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FUNCTIONS AND ROLES OF CONVENTIONAL BANKS IN INDONESIA IN THE PERSPECTIVE OF MAQASHID SHARIA

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Abstract
The purpose of this study is to examine and analyze the operational mechanisms of conventional banks compared to Islamic banks in Indonesia, examine the differing views of scholars regarding conventional bank interest, and understand the function and role of conventional banks in the country's economic growth and its relation to maqashid syariah values. The objects of this study are two conventional banks in Indonesia (Bank BRI and Bank BTN) and one Islamic bank (Bank BSI). The method used in this study is a normative empirical method with a philosophical approach, using the theory of maqashid syariah. The primary data used in this study are obtained from questionnaires and interviews with relevant parties, while secondary data are sourced from the Quran, Hadith, legislation, regulatory policies, internal bank regulations, books, journals, and articles related to banks, interest, riba, and maqashid syariah. The results of the study show that the application of operational mechanisms or standard procedures in conventional and Islamic banks in Indonesia is generally similar, where contracts in savings products, financing, and other products still refer to civil law regulations found in the Civil Code. However, there are some differences in transaction procedures, underlying principles, and terminologies used in their products. This is because the current social, economic, and cultural conditions differ from the conditions when the prohibition of riba was revealed, as there were no financial institutions called banks at that time, so bank interest cannot be equated with riba in that era. Factually, conventional banks currently play a crucial role in driving the country's economic growth through their functions as financial intermediaries, development agents, and service agents. Therefore, it can be concluded that the existence of conventional banks in fulfilling their functions is closely related to the values of maqashid syariah, which aim to achieve the welfare and well-being of humanity

1. Introduction

The debate about the law of transacting in conventional banks is still unresolved to date, especially in transactions related to credit products and deposits. This is because there are still different perspectives of jurists in categorizing interest law which is one of the sources of income for conventional banks. This riba discourse apparently does not only stop at the issue of interest on conventional banks, but Islamic bank products that have tried to follow sharia provisions, or at least try not to contradict sharia principles, but are still considered ribawi products by some Muslims in Indonesia.

Studies related to the law of using conventional bank products and services are still intensively carried out by contemporary fuqoha and academics in their researches, but do not seem to have found common opinions both at the level of concept and practice. From various different perspectives on the law of transacting in conventional banks, it has the potential to be a problem for Muslim communities who want halal products in banking services.

The views of the Muslim community in Indonesia related to the law of using conventional bank services and products are still diverse, some people argue that using conventional bank services and products does not violate Sharia, because according to him bank interest is different from usury (Sarwat & Lc, 2019); Some others are still undecided whether or not to use conventional bank services and products, therefore they are still categorized as syubhat; The latter opinion believes that conventional bank services and products still use ribawi transactions so they must be abandoned without exception

The difference in views as referred to above is in fact still a dialectic among academics and world scholars, Shaykh Ali Jum'ah stated that if so far there has never been a unanimity about halal or haram bank interest by scholars, then it is still open to the possibility of an opinion that prohibits and allows it. With this opinion, Shaykh Ali Jumu'ah wants to straighten out the claim that bank interest as something haram has been by ijma' most scholars, even though there are still scholars who refuse to ban bank interest, as the view of some Al-Azhar scholars themselves, where Shaykh Al-Qardawi once studied there. Shaykh Ali Jum'ah leaned towards the opinion of his predecessor Shaykh Muhammad Sayyid Thantawi and also the official fatwa of Majma' Al-Buhuts Al-Islamiyah in Al-Azhar which said that bank interest was not the same as riba which was forbidden, and interpreted interest as something agreed by the parties as profit sharing from the business run by the mudharib.

This difference in views regarding the law of using conventional bank services and products certainly raises concerns in the midst of the Indonesian Muslim community, so solutions are needed to answer the needs of the public for conventional bank products and services, which can be believed that conventional bank products and services do not contradict Islamic law. Therefore, discussing the law of transacting in conventional banks becomes very strategic in order to find progressive thinking alternatives so that the economic life of the people runs as expected, and is able to create benefits towards a prosperous society outwardly and mentally.

Apart from the debate on the issue of halal or haram bank interest, there are actually other things that are more in-depth about the role of conventional banks in the Indonesian economic system and their benefits for the Indonesian people. Factually conventional banks in Indonesia still dominate the market share of commercial banks nationally, this condition is reflected in the market share position of conventional banks until July 2021 at approximately 93% of the total market share of national banks , while the market share of Islamic banks is only around 7% of the total assets of commercial banks in Indonesia.

The composition of market share in Indonesian banking between conventional banks and Islamic banks is as follows:

Table 1 Market share of conventional banks and Islamic banks in 2019-2021

	Market share		
	2019	2020	2021

Conventional banks	94, 05%	93,49%	93,48%
Islamic banks	5,95%	6,51%	6,52%

Source: processed data

Market share is a percentage measure of a company's dominance in a market. In a business context, entrepreneurs perceive market share as the goal or motivation of the company (Robot, Rotinsulu, & Mandeij, 2018). Profits and product sales as well as stock price increases will be experienced by companies that have a stronger market share (Randy & Juniarti, 2013). Market share analysis is a method used to measure the extent to which a company can control or influence the total available market, measured in percentage terms (Masruron, 2022).

In encouraging banking through credit activities, it has a role in encouraging economic growth in a country, including developing Indonesian, cannot be separated from the role of bank credit, both conventional bank credit (CRD) and Islamic bank financing (FIN) which have a positive effect on real sector output, enabling balanced growth between the monetary sector and the real sector. Based on the results of Setiawan's research (2020), it is explained that economic growth occurs in every increase in the value of credit and financing in the banking industry, potentially resulting in economic growth. The impact of conventional bank credit is greater than the influence of Islamic bank financing on economic growth. Conventional bank credit is relatively more elastic, boosting economic growth compared to Islamic banks (Iwan Setiawan, 2018). An interesting phenomenon to be studied further in the socio-religious perspective in Indonesia where the majority of the population is Muslim.

Indonesia is predominantly Muslim and according to a report by The Royal Islamic Strategic Studies Centre (RISSC), the Muslim population in Indonesia in 2022 is estimated at 237.56 million. The number of Muslim population is equivalent to 86.7% of the population in the country (Moravia et al., 2022). Although the population is predominantly Muslim, Indonesia is not a country based on religion or Islam but a state based on Pancasila with a plural society background and in running its economic system Indonesia does not run the economy according to Islamic sharia including banking.

Since 1992, banking policy in Indonesia has been based on the regulation of Law Number 7 of 1992 concerning Banking, which was later strengthened through revisions through Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning banking adhering to the dual banking system (dual banking system). "Dual banking system means the implementation of two banking systems (conventional and sharia side by side) whose implementation is regulated in various applicable laws and regulations." Mentioned in Article 2 of the Sharia Banking Law, the basic principles that form the basis of Islamic banking are sharia principles, economic democracy, and prudential principles (Tutik, 2016).

With the implementation of the dual banking system in Indonesia, there is a negative stigma against banks. Even though not all bank products, operations and conventional bank systems are opposite to sharia maqashid. So it is necessary to find a meeting point so that the existence of conventional banks that have been large and can still provide benefits to Muslims.

Examining the relationship between conventional banks and economic growth with the perspective of sharia maqashid is considered necessary to provide a more objective and contextual picture of conventional banks that are currently stigmatized as banks that are not in accordance with Islamic sharia, while no objective studies have been carried out from jurists with diverse views and opinions related to the matter, Especially in terms of purpose and expediency.

Maqashid sharia is the ultimate goal that must be realized with the application of shari'a. Maqashid sharia can be maqashid syariah which covers all aspects of sharia and maqashid syariah al-khasah which is devoted to one chapter of the existing sharia chapters, as in maqashid sharia in the field of economics (Mawardi, 2010).

