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Islam and Financial Capitalism: A Case Study in Indonesia

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Abstract

This study investigates the key issues within the Sharia banking system and its products, which have contributed to the rise of critical civil society movements. From the beginning, Islamic economics within Sharia financial institutions was believed to follow a capitalist framework. This view is not only shared by the public but also by many experts, who argue that Sharia banking mirrors, and even supports, capitalism. Research Methods: Using a case study approach, this research analyzes Bank Syariah Indonesia to assess the alignment of its practices with Islamic economic principles. Findings: in practice, Sharia banking products and systems, like conventional banks, focus on surplus value. This suggests that, despite its Islamic label, Sharia banking operates similarly to conventional banking, driven by profit motives. The study offers critical insights into the ongoing debate about whether Sharia banking genuinely embodies Islamic economic values or merely functions as a capitalist financial model under the guise of Islamic principles.

Keywords: *Islam; Islamic Banking; Finance; Capitalism; Sharia*

Introduction

Political economy research, particularly from a Marxist perspective, has primarily focused on how capitalists pursue surplus value through corporate operations, as well as innovations that address constraints within the production process. Capitalists face internal crises that have the potential to dismantle their own systems. However, they consistently manage to overcome these crises. For instance, the economic crisis that struck Greece in 2008 serves as evidence that capitalism enriches only a small number of individuals and possesses inherent flaws that are inherently destructive. Yet, this crisis did not significantly impact the capitalist system, which has endured globally to this day (Amin, 2011).

David Graeber diverges from Marx in his understanding of the root causes of capitalism, which explains why capitalism remains relevant today. Graeber emphasizes the financial sector, criticizing financial institutions such as the IMF and The Fed for their continued support of capitalist enterprises worldwide. According to Graeber, addressing capitalism requires undermining the foundations of financial institutions, rather than seizing the means of production, as advocated by Marxists. The discourse surrounding financial economics has gained increasing prominence in the public sphere, especially after the 2008 crisis in Greece (Graeber, 2011).

In August 2007, the signs of a crisis began to emerge through financial service institutions. This led to a freeze in funding, as exemplified by the case of BNP Paribas. Within the financial services sector, measures were taken to address the issues related to collateralized debt obligations (CDOs) or the difficulties in assessing the complexity of the assets held. It was revealed that banking institutions were facing serious financial problems. One by one, these institutions encountered financial distress. The peak of this crisis occurred in September 2008, when Lehman Brothers declared bankruptcy due to the subprime mortgage market collapse. As a result, panic spread across global financial markets. On September 15, the Dow Jones index dropped by 4.4%, the S&P 500 fell by 4.7%, and the Nasdaq plunged by 3.6% (Mollick & Assefa, 2013).

Indonesia's financial economy also felt the effects of this crisis. A sharp decline was observed in the Composite Stock Price Index (IHSG), prompting the Indonesia Stock Exchange (BEI) to take action to temporarily halt trading. Unlike the 1998 economic crisis, this financial crisis did not last long. However, the impact of the financial crisis was significant. For instance, Bank Century became one of the casualties. The government was forced to intervene, providing a bailout injection of 6.7 trillion rupiahs (Maeswara, 2010)

Many parties have attempted to formulate solutions to address the financial crisis. Among these, the Islamic economic system has been proposed as part of the solution to the financial crisis (Wilson R. , 2007). For example, the United Kingdom, through its Prime Minister David Cameron, announced that London would become one of the global hubs for Islamic finance. The UK represents one of the developed nations with a predominantly non-Muslim population, yet one that has historically embraced a capitalist system (Wilson J. B., 2013).

Islamic economics is considered a potential solution to the financial crisis. One of the main reasons is the concept of "interest-free banking" in Islamic finance. This interest-free banking system is expected to bring significant benefits to the global community and contribute to the formation of a more sustainable economic system. Such expectations are not only held by the Muslim community but also by non-Muslim groups, as demonstrated by the United Kingdom. Although the majority of the UK's population is non-Muslim, there is hope that the Islamic banking system, which does not involve interest, can thrive as a solution to the global crisisl (Elasrag, 2019).

A fundamental difference between capitalist and Islamic economics lies in the issue of interest and profit. Secular capitalism always encourages the pursuit of profit and unrestricted personal authority in economic decision-making, without being bound by divine ethical guidelines. In contrast, Islamic economics has two standards: first, the basic principles of capitalism, such as private ownership and the existence of free enterprises, are still recognized. Second, Islamic economics incorporates morality and ethics as the foundation for economic regulations. Economic balance and morality are the essence of Islamic economics, ensuring that values such as equality, freedom, social justice, economic fairness, and social welfare are maximized. Society is organized in such a way that political, social, and economic institutions operate within the framework of Islamic ethics and morality (Elshurafa, 2012).

It is at this level that discussions about Islamic economics become dynamic and often controversial. The primary point of controversy is the practice of interest in economic transactions. In practice, interest in economic transactions manifests as surplus value when two or more parties engage in debt transactions. From the perspective of Islamic scholars, bank interest remains a debatable issue. For instance, the Indonesian Ulema Council (MUI) issued a fatwa declaring that bank interest is considered riba (usury) and therefore haram (forbidden). This fatwa against bank interest has been issued since 1990, 1997, 1999, and up until 2003 (Yumanita, 2005).

Amid the ongoing debate about bank interest, the spirit of developing a genuine Islamic economy, with strengthened financial institutions, continues to be advocated by civil society groups. One such movement comes from the congregants of the Salman Mosque at the Bandung Institute of Technology (ITB). This group initiated a new venture by establishing an alternative Islamic financial institution. They founded a cooperative called Teknosa. This business unit operated similarly to a conventional bank but utilized various types of partnership contracts, such as musyarakah, mudharabah (equity partnership), and murabaha, and even offered credit services. A key characteristic of Teknosa was the absence of interest payments on the loans provided. At its peak, Teknosa had 500 customers. However, by the end of its development, Teknosa faced bankruptcy due to excessive investment burdens (Huda, 2022).

