking has not been able to carry out its social functions optimally.

The study conducted by Hameed et al. (2004:21–23) regarding the performance of Islamic banking in two countries, namely Malaysia and Bahrain, using the Islamic Disclosure Index and Islamic Performance Index, shows that there are differences in terms of compliance with the established indicators. Bahrain Islamic Bank (BIB) and Bank Islam Malaysia Berhad (BIMB), for example, have not been able to meet several indicators of sharia compliance, such as providing data related to the source and use of *qardh* funds, providing data on sources and uses of *zakat* and charity funds, fulfilling the appointment of Shariah Supervisory Board (SSB), as well as a valued-added statement. In the Social/environment index aspect in particular, with indicators related to energy saving (using social responsibility accounting), community relations, employee issues and compliance with regulations and permits, both banks also failed to fulfill obligations related to employees issues and environmental issues.

Several other studies related to the performance of Islamic banks in 25 countries (Ahmad & Noor 2011:228–232), Indonesia and Malaysia (Buana, Hudaefi & Caraka 2020:7–16), Pakistan (Usman & Khan 2012:253–256), Bahrain, Saudi Arabia, United Arab Emirates, Singapore and Brunei Darussalam (Muhammad & Triharyono 2019:82–85), India (Kuppusamy, Saleh & Samudhram 2010:41–48), Turkey (Dincer et al. 2011:1533–1543), Bangladesh (Islam & Kassim 2015:93–105) shows that Islamic banking does not yet have a truly sharia-based performance appraisal system (using sharia *maqashid* measures) that focuses on benefit and community welfare. Islamic banking in these countries mostly uses a strategy that focuses on the capital adequacy ratio, earnings and liquidity, while reducing its social function with considerations of prudence and business resilience. Similar conditions are also shown in the studies of Asutay (2012: 100–110) or Shinsuke (2012:124–131), which show the failure of Islamic banking institutions to build and apply an Islamic moral economy because they have to meet the demands of the conventional economy and transform into commercial banking. Other studies also show the failure of Islamic banking institutions in various countries in

initiating CSR practices outside the distribution of *zakat* and non-systemic charity activities that may be seen as a lack of social commitment of Islamic banking institutions (Al-Sabti 2011; Dusuki 2007:42–48; Haniffa & Hudaib 2007:104–114; Hassan et al. 2010:59–63; Hidayat 2011:12–17).

Some of these examples indicate a shift in the socio-religious orientation of Islamic banking to merely a business orientation on Islamic banking practices. The social mission of Islamic banks to build a sharia-based economy (Islamic teachings) and achieve *falah* or social welfare of Muslims both materially and spiritually seems to be an empty mission that is not found in the actual practice of Islamic banking. Financing practices carried out by Islamic banking ironically deny the values of social theology from the existence of Islamic banks themselves. Therefore, apart from various economic and business considerations required by Islamic banking institutions to survive, it is necessary to strengthen the socio-theological aspects of the practice and development of Islamic banks in the future.

This study seeks to examine the theological foundations in the implementation of various Islamic banking practices and services, and specifically highlights the degradation of the social function of Islamic banking in the distribution of funds to improve social welfare. The author will also examine the 2015–2019 sharia banking roadmap issued by financial service authority in this study, as a guide for the implementation of Islamic banking, in order to find the source of the problems that trigger the degradation of the social function of the Islamic bank.

Theory

Theology is basically the study of God. In its classical sense, theology is the study of reasoning and the presentation of rational arguments regarding faith and religious principles. Various topics of discussion in theological studies, whether about God, prophets, scriptures, or eschatological topics are expected to provide information, explanations, and strong evidence for the truth of religious doctrines, as well as overcome doubts and questions that are able to reduce the defence of the faith (Badawi 1996:7; Ibn Khaldun 2004:205). Social theology in this case is a discourse about God whose focus is extended to the social dimension of faith in God. Social theology means the study of the application of social values from religious messages or teachings in real life. Social theology that emphasises the importance of the social dimension of religion is not a substitute for conventional theology that focuses on the divine dimension but is an extension of theological teachings by focusing on the benefits of religious teachings for actual life (Ibrahim 2014:4–5). More specifically, Islamic social theology is a branch of theology that seeks to confirm the theological position on various social issues that arise while trying to explain the function of Islamic doctrinal teaching in social life (Yekta & Allahbedashti 2020:156). Referring to the statement of Motahari (2010:116), a contemporary scholar: *'Islamic rules are social in nature. Even in the most individual rules, such as prayer and fasting, there is a*

social concern'. In other words, the social context for Islamic theology covers all dimensions of common life, as *muamalah* principles that have been established in various Islamic doctrines that have intrinsic social value. In this study, the social context is the practice of *muamalah* in the service of Islamic banking institutions.

Islamic or sharia banking is a financial institution that carries out business activities in the financial sector by adhering to the principles and provisions of sharia or Islamic teachings. Various business activities carried out by Islamic banking institutions must be based on sharia provisions or Islamic teachings. Islamic banking institutions, in carrying out their various financial transactions, must avoid prohibited elements, such as: interest (*usury* or *riba*), gambling (*maysir*), uncertainty (*gharar*), and falsehood (things that violate sharia provisions or *bathil*). The existence of Islamic banking is not only to carry out financial functions through the practice of collecting and distributing funds based on sharia principles but also has a certain socio-religious mission that focuses on improving the welfare of Muslims (Ayub 2007:445; Darmalaksana 2015:98–99; Financial Service Authority 2015:9; Kitamura 2021:246).

