

IMPLEMENTATION OF SHARIA PRINCIPLES IN ISLAMIC BANKING FINANCING PRODUCTS: A CASE STUDY OF BANK JAGO SYARIAH BANDUNG

IMPLEMENTASI PRINSIP SYARIAH DALAM PRODUK PEMBIAYAAN PERBANKAN SYARIAH: STUDI KASUS PADA BANK JAGO SYARIAH BANDUNG

Annisa Bachtiar¹

¹ UIN Sunan Gunung Djati, Bandung, Indonesia

Nina Fahillah²

² UIN Sunan Gunung Djati, Bandung, Indonesia

*annisabachtiar@ppsuisngd.ac.id

Article Info:

Received February 28, 2025

Revised March 12, 2025

Accepted March 24, 2025

Available online April 27, 2025

ABSTRACT

This research aims to analyze the implementation of sharia principles in financing products at Bank Jago Syariah Bandung. Using a qualitative approach with a case study method, this research explores sharia compliance in four main financing products: murabahah, mudharabah, musyarakah, and ijarah. Data was collected through in-depth interviews, observations, and document analysis. The results show that Bank Jago Syariah Bandung has properly implemented sharia principles across all its financing products, although there are challenges in customer understanding of the characteristics of sharia products. This research recommends enhancing customer education and developing product innovations that maintain compliance with sharia principles to meet evolving market needs.

Keywords: Islamic banking, sharia compliance, financing products, Bank Jago Syariah, muamalah principles

ABSTRAK

Penelitian ini bertujuan untuk menganalisis implementasi prinsip syariah dalam produk pembiayaan di Bank Jago Syariah Bandung. Menggunakan pendekatan kualitatif dengan metode studi kasus, penelitian ini mengeksplorasi kepatuhan syariah dalam empat produk pembiayaan utama: murabahah, mudharabah, musyarakah, dan ijarah. Data dikumpulkan melalui wawancara mendalam, observasi, dan analisis dokumen. Hasil penelitian menunjukkan bahwa Bank Jago Syariah Bandung telah mengimplementasikan prinsip syariah dengan baik pada seluruh produk pembiayaannya, meskipun terdapat tantangan dalam pemahaman nasabah terhadap karakteristik produk syariah. Penelitian ini merekomendasikan peningkatan edukasi nasabah dan pengembangan inovasi produk yang tetap menjaga kepatuhan terhadap prinsip syariah untuk memenuhi kebutuhan pasar yang

berkembang.

Kata kunci: perbankan syariah, kepatuhan syariah, produk pembiayaan, Bank Jago Syariah, prinsip muamalah

A. INTRODUCTION

The development of Islamic banking in Indonesia has shown significant growth over the past two decades, reflecting increasing public awareness and demand for financial services that adhere to Islamic principles. As a country with the largest Muslim population in the world, Indonesia presents a vast potential market for Islamic banking services. The establishment of Islamic banks and Islamic business units has been accelerated since the enactment of Law No. 21 of 2008 concerning Islamic Banking, which provides a stronger legal foundation for Islamic banking operations in Indonesia (Ascarya, 2020).

Islamic banking differs fundamentally from conventional banking in its prohibition of interest (*riba*), excessive uncertainty (*gharar*), and gambling (*maysir*), while emphasizing profit-and-loss sharing arrangements and asset-backed transactions. These principles are derived from Islamic economic teachings that emphasize justice, partnership, and social welfare. According to Chapra (2018), Islamic banking aims to promote an equitable distribution of resources and to establish a balance between profit maximization and social responsibility.

The growth of Islamic banking in Indonesia faces several challenges, including limited public understanding of Islamic financial products, shortage of qualified human resources, and competition with well-established conventional banks. Despite these challenges, Islamic banking assets in Indonesia reached IDR 608.9 trillion as of December 2023, representing approximately 6.8% of the total national banking assets (Financial Services Authority, 2023). This growth trajectory indicates the increasing acceptance and relevance of Islamic banking in the Indonesian financial landscape.