On the other hand, it turns out that the Islamic maqashid approach has not really been used to explore the existence of conventional banks, both in terms of products and services, or in terms of background, roles, functions and objectives of establishing conventional banks in the context of the economic system in a country. The approach that is often used to peel conventional banks so far, is only limited to a normative approach where conventional bank interest is punished by riba according to fatwas from DSN-MUI. For this reason, the topic that will be raised by the author in this dissertation research becomes very important and strategic in order to provide alternative thinking about conventional banks.

Based on the above background, the author is interested in researching the thoughts of scholars, especially muamalah jurists related to conventional bank interest law, the law of transacting and using conventional bank products and services, as well as the role and function of conventional banks in the lens of sharia maqashid. In addition, it is also to explore the extent to which conventional banks in carrying out intermediary duties and functions, as well as in carrying out payment traffic functions have applied sharia principles. Then it will also explore conceptually with regard to conventional bank transactions that are categorized as usury transactions or those that are not related to usury transactions.

This research is expected to provide a different perspective in assessing conventional banks that have been stigmatized as banks that are not in accordance with sharia principles absolutely. While such an opinion has not been supported by an in-depth, comprehensive study of data and facts on all aspects, both in terms of the purpose of the establishment of the bank, products, services owned, and benefits for the wider community. The existence of interest on some of its products, makes people immediately give a haram label to conventional banks without considering that there are still products that are not related to usury, and there is still an effort from scholars about conventional bank interest law.

Purpose and Usefulness of Research

The dissertation research entitled "The Function and Role of Conventional Banks in Indonesia in the Perspective of Sharia Maqashid" is very strategic to be carried out with the aim of providing new perspectives and contributions of different thoughts from previous studies, in providing an assessment of conventional banks that have been stigmatized as non-sharia banks. While this opinion has not been supported by a comprehensive review of data and facts on all aspects, the objectives to be achieved from this dissertation research are as follows:

1. Analyze the operational determination mechanism of conventional banks and their comparison with Islamic banks in Indonesia.
2. Analyze the occurrence of differences in scholars' views on conventional banks.
3. Analyze the function and role of conventional banks in economic growth in Indonesia.
4. Analyze the relationship between conventional banks and economic growth in the perspective of Islamic maqashid.

The uses to be achieved in this dissertation research, both theoretically and practically are as follows:

1. Theoretical Uses

   Contribute ideas in the field of muamalah fiqh, especially related to the role of conventional bank law in Indonesia in the perspective of sharia maqashid.

   Finding conventional bank relationships which are business entities that concern the lives of the wider community and economic growth with the perspective of maqashid syariah for the benefit of the people.

2. Practical Usability

   From this research, it is expected to be a reference to examine the conventional bank model in the future so that it can be more accepted by the Indonesian Muslim community because its governance, products and operational systems as well as functions and roles are carried out in line with the basic principles of Islamic economics.

a. The conceptual development of this dissertation is expected to be used as a further foundation for other researchers in the field of banking, so that it can add to the treasury of progressive thinking for the benefit of the people.

2. Materials and Methods

Research refers to the manifestation of the intention to know which is carried out through scientific research activities. This research takes place with the belief that the object of research will be investigated through the discovery and understanding of the causes and impacts that occur on the object of research (Syahza, Meiwanda, & Tampubolon, 2023).

According to Soerjono Soekanto, "research is a scientific activity based on analysis and construction carried out systematically, methodologically and consistently and aims to reveal the truth as one of the manifestations of human desire to know what is being faced." Based on the type of legal research that exists, the research methods that can be used are as follows: (Benuf & Azhar, 2020)

1. Normative Legal Research
   Normative Law Research is legal research conducted by examining library materials or secondary data. Normative legal research is also called doctrinal legal research. According to Peter Mahmud Marzuki, normative legal research is a process to find a rule of law, legal principles, and legal doctrines to answer the legal issues faced. "In this type of legal research, often the law is conceptualized as what is written in the laws and regulations or the law is conceptualized as rules or norms that are a benchmark for human behavior that is considered appropriate"(Prahassacitta, 2019)
2. Empirical Legal Research
   Is a research method that reviews the function of a law or rule in terms of its application in the scope of society. This research method is also called sociological legal research, this is because the method in this study is also carried out research related to people in living a relationship in life related to other people or society. So that the reality that occurs is taken in a society, legal entity or government body. According to Ronny Soemitro, empirical or sociological legal research is legal research with primary data or data obtained directly from the source. In empirical research, the thing studied is mainly primary data (Depri Liber Sonata, 2014).
3. Normative-Empirical Legal Research Is a research method that in this case combines elements of normative law which is then supported by the addition of data or empirical elements. "In this normative-empirical research method, it is also about the implementation of normative legal provisions (laws) in their actions in every particular legal event that occurs in a society." (Suyanto, 2015)
   In normative-empirical legal research, there are three categories, (Wahyuni Wahyuni, 2023) namely:

1. Non Judical Case Study "is a case law study approach that is without conflict so that there will be no interference with the court".
2. Judical Case Study "This judicial case study approach is a legal case study approach due to conflicts so that it will involve court intervention to be able to provide settlement decisions."

a. Live Case Study " This live case study approach is an approach to a legal event that is still ongoing or has not ended"

In this dissertation research, the method used is the normative-empirical method, namely research that uses normative-empirical legal case studies in the form of legal behavior products. Empirical normative research consists of two stages of study, namely (Abdulkadir, 2004):

1. The first stage is the study of applicable normative law, the object to be studied is in the form of legal principles, legal systematics, legal synchronization and legal comparison.
2. The second stage is the empirical application of normative law. Its activities are with legal identification and legal effectiveness in social phenomena.

The approach in normative-empirical research aims as material to start as a basis for the point of view and frame of mind of a researcher to conduct an analysis. The approach in this study is a philosophical approach, which is a way or path taken in a planned process to solve problems about philosophy. The philosophical approach is used to examine the thoughts or opinions of figures in a phenomenon.

This approach will consider the practical implications of normative analysis and see how implementation or real experience in an empirical context can affect the understanding and application of norms. This research combines normative analysis related to law, policy, and legal system with empirical analysis involving case studies, legal data analysis, or field research to understand the implementation and impact of law in practice.

This approach was chosen because this study will examine the mechanism for determining the operations of conventional banks and Islamic banks in Indonesia where the research samples are BRI and BTN as conventional banks and BSI as Islamic banks, differences in scholarly opinions related to riba and bank interest as well as the functions and roles of banks and reviewed with the theory of sharia maqashid.

In this study, the theory of legal objectives was used as a theoretical framework. Gustav Radbruch suggests that there are three main legal objectives, namely expediency, certainty, and justice. In the implementation of these three legal objectives, it is necessary to apply the principle of priority. Justice can be given a higher priority even if it comes at the expense of expediency for society at large. According to Gustav Radbruch, the priority scale that must be followed is justice as the top priority, followed by expediency, and finally legal certainty. Law serves as a tool to safeguard human interests in society. The purpose of law is aimed at dividing rights and obligations between individuals in society as well as giving authority and regulating the resolution of legal issues and maintaining legal certainty.

In the study of the purpose of law, there are three known conventional schools, namely ethical, utility, and mixed theory. In this study, the utility approach proposed by Jeremy Bentham was used. This approach addresses the goals of law oriented towards the wishes of the majority or analyzes legal products through the point of view of utilitarianism. This relates to the view of conventional bank interest, conventional bank market share, and economic growth (Pratiwi, Negoro, & Haykal, 2022).

