

Sharia Business Unit Transformation Not Yet Ideal

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Law No 21 Year 2008 on sharia banking requires sharia business unit which is corporation wise still in the same entity as Conventional Bank to transform into sharia banks when they have reached a certain condition or duration.

Even so, such transformation which is done among others by acquisition has not fully been able to realise the ideal goal of the aim and purpose of the institutionalised separation stated in the Law.

This was concluded by Islamic Law lecturer in Faculty of Law UGM, Khotibul Umam, in his doctoral promotion on Wednesday (11/7).

He said that consideration and process on transformation of sharia business unit - conventional bank into sharia bank through separation of acquisition model came in the form of government intention to separate sharia management from conventional bank management to meet the final goal as enhanced public trust towards sharia baking industry. Each conventional bank that is transforming sharia business unit is trying to reach focus and independence.

The consideration and process, according to Khotibul Umam, have met sharia principles stated in the Fatwa of National Sharia Agency on credit relinquishing while negatively do not contain the elements of usury, gambling, unclear, forbidden, and undeserving.

He explained sharia banking which is the transformation of sharia business unit - conventional bank has implications on judicial independence and economic dependence in the form of conventional bank control of the sharia business unit as holding company and subsidiary in terms of asset, office network, HR, and information technology system, as well as relative independence of the sharia business unit in offering sharia banking products and activities.

“The separation norm that is essentially aimed at ending the sharia business unit in Indonesia’s banking legal system has become not optimum due to the conventional bank high level of control of sharia business unit as a result of synergies between sectors,” he said.

In order to meet the ideal goal of of sharia banking unit institution which is focused and independent, he suggested the conventional banking and sharia business unit of a transformation to end within 10 years the HR involvement of conventional banking in sharia business unit activities and use of office networks of conventional bank for sharia activities. He said this was important to minimise the control of conventional bank of sharia development unit in daily activities that have the potential to reduce people’s trust towards sharia banks.

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