Contents list available at: https://ejournal.unisba.ac.id
Amwaluna: Jurnal Ekonomi dan Keuangan Syariah
Journal homepage: https://ejournal.unisba.ac.id/index.php/amwaluna/index

Islamic Banking Literature Review. Is Islamic Banking in Accordance with Sharia Principles?

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Abstract
The purpose of this study is to explore the meaning and issues of Islamic banking between 2012 and 2022. Data acquisition based on Scopus and Google Scholar databases using systematic literature reviews (SLR). We identified the need for SLR in Islamic Banking publications. The purpose of this study is to overcome differences in viewpoints in the context of Islamic banking to provide a clear classification view of the resulting research articles. This article highlights the current collaboration between the authors, to identify gaps in the review of Islamic banking literature. This research is a descriptive qualitative research by explaining the meaning and issues of previous research based on the similarity of titles and related differences to find results that are more relevant to the current condition of Islamic banking. The result of the study found that researchers generally define Islamic banks as banks based on sharia principles that promote mutual prosperity and optimal social achievement.

Keywords: *Islamic Banking; Sharia Econom; SLR.*

Article Info
Paper type: Conseptual Paper

Received: July 21, 2022
Revised: January 12, 2023
Accepted: January 31, 2023

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Amwaluna:
Jurnal Ekonomi dan Keuangan Syariah
Vol. 7, No. 1, 2023, 116-132

Cite this document: APA 11th edition
Harsono, M. Atina, V. Z. (2023). Islamic Banking Literature Review. Is Islamic Banking in Accordance with Sharia Principles?. *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah*, 7 (1), 116-132.
DOI: https://doi.org/10.29313/amwaluna.v7i1.11023

I. Introduction

Knowledge related to Islamic banking is still not widely understood by the public, several studies have stated that knowledge and inclusion of Islamic banking still have some differences in implementation and practice so that the performance of Islamic banking is still considered to have performance below conventional banking (Ahmed et al. 2015; World Bank and Islamic Development Bank Group. 2017). However, this statement contradicts the current relationship between the Islamic banking paradigm and the muslim majority society in the world. They put forward the understanding that bank interest in conventional banking is haram so that many people prefer Islamic banks over conventional banks (Aliyu et al., 2017). However, there is still no agreement from previous studies related to studies in Islamic banking and finance. As previously stated, the Islamic economy and finance are still unknown to the wider community (Ibrahim. 2015). Research related to Islamic finance should reflect the basic theory of the ideal of Islamic finance, while the study (Berg et al. 2016) proposes that the basic use of transactions in Islamic banking must refer to Islamic law. This cannot be achieved without an intensive review of empirical studies by providing highlights, criticisms, suggestions, and recommendations for solutions for people who want to know Islamic banking in terms of meaning and issues that develop in society. In this article, reseacher hopes that the public realizes that improving the bank's good reputation and understanding of the community will have an impact on the bank's profitability, such as increasing the trust of potential customers to take products from the Bank. Potential customers have a perception of quality that is associated with the name of the company. This indicates that the company name affects the response of potential customers to use products or services from their company (Wijayanti, 2019). Therefore, the company's reputation largely determines its development in the face of competition.

Looking at the origin of Islamic Banking in Indonesia, the public can find out the value of the Bank. Law of the Indoesia Republic number 10 at 1998 states that the Bank is a business entity that collects funds from the public in the form of deposits and redistributes them to the community such as credit or other types in order to improve people's living standards. In this era, the Bank's function is increasingly used by the public because of its unlimited needs and the ease of transactions provided. Some experts define what a Bank is, according to (Abdul-Rahman. 2013: 6), says that a Bank is a type of financial*1*institution that performs various services, including providing loans, circulating currency, supervising currency, taking action as a place to store valuable objects to finance the business of companies both large and small. The general concept of Islamic Banking in the perspective of Islamic Economic Philosophy is that transaction activity is signed by three basic prohibitions that are based on Sharia requirements. The basic prohibitions are *Gharar* (uncertainty), *Masyir* (gambling), *Riba* (interest on loans) (cited in Haron., 2017, Wan Nursofiza.,*1*2012). Here, Muslims who use financing services will get risks related to non-return funding because all transactions need to be insured. However, there is also *Tafakur* which has similarities with conventional mutual insurance and involves the number of participants who use sharia profit sharing.