A new innovation was introduced by the congregants of the Salman Mosque at the Bandung Institute of Technology (ITB) in the form of Baitul Tamwil (BT). In 1992, a group of scholars from the Indonesian Muslim Intellectuals Association (ICMI) led efforts to maximize the role of Baitul Tamwil, which later developed into Baitul Mal wa Tamwil (BMT). The main focus of BMT was the collection of funds and the distribution of zakat. By 1997, BMT emerged as an alternative institution for economic recovery. It transformed into a microfinance institution that operated based on sharia principles (Fauzia, 2022).

With the emergence of Islamic microfinance institutions, the struggle to implement Islamic values remained alive. These institutions saw the failure of the capitalist financial system (Yusuf, 2012). Dissatisfaction with bank interest practices led groups within society to completely reject the existence of the capitalist system, including both conventional and sharia banking. From this emerged the communities of Masyarakat Tanpa Riba (Society Without Usury), Bahagia Tanpa Riba (Happiness Without Usury), and XBank. All of these social movements opposed both conventional and sharia banking systems, which were seen as still capitalist in nature (Aryani, Suparmin, & Samri, 2019).

This study deems it essential to examine the core issues of the sharia banking system and products, which have been a primary trigger for these critical civil society movements. In response to the usurious elements of sharia banking, civil society established microfinance institutions. From the outset, the practice of Islamic economics within sharia financial institutions was believed by the public to adopt a capitalist system. Not only the public, but many experts have also assessed that Islamic economics, as represented by sharia banking, is similar to, and even supports, capitalism.

Literature Review

Economic crises are always caused by greed, fraud, corruption, manipulation of information, and the creation of financial assets without real economic activity. Economic crises begin with engaging in immoral economic practices that fail to consider justice. This contrasts with the Islamic economic system, which is based on the teachings of Islam and emphasizes morality and justice. It has been proven that sharia banking is more stable than conventional banks when facing various economic and financial crises. Islam explicitly prohibits economic practices based on riba (interest), gharar (uncertainty), and maisir (gambling). These prohibitions ensure that investments flow into the real sector for productive purposes. The teachings of Islam view the enforcement of justice and the elimination of exploitation as paramount. Justice is a key element in the establishment of moral teachings based on Islamic values. The principle of justice in the economic field asserts that wealth should not be concentrated in the hands of the rich but should be distributed equitably among all societal groups, including the weak (Syibly & Purwanto, 2021).

In practice, it is not easy to determine humanist values sourced from religion (Islam) and similar values from secular thought such as Marxism. In some cases, the liberal philosophy of Marxism and Islamic values in sharia banking can be integrated into a new, unique 'benchmark,' which could be applied not only in secular countries such as India, but also in Islamic nations. Both Islamic and non-Islamic values prioritize humanistic interests above all else (Saldanha, 2023). One example is that labor, from the perspective of Islamic economics, should not be viewed as a commodity to be capitalized upon, but as an asset that must be managed in a familial manner. As a result, workers' wages are not determined by market mechanisms but by the skills and capabilities of the workers. In Islam, what is most important is the moral and ethical aspects of society (Altwijry, 2024).

In addition to India, Indonesia is considered by some scholars as an example of a country that has successfully merged capitalism and Islam, giving rise to a new ideological variant that can be referred to as Islamic Capitalism. The spirit of Islam and capitalism in Indonesia was introduced early on, where Islam was propagated by merchants, thus merging economic and spiritual interests. Over time, social and political dynamics transformed the direction of capitalism into something quite distinct from its origins in the West. It is here that Indonesia introduced the concept of Islamic Capitalism (Khitam, 2022).

As in Marxism (Peffer, 2014), the Islamic economic system is also based on principles of justice, fairness, and wealth distribution. Its aim is to enhance stability and economic growth in line with Islamic moral and ethical values. The Islamic economic system also seeks to improve financial stability by preventing excessive accumulation of wealth and encouraging ethical financial practices. Additionally, the system protects the environment by preventing the exploitation of natural resources and promoting sustainable development. It encourages the participation of all members of society in the economic process to achieve social justice (Usman, Naveed, & Ahmad, 2023).

The convergence of Islamic values and secular values, particularly in the economic sector, which makes it difficult to distinguish one from the other or appears as an integration of Islam and Capitalism, is not without the contributions of the contemplative thought of Muslim scholars themselves. Many Muslim scholars, such as Amin Abdullah, advocate for a pragmatic approach, as suggested by Charles S. Peirce, in understanding Islamic economics. This approach encourages Muslims to understand Islamic sources such as the Qur'an and Hadith in a less textual and more humanistic manner, making them more relevant and beneficial for worldly life (Melis & Abdullah, 2023).

It can be seen that the presence of Islamic economics, particularly sharia banking, remains debatable, both at the conceptual-theoretical level and in terms of the practical products and services offered. Theoretically, experts are divided into two major streams in understanding the concept of Islamic economics. Some view Islamic economics as an alternative solution to the conventional economic system for ontological reasons, as it is derived from and built upon Islamic teachings sourced from the Qur'an, Hadith, Ijma', and Qiyas. Based on this belief, they argue that the concept of Islamic economics is distinct from both capitalist and socialist economic systems. Similarly, from an axiological perspective, the concept of Islamic economics is created to pursue ideal values, such as justice in distribution, collective welfare, brotherhood, and mutual assistance. This contrasts with the conventional economic concept, which emphasizes materialism, profit maximization, and the exploitation of both human and natural resources.

On the other hand, some reject the notion of Islamic economics, particularly Islamic banking, as an alternative solution. They argue that Islam and capitalism, for example, are interconnected. They assert that Islam provides strong support for capitalist practices. At the same time, even if Islam and capitalism exist separately, some Muslim scholars advocate for an integration of Islam and capitalism, considering that capitalism is one of the products of modernity. Capitalism, as a product of modernity, occupies a position and role alongside other products of modernity, such as democracy, liberalism, and freedom of will. In this context, integrating Islam and capitalism is seen as conceptually inseparable.

The pro and con debate surrounding the role of Islamic banking as an alternative economic system also extends to the practical realm. Muslim scholars are divided into two main groups. The first group views certain sharia banking products, such as murabaha, mudaraba, and others, as characteristics of Islamic economics capable of liberating people from the entrapment of the capitalist system and usurious elements. Through profit-sharing products, for instance, both bankers and investors, as well as bankers and debtors, benefit voluntarily. Supporters of this view base their arguments on Islamic legal texts (fiqh) that validate these sharia banking products.