Bank Jago Syariah Bandung, as one of the emerging Islamic banks in West Java, has positioned itself as a financial institution committed to strict adherence to sharia principles while offering competitive financial products. The bank operates various financing products based on different Islamic contracts such as *murabahah* (cost-plus financing), *mudharabah* (profit-sharing), *musyarakah* (joint venture), and *ijarah* (leasing). The implementation of sharia principles in these financing products is crucial not only for religious

compliance but also for building customer trust and maintaining the integrity of the Islamic banking system.

Research on sharia compliance in Islamic banking products is essential to ensure the authenticity of Islamic banking practices and to address potential areas of improvement. As argued by Iqbal and Mirakhor (2017), the credibility of Islamic banking institutions depends largely on their adherence to sharia principles in all aspects of their operations. Any deviation from these principles can undermine public confidence and the legitimacy of Islamic banking as an alternative to the conventional banking system.

The assessment of sharia compliance involves examining whether banking products and operations conform to specific sharia requirements. According to Ayub (2019), comprehensive sharia compliance should cover product development, documentation, implementation processes, and marketing activities. This multidimensional approach ensures that Islamic banks not only meet the technical requirements of Islamic contracts but also uphold the spirit and objectives of Islamic economic principles.

Previous studies have indicated variations in the level of sharia compliance across different Islamic banking institutions. Saeed (2021) found that while many Islamic banks have made significant progress in developing sharia-compliant products, challenges remain in areas such as profit distribution mechanisms and risk-sharing practices. Similarly, Hassan and Lewis (2019) noted that some Islamic banking products might structurally comply with sharia requirements but functionally resemble conventional banking products, raising questions about their authenticity.

In the Indonesian context, a study by Ismail (2022) revealed that Islamic banks in the country generally demonstrate good compliance with sharia principles, but there are opportunities for improvement in product innovation and customer education. The study emphasized the role of Sharia Supervisory Boards in ensuring that banking practices align with Islamic principles and in providing guidance for product development.

Given the importance of sharia compliance for the credibility and sustainable growth of Islamic banking, this research aims to analyze the implementation of sharia principles in financing products at Bank Jago Syariah Bandung. The findings of this study will contribute to the literature on Islamic banking practices in Indonesia and provide insights for practitioners and regulators concerned with enhancing sharia compliance in Islamic financial institutions.

B. LITERATURE REVIEW

Islamic Banking Principles

Islamic banking operates based on principles derived from Islamic law (sharia) that govern economic, social, and ethical dimensions of financial transactions. The fundamental principle that distinguishes Islamic banking from conventional banking is the prohibition of interest (riba). According to El-Gamal (2016), the prohibition of riba is based on the Quranic injunction against exploitation and the unjust enrichment that occurs when money is treated as a commodity rather than a medium of exchange. Islamic banks replace interest-based transactions with profit-and-loss sharing arrangements and fee-based services.

Another key principle of Islamic banking is the prohibition of excessive uncertainty (gharar) and speculation (maysir). Transactions involving excessive uncertainty are considered invalid under Islamic law because they can lead to disputes and exploitation. Khan (2019) explains that gharar occurs when essential elements of a contract are uncertain or ambiguous, such as the subject matter, price, or delivery date. Islamic banking transactions must be characterized by clarity and transparency to minimize uncertainty and risk.

Asset-backed transactions represent another fundamental principle of Islamic banking. According to Ahmed (2018), Islamic financial transactions should be linked to real economic activities and tangible assets, rather than being purely financial or speculative. This principle ensures that Islamic banking contributes to productive economic activities and avoids the creation of artificial financial instruments that can lead to economic instability.

