



## The Politics of Sharia Banking Law Development in the Era of the Industrial Revolution 4.0

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### **Abstract**

The political direction of Indonesian sharia banking law is to develop and support the country's economy, especially after the enactment of Law Number 21 of 2008 concerning Sharia Banking. This research is a normative legal research conducted by examining library materials or secondary data. The approach used is a statutory approach and a conceptual approach. Entering the era of the industrial revolution 4.0, the political development of Islamic banking law must take a role in order to prevent the law from becoming an obstacle in state activities, so one way that can be done as an effective and efficient form of action is through optimizing information technology in the field of Islamic banking. Therefore, with the advent of the industrial revolution 4.0 era.

**Keywords:** *Politics of Sharia Banking Law; Industrial Revolution 4.0*

### **Introduction**

Conceptually, the Islamic finance industry is in accordance with the demands of the times and has become a historical obligation to be born and grow into an alternative-solution financial system. To realize this is not an easy thing, there are many challenges and obstacles that the Islamic finance industry will have to face in the future. The Islamic finance industry, both bank and non-bank, is currently still in the early stages of its evolution. Although the growth rate is so fast, so far it has only occupied a small niche in the financial sector in Muslim countries, especially in the international financial sector. Despite a number of difficulties, the Islamization of banking movement went well. The progress achieved over the last quarter century shows encouraging results (Nurhisam Luqman, 2016). Islamic banks until 2018 have experienced rapid development. Quantitatively, the development of Islamic banks can be seen from the number of banks conducting business activities based on sharia principles and in terms of business volume. Until 2018, there were 14 Sharia Commercial Banks, 20 Sharia Business Units and 167 Sharia Rural Banks. In total, the office network of Islamic Commercial Banks and Sharia Business Units totals 2,266 offices (Bank Indonesia, 2018).

The development of Islamic banking in Indonesia began with the expectations of the Indonesian Muslim community in the 1970s to be able to carry out sharia-based transactions, since several other countries where the majority of the population is Muslim have established sharia-based banking. The Majelis Tarjih Muhammadiyah has taken decisions regarding banking law (1968 and 1972) which principally determined that usury is legally forbidden with the sharih al-Quran and as-Sunnah texts, and suggested to the Muhammadiyah Central Executive to realize the concept of an economic system, especially banking institutions, which is in accordance with Islamic rules (Jundian, 2009). It is intended that Islamic banking in carrying out banking operations is not only for business purposes, in the form of material profits, but also the pursuit of happiness in the hereafter. For this purpose, Islamic Banks in carrying out banking operations do not only base on banking regulations in general but also based on sharia provisions. Islamic banks must comply with sharia principles that are implemented from establishment to operations (Muhammad Danang Wahyu, 2014).

In order to prevent the law from becoming an obstacle in state activities, one way that can be done as a form of effective and efficient supervision is through optimizing information technology. Considering that the changing world is now entering the era of the industrial revolution 4.0 or the fourth world industrial revolution where information technology has become the basis of human life. Everything becomes borderless with the use of unlimited computing power and data, because it is influenced by the development of the internet and massive digital technology as the backbone of the movement and connectivity of humans and machines (Kemristekdikti. 2018). In the modern view, so that the law can accommodate all new developments, the law must always be at the same time as the events that occur. For this reason, there is a need for government policies and community support for the development of Islamic banking that functions according to its objectives (Miss Bangsawan, 2020).

The development of banking law politics in the future is faced with the presence of the industrial revolution era 4.0 which will affect the various lifestyles of the world community, where everything becomes easy, practical and fast. However, do not forget the aspect of legal protection in order to minimize errors and insecurity of financial and data transactions.

### ***Research Methods***

This research is a normative legal research conducted by examining library materials or secondary data. In relation to normative research, two approaches are used, namely the statutory approach and the conceptual approach. The statute approach is an approach taken to various legal rules relating to the politics of sharia banking law and other organic regulations related to the object of research. A conceptual approach is used to understand the concept of the industrial revolution 4.0.