Sharia or Islamic banking is carried out by referring to the postulates of Islamic theology of economy, which are as follows: (1) Everything in the heavens and the earth, according to Islamic teachings, belongs to Allah. The treasures that exist among humans essentially belong to Allah, where humans only hold the trust. Human property rights are relatively regulated through worldly institutions, such as the State and Government. Absolute property rights only belong to Allah; (2) Allah created the heavens and the earth and everything in it to meet the needs of human life. All human needs have been provided by God, but greed and conventional ownership systems make existing resources to be distributed unfairly, resulting in a scarcity of resources on the one hand and a surplus on the other. Therefore, the application of a sharia economic system based on justice (*adalah*), brotherhood (*ukhuwwah*), balance (*tawazun*) and benefit (*maslahah*) is important for the distribution of resources and ownership in order to realise social welfare; (3) Islam teaches its adherents to acquire wealth through commerce in lawful and good ways, not through false, unjust methods and/or practices that involve gambling (*maysir*), interest (*riba*), uncertainty (*gharar*) and other prohibited elements (*haram*); (4) Islam forbids its adherents to accumulate wealth and live a life of boasting while forgetting the obligation to help others. Because this kind of attitude can lead to social inequality, social class gaps and conflicts in society; (5) Islam teaches that in every property obtained or owned, there are other rights that must be fulfilled through *zakat*, *shadaqah* and *infaq*; (6) All forms of financial and economic transactions in general are permissible in Islam, as long as there is no evidence (*dalil*) that prohibits it or violates certain principles that are the core of Islamic law and (7) The state or government has the right to control the supervision of the distribution of goods and services, market mechanisms and prohibit monopolistic

practices (Asutay 2012:99; Ayub 2007:77; Darmalaksana 2015:108–109).

Several previous studies have shown that Islamic banking has carried out its social function. However, this function is limited to product distribution of funds for virtue in the form of *zakat*, *shadaqah*, *infaq* and other form of *qardhul hasan*, with a fluctuating nominal and is mostly distributed through existing of *Amil Zakat* institutions (not channeled directly to the community). The results of the sharia banking report show that there is an increase in the economic value and resilience of the sharia banking business, but it is also accompanied by several problems such as follows: (1) the level of public literacy is still low in understanding the functions and products of sharia banking; (2) the potential for developing Islamic banks is broad but has not been utilised to its full potential; (3) misalignment of vision and lack of coordination between the government and other financial authorities in the development of Islamic banking; (4) insufficient capital, low efficiency and limited financing segment; (5) products that are not varied and services that do not meet the expectations of the community; (6) inadequate quality and quantity of human resources and information technology that has not been optimised for the development of sharia banking services and (7) the regulation and supervision of the distribution of funds that are not yet optimal and are still business-oriented, not *falah*-oriented yet (social welfare) (Arshad et al. 2015:221–223; Asutay 2012:100–103; Dusuki 2007:34–37; Financial Service Authority 2015:3–4; Indonesia Bank 2020:2–3; Iswanaji 2018:102–104; Kitamura 2021:257).

Method

This study is a qualitative study with a descriptive-holistic method to describe the themes studied comprehensively. The researcher hopes that through this method, the study conducted can get a complete picture, depth of meaning, concepts, understanding and explanations related to Islamic banking social theology (Creswell 2014:37–39; Walliman 2011:15). Sources of data used in this study are various documents related to official institutional reports on the condition of Islamic banking, such as Indonesia bank, the Financial Services Authority, or reports from Islamic banks in Indonesia, previous research results, as well as Islamic theology and Islamic economics literatures. The research procedures carried out are as follows: (1) reading and describing the phenomenon of Islamic banking by focusing on the implementation of the social functions of Islamic banking; (2) study of documents and related literature; (3) analysis and interpretation of study findings and (4) reporting of study results.

Results and discussion

Theological basis of Islamic banking

Law No. 21 of 2008 concerning Islamic banking states that Islamic banking is a bank that carries out its business activities

based on sharia principles. Based on the type of business, Islamic banking consists of sharia commercial banks and sharia rural banks. The difference between the two is that Islamic commercial banks are Islamic banks that in their activities provide services in payment or financial traffic. Meanwhile, sharia rural bank is a sharia bank that in its activities does not provide services in payment traffic. Based on the normative definition of the Act, it can be understood that Islamic banks are banks that operate in accordance with sharia principles or Islamic teachings, especially with reference to the provisions contained in the Qur'an and the Prophet's Hadith. In this case, the sharia provisions refer to the way of *muamalah* in Islam, especially in an economic context that avoids prohibited practices, such as interest (*usury* or *riba*), gambling (*maysir*), uncertainty (*gharar*) or any practices that are not in line with Islamic teachings (*haram*) (Darmalaksana 2015:98–99; Financial Service Authority 2015:9).

Sharia principles or provisions that serve as guidelines for sharia banking institutions, as explained in Law No. 21 of 2008, are as follows: Sharia principles are principles of Islamic law in banking activities based on *fatwas* issued by institutions that have the authority to issue religious *fatwas*. The report on the Basic Framework for Sharia Accounting, which was prepared by the Financial Accounting Standards Board (Indonesian Accountants Association), the National Sharia Council, Indonesia bank, the Ministry of Finance and practitioners, explains that sharia is a provision of Islamic law that regulates human activities that contain commands and prohibitions, both concerning vertical interactions with God and horizontal interactions with fellow creatures. Generally accepted sharia principles in *muamalah* activities (sharia transactions) are legally binding for all banking actors and stakeholders who conduct sharia transactions. While *akhlak* is ethical guide that contains moral values in the interaction of fellow creatures so that the relationship becomes mutually beneficial, synergistic and harmonious (Dewan Syariah Nasional, Majelis Ulama Indonesia & Bank Indonesia 2006:9; Wiroso 2009:47).