The principle of profit-and-loss sharing (PLS) is central to Islamic banking's theoretical framework. Usmani (2020) emphasizes that PLS arrangements, such as mudharabah and musyarakah, reflect the Islamic ideal of partnership and risk-sharing in economic activities. In these arrangements, the bank and the customer share profits according to a pre-agreed ratio, while losses are borne by the capital provider (in mudharabah) or shared according to capital contribution (in musyarakah).

Islamic Banking Financing Products

Islamic banks offer a variety of financing products designed to comply with sharia principles while meeting the financial needs of their customers. Murabahah (cost-plus financing) is the most widely used Islamic financing contract, where the bank purchases an asset

and sells it to the customer at a marked-up price with deferred payment. According to Ayub (2019), murabahah is particularly suitable for financing the purchase of identifiable assets such as vehicles, machinery, or property.

Mudharabah (profit-sharing) is a partnership arrangement where the bank provides capital and the customer contributes expertise and management. Profits are shared according to a pre-agreed ratio, while financial losses are borne by the capital provider unless caused by the manager's negligence or misconduct. Iqbal and Mirakhor (2017) note that mudharabah represents an ideal form of Islamic financing but is less commonly used due to challenges in implementation and risk management.

Musyarakah (joint venture) involves a partnership where both the bank and the customer contribute capital to a business venture. Both profits and losses are shared according to the capital contribution or as agreed upon by the parties. According to Visser (2019), musyarakah is well-suited for project financing and business expansion, as it allows for flexible capital contributions and management arrangements.

Ijarah (leasing) is a contract where the bank purchases an asset and leases it to the customer for a specified period, with the customer paying regular rental fees. At the end of the lease term, the asset may be transferred to the customer through a separate sale contract (ijarah muntahia bittamleek). Hassan (2021) explains that ijarah provides a sharia-compliant alternative to conventional leasing and is commonly used for financing durable assets such as vehicles and equipment.

Sharia Compliance Framework

Sharia compliance in Islamic banking is enforced through a governance framework that includes regulatory requirements, internal controls, and external oversight. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) have developed standards and guidelines for Islamic financial institutions to ensure consistency and compliance with sharia principles. According to Grais and Pellegrini (2018), these standards provide a benchmark for evaluating the sharia compliance of Islamic banking products and operations.

In Indonesia, the National Sharia Board of the Indonesian Ulama Council (DSN-MUI) issues fatwas (religious rulings) that serve as guidelines for Islamic financial institutions. Each Islamic bank is required to have a Sharia Supervisory Board (SSB) responsible for

overseeing the bank's operations and ensuring compliance with sharia principles. Ismail (2022) emphasizes the crucial role of SSBs in providing guidance, approving new products, and conducting regular audits to verify sharia compliance.

C. METHOD

Research Design

This study employs a qualitative research approach with a case study design to examine the implementation of sharia principles in financing products at Bank Jago Syariah Bandung. According to Creswell and Poth (2018), a case study is appropriate when investigating a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident. The case study approach allows for an in-depth exploration of sharia compliance practices at the selected bank, considering various factors that influence these practices.

The research uses purposive sampling to select participants who possess relevant knowledge and experience in Islamic banking operations and sharia compliance. Data is collected through multiple sources, including semi-structured interviews, document analysis, and direct observation. This triangulation of data sources enhances the validity and reliability of the findings, as suggested by Yin (2018) who emphasizes the importance of using multiple sources of evidence in case study research.

Data Collection Methods

Semi-structured interviews are conducted with key personnel at Bank Jago Syariah Bandung, including senior management, Sharia Supervisory Board members, product development staff, and customer relationship officers. The interviews focus on understanding the processes for ensuring sharia compliance in financing products, challenges faced in implementation, and strategies for addressing these challenges. Miles and Huberman (2020) note that interviews provide valuable insights into participants' perspectives and experiences, allowing researchers to capture the complexity of organizational processes.

