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### The Prospect of Sharia Banking Industry Development in Indonesia and Malaysia

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**Abstract:** Sharia banking industry thrives in various countries in the world. It develops not only in Muslim-majority countries but also in various Muslim-minority countries. The growth of sharia banking assets is generally 50% faster than the growth of the world financial industry market. Indonesia and Malaysia are the two countries in the Southeast Asian region the sharia banking development rates of which are very fast. Until the end of 2017 its growth can reach 50%. There are some efforts done by both countries to boost the rate of movement. For instance, the sharia banking institutions in Indonesia are targeting approvals in various regulations, in addition to improving services, as well as expanding network expansion. While in Malaysia, the strategy is done through strengthening infrastructure, increasing human resources, and also the application of moderate Islamic understanding. The sharia banking industry in each of these two countries has advantages and bright future prospects. More especially, Indonesia has wider potential of the region and larger population. Therefore, the future development of sharia banking industry is much more promising.

**Keywords:** *syaria bank, indonesia, malaysia, prospect*

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#### A. Introduction

Sharia banking thrives in many countries in the world, not only in Muslim countries such as Egypt, Kuwait, Bahrain, Malaysia, (Antonio, 2012, pp. 22-23) but also in non-Muslim countries such as Australia, America, Great Britain, Germany and others. (al-Ghifari & dkk, 2015, p. 48) Based on Ernest & Young statistics in the World Islamic Banking Competitiveness Report in 2013-2014, the data mentioned that the growth of assets and market share in each country is quite large. The total assets of sharia banking are able to grow 50% better in the worldwide financial industrial market with the total assets of USD 1.54 trillions (al-Ghifari & dkk, 2015, p. 48). According to the Business Com reports, the growth of sharia banking assets in Indonesia until the end of 2017 has reached 24.2%.<sup>1</sup> While the growth of sharia

banking assets in the neighboring country-Malaysia in 2016 reaches 40-50% (Hadad, 2016). State and market relations has been discussed and debated in the treasures of Islamic law and economics. The debate of state relations and the dynamic nature of the market in the course of Islamic civilization treasures originating from interpretation of the texts of the Quran and the laws and economics policies of Prophet Muhammad (Rokan, 2016, p. 41).

Indonesia and Malaysia are the two countries in Southeast Asia of which sharia banking growth is quite fast, aside from the fact that both of these countries are large and the majority are Muslim, the governments in both countries have been able to issue various regulations as their legal basis. In Indonesia the regulations related to sharia banking are: Act no. 21 year 2008 concerning Sharia Banking, Act

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<sup>1</sup> Aset-Perbankan syari'ah, *Bisnis.com*, [www.google.co.id](http://www.google.co.id)

no. 50 Year 2009 on PA, KHES (Compilation of Sharia Economic Law) issued by the Supreme Court of the Republic of Indonesia. While Islamic financial fatwa products are specifically handled by DSN (National Sharia Council) of Majelis Ulama Indonesia (MUI-Indonesia Ulema Council) as an independent institution authorized by the government to publish syariah economic contracts. Sharia banking regulations in Malaysia refer to the rules of the Companies Act 1965 (deed of establishment), Central Bank Act (CBA) 1958 (establishment of syariah and advisory council), Islamic Banking Act (IBA) 1983 (License, supervision, establishment of sharia bank), Guidelines on the Governance of Sharia Committee for the Islamic Financial Institutions (BNM / GPS1) 2004 (Task and responsibility of sharia committee), Central Banking Act (CBA) 2009 (BNM Authority to make Malaysia as International Islamic Finance).<sup>2</sup>

Indonesia and Malaysia are two countries in the Southeast Asian region that have many similarities, the similarities between Indonesia and Malaysia comes from one tribe that is Malay. On the other hand the similarity is also in terms of its population which is dominated by the majority of Muslims. Malaysia establishes Islam as the official religion of the Country,<sup>3</sup> with a population composition of 61.3% of the 32 million in 2017 was Muslim,<sup>4</sup> while in Indonesia as much as 87.16% of the total 237, 641,327 people are also Islam.<sup>5</sup> Although viewed from the standpoint of the percentage of Muslim population of Indonesia is much larger than the Muslim population of Malaysia which is 25.86%, but on the development of sharia banking assets still remain below the Malaysian percentage of 25%. The former Bank Negara Malaysia governor Zeti Akhtar Aziz in the event titled "The DB Regional Lecture Series on Islamic