In essence, these provisions emphasise that Islamic banks in their business practices are not only concerned with human relations, which are horizontal relationships (*mu'amalah ma'a al-khalqi*) but must also be addressed with steps and evidence of human devotion to Allah in carrying out all His rules, which are vertical relationships (*mu'amalah ma'a al-khaliq*). If the actors of Islamic banking think that vertical relationships are unimportant or mere matters of the hereafter, then this means that it has nothing to do with *muamalah* anymore but is related to one's *aqidah*, morals and faith. Therefore, the existence of Islamic banks is actually part of the implementation of Islamic economics widely in society.

Islamic banking is carried out by referring to the postulates of Islamic economic theology, which are as follows:

- *Firstly*, everything in the heavens and on earth, according to Islamic teachings, belongs to Allah. The assets owned

by humans are essentially the property of God, where humans only hold the treasures that God has entrusted to them. This teaching can be found in some of Allah's words in the Qur'an, such as al-Baqarah: 288; Ali Imran: 109, 129, 180, 189; an-Nisa: 131, 132; al-Maidah: 17, 18, 120; al-An'am: 12; at-Taubah: 116; Yusuf: 68; Ibrahim: 23 and others. Here is an example of Allah's words confirming that everything in the heavens and on earth belongs to Him: '*...He is the Most Rich; To Him belongs whatever is in the heavens and what is on the earth. You have no solid reason for this. Is it right for you to say about Allah that which you do not know?*' (Yunus: 68).

- *Secondly*, Allah created the heavens and the earth to meet the needs of human life. This is based on the word of Allah in the Qur'an that states: '*Believe in Allah and His Messenger and spend part of your wealth which Allah has lent you*' (al-Hadid: 7). All human needs have been provided by God, but greed and conventional ownership systems make existing resources to be distributed unfairly, resulting in a scarcity of resources on the one hand and a surplus on the other. Therefore, the application of a sharia economic system based on justice (*'adalah*), Islamic brotherhood (*ukhuwwah*), balance (*tawazun*) and goodness or benefit for all (*maslahah*), is important for the distribution of resources and ownership in order to realise social welfare (*falah*).
- *Thirdly*, Islam is a teaching that encourages its adherents to work diligently and acquire wealth in good and lawful ways, not through bad or evil ways that harm others. Therefore, the practice of financial transactions that contain elements of gambling (*maysir*), interest (*riba*), and uncertainty (*gharar*), is a forbidden practice (*haram*) in Islam. This provision is based on the word of Allah in the Qur'an which states: '*O you who believe, do not eat each other's property in a vanity way, except by way of commerce which is carried out with mutual consent between you. And do not kill yourselves; Verily Allah is Most Merciful to you*' (an-Nisa: 29). Another evidences may also be found in the hadith of the Prophet which states: '*The Messenger of Allah was asked, "What is the best job? The Prophet replied, "A person's work with his own hands and every sale and purchase in a good way (mabrur)"*' (narrated by Ahmad ibn Hanbal).
- *Fourthly*, Islam forbids its adherents to accumulate wealth and live a boastful lifestyle while forgetting the obligation to help others in need. Such attitudes and lifestyles that are prohibited by Islam may lead to social inequality, widening social class gaps and conflict in society. This teaching is also contained in the word of Allah in the Qur'an which states: '*And those who store gold and silver and do not spend them in the way of Allah, then inform them, (that they will have) a painful torment, on the Day of Judgment. heated the gold-silver in the Hell of Jahannam, then burned with it their foreheads, sides and backs (then it was said) to them: "This is your treasure that you keep for yourself, so feel now (the result of) what you save it"*' (at-Taubah: 34–35) and his word which states: '*Woe to every slanderer and slanderer; Who collects treasure and calculates it. He thought that his treasure could last him. Never! Surely he will be thrown into the Hell of Huthamah*' (al-Humazah: 1–4).

- *Fifthly*, Islam teaches its adherents that in every property obtained or owned, there are other people's rights that must be fulfilled through *zakat*, *shadaqah* and *infaq*. This is based on the word of Allah in the Qur'an which states: 'Take zakat from their wealth, to cleanse and purify them, and pray for them. Verily, your prayer (grows) peace of mind for them. Allah is All-Hearing and All-Knowing' (at-Taubah: 103). Doing social virtues in the form of *zakat*, *shadaqah*, *infaq* and other forms of distribution of wealth has theological value as self-purification and *amanah* (wealth) entrusted by Allah to humans.
- *Sixthly*, Islam allows various forms of financial transactions, as long as there are no violations of certain sharia principles in these financial transactions, or as long as there is no evidence that prohibits them. This provision is based on one of the rules of *ushul fiqh* which states that: 'Everything in *muamalah* is basically permissible, unless there is a proof that forbids it' (الأصل في المعاملة الإباحة إلا ما دل الدليل على تحريمه). Theologically, Islam does not forbid its adherents to use the resources given by Allah to obtain certain benefits and wealth in their lives. However, Islam also provides guidance to its adherents on how to use wealth and practice *muamalah* in accordance with Islamic values and teachings. Prohibition for certain activities, such as *usury* transactions, gambling and others, all of which have always contained wisdom and *maslahah* for humans.
- *Seventhly*, Islamic banking is based on ethical principles and Islamic ontological values. Therefore, the practice of funding and investing must be carried out ethically, especially by prioritising the practice of asset-based financing, not debt-based.
- *Eighthly*, Islamic banking institutions are socially oriented institutions. Its main purpose is to serve the community, rather than to serve the market. Within this framework, various instruments for reducing poverty and social inequality are an inherent part of Islamic banking institutions (Asutay 2012:99; Ayub 2007:21–25; Darmalaksana 2015:108–109; Iqbal & Molyneux 2005:5–7).