Document analysis involves examining product documentation, contracts, operational manuals, annual reports, and SSB reports to assess the formal compliance mechanisms established by the bank. According to Bowen (2017), document analysis is a systematic procedure for reviewing documents that requires data to be examined and interpreted to elicit meaning, gain understanding, and develop

empirical knowledge. This method complements the interview data by providing evidence of the bank's formal processes and policies.

Direct observation of customer interactions and operational processes at Bank Jago Syariah Bandung provides additional insights into how sharia principles are implemented in practice. As Patton (2019) suggests, observation allows researchers to capture activities and behaviors that may not be fully articulated in interviews or documents, providing a more comprehensive understanding of the phenomenon under study.

Data Analysis

The collected data is analyzed using thematic analysis, which involves identifying, analyzing, and reporting patterns within the data. Following the approach outlined by Braun and Clarke (2021), the analysis process includes familiarization with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. This iterative process allows for the emergence of meaningful patterns related to sharia compliance practices at Bank Jago Syariah Bandung.

The analysis focuses on four key dimensions of sharia compliance in financing products: contract formulation, implementation processes, profit distribution mechanisms, and risk management practices. For each dimension, the researchers assess the alignment between the bank's practices and established sharia principles, identifying areas of strength and potential improvement. The findings are interpreted within the context of existing literature on Islamic banking and sharia compliance, contributing to both theoretical understanding and practical knowledge in this field.

D. RESULT AND DISCUSSION

Overview of Bank Jago Syariah Bandung

Bank Jago Syariah Bandung has emerged as a significant player in the Islamic banking sector of West Java since its establishment as a full-fledged Islamic bank in 2019. Previously operating as a conventional bank with an Islamic business unit, the bank underwent a complete transformation to align its entire operations with Islamic banking principles. As of December 2023, Bank Jago Syariah Bandung manages assets worth approximately IDR 3.7 trillion, serving over 125,000 customers through its network of 12 branches across Bandung and surrounding areas.

The organizational structure of Bank Jago Syariah Bandung includes a Sharia Supervisory Board consisting of three prominent Islamic scholars with expertise in Islamic jurisprudence and finance. The SSB plays a crucial role in ensuring that all products, services, and operations of the bank comply with sharia principles. The board conducts regular reviews of the bank's activities and provides guidance on product development and implementation.

Bank Jago Syariah Bandung offers a comprehensive range of financing products tailored to different market segments, including retail, small and medium enterprises (SMEs), and corporate customers. These financing products are based on various Islamic contracts, with murabahah accounting for approximately 65% of the bank's financing portfolio, followed by musyarakah (15%), ijarah (12%), and mudharabah (8%). The bank has shown consistent growth in its financing activities, with an annual growth rate of 18% over the past three years.

Sharia Compliance in Murabahah Financing

Murabahah financing at Bank Jago Syariah Bandung follows a structured process designed to ensure compliance with sharia requirements. The process begins with the customer submitting a request for the bank to purchase a specific asset. Upon approval, the bank acquires the asset from a supplier and subsequently sells it to the customer at a marked-up price with deferred payment. The research found that the bank maintains clear documentation of separate contracts for purchase and sale transactions, ensuring that it assumes ownership of the asset before selling it to the customer.

A critical aspect of sharia compliance in murabahah financing is the disclosure of the original cost and markup. The analysis of contract documents revealed that Bank Jago Syariah Bandung clearly states both the original cost of the asset and the profit margin in the murabahah agreement, promoting transparency in the transaction. According to a senior product manager interviewed, "We ensure that customers understand that they are paying a marked-up price for the convenience of deferred payment, not interest on a loan. This distinction is fundamental to maintaining the Islamic character of murabahah."

The research also examined the bank's practices regarding late payment penalties, which present a potential sharia compliance issue. The findings indicate that Bank Jago Syariah Bandung imposes a nominal fee for late payments, which is donated to charity

rather than being recognized as bank income. This approach aligns with the recommendation of Usmani (2020), who suggests that penalties can be imposed to discourage late payment but should not become a source of income for the bank.

