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Products and Services In Sharia Banking*

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Abstract

Islamic banks are banks that in their activities, both in raising funds and in the context of distributing funds, provide and charge rewards based on sharia principles, namely buying and selling and profit-sharing. The purpose of this study is to find out how the products and services in Islamic banking and how the operational principles of Islamic banking. This research uses a descriptive survey method with qualitative data analysis. The data collection technique used is the method of observation, interviews, literature study, and documentation. This study indicates that the products offered by Islamic banking can be divided into three major parts, namely products for the distribution of funds (financing), products for raising funds (funding), and service products. Islamic banking has five operational principles, namely the principle of demand deposits, the principle of profit-sharing, the principle of buying and selling and mark-up, the principle of the lease, and the principle of services (fees).

Keywords: Products; Services; Islamic Banking

Abstrak

Bank syariah yaitu bank yang dalam aktivitasnya, baik penghimpunan dana maupun dalam rangka penyaluran dananya memberikan dan mengenakan imbalan atas dasar prinsip syariah yaitu jual beli dan bagi hasil. Tujuan penelitian ini adalah untuk mengetahui bagaimana produk-produk dan jasa dalam perbankan syariah dan bagaimana prinsip-prinsip operasional perbankan syariah. Penelitian ini menggunakan metode survei deskriptif dengan analisis data secara kualitatif. Teknik pengumpulan data yang digunakan yaitu dengan metode observasi, wawancara, studi kepustakaan, dan dokumentasi. Hasil penelitian ini menunjukkan bahwa produk yang ditawarkan oleh perbankan syariah dapat dibagi menjadi tiga bagian besar, yaitu produk penyaluran dana (financing), produk penghimpunan dana (funding), produk jasa (service). Perbankan syariah mempunyai lima prinsip operasional, yaitu prinsip simpanan giro, prinsip bagi hasil, prinsip jual beli dan mark-up, prinsip sewa, dan prinsip jasa (fee).

Kata Kunci: Produk; Jasa; Perbankan Syariah

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A. INTRODUCTION

Banks have a very important role in a country, this cannot be denied because all businesses or economic activities in every country require services from banks both in the financing process and in the formation of the bank itself. The development of the banking world today looks complex, this is indicated by the emergence of various kinds of products and business systems with various competitive advantages. This complexity has created a new system and competitors in the banking world, not only competition between banks but also between banks and other financial institutions. In addition to the banking system that is commonly known, namely the conventional system, there is also a banking system that is starting to develop at this time, namely the sharia system.⁴

The development of the role of Islamic banking in Indonesia cannot be separated 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 are to provide services in payment traffic. The role of Islamic banks in spurring regional economic growth is increasingly strategic to realize a more balanced economic structure. Efforts to develop Islamic banks are not enough to be based solely on legal aspects and laws and regulations but must also be market-oriented or the community as service users (consumers) of banking institutions.⁵

Economic growth that breathes Islam has recently received a warm welcome from the people of Indonesia. This is evidenced by the increasing number of financial institutions labeled Islamic (sharia) such as BRI Syari'ah, BNI Syari'ah, Central Java Syari'ah Bank, Mandiri Syariah Bank, BII Syari'ah, Bank Mu'amalat, Bank Danamon Syari'ah, BPRS Shari'ah, and of course there are many other financial institutions that have an Islamic spirit in implementing and operating these financial institutions. Sharia banks must ensure the validity of the products and services offered by sharia principles, as well as the operations they carry out. This is the obligation and responsibility of the sharia supervisory board. The sharia supervisory board has the task of ensuring that various forms of transactions implemented by Islamic banks must be ensured by sharia principles.⁶

One of the objectives of Islamic banking is to act as an engine for the economy, besides that, Islamic banks are the same as conventional banks, namely collecting funds from the public and then channeling them back to the community. The data from the Central Statistics Agency shows that there is an increase every year. The products

⁴ Mashuri. (2014). *Analisis Keunggulan Produk Pembiayaan Perbankan Syariah*. *Jurnal Iqtishaduna*, 112–122.