Some of the postulates taken from the Qur'an and the Hadith of the Prophet mentioned above become the theological foundation for the building of Islamic economics and various economic practices in it, including Islamic banking. What can be understood from these postulates is that the existence of Islamic banking institutions is an effort to implement Islamic teachings as a whole in life (*kaffah*), especially in the context of financial transactions in the midst of the conventional financial system that provides space for elements that are prohibited in Islam and contain *haram* elements, such as interest-bearing loans (*riba*), speculative transactions (*gharar*), gambling (*maysir*) and tyrannical or oppressive transaction practices (*zhulm*). Thus, the existence of Islamic banking is a necessity for the actual practice of religious teachings and the implementation of faith in life.

Social function of Islamic banking

The 2015–2019 Sharia Banking Roadmap issued by the government through the Financial Services Authority explains that the Islamic economy that is the basis for Islamic banking has four main foundations, which include the following: *Firstly*, faith (*akidah*) which raises awareness that every human activity has divine accountability; *secondly*, sharia principles (*muamalah* law in the economic field) that guide economic activities to always comply with sharia guidances; *thirdly*, Islamic brotherhood or solidarity (*ukhuwwah*) in business relations to achieve mutual success and *fourthly*, moral code (*akhlak*) that guides economic activity to always prioritise virtue in achieving goals (Financial Service Authority 2015:8–9).

The foundation of sharia economy is then strengthened by the three main pillars of sharia economy, which include the following: (1) Justice (*'adalah*). Economic activities must be able to provide justice to the community by avoiding exploitative, speculative, excessive hoardings and unproductive and arbitrary behaviour; (2) balance (*tawazun*). Economic activities must be carried out to achieve a balance between the real sector and the financial sector, risk-return management, business and social responsibility aspects, spiritual and material welfare, resource utilisation and sustainability and (3) benefit (*maslahah*). Economic activity must be based on considerations of benefit or goodness, which means that it involves an orientation to the safety of religious life (حفظ الدين), regeneration of the people (حفظ النسل), safety of soul (حفظ النفس), preservation of reason (حفظ العقل) and protection of property (حفظ المال). The main objective of the Islamic economy which is the basis for the practice of Islamic banking is *falah* or the welfare of the people both materially and spiritually (Financial Service Authority 2015:9–10).

Referring to the basic concept of Islamic economics, it can be understood that the existence of Islamic banks in society does not only have a theological mission to practise Islamic teachings as a whole or carry out God's commands completely (*kaffah*) but also has a social mission that can be seen in the objectives of Islamic banking, for example, *falah* or the spiritual and material well-being of individuals and society. Therefore, considering the existence of Islamic banking and the practice of financial transactions included in the teachings of *muamalah* in Islam, the application of sharia principles in the context of banking is always related to other people or has a certain mission and social values. Islamic banking actually has a strong capital to carry out a larger social mission. This capability of Islamic banking can be seen from the development of assets and units involved in the Islamic banking industry in Indonesia (see Table 1). Therefore, strengthening the implementation of the social function of Islamic banking is clearly not just an ideal but also supported by the financial strength of today's Islamic banking.

Theologically, the implementation of sharia values or Islamic teachings in life aims to not only build individual piety in a

vertical relationship between humans and God (*mu'amalah ma'a al-khaliq*), but also to build a safe, peaceful, and prosperous life together. Islam emphasises that its teachings are not just limited to formal rituals in the form of recognition of the oneness of God and the prophethood of Muhammad (*shahada*), prayers, fasting, purifying personal property through *zakat* and carrying out pilgrimages to *Baitullah*. But more than that, Islam is simply a teaching about building good relationships with nature and others (*muamalah ma'a al-khaliq*) and carry out the mission as a *khalifah* on earth to build a good shared life. Therefore, Islamic teachings forbid its adherents to take actions that can hurt others, commit acts that are tyrannical and unfair, accumulate wealth for self-aggrandisement, or exploit natural resources (Asutay 2012:99; Ayub 2007:22–25; Darmalaksana 2015: 109–110; Iqbal & Molyneux 2005:18).

This theological principle and Islamic social mission are then realised in the practice of collecting funds and distribution of Islamic banking funds. Some forms of fund-collecting products carried out by Islamic banks, such as savings, demand deposits, reservations, deposits and other investments, for example must be done with *wadi'ah* or *mudharabah* contracts. Through this contract, Islamic banks carry out financial transactions that prohibit the elements of interest (*usury*), gambling (*maysir*), uncertainty (*gharar*) and ruthlessness/unfair (*zhulm*) and set them as transactional elements that are prohibited in Islam (Asutay 2012:99; Ayub 2007:5–8; Darmalaksana 2015:98–99; Wiros0 2009:83–84). The practice of distributing funds to the public carried out by Islamic banking institutions is actually an effort to equalise resources and wealth in society which often builds up unfairly. The distribution of funds carried out in the form of lending funds to people in need (*ijarah*), or the distribution of benevolent funds (*qard al-hasan*), are important efforts to solve the problem of wealth inequality in society. Some of the Islamic banking products and services for the distribution of these funds include the following transactions:

1. Profit sharing transactions in the form of *mudharabah* and *musyarakah*.
2. Leasing transactions in the form of *ijarah* or rent in the form of *ijarah muntahiya bittamlik*.
3. Buying and selling transactions in the form of *murabahah* credit, *salam* and *istishna*.
4. Fund loan transactions in the form of *qardh* credit.
5. Leasing transactions in the form of *ijarah* for multi-service transactions (Law No. 21/2008).