According to the above, this research will consider and define the basic principles of Islamic Economics by focusing on several perspectives of real Islamic Banking in Classical Economics. In this regard, the concept of Classical Economics is irrelevant to the religious and cultural norms of society. The concept of Islamic Economics is the right way because this concept ménages Islamic Banking and similar businesses according to the Quran. This concept is well observed based on Islamic regulations. That is the way in which Economic Islam is carried out in two parallel ways; Islamic Regulation and Classical Economics. Here, the development of a correct understanding and interpretation of Islam through Islamic Banking activities is one of the efforts to implement the Islamic Economic Principles in a Muslim-majority country.

2. Literature Review

The Meaning of Islamic Banking

Empirical research on Islamic banking began to be widely discussed in the past 10 years. Therefore, the study includes studies from 2012 to 2022 to show the general trends of key studies. Empirical research on Islamic banking of literature has grown geometrically in this millennium era, but the consistency of these studies with the earliest works is sometimes unclear. The previous claim may not apply today due to changes in human behavior, time and the complexity of modern financial systems. The Islamic banking perspective began to become the main ingredient (Alqahtani et al. 2016).

Interest in Islamic finance and banking has increased significantly over the past

ISSN: 2540-8402 (online), 2540-8399 (print) DOI: https://doi.org/10.29313/amwaluna.v6i2.11023.

few years and has penetrated not only developing countries, but other parts of the world have also developed interest in them. There has been a pperspective shift in modern Islamic banking contracts towards the incorporation of products resembling conventional banks, which has implications for their financial stability. (World Bank and Islamic Development Bank Group. 2017). Thegrowth and complexity of Islamic banks has been a topic of concern, particularly regarding their financial stability, diverse new risks, and regulations (Shabsigh et al. 2017). Therefore, it reviews empirical findings on the meaning, meaning and issues that are developing today for policy recommendations and directions for future research.

Literatur reviewed in this article is published in a highly reputable impact journal. This article also focuses on specific issues of Islamic finance and banking such as the meaning of Islamic banking expressed by usury-free operations (Belouafi et al., 2015; Odeduntan and Adewale. 2015), (Zainol. 2014 and Kassim, 2010), its role in the new world order (Moisseron et al. 2015), bank growth linkages (El-galfy and Khiyar. 2012), criteria selection (Mahfooz and Ahmed, 2014 ;Nawi et al., 2013), interest rates, a review of theory and practice, comparative assessment versus conventional banks Malaysian context (Musaeva et al, 2014), recent empirical study (Abedifar et al., 2015; Nature and Rizvi, 2017; Narayan and Phan, 2017), equities (Masih et al, 2016), and sustainability (Aliyu et al, 2017a). However, not all of these studies are able to combine themes and sub-themes, which range from theoretical to practical issues with consideration of the social impact of Sharia *maqasid*, the inclusion and disclosure of jurisprudence, and the Islamic banking squad, despite its vital role in the Islamic financial system. Thus, another suggestion that would close the gap between theoretical aspirations and practices is essential to the current Islamic banking regime (World Bank and Islamic Development Bank Group, 2017).

Therefore, this study intends to fill this gap by linking recent research with previous Islamic banking, which ranges from an assessment of the meaning and issue as well as solutions of Islamic banking. The main objective of this paper is to contribute by providing balanced consideration that will highlight the gap between theory and practice and thus strengthen the system to support not only the industrial sector but also social welfare in general.

In principle, Islamic banking is an institution based on sharia guidelines that eliminate interest and other prohibited activities related to transactions such as gambling, excessive uncertainty (*gharar),* and unauthorized transactions that related to pornography, tobacco, short-selling, alcohol, and other activities deemed detrimental to society (Aliyu,. 2014; Husain et al., 2015). This trransaksi model for enhancing the growth of entrepreneurship, the long term has a multiplied effect on social prosperity. Therefore, as part of the principles of Islamic finance, using the rule of buying and selling instead of accounts receivable (Hussain et al.,2015). In conclusion, Islamic banks are expected to have long-term and prosperous institutions that will improve social and environmental welfare (Aliyu et al., 2017a).

