FUNDAMENTAL DIFFERENCES BETWEEN CONVENTIONAL BANKS AND SHARIA BANKS AS SEEN FROM THE PERSPECTIVE OF ISLAMIC LAW

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Abstract

The purpose of this research is to analize and to understand the fundamentals difference between conventional banks and syariah banks reviewed from perspective of Islamic economy law, to be able to contribute to the state as an arranger, coach, and supervisor, and the one who make regulation in Indonesian would of banking.

The result of this research can be used as a basic step in running the fuction of the state as an arranger, coach, and supervisor, and the one who make regulation in Indonesian would of banking. Beside that, the formulation can be useful for the policy maker in drafting regulation and other policys. Specific target of this research is to formulate regulation drafting to create the world of syariah banking that essentially to the Islamic syariah. And the result can be used as evaluation of consistence between syariah banking idealism in normative and how if carried in fact.

The method of this research is normative legal research, also known as library legal research, which is a method that used in legal research by researching in library's substances.

Data resource in this research is :

a. Primary legal research, wich is legal substance from the regulations
b. Secondary legal research, wich came from literature, books, journals, and legal expert opinions.
c. Tertier legal research, which used to support the primary and secondary legal resource like dictionary and encyclopedia.

***Keywords*: bank, syariah, legal economy, moslem**

Abstrak

Tujuan penelitian ini adalah untuk menganalisis dan memahami perbedaan fundamental antara bank konvensional dengan bank syariah ditinjau dari perspektif hukum ekonomi islam, untuk dapat dijadikan sumbangsih kepada negara/pemerintah sebagai pengatur, pembina, dan pengawas serta pembuat regulasi dalam dunia perbankan di Indonesia.

Hasil dari penelitian ini dapat dijadikan sebagai pijakan dasar dalam menjalankan fungsi Negara/pemerintah sebagai pengatur, Pembina, dan pengawas serta pembuat regulasi dalam dunia perbankan di Indonesia. Selain itu, rumusan tersebut dapat bermanfaat bagi pemangku kebijakan dalam rancangan Peraturan Perundang-undangan, dan Peraturan-peraturan lainnya. Target khusus penelitian ini adalah terumuskannya bentuk formula rancangan regulasi untuk menciptakan dunia perbankan syariah yang hakiki sesuai dengan syariah Islam. Dan hasil penelitian yang didapat dijadikan sebagai evaluasi atas konsistensi antara idealisme perbankan syariah secara normatif dengan praktik yang dilakukan di lapangan.

Metode yang digunakan dalam penelitian ini adalah penelitian hukum normatif yang disebut juga penelitian hukum kepustakaan, yakni suatu metode atau cara yang dipergunakan di dalam penelitian hukum yang dilakukan dengan meneliti bahan Pustaka yang ada.

Sumber data dalam penelitian ini :

a. Bahan Hukum Primer, yakni bahan hukum yang diperoleh dari peraturan perundang-undangan ;
b. Bahan Hukum Sekunder, yakni data yang berasal dari berbagai literatur, buku-buku teks, hasil penelitian, pendapat-pendapat ahli hukum, yang berkaitan dengan penelitian;
c. Bahan Hukum Tertier, yakni data yang berfungsi sebagai pendukung data primer dan sekunder yang berupa kamus dan ensiklopedia.

Kata kunci : Bank ; Syariah ; Hukum ; Ekonomi ; Islam

INTRODUCTION

A bank is an institution permitted by law to collab public funds. These collected funds can be land to those in need. Of course, when the fund are repait, they must be in acces. This is done based on mutual agreement between the bank as a creditor and the custumer as the debtor. This is known as a credit agreement. The credit agreement it self is rooted in a lown agreement as tipulated in article 1754-1773 of the civil code and this end mandatory.

The most fundamental different between conventional bank and syariah bank is the terminology of the accses nominal mention above. In conventional bank its known as interest, while in syariah bank its known as profit sharing. The inisial agreement also diffenrentiates conventional bank from syariah bank : the terminology of contract in syariah bank and the terminology of agreements in conventional bank. Overtime, many conventional bank have also developed.

There are several variables that influence the conversion policy process from conventional banks to Islamic banks, but ironically the conversion is not accompanied by the terms and conditions that apply to Islamic banks, including: low-quality human resources, non-compliance with the principles in carrying out Islamic banking activities, management organizations that are not in sync with the conversion policy as indicated by low employee support, low sharia compliance with the provisions of Islamic principles and norms that must be met in carrying out Islamic banking activities, minimal regulatory and legislative support, and legal problems related to the development of Islamic banking products.