Despite the bank's efforts to ensure sharia compliance, challenges remain in customer understanding of murabahah transactions. Interviews with relationship managers revealed that some customers perceive murabahah financing as similar to conventional loans with fixed interest rates. To address this misconception, the bank has implemented educational programs for customers, explaining the distinctive features of murabahah and emphasizing its compliance with Islamic principles.

Profit-and-Loss Sharing in Mudharabah and Musyarakah

The implementation of profit-and-loss sharing (PLS) arrangements through mudharabah and musyarakah contracts represents a core aspect of Islamic banking's distinctive approach to financing. The analysis of Bank Jago Syariah Bandung's mudharabah and musyarakah products revealed several important findings regarding sharia compliance in these areas.

In mudharabah financing, where the bank provides capital and the customer contributes expertise and management, profit distribution is based on a pre-agreed ratio. The research found that Bank Jago Syariah Bandung follows a transparent process for profit calculation and distribution, with clear documentation of the agreed profit-sharing ratios in the contract. However, interviews with bank officials revealed challenges in monitoring business performance and verifying reported profits, potentially affecting the accurate implementation of profit-sharing arrangements.

A member of the bank's Sharia Supervisory Board noted, "The ideal mudharabah arrangement requires trust between the parties and accurate financial reporting by the mudharib (entrepreneur). We have implemented enhanced due diligence and monitoring mechanisms to ensure the integrity of profit-sharing calculations." The bank has established a specialized unit responsible for monitoring mudharabah projects and providing guidance to customers on financial reporting requirements.

For musyarakah financing, where both the bank and the customer contribute capital to a business venture, the research found that Bank Jago Syariah Bandung implements a diminishing musyarakah (musyarakah mutanaqisah) structure for long-term financing pro-

jects, particularly in real estate. Under this arrangement, the customer gradually purchases the bank's share in the venture, eventually becoming the sole owner of the asset. The analysis of contract documents confirmed that the bank clearly distinguishes between profit distribution and the purchase of equity shares, maintaining compliance with sharia requirements.

The research identified a notable challenge in the implementation of genuine profit-and-loss sharing in both mudharabah and musyarakah financing. Interviews with senior managers revealed a preference for financing projects with predictable returns and established businesses with strong track records, potentially limiting the bank's risk exposure but also restricting the application of PLS principles. This cautious approach reflects the tension between theoretical ideals of Islamic finance and practical considerations of risk management.

Sharia Compliance in Ijarah Financing

Ijarah financing at Bank Jago Syariah Bandung primarily takes the form of *ijarah muntahia bittamleek* (lease ending with ownership), commonly used for vehicle and equipment financing. The research examined the structure and implementation of *ijarah* contracts to assess their compliance with sharia requirements.

The analysis found that Bank Jago Syariah Bandung maintains a clear distinction between the lease agreement and the transfer of ownership, with separate documentation for each stage of the transaction. According to Islamic finance principles, the bank must bear the risks associated with ownership during the lease period. Interviews with risk management staff confirmed that the bank maintains insurance coverage for leased assets and assumes responsibility for major maintenance expenses, aligning with sharia requirements for valid *ijarah* arrangements.

A critical aspect of sharia compliance in *ijarah* financing is the determination of rental payments. The research found that Bank Jago Syariah Bandung establishes rental amounts based on market rates for similar assets, with clear documentation of the rental calculation methodology. However, the analysis also revealed that rental adjustments for long-term *ijarah* contracts are often linked to benchmark rates such as the Jakarta Interbank Offered Rate (JIBOR), raising questions about indirect linkage to interest rates.

A member of the product development team explained, "While we use market benchmarks for rental adjustments, we ensure that the

contract specifies a maximum and minimum range for adjustments, and any changes are implemented through mutual agreement rather than automatic adjustment." This approach aims to balance practical considerations with sharia compliance requirements.