### ***Results and Discussion***

#### **Politics of Sharia Banking Law Development in the Industrial Revolution Era 4.0**

The era of the fourth Industrial Revolution is marked by artificial intelligence (artificial intelligence), super computers, genetic engineering, nanotechnology, automatic cars, and innovation. These changes occur at an exponential rate that will have an impact on the economy, industry, government, and politics. In this era, it is increasingly visible that the world has become a global village (Satya, VE (2018). In the era of information and globalization, information technology has become very important in people's daily lives. Information technology has become part of human life, apart from being a result of human work, also aims to improve human welfare (Mahfudz, S., & Nasution, MK 2005). The trend of continued development of technology certainly brings various implications that must be anticipated and also watched out for. This effort has now given birth to a legal product in the form of Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE). However, with the issuance of the ITE Law, not all problems related to ITE issues can be handled. These problems are,

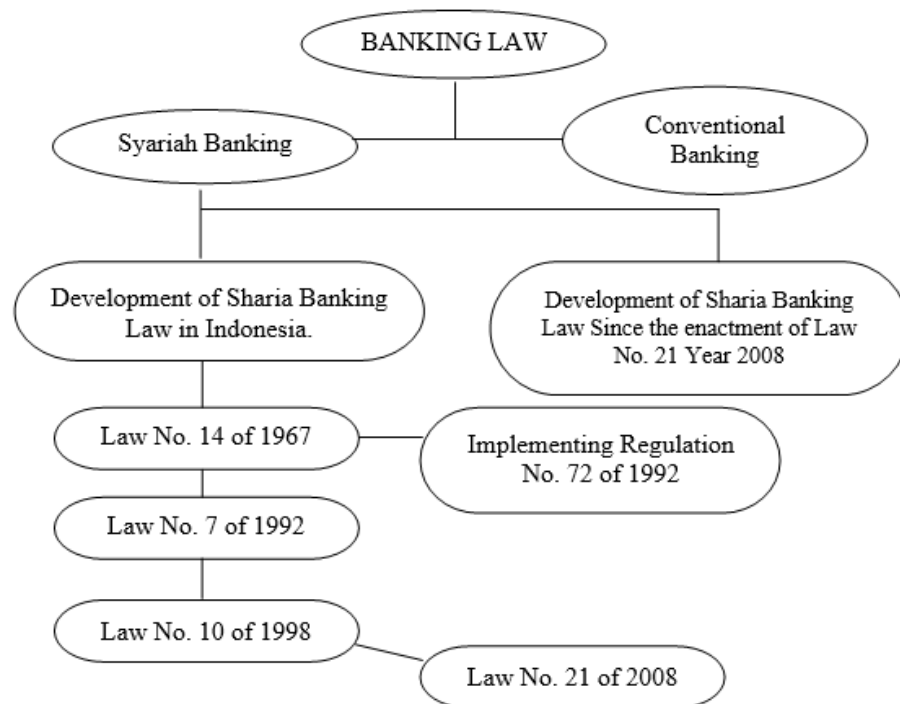
among others, due to: First, with the enactment of Law Number 11 of 2008 concerning Information and Electronic Transactions, not only can this Law be known by the public using information technology and legal practitioners. Second, various forms of technological development that give rise to new operations and services must be identified in anticipation of solving various technical problems that are considered new so that they can be used as material for the preparation of various implementing regulations. Third,

The current Islamic banking policy rolled out by the government departs from become a trend for shift investment preference from conventional to Islamic stocks since financial crisis. Starting from the 1997-1998 Asian financial crisis and the 2006-2009 global financial crisis. The economic crisis and the multidimensional crisis in Indonesia that have occurred since 1997 actually stem from one thing, namely not the formulation of "ethics" where ethics plays a central role as a paradigm of state administration practice, one of which is in the economic field, namely in business. The credibility and success of Indonesians in international business is also determined by the extent to which our business understands and anticipates these developments. In other words, efforts to get out of the storm of crisis that is currently being experienced by the Indonesian people also involve increasing ethical performance in business behavior (Nobility, MI 2017).