The transformation of conventional banking into Islamic banking is aimed at meeting the needs of the Muslim customer market share. However, in practice, Islamic banking operates within the conventional financial system. Low stakeholder awareness of the importance of upholding Islamic banking principles, differing views among Islamic legal schools of thought regarding banking transactions, and ineffective regulations are some of the challenges in developing a framework for the banking transformation process. In practice, the development of an Islamic banking framework is not aligned with Islamic principles and the financial services needs of the public. This indicates that the development of Islamic finance is at odds with the goals of compliance with Islamic principles, prudential requirements for banking activity supervision, provisions for the publication of information in financial reports, provisions for corporate governance and transparency, provisions for product development, and ethical behavior towards consumers.

Ideally, the conversion of a Conventional Commercial Bank (BUK) to a Sharia Commercial Bank (BUS) is an expansion of the Sharia financial sector, closely adhering to Sharia compliance under the supervision of the Financial Services Authority (OJK).

The legal consequences of this status change affect the institutional status, the bank products converted into contracts, and the status of customers. The current legal status of the bank must comply with the Financial Services Authority Regulation (POJK), which stipulates that upon conversion to Sharia, the bank's logo, board of directors, Sharia Supervisory Board (DPS), and Sharia auditor must be changed.

Despite all these obstacles, the obligation to use the sharia banking system (Islamic law) is absolutely enforced by Muslims, because bank interest is usury, and usury is haram, including a major sin.

There are 2 types of usury; nasiah and fadl. Riba nasiah is an excess payment required by the person who lends. Usury fadl is the exchange of goods for similar goods but in greater quantity because the person exchanging requires this, such as exchanging gold for gold, rice for rice, and so on.

A recent journal article highlighted the dangers of riba (usury), including its social and economic impacts, including the potential for poverty, social instability, and inflation. Spiritually, riba is considered a serious sin that hinders happiness and can erase the blessings of life, resulting in punishment in this world and the hereafter. Riba can also trigger failure, sadness, and psychological distress, as well as damage social relationships due to exploitative practices. Among its social and economic impacts are poverty and social instability, inflation, and exploitation. Several verses of the Quran related to riba include Surah An-Nisa (verses 160-161), Surah Al-Baqarah (verse 275), Surah Ar-Rum (verse 39), Surah Ali Imran (verses 130-131), and Surah Al-Baqarah (verses 278-279).

This article focuses on explaining the fundamental differences between the principles of conventional banking and Islamic banking from an Islamic legal perspective.

FORMULATION OF THE PROBLEM

1. How can we analyze and understand the fundamental differences between conventional and Islamic banks from the perspective of Islamic economic law?
2. What are the obstacles and constraints in differentiating conventional and Islamic banks from the perspective of Islamic economic law?

RESEARCH METHODS

1. Type of Research

This type of research is normative legal research that examines the fundamental differences between conventional and Islamic banks. This research is based on a literature review of Islamic banking regulations, data on the legal consequences of their contracts, and their management differences from conventional banks. The benefit of this type of research is that it can address legal issues in Islamic banks, which are considered similar to conventional banks, only having changed their name. Furthermore, it can provide expert recommendations for analyzing the legal issues faced by Islamic banks.

Normative legal research or library legal research includes:

a. Research on legal principles

b. Research on legal systematics

c. Research on the level of vertical and horizontal synchronization

d. Comparative law

e. Legal history

2. Data Source

The data sources in this study used primary, secondary, and tertiary data. The three data sources are explained as follows:

a. Primary data, namely data that explains primary and non-binding legal materials in the form of expert opinions contained in books, scientific journals, and research results, both published and unpublished. Primary legal materials consist of:

1) Supreme Court Regulation of the Republic of Indonesia Number 2 concerning the Compilation of Sharia Economic Law (KHES).

2) Law Number 21 of 2008 concerning Sharia Banking.

3) Fatwa of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI) regarding musyarakah, mudarabah, murabahah, salam, istisna, and ijarah contracts.

4) Dissertation research reports examining Sharia contracts.

5) Books written by experts selected based on specific studies on contracts.

b. Secondary data, namely data that supports primary legal materials. The materials used are the Big Indonesian Dictionary (KBBI) and the Legal Dictionary.