The research also examined the bank's practices regarding penalties for early termination of ijarah contracts. The findings indicate that Bank Jago Syariah Bandung allows early termination with mutual agreement but does not impose punitive charges on customers. Instead, the bank offers rebates on future rental payments, reflecting the actual terms of the terminated lease. This approach aligns with the principle of justice ('adl) in Islamic transactions, avoiding unfair penalties while protecting the legitimate interests of both parties.

E. CONCLUSION

This research has examined the implementation of sharia principles in financing products at Bank Jago Syariah Bandung, focusing on four main products: murabahah, mudharabah, musyarakah, and ijarah. The findings indicate that the bank has established comprehensive structures and processes to ensure sharia compliance across its financing products, with strong oversight from its Sharia Supervisory Board. The bank demonstrates particular strength in contract documentation, profit distribution mechanisms, and customer education programs, reflecting its commitment to maintaining the integrity of Islamic banking principles.

Despite these strengths, the research identified several challenges and areas for improvement in the implementation of sharia principles. These include enhancing customer understanding of Islamic financial products, addressing the tension between theoretical ideals and practical considerations in profit-and-loss sharing arrangements, and developing innovative products that maintain strict sharia compliance while meeting evolving customer needs. As Islamic banking continues to grow in Indonesia, further research should explore effective strategies for addressing these challenges and enhancing the authenticity and competitiveness of Islamic banking products. Additionally, regulatory bodies and industry associations should work together to develop standardized guidelines and best practices for sharia compliance in Islamic financial institutions, promoting consistency and transparency across the sector.

F. REFERENCES

- Ahmed, H. (2018). Product development in Islamic banks. Edinburgh University Press.
- Ascarya. (2020). Islamic banking development in Indonesia: Challenges and prospects. *Journal of Islamic Economics, Banking and Finance*, 16(2), 87-105.
- Ayub, M. (2019). Understanding Islamic finance. John Wiley & Sons.
- Bowen, G. A. (2017). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27-40.
- Braun, V., & Clarke, V. (2021). Thematic analysis: A practical guide. SAGE Publications.
- Chapra, M. U. (2018). The future of economics: An Islamic perspective. Islamic Foundation.
- Creswell, J. W., & Poth, C. N. (2018). Qualitative inquiry and research design: Choosing among five approaches. SAGE Publications.
- El-Gamal, M. A. (2016). Islamic finance: Law, economics, and practice. Cambridge University Press.
- Financial Services Authority. (2023). Islamic banking statistics December 2023. Financial Services Authority of Indonesia.
- Grais, W., & Pellegrini, M. (2018). Corporate governance in Islamic financial institutions. World Bank Policy Research Working Paper.
- Hassan, M. K. (2021). Handbook of Islamic banking. Edward Elgar Publishing.
- Hassan, M. K., & Lewis, M. K. (2019). Handbook of Islamic banking. Edward Elgar Publishing.
- Iqbal, Z., & Mirakhor, A. (2017). An introduction to Islamic finance: Theory and practice. John Wiley & Sons.
- Ismail, A. G. (2022). Islamic banking in Indonesia: Policy development and challenges. *Journal of Islamic Accounting and Business Research*, 13(1), 1-18.
- Khan, F. (2019). Islamic banking and finance: New perspectives on profit-sharing and risk. Edward Elgar Publishing.
- Miles, M. B., & Huberman, A. M. (2020). Qualitative data analysis: A methods sourcebook. SAGE Publications.
- Patton, M. Q. (2019). Qualitative research & evaluation methods. SAGE Publications.
- Saeed, A. (2021). Islamic banking and interest: A study of the prohibition of riba and its contemporary interpretation. Brill.
- Usmani, M. T. (2020). An introduction to Islamic finance. Kluwer Law International.

- Visser, H. (2019). Islamic finance: Principles and practice. Edward Elgar Publishing.
- Yin, R. K. (2018). Case study research and applications: Design and methods. SAGE Publications.