Through these products, the practice of distribution of funds by Islamic banks is basically done through or based on approval and agreement between Islamic banks and other parties, which requires the funds given by the bank or funded to return the fund after a certain period with rewards (*ujrah*), without rewards (*bi laa ujrah*) or profit-sharing (*nisbah*). The practice of the distribution of funds with this model is also intended to apply sharia principles in financial transactions. In this case, one of the important points that must be remembered is that in Islamic

banking, money is regarded as an exchange tool. While in conventional banking, money is treated as a commodity that can be traded. The difference in the perspective of money has a big impact on various financial transaction practices between Islamic banks and conventional banks (Rahman 2010:150–154; Wiros0 2009:84–85).

Islamic banking, as well as other financial institutions, is still a business institution that is trying to get profit or certain benefits for the continuity of its business. However, the benefits obtained by Islamic banks are not only used to increase existing business capital but also channeled for certain social missions in the form of *zakat*, *shadaqah*, *infaq*, *waqf*, or *qardhul hasan*. The distribution of benevolent funds to the community in the form of *zakat*, *shadaqah*, *infaq* and others, is a real manifestation of social functions of Islamic banks. The implementation of Islamic social functions through the distribution of these benevolent funds (*zakat*, *shadaqah*, *infaq*) shows an emphasis on Islamic teachings related to the necessity of sharing with others, distribution of wealth to those in need, helping others, and avoiding accumulating certain wealth on certain parties that may widen gaps and increase social conflicts.

However, the implementation of this Islamic banking social mission often does not work optimally. The social function of Islamic banking which is implemented in the form of distributing benevolent funds (*qardh al-hasan*) such as *zakat*, *shadaqah* and *infaq*, does not provide a more significant social impact and is different from CSR activities or the provision of assistance to the community by conventional banks (Ahmed 2004:16–23; Asutay 2012:100–109; Dusuki 2007:34–37; Haniffa & Hudaib 2007:104–110; Hassan et al. 2010:60; Hidayat 2011:16; Shinsuke 2012:124–125).

Judging by various forms of sharia bank fund distribution products for the implementation of financial and social functions of sharia banks, there are several issues that are still found in the Islamic banking practices. These are as follows:

1. Sharia banks often only serve financial transactions that are truly considered safe for the sake of business. In the form of transactions with *murabahah* contract, for example, as one of the most common forms of transactions by Islamic banks, Islamic banks will make buying and selling deals with customers for goods that have not yet owned by the banks. This kind of transaction is not only forbidden in Islamic teachings but also confirms the priority of the bank that closes the potential loss for its business. The same thing can also be found in the transaction with the *mudharabah* contract (profit sharing), where if the business actor suffered a loss, the bank will immediately request a complete return of capital from their customers. The business financing carried out is half-hearted financing that is no different from *usury*-based debt.
2. Sharia banks generally do not have many real businesses, so that the type of banking products offered focuses more on financing and funding. Islamic banks only channel

customer funds to other business actors and take advantage of all provisions that do not fully support business actors or customers themselves.

3. The principle of excessive prudence, which still refers to the conventional business economic paradigm or transformed into commercial banking, makes Islamic banks also unable to fully channel their customers' funds and carry out the distributive function of wealth to optimally increase the welfare of the community. This condition can be observed in the practice of placing customer funds at the central bank and it has not been channeled properly to various products or in the lack of application of Islamic economic moral principles by Islamic banking.
4. In terms of distribution of *zakat*, *shadaqah* and *infaq*, Islamic banks do more mediation function by channeling existing funds to *Amil Zakat* institutions. This practice shows that Islamic banks have not fully carried out productive social functions in the utilisation of these funds (Ahmad & Noor 2011:228–232; Asutay 2012: 100–109; Dusuki 2007:34–37; Hassan et al. 2010:62–63; Saputro et al. 2018:132–136; Shinsuke 2012:124–125).

Some of these problems indicate that the implementation of functions and social missions of Islamic banks has not been fully realised optimally. These issues also imply that Islamic banks are still trapped in business interests (profit oriented) and lack of abilities or solutions needed to carry out their religious social mission optimally. In fact, referring to previous theological postulates, Islamic banks should focus on its main objective, that is, to achieve *falah*, a condition of victory marked by spiritual or material welfare of the community who benefit from the presence of Islamic banks.

The practice of collecting and distributing funds through various kinds of banking products and forms of sharia contracts, in this case, is actually just a tool to achieve the main goal: achieving *falah*. Similarly, the profits obtained from various business transactions carried out are only a means to build economic life based on sharia to obtain blessings in life. The sharia label on Islamic or Sharia banking is not a method or way to get financial benefits from *ummah*, but rather a path outlined by God through religious teachings to get his blessing and actually will be able to give goodness to humankind.

Social theology to strengthen the social function of Islamic banks

Some of the previous problems, which showed the lack of implementation of the social functions of Islamic banking, especially in banking practices that were more commercial in nature and focused on business interests, the lack of *qardhul hasan* transactions to help others and improve the community's economic level, the amount of zakat and CSR values that fluctuated and tended to decline, lack of real businesses owned and run by Islamic banking in accordance with Islamic principles and others, indicate the need to strengthen the theological foundation in the

implementation of Islamic banking, which focuses more on the social aspects of Islamic banking itself. What is meant by the social focus of Islamic theology on the practice of Islamic banking here is how Islamic banking institutions are able to carry out their social functions and missions in accordance with the character of Islamic doctrine that is social in nature.

This condition is described by Asutay (2012:100) as an act of compromising Islamic banking with the neo-classical economic paradigm. The need for efficient financial management in Islamic banking, in turn, requires Islamic banking institutions to be able to manage their equity value properly. Islamic banking in reality experiences various difficulties in fulfilling the moral obligations of Islamic economics and results in the failure of Islamic banking in carrying out its social functions (social failure). However, what must be realised is that Islamic banking operates in a global economic and monetary system. This condition makes Islamic banking also influenced by the monetary operating system and the business cycle in which they operate. Therefore, practitioners and management of Islamic banking also inevitably have to be able to adapt to the global economic and monetary system.