3. Data Collection Techniques

The data collection techniques used in this study are as follows:

Literature study, which analyzes Sharia contracts from the perspective of the Compilation of Sharia Economic Law (KHES), Law Number 21 of 2008, and scientific sources supporting the research object. Priority is given to scientific articles published in Sinta 2-accredited journals/e-journals to ensure the quality and validity of the data reconstructed into concepts.

4. Data Analysis

Data analysis used qualitative descriptive methods, followed by inductive conclusions, which are drawn from specific statements to general statements. Qualitative descriptive analysis was conducted by sorting interview data and linking it with the literature review to find solutions to the problems. The results of the analysis may differ from previous analyses due to differences in data interpretation during analysis.

RESEARCH RESULTS AND DISCUSSION

The presence of Islamic banks in Indonesia began with the establishment of Bank Muamalat Indonesia in 1992. Since then, Islamic banking in Indonesia has continued to grow. In Indonesia, there are two types of banking systems: conventional banks and Islamic banks. By definition, conventional banks operate conventionally, adhering to national and international agreements and based on formal state law. Islamic banks operate based on Islamic principles, or Islamic law, as stipulated in fatwas issued by the Indonesian Ulema Council (MUI).

The primary difference between conventional and Islamic banks lies in their principles of implementation. Conventional banking principles are based on national and international agreements and are based on formal state law. Islamic banks, on the other hand, adhere to Islamic law as stipulated in fatwas from the Indonesian Ulema Council (MUI). Therefore, Islamic banking activities adhere to Islamic principles, namely buying and selling and profit sharing. Conventional banks aim to generate profits through a value-free system, or in accordance with principles adopted by the general public. Islamic banks, on the other hand, focus not only on profit but also on compliance with Islamic principles. Therefore, some Islamic banking products must be based on mutual consent, without any coercion, and on mutual assistance between customers.

The difference between Islamic Banks and Conventional Banks is that Islamic banking law is based on Islamic sharia based on the Qur'an and Hadith as well as the Fatwa of Ulama (MUI) while conventional banks are based on positive law applicable in Indonesia, Islamic Banks will reject credit applications intended for things that could violate Islamic law (Only for halal businesses) while credit distribution in conventional banks can be done in various businesses that are considered safe and profitable. As long as it does not violate applicable rules and laws. According to Law number 10 of 1998, a Bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people. Types of banks according to their business activities are divided into two types of banks, which are differentiated based on interest payments or profit sharing: (1) Banks that conduct business conventionally, and (2) Banks that conduct business according to Sharia. Conventional banks and Sharia banks have similarities in several respects, especially in terms of the technical aspects of receiving money, transfer mechanisms, computer technology used, general requirements for obtaining financing such as ID cards, proposals, financial reports and so on.

The next difference lies in the operational system used. Conventional banks operate using interest rates and general agreements based on national regulations. Meanwhile, Islamic banks operate using a profit-sharing system, or ratio. The profits paid to customers depend on the bank's profits. The higher the bank's profits, the higher the profit share received by customers, and vice versa. Supervision of conventional and Islamic banks is regulated by Law No. 10 of 1998 concerning Banking. Conventional banks are supervised by the Board of Commissioners. Islamic banks, on the other hand, are overseen by various institutions, such as the National Sharia Council, the Sharia Supervisory Board, and the Bank's Board of Commissioners.

Another difference lies in the relationship between customers and banks. In conventional banks, the customer-to-bank relationship is that of a debtor-to-creditor. The customer acts as the creditor, while the bank acts as the debtor. In Islamic banks, there are four types of customer-to-bank relationships: seller-buyer, partnership, lease, and tenant. The difference between conventional and Islamic banks can also be seen in how they manage their funds. In conventional banks, funds can be managed across all profitable business lines, subject to applicable laws. This is not the case with Islamic banks, where fund management is based on Islamic law, prohibiting funds from operating in business areas that conflict with Islamic values or rules. Some Islamic bank products and services are not offered by conventional banks; this is certainly a distinct advantage of Islamic banks. Some of these products and services include Hajj and Umrah savings, Islamic deposits, zakat, infaq, waqf, and qurban savings. These products are commonly available at Islamic banks.