The history of Islamic banking was pioneered in 1963 with the local savings bank Mit Ghamr in Egypt (World Bank and Islamic Development Bank Group., 2017). *The Hajj Tube Institute* (Dewan Dana Jamaah) accepts deposits and provides services to operate the hajj. As a result, *Tabung Haji* is claimed to be the largest investment fund in Malaysia which aims to empower Malaysians through various investments in islamic finance, property development, construction, information technology, oil and gas, and

Dusuki hospitality presents a list of Islamic banks that emerged in the 1970s and beyond mainly in countries such as Egypt, Saudi Arabia, the United Arab Emirates (UAE), Sudan, Bahrain, the Philippines, and Jordan. At 1970 are considered to be the period when Islamic banks began to realize great achievements, one of which was in Malaysia and Indonesia.

In the 1980, countries such as Pakistan, Sudan, and Iran expressed their intention to change their financial systems to accommodate the Islamic financial system (Omar et al., 2013). The establishment of the Institute for Research and Islamicbanks was launched in countries such as Malaysia, Bangladesh, Qatar, Mauritania, Saudi Arabia, Indonesia and Luxembourg; the latter indicates the acceptance of the system to other regions of the world.

Islamic Banking Issues

The period between 1990 and 2000 the new segment of Islamic finance included the banking business, which included capital market product penetration, advance treasury services, product innovation, and asset management (Dusuki, 2012). Islamic banks hold 80% of all global Islamic financial assets (Aliyu et al., 2017a; Hussain et al., 2015; Kammer et al., 2015). Imam and Kpodar 2013) stated that the growth of Islamic banks has consistently increased in line with economic developments. It is recognized that sales and rent-based contracts dominate Islamic bank transactions, with contracts up to 70% being *murabahah* (mark up sale/sale at margin) and *ijarah* (leasing/rent), while profit and loss sharing only accounts for 5% (Shabsigh et al., 2017). However, the fact that the Islamic financial industry is far from the ideal risk-sharing finance (Akin et al., 2016). Islamic financial acceptance has penetrated not only the countries of the Middle East and Asia, but also the whole world. It should be noted, Islamic banks have a good reputation so that the record is lower than conventional banks (Pappas et al., 20160. Bank remain profitable and liquid even with high-performing credit rates in some countries (Shabsigh et al., 2017).

The origins of the Islamic banking perspective rest on adherence to sharia regulations, which is the main reason behind the divergence of interest based systems (Siddique and Iqbal., 2016). The concept of islamic financial safety net for and ensuring wealth and income distribution (Askari et al., 2015). Shariapioneers also support in promoting the entrepreneurship of its customers (Aliyu Et Al., 2017b). The proceeds from Islamic banks Side assets become a profit sharing (Awadzi et al., 2015). Penelitian (Ergec¸ and Arslan, 2013; Ergec and Kaytanci., 2014) found that the difference in conventional banks is in interest rates that affect the activities of Islamic banks and depositors (Aysan et al., 2017b) in Turkey. The research is consistent with other studies conducted in developing countries such as Indonesia and Malaysia (Akhatova et all. 2016). Similarly, Charap and Cevik (2015) took their samples from Malaysia and Turkey, andconcluded that conventional deposit rates correlate with islamic banks' PLS rates. However, meneter policy does not affect the behavior of Islamic or conventional banks (Asbeig and Kassim, 2015). In addition, recent non-linear assessments of Islamic and conventional interest rates confirm the trend between the two types of banking, where the former shows an upward movement in response to th e level of the latter (Sukmana and Ibrahim, 2017). An interesting finding in the previous study mentionedwith a more comprehensive ampelous, (Abedifar et al. 2013) found that the quality of Islamic bank

ISSN: 2540-8402 (online), 2540-8399 (print)
DOI: https://doi.org/10.29313/amwaluna.v6i2.11023.

financing is less responsive to interest rates than conventional banks. Similarly, recent empirical findings regarding Islamic banks have revealed an increase towards standardizing Islamic banking practices in accordance with the initial assumptions of the system. As a result, (Sorwar et al. 2016) argues that the capital structure of Islamic banks is consistent with previous theoretical foundations and contradicts other findings. Therefore, Islamic banks operate with lower leverage than conventional banks, thus requiring a rethinking of the Islamic banking capital structure model.