The efforts of Islamic banking to develop various financial products, such as conventional banking, also make Islamic banking institutions have to be trapped in speculative business practices that are not in accordance with sharia principles. In Islamic economic principles, Islamic banking ideally operates by implementing asset-based practices, instead of debt-based financial practices. However, in today's practice of Islamic banking, these Islamic banking institutions apply more debt-based financing methods. This condition is reinforced by a number of studies showing that debt-based financing is the largest financial source of Islamic banking (Asutay 2012:102–103; Ebrahim & Sheikh 2016:189–197; Iqbal & Molyneux 2005:5–7; Jan 2011:78).

Various criticisms and inputs from experts related to the factual gap between Islamic economic morals (theological principles) and the actual practice of Islamic banking indicate a dilemma of its own. Islamic banking institutions, especially by following the pattern of financing and the conventional monetary system (neo-classical economy) are indeed able to have good financial resilience. However, this condition also makes Islamic banking seem reluctant to carry out its social functions optimally. Classical banking practice has indeed become an established practice in the global monetary system. However, this practice makes Islamic banking also trapped in a financing strategy that ensnares its customers with debt. Instead of prospering, Islamic banking institutions actually make people who become their customers burdened with the same pattern of financialisation. The practice of Islamic banking financing, which is no different from conventional banking, from a theological perspective means putting the interests of the world above the virtues of the hereafter. In real practice, this failure is also validated by

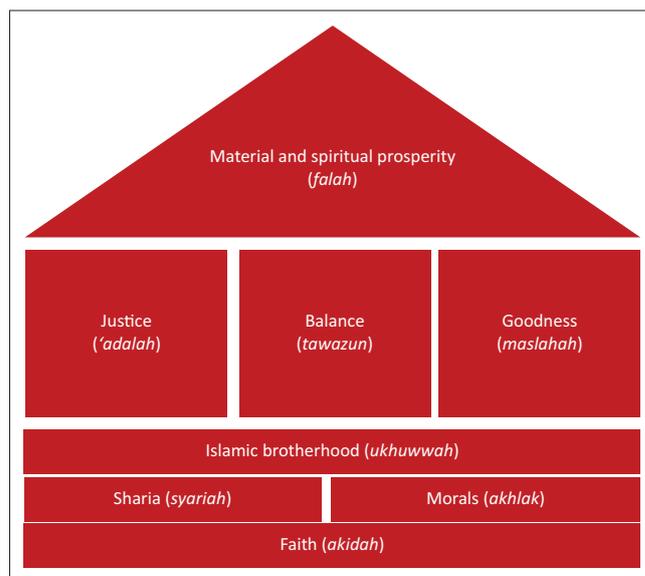
the inability of Islamic banking to carry out CSR practices as a real theological action to build an established social economy of society (Haniffa & Hudaib 2007:104–110; Hassan et al. 2010:60–61).

The theological framework of Islamic economics basically tries to prioritise the ethics of benefit in practice. Islamic banking is not only away from the practice of interest (*usury*) but is also related to focusing on the social and economic development of the people (Asutay 2012:94–96; Ayub 2007:26–27; Darmalaksana 2015:99–101). In other words, Islamic banking does not only apply the rules (*fiqh*) but also Islamic moral values, which are the substance of its theology. Transactions or financing practices that are more profit and business oriented, such as those that have been carried out by Islamic banking institutions, in particular by reducing the forms of *musyarakah*, *mudharabah* or *qardhul hasan* transactions and by increasing the number of *murabahah* and *ijarah* transactions, emphasise the weakness of implementation of the social function and mission of Islamic banking. Whereas the main goal of Islamic economics is welfare (*falah*) and the goodness for all (*maslahah*).

These problems, in author's opinion, necessitate a fundamental change in the theological understanding of practitioners and management of Islamic banking, particularly by prioritising the social aspect of faith above the personal dimension of belief. Because a person's attitude and behaviour is influenced by his or her inner beliefs, the correct theological understanding will be able to change the way a person or institution treats others, including Islamic banking practices and services. Therefore, although the global economic and monetary system does expose Islamic banking institutions to a win-or-lose situation in the competition between banking institutions and unpredictable economic fluctuations, this condition is actually an opportunity for Islamic banking institutions to strengthen their existence as well as provide solutions to various economic problems of the community.

The practice of Islamic banking transactions indicates that theologically Islamic banking institutions have not really implemented Islamic fundamental teachings as social doctrine in nature. In the context of Islamic banking in Indonesia in particular, referring to the Islamic banking roadmap issued by the Financial Service Authority (2015:8), the theological conception of Islamic banking that is formulated can be observed in Figure 1.

Figure 1 shows that the Islamic economy is described as a house with foundation, pillars and roofs. The Financial Services Authority explained further that what becomes the main foundation is a faith (*akidah*) as a *samawi* ideology, which forms a basic paradigm that the universe was created by God as a means to achieve material and spiritual welfare. In this concept of faith, every activity of mankind has the value of theological accountability that places sharia as a parameter of conformity between business activities and sharia principles. The basis of strong faith, in this case, is



Source: Financial Service Authority, 2015, *Roadmap Perbankan Syariah Indonesia 2015–2019*, Departemen Perbankan Syariah.

FIGURE 1: Basic concepts of Islamic economics.

expected to help the realisation of good governance and market discipline in the Islamic economy. The concept of the true Islamic faith (*akidah*) becomes a basic foundation for two other foundation layers that include *syariah*, *akhlak* and *ukhuwwah* (Financial Service Authority 2015:8–9).