The Financial Services Authority (OJK) explains the differences between Islamic banks and conventional banks, that the principles of Islamic banks are regulated in the MUI fatwa, such as the principles of justice and balance ('adl wa tawazun), benefit (maslahah), universalism (alamiyah), and do not contain gharar, maysir, usury, tyranny, and haram objects. Law No. 21 of 2008 concerning Islamic Banking mandates, based on the differences between Islamic banks and conventional banks, to carry out social functions by carrying out functions like the baitul maal institution, namely receiving funds originating from zakat, infaq, alms, grants, or other social funds and distributing them to waqf managers (nazhir) according to the wishes of the waqf donor (wakaf). In general, the difference between Islamic banks and conventional banks lies in the form of Islamic bank business consisting of Commercial Banks and Islamic Rural Financing Banks (BPRS), with the main difference being that BPRS are prohibited from accepting deposits in the form of current accounts and participating in payment system traffic.

Sharia banks aren't solely focused on profit. On the official website ojk.go.id, the OJK explains that the differences between Sharia banks and conventional banks in conducting their business are based on sharia principles, economic democracy, and prudential principles. Beyond these differences, Sharia banks also aim to support national development by promoting justice, togetherness, and equitable distribution of public welfare.

Meanwhile, the functions of Islamic banks, based on the differences between Islamic banks and conventional banks, are:

1. Islamic banks and Islamic Business Units (UUS) are required to collect and distribute public funds.
2. Islamic banks and UUS can perform social functions in the form of baitul mal institutions, namely receiving funds from

zakat, infaq, sadaqah, grants, or other social funds and distributing them to zakat management organizations.

3. Islamic banks and UUS can collect social funds from cash waqf and distribute them to waqf managers (nazhir) in accordance with the wishes of the waqf donor (wakif).

4. The implementation of social functions as referred to in paragraphs (2) and (3) shall be in accordance with statutory provisions.

The difference between Islamic banks and conventional banks also lies in the operational system. Conventional banks typically apply interest rates and general agreements based on applicable national regulations. In this case, the contract between the bank and the customer is executed according to the agreed-upon interest rate. This is clearly different from Islamic banks. In practice, Islamic banks do not apply interest to any transactions, as interest can be considered usury (riba). Therefore, the operational system of Islamic banks utilizes a profit-sharing agreement, or ratio, between the bank and the customer. In this case, the bank and customer typically reach an agreement based on profit sharing and also involve buying and selling activities.

In fact, supervision of conventional and Islamic banking activities is regulated by Law Number 10 of 1998 concerning Banking, but the difference lies in the supervisory authority. All conventional banking activities are generally supervised by a board of commissioners, while Islamic banking activities are overseen by various institutions, such as the National Sharia Council, the Sharia Supervisory Board, and the bank's board of commissioners.

The difference between Islamic banks and conventional banks also lies in the relationship between customers and the bank. In conventional banking, the relationship is generally between debtor and creditor. The customer acts as the creditor, while the bank acts as the debtor. Unlike Islamic banks, the relationship between customers and Islamic banks is divided into four types: seller-buyer, partnership, lease, and lessee. Islamic banks act as sellers and customers as buyers under murabahah, istishna, and salam contracts. Meanwhile, under musyarakah and mudharabah contracts, the relationship is partnership. In the ijarah contract, the bank acts as the lessor and the customer as the lessee.

The penalties imposed are also one of the differences between Islamic banks and conventional banks. Conventional banks typically impose fines on customers who make late payments. Furthermore, the interest or fines can increase if customers fail to pay by the specified deadline. However, Islamic banks generally do not have such fines. Instead, Islamic banks will reach a mutual agreement. The difference between Islamic banks and conventional banks, in essence, lies in the institutions offering banking products in accordance with Islamic Sharia principles. Islamic banking institutions, like the differences between Islamic banks and conventional banks, must adhere to established Islamic Sharia principles. This is because Sharia principles are fundamental to these banking institutions, as the very existence of Islamic banks is based on Islamic principles.

Both Islamic banks and conventional banks manage a number of funds, some of which come from customers and some of which are owned by the bank itself. In reality, these funds must be managed in such a way that they generate returns for the bank and cover various operational costs. However, there are differences in the fund management systems between the two banks.

In Islamic banks, customer funds received in the form of deposits or investments cannot be managed indiscriminately across all business lines. Management and investments conducted by Islamic banks must be based on Islamic law. The business lines selected must comply with Islamic law. Meanwhile, in conventional banks, these funds can be managed across various business lines deemed safe and profitable. As long as the fund management does not violate applicable laws and regulations, the bank has the freedom to operate and manage these funds across various business lines deemed to provide maximum profit.