Recently, not only has Sharia-based capital markets developed in Muslim countries, but also started to attract attention in non-Muslim countries. Due to the importance of capital market development in the economy, a number of studies related to evaluating the portfolio performance of Islamic and conventional indices have been carried out in developed and developing countries, one of which is the result of a comparison with Malaysia as a partner, Dewi and Ferdian (2012) found that Indonesian Islamic mutual funds are less outperformed in terms of asset allocation funds and debt funds during the period January 2006 - April 2009 (Pranata Nika, Nurzanah. 2015). This can be achieved because the bank interest system is used by conventional banks to gain profits from funds invested through financing to customers regardless of whether the customer's business is profitable or vice versa. However, unlike the system in Islamic banks in seeking profits on invested funds, Islamic banks apply a profit-sharing ratio, namely by dividing profits or losses (Profit and Loss Sharing or PLS) on financing products based on NUC (Natural Uncertainty Contract), namely contracts. business that does not provide certainty of income both in terms of quantity and time, but based on profits or losses for the business being carried out, such as mudharabah and musharaka. This is applied to Islamic banks because Islamic banks are banks that all other operating systems must not conflict with Islamic teachings which prohibit usury. In the Qur'an Surah al-Baqarah verse 275 it has been explained that Allah forbids usury and instead uses the principle of profit sharing. With this principle, no party is harmed in the contract, because this principle is based on the pleasure of both parties entering the contract (Sucingtyas Siti Aisyah, Latifah Durrotul. 2013).

Law plays a role in providing predictability. Law must have the ability to provide a definite picture in the future regarding current conditions or relationships (Kadafi Muhammad, Iskandar Muda. 2013), including in the development of Islamic banking. Based on this, finally the legal product of Law Number 21 of 2008 concerning Islamic Banking was born as an answer to legal predictability. The following is a chart of the development of banking law in Indonesia in the laws and regulations:

### charts. 1. Sharia Banking Legal Regulations in Indonesia



The promulgation of Law no. 21 of 2008 concerning Sharia Banking, on June 17, 2008. The issuance of the Sharia Banking Law marks a new era of sharia banking which already has a clear legal umbrella. With this Sharia Banking Law, it further strengthens the legal basis of Sharia banking so that it can be on par with conventional banks. In addition, this legal umbrella further strengthens the existence of Islamic banking in Indonesia and can also further spur an increase in the role and contribution of Islamic banking in alleviating poverty (poverty alleviation), public welfare, and opening up the field for work and national development (Ali, Z. 2008).

In facing the era of the fourth industrial revolution, banking institutions/financial institutions need to improve a lot by presenting responsive policies because responsive laws will place themselves in a position that is not separate, but must be able to greet other entities by paying attention to and adopting the wishes of others. live in society (Absori, M., 2012) especially in the aspect of mastering technology which is the key in the digital era. There are at least five main technologies that support the development of the Industry 4.0 system, namely the Internet of Things, Artificial Intelligence, Human-Machine Interface, robotic and sensor technology, and 3D Printing technology. The five elements must be able to be controlled by the government and the private sector in Indonesia.hindering the achievement of sharia goals, namely the benefit of the community in maintaining and safeguarding assets (Tarantang, et.all. 2019).

### Conclusion

Banking conditions in Indonesia have experienced a trend for a shift in investment preferences from conventional to Islamic stocks since the financial crisis. Starting from the 1997-1998 Asian financial crisis and the 2006-2009 global financial crisis. The presence of Islamic banking is a complement to the existing conventional banking system. Entering the era of the industrial revolution 4.0, the political development of Islamic banking law must take a role in order to prevent the law from becoming an obstacle in state activities, so one way that can be done as an effective and efficient form of action is

through optimizing information technology in the field of Islamic banking. Therefore, with the presence of the industrial revolution era 4.0, can help achieve the goals of sharia for the benefit of society in maintaining and safeguarding assets.

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