In this study, primary and secondary data are needed. Primary data will be obtained by conducting interviews and surveys through the distribution of questionnaires from conventional banks (Bank BRI and Bank BTN) and secondary data derived from the Quran, hadith, opinions of scholars in books, scientific journals and also theories in Islamic law. In addition, research will also be carried out on documents, banking regulations, laws and regulations, internal bank provisions available in the General Credit Provisions and General Operating Conditions.

The data obtained in this study are analyzed qualitatively, namely by collecting data, qualifying then connecting theories related to problems and analyzing them to draw conclusions. Data processing in empirical normative legal research is generally carried out through the following stages:

1. Data check,
   This stage involves examining the data and legal materials that have been collected. This examination aims to ensure the existence of relevant and adequate data for subsequent analysis.
2. Data tagging,
   At this stage, relevant data and legal materials will be given specific markings or labels. This marking can be a code or category corresponding to the assigned research variable.
3. Classification, classifying data and legal materials that have been collected into the problem under study, or those that are similar or have the same characteristics will be grouped together to facilitate analysis and interpretation.
4. Data compilation/systematization,
   Once the data is classified, this stage involves compiling or systematizing the data. Data that has been grouped will be arranged regularly according to criteria or structures set previously.
5. Validasi data,
   Data validation is carried out to ensure the accuracy and validity of the data that has been collected. This stage involves double-checking the data to identify errors or discrepancies, as well as making corrections if errors are found.

a. Data analysis. (Data analysis in empirical normative legal research is carried out qualitatively, comprehensively, and completely so as to produce more perfect normative-empirical legal research results).

Systematics of Discussion

The discussion in this research can be seen from the systematics of writing which is divided into five chapters and each chapter consists of several sub-chapters according to the needs of presenting the research results that have been obtained. This is intended to provide an overview and explanation of the results of structured and comprehensive research.

The first chapter is an introduction that explains the background in order to conduct research on the theme of sharia principles in conventional banks, then the formulation of problems, objectives and benefits of research, literature review, theoretical framework, research methods and writing systematics.

The second chapter contains a discussion of the general description and analysis of operational determination mechanisms in conventional banks and Islamic banks through a normative-empirical approach, which is studied in terms of relevance and significance.

The third chapter contains a discussion of the general description and analysis of scholarly opinions related to interest and riba in conventional banks and Islamic banks in Indonesia which are studied from the aspect of relevance and significance through a normative-empirical approach.

Chapter Four, Overview and analysis related to the function and role of conventional banks in the country's economic growth.

Chapter Five, contains an overview and analysis of conventional bank relations, economic growth and Islamic maqashid

The Sixth Chapter, consists of two sub-chapters; i.e. conclusions and suggestions. The conclusion is the answer to the problem that has been formulated previously in the introduction. Suggestions are a theoretical offer for future research.

3. Results and Discussions

In its operations, the bank has the principle of prudence and is based on economic democracy. In accordance with Article 4 of Law Number 7 of 1992, it is stated that the bank aims to support the implementation of national development in order to increase equity, economic growth, and national stability towards improving the welfare of many people (Fahrial, 2018). As an intermediation institution, the bank has a very strategic role in the financial intermediation process as follows:

1. asset transmutation (Suryaman & Suwandi, 2016)

That is the transfer of funds or liquid assets from surplus units (lenders) to deficit units (borrowers). The source of funds is from surplus units with an agreed period between the bank and the owner of the Bank's funds to transfer assets through credit. Banks collect funds from their customers in the form of deposits and then use those funds to make loans to individuals, businesses, or other institutions. In this process, the bank transfers assets in the form of cash to the recipient of credit (Meriyati & Salim, 2020). Furthermore, banks can use the funds received from their customers to invest in various financial instruments, such as bonds, stocks, or mutual funds. By making these investments, banks transfer assets in the form of cash into investment instruments that represent ownership or claims to other assets.

The transfer of assets by banks is carried out by selling securities or financial instruments, by acting as an intermediary in the sale and purchase transactions of securities or financial instruments, such as stocks, bonds, or derivatives. In this case, the bank facilitates the transfer of ownership of assets from one party to another. The subsequent transfer of assets with foreign exchange transactions, by facilitating foreign exchange transactions between customers who have different currencies. In this case, the bank acts as a transfer of assets in the form of currency from one country to the currency of another. Activities that can transfer assets by banks are asset management services, namely ANK can offer asset management services to customers who want to diversify their investment portfolios. The Bank will manage customer funds and transfer assets in the form of various investment instruments in accordance with customer goals and preferences.

1. Reallocation of income. (Vanni, 2022)

To face the future, banks facilitate those who have surplus income to allocate it in the form of savings and deposits

As a function in the economy, banks do not directly reallocate revenue, but they can play an important role in facilitating the reallocation of income through various services and activities. Here are some ways in which banks can contribute to revenue reallocation:

1. Providing credit, banks can provide loans to individuals, businesses, or institutions that need additional funds to finance certain activities or projects. By providing credit to borrowers who have the potential to generate higher income, banks help in reallocating income from borrowers who have the ability to generate income to other parties who need funds to expand the business or make investments.
2. Investing in security and financial instruments, banks can use funds received from their customers to invest in various financial instruments, such as stocks, bonds, or mutual funds. In this case, banks can help reallocate income by allocating funds from customers who own them to investment instruments that have the potential to generate higher income.
3. Financing infrastructure projects, banks can also provide financing for infrastructure projects financed by the government or private sector. By financing these projects, banks can play a role in reallocating revenues from less productive sectors to sectors that can generate higher revenues, such as transport infrastructure or energy.
4. Asset management services, banks can provide asset management services to individuals or institutions that have investment portfolios. In this regard, banks can assist clients in allocating and managing their portfolios in a way that can optimize the income generated from investments.
5. Foreign exchange transactions, through foreign exchange services, banks can facilitate transactions involving foreign currencies. It can help in the reallocation of revenue between countries by allowing individuals or companies to conduct transactions in foreign currencies and generate revenue from international business.

1. Liquidity (Suyanto, 2015)

Banks provide those with a liquidity surplus to distribute it to those with a liquidity deficit, banks provide liquidity or quick access to funds for individuals, businesses, and other institutions. Liquidity refers to the ability to access cash quickly without causing significant disruption to financial markets. Bank liquidity can go through the first few transactions, accepting deposits, by accepting cash deposits from customers, whether in the form of savings, time deposits, or checking accounts that make it easier for individuals and businesses to access these funds quickly through cash withdrawals or electronic transfers.

Second, lending, banks provide credit and loans to customers who need additional funds. This process can provide quick access to cash for individuals or businesses that need liquidity to fund day-to-day activities, investment projects, or other urgent needs. Third, providing guarantees and credit cards, by providing credit card services and bank guarantees that allow customers to access available funds immediately. Credit cards allow cardholders to make purchases and pay later, while bank guarantees can be used as payment collateral in certain transactions.

Fourth, opening an emergency credit line, some banks provide an emergency credit line facility (overdraft) that allows customers to withdraw funds exceeding the existing balance in their account. This provides instant liquidity when needed, though usually at an additional cost. Fifth, fund transfer services such as bank transfers, international transfers, and electronic payments. This allows the customer to quickly transfer funds to the beneficiary's account at the same bank or another bank.

2. Transaction. (Afriyeni, 2018)

Banks facilitate economic actors to facilitate financial transactions. In accordance with the products in the form of savings, deposits, current accounts and so on. Banks have an important role in facilitating financial transactions. By accepting deposits, both cash and non-cash deposits from its customers. Customers can deposit their money in the bank through savings accounts, time deposits, or checking accounts. This deposit can be used to make subsequent transactions, such as bill payments or purchases of goods and services. The bank provides cash withdrawal facilities to its customers. Customers can withdraw cash from their accounts through ATM machines, bank counters, or using debit cards at places that accept cash payments.