In their operational activities, both Islamic and conventional banks require a certain amount of profit from their operations. Banks must cover various costs, so generating a profit is mandatory to cover these costs. However, Islamic banks and conventional banks differ in how they calculate business profits. In practice, Islamic banks do not apply an interest system to their services. Islamic banks are run according to Islamic law. The use of interest is prohibited and does not occur in Islamic banks, as it is considered inconsistent with Islamic law. Islamic banks utilize a profit-sharing system to generate a certain amount of profit. This profit is then used by the bank, as the manager, to finance all banking operations.

Meanwhile, in conventional banking, Law Number 10 of 1998 clearly states that conventional banks conduct business conventionally and provide a certain amount of profit in the form of interest to their customers. The interest rate is then regulated based on regulations issued by the government through financial and banking institutions, where the amount of the interest rate must be profitable for the bank. This profit will also be used to run all operational activities in conventional banks. In accordance with Islamic law, transactions occurring in Islamic banks will certainly differ from those occurring in conventional banks in general. Specifically, several of these transactions are regulated by fatwas from the Indonesian Ulema Council (MUI), including al-Mudharabah (profit sharing), al-Musyarakah (partnership), al-Musaqat (farming cooperation), al-Ba'i (profit sharing), al-Ijarah (rental), and al-Wakalah (agency). These transactions are certainly not found in conventional banks. This is because all rules and transaction policies in these banks are regulated and implemented according to applicable Indonesian law.

Based on Article 1, number 1 of Law No. 21 of 2008 concerning Sharia Banking in conjunction with Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK), banking or Islamic banks are everything related to Islamic banks and Islamic business units, including institutions, business activities, and the methods and processes used to carry out these activities. Furthermore, Article 1, number 7 of Sharia Banking in conjunction with the P2SK Law and Article 18 of the Sharia Banking Law explain that Islamic banks are banks that conduct their business activities based on Sharia principles, which, according to their type, consist of Islamic commercial banks and Islamic rural financing banks.

The Sharia principles referred to herein refer to activities that are free from riba (usury), maisir (gambling), gharar (gharar), haram (forbidden), and zalim (unlawful). In the banking context, these elements can be explained as follows:

1. Riba: the unlawful increase in income.
2. Maisir: transactions contingent on uncertain circumstances.
3. Gharar: a transaction where the object is unclear, not owned, its whereabouts are unknown, or cannot be delivered at the time of the transaction.
4. Haram: a transaction whose object is prohibited by Sharia.
5. Zalim: a transaction that causes injustice to the other party.

Economic democracy, then, is defined as Islamic economic activities that embody the values of justice, togetherness, equality, and benefit. Furthermore, the definition of the principle of prudence is a guideline for bank management intended to create a healthy, strong, and efficient banking system in accordance with laws and regulations.

According to the Ministry of Finance Learning Center website, there are five Islamic banking products currently quite common among the public. Common products from Islamic banks are Islamic savings, Islamic deposits, Islamic pawnshops, Islamic checking accounts, and Islamic payments. Furthermore, citing Understanding Islamic Banking Products, the following is an explanation of each Islamic product.

1. Sharia Savings

The hallmark of Sharia banking products is the wadi'ah contract, or deposit-like agreement, which means that savings do not earn interest or profits. However, banks typically offer gifts or bonuses to customers.

2. Sharia Deposits

Sharia deposits are a deposit system that uses the mudharabah contract, meaning savings with a profit-sharing system between the bank and the customer. Generally, the profit is shared in a 60:40 ratio. 60% goes to the bank, while the remaining 40% goes to the customer.

3. Sharia Pawn (rahn)

A Sharia pawn contract involves lending money to a customer, secured by valuable, salable assets. There is no interest charged in this pawn system. However, the customer is required to provide collateral as a means of repayment. If the loan is defaulted, the collateral will be sold to cover the debt. After being sold at market value, the lender will only take the amount of the loan, while the remainder is returned to the pawner.

4. Sharia Current Accounts

Sharia current accounts are current accounts operated based on Sharia principles. In this case, permissible Sharia current accounts are those based on wadiah and mudharabah principles. A Sharia current account with a wadiah contract is a deposit contract, where the Sharia bank can manage funds without having to provide compensation to the customer if profits are generated. Furthermore, a current account with a mudharabah contract is a cooperation contract between the customer and the Sharia bank. In a mudharabah contract, if profits are generated, the distribution must be stated in the form of a ratio (nisbah) and outlined in the account opening agreement.