However, the opposing camp disagrees. With the same topic, namely sharia banking products such as murabaha and mudaraba, they argue that Islamic jurisprudence (fiqh) rules are not fully implemented. In the case of murabaha, sharia banks are said to apply an unfair profit margin, as they focus more on interest rates rather than the values of brotherhood and mutual assistance. Similarly, in the context of the mudaraba product, the profit-sharing calculation mechanism is seen as inconsistent with Islamic fiqh principles. As a result, these sharia banking products are criticized for not fully embodying the ideal values of Islam.

Methodology

Almost everyone acknowledges the important role of Islamic banking in the economic life of the Muslim community. Islamic banking institutions play a strategic role in supporting the economic growth of individuals and nations. However, many parties are skeptical, and even oppose, the existence of the Islamic banking system. Various financial products offered by Islamic banks are seen as an extension of capitalism. On the other hand, Islamic banks attempt to offer a system and products that are distinct from conventional banking by not applying bank interest, which is known as *riba* and is contrary to religious teachings, and by applying sharia contracts as replacements for conventional banking contracts.

This study uses a case study approach to examine the implementation of the Islamic banking system, focusing on Bank Syariah Indonesia (BSI). Therefore, the perceptions and experiences of customers in borrowing money from Islamic banks are important in providing empirical data for analysis. The conceptual-theoretical issue raised in this research is that Islamic banking in Indonesia has yet to find a unique formula that can be accepted by the entire Muslim community and serve as a radical alternative to the conventional banking system. Some Islamic economics experts and Muslims view Islamic banking in Indonesia as no different from conventional banking, as the substance of the system and its products are aligned with the capitalist conventional banking system. Meanwhile, some Indonesian Muslims are more critical and cautious in evaluating and choosing Islamic-compliant banking institutions to avoid *haram* (forbidden) and *subhat* (doubtful) matters, which are unclear in their legal status.

The research analysis begins with Bank Syariah Indonesia (BSI), reviewing the literature and documentary studies, particularly the contracts (*akad*) and financial reports published by BSI and the Financial Services Authority (OJK). Additional information on the same topic serves as secondary data. The data is then critically analyzed from an Islamic economics perspective.

The researcher also employs observation and empirical observation methods, particularly to observe the behavior of Islamic financial services practitioners, including customers and employees of Islamic banks. Interviews are conducted to gather data for this study, especially to understand the views of debtors, creditors, and bankers regarding the level of sharia compliance in Islamic banking. Interviews with religious figures are also necessary to gather ideas and practices of ideal Islamic finance. The informants were selected using purposive sampling, meaning those who are currently employed by Islamic banks, as well as customers who act as creditors or debtors.

The summary of informants involved in the researcher's observation and interviews includes five Islamic bank employees in Yogyakarta, Indonesia, and ten customers, both creditors and debtors. These informants were selected because they are directly involved in Islamic banking activities and only have accounts with Islamic banks.

Data

Islamic banks are financial institutions that adopt the principles of Islamic economics, which are regulated based on Islamic teachings. One of the fundamental differences between Islamic banks and conventional banks lies in the determination of profit. Islamic banks do not apply an interest system but instead use the profit-sharing principle. This principle is emphasized in the Qur'an, specifically in Surah Al-Baqarah 275.

In this context, the margin obtained from buying and selling profits is considered halal, while interest derived from loans is considered haram. However, there is some confusion regarding the distinction between margin and interest in Islamic economic practices. A margin is part of the profit generated from a buying and selling transaction, whereas interest is a fee charged on a loan. In the context of Islamic economics, buying and selling with debt are considered distinct from the concept of interest.

The importance of this principle in Islam is reflected in several Qur'anic verses, such as Surah Al-Baqarah 275-282 and Surah Al-Imran 130-131. All of these verses emphasize the prohibition of riba, and the Prophet Muhammad (PBUH) also forbade the practice of riba through his hadiths. In contemporary Islamic economic practice, there are three key concepts: "Usury" (excessive profit in transactions), riba, and interest. While riba is explicitly prohibited in the Qur'an and hadith, practices after the prohibition of riba typically adopt the concept of usury. The concept of usury is seen as an excessive benefit that can be applied without involving riba.

Islamic banks operate based on the principles of Islamic economics, which emphasize justice, sustainability, and morality. The profit-sharing principle, which involves not only profit but also risk, is the main foundation in carrying out banking activities without involving an interest system, which is considered inconsistent with Islamic values.

At one point, England faced a prohibition on financial practices similar to riba. Even Queen Elizabeth I, a powerful English monarch, emphasized the prohibition of a practice known as "usher." While not explicitly classified as riba, the usher practice was considered to have similar characteristics. It is important to understand that the prohibition of riba in Islam is not limited to certain financial practices but also involves aspects that may lead to injustice and exploitation. While usher was not literally called riba, the prohibition reflects an effort to prevent financial practices that would have similar negative impacts.

The historical journey of the prohibition of practices like usher provides insight into the evolution of understanding and enforcement of Islamic economic principles. Even though rulers like Queen Elizabeth I prohibited it, times have changed, and views on economic practices have evolved. The concept of bank interest then emerged as the third element in this discussion. For many who view it from a practical context, they argue that bank interest cannot be equated with riba. This is because interest is seen as different from riba in a contextual perspective.

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Interest is recognized in the capitalist system as a reward for the capital lent to finance business projects (Shadr, 2008:378). This money capital receives compensation calculated based on an annual percentage rate. In a capitalist society, interest is not different from the compensation received by owners of real estate or means of production, which they earn by renting them out. In capitalist societies, an individual can borrow a sum of money for either consumptive or productive purposes, and then return it to the lender along with an additional sum of money as compensation. Therefore, Islam also does not allow money capital owners to earn guaranteed profits by lending money without contributing labor.