Fund transfer, banks facilitate the transfer of funds between different customer accounts, both at the same bank and at different banks. Customers can transfer funds to someone else's account or to their own account at another bank through electronic transfer services such as wire transfer or international transfer.

Payment services provided by banks are in the form of various payment services, such as bill payments, credit card purchases, product and service purchases through debit or credit cards, and payments through digital payment platforms. The bank facilitates these transactions by processing payments and transferring funds from the customer's account to the intended recipient.

Foreign exchange transactions, banks can facilitate foreign exchange transactions for customers who need foreign currency. The bank provides foreign currency exchange services by converting the currency of one country to the currency of another country according to the prevailing exchange rate. Business and Investment Transactions, banks provide financial services and products for business transactions, such as corporate lending, investment banking services, securities trading, and fund placement for short-term and long-term investments.

Through its role in accepting deposits, cash withdrawals, fund transfers, payments, foreign exchange transactions, as well as business and investment services, banks play an important role in facilitating financial transactions of various types and scales.

Another role of banks besides financial intermedietary in a country, the existence of banks is expected to be an agent of development, namely banks can participate in realizing the trilogy of national development or dynamic national stability, increasing economic growth, and equitable development and its results (Disemadi & Prananingtyas, 2019). In the economy, banks play a role in mobilizing public funds appropriately and appropriately as well as channeling them effectively and efficiently for investment. So that it can trigger economic development and raise living standards. Banks can act as agents of state development through various means (Haeruddin, Kurniawan, Haeruddin, & Rustan, 2018).

One manifestation of banks as development agents is that state banks distribute KUR (people's business credit), which is credit for small, micro and medium enterprises (MSMEs), which aims to empower MSME actors and develop productivity in business in order to raise their standard of living as a form of state responsibility in the welfare of their people (Anggraini & Nasution, 2013). The existence of KUR for farmers in order to increase income and production to achieve the welfare of farmers and for state food security (Susanto, Syahrial, & Budiwan, 2022). In addition, the distribution of government programs through his bank, the People's Housing Credit, aims to increase development and offer affordable prices to improve the quality of life and equal distribution of welfare (RINA, 2013).

The next role of the bank is the Agent of Services, which is in addition to collecting and flowing funds, the bank also provides various banking services such as money transfer services, storage of valuables, provision of bank guarantees, and settlement of bills or services related to other economic activities.

The Bank has several business activities that reflect its functions and roles in accordance with Law Number 10 of 1998, namely the Bank conducts fund collection and distribution activities and other financial services. Fund raising is an activity carried out by banks to attract and collect funds from the public. The raising of funds by banks brings benefits to the banks themselves, the owners of funds, and the government.

The bank's success in raising funds from the public means that it increases operating capital to provide loans or financing to qualified individuals who need it. Through lending or financing, financial institutions will earn revenue or get a share of the profits generated (Pandia, 2012). For individuals who own assets in the form of money, this means diverting their financial resources into investments that can generate profits. Instead of keeping money at home or just being unemployed, money owners can take steps to pool their funds through various productive activities that have the potential to generate financial returns. With the success of banks in raising public funds, the government can reduce the amount of money in circulation. This is one of the efforts to control the inflation rate.

The collection of these funds can be done through current accounts, time deposits, certificates of deposit, savings, and other products that are considered equivalent to them (Ardus, 2017).

1. Savings

Savings is a form of investment by setting aside a portion of income for the future and bank products with the most demand, because the deposit or withdrawal process is free to do at any time (Daulay, 2017). Savings does not only consist of one product, currently the types of savings are starting to develop, for example term savings, education savings, Hajj savings, etc. The interest rate in savings is around 1% per year.

2. Warehouse

Deposits are similar to savings services, namely money storage products in banks with a deposit system whose withdrawals can only be made after a certain time. Funds in deposits are guaranteed by the government through the Deposit Insurance Corporation which has certain conditions. These timeframes usually range from 1, 3, 6, 9 and 12 months. As proof of ownership, banks will usually provide certificates of deposit to customers containing details of the agreement and The interest rate on deposits is greater than other bank products, which is between 4% -8% per year (Sri Vita Wahyuni & Afriyeni, 2019).

3. Lap

Current account is a bank product in order to collect third party funds, usually current account interest rates are much lower when compared to savings and time deposits, this is because current account deposits can be taken or withdrawn at any time to the deadline limit determined by the bank and current or peripheral customers are usually a legal entity that requires ease of payment traffic in carrying out their daily business activities (Mumtahaen, 2020).

The Bank carries out activities that include collecting and distributing funds to those who need funds or credit. The word "credit" itself comes from Italian, namely "Credere", which means trust. In this case, the lender trusts that the borrower will return the loan and interest in accordance with the agreement agreed by both parties. According to Law of the (Widiantari, Suwendra, & Yudiaatmaja, 2018)Republic of Indonesia No. 7 1992 concerning banking Chapter I, Article I, paragraph 12 credit is the provision of money or bills that can be likened to it based on an agreement or loan agreement between a bank and another party that requires the borrower to pay off its debt after a certain period of time with the amount of interest in return or rewards or profit sharing (Purba, Sipahutar, & Irwansyah, 2022).

Credit disbursement by banks has the aim of:

1. Earn income from loan interest (One of the main purposes of banks in providing credit is to earn income from the interest charged to borrowers. Credit interest becomes a source of income for banks and is part of their business model)
2. Use and function existing funds to be productive (the Bank uses funds in the banking system, such as deposits and other funding sources, to be given as credit to borrowers. By utilizing existing funds and allocating them to productive sectors, banks can support economic growth and create added value)
3. Carry out bank operational activities (Credit distribution is also part of bank operational activities. Banks perform the function of financial intermediaries by providing loan facilities to customers as one of the various services they offer)
4. The Bank responds to credit requests from individuals who need additional funds for various needs, such as business capital, property purchases, project funding, and so on. By providing credit, banks help meet financial needs and support economic activity)
5. Streamlining payment traffic (Credit disbursement by banks also contributes to smoothing payment traffic between the parties involved. Credit can be used for payments between businesses, individuals, and institutions via fund transfer or cash disbursement)
6. Increase the company's working capital (The Bank provides credit to increase the company's working capital, both in the form of short-term loans and working capital loans. This helps the company in carrying out its operational activities, such as purchasing inventory, paying salaries, and financing the business operational cycle).
7. Increase income and public welfare (Credit disbursement by banks in general aims to increase income and welfare of the community as a whole. Loans provided by financial institutions are a driver of business

development, investment, education, housing, and other financial needs which will certainly contribute to increasing income and welfare of the community as a whole).

Bank credit has functions for the community, including:

1. Become a trigger for increased trade and economic activities (credit serves to trigger an increase in trade and economic activities. With access to credit, companies can expand their businesses, increase production, expand markets, and increase overall economic activity.)
2. Expanding employment for the community (bank credit can expand employment by providing financial support to companies and businesses to expand their operations. This helps create more job opportunities for people, reduces unemployment, and improves welfare)
3. Facilitate the flow of goods and the flow of money (by obtaining credit, companies can finance the purchase of inventory, increase production, and carry out business activities. This allows for a smoother movement of goods and money within the economic system).
4. Improve international relations (L/c, CGI, etc.)

