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The Impact of the Development of Islamic Banking in West Sumatra Province in Review of Maslahah Mursalah

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ABSTRACT

The development of Islamic Banking in West Sumatra Province has become a significant phenomenon that impacts various economic and social aspects in the region. This research aims to explore the impact of such development with a focus on the Maslahah Mursalah perspective, which involves general welfare without specific restrictions in Islamic law. The research methods included a literature study to understand the theories and findings of previous research, surveys and interviews to collect data from the community, customers, and relevant stakeholders. Data analysis was conducted quantitatively and qualitatively to gain a holistic understanding of the impact of Islamic Banking. The results showed that the development of Islamic Banking in West Sumatra Province has contributed positively to the economic empowerment of the community. Through financial services that comply with sharia principles, financial accessibility has increased, especially among micro and small businesses. Islamic financial literacy has also increased, enabling people to understand and adopt sharia principles in their financial lives. This research presents a comprehensive picture of the impact of the development of Islamic Banking in West Sumatra Province from the perspective of Maslahah Mursalah. The implications of the results of this study can provide policy direction and contribute to a better understanding of the role of Islamic banks in achieving general welfare without overriding the principles of sharia.

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INTRODUCTION

The development of the role of Islamic banking in Indonesia is inseparable from the banking system in Indonesia in general. The Islamic banking system is also regulated in Law No. 10 of 1998 where Commercial Banks are banks that carry out business activities conventionally or based on sharia principles whose activities provide services in payment traffic. The role of Islamic banks in spurring regional economic growth is increasingly strategic in order to realise an increasingly balanced economic structure (Husna & Irfan, 2023).

In Indonesia, the pioneer of Islamic banking is Bank Muamalat Indonesia. Established in 1991, this bank was initiated by the Indonesian Ulema Council (MUI) and the government as well as the support of the Indonesian Muslim Scholars Association (ICMI) and several Muslim entrepreneurs, then followed by other Islamic financial institutions, such as BPRS (Sharia Rural Bank) and BMT (Baitul maal wat-Tanwil). Islamic banking emerged as a result of the Indonesian people's awareness of the dangers of usury and the weaknesses of the interest system that had been adopted by conventional banks. At that time the existence of Islamic banks in Indonesia was regulated in the Law, namely Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking (Bank Indonesia, 2004).

The history of the establishment of Islamic banking with a profit-sharing system is based on two main reasons, namely: (1) There is a view that interest in conventional banks is haram because it is included in the category of usury which is prohibited by religion, not only in Islam but also by other religions. (2) From an economic aspect, the transfer of business risk to one party is considered to violate the norms of justice. In the long run, the conventional banking system will cause the accumulation of wealth in a handful of people who have large capital (Mansoor Khan & Ishaq Bhatti, 2008).

Islamic banks are financial institutions whose main business is to provide financing and other services in payment traffic and money circulation whose operations are in accordance with Islamic religious principles. Islamic banks are characterised by a profit-sharing system (non-interest) for profit sharing. The amount of profit sharing is determined at the beginning of the agreement (Asni, 2019). Unlike interest, the percentage of profit sharing is not necessarily the same every month (Shaikh, 2025).

With the enactment of Law No.21 of 2008 on Islamic Banking, which was issued on 16 July 2008, the development of the national Islamic banking industry has an adequate legal basis and will encourage its growth even faster. With its impressive development progress, which has reached an average asset growth of more than 65% per year in the last eight years, it is expected that the role of the Islamic banking industry in supporting the national economy will be even more significant (Z.A., 2021).

In West Sumatra, the development of Islamic commercial bank assets over the past two years has experienced relatively high growth, reaching 42.84 per cent. At the end of 2009, the total assets of Islamic commercial banks in West

Sumatra were recorded at Rp1.1 trillion and increased to Rp1.58 trillion at the end of 2010. Relatively large growth also occurred in the collection of Third Party Funds (DPK), which grew by 30.41 per cent compared to the previous year. At the end of 2010, the total deposits of Islamic commercial banks reached Rp1.09 trillion. Most of the deposits were in the form of savings which had a share of 49.71 per cent, followed by deposits of 42.21 per cent and current accounts of 8.08 (Indonesian Islamic Banking Statistics, 2010) Interest rate is one of the main considerations of a person in deciding to save (Setiawan et al., 2020).