In general, the application of Islamic banking services to customers is divided into two main products: funding and financing. Each of these products has its own contractual agreement (akad), and the implications of these agreements create a variety of financial service products, which are illustrated in the table below:

Activity	Contract	Banking Product
Funding	Mudharabah	Savings
		Deposit
		Bonds
	Wadiah yad dhamamah	Checking Account
		Savings
	Ijarah	Bonds
Financing	Mudharabah	Profit Sharing Model (loan)
	Musyarakah	
	Ijarah	Lease Model (vehicle, property)
	Ijarah wa iqtina	
	Mudharabah	Buying and Selling Model
	Salam	
	Istisna	
Jasa Perbankan	Wakala	Financial Services
	Qard	
	Sharf	
	Rahn	
	Kafalah	
	Wadiah Amanah	Non- Financial Services
	Mudharabah Muqayyadah	Agency Services

(Ascarya dan Diana Yumanita, 2005)

The activity of fund collection is necessary for Bank Syariah Indonesia (BSI) to acquire Third-Party Funds (DPK). This is a key element for the sustainability and growth of the bank, whether it is a conventional or Islamic bank. A high level of DPK reflects liquidity stability and public trust in the bank. On the other hand, a low level of DPK may indicate liquidity issues and a lack of trust. DPK in Islamic banking practices can be identified from the fund-raising activities, and from the financial reports of Bank Syariah Indonesia (BSI) for the year 2023, it is apparent that the largest assets held by the bank come from wadiah savings and wadiah current accounts. These wadiah savings and current accounts are relied upon by BSI to acquire DPK. According to data from BSI's annual report over the past three years. In 2021, Bank Syariah Indonesia (BSI) recorded significant growth in Third-Party Funds (DPK), with increases in products such as savings accounts, current accounts, and Islamic deposits. This growth was driven by several factors, such as the bank's products offering attractive alternatives for customers who wish to place their funds in a bank without being involved in the riba practices commonly found in conventional banks. In 2021, BSI successfully recorded a total DPK of IDR 233.5 trillion from 17,966,481 customers (BSI Annual Report 2021).

In 2022, despite global and national economic challenges due to the COVID-19 pandemic, BSI managed to maintain its growth momentum by increasing DPK through the expansion of deposit products and the development of more accessible digital services for customers. With a more flexible and technology-based approach, BSI successfully targeted IDR 266.7 trillion in DPK. Entering 2023, BSI continued to show positive performance in collecting DPK. The bank attracted more funds from the public by maintaining its existing advantages in Islamic banking products, along with new product innovations. The total DPK in 2023 increased to IDR 285.2 trillion.

It is important to note that in order to acquire DPK at a low cost, BSI relies on services dominated by the wadiah contract. The contract used by BSI is Wadiah Yad Dhamanah, which, according to Islamic principles, allows the bank to use the funds deposited by customers. However, in practice, this principle raises some questions regarding fairness and transparency, particularly concerning the customers' right to any reward for their deposited funds. From a critical perspective, this practice could be seen as an imbalance in the relationship between the bank and the customers. In the conventional banking system, at least customers receive interest as compensation for the use of their funds, even though the interest may be minimal.

Through the collection of low-cost funds, the bank, which has the authority to manage customers' funds, then lends these funds to other customers in need. Typically, these borrowers are business actors who require capital to drive and enhance their production. The mechanisms offered to customers can vary. According to the regulations set by the Financial Services Authority (OJK), Islamic banks can utilize contracts such as Qard, Mudharabah, Musyarakah, and others. In 2023, BSI reported a total asset of IDR 353.62 trillion, an increase of 15.67%, or IDR 47.90 trillion, from IDR 305.73 trillion in 2022.

The asset growth of BSI was partly driven by the increasing sales of financing products to customers. Based on BSI's financial reports over the last three years, In 2021, BSI successfully distributed funds amounting to IDR 171.3 trillion, a positive achievement amid the challenges posed by the impact of the COVID-19 pandemic. That year, the global and national economy were still in the recovery phase, but BSI demonstrated its ability to channel financing to various sectors. The financing provided covered productive sectors such as micro, small, and medium enterprises (MSMEs), as well as infrastructure sectors that support long-term economic growth.

In 2022, BSI significantly increased its total fund distribution to IDR 207.7 trillion, representing a 21.3% growth. This increase showed that BSI successfully seized opportunities arising during the post-pandemic economic recovery. In addition to continuing to expand financing for the MSME sector, BSI also began intensifying its fund distribution for larger sectors, such as construction financing for housing, infrastructure development, and financing for industrial sectors.

Entering 2023, BSI recorded a total fund distribution of IDR 240.3 trillion, which represents a significant increase. This growth indicates that the bank was successful in optimizing various strategies implemented in previous years. In 2023, BSI not only increased its financing for traditional sectors such as MSMEs but also expanded its financing portfolio to include new, more relevant sectors, such as digital financing, financial technology (fintech), and renewable energy. This aligns with BSI's strategy to adapt to evolving trends and meet the increasingly diverse needs of its customers.

Although this figure demonstrates impressive growth, there are concerns that as the fund distribution increases, so does the bank's focus on pursuing profit, which could potentially undermine its social objectives and the core sharia principles that guide the operations of Islamic banks. The profits or income earned by the bank from this financing activity can be seen from the income BSI earns as the *mudharib.*

The primary focus of Islamic banks in financing activities, especially as a *mudharib*, is to earn income through fair profit-sharing by managing the funds entrusted by depositors in ventures that align with sharia principles. As a mudharib, the bank manages funds to be distributed as financing to various economic sectors, whether it's for micro, small, and medium enterprises (MSMEs), infrastructure, or consumer financing such as housing loans. The income derived by the bank from these activities comes from the profit-sharing arrangement between the bank and the depositor (or investor), as agreed upon in the contract's nisbah (profit-sharing ratio).

Bank Syariah Indonesia (BSI) has demonstrated impressive achievements in terms of revenue generated from managing funds as a *mudharib* over the past three years. In 2021, BSI successfully earned a revenue of IDR 17.8 trillion, which increased to IDR 19.62 trillion in 2022, and again recorded growth in 2023 with total revenue reaching IDR 22.25 trillion. In addition to revenue, BSI has also recorded significant profits in the last three years. In 2021, BSI achieved a net profit of IDR 3 trillion, reflecting a solid recovery following the integration of Islamic banks. This profit grew in 2022 to IDR 4.3 trillion, driven by significant growth in financing and the collection of third-party funds (DPK). In 2023, BSI again showed an impressive performance with a net profit of IDR 5.7 trillion, marking stable growth despite the challenging global economic conditions. These achievements highlight BSI's ability to adapt to market challenges, expand its customer base, and maintain profitability, all while adhering to Islamic principles in its banking operations.