Bank credit can also improve international relations through facilities such as Letters of credit (L/c) and international bank guarantees (CGI). These facilities help expand international trade, increase trust between business partners, and foster interconnected economic growth between countries)

5. Increase the productivity of existing funds (by providing credit to individuals, businesses, or institutions, banks can increase the productivity of existing funds in the community. Funds provided as credit can be used for productive investments, expanding the business, or improving operational efficiency, which in turn increases the use and yield of those funds)
6. Increase the utility of goods (bank credit) allows people to have faster access to the goods and services they need. By earning credit, individuals can purchase consumer goods, property, vehicles, or use other services that can improve their usefulness and quality of life)
7. Enlarge the company's working capital (bank credit helps companies increase their working capital. By getting credit, companies can finance daily operational activities, pay employee salaries, buy supplies, and meet other needs. This enlarges the capacity of companies to run their operations effectively)
8. Increase people's per capita income (ipc) and (bank credit can contribute to an increase in people's per capita income. Through credit, individuals can start or develop their own businesses, increase income, and achieve better financial stability)
9. Changing people's way of thinking or acting to be more economical (with access to credit, people are more likely to plan their finances better, manage resources efficiently, and take advantage of economic opportunities more wisely)

The classification of credit based on its use consists of consumer credit, productive credit, and trade credit. Consumer credit is a type of credit given to individuals, families, or households with the aim of meeting personal consumption needs. Consumer credit aims to finance the purchase of goods or services that are consumptive, such as personal vehicles, household furniture, electronics, vacations, or other personal needs. In general, loans for consumption often have a relatively short duration and higher interest rates compared to loans for productive activities.

Productive credit is the provision of credit aimed at developing a business or product to produce goods or services. Productive credit is a type of credit given to individuals or companies to fund business activities or investments that are expected to generate income or profits in the future. The purpose of productive credit is to finance the purchase of working capital, infrastructure development, business expansion, or investment in other business projects. Productive loans usually have a longer term and lower interest rates compared to consumer loans.

While trade credit is credit given for the development of trading businesses, such as for suppliers or suppliers of goods. A type of credit given to a company or trader to facilitate trading activities. Trade credits are typically used to finance the purchase or financing of merchandise inventory, payments to suppliers, or meeting working capital needs in trading business activities. The nature of trade activities makes trade credit often linked to financial instruments such as letters of credit (L/C) or other international trade financing schemes.

According to the credit term, it consists of short-term credit (less than one year), medium-term credit (period between 1-3 years) and long-term credit (term more than 3 years).

Short-term credit is a form of financing that has a fairly short payback stage, usually less than two years. This type of credit is often used to meet temporary financial needs, maintain liquidity, or fund temporary working capital needs. Examples include working capital loans, overdraft loans, credit card loans, or consumer loans with short periods of time.

Medium-term credit refers to a type of credit that has a payback duration that lies between long-term credit and short-term credit, generally ranging from two to five years. The main objectives of these credits are usually related to the purchase of equipment or machinery, the improvement of business facilities, as well as the development of specific projects or operating capital needs that are at a medium level.

Short-term credit is a category of credit with a relatively short payback period, usually less than two years. This type of credit is used to meet temporary financial needs, liquidity, or funding temporary working capital needs. Examples include overdraft loans, working capital loans, credit card loans, or consumer loans with short periods of time.

According to the type of collateral, credit consists of unsecured loans (unsecured loans or banko credits) and secured loans (secured loans) (Marsha, Larasati, & LFS, 2014). Unsecured loans are loans without the need for collateral or specific collateral. That is, borrowers do not need to provide their assets or property as collateral to lenders. Instead, lending decisions are based on the borrower's creditworthiness, such as credit history, income, and repayment ability. Common examples of unsecured loans include personal loans, credit cards, and other unsecured loans. Since there is no collateral involved, interest rates on unsecured loans tend to be higher than on secured loans. While secured loans are types of credit that require collateral or collateral used by borrowers. These collateral can be valuable assets, such as property (houses, land), vehicles, or financial instruments. The guarantee provides protection to the lender in circumstances where the borrower is unable to repay the loan. If the borrower cannot fulfill his obligations, the lender has the right to take over or sell the collateral provided in order to get back the loan amount that has been given. Common examples of secured loans include mortgage loans, auto loans, and secured business loans.

There are three categories of credit based on their usefulness consisting of investment credit, working capital credit, and profession credit. Investment credit is a type of credit with a medium or long term that is used to purchase capital goods or fixed assets needed for rehabilitation, modernization, expansion of existing projects, or construction of new projects, or refinancing productive assets. Working capital credit is a type of credit provided with the aim of facilitating the flow of working capital from customers. Working capital credits are used to meet financial needs related to inventory of goods, employee salary payments, accounts payable installments, or other working capital needs. The main purpose of working capital credit is to maintain business liquidity and ensure smooth operations. In general, working capital loans have a shorter tenor and higher interest rates compared to investment loans Professional credit refers to the provision of loans by banking institutions to individuals who have jobs with certain specifications such as Lecturers, Doctors, or Lawyers. Such loans are based on the income capabilities of individuals derived from their professional practice. Lenders use past or present income as a basis for determining the amount and terms of credit provided. Professional credit can be used for personal purposes, such as vehicle purchases, education financing, or other purposes related to professional practice.

Types of credit by business sector consist of: 1) agricultural credit is a form of credit allocated to the plantation sector or community agriculture, 2) livestock credit is a type of credit provided with a relatively short period of time, and 3) industrial credit is a credit facility intended to finance processing industry activities, both on a small, medium and large industrial scale, 4) Mining credit is a type of credit intended to support economic activities in the mining sector. Education credits, on the other hand, are specifically given to meet educational needs and the development of educational facilities. Professional credit, in turn, aims to facilitate the financial needs of professionals such as lecturers, doctors, and lawyers. 7) Housing Credit is a credit given to finance the construction or purchase of housing.

Agricultural credit is a loan to the plantation or agricultural sector, especially to farmers or ranchers. This credit aims to support agricultural activities, such as purchasing seeds, fertilizers, pesticides, agricultural equipment, improving agricultural infrastructure, and working capital for agricultural businesses. The purpose of agricultural credit is to increase productivity, develop agriculture, and improve the standard of living of farmers.

Livestock credit is a form of financial facility provided as an effort to support livestock companies in carrying out their business activities, such as purchasing livestock, building cages, procuring feed, animal care, and other operational financing. Livestock loans usually have a relatively short period of time, because working capital needs in livestock businesses are often cyclical or seasonal.

Industrial credits are given to support industrial processing activities, including small, medium, and large-scale industries. These credits can be used for the purchase of industrial machinery and equipment, working capital, plant construction, or new product development. The aim is to support the growth and development of the industry and increase competitiveness.

Mining credit is a type of credit given to support mining business activities. These credits can be used for the purchase of mining equipment, mine development, exploration costs, mining infrastructure, and working capital within the mining sector.

Education credit is a type of loan given to individuals or institutions to fund educational needs or educational infrastructure development. These credits can be used to pay off tuition fees, including tuition, tuition, and training fees. such as tuition, books, stationery, living expenses, or the construction of school buildings. The goal is to provide access to better education for individuals or educational institutions.