Regarding efficiency, (Yahya et al., 2012) found no significant difference between the efficiency of Islamic and conventional banks between 1998 and 2007. These findings are similar to (Doumpos et al. 2017) on the overall financial strength of the two types of banks, whereas different results were found after deciphering the data into regions. Thus, Islamic banks performed better in the Middle East and North Africa (MENA) region, while conventional banks outperformed their counterparts in the GCC and Asian countries. At the same time, (Doumpos et al. 2017) suggests that the strength of financial banks weakens seiring increase in size, which supports previous research (Abedifar et al.,2013). In another study, the growth of Islamic banks in Bahrain was associated with the size and increase in customer deposits, while government bailouts adversely affected conventional banks (Daly and Frikha, 2015). In addition, (Bukair and Abdul-Rahman 2013) found that the size and leverage of Islamic banks affected their performance. Consistent with the findings, (Mirza et al. 2015) using data concluded that Islamic banks show improved asset quality and stability compared to conventional banks. In contrast, (Sun et al. 2014) revealed that low asset quality and high liabilities are more related to Islamic banks than conventional banks. At the same time, their sample revealed both types of Islam banks showed lower volatility in the growth of their businesses.

3. Methodology

The design used in this study is a literature review or literature review. Literature review is a search and literature research by reading and studying various journals, books, and various other published manuscripts related to research topics to produce a writing related to a certain topic or issue (Marzali, 2016). The keywords used are "Islamic banking", "Islamic bank customers", and "Islamic finance", "Indonesian banking" and "Islamic deposits". The selected articles are articles that meet the inclusion criteria: the maximum journal publishing time limit is 10 years (2012-2022), using Indonesian and English, original articles (research articles and articles are available in full text. Search for research articles published on the internet through open access channels such as Google Scholar and Scopus.

This article is descriptive research with a qualitative approach. According to Sugiyono (2016), the qualitative descriptive method is a research method based on the philosophy of post-positivism used to examine the conditions of natural objects (as opposed to experiments) where the researcher is essential instrument data collection techniques that carried out in regulation. In this article, data analysis used is qualitative, and qualitative research results emphasize the meaning of a generalization. Descriptive research aims to describe, explain, and answer in more detail about the problem that needs to be studied by an individual, a group, or an event. In qualitative research, humans are research instruments and the results of their writing are in the form of words or statements based on the actual situation.

4. Result and Discussion

Islamic Banks

Many researchers argue that Islamic banking has carried out the transaction process in a sharia manner but in terms of efficiency is still lacking. This opinion supported by (Johnes et al. 2014) presents two main findings relating to the efficiency of sharia and conventional. First, they did not find any significant differences between the two banking models regarding efficiency, this was supported by other studies in the same industry (Mohanty et al., 2016). They found Islamic bank less efficient based on *operational* scale. This is due to managerial competence, because this component is an important requirement not only for efficiency but also for all operational and managerial activities. If Islamic banks have achieved an efficient position, it can expand the survival period. This opinion is supported by another study, (Mobarek and Kalonov 2014) investigating the comparative performance of conventional and islamic banks in Organization Islamic Cooperation that conventional banks have financial stability superior to Islamic banks. With these results, Islamic banks can explore more investment opportunities. Consistently, studies on efficiency were also revealed (Miah and Sharmeen, 2015), Indonesia (Hardianto and Wulandari, 2016), and Malaysia (Wanke et al., 2016a,c), stating that the practice of Islamic banks in their countries has not been efficient. Because of thespecific context of research in Pakistan between 2006 and 2012, (Rashid and Jabeen. 2016) found that operational efficiency determines the performance of Islamic banks. In a detailed study, (Mohanty et al. 2016) shows that country specific variables affect the performance of profits and costs to the banking community. In addition to profitability and cost efficiency, capital diversification and management quality have a major impact on bank performance. As a result, (Sun, 2016) concludes that the profit and income margins of Islamic and conventional banks are determined by the diversification of their capital and the quality of their management. In terms of the supervisory function and advisory role of Islamic banks, Islamic boards only affect the performance of Islamic banking when they take on supervisory roles and have an insignificant impact in these advisory roles (Mollah and Zaman, 2015a). However, it was found from previous studies (Abdul-Rahman and Bukair, 2013; Mallin et al., 2014) concluded a significant positive relationship between the size of the Islamic supervisory board and the Islamic banking responsibility disclosure index. These findings suggest the functional role of has an impact on the socioeconomic wellbeing of community. In addition to the impact ofIslamic Superv isory on socioeconomic welfare, their expertise also affects the credit rating of Islamic banks (Grassa, 2016a). This statement shows the credibility of Islamic Supervisory members to increase the citra of Islamic banks in the eyes of stakeholders, which will ultimately affect the increase in investment in Islamic banking. An Islamic supervisory board stand is someone who has high authority to supervise the performance of Islamic banks internally (Grassa, 2016a). In contrast to the Anglo-Saxon model of european countries which puts the supervisory board as one of the highest position fillers on the management board (Dusuki, 2012).