Create Money Through Capital Accumulation

On April 30, 2024, PT Bank Syariah Indonesia (BSI) reported that it had successfully maintained positive performance, achieving a profit of IDR 1.71 trillion in Q1 2024 amidst a fluctuating global economic environment. This positive performance was driven by the growth of low-cost funds and BSI's consistent role in financial intermediation. Additionally, BSI's success was fueled by the rapid increase in third-party funds (DPK), which grew by 10.43%, amounting to IDR 297 trillion, predominantly composed of low-cost funds. These low-cost funds comprised 8.75% from savings and 10.52% from current accounts. In terms of intermediation, BSI disbursed financing totaling IDR 247 trillion, marking a growth of 15.89%. The distribution of this financing was as follows: 54.62% allocated to the consumer segment, 27.81% to wholesale, and 17.56% to retail. Within the consumer segment, the largest financing was directed towards home financing (griya), micro-financing (mitraguna), pension funds, gold business, auto loans, gold installment plans, and the Hasanah card. Regarding sustainable financing, BSI allocated IDR 59.2 trillion, which included: IDR 46.6 trillion for micro, small, and medium enterprises (UMKM), IDR 4.9 trillion for sustainable agriculture, IDR 0.9 trillion for renewable energy, and IDR 0.6 trillion for other green projects (BSI, 2024).

Low-cost funds, or Current Account Savings Account (CASA), refer to funds obtained by banks from savings and current accounts. These low-cost funds are crucial for banks because they do not require significant expenses to acquire from third parties, unlike deposits, which are considered expensive funds. As a result, Islamic banks consistently focus on low-cost funds year after year. In the previous year, BSI also announced its financial performance for Q4 2023, which recorded a profit growth of 33.88% or IDR 5.7 trillion. Therefore, low-cost funds and profit are the two main focuses of Islamic banking. Through low-cost funds, Islamic banks accumulate capital, and by managing these funds, they pursue capital profit (Pratama, 2024).

The profit margin of 33.88% in Q1/2023 and 10.43% in Q1/2024 represents the total accumulated capital acquired by Islamic banks, following a series of capitalization processes, starting from the collection of low-cost funds to the execution of the intermediation function, which is understood by Islamic banks as the function of distributing funds or financing. Regardless of the definition of the intermediation function, Islamic banks are ultimately focused on one goal: the accumulation of large capital or profit. Rather than being seen as naive, the success in accumulating capital with rapid growth has become a point of pride for Islamic banking performance. Regardless of whether the growth in profit is considered a point of pride or a naive matter in the context of Islamic law, the practice of capital accumulation in this manner is an undeniable fact, reflecting the concrete reality of how Islamic banking operates

Perburuan dana murah dari pihak ketiga bukan perilaku yang khas perbankan syariah di The pursuit of low-cost funds from third parties is not a behavior unique to Islamic banks in Indonesia but has become a common practice across the banking sector. For example, Bank Central Asia (BCA), a conventional bank, reported third-party funds (DPK) amounting to IDR 1,102 trillion by the end of 2023, reflecting a 6.0% year-on-year increase. The increase in DPK also drove BCA's assets, with growth recorded at 7.1% (yoy) or IDR 1,408 trillion. More specifically, the growth in BCA's DPK was supported by low-cost funds in the form of current accounts and savings (CASA), which contributed up to 80% of BCA's total DPK acquisition (Aprilia, 2024).

In other words, the hunt for third-party funds (DPK) by both Islamic and conventional banks, such as BCA, has created a "competitive market." A competitive market is another characteristic of a capitalist economic system. The presence of Islamic banking in this competitive market is driven by one primary interest: capital accumulation. Of course, this goal of capital accumulation is the end result of involvement in a competitive market. Islamic and conventional banks enter the same arena to attract the attention of the real capital owners, particularly through the DPK that contributes low-cost funds. In this arena, where DPK is at stake, Islamic banks and conventional banks compete with each other. It appears that, based on the financial reports at the end of 2023, Islamic banks have outperformed conventional banks.

Competition in a competitive market does not stop at the stage of collecting DPK; it continues through the pricing system. To attract public interest, both conventional and Islamic banks offer competitive pricing. One example can be seen in the mortgage (KPR) products. The latest data from Bank Indonesia (BI) indicates that KPR grew positively in Q1/2024, although not as high as in Q4/2023. This is reflected in the Weighted Net Balance (SBT) for new credit distribution in Q1/2024, which stood at 60.8%. The growth in new credit distribution occurred across all types of credit. Furthermore, in Q2/2024, credit distribution is expected to continue growing by 57.6% (Haryono, 2024).

Mortgage products are highly popular among the public and serve as a competitive arena between Islamic and conventional banks. Since October 2023, Bank Indonesia (BI) has raised the benchmark interest rate to 6%. This interest rate increase has impacted deposit and loan rates, including those for mortgages. This is where the competitive stage between banking institutions—both conventional and Islamic—competes with each other. For example, BCA offers interest rate options such as: 5.70% for a 3-year term, and 3.75% step-up for a 10-year term. Meanwhile, BTN offers interest rates of 2.99% for 1 year, 3.47% for 3 years, 5.47% for 5 years, 7.99% for 10 years, and 8.59% for 15 years. These BTN interest rates apply until January 2024 (Aprilia, Zefanya , 2024).

Islamic banks, such as BSI, also compete in offering mortgage products. One of their products is the KPR Paket Berkah for a Fixed 15-Year Promo 2024, targeted at civil servants (PNS) and doctors, with an interest rate of 2.5%. Meanwhile, the BSI Step Up Berkah Termurah 2024 product offers a rate of 3.00%. The Take Over KPR Step Up Price 2024 (for PNS, doctors) is set at 4.78%. For the BSI Step Up mortgage product for private employees, the rate is 6.25% (SikatAbis, 2024). The difference in interest rates between conventional and Islamic banking is a reflection of the competition in the competitive market, which is a hallmark of the capitalist economic system.