Economics Finance and Banking" held at Bank Indonesia in December 2012, he said that the Sharia banking that now controls the market in Malaysia is not achieved with ease, but the process takes a long time. As for the banking industry in Indonesia, Zeti said that the condition could continue to increase, because the market in Indonesia had an enough high demand.<sup>6</sup> The Former deputy governor of Indonesian bank Halim Alamsyah said that the prospects of sharia banking industry in Indonesia actually had greater opportunities compared to countries in Southeast Asia including Malaysia, because the development of sharia finance in Indonesia is more based on the real sector, while in other countries the development of sharia finance is more focused on the financial sector.<sup>7</sup> Another advantage for the development of the banking industry in Indonesia is "regulatori regime" which is more positive than in other countries. In Indonesia the existence of the National Shari'ah Council (DSN-MUI) is valued as a more independent and centralized institution in issuing the fatwa of sharia economy, whereas in other countries, especially the middle east fatwa sharia can be issued by clerical persons, therefore the difference in fatwas is enormous. For Malaysia itself, the organizational structure of Islamic economic fatwa institution is under the state of Malaysian Bank (BNM) and does not stand alone independently.

Broadly speaking the prospect of the development of sharia banking industry in Indonesia is likely to catch up with the neighboring country- Malaysia and enter into the top ten ranks of the world's syariah banking industry. Rational indicators that can be seen indicate that there are increased expansions of network of Islamic banking offices in various regions. Additionally, there is also an intensive educational and socialization program to the public

<sup>2</sup>M. Syabri Abd. Majid, *Regulasi Perbankan Syariah: Studi Komparatif antara Malaysia dan Indonesia*, *Jurnal Media Syariah* Vol XVI No.1 (Januari 2014), hlm. 246

<sup>3</sup>Asep Ahmad Hidayat dkk, *Studi Islam di Asia Tenggara* (Bandung: Pustaka Setia, 2014) hlm. 42.

<sup>4</sup>Department of Statistics Malaysia, *Official Portal*

<sup>5</sup>Katalog BPS 2102032 (sensus penduduk 2010).

<sup>6</sup>A lecture, "The DB Regional Lecture Series on Islamic Economics Finance and Banking", <http://www.viva.co.id/berita/bisnis>.

<sup>7</sup>Delivered at the scientific lecture of the Association of Islamic Economists (IAEI), the 8 anniversary IAEI, 13 April 2012.

regarding the sharia banking products and services, and this is believed to increase awareness of the interest of the community.

Currently sharia business is growing rapidly. The facts on the ground show that almost all business activities based on conventional have been followed by sharia-based business. For example, conventional banking followed by sharia banking; Conventional insurance, followed by Takaful, conventional capital market, followed by syariah capital market, and so on. This phenomenon indicates that both business concepts are important to learn together (Triana, 2017, p. 108).

## **B. The development of sharia banking in Indonesia and Malaysia.**

### **1. Indonesia**

The development of sharia banking industry in various countries in the world brought a positive flow towards the development of sharia industry in Indonesia. The idea of establishing syariah bank in Indonesia has actually emerged since the mid of 1970s. This was discussed at a national seminar on Middle East - Indonesia relations in 1974 and in 1979 in a national seminar organized by the Institute for Social Sciences (LSIK) and the Bhineka Tunggal Ika Foundation.<sup>8</sup> In the early period of the 1980s, there re-emerged discussions about sharia banking as a pillar of Islamic economy. The national figures involved in the study include: Muhammad Dawam Raharjo, M. Amin Rais, AM Saefudin, Karnaen A. Perwataatmadja and others. Some of the trials that have been conducted as the beginning of the establishment of syariah financial institutions in Indonesia became the establishment of micro-finance institutions such as Bait at-*Tanwi* (BT) Salman Bandung and the Cooperative of Ridho Gusti in Jakarta.<sup>9</sup>