The business activities of the three banks are to provide other financial services in addition to deposits and savings as follows:

1. Carry out the process of issuance, purchase, sale, or guarantee at the risk borne by himself or at the request of the client:
   - Debt acknowledgment letters and other trade documents also have a validity period that is in accordance with the custom in trading letters.
   - Money orders, including money orders that have been received by banks, have a similar validity period to other trade papers.
   - State Treasury Paper (KPN) and Government Guarantee Letter (SJP).
     KPN is one of the investment tools issued by the Government of Indonesia through the DJPPR of the Ministry of Finance. KPN is a form of securities issued to meet government financing needs in the short term.
     SJP is a financial instrument issued by the government of a country to provide guarantees for debt payments or financial obligations. SJP is a form of securities that guarantees to its holders that the government will fulfill its obligations in accordance with the provisions stated in the letter.
   - Bank Indonesia Certificate (SBI).
     Bank Indonesia Certificate (SBI) is a type of financial instrument issued by Bank Indonesia, the central financial institution of the Republic of Indonesia. SBI issuance aims to influence the smooth flow of funds in financial markets and regulate interest rates in Indonesia as part of monetary policy. Trade letter with a period of up to one (1) year.
   - Bond.
   - Other securities with a maturity of up to one (1) year
2. The clearing and collection process involves settling and collecting securities such as cheques and bilyet giro. Inkaso is a service used by banks to collect payments that occur outside the clearing area and are related to rupiah currency. Collection is a service provided by a bank to arrange

payments for financial instruments that interest the bank outside or within the country, but the instrument uses foreign currency

3. Moving money both for own interests and for the benefit of customers (transfer).
4. Safe Deposit Box (SDB) service is a service provided to rent safety boxes to store various valuable documents or valuable objects owned by customers.
5. Conduct factoring activities, credit card business and trustee activities. Factoring is a financing activity in the form of purchasing and or transferring and managing receivables or short-term bills of a company (debtor) from trade transactions at home or abroad. Credit cards are cards issued by banks and the like that can be used by the bearer for payments and certain services in debt. And the trustee, namely the bank, acts as a representative of the interests of the holders of Securities (commercial papers, debt recognition letters, shares, bonds, proof of debt) of a debt nature.
6. Carry out activities to receive deposits and payments to other parties such as tax payments, telephone, water, electricity, and the like.
7. Involved in capital market activities as an underwriting institution, guarantor institution, trustee, securities trading broker, securities trader, and fund management company.
   - Banks act as underwriters or parties responsible for guaranteeing the sale of securities (e.g. bonds or stocks) to investors when an emission is made. As an underwriter, the bank acts as an intermediary between the company issuing the securities (its issuer) and the investor. Underwriter duties include risk analysis, pricing, distribution, and ensuring emissions success.
   - As guarantor, the bank provides guarantees against financial obligations or performance of a contract by other parties. In the context of credit, the bank is responsible for repaying the loan if the borrower fails to fulfill its obligations. In addition, it becomes a determining factor in giving confidence to lenders to provide credit to borrowers.
   - Trustee: A trustee is a party acting on behalf of and for the benefit of another party in managing assets or wealth. In a financial context, trustees are often used in transactions of bonds or other financial instruments. As trustees, they act as trustees who guard assets and execute agreements in accordance with established terms.
   - A securities trading intermediary, also known as a broker or broker, is an entity responsible as an intermediary in conducting securities buying and selling transactions, including stocks, bonds, and other financial instruments. These intermediaries are usually brokers or brokers, who facilitate meetings between sellers and buyers of securities and provide transaction execution services.
   - Investment company: A fund management company, also known as an investment company, is a company that pools funds from individual investors and manages them to invest in various financial instruments, such as stocks, bonds, and other assets. These fund management companies may offer a variety of investment products, such as mutual funds, pension funds, or separate portfolios, with the goal of generating profits for their investors
   - Securities trader (dealer): A securities trader is a party or company involved in trading securities, such as stocks, bonds, or other financial instruments. They carry out securities buying and selling transactions with the aim of obtaining profits from the difference in the purchase price and selling price. Securities traders often engage in securities trading in the secondary market.
8. Carry out the role as initiator of pension fund programs and be involved in the management of pension funds in accordance with the provisions stipulated in the laws and regulations applicable to pension funds.

1. Types of Banks

a. By Ownership

In classifying banks according to their ownership, capital ownership is the main consideration. Therefore, banks in Indonesia currently consist of state-owned banks, regional-owned banks, and private-owned banks.

1) State-owned banks

   A state-owned bank is a bank whose shares are mostly owned by the government, from the deed of establishment to the bank's capital. The profits from state-owned banks will belong to the government as well. Examples of state-owned banks are Bank Mandiri, Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), and Bank Tabungan Negara (BTN). While examples of banks owned by local governments are Bank DKI, Bank Jabar, Bank Jateng, Bank Jatim, and Bank DIY.
2) National privately owned banks

   A national privately owned bank is a bank whose shares are mostly owned by national private parties. So the profits from the bank will be privately owned. Examples of national private banks include Bank Central Asia (BCA), Bank Lippo, Bank Mega, and Bank Danamon.
3) Cooperative-owned banks

   A cooperative-owned bank is a bank whose shares are owned by a company incorporated as a cooperative. An example of a bank owned by a cooperative is the Indonesian Cooperative Commercial Bank (Bukopin).
4) Foreign-owned banks

   A foreign-owned bank is a branch of a foreign bank in a country. All shares of foreign banks are owned by foreigners who own shares. Examples of foreign-owned banks are American Express Bank, Bank of America, Bank of Tokyo, Bangkok Bank, City Bank, Hongkong Bank, and Deutsche Bank.
5) Mixed-owned banks

   A mixed-owned bank is a bank whose shares are owned by foreign parties and national private parties. The majority of its shares are owned by Indonesian citizens. Examples of joint venture banks are Finconesia Bank, Merincorp Bank, PDFCI Bank, Sakura Swadarma Bank, Ing Bank, Inter Pacific Bank, and Mitsubishi Buana Bank.

b. By function

Banks in Indonesia can be classified into central banks, commercial banks, savings banks, development banks and village banks.

1) The Central Bank shall mean Bank Indonesia as referred to in the 1945 Constitution. This bank was established based on Law No. 13 of 1968 concerning the Central Bank which has certain authorities. This authority is intended to maintain and ensure the implementation of monetary policy in accordance with the needs in maintaining the stability of the Rupiah currency unit value as well as the development of production and development in order to improve the standard of living of the people, which includes authority in the field of State Budget, in the field of credit, in the field of foreign exchange, and in the field of bank supervision and guidance.
2) Commercial banks are financial institutions that operate by collecting funds from the public through deposits such as current accounts, time deposits, and savings. Furthermore, the funds are invested mainly in the form of short-term credit. In addition, the banking group also provides other banking services generally provided by conventional banks, such as domestic and international trade services.
3) Development Bank is a financial institution that aims to accumulate funds through the receipt of deposits from the public, mainly through time deposits and/or by issuing securities with medium and long maturities, and invests these funds mainly in the form of long-term credit. medium and long-term development.
4) Savings Bank is a bank that plays a role in the process of acquiring funds through accepting public deposits, especially in the form of savings, and then allocating them through the placement of funds with interest to financial instruments that are considered safe and stable.

5) Village Bank (BPR) is a financial institution that accepts deposits in the form of cash and goods such as rice and corn, then uses the funds to provide short-term loans in the form of money or goods to the heads of agriculture and rural sector offices.

c. Based on the aspect of giral money creation

Based on the money-making process, banks in Indonesia are divided into two categories, namely primary banks and secondary banks.

1) Primary banks, such as circulation banks and central banks, have the ability to create giral money in the form of credit in both paper money and electronic money. While commercial banks or commercial banks only have the ability to create giral money.
2) A secondary bank is a type of bank that functions as an intermediary in facilitating lending. Types of banks included in the secondary bank category include savings banks and other banks, such as development banks and mortgage banks. By and large, these secondary banks do not have the ability to create giral money.

d. Based on Operational Activities

Conventional banks and Islamic banks are types of banks based on operational activities.

1) Conventional Banks

Conventional commercial banks and Islamic commercial banks in Indonesia began to be distinguished since 1992 with the establishment of Muamalat bank. According to the Law of the Republic of Indonesia of 2008 No. 21, a conventional bank is defined as a bank that carries out its business activities conventionally. and by type consists of Conventional Commercial Banks and Rural Banks. Conventional banks use an interest system to generate profits and set prices to their customers. In addition, banks also apply various fees in the form of nominal or certain percentages for other services. The majority of Indonesians use conventional banks in transactions, around 80% of this is still related to the history of banking in Indonesia originating from the Netherlands.