In April 2024, Bank Indonesia (BI) decided to raise the benchmark interest rate to 6.25% (Aprilia, Zefanya , 2024). his change in the banking interest rate led to adjustments across the banking sector. The rise in the credit interest rate set by BI was met with a unique response from PT Bank Syariah Indonesia (BSI). The CEO of BSI, Hery Gunardi, stated that the bank would not immediately raise mortgage (KPR) interest rates. However, the bank would make every effort to maintain its cost of funds (CoF) by optimizing the proportion of low-cost funds (DPK) and increasing deposits, so that it could continue to compete with other players in the industry (Puspadini, 2024). In other words, Islamic banks cannot simply raise interest rates just because BI has increased its rates. However, since a key feature of capitalist economies is the competitive market, Islamic banks will adjust interest rates after certain considerations, especially in alignment with Sharia principles and the interests of capital owners.

After BI raised the benchmark interest rate to 6.25%, all banks resumed competing in offering their products. For instance, BTN’s mortgage interest rates for a 10-year fixed term with a 1-year fixed rate are 3.99%; for a 15-year term with a 3-year fixed rate, 4.47%; and for a 15-year term with a 5-year fixed rate, 6.47%. BCA’s mortgage rates are 4.70% for a 3-year fixed term with a 12-year loan and 5.70% for a 5-year fixed term with a 12-year loan (Novriyadi, 2024). Islamic banks like BSI also created unique new product offerings, including a mortgage with up to a 30-year term and a 0% down payment (Dewi, 2024).

Not only does Islamic banking offer longer repayment terms compared to conventional banks, but it also applies the murabaha contract, which ensures fixed monthly installments until the loan is fully repaid. Chief Economist of PT Bank Syariah Indonesia Tbk (BSI), Banjaran Surya Indrastomo, stated that the Islamic mortgage (KPR Syariah) is more popular with the public, especially when there are concerns that the benchmark interest rate might rise again. What Islamic banks are doing can inspire conventional banks, which are now trying to implement fixed-rate mortgages in the early years, thus locking in the interest rate until the loan is paid off. BSI's Director of Sales and Distribution, Anton Sukarna, noted that the rise in interest rates presents a challenge for the banking sector, including for BSI. However, the BSI Griya mortgage offers certainty in installments until the end of the financing period, especially with a financing term of up to 30 years (Octaviano, 2024).

Thus, Islamic banks can continue to compete with conventional banks. Through the murabaha contract, Islamic banks can offer long repayment terms and ensure fixed installment amounts, without the concerns of interest rate hikes imposed by Bank Indonesia (BI). While the rise in the BI benchmark rate does affect the entire banking industry, including Islamic banks, Islamic banks provide alternative solutions, such as the murabaha contract, which mitigates concerns over rising rates. With the murabaha contract, both parties involved (the bank as the financier and the public as the borrower) benefit. The benefit for the borrower is the long repayment period and certainty in the installment amount, while the bank benefits from profit through the murabaha agreement.

Through the murabaha contract, banks can address the rise in the benchmark interest rate set by Bank Indonesia (BI). However, this murabaha contract cannot maintain the existing interest rates, let alone reduce them to a lower level. As a result, capital accumulation and the pursuit of profit become inevitable facts in Islamic banking. Nonetheless, capital accumulation, a characteristic of the capitalist economic system, becomes more simplified in Islamic banking. The simplification refers to how capital accumulation is achieved over an extended period, not causing direct turmoil in society but rather through gradual maneuvering. The murabaha contract provides a benefit to bankers, where the profit is an added value (surplus value) greater than the capital value. However, this added value does not surprise the public (debtors) because of the long repayment period and the certainty of the installment amounts.

In this context, Aldi, another activist from the Anti-Usury Movement, added that Islamic banks also have the ability to create money, although in a smaller amount compared to conventional banks (Interview with Aldi, 2022). This statement highlights the fact that Islamic banks also play a role in creating new money within the economic system, although on a more limited scale compared to conventional banks.

The behavior of banks in creating money involves elements and practices of usury. This situation has been widely criticized by intellectuals and activists involved in the anti-usury movement. They emphasize the importance of Islamic banks' commitment to Islamic economic values, where maximum benefits can be achieved through active participation from depositors and society in general. One approach that can be taken is to build rationality among depositors, who are the true source of funds for Islamic banks. By fostering a rational society, the transition to an Islamic banking system that aligns with Islamic values becomes more achievable. In this context, the rationality of depositors can be understood as the awareness to maximize the utility of the funds they place in Islamic banks. Depositors should also receive optimal returns from the funds utilized by the bank. This understanding aligns with Islamic teachings that encourage productive use of funds to provide broader benefits to society. Thus far, banks have only created money by managing *wadiah* funds but have never shared profits, except for bonuses that are uncertain and determined solely by the bank's board of directors.

Third Party Funds, Competitive Market, and Surplus Value

In Karl Marx's view, capitalism is the function of commodity mediation in creating social relations. The public has not criticized the presence of Islamic banking in Indonesia as an alternative to conventional banking. Observers also rarely criticize the presence of Islamic banking, except for its function and existence as an extension of conventional banking. This can be understood, as Islamic banking, with all its religious labels, remains trapped within the capitalist system. As a concept, capitalism is substantial, encompassing capital accumulation and the role of commodities in mediating social relations. Karl Marx's critique of capitalism is important for Islamic financial institutions to understand, as capitalism is not only opposed to capital accumulation but also to the dual role of commodities.

Commodities that no longer function as useful goods, goods that can be used and utilized, but instead become social goods, are the essence of capitalist economics. In this context, third-party funds (DPK) managed by both Islamic and conventional banks can be said to have lost their utilitarian value, becoming social goods because of the social function they perform, namely creating social relations. It is important to note that, in general, banks, including Islamic banks, collect DPK (creditor funds) through savings and current accounts. These funds are not managed by the bank, but instead are lent again in the form of financing to debtors (borrowers or financing recipients). Through this mechanism, the bank takes a margin or interest from the debtor without having to incur specific costs to the creditors. This is possible because of the nature of DPK, where creditors do not demand any share (dividends) from the added value (surplus value) obtained by the bank from the creditors.