5. Sharia Financing

Regarding Sharia financing, as explained in Article 4 of POJK 46/2024, Sharia financing encompasses three categories: sales and purchase financing, investment financing, and service financing. In order to carry out these sharia payments, Article 36 paragraph (1) of POJK 10/2019 explains that sharia companies can collaborate with other parties through channeling or joint financing.

If we look back at history, how the Prophet Muhammad established the country's economic and financial system in accordance with the provisions of the Quran. The literature explains that the Prophet Muhammad first resolved political and constitutional issues, only then regulated the country's economic and financial system. The concept of a bank didn't exist at that time; instead, there was the Baitul Mal (the Islamic treasury). And if we compare it to Indonesia, it's different because Indonesia isn't an Islamic state, but rather a country that recognizes religious differences. Therefore, political issues inevitably involve compromise between the recognized religions in Indonesia.

State revenue sources during the reign of the Prophet Muhammad (peace be upon him) did not come solely from zakat. During this period, the state budget revenue consisted of: 1. Kharaj, a land tax. This tax was determined based on the land's productivity. Specifically, the amount of this tax was determined by three factors: the characteristics or fertility of the soil, the type of crop, and the type of irrigation. 2. Zakat. In the early days of Islamic rule, zakat was collected in the form of cash, livestock, and agricultural produce. 3. Khums. A 20% proportional tax. Over time, there have been differing opinions among Sunni and Shia scholars regarding the object of khums. Sunnis state that khums is the spoils of war, while Shia scholars state that khums includes all income. However, Imam Abu Ubaid, a Sunni scholar, believes that khums also includes found goods and minerals. 4. Jizyah. A tax imposed on non-Muslims in exchange for socio-economic services and guaranteed security protection from the Islamic state. 5. Other revenues. Such as kaffarah and inheritance from people who are not heirs.

Islamic banks use ongoing projects as collateral, while conventional banks (with interest) use the borrower's wealth as collateral. Consequently, only the wealthy and well-off can borrow from banks, leaving the poor and vulnerable out of reach. Conglomerates are always offered credit, while weak entrepreneurs never receive a share.

A Sharia bank, or Islamic bank, is a monetary organization that adheres to

Islamic law or Sharia principles. Sharia banking activities and the financial services provided are governed by the guidelines outlined in Islamic law. In other words, a Sharia bank is an organization whose primary business is finance. It offers management and other services in payment and currency flows, and its activities comply with Islamic law. A conventional bank is a bank that offers and charges remuneration in the form of interest or a fixed amount of funds for a specified period as part of its activities, both when collecting and distributing funds. An annual percentage is often specified. With the removal of the phrase "funds or based on Sharia principles" from the definition of a commercial bank in Article 1 Paragraph 3 of Law Number 10 of 1998, the term "conventional bank" also includes banks that operate as conventional banks and offer payment services.

Both conventional and Islamic banks experienced improved financial performance from 2018 to 2020, but conventional banks outperformed Islamic institutions overall. Further evidence that Islamic banks carry greater lending risk than conventional banks comes from the fact that Islamic banks' NPL ratios were higher in 2020 compared to conventional banks. The differences between conventional and Islamic banks can be seen in their philosophies, customer fund management concepts, zakat management obligations, and organizational structures. Conventional banks invest in both halal and haram businesses, while Islamic banks invest in halal businesses and comply with sharia principles derived from the Qur'an and Hadith.

The differences between conventional banks and Islamic banks lie in various fundamental aspects, such as basic principles, objectives, customer-bank relationships, operational systems, interest compensation systems, penalty regulations, operational oversight, and fund management. Islamic banks offer an alternative for people seeking financial transactions in accordance with Islamic principles, prioritizing fairness, transparency, and ethics in all their products and services.

The differences in application for Islamic banks and conventional banks are multidimensional, encompassing goals and objectives, basic banking principles, consumer and bank characteristics, operational system organizational structure, interest system architecture, and operational penalty systems. The scope of the study is haryatu al-syarqiah.

Islamic banks provide a good alternative for the public to conduct financial transactions that avoid non-Sharia-compliant practices, by promoting fairness, accountability, and transparency in every product and service.

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