The positive relationship between the interest rate and the savings rate indicates that savers generally have a profit motive (Alwi & Khotijah, 2022). This concept is different from the Islamic banking system which uses a profit-sharing system for the use of funds by borrowers (both by the customer and the bank). Productive loans that are channeled will provide a share for the lender, amounting to the profit-sharing ratio agreed at the beginning of the transaction. While the nominal amount received of course adjusts to the amount of profit earned by the borrower itself. The consequence of this concept is, if the results of the borrower's business show a large profit, then the profit sharing will also be large and vice versa if the profit is small or even a loss, the borrower must also bear the loss The principle of profit sharing is a common characteristic and basic foundation for the operation of Islamic banks as a whole. In sharia, this principle is based on the rule of al mudharabah. Based on this principle, Islamic banks will function as partners, both with savers and with entrepreneurs who borrow funds. With savers, the bank will act as mudharib (fund manager), while savers act as shahibul maal (fund owner). Between the two, a mudharabah contract is entered into which states the profit sharing of each party (Shandy Utama, 2019).

As in conventional banking, Islamic banking also depends on depositors who keep their money in the bank. Along with increasing public knowledge about Islamic banking, the profit sharing rate is one of the incentives for depositors to keep their money in Islamic banks. Deposits made by depositors are also influenced by the macro conditions of a country, some of which are diffuse. One of them is the risk of decreasing purchasing power due to inflation. In the world economy, currency values are never stable. On the other hand, the prices of goods and services tend to increase. This situation will cause the purchasing power of the currency to decrease, resulting in inflation (Sa'id, 2020).

With the higher inflation rate, the economy will worsen, so this will have an impact on the decline in the profits of a company and affect the desire of customers to deposit their money in Islamic banks (Mansoor Khan & Ishaq Bhatti, 2008). The exchange rate reflects the balance of demand and supply for domestic currency and foreign currency $US. The decline in the rupiah exchange rate reflects the decline in the international community's demand for the rupiah currency due to the decline in the role of the national economy or due to the increased demand for $US foreign currency by the community due to its role as an international means of payment (The performance of money, especially foreign markets, is measured through the rupiah exchange rate, especially the US dollar currency). The strengthening of the rupiah exchange rate to a certain extent means that the performance in the money market is showing improvement. As a result of the increasing rate of inflation, the exchange rate of the domestic currency is weakening against foreign currencies, this results in stock prices will decline, and affect customers in depositing their money in Islamic banks (Mulla et al., 2019).

Maslahah mursalah as a legal method that considers the existence of benefits that have general access and unlimited, unbound interests. In other words, maslahah mursalah is an interest that is decided freely, but still bound to the fundamental concept of shariah. Because shariah itself is appointed to provide benefits to society in general and serves to provide benefits and prevent kemazdaratan (damage) (Ali, 2022). Then regarding the scope of the validity of maslahah mursalah is divided into three parts, namely: a. Al-Maslahah al-Daruriyah, (essential interests in life) such as maintaining religion, maintaining the soul, mind, offspring, and property. b. Al-Maslahah al-Hajjiyah, (essential interests below the level of al-maslahah daruriyyah), but are needed in human life so as not to experience hardship and narrowness which if not fulfilled will result in damage to life, only it will cause narrowness and difficulty for him. c. Al-Maslahah al-Tahsiniyah, (complementary interests) which if not fulfilled will not cause hardship in his life, because he does not really need it, only as a complement or decoration of his life.

To maintain the purity of the maslahah mursalah method as the basis of Islamic law, it must have two important dimensions, namely the first side must be subject to and in accordance with what is contained in the nash (alQur'an and al-Hadith) either textually or contextually. The second side must consider the human needs that always develop according to the times. These two sides must be carefully considered in the formation of Islamic law, because if the two sides above do not apply in a balanced manner, then the results of istinbath law will be very rigid on the one hand and too following the passions on the other. So in this case it is necessary to have the correct requirements and standards in using maslahah mursalah either methodologically or in its application.

This research uses quantitative methods to obtain research results. Literature studies consist of books, journals, website news and others. Departing from the above problems, the researcher wants to discuss the impact of the development of Islamic banking in West Sumatra Province in terms of Maslahah Mursalah?

RESULTS & DISCUSSION

Development of Islamic Banking in West Sumatra

The Financial Services Authority or OJK of West Sumatra revealed that the performance of Islamic banking in West Sumatra grew significantly compared to conventional banking during 2021. This condition indicates that educational efforts are successful and public awareness of sharia is relatively high. Head of OJK West Sumatra Yusri, in Padang, Friday (28/1/2022), said that Islamic banking assets and financing in 2021 grew by 14.12 per cent compared to a year earlier (YoY) and 16.65 per cent (YoY), respectively. Islamic banking third party funds (DPK) grew by 14.36 per cent (YoY) and the ratio of non-performing finance (NPF) was 1.82 per cent (Mulazid, 2022).