Ultimately, DPK creates a social structure, social relations, and social interactions. DPK enables bankers to obtain cheap funds, as they are not derived from investments. DPK also creates security for the creditors or customers, as they have a trusted place to save or deposit their funds without incurring any administrative costs. However, once these funds have been disbursed by the bank to the debtor, the status of cheap funds transforms into expensive funds. Expensive funds here do not solely refer to funds obtained by the bank through deposits or even preferred shares. Initially, cheap and expensive funds are determined by the interest rate paid to depositors (Thian, 2021). However, when DPK as cheap funds are disbursed to debtors, the role of these funds changes to expensive funds in the eyes of the debtor due to the high interest rates they must pay to the bank.

It is not an exaggeration to state that the status of third-party funds (DPK) changes from cheap funds—when deposits and current accounts are obtained by the bank from creditors—into expensive funds—when these DPK are channeled to debtors. This is because, in this process, the bank acts as a capitalist who transforms money into a commodity. The flow of money capital becoming commodity capital, and then returning to money capital with added value, has been described by Karl Marx in his book *Das Kapital*. A capitalist enters the market as a buyer to acquire commodities, then returns home to produce these commodities into new commodities, and finally goes back to the market to turn the new commodities back into money.

At this point, commodities are said to create social relations. A commodity transforms a buyer into a seller, changing the price of a specific commodity into a commodity with added value. In the banking context, the bank enters the competitive market to acquire third-party funds (DPK) at a low price, as there are no costs the bank must pay to the creditors. However, the bank then enters the competitive market a second time, not to acquire funds, but to channel them. Once the funds are disbursed, they no longer represent cheap funds for the debtor but become expensive funds, as the debtor must repay the principal loan with added value. Thus, the DPK has changed from money capital to commodity capital.

The bank profits from this commodity capital. This profit is the capital accumulation process, which is the ultimate goal of every bank, including Islamic banks like BSI. Therefore, Islamic banks' concern when the benchmark interest rate set by Bank Indonesia rises is not about loss but about how this capital accumulation scheme can be sustained. Extending the tenor and applying the murabahah contract, which ensures fixed installment amounts, are the methods used by Islamic banks to maintain the capital accumulation process. The extension of the tenor and the application of the murabahah contract do not change the essence of the Islamic economic system to be more "Islamic," but rather, they remain on the capitalist track. This is because the DPK obtained by the Islamic bank from creditors changes from cheap funds to expensive funds when disbursed to the debtor.

The competitive market, in turn, is the space of competition between stakeholders; between conventional banks and Islamic banks, not for other purposes, but for one goal: to obtain as much cheap funding as possible and to channel as much "expensive" funding as possible. Only in this way can large profits be obtained. The competitive market can also be seen as a space where all banking industries, including Islamic banks, compete to acquire as much cheap credit as possible and to gain as many expensive debtors as possible. Capital accumulation comes from two sources: debtors and creditors. In this structure of social relations, essentially, the rise in the benchmark interest rate set by Bank Indonesia is not a major issue. The only problem arising from the increase in the benchmark rate is the loss of the debtor network.

The role of religion plays a significant part in maintaining the competitive capability of Islamic banking in a competitive market. In other words, religion's function is not merely to legitimize the process of capital accumulation, but also to legitimize the technical strategies of Islamic banks to remain competitive. For example, through the murabaha contract, Islamic banks only need to extend the mortgage tenor and maintain the stability of nominal payments, making them more predictable amidst the ongoing potential increase in the benchmark interest rate. However, at the same time, religion has no function in preventing the rise of the benchmark interest rate set by Bank Indonesia, even within the system and products offered by Islamic banking itself. Religion’s role is limited to providing certainty regarding payment installments over an extended period, not stopping the process of capital accumulation and surplus value, which is the core of the capitalist system and the target of Karl Marx's critique.

The ability of Islamic banks to legitimize themselves with the "Islamic" label undoubtedly strengthens and deeply embeds the capitalist system. With the ongoing process of capital accumulation, Islamic banks are capable of creating money, fearing a money crush, and cannot escape from the system of bank margins or interest-based systems. These three abilities of Islamic banks are inseparable from the nature of the competitive market itself. Islamic banks must create money, especially when obtaining costly funds from deposits, investments, preferred stocks, or others. Islamic banks fear a "crush money," or large-scale withdrawals by depositors, because they no longer have funds after they have been channeled to debtors. This may occur when the bank is no longer competitive in offering products and systems.

In contrast, the Islamic economic system is not concerned with the phenomenon of crush money, prohibits creating money, and does not support competitive markets. This can be seen in the *Qard* contract. According to data from the Islamic Banking Statistics released by the Financial Services Authority (OJK), the outstanding receivables issued by Islamic banks to third parties, excluding banks, through the *Qard* scheme amounted to IDR 10.425 trillion in 2020, IDR 10.396 trillion in 2021, and IDR 11.486 trillion in 2022. Then, from February to April 2023, the average *Qard* disbursed amounted to more than IDR 11 trillion; from May to August, it averaged more than IDR 12 trillion; in September-October, it was over IDR 13 trillion; in November, it returned to over IDR 12 trillion; and in December, it surpassed IDR 13 trillion. The amount of *Qard* disbursed to third parties, excluding banks, is quite small when compared to other contracts such as *Murabaha*, which ranged from IDR 136.99 trillion in 2020, IDR 144.18 trillion in 2021, IDR 183.29 trillion in 2022, and the highest at IDR 191.80 trillion in December 2023 (OJK, 2024).

Murabaha, Ideology, and Alienation

To address Bank Indonesia's decision to raise the benchmark interest rate to 6.25%, Islamic banks offer the murabaha contract as both an ideological and practical solution. Through the murabaha contract, customers receiving home financing from Islamic banks are given an extended mortgage tenor of up to 30 years and certainty regarding the installment amounts until the loan is fully paid off. However, at the same time, Islamic banks themselves acknowledge that the increase in the benchmark interest rate by Bank Indonesia creates significant challenges, even for Islamic banks. The murabaha contract is a financing agreement involving a transaction where a good is sold at its acquisition cost plus an agreed margin, and the seller informs the buyer of the acquisition price in advance (OJK, 2024).