The sharia foundation refers to the provisions of Islamic teachings that regulate human activities in the form of commands and prohibitions, both concerning vertical relationships with God and fellow creatures. In the economic and banking context specifically, Sharia is the principles and conditions referred to carry out various economic and banking activities. This sharia foundation is also reinforced by the foundation of morals (*akhlak*) as a guide for moral values in the interaction of fellow humans, environment and God. *Akhlak*, in this case are actually part of sharia but involving ethical considerations, socio-cultural (*urf*) and the laws of other normative virtues that apply in the community. Given that the religious arguments or religious propositions that underlie the provisions in sharia may be interpreted differently, moral values in society are able to function as alternative preferences for people to behave well regardless of the different interpretations of sharia.

While the foundation of solidarity (*ukhuwwah*) refers to the concept of brotherhood in the teachings of Islam that is needed to arrange social interactions that are directed at the harmonisation of individual interests and general benefit with the spirit of helping each other. In the economic context and special banking activity, the application of the concept of *ukhuwwah* is carried out through the process of introduction to each other (*ta'aruf*), understanding of each other (*tafahum*), helping each other (*ta'awun*), guarantee each other (*tafakul*) and cooperation and building an alliance (*tahaluf*) (see Figure 1) (Financial Service Authority 2015:8–9). The importance of this concept

of *ukhuwwah* is that every subject involved in economic or banking activities can relate to each other based on the principle of equality, confidence and willingness to help with each other.

The foundation of this Islamic economics has three pillars that stand on it as the actual description and consequence of the implementation of *akidah*, *sharia*, *akhlak* and *ukhuwwah*, which include justice (*'adalah*), balance (*tawazun*) and goodness (*maslahah*) (see Figure 1). The pillar of justice (*'adalah*) refers to the conception of placing everything in place and treats according to its position. In the economic and banking context, the pillar of justice (*'adalah*) is implemented in the form of rules, policies, attitudes and behaviours that avoid elements that are prohibited in economic activities and business transactions, such as interest (*usury*), ruthlessness (*zhulm*), gambling (*maysir*), uncertainty (*gharar*) and illegal elements in Islamic teaching (*haram*). The prohibited elements in the Islamic teachings give rise to negative social consequences that may disturb the order of life and lead to oppression and social conflict. The next pillar is balance (*tawazun*), which is intended as a balance between the fulfillment of material and spiritual needs, the development of the financial and real sectors, business aspects and social responsibility and utilisation and preservation of natural resources. While the third pillar or the goodness (*maslahah*) refers to all forms of goodness and benefits that are integral, *duniawy* and *ukhrowy* material and spiritual, individual and collective. All forms of transactions and business-economic activities must bring benefits and good for the subject involved and do not provide negative effects (*madharat*) for other parties (Financial Service Authority 2015:9–10).

The foundation and pillar of the Sharia economy eventually aim to achieve the main objectives of the Sharia economy: *falah* (see Figure 1). The *falah* concept here refers to the achievement of holistic well-being. Welfare is a condition of fulfillment of human needs, that include both material and spiritual needs, individuals or collectively, through the distribution of equitable resources and wealth, reducing social inequality and economic establishment that can deliver humans to worship and carry out their functions as a caliph (*khalifah*) on earth (building a good life) (Financial Service Authority 2015:10).

The basic concept of the Islamic economy formulated by the Financial Services Authority actually contains a good basis for building Islamic banking activities that aim to build a shared house, where welfare (*falah*) becomes the roof, justice (*'adalah*), balance (*tawazun*) and the benefit (*maslahah*) being a pillar, as well as faith (*akidah*), Islamic laws (*syariah*), morals (*akhlak*) and Islamic brotherhood (*ukhuwwah*) becomes the foundation (see Figure 1). However, given the previous problems, which showed how the social functions of Islamic banking have not been implemented optimally, this can be interpreted that there are still errors in building the Islamic economy house. This condition also

shows that the Islamic economy house where Islamic banking is an important part of it requires strengthening of social values in every aspect, especially so that Islamic theological teachings that have been used with social value, can be manifested in actual behaviour or real actions of Islamic banking institutions.

The theological conception of the Islamic economy is actually full of social values, starting from the foundation of Islamic brotherhood (*ukhuwwah*), pillar of justice (*'adalah*), balance (*tawazun*) and goodness (*maslahah*), to achieving the purpose of individual and social welfare, materially and spiritually (*falah*). However, this good theological concept, in practice seems to lose its practical values. Islamic theology which emphasises the importance of social values (*maslahah*) has not been fully understood by the management of Islamic banking institutions, and has not been used as a driving factor for Islamic banking management to carry out various activities and social functions in a real way. Islamic theology, in other words, not only needs to be used as the basis of faith, but must also be used as a framework for thinking and acting, so that theological values will be able to have a significant impact on improving the social function of Islamic banking.

Faith (*akidah*) and religious understanding (*fiqh*) should indeed become the foundation for human actions. Religious values and religious teachings must be a driving factor, basic spirit and guidance not only in worshipping God, but also in thinking, behaving and living overall life (Ibrahim 2014:5; Steyn & Masango 2011:2–3). When theology is only applied in the context of worship (human relations with God), but the way of thinking, behaving, acting and or how to live life is not in accordance with theological values believed, then it shows a lack of religious understanding or lack of compliance with religious teachings believed.