After ten years of the initial trial of the establishment of Islamic financial institutions, on 18-20 August 1990, Majelis Ulama Indonesia (Indonesian Ulema Council) held a workshop on bank interest and banking in Cisarua Bogor, West Java. Furthermore, the workshop results are discussed further in the IV National summit of MUI held at Sahid Jaya Hotel Jakarta on 22-25 August 1990. Based on the mandate of MUI IV munas, a working group called MUI Banking Team was established to establish an Islamic bank in Indonesia.

Furthermore on 1 November 1991, because of the hard work of the MUI Banking Team, the establishment deed of PT Bank Mu'amalat Indonesia (BMI) was signed which was the first established sharia bank in Indonesia. And at that time it was also collected a shared commitment of 84 billion shares purchase. On 3 November 1991, in the event of a meeting with the President of the Republic of Indonesia in the palace of Bogor, it reached a commitment with the initial deposit of 106,126,382,000. With the initial capitalization, on May 1, 1992 Bank Mu'amalat Indonesia began operating.<sup>10</sup>

In the reform era, the development of the sharia industry began to increase. With an approved Act no. 10 of 1998, the operational opportunities are more open, legal basis and types of business in details can be legally implemented by sharia banks. The Act no. 10 year 1998 also provide direction for conventional banks to open shari'ah branches, or convert itself totally to become sharia bank. The development of the syariah banking industry since the 90's era to recent time has experienced a very positive growth, real facts that can be seen and can be felt in the field that the sharia banks existence began to be easily found. On the publication side of

<sup>8</sup>Heri Sudarsono, *Bank dan Lembaga Keuangan Syari'ah, Deskripsi dan Ilustrasi*, (Yogyakarta: EKONISIA, 2008), hlm.30.

<sup>9</sup>Muhammad Syafi'i Antonio, *Bank Syari'ah Dari TeorikePraktik*, (Depok: Gema Insani, 2012,) hlm.25.

<sup>10</sup>Muhammad Syafi'i Antonio, *Bank Syari'ah Dari TeorikePraktik*, hlm.26.

the Financial Services Authority (OJK) report, as well as various economic journals also intensively load up-to-date news related to the world of sharia banking information in Indonesia.

## 2. Malaysia.

The Sharia banking industry in Malaysia, of which position is under the protection of Central Bank's (BNM), is working on dual banking system, where sharia banking operates alongside conventional banking. As a central bank, BNM has full authority to control and manage all banking operations in Malaysia, both shariabanks and conventional banks. BNM is an authoritative institution that has comprehensive legal force in making regulations, regulating and supervising the financial system for the banking industry in Malaysia under the Act. 1958 Malaysian Central Bank.<sup>11</sup>

The 1983 Islamic bank deeds or the Sharia Bank Act in Malaysia approved on 7 April 1983 authorizes the Malaysian state bank to grant a shariah establishment permit and supervise the operations of the shari'ah bank.<sup>12</sup> Bank Islam Malaysia Berhad (BIMB) is the first established sharia bank in Malaysia, the bank was established in 1983 with 30 per cent of the capital belonging to the federal government. The efforts of the Malaysian government to support the development of syar'ah banking in the country, the regulation also introduced the Islamic window system, where conventional banks can open syariah services.<sup>13</sup>

The development of the Sharia banking industry in Malaysia is done gradually since the country began to concentrate in its development. The first phase of sharia banking industry in Malaysia started from 1983 to 1992, the

concentration of the expectation is also very simple, such as the application of products with akad qard | al-hasan, Musya> rakah, and bai 'bi as | -S | taman al-'Aji <l. In the second stage, from 1992 to 2002, in this stage the Malaysian banking industry began to build interbank instruments, and its business began to reach the wider market by providing more diverse products to customers. The focus of its products is wide, not only to customers but also among banks, such as sukuk *istis* na '<, and *mura*> *bahah* komoditi product. In the third stage, starting from 2002 until now the development of the shariah banking industry in Malaysia has begun to enter the global market characteristic, and its product focus is not just the relationship between banks, but also between banks and government.<sup>14</sup>