Karl Marx argued that capitalism causes the working class to become subordinated. Through the murabaha contract, the customer is positioned as a subordinated party within a socially dominant structure. In the murabaha contract, three parties are involved: the bank, the seller, and the buyer. The seller of the commodity sets a price, which is known by the other two parties: the bank and the buyer. The banker pays the price set by the seller and then imposes an additional cost on the buyer, along with the agreed margin. In this way, the banker accumulates capital and profit through the murabaha scheme, while the customer receiving the financing bears the cost of the commodity, which has been increased by the added margin.

Marx referred to religion as "opium," which numbs society's critical consciousness and alienates individuals from the commodities they produce. In this context, the seller will only receive payment equal to the amount paid by the bank, but the seller does not have full control over the commodity they own. The determination of the price is entirely in the hands of the banker (the Islamic bank), who then sells it at a price that includes surplus value to the buyer. In this social relationship, Marx would describe the seller as an alienated laborer, detached from their own product. In Marx’s view, the true owner of the commodity (the property) is not the seller, but the banker. This is because the banker holds full authority over the market price of the commodity and can set the margin or interest rate in agreement with both the bank and the buyer.

From Marx’s perspective, religion is an opiate because it numbs individuals to the reality of their suffering by offering illusory happiness. The true suffering is the alienation of the working class, the real owners of commodities, by the capitalists. Religion participates in legitimizing the alienation practices conducted by capitalism. In the context of Islamic banking, this is referred to as the murabaha contract, yet in reality, the bank sets the margin and burdens the buyer with it, while the bank pays a certain price to the owner of the commodity and sets a new price for the same commodity. As a result, the true owner of the commodity is the banker, and the previous owner is alienated from their own product. At this point, when religion legitimizes the practice of alienating humans—separating them from their own products, as is done in capitalism—religion itself becomes an opiate that needs to be eliminated.

The alienation of workers, production, and commodities is central to Marx's work in *Das Kapital*. Through the murabaha scheme, the process of worker alienation is expedited. A capitalist, in this case, the banker, does not need to go to the market to obtain a commodity, then return home to engage in productive work, and then re-enter the market to sell the commodity and realize surplus value. With the murabaha contract, a capitalist achieves two goals in one move. They enter the competitive market with capital money, meet two interested parties—buyer and seller—and then leave the competitive market with profit in the form of the agreed margin. Islamic banking, as a capitalist, no longer needs to engage in productive labor to produce commodities but simply needs to buy and sell the commodity simultaneously, and in doing so, accumulate capital through the margin scheme.

The production process embedded in the murabaha scheme has been replaced by the negotiation process among the three parties (the bank, the buyer, and the seller). The transformation of the production process into a negotiation process is how Islamic banks accumulate capital through the murabaha contract. Thus, in addition to bringing monetary capital, the bank (Islamic bank) also possesses social capital or marketing skills. This social capital is the strength of the Islamic bank in the competitive market, enabling it to attract consumers, buyers, or clients who will receive financing. With such social capital, the Islamic bank, as a capitalist entity, performs productive work. Therefore, the price of property that a buyer acquires is the price set by the seller, plus the cost of production labor from the Islamic bank. In other words, the murabaha contract transforms industrial labor into productive social labor.

This productive social labor is entirely based on the phrase "agreement between all parties." The seller knows the nominal amount they will receive, the banker knows the margin they will gain, and the buyer knows two prices for one commodity that will eventually become their responsibility. The seller agrees to a certain price, the buyer agrees to a price with added value, and the bank agrees to all of these terms. Capital accumulation arises from this negotiation and agreement process. Surplus value is also generated from this process. Capital accumulation and surplus value cannot be eliminated as a characteristic of the capitalist economic system, even under the guise of religion with a new label—murabaha.

At this point, Islamic banks may evade the criticisms from Muslim communities, which often monotonously voice their anti-riba aspirations. The public perceives riba merely as the accumulation of capital through money capital. When a customer borrows money from a bank and then repays the loan with a certain margin, that is when the riba practice occurs. Therefore, the strength of anti-riba social movements, such as those carried out by MTR, BTR, and XBank, fails to touch the most substantial aspect of the capitalist system in Islamic banking, which is capital accumulation. The anti-riba movement is similar to Islamic banking products (the murabaha contract)—it does not address the most fundamental aspect of the alienation process of property owners, the humans who are separated from their own products, who cannot control the results of their own labor, and who are controlled by capitalists or capital owners when it comes to setting prices.

The murabaha contract transforms agreements or uses negotiations as a means of human alienation, where the true owner of the commodity is separated from their product. Through the same agreement, the banker, as the capitalist, takes over the ownership rights of the commodity, creates a new price that includes surplus value, and sells it to the buyer. Ironically, the buyer is openly informed about the amount the original owner will receive and the margin added to the price. In this way, the buyer becomes complicit in the process of human alienation.

Conclusion

A bank is an institution that provides an "intermediation" function, allowing "depositors and borrowers" to facilitate each other's goals (Remenyi, 2000). Conventional banking is seen as having failed to meet the needs of many Muslims, due to widespread concerns regarding riba, interest, and other forms of surplus generation (Johnes et al., 2014, Pappas et al., 2017).

Among the reasons people switch from conventional banks to Islamic banks is the connection with Islamic values. Studies show that corporate culture can influence customers' decisions to switch to Islamic banks. A good communication of these values can enhance customer trust, which in turn affects their decision to transition to an Islamic bank (Barata & Napitupulu, 2019). Furthermore, people tend to choose Islamic and sharia banks because of the principles these banks uphold, such as the prohibition of riba and a more ethical approach compared to conventional banks. Islamic banks operate based on profit-sharing principles and do not charge interest, which appeals to those wishing to avoid riba practices (Ozdincer & Yuce, 2018). Islamic banks are often seen as a more ethical and less capitalist alternative to conventional banks. These banks focus on social and economic justice, as well as socially responsible investments, which attracts customers who care about the social impact of their investments.

However, it is also possible to find many criticisms of their practices. Despite using the term "Islamic," in practice, these banks are still fundamentally similar to conventional banks. With the same institutional structure, Islamic banks stand on two legs, serving as both sellers and buyers, which gives them full control over the direction of the circulation of funds. This institutional structure forms the basis of the main critique against Islamic banking (Interview with Aldi, Anti-Riba Movement Activist, 2022). The products of Islamic banks are also oriented towards surplus value, just like those of conventional banks, with the only difference being that they use Islamic terminologies.

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