How theology can be a social-praxis to increase the implementation of social functions in the context of sharia banking requires the following:

- *Firstly*, good and holistic religious understanding. Each subject involved in Islamic banking activities must have strong faith and a good understanding of Islamic teachings and values, especially those related to humans (*mua'malah ma'a al-khalqi*), such as teachings and values about Islamic brotherhood or solidarity (*ukhuwwah*), helping each other and compete in virtue (*ta'awun*) or showing concern for others as exemplified by the Prophet Muhammad. Islamic teachings as religious theology generally indeed provide a certain emphasis on happiness in the hereafter (*al-shalah*). But this final goal may only be achieved through the optimisation of world life (*al-falah*). Islam supports individual ownership. Islam supports individual ownership. However, these assets owned by individuals must also be seen as a gift from God that must be used for the common good. The level of adherence of Muslims to religious teachings of Islam is not assessed from his personal piety, but from his benefit to life together and for

others (Ayub 2007:22–23; Darmalaksana 2015:110; Rahardjo 2012:56).

- *Secondly*, the need for changes in the economic paradigm of Islamic banking is based on an understanding of the concept of Islamic economics as a whole. Islam is a teaching that encourages its adherents to work diligently and acquire wealth in good and lawful ways, but it also encourages its adherents to set aside some of their wealth to pay *zakat*, *sadaqah* and *infaq* in order to help each other (*ta'awun*). The Islamic economy is basically a socialist and religious pattern or the middle road between the socialist system and the capitalist system. Islamic or sharia-based economic system is a moderate economic system that is not inclined to the west (capitalistic) and not too east (socialistic). The Islamic economy that becomes a basis for Islamic banking activities is a synthesis of two economic forces based on Sharia Provisions (Ahmad & Rakib 2019:30; Darmalaksana 2015:390–391; Javaid & Hassan 2013:14–21; Rahardjo 1999:25; Salimi 2012:5). Therefore, all financial activities carried out must be able to balance the interests of business and social mission to achieve mutual welfare (*falah*). If the bank only runs its business by focusing on profit, then this means the paradigm used is still capitalistic. Such paradigm changes are needed to strengthen the social function of Islamic banking, especially those manifested in the form of policies, roadmaps, laws by government and related institutions, as well as certain banking fatwas from the National Sharia Council or Indonesian Ulema Council.
- *Thirdly*, high commitment to social justice and social welfare from all elements of Islamic banking. This commitment is the implementation of faith, which in practice must be seen as a real effort of Islamic banking to help the community either through the distribution of virtue funds or benevolence facilities (*qardh al-hasan*), the development of real businesses involving customers with fair provisions (sharing-profit) and expansion of products and forms of mutually beneficial sharia-based transactions. For the record of the previous issues, the Islamic banking agency cannot only take the form of a business-oriented contract while suspecting its customers based on speculative assumptions. For example, Islamic banks may apply unilateral *mudharabah* transactions, where the bank will receive capital from the community to be invested in various business units they have. In this case, Islamic banks do not need to channel the funds to other parties with the *mudharabah* scheme for merely taking advantage as a mediator. The distribution of funds with the *mudharabah* model is not justified in Islam unless there is a different contract between a bank and its customer, and permission of each party has been granted.
- *Fourthly*, increasing community literacy on Islamic banking through socialisation, providing information, education and Islamic banking education or through religious da'wah, which is often found in the community. Data from the Financial Services Authority show that only 22% of the total population understand banking

services, and 57% of the total population have used banking services. This low level of literacy is caused by socialisation of Islamic banking, which is still not optimal to the community. This in turn makes many people get caught up in the assumption that the bank's operating is quite complicated, having high administrative costs and a convoluted service procedure (Financial Service Authority 2015:ix). Another issue is a low level of community income, where this condition should be an opportunity for Islamic banking in expanding its market while carrying out its social mission. Increasing public literacy related to the factual conditions and prospects of Islamic banking, especially through religious *da'wah* practices, will be an important effort to make Islamic theology have a greater socio-practical impact on life.

Some of these steps are needed to provide strengthening on the praxis side of Islamic social theology. The strengthening of the social function of this Islamic banking has actually become part of the strategic issue in the development of Islamic banking in Indonesia. However, the main weakness is found more in the real activity of banks that cannot fully carry out existing policies and roadmaps. In other words, the strengthening of the practical side of Islamic social theology for Islamic banking does not only have to involve the government and authorised institutions such as Bank Indonesia, the Financial Services Authority, National Sharia Council and others, especially by formulating more encouraging policies and fatwas in strengthening the social function of Islamic banking but also the implementing parties of Islamic banking activities themselves. Islamic banking management in this case must be able to change the paradigm and prove sharia commitment in concrete actions, such as issuing more effective product distribution of funds for improving community welfare (*falah*).

The strengthening of the praxis side of Islamic social theology is thus an effort to build Islamic social banks or sharia banking with a balanced orientation between business interests and social missions, which of course requires a long period of stages (*tadrij*). What is more important than all of those is to build theological awareness oriented to the welfare of community (*ummah*) in the economic context, so that Islamic banks are not just 'sharia' in terms but also in their financial activities.

Conclusions

This study shows that the degradation of the social function of Islamic banking has resulted from the lack of understanding of the concept of Islamic economics, where faith (*akidah*), Islamic law and principles (*syariah*), morals (*akhlak*) and Islamic brotherhood (*ukhuwwah*) are its foundations, justice (*'adalah*), balance (*tawazun*) and goodness (*maslahah*) are the pillars and integral welfare, individually and socially, materially and spiritually (*falah*) is a roof or purpose. The lack of understanding resulted in the gap between the praxis and conceptual sides of Islamic social theology, which in turn had an impact on the lack of social commitment from

related parties in the implementation of Islamic banking activities. The strengthening of the praxis side of Islamic social theology is a need to overcome the issue.

Analysis of the needs, roles and social values of Islamic theology in strengthening the implementation of the social functions of Islamic banking institutions shows that the problem of the low level of implementation of these social functions as examined in this study may be overcome by understanding the theological construction of Islamic economics, which is more oriented towards strengthening the social mission of Islamic banking institutions.

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W.D. is the sole author of this article.

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Data availability

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