Thus most Islamic banks in Middle Eastern and Asian countries survived the 2007-2008 crisis despite declining performance at the scale of onal operations (Rosman et al., 2014). In addition, during times of crisis, Islamic banks in developing countries were relatively stable and improved their financing growth performance compared to conventional banks (Al-Khouri and Arouri, 2016). Similarly, the ability of Islamic banks to maintain better capital ratios during the global financial crisis outperformed conventional banks. However, (Alqahtani et al. 2016) argues that Islamic banks in developing countries perform well only in the period immediately after the crisis,

ISSN: 2540-8402 (online), 2540-8399 (print)
DOI: https://doi.org/10.29313/amwaluna.v6i2.11023.

whereas their longterm post crisis performance is worse compared to conventional banks as a result of the economic downturn. Notably, (Olson and Zoubi. 2016) assert that the spread of the crisis to the real economy in 2009 drove the profitability of Islamic banks relatively close to conventional banks.

Islamic banking focuses on risk related issues such as risk-taking, credit risk, and risk aversion. Risks associated with returns on equity and depositso (Mahdi and Abbes, 2017). Thus, this presents a different structure of Islamic banks from conventional banks. As stated by (Mollah and Zaman, 2015) the difference between Islamic banks and conventional banks is the elimination of interest rates, sharia principles that are enforced through Islamic Supervisory supervision and supervision as another important feature of the system. The corporate mobilization boards of Islamic banks prohibit them from engaging in transactions that violate Islamic law such as investing their funds in gambling, liquor, discotheques, etc. When conventional banks operate based on bank-customer relationship interest transactions, Islamic banks are expected to function as investor-entrepreneur relationships and share profits and losses in agreed proportions (Aliyu et al., 2017b). Thus, this system provides a moral transaction of financial cooperation (Mollah et al., 2016). The functional role of the internal supervisory board was found to positively affect the performance of Islamic banks (Mollah and Zaman, 2015, Hussain and Al-Ajmi, 2012). Similarly, the credit risk management of Islamic banks in the UAE was found to be better than conventional banks, showing a further improvement in risk management techniques (Masood et al., 2012). In another study, (Abedifar et al. 2013) found that small Islamic banks in large Muslim countries had lower credit risk than conventional banks of similar size . However, a recent study found that measures have a significant negative influence on the profitability of Islamic banking compared to conventional banks, whereas all measures of risk to credit, impairment, and stability do not distinguish between bank types (Olson and Zoubi, 2016). These findings also support research from (Beck et al. 2013), because they concluded that larger Islamic banks are less profitable than small banks in the same industry (Bougatef, 2015; Rashid and Jabeen, 2016).

Sharia form at Islamic Banking

According to Imam Hanafi, this sharia is allowed because it contains wakalah elements that are allowed in Sharia and Muslims. With regard to this case, Islamic Banking possible of any age to which it has been attributed without protest or rebuttal. However, according to Maliki et al, this sharia is not allowed and does not apply (vanity). Because sharia is related to property capital or employment and both are not in this sharia. In addition, there is an element of deception found in the agreement, since each spouse compensates his spouse through an unclear livelihood without a specific (certain) job. Here are some guidelines that can be embedded in Islamic Banking:

Al Muzara'ah

Etymologically Al Muzara'ah comes from wazan "az zar'u" which means Al Inbaat (planting). Terminologically (the term fight) explains the following: According to Hanafi: Planting agreement, with partial compensation of plant bacillus". According to the Imam Shafi'i says that it is similar to mukhabarah. "cultivate the land in exchange for a portion of the harvest and seeds from the amil (cultivator) side, while muzara'ah is like mukhabarah But the difference is the seed of the landowner. According to the Imam Hanbali sect muzara'ah is: "hand over the land to the one who planted it and the harvest is divided between the two of them".

Al-Musaqaat

According to the Imam Hanafi, Al-Musaqaat implies that the contract of handing over the tree to the one who takes care of it with the agreement that the fruits be divided between two such as the one who gives and the one who takes care of them". According to the Maliki school it says that "The contract to grow crops in exchange for a portion of the crop" whereas according to the Shafi'i school: "employs others only with dates or vines so that they can take care of them by watering and be careful with an agreement in which the fruit is divided between two people". In addition, according to the tradition of the Hanbali sect shows that "The surrender of a tree to the one who takes care of it in exchange for a certain gift of its fruit."