Conventional banks in Indonesia are governed by laws that have undergone several changes since their issuance, namely Law Number 7 of 1992 concerning Banking as amended by Law Number 10 of 1998 and Law Number 17 of 2003. This law is the main legal foundation governing the establishment, operation, supervision, and governance of conventional banks in Indonesia.

The Banking Law broadly regulates the establishment and operational licenses related to procedures and requirements for establishing a bank, including minimum capital requirements, management qualifications, and regulatory compliance requirements. Banking principles are concerned with the regulation of norms applicable to financial institutions, including receipt of deposit funds, lending, risk management, and financial management.

The minimum capital requirement established by law is a measure taken to protect conventional banks from risks and maintain financial stability. Supervision and related regulations are provided to the Financial Services Authority (OJK) to carry out supervisory and regulatory duties on conventional banks, including in terms of setting prudential standards, inspections, and inspections. The Banking Law also regulates consumer protection in relationships with banks, including banks' obligations to provide clear information, privacy protection, and dispute resolution. One form of protection to consumers is the establishment of LPS Lembaga Penjamin Simpanan (LPS). Lembaga Penjamin Simpanan is an entity tasked with providing protection to customers in the banking sector by ensuring the sustainability of their deposits. In the event that banks face financial stress or fail, LPS will guarantee the safety of customer deposits to the limits regulated by law.

Conventional bank operations involve the process of collecting funds from the public in the form of savings, current accounts, and deposits, as well as redistributing funds that have been collected to individuals or groups in the form of loans or credits, as well as other forms of business such as transfers, clearing, collections, transaction payments to third parties all efforts carried out as long as they do not violate applicable laws and regulations.

In general, conventional banks in carrying out their business activities offer three main types of products, namely products in the fundraising sector, fund distribution, and other service products. Deposit products offered include savings accounts, checking accounts, and deposit accounts. While products in the field of fund distribution can be in the form of consumer loans, productive loans and investment loans. While other banking service products can be, transfer, clearing, Real Time Gross Settlement (RTGS), Mobile Banking, Internet Banking, Credit Card, Electronic Money, Safe Deposit Box and so on.

Conventional banks in running their business have an orientation to seek profits in the form of differences in savings products and credit distribution (spread based). When receiving a deposit of funds from a customer, the bank rewards the depositor customer in the form of interest, and when the bank disburses the credit, the bank collects an interest reward that is higher than the deposit interest. Conventional banks in order to seek profit use two types of income sources:

1. Interest income is obtained by banks from savings products in the form of savings, current accounts and time deposits. In terms of assets, banks set interest on loan or credit products, where the interest rate is determined higher than deposit interest. Spread based is a term used to describe the difference between interest rates on deposits and loans.
2. In other service products, conventional banks charge fees of a certain amount according to the type and service of the product. The imposition of fees for bank services is called fee-based income.

In savings products or fund collection, banks provide services to the public so that assets in the form of money or valuables can be stored safely in the bank. In addition to deposit products, banks also carry out functions in payment traffic in the form of transfer services, clearing, BI-RTGS, ATM, EDC, and many more services whose purpose is to facilitate payment traffic.

Besides being able to help the public in meeting their financial transaction needs, banks also benefit in the form of fees or ujroh for services from electronic banking services, this is certainly also in line with the purpose of the establishment of conventional banks (in accordance with the mandate of banking law), namely to help improve the standard of living of the community, carry out intermediary functions By providing money storage services owned by the community and then channeling it to community capital that needs business development, or other needs that are in accordance with their needs and abilities.

With the availability of conventional bank services, it is hoped that the public can avoid loan sharks who collect double usury that burdens and mistreats the community. Banks through government policy, are intended to protect the public from tyranny from arbitrary capital owners, because banks are required to comply with regulations and be supervised by the government through regulators, namely Bank Indonesia and the Financial Services Authority.

The history of the establishment of conventional banks began in European countries, then expanded to Asia, Africa and America when European rulers colonized countries on these three continents. The history of this bank began with the need for currency exchange, then developed into an institution that manages savings and loans.

Indonesia recorded the history of the establishment of conventional banks that began during the Dutch colonialism called Bank Courant En Bank Van Leening. The bank's mission was to assist the VOC's financial management. Sometime later Bank Courant En Bank Van Leening changed its name to de Javasche Bank which was the embryo of De Javasche bank which eventually became the central bank. De Javasche bank which previously functioned as the central bank was in turn replaced with Bank Nasional Indonesia 46. However, soon Bank BNI 46 changed to Bank Indonesia. After independence, the Indonesian government established a new bank, which is currently known as Bank Indonesia. After the establishment of Bank Indonesia, only then followed the establishment of conventional commercial banks in Indonesia such as BRI, Mandiri, BNI, BCA, and so on.

2) Sharia Bank

Banks that operate following Islamic sharia principles are known as Islamic banks, and in order to conform to Islamic sharia principles, Islamic banks must conduct their operations in accordance with Islamic sharia rules. The price set by Islamic banks is the result of an agreement between the bank and the depositor customer, which is referred to as margin or profit sharing. This agreement depends on the type of deposit and the specific period of time, which will determine the portion of revenue sharing that will be received by the depositor. Before Law No. 21 of 2008 was enacted, Islamic banking was regulated in Law No. 7 of 1992 as a bank with a profit-sharing system without any details of the basis of sharia law and the type of business permitted. Then, it was changed to Law No.10 of 1998 which is an amendment of Law No.7 of 1992 concerning Islamic banking. Although the law does not provide detailed regulation, overall, the articles in the law take into account the operational activities of Islamic banking.

DSN is an absolute requirement for the existence of Islamic banks. This body has the authority to determine and issue sharia fatwas on financial and economic aspects, as well as formalize a number of fatwas related to the banking world based on Islamic principles. DSN's main role is to supervise the products of Islamic financial institutions so that they are in accordance with Islamic sharia principles. In this regard, DSN builds sharia product guidelines that are based on Islamic legal sources. DSN has an important role in conducting research and providing fatwas on products developed by Islamic financial institutions.

Some of DSN's fatwas related to Islamic banks include number 04/DSN-MUI/IV/2000 relating to murabahah, number 05/DSN-MUI/IV/2000 concerning buying and selling greetings, and fatwa number 06/DSN-MUI/IV/2000 concerning buying and selling istisna'. In addition, there is also fatwa number 50 / DSN-MUI / III / 2006 which regulates the Akad Mudharabah Musyarakah, as well as fatwa number 71 / DSN-MUI / VI / 2008 relating to sale and lease back and so on.

As supervisors and regulators in addition to issuing laws, OJK and BI also issue regulations related to Islamic banks, namely POJK Number 64 / POJK.03 / 2016 concerning the change of business activities of conventional banks to Islamic banks and POJK Number 3 / POJK.03 / 2016 concerning Sharia People's Financing Banks. Bank Indonesia Circular Letter number 15/51/DPbS concerning sharia business units and Bank Indonesia Regulation number 15/13/PBI/2013 concerning sharia commercial banks.

The characteristics of Sharia Banks consist of (1) The existence of a Sharia Supervisory Board in charge of supervising bank operations from a sharia angle (Islamic Law.2) Because basically, the profit or loss obtained from a project financed by a bank can only be known after the project is completed. Therefore, in the project financing contract, Sharia Bank does not use a fixed return calculation based on a predetermined financing nominal. 3) Efforts to avoid using a fixed percentage of total payment obligations are efforts to avoid linking that percentage to the remaining debt even though the agreement limit has expired. The method of using percentages can cause the interest rate to be higher. 4)). There is a sharing of proceeds and profits determined by the agreement at the time of the contract agreement. The distribution is made into a percentage of the amount of profit, which is flexible and allows negotiation within reasonable limits.5) There is a specific product that does not exist in conventional banks, namely financing that is not burdensome and truly socially oriented. This product is intended for individuals who are less fortunate or in dire need of funds for religious activities. The source of funding for this facility comes from zakat, infak sedekah, and income generated from transactions with conventional banks that use the interest system.