Meanwhile, conventional banking performance in 2021 in terms of assets and credit grew by 7.98 per cent (YoY) and 6.55 per cent (YoY) respectively. Conventional banking third party funds grew by 6.40 per cent and the ratio of non-performing loans (NPL) was 1.89 per cent. "The performance of Islamic banking rose quite sharply, while conventional banking grew sluggishly. This means that the people of West Sumatra have started to be interested in Islamic banking," said Yusri, in the presentation of the Development of the Financial Services Sector in West Sumatra Province for the fourth quarter of 2022, Friday. The growth of Islamic banking in West Sumatra during 2021 was also higher than the national average. The growth of Islamic banking assets, financing, and deposits nationally was 12.28 per cent (YoY), 6.28 per cent (YoY), and 13.20 per cent (YoY), respectively (Ambarwati, 2021).

In contrast, conventional banking growth was below the national average, except for credit. The growth of conventional banking assets, loans, and deposits nationally were 10 per cent (YoY), 4.78 per cent (YoY), and 11.93 per cent (YoY), respectively. Head of the West Sumatra Financial Services Authority Yusri in Padang, West Sumatra, Friday (28/1/2022). According to Yusri, the significant growth in Islamic banking performance in West Sumatra indicates that educational efforts have been successful and public awareness of Islamic banking is relatively high. "This is an encouraging hope for the development of Islamic banking in West Sumatra in the future," said Yusri. The performance of Islamic banking rose quite sharply, while conventional banking grew slowly. This means that the people of West Sumatera have started to be interested in Islamic banking (Mauluddi & Nugraha, 2023).

Despite significant growth, the nominal assets, financing, and deposits of Islamic banking in West Sumatra in 2021 are still much smaller than those of conventional banking. The nominal assets, financing, and deposits of Islamic banking are IDR 8.10 trillion, IDR 5.76 trillion, and IDR 7.5 trillion, respectively. Meanwhile, conventional banking assets, loans, and deposits in West Sumatra in 2021 were IDR 63.62 trillion, IDR 54.51 trillion, and IDR 44.72 trillion, respectively. Yusri explained, in terms of quality, there is no difference in conventional banking. Infrastructure, technology and information, and human resources of both types of banking are equally good. Increasing the growth performance of Islamic banking all depends on the choice of business people in West Sumatra (Alafianta et al., 2021).

In West Sumatra, said Yusri, there are currently 26 banks, namely 21 conventional banks and five Islamic banks. In addition, there are also five sharia business units. A cook makes rendang in the kitchen of Siti Nurbaya Food, Olo Village, Padang Barat, Padang City, West Sumatra, Thursday (2/7/2020) morning. Although the new normal has begun and tourist attractions have opened, customer orders from this rendang and catering home industry business have not yet returned.

Bank Nagari

Amid the significant growth of Islamic banking in West Sumatra, Bank Nagari, a regional bank owned by West Sumatra, is still working to convert into an Islamic bank. Governor of West Sumatra Mahyeldi earlier this week invited all parties to work together to support the conversion of Bank Nagari into an Islamic bank. Mahyeldi invited all parties, especially the ulema council, ministry of religion, and other religious institutions, to increase their role in jointly socialising this conversion effort. All of them must convince the public that the conversion of Bank Nagari into an Islamic bank is beneficial (Kinyanjui, 2013).

"We also invite the OJK, banking, capital markets, and the non-bank financial industry to be able to support the conversion of Bank Nagari into Bank Nagari Syariah and synergise with the West Sumatera Provincial Government. Commissioners and shareholders have agreed to support this," said Mahyeldi, Monday (24/1). Mahyeldi added that the conversion of Bank Nagari into an Islamic bank is also part of the central government's desire to make Indonesia the centre of the Islamic economy. "The President wants Indonesia to be the centre of sharia economy in the assembly of scholars meeting. I think at this time West Sumatera must show its support," he said.

Impact of Islamic Banking in West Sumatra

The impact of the development of Islamic Banking in West Sumatra may include various economic, social, and financial aspects. Some of the impacts that may occur are (Mulazid, 2022):

a. Economic Empowerment: Islamic banking can contribute significantly to the economic empowerment of the people of West Sumatra. By providing sharia-compliant financial products and services, these banks can support the growth of micro, small and medium enterprises (MSMEs). Fair and sharia-compliant financing can help local entrepreneurs to grow their businesses.
b. Improving Islamic Financial Literacy: Islamic banks often play a role in improving Islamic financial literacy in the communities where they operate. This includes the community's understanding of Shariah principles, halal investments, and how to manage finances in accordance with Islamic teachings.
c. Women's Empowerment: Islamic banks can play an important role in women's empowerment by providing specialised financing and support to micro and small enterprises owned by women. This can contribute to gender equality and the increased role of women in economic activities.

d. Social Infrastructure Improvement: A portion of Islamic banks' profits is often allocated to social activities and community empowerment. This could include the development of social infrastructure, such as the construction of schools, health centres, or other public facilities.
e. Financial Market Development: With the growth of Islamic Banking, financial markets in West Sumatra can expand, creating investment opportunities and portfolio diversification for people and companies in the region.
f. Improved Community Welfare: Overall, the positive impact of the development of Islamic Banking in West Sumatra is expected to contribute to the improvement of community welfare, reduce poverty levels, and create a sustainable economic environment.