## C. The Prospects of Sharia Banking in Indonesia and Malaysia.

### 1. Indonesia

Bank Indonesia as the regulator gives serious attention and maximum encouragement in the development of sharia banking in Indonesia. This spirit is based on a belief that sharia banking in Indonesia can bring benefits to economic improvement and equity of the people's prosperity. The expectation is based on: firstly, the operational of sharia banking closer to real sector, the product offered especially in terms of financing focused more on the interests of real sectors, so the effect is more real in encouraging the growth of sharia economy in society. Secondly, the products offered are also not speculative (g oror) so they have a strong endurance and their resilience can bear the global financial crisis.

<sup>11</sup>Article, *Regulasi perbankan syari'ah : Study comparatif antara Indonesia Malaysia* (Dr. M. Syabri Abd. Majid, M, Ec. Ketua Program Studi Ekonomi Islam UNSYIAH Banda Aceh). Dimuat dalam Media syari'ah, Vol. XVI, 1 Jan 2014.

<sup>12</sup>Ali Rama, Analisis Sistem Tata Kelola Syari'ah Bagi Perbankan Syari'ah di Indonesia dan Malaysia, *Jurnal Bimas Islam* Vol, 8, No. 1 (2015), hlm. 92.

<sup>13</sup>Muhammad Syafi'i Antonio, *Bank Syari'ah Dari Teori ke Praktik* (Depok: Gema Insani, 2012) hlm 24.

<sup>14</sup>Article, *Comparing Islamic Banking Development in Malaysia and Indonesia*, (Ascarya, Center for Banking Education and Studies, Bank Indonesia), 2006

Thirdly, the products that are marketed under a profit-sharing system, which has become the spirit of sharia banking will bring much benefit and be fairer to all parties, both for *ṣahib al-māʾl* (owner of funds) as well as for *muḍōriband musyārīk* as entrepreneurs.

Based on the Financial Services Authority report in 2017, the sharia banking industry already has a network of 13 shari'ah commercial banks (BUS), 21 sharia business units (UUS), and 165 BPRS, with a total office network of more than 2400 branches spreading across the archipelago.<sup>15</sup> While the total assets of sharia banking according to the Financial Service Authority's report reached 1.028 trillion at the end of 2017.<sup>16</sup> Accelerated growth of the sharia banking industry in Indonesia is believed to be able to compete with the growth rate of the conventional banking industry, and sharia banking assets in its growth was recorded at growth of 24.2% until August 2017, but its market share is still around 5.44%.<sup>17</sup>

## 2. Malaysia

The Malaysian sharia banking industry, which was initially doubted by the market, was able to show its identity. In the three decades since its inception in 1983 until now, this industry has experienced a very rapid growth so as to become a locomotive movement of sharia financial institutions in southeast asia. Muhammad Azhar Hashim said: The neighboring country has succeeded in creating a conducive climate for the development of sharia economy.<sup>18</sup> The country has created a fledged instrument and sharia infrastructure, strengthening the regulation for sharia economy is also continuously carried out by the country. Not only that, the neighboring countries also continue to improve the quality of human resources

(HR) to support the development of sharia finance. These efforts have ultimately led Malaysia to lead the Islamic economic movement in southeast asia.