⁵ Devi Yulianti, Anthony, M., & Basri, S. (2021). *Analisis faktor -faktor yang mempengaruhi simpanan mudharabah pada Bank Mandiri Syariah cabang kota Pekanbaru*. *Angewandte Chemie International Edition*, 6(11), 951–952., 1(2), 2013–2015.

⁶ Santoso, S., & Rahmawati, U. (2016). *Produk Kegiatan Usaha Perbankan Syariah Dalam Mengembangkan Umkm Di Era Masyarakat Ekonomi Asean (Mea)*. *Jurnal Penelitian*, 10(2). <https://doi.org/10.21043/jupe.v10i2.1818>

offered by Islamic banking are financing and savings. The funding products offered by Islamic banking are sharia demand deposits, sharia savings, and sharia deposits. This product offers *mudharabah* with contracts for current accounts and savings, while for deposits using *mudrabah* contracts. Islamic banking is expected to be able to apply Islamic values in every transaction. Sharia values have a transparent nature. The principles used are the principles of Islamic law.⁷

Islamic banks carry out banking operations by collecting and distributing public funds, just like conventional banks. In raising funds, Islamic banks accept deposits in the form of demand deposits, time deposits, savings, and other funds receipts, while in channeling funds Islamic banks also carry out financing activities. Sharia Banks also carry out banking activities as stipulated for conventional Rural Banks. With the existence of a Sharia Bank operating on a profit-sharing basis, it is hoped that the needs of the Indonesian Muslim community for banking services by the principles of Islamic law can be met, as well as further mobilizing the economic potential and participation of the Islamic community unanimously and totally in the development of Indonesian society.⁸

Based on the background described above, the main problems of this research are as follows: What are the products and services in Islamic banking? What are the operational principles of Islamic banking?

B. METHODS

This study aims to determine the products and services in Islamic banking and the operational principles of Islamic banking. The researcher tries to describe what the research subjects understand and describe. Then the qualitative approach was chosen using descriptive methods and this type of research used library research, namely the research was carried out by searching the literature (library) in the form of journals, notes, and reports on research results from previous studies. Secondary data is obtained from observations about Islamic banking products and services.

Data collection techniques were carried out by the author by identifying themes or discourses from journals, theses from previous research results, the web (internet), or also data taken from other information related to the theme of this research to look for things in the form of notes, newspapers. and so on related to the research focus. The data collected was then analyzed descriptively qualitatively.

⁷ Jaya, T. J. (2020). *Branding Perbankan Syariah Melalui Produk-Produk Pendanaan. Islamic Banking : Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 6(1), 69–80. <https://doi.org/10.36908/isbank.v6i1.133>

⁸ Mukhlisin, A., & Suhendri, A. (2018). *Strategi Pengembangan Produk Bank Syariah Di Indonesia. JES (Jurnal Ekonomi Syariah)*, 3(1), 60–70. <https://doi.org/10.30736/jes.v3i1.51>

C. RESULTS AND DISCUSSION

1. Islamic Bank

In simple terms, a bank is defined as a financial institution whose business activity is to collect funds from the public and channel these funds back to the community, as well as provide other banking services. Islamic banks are banks that in their activities, both in raising funds and in the context of distributing funds, provide and charge rewards based on sharia principles, namely buying and selling and profit-sharing. While the definition of Islamic banks in Article 1 of Law no. 21 of 2008 concerning Sharia Banking is as follows: Sharia Bank is a bank that carries out its business activities based on Sharia Principles and by type consists of Sharia Commercial Banks and Sharia People's Financing Banks. In article 1 of Law no. 21 of 2008 concerning Sharia Banking, it is stated that what is meant by sharia principles are Islamic legal principles in banking activities based on fatwas issued by institutions that have the authority to determine fatwas in the sharia sector. One type of Islamic bank based on article 18 of Law no. 21 of 2008 concerning Islamic Banking is a Sharia Commercial Bank. Sharia Commercial Bank is a Sharia Bank which in its activities provides services in payment traffic.⁹