In this context, it is important to conduct further research to evaluate the concrete impact of Islamic Banking in West Sumatra in accordance with the economic and social dynamics that exist in the region.

Maslahah Mursalah

According to the language, the word maslahah comes from Arabic and has been standardised into Indonesian into the word maslahah, which means bringing goodness or that which brings benefit and rejects damage. According to the original language the word maslahah comes from the word salahu, yasluhu, salahan, صلح , يصلح , صالحا means something good, appropriate, and useful. While the word mursalah means free, not bound by religious arguments (al-Qur'an and al-Hadith) that allow or prohibit it (Ghozali et al., 2019). According to Abdul Wahab Khallaf, maslahah mursalah is a maslahah in which Shari' does not prescribe a law to realise the maslahah, nor is there any evidence that indicates its recognition or cancellation. Meanwhile, according to Muhammad Abu Zahra, the definition of maslahah mursalah is all the benefits that are in line with the objectives of shari'a (in shari'a Islamic law) and to him there is no specific evidence that shows about its recognition or not. With the definition of maslahah mursalah above, when viewed from the editorial point of view, there appears to be a difference, but in terms of content there is essentially one fundamental similarity, namely determining the law in matters that are not mentioned at all in the Qur'an or al-Sunnah, with consideration for the benefit or interests of human life which is based on the principle of attracting benefits and avoiding damage (Gheeraert & Weill, 2015).

Islamic banking is a financial system that operates in accordance with the principles of Islamic sharia. Maslahah Mursalah, in this context, refers to general welfare or public interest that is not specifically regulated in Islamic law. To discuss the impact of the development of Islamic Banking in West Sumatra Province from the perspective of Maslahah Mursalah, we can investigate the following aspects (Yumna, 2019):

a. Community Economic Empowerment: The development of Islamic Banking in West Sumatra Province can contribute to the economic empowerment of the community through the provision of sharia-compliant financial services. This can increase financial accessibility for segments of the community that may not have previously utilised banking services.
b. Support for Micro and Small Enterprises: Islamic banks tend to pay special attention to micro and small business financing. Thus, the development of Islamic Banking can have a positive impact on the development of the micro and small business sector in West Sumatra Province, which in turn can improve the welfare of the community.
c. Improving Islamic Financial Literacy: Islamic Banking can play a role in improving Islamic financial literacy in the community. This involves a better understanding of sharia principles, halal investments, and how to manage finances in accordance with Islamic teachings. With increased financial literacy, people can better understand the benefits of Islamic banking products and services.
d. Women's Empowerment: The development of Islamic Banking can provide greater opportunities for women's empowerment through support for women's entrepreneurship and Shariah-compliant financing. This can have a positive impact on reducing the gender gap and improving family welfare.
e. Social Empowerment and Community Empowerment: Islamic banks can allocate a portion of their profits to social empowerment and community empowerment programmes. This can include infrastructure development, education, and healthcare, as well as assistance to those in need.

However, it should be noted that this impact evaluation requires concrete data and in-depth analysis of the actual situation in West Sumatra Province. In addition, aspects such as compliance with sharia principles, consumer protection, and transparency also need to be evaluated in the context of Maslahah Mursalah.

CONCLUSION

Based on the research results, it can be concluded that the preference for inter-ethnic marriage among the Acehnese and Javanese communities in Sampaimah Village remains very strong and is the primary choice for starting a household. This tendency is influenced by social and cultural factors, including past historical conflicts, highly valued traditional values, inter-ethnic social discrimination, status inequality, and differences in mindset that raise concerns about marital harmony.

From the perspective of Islamic Family Law, inter-ethnic marriage is not specifically regulated neither obligatory nor prohibited. As long as the marriage meets the pillars and requirements of sharia, it is valid. Islam emphasizes kafaah (completeness) in terms of religion, morals, and the welfare of the household, rather than ethnicity. Therefore, public understanding needs to be directed so that the values of equality and Islam become the primary basis for choosing a partner in modern life.

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