Islamic banks have different contracts from conventional banks or called transaction contracts, namely:

1. Wadiah
   The agreement on the custody of goods or money or an activity that includes the custody of goods is carried out between parties who want to deposit (customers) to parties who have the power of attorney (banks) to carry out supervisory activities and gain trust with the aim of maintaining the integrity, security, and resilience of the goods or financial value provided.
2. Musharakah
   The financing model using a profit-sharing scheme (shirkah) is used when a bank puts funds as capital in its customers' business. Then, the bank and the customer will share the proceeds of the effort according to the agreed ratio in a certain period.
3. Murabahah
   Disbursement of funds in the form of commercial transactions. The bank will acquire the goods needed by the customer and then sell them back to the customer at the price determined by the bank, including

profit margins, and service users can pay in installments. The installment amount is contracted in accordance with the initial contract and the installment amount equivalent to the cost price is added to the agreed margin.

4. Mudharabah
   A business cooperation agreement is formed between the first entity (funder, fund owner, or Islamic bank) that provides all capital requirements and the second entity (manager, executor, or customer) responsible for managing funds, with official approval bound in the form of a cooperation agreement, Losses will be fully borne by the Islamic Bank, except in situations where the second party deliberately makes a mistake, Negligent, or in breach of the agreement.
5. Salam
   Sale and purchase agreement based on how to order. The process, the buyer will give money first to buy goods whose specifications have been explained in detail, then the product will be sent. In practice, the greeting contract places the bank as the buyer and hands over the money to the customer. From the money, customers will have capital to manage their business and provide their obligations to Islamic banks.
6. Ijarah
   Agreement in which the lessee party recognizes the right to use the goods for a certain period of time by paying compensation to the lessee, without any transfer of ownership of the goods concerned.
7. Ijarah muntahiyah bit tamlik
   Basically, sharia leasing is a combination of a sales contract and a lease or a lease contract that ends with the ownership of goods by the tenant. In Islamic leasing, the nature of ownership transfer is its hallmark that distinguishes it from conventional leases commonly encountered in conventional financial institutions.
8. Istisna'
   Buying and selling in the form of making certain goods with certain criteria and conditions agreed between buyers and sellers, if the buyer in the istishna contract does not require the bank to make its own ordered goods, then fulfill its obligations first. Akad, the bank can enter into a second istishna agreement with a third party (subcontractor) or called parallel istishna. The istishna agreement can be terminated if both parties have fulfilled their obligations.
9. Qardh
   An act by which a bank provides a loan to a customer with the aim of meeting an urgent need.

Conventional banks and Islamic banks have several similarities, namely both carry out duties in accordance with those stipulated in Law of the Republic of Indonesia Number 10 of 1998, which involves functioning as an intermediary between individuals or organizations that have excess financial resources and those who need loans. Both are also profit oriented in running their business. In controlling credit risk, both conventional and Islamic banks use deposit growth instruments (Third Party Funds) and assets. On the operational side, there are several technical similarities such as the management of money receipts, transfer systems, the use of computer technology, general criteria for obtaining financing, and so on.

Table 2 Comparison of conventional banks with Islamic banks

	Bank Konvensional	**Bank Syariah**
Surveillance system	○ OJK	○ OJK ○ Sharia Supervisory Board
Legal Basis	○ UU No. 10 tahun 1998	○ UU No. 10 year 1998 ○ UU No. 21 year 2008
Akad and legality aspects	○ Positive law	○ Positive law ○ Hukum Islam
Operational system	○ Using a credit or loan interest calculation system (invest note)	○ Pure deposit system

		○ Profit sharing system in the distribution of Islamic bank funds. ○ Trading system and profit margin. ○ Rental system (al-ijarah) ○ Fee system (services).
Functions and roles	○ Raise funds ○ Disbursing funds ○ Other services	○ Raise funds ○ Disbursing funds ○ Other services ○ Social function (ZIS)
Business Model	○ All efforts comply with anti-money laundering and counter-terrorism financing provisions	All efforts comply with anti-money laundering and counter-terrorism financing provisions ○ In accordance with Islamic law
Operational Risk	○ Credit, Market, Operations, Liquidity, Reputation, Legal, Strategic and Compliance	○ Credit, Market, Operations, Liquidity, Reputation, Legal, Strategy, Compliance, Return Risk and Investment
Product	○ Raising Funds (Current Deposits, Savings Deposits and Deposit Deposits) ○ Disbursing funds (Investment Credit, Working Capital Credit, Trade Credit, Productive Credit, Consumer Credit, Professional Credit ○ Provide other bank services (remittances, bank cards, bank guarantees, bank drafts, clearing, letters of credit, collections, serving payments, tourist cheques, safe deposit boxes, bank notes, accepting deposits, playing in the capital market)	○ Absorption of Funds (Wadi'ah principle and Muḍārabah principle) ○ Services (Bank guarantee with kafalah principle. ○ Disbursement of funds (Financing for various investment activities based on profit sharing; and Financing for various trading activities)
Relationship with customers	The relationship between creditors and debtors	Partnership relationship

4. Conclusion

Based on the description and analysis and discussion above, it can be concluded that judging from the positive legal aspects which include subjective and objective requirements on their products, the operational mechanisms of conventional banks and Islamic banks in Indonesia are generally relatively the same, but have special differences in the content of contracts, transaction flows and underlying transactions of each product. Conventional banks offer products such as deposits and loans that use interest devices with a certain amount, which has been determined by the bank at the beginning of the transaction. In Islamic banks, savings and financing products also use an indication of the amount of income for shohibul maal in the form of margin, ujroh or profit sharing ratio which is also determined by the bank from the beginning of its business contract with customers. Islamic banks usually use transaction contracts such as murabahah, shirkah and ijarah contracts and several derivative contracts.

The difference of opinion from scholars regarding bank interest is caused by differences in methods of conducting legal istinbath. The scholars who forbade bank interest took the law from the nash of the Qur'an textually that riba is haram and then analogized bank interest as synonymous with usury. While scholars who allow bank interest, are of the view that bank interest is not synonymous with usury, where in the context of banks in general there is no element of tyranny or exploitation from the bank to customers. With the existence of banks, people can actually avoid the trap of renternir, encourage people to get business capital and help low-income people to be able to obtain basic needs such as housing, transportation and education costs for their families. This is in line with the objectives of sharia, namely realizing welfare and benefit.

Conventional banks in Indonesia have a very vital role in encouraging economic growth. As an institution that collects funds, conventional banks make it easy for people to store their money and assets safely from the threat of crime and can also be used as a means of investing. As a channeler of funds, banks provide loans to individuals, business institutions, and other sectors to support economic activities, help liquidity and accessibility of funds for economic actors. In addition, the bank is also able to support the financing of infrastructure development projects and provide capital for the development of micro, small and medium enterprises (MSMEs), thereby encouraging job creation, increasing income and economic growth. In carrying out the payment function, banks can provide convenience, speed and security to the public in carrying out daily economic activities.

Conventional banks that currently dominate the banking market share up to 93% are still the main pillar to encourage the country's economic growth through their functions as financial intermediaries, development agents and service agents. Strong economic growth of the country in turn can create employment opportunities and increase people's incomes so as to realize a prosperous society in accordance with the objectives of maqashid sharia. Therefore, it can be concluded that the existence of conventional banks in carrying out their functions has a close relationship with the values of sharia maqashid, namely the realization of the benefit and welfare of mankind.

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