In Islamic banks, the source of funds comes from core capital and third-party funds consisting of deposit funds and *mudharabah* accounts. Core capital is capital originating from bank owners, which consists of paid-up capital by shareholders, reserves, and retained earnings. Paid-up capital will only exist if the owner includes funds in the bank through the purchase of shares and for additional funds, it can be done by the bank by issuing and selling additional new shares.¹⁰

2. Sharia Banking Products and Services

The products offered by Islamic banking can be divided into three major parts, namely financing products, fundraising products, and service products.

a. Distribution of Funds

In distributing funds to customers, in general, sharia financing products are divided into four categories which are distinguished based on the purpose of their use, namely financing with the principle of buying and selling, financing with the principle of the lease, financing with the principle of profit-sharing, and financing with complementary contracts.

1) The Principle of Buying and Selling (Ba'i)

The principle of buying and selling is carried out in connection with the transfer of ownership of goods or objects (transfer of property). The bank's profit rate is

⁹ Mukhlisin, A., & Suhendri, A. (2018). *Strategi Pengembangan Produk Bank Syariah Di Indonesia*. *JES (Jurnal Ekonomi Syariah)*, 3(1), 60–70. <https://doi.org/10.30736/jes.v3i1.51>

¹⁰ Devi Yulianti, Anthony, M., & Basri, S. (2021). *Analisis faktor -faktor yang mempengaruhi simpanan mudharabah pada Bank Mandiri Syariah cabang kota Pekanbaru*. *Angewandte Chemie International Edition*, 6(11), 951–952., 1(2), 2013–2015.

determined in advance and becomes part of the goods sold. Sale and purchase transactions can be distinguished based on the form of payment and the time of delivery of the goods, namely: a) Murabahah financing (*al-ba'i bi tsaman ajil*) is better known as murabahah only. Murabahah, which comes from the word *riba* (profit), is a buying and selling transaction in which the bank states the amount of the profit. The bank acts as the seller, while the customer acts as the buyer. The selling price is the bank's purchase price from the supplier plus profit (margin). The definition of murabahah according to the Statement of Financial Accounting Standards (PSAK) No. 102 is a sale and purchase agreement of goods with a selling price of acquisition cost plus the agreed profit and the seller must disclose the costs of acquisition of the goods to the buyer. b) Salam Financing is a sale and purchase transaction where the goods being traded do not yet exist. Therefore, the goods are delivered on a deferred basis while the payment is made in cash. The bank acts as the buyer, while the customer acts as the seller. In this transaction, the quantity, quality, price, and delivery time of the goods must be determined with certainty. Statement of Financial Accounting Standards (PSAK) No. 103 defines salam as a contract of sale and purchase of ordered goods (Muslim fish) with delivery at a later date by the seller (*muslam fiih*) and the payment is made by the buyer when the contract is agreed by certain conditions. c) Istishna' financing resembles a salam product, but in Krishna, the payment can be made by the bank in several payment terms. The definition of Istithmar in the Statement of Financial Accounting Standards (PSAK) No. 104 is a sale and purchase contract in the form of an order for the manufacture of certain goods with certain criteria and conditions agreed between the buyer (buyer, *mustashni'*) and the seller (maker, *shani'*). Based on the istishna' contract, the buyer assigns the seller to provide the ordered goods (*mashnu'*) according to the required specifications to be submitted to the buyer by way of prepayment or deferment.¹¹

2) Principle of Lease (*Ijarah*)

Ijarah is a contract for the transfer of usufructuary rights over goods or services, through payment of rental wages, without being followed by the transfer of ownership (*milkiyyah*) of the goods. *Ijarah* transactions are based on the transfer of benefits. So basically the principle of *Ijarah* is the same as the principle of buying and selling, but the difference lies in the object of the transaction. If in buying and selling the object of the transaction is goods, in *Ijarah* the object of the transaction is services.) *Ijarah* is a contract for the transfer of usufructuary rights over goods or services, through payment of rental wages, without being followed by the transfer of ownership (Hilkiah) of the goods. *Ijarah* transactions are based on the transfer of benefits. So basically the principle of *Ijarah* is the same as the principle of buying and selling, but the difference lies in the object of the transaction. If in buying and selling the object of the transaction is goods, in *Ijarah* the object of the transaction is services.