According to a report by the Financial Services Authority (OJK) reported by TEMPO.CO, that in 2016 Malaysia's sharia banking assets have reached 219.8 billion USD or about Rp 2,143 trillion.<sup>19</sup> While the assets of sharia banking in Indonesia based on the Financial Services Authority (OJK) report by the end of 2017 has reached 1.028 trillion.<sup>20</sup> From these statistics shows the existence of sharia finance Malaysia still surpass the position of Indonesia in a row of Islamic banking rank in the world and in southeast asia. Malaysia's success in developing sharia economy does invite investing countries to pay great attention, which is interesting from the existence of sharia banking in Malaysia is from 18 Islamic banks in this neighboring country are not all of them belong to the country, but there are some banks owned by foreign parties, such as *Al Rajhi Banking, Kuwait Finance House, PT. Bank Muamalat Indonesia, Tbk.*<sup>21</sup> The Malaysian government seems to be concentrating fully on efforts to develop sharia economy, the effort made by this neighboring country is by providing incentives continuously, even in the 2016 budget the Malaysian government also provides tax exemption for the issuance of shariah bonds. The Malaysian government's market strategy seems to be quite effective, even able to encourage the rapid growth of the sharia banking industry in the country.

## D. Factors supporting the development of sharia banking in Indonesia and Malaysia.

<sup>15</sup>OJK, [www.ojk.go.id](http://www.ojk.go.id)

<sup>16</sup>Laporan OJK, <https://kumparan.com>

<sup>17</sup>Aset-Perbankan syari'ah, *Bisnis.com*, [www.google.co.id](http://www.google.co.id)

<sup>18</sup>Penulis Kim's Center For Economics and social

studies, (sumberberita :Dream.co.id).

<sup>19</sup> TEMPO, <https://bisnis.tempo.co/read/71377>

<sup>20</sup> Laporan OJK, <https://kumparan.com>

<sup>21</sup>Infosyariah, <http://www.infosyariah.co>

### 1. In Indonesia

The Former Deputy Governor of Bank Indonesia Halim Alamsyah said there were several factors that could significantly encourage the development of sharia banking industry in Indonesia: *Firstly*, expanding the network of sharia banking office, with easy access and closeness of the banking office can encourage customers to make choices to open accounts in sharia banks. *Secondly*, socialization and education to the community related to sharia banking products and services are done intensively, it turns out this movement can increase public awareness and interest. *Thirdly*, efforts to improve the quality of service (service excellent) sharia banking to be aligned with conventional banking services, such as the utilization of information technology access, such as Automated Teller Machine (ATM), Mobile banking, and also internet banking. To be able to achieve these programs, Bank Indonesia (BI) encourages conventional banks which are the parent of sharia banks to develop information technology networks for Sharia Commercial Bank (BUS) and Sharia Business Unit (UUS) ), which has been their subsidiary. *Fourthly*, the endorsement of several regulations by the government that are judged to be able to provide legal certainty and increase the activity of sharia financial market.<sup>22</sup>

### 2. In Malaysia

Malaysia is a country that the development of sharia banking industry is very strong in the world. Based on news reported by media Coil NEWS 21 October 2017, Malaysia occupied the third largest rank in the world, while the position of Indonesia is only in the sequence number 9.<sup>23</sup> Malaysia's success in developing the shariah banking industry according to some

observers of the economy, growth can not be separated from the impetus of the factors that exist. From several factors that are able to deliver Malaysia to the top row of non-usury economic players are: *firstly*, the time required needs a long time. Sharia banking industry in this neighboring country according to former Malaysian state bank governor Zeti Akbar aziz, that the development process has been going on since the time of prime minister Mahatir Muhamad in the eighties. This long time of course brings Malaysian increasingly experienced in the management of sharia financial institutions.<sup>24</sup> *Secondly*, strengthening regulation. The Malaysian government seems to continue to strengthen efforts in the field of shariah banking regulation, the goal is because the country wants to control and occupy the top position in the global shariah banking industry.<sup>25</sup> *Thirdly*, strengthening Infrastructure. This neighboring country has succeeded in creating a conducive and comprehensive climate for the development of sharia economy. The way that Malaysia does is by strengthening the sharia financial infrastructure and sharia instruments. *Fourthly*, the increase of human resources (HR). The government of Malaysia massively continue to educate and socialize to the economic actors of sharia, even for the realization of successful implementation of sharia economy in malaysia, government dare to give tax payment exemption for issuance of sukuk or syariah bonds. *Fifthly*, the application of moderate Islamic teachings. This spirit is reflected by the gradual implementation of the system of sharia financial development. Collaboration and cooperation among the government, Islamic institutions, and stakeholders continue to be done in harmony. By

<sup>22</sup>Disampaikan dalam ceramah ilmiah Iktatan Ahki Ekonomi Islam (IAEI), milad ke 8 IAEI, 13 April 2012.