Al Mudharabah

Mudharabah is one of the longest and most widely circulated types of Sharia in society and was known by Arabs before Islam came and was practiced by the Prophet before his prophethood and it was recognized and approved by the Prophet after his Prophethood. However, etymologically "Al Mudharabah" comes from the word *Adh Dharb* which has two relevance between the two, namely: first because of the person who does business/*Amil Yadhrib Fil Ardhi* (walking on the face of the earth) As Allah said: "And some people – others walk on the face of the earth seeking some of the gifts of Allah".

Secondly, since everyone who becomes a yadhribu by traveling to him to stay up late, he is entitled to profit because of his efforts and work. In addition, the definition of Mudharabah as a foundation is at the core of the completeness of the definitions of various sects. In addition, Mudharabah is: "A contract containing the surrender of special capital or a certain amount in the amount, type and character (nature) of the person allowed to manage the property (jaiz attashorruf) to another person, 'aqil, mumayyiz and wise, which he uses to trade by acquiring a certain share of his profits according to the ratio of his shares in the agreement".

Sharia Ontology especially for Islamic Banking

Every Muslim is governed by the provisions of sharia (Islamic law) which is derived from the Qur'an and the Hadith of the Prophet Muhammad. The goal is to uphold justice and social welfare in dealing with Allah SWT. Al-Ghazali stated that the purpose of sharia is to ensure the welfare of the people by guaranteeing trust, life, intelligence, heredity, and well-being.

Researchers argue that the enforcement of justice, welfare (social and economic), and property protection are goals in the Islamic economy and accounting. Man was created by God as a messenger on this earth and therefore must account for all his deeds to God, and will be rewarded or sinned as man committed during his lifetime This action applies in all sectors of life: political, economic, legal or social and science must conform to Sharia and strive to achieve the main goal of seeking God's pleasure. In addition, the Qur'an conveys basic principles while the prophet's hadith is a rule (provision) in the application of the principles listed in the Qur'an.

Advantages of Sharia

The concept of profit in the syntactic level gives rules of the nature of real-world interpretation or the impact of treatment on profit in which it has a correlation with the principles and premises that occur. Terms and rules are made logical and consistent based on premises and concepts that have been developed from existing practices and conventional economics that tend to accept and use those concepts as interpretations in the real world. It is difficult to accept the fact that it has no signification beyond its limited role in the logic of your banking management.

The absence of such a significant cationic becomes the reason why many bankers, having difficulty understanding the concept of Islamic profit, and they seek to provide interpretive signification of concepts that have no real objects and events. To better understand the concept of

 ISSN: 2540-8402 (online), 2540-8399 (print)
DOI: https://doi.org/10.29313/amwaluna.v6i2.11023.

profit in sharia at the syntactic level, it must also be understood by knowing how operationalization to measure profit, namely how the process is carried out to generate a profit. Management efficiency can also be seen from the overall results of bank operations. At the sharia level, it can be obtained in real-world realities by facing the reality of mandates that are transformed on a smaller scale in an organization.

Advantages of Islamic Banking at the Semantic Level

The advantages of Islamic Banking at the semantic level focus attention on the relationship between the phenomenon (object or event) and the conditions that represent this phenomenon. To give interpretive meaning to profit. Conventional Banking uses the concept of changing well-being and maximizing profits as a starting point. Profit measurement recognizes changes in well-being and should be directed towards the success of the bank in managing its profits. Welfare change is an elaboration of the concept of wealth maintenance, while efforts to maximize profit are another form of eddorts to maximize profits. Both concepts can be interpreted in the concept of Sharia profit in the form of measuring instruments, efficiency.

Profit in Sharia at the semantic level is closely related to the purpose of sharia itself. The purpose of profit when viewed from sharia idealism can be divided into two levels, namely the ideal level and the charity level. At the ideal level, the purpose of sharia is in accordance with the role of man on earth and the nature of the owner of all things (Quran Suroh. 2:30, 6:165, 3:109, 5:17), then what should be the ideal goal is the accountability of the Muamalah to the Supreme Owner, God. However, due to the nature of God, this purpose can be understood and changed in the form of experience in relation to His *sunnah* and sharia. In other words, sharia should primarily function as a medium for the implementation of Zakat because Zakat is the embodiment of a servant's obedience to Allah. While the goals in the practical system are directed only at efforts to deal with the physical needs of mankind (humans).