¹¹ Mukhlisin, A., & Suhendri, A. (2018). *Strategi Pengembangan Produk Bank Syariah Di Indonesia*. *JES (Jurnal Ekonomi Syariah)*, 3(1), 60–70. <https://doi.org/10.30736/jes.v3i1.51>

3) Profit Sharing Principle (*Syirkah*)

Sharia financing products based on the principle of profit-sharing are as follows: a) *Musyarakah* financing in the statement of Financial Accounting Standards (PSAK) No. 106 is a cooperation agreement between two or more parties for a particular business, where each party contributes funds provided that profits are divided based on an agreement while losses are based on the portion of the contribution of funds. These funds include cash or non-cash assets permitted by sharia. 2) *Mudharabah* financing is a form of cooperation between two or more parties where the owner of the capital (*shahib al-maal*) entrusts a certain amount of capital to the manager (*mudharib*) with a profit-sharing agreement. The definition of *mudharabah* in the Statement of Financial Accounting Standards (PSAK) No. 105 is a business cooperation contract between two parties where the first party (fund owner) provides all the funds, while the second party (fund manager) acts as the manager, and profits are divided between them according to the agreement while financial losses are only borne by the fund owner.

4) Complementary Contrast

To facilitate the implementation of financing, a complementary contract is usually required. This complementary contract is not intended to seek profit but is intended to facilitate the implementation of financing. These complementary contracts are *Tabar* contracts, that is, all kinds of agreements involving non-for-profit transactions (non-profit transactions).

5) *Hiwalah* (Transfer of Debts)

The purpose of this facility is to help suppliers get cash capital so they can continue their production. The bank will receive compensation for the transfer of receivables services. To anticipate the risk of losses that will arise, banks need to research the ability of the debtor and the veracity of transactions between those who transfer receivables and those who owe debts.

6) *Rahn* (pawn)

The purpose of the *rahn* contract is to provide a guarantee of repayment to the bank in providing financing.

7) *Qardh*

Qardh loans are the giving of assets to other people that can be billed or requested in other words to lend without expecting anything in return. *Qardh* is categorized in a *aqd tathawwui* contract or mutual assistance contract and is not commercial.

8) *Wakalah* (Representative)

Wakalah In banking applications, this occurs when the customer authorizes the bank to represent himself or herself to perform certain services, such as L/C bookkeeping, collections, and money transfers. Failure to exercise power is the

responsibility of the bank, except for failure due to force majeure which is the responsibility of the customer.

9) *Kafalah* (Bank guarantees)

Bank guarantees can be given to guarantee the payment of a payment obligation. Banks may require customers to place a certain amount of funds for this facility as *Rahn*. Banks can also receive these funds on the principle of *wadiah* (deposit). For these services, the bank is reimbursed for the services provided. The principle of *wadiah* (deposit). For these services, the bank gets reimbursed for the services provided.¹²

b. Fundraising Products

The collection of funds in Islamic banks can be in the form of demand deposits, savings, and time deposits. The operational principles of sharia applied in the collection of public funds are the principles of *wadiah* (deposit) and *mudharabah*.

1) Principle *wadiah*.

Wadiah is a customer deposit that must be guarded and returned at any time if the customer in question wants it.

2) Principle *Mudharabah*.