<sup>23</sup>Aset Keuangan syari'ah RI, *Kumparan NEWS*, <https://kumparan.com>

<sup>24</sup>Berita bisnis, <http://www.viva.co.id>

<sup>25</sup>REPUBLIKA.CO.ID, KUALA LUMPUR.

means of the mentioned way the differences of opinion in the application of Shariah transaction rules are more acceptable.<sup>26</sup>

#### **E. The Analysis of the potential development of shariah banking industry in Indonesia and Malaysia in the future.**

Indonesia and Malaysia continue to concentrate in efforts to improve the development of the shariah banking industry. Noticing the various factors that are believed to be able to encourage the rise of the shariah banking industry in both countries, each of Indonesia and Malaysia has the advantages and potential of a promising future. The development of sharia banking in Malaysia started earlier than Indonesia. Since its foundation in 1983, with the full support of the government the institution continued to consolidate in its efforts to improve development and management, which is then able to deliver it to a more advanced and experienced position. Unlike the case with the fate of Sharia banking in 1991, government support is only limited to operational permit, but its development has kept going on along with time span, it's just that its fate is not as massive as the development of sharia banking in Malaysia.

On the other hand, the development of the infra structure of the sharia banking industry in Malaysia has positioned itself with the level of conventional banks. This equivalency is targeted by the neighboring country in order to create ease in service, as well as to enhance the positive competitiveness for the customers. The Image of Malaysian society in seeing the banking world is already well established, there is no more discrimination between sharia and conventional financial institutions. Noticing that the professionalism of the performance of the banking industry in this neighboring country, both conventional and Shari'ah have been in the same position, and also in the same quality, the people in Malaysia just

choose without having to sort out for the reasons of security or concern.

The condition of sharia banking in Indonesia is different from Malaysia, the development of infrastructure of the sharia banking industry in Indonesia is still very limited, considering that the existence of sharia banking in Indonesia is still a conventional banking's foster children. Negative influences arising from this limitation eventually resulted in an inferior image and also reduced trust in the eye of the public, resulting in a weakening of interest and competitiveness in society. Sharia banking industry in Indonesia in such circumstances, continue to consolidate in an effort to align with the conventional banking position. During these efforts to catch up, shariah banking institutions propose to the government to facilitate the ratification of various regulations, in the hope that it can accelerate the operational process, in addition it also continues to improve its services in order to gain public trust.

Indonesia and Malaysia in the development of shariah banking industry especially in southeast asia countries are in the most promising level (highest level). This indicator can be seen from several aspects, for example at the rate of growth, where the growth rate of sharia banking in Indonesia at the end of 2017 can reach 15%, while growth in Malaysia is much higher even able to reach 40-50%. Other readiness of the infrastructure aspect as well as its resources is very supportive. The existence of sharia financial institutions in Malaysia is very ready, in other words that the shariah banking industry in this neighboring country is indeed already landing and able to compete in the business arena of global financial industry.

Shariah banking institutions in Indonesia are still busy doing consolidation to catch up from the neighboring country. The most important hope of this institution is the maximum participation of the government in its development efforts. If the attitude of pro-government to sharia

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<sup>26</sup>The Secret of Rapid Malaysian Financial Growth .

banking institutions in the country is realized through the development of a complete infra structure, as well as the preparation of maximum resources, the sharia banking could not be too long in Indonesia can be parallel to the Malaysian state. Currently the sharia banking institution in Indonesia continue to improve itself to become an independent institution, and no longer a foster institution of which fate is often belittled. The independence of sharia banking institutions in operation, becomes the main path to open up business opportunities in the future. In comparison with established financial business opportunities in the country of Malaysia, the prospects of financial business in Indonesia are actually far more likely and promising. There are two factors that at least have the opportunity and able to encourage the development of sharia banking institutions in Indonesia to compete in the global arena:

*First*, the large population and the existence of the Islamic religion that became the majority of the Indonesian nation. As many as 87.16% of the total 237.641.327 people are Muslims. This great potential of the population and beliefs can be a force of its own, as it has been proven so much, with the power of time and religious conviction capable of becoming a powerful new energy, therefore by capitalizing the strength of the population and the religion of Islam it believes, is expected to be a driving force for the resurrection of economic activities of shari'ah in Indonesia, especially in the field of banking industry. The relationship between Muslims in Indonesia with the movement of shariah financial industry activities in various occasions and in the field also began to build well, positive campaigns and awareness efforts for Muslims of the importance of sharia economy also began to get a welcome warm from the society. This fact can be proven that with the increasingly widespread economic activity labelled sharia in society, it becomes clear evidence for the progress of Islamic economy in Indonesia.

*Secondly*, the breadth of the territory of Indonesia opens the wider economic market potential. If the country of Indonesia is

compared with other countries in southeast asia, especially Malaysia, its economic potential will be much wider than the area itself, besides, Indonesia is also a developing country which is busy doing various development in all fields. The rapid pace of development activities is actually potentially opening up bigger and wider business market opportunities, especially in terms of providing capital needs. The magnitude of economic infestation that can be absorbed to support the pace of development in Indonesia, is predicted to pass the economic infestation of other countries in southeast asia. So in an effort to welcome the potential of this big business, the sharia banking is expected to be a major partner for the entrepreneurs in realizing the various fields of development in Indonesia.

#### **F. Conclusion.**

1. The development trend of sharia banking is thriving in various regions of the world, not only developing in Muslim-majority countries such as Saudi Arabia, Iran, Egypt, Malaysia and Indonesia, but also growing rapidly in various countries with Muslim minority such as: England, Australia, America and Germany.
2. According to Ernest and Young statistics (2013-2014) in the World Islamic Banking Competitiveness Report 2013-2014, it is mentioned that the growth of assets and market share in each country is quite large. The total assets of sharia banking are able to grow 50% faster overall in the various financial industry markets in the world with total assets of USD 1.54 trillion.
3. According to the OJK (Financial Services Authority) the number of sharia banking assets in Indonesia until the end of 2017 reached 1.028 trillion, with economic growth reaching 24.2%. While the growth of sharia banking assets in Malaysia



- in 2016 reached 40-50% with total assets reached 2.143 trillion.
4. Indonesia and Malaysia are the two countries in Southeast Asia of which sharia banking growth is fast enough. Aside from the fact that both of these countries are large and the majority are Muslim, the governments in both countries have been able to issue various regulations as their legal basis.
  5. Efforts done by the neighboring country to encourage the development of sharia banking, among others are aligning the position of sharia banking with conventional banking, besides the Malaysian government also implement a dual window system (sharia service) in conventional banking institutions.
  6. The Malaysian government continues to improve the development of the sharia banking industry, for that purpose the government does not hesitate to provide continuous incentives to customers, even in the 2016 budget the Malaysian government also provides tax exemption for the issuance of sharia bonds. The Malaysian government's market strategy seems to be quite effective, even able to encourage the rapid growth of the sharia banking industry in the country.
  7. In an effort to improve the development of Sharia Banking in Indonesia, this institution continues to build the infrastructure field by expanding the network in various regions of the country. While continuing to intensify socialization and education to the community, this institution also continues to improve its services to customers. This step becomes a priority program to increase the public trust.
  8. Indonesia has a bigger market opportunity for the development of

sharia banking industry in the Southeast Asia region, especially compared to the neighboring country that is Malaysia. The underlying reasons for this are the large population and the wider scope of its territory. In addition, Indonesia is also actively implementing the national development in various fields including in the field of infrastructure. Thus, the potential for infestation uptake is predicted to be quite large, it is a promising future opportunity for the infestation of sharia banking industry in Indonesia.

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