In general, it can be known that the purpose of sharia profit is to fulfill one of the Islamic ruyhurs, namely the obligation to fulfill *Zakat*. Therefore, the benefits of sharia are managed to carry out Allah's accountability which is manifested in the form of determining *zakat* payments. Efficient bank operations will affect the amount of profit generated and how much zakat will be paid. The efficiency of bank management will also show the bank's business performance. Efficiency is a real reference for interpreting the concept of semantic profit in sharia. The interpretation of efficiency is that profit is the relative ability to obtain maximum output with a certain amount of resources, or an optimal combination of resources along with a certain demand for products and prices to obtain the maximum payment of zakat.

Advantages of Sharia at a Pragmatic Level

The concept of pragmatic profit relates to the decision process carried out by the parties using consistency or events that are influenced by the state of such profit. In short, pragmatic profit is an assessment of the relationship between the profit generated and the decision of this profit manager. Profit conditions will stimulate different responses of managers, especially in relation to the economic (banking) system. Different profit managers can also interpret the same profit conditions bu in different senses.

The concept of pragmatic profit in sharia focuses on its attention to the relevance of profit conditions that will be divided according to the objectives of Islamic banking itself. The concept of pragmatic profit in the management of Islamic banks must reflect Islamic ethical values, where parties who use profit statements must be discussed with an ethical approach. The ethical approach, among other things, emphasizes the concepts of justice and truth.

5. Conclusion

Based on the literature review, the result of this research is Islamic bank run their institution in Islamic law. That the majority of Islamic banking in the world has used Islamic religious principles by adhering to sharia principles. Transactions carried out do not use interest but profit-sharing transaction. Investment for funding development is also given to entrepreneurs in accordance with the Sharia principles. However, there is still needed for more in-depth studies which focused on effectiveness and efficiency of Islamic Banking. Islamic banks or often known as banks without interest are financial / banking entities whose business practices and offers are based on the Qur'an and the Prophet. In a business unit, the relationship between the bank and money is very important, but in reality, it must prevent injustice, fraud, and exploitation of one party by another party such as the bank and its customers. Islamic banks support their customers as investor and merchant partners, in contrast to conventional banks that usually act as creditors and debtors. Sharia rules, or Islamic law based on the Qur'an and hadith of the Prophet Muhammad, apply to every Muslim. Its purpose is to promote social welfare and justice in accordance with God's direction. According to Al-Ghazali, the purpose of sharia is to ensure that people's well-being is protected by ensuring trust, life, intelligence, lineage, and well-being.

We can observe that the goal of Islamic economics and accounting is to uphold justice, economic and social welfare, and also the protection of property. Man is accountable to God for all his actions because God created him as a messenger (caliph) in this world. He will be given a calculation that will reward good deeds and bad deeds. All aspects of life such as political, economic, legal, social, and scientific must cling to sharia and achieve the ultimate goal of seeking God's pleasure. The Qur'an lays out the basic principles, and the hadiths of the Prophet serve as guidelines for applying those principles in everyday life.

Researchers acknowledge that this study has limitations of the research approach. The main limitation comes from the limitations of Islamic Banking literature. Researchers are further advised to learn more about the application of Islamic Banking with its economic regulation by certain *Mahzab* (Sects). For example, focus on analyzing the Hanafi school which tends to be liberal towards the literal Hanbali school. This cannot be included in the assessment of this study because it is not an open dialogue in most of the research published in the field. More universally, subsequent research continues to develop this research by focusing on its systems and regulations. In the introduction described above, researchers have studied the most about Islamic Economics and Finance where references are rarely updated, this indicates that this field is still developing, its structure is debatable, and can be changed in the future. In addition, this research has other limitations because this research only focuses on Islamic Banking in Indonesia, so it may not be adapted by other countries.

Author contribution statement

The first author contributes in determining the theme, explaining and attaching data, the second author assists the first author in analyzing the issues raised.

Acknowledgements

The researcher thanked the Eleven March University, colleagues who had assisted in completing this article and other parties that the researcher could not name one by one. May Allah Almighty give a double reward.

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ISSN: 2540-8402 (online), 2540-8399 (print)
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