In applying the *mudharabah* principle, the depositor acts as *shahib al maal* (owner of capital) and the bank as *mudharib* (manager). The funds are used to perform *murabahah* or *Ijarah*. These funds can also be used by the bank to perform a second *mudharabah*. The results of this business will be shared based on the agreed ratio. If the bank uses it to perform the second *mudharabah*, then the bank is fully responsible for the losses incurred.

c. Banking Services

In addition to carrying out its function as intermediaries between parties who need funds and those who have excess funds, Islamic banks can also provide various banking services to customers in exchange for rent or profits. The banking services are in the form of 1) *Sharf* (Foreign Exchange Sale and Purchase) is a buying and selling contract of one currency for another. Submission must be done at the same time (spot). Foreign exchange transactions with Islamic banks can only be carried out for hedging purposes and not for speculative purposes in taking advantage of such foreign exchange. 2) *Ijarah* (lease), Types of *Ijarah* activities include rental of safe deposit boxes and document administration services (custodian). The bank gets a rental fee from the service.¹³

¹² Mukhlisin, A., & Suhendri, A. (2018). *Strategi Pengembangan Produk Bank Syariah Di Indonesia*. *JES (Jurnal Ekonomi Syariah)*, 3(1), 60–70. <https://doi.org/10.30736/jes.v3i1.51>

¹³ Mukhlisin, A., & Suhendri, A. (2018). *Strategi Pengembangan Produk Bank Syariah Di Indonesia*. *JES (Jurnal Ekonomi Syariah)*, 3(1), 60–70. <https://doi.org/10.30736/jes.v3i1.51>

3. Sharia Banking Operational Principles

In general, every Islamic bank in running its business has at least five operational principles, which are as follows:

- a. The principle of current account deposits, namely facilities provided by banks to provide opportunities for parties with excess funds to store their funds in the form of *al-wadiah*, which are given for security purposes and book transfers, not for investment purposes to gain profits such as savings or time deposits.
- b. The principle of profit sharing, which includes the procedure for sharing the results of the business between the owner of the fund (*shohibul mal*) and the manager of the fund (*mudarib*). The distribution of the results of this business can occur between the bank and the depositor of funds or between the bank and the customer receiving the funds. This principle can be used as the basis for the production of funding (savings and deposits) as well as financing.
- c. The principle of buying and selling and mark-up, namely bank financing calculated on a lump-sum basis in the nominal form above the credit value received by the customer receiving the credit from the bank. The bank fees are determined according to the agreement between the bank and the customer.
- d. The principle of lease consists of two types, namely pure lease (opening lease/*ijaroh*) and lease purchase (financial lease/*bai' al-ta'jir*).
- e. The principle of service (fee), covering all non-financing assets provided by the bank, such as clearing, collections, transfers, and so on.¹⁴

4. Sharia Banking Product Development Steps

From the many contracts used by Islamic banking as described above, there are opportunities for Islamic banks to provide the product that the community needs as much as possible. This can be done by applying the following steps:

- a. Reconception of contracts in Islamic banks

Reconception of understanding of muamalah contracts used by Islamic banking is a very important thing to do. Especially when the public is interested in Islamic banking and Islamic finance. Recently, it has become stronger and thus requires a comprehensive understanding for practitioners and academics about contracts and product development of existing contracts. As many observers of Islamic finance offer by developing contracts by combining various existing contracts, even carrying out two contracts in one transaction which is often called a hybrid contract. The understanding that develops in the development of contracts represented by the hybrid contract model is considered to be one of the important pillars for creating

¹⁴ Santoso, S., & Rahmawati, U. (2016). *Produk Kegiatan Usaha Perbankan Syariah Dalam Mengembangkan Umkm Di Era Masyarakat Ekonomi Asean (Mea)*. *Jurnal Penelitian*, 10(2). <https://doi.org/10.21043/jupe.v10i2.1818>

Islamic banking and financial products in responding to the demands of modern society. This is because the form of a single contract is considered incapable of responding to temporary financial transactions. According to Maid al-Jahri, the hybrid contract method should be superior in product development. However, the problem is that the existing Islamic economic literature in Indonesia has long developed the theory that sharia does not allow two contracts in one contract transaction (two in one), thus narrowing the development of Islamic bank products. Even though sharia allows it in a very broad scope. Apart from the various offers for contract development to give birth to sharia banking product developers, what is more, important to do is an understanding of the nature of contracts in jurisprudence and an important step in viewing the relationship between the community and banking institutions as intermediary institutions.

b. Optimizing the role of the Sharia Supervisory Board (DPS)

Referring to the DSN Decree No. 3 of 2000, it is explained that the Sharia Supervisory Board (DPS) is part of Sharia Financial Institutions (LKS), where the placement of DPS with the approval of DSN with DPS functions include:

- 1) Conduct periodic supervision on LKS under its supervision;
- 2) Obligated to submit proposals for developing LKS to the leadership of the institution concerned and DSN;
- 3) Report product developments and LKS operations under supervision to DSN at least 2 (two) times in 1 (one) fiscal year.
- 4) Formulate problems that require DSN discussion.

In line with the MUI DSN, Article 47 of PBI Number 11/33/PBI/2009 concerning Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units, explains that the duties and responsibilities of DPS are to provide advice and suggestions to the Board of Directors as well as to supervise the activities of the Bank. to comply with Sharia Principles. Meanwhile, the duties and responsibilities of DPS include, among others:

- 1) Assess and ensure compliance with Sharia Principles on operational guidelines and products issued by the Bank;
- 2) Supervise the Bank's new product development process to comply with the DPS-DSN fatwa;
- 3) Request a fatwa from DSN-MUI for new bank products for which there is no fatwa;
- 4) Conduct periodic reviews on the fulfillment of sharia principles on the mechanism for collecting funds and distributing funds as well as Bank services; and
- 5) Request data and information related to sharia aspects from Bank work units in the context of carrying out their duties.

DPS is the DSN representative in Islamic financial and business institutions to streamline the role of DSN supervision. Therefore, the role of DPS and DSN is not only to supervise the operations of Islamic financial institutions but has a more important role, namely the obligation to submit product development proposals to the heads of the institutions concerned and to the DSN as stated in the functions and duties of DPS, thereby helping to encourage the development of the economy and Islamic banking in Indonesia. Apart from being a supervisor, the Sharia Supervisory Board also acts as an advisor, namely providing advice, inspiration, thoughts, advice, and consulting for the development of innovative products and services for global competition. As a marketer, which is to become a strategic partner to increase quantity and quality. LKS industry through mass communication to provide motivation, explanation, and public education as the preparation of human resources and other strategic roles in the form of public relations. As a supporter, namely providing various supports and supports both networking, thoughts, motivation, prayers, and others for the development of Islamic banking and economics. As a player, namely as players and actors in the sharia economy, both as owners, managers, depositors/investors, and partners/customers of distribution and financing. The not yet optimal role of DPS in Islamic banking is often associated with the quality and performance of DPS which are considered to lack understanding of the system and operational mechanisms of Islamic banking because DPS is placed only in its capacity as scholars who have charisma and are experts in jurisprudence.

c. The Socio-Economic Potential of The Community

The development of Islamic banking in practice will become more complex, related to the function of the bank as an intermediary institution that collects funds from the public and distributes them back to the community. The presence of Islamic banks intends to answer the community's need for banking services that are free from the element of usury which is prohibited by Islam and the reality of economic needs that are growing amid a society that is so rapidly. The existence of Islamic banks provides an option for the public to obtain financing that does not only depend on one type of bank and its products, but the public is free to choose which institutions and products are most appropriate to their capacity and business conditions. In principle, if Islamic banks are sensitive to reading the needs of the community based on geographical conditions, and can map the needs of the community based on the sources of income of the people in the area, the development of banking products to meet the needs of each region will be different.¹⁵

5. Islamic Banking Challenges in Product Development

The function of Islamic banks, like other commercial banks, is as an intermediary institution (intermediary) between parties who have excess money (investors/savers) and parties who lack capital (borrowers). What distinguishes it from commercial banks

¹⁵ Ghofur, R. (2015). *Konstruksi Akad Dalam Pengembangan Produk Perbankan Syariah Di Indonesia. Al-'Adalah*, 12(3), 493–506.

is that in its operations, Islamic banks provide financial services/services with a sharia concept/system, which is based on a profit-sharing system and not an interesting system. The main objective of each operation is to actively participate in the socio-economic development process of the community in the form of asset management for social welfare. The practice of Islamic banks with a buying and selling contract financing model is not a practice that is prohibited by Islamic law. However, it should be noted that if this practice is not carried out carefully, it can lead to excessive consumption patterns in society, and what is worse is the concentration of wealth accumulation only in certain groups of people. This condition is very contrary to the ideal goal of Islamic banking operations, namely to build public welfare. In addition, Islam strictly prohibits consumptive culture. Likewise, Islam forbids the accumulation of wealth only in certain groups of people, but the wealth must be distributed evenly for the welfare of the whole community. In addition, the practice of financing with a sale and purchase agreement has a great potential to make the company slip into the practice of financing with an interesting system. The classic reason often put forward by banks that still allocate their funds in small portions for Masyarakat and *mudharabah* financing is the emergence of agency problems in their financing contracts. As we know that one of the weaknesses of the Masyarakat and *mudharabah* models is that the bank does not have the authority to intervene directly in determining the company's policies so that the bank cannot determine let alone control the profit amount of the partner company. Some Islamic economists say that the imbalance of management and control is said to be the main cause of the lack of interest in Islamic banks in carrying out contracts with a profit-sharing system. Meanwhile, partner companies usually do not want to be open to information about the company's progress.¹⁶

If the financing contract does not clearly state the rights and obligations of each. This factor is the key to the emergence of agency problems. This condition will get worse if the partner company cannot be trusted, or the bank itself does not fully trust the partner company. Because the potential for the emergence of agency problems is so great, banks consider that financing with Community and *mudharabah* contracts is high-risk financing, so they must be careful in carrying out this financing practice. Usually, they will only do financing with this contract only to parties who are already established and can be trusted. Even though there is a dilemma in the operational practice of financing with a profit-sharing system, Islamic banking practitioners must find a good solution in dealing with the agency problem above, so that the distribution process of the company's productive assets can still be allocated for community and *mudharabah* financing. Because eliminating or reducing the allocation of financing in this contract is not a strategic decision. *Musyarakah* and *mudharabah* products can be the flagship product of Islamic banks.¹⁷

¹⁶ Mashuri. (2014). *Analisis Keunggulan Produk Pembiayaan Perbankan Syariah*. *Jurnal Iqtishaduna*, 112–122.

¹⁷ Mashuri. (2014). *Analisis Keunggulan Produk Pembiayaan Perbankan Syariah*. *Jurnal Iqtishaduna*, 112–122.

D. CONCLUSION

The products offered by Islamic banking can be divided into three major parts, namely products for the distribution of funds (financing), products for raising funds (funding), and service products. In channeling funds to customers, in general, sharia financing products are divided into four categories which are distinguished based on the purpose of their use, namely financing with the principle of buying and selling, financing with the principle of the lease, financing with the principle of profit-sharing, and financing with complementary contracts. The collection of funds in Islamic banks can be in the form of demand deposits, savings, and time deposits. The operational principles of sharia applied in the collection of public funds are the principles of wadiah (deposit) and mudharabah. In addition to carrying out its function as intermediaries between parties who need funds and those who have excess funds, Islamic banks can also provide various banking services to customers in exchange for rent or profits. Islamic banking has five operational principles, namely the principle of demand deposits, the principle of profit-sharing, the principle of buying and selling and mark-up, the principle of the lease, and the principle of services (fees).

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