

OVERVIEW OF HISTORY THOUGHTS ON THE ESTABLISHMENT OF ISLAMIC BANKS IN INDONESIA

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Abstract

Islamic economic thought in Indonesia is not something that suddenly appears on the surface without any basis but is present because of the presence of figures who bring the concept of thought that becomes theoretical Islamic economics. This thought must be examined and found traces of historical truth. The purpose of this research focuses on the discussion of the history of Islamic economic thought in Indonesia and the history of the institutionalization of Islamic economics and Islamic banks in Indonesia. This research method is a qualitative literature study of journal articles and relevant documents. The results of this study indicate that the history of Islamic economics in Indonesia began with the entry of Islam into Indonesia and the establishment of Islamic kingdoms in the archipelago (Indonesia). Islam had spread in Sumatra in 1200 AD (597 Hijriyah). The practice of trade tax carried out by the Islamic kingdoms of the archipelago referred to what had been practiced in the kingdoms originating from the Middle East. Then trade practices began to be written in *Mirât al-Thullâb* by Shaykh Abdul Ra'uf al-Sinkili which became a source of Islamic economic thought. Meanwhile, the establishment of Islamic banks was a collaboration between the Indonesian Muslim Scholars Association and MUI. The participation of Indonesian President Soeharto as the initiator of the establishment of the first Sharia bank in Indonesia, as well as the personal role of several former ministers and ministers of the Development V cabinet. With a capital of Rp.116 billion, the Islamic bank began operations on 1 May 1992.

Keywords: History, Islamic Economic Thought, Islamic Banking.

Abstrak

*Pemikiran ekonomi islam di Indonesia bukanlah hal yang tiba-tiba muncul dipermukaan tanpa adanya dasar namun hadir karena adanya tokoh yang membawa konsep pemikiran yang menjadi teoretis ekonomi Islam. Pemikiran ini harus ditelaah dan ditemukan jejak-jejak kebenaran sejarahnya. Tujuan penelitian ini berfokus pada pembahasan mengenai sejarah pemikiran ekonomi Islam di Indonesia dan sejarah pelebagaan ekonomi syariah dan bank syariah di Indonesia. Metode penelitian ini adalah kualitatif studi literatur dari artikel-artikel jurnal dan dokumen yang relevan. Hasil penelitian ini menunjukkan bahwa sejarah ekonomi Islam di Indonesia dimulai dari masuknya Islam ke Indonesia dan dengan berdirinya kerajaan-kerajaan Islam di nusantara (Indonesia). Islam telah menyebar di Sumatera pada tahun 1200 Masehi (597 Hijriyah). Praktek pajak perdagangan yang dilakukan oleh kerajaan-kerajaan Islam nusantara merujuk pada apa yang telah dipraktekkan di kerajaan-kerajaan yang berasal dari Timur Tengah. Kemudian praktek perdagangan mulai ditulis dalam *Mirât al-Thullâb* karya dari Syaikh Abdul Ra'uf al-Sinkili yang menjadi sumber pemikiran ekonomi Islam. Sementara pendirian bank syariah adalah kerjasama antara Ikatan Cendekiawan Muslim Indonesia dan MUI. Ikut sertanya Presiden RI Soeharto sebagai pemrakarsa pendirian bank syari'ah pertama di Indonesia, serta peran pribadi beberapa mantan menteri dan menteri kabinet Pembangunan V. Dengan modal Rp.116 miliar bank syariah mulai beroperasi pada tanggal 1 Mei 1992.*

Kata kunci: Sejarah, Pemikiran Ekonomi Islam, Bank Islam.

INTRODUCTION

Islamic economic thought in Indonesia is not something that suddenly appears on the surface without any basis but is present because of the presence of figures who bring the concept of thought that becomes theoretical Islamic economics. This thought must be examined and found traces of historical truth. According to what is known, economic theory dates back to Muslim academics. Numerous works in the area of economics were produced by Islamic leaders between the sixth and thirteenth centuries, according to records. Consider Baqr Sadr and Abu Yusuf, who lived between 731 and 798 AD. He established the tax laws' fundamental concepts, which, in the field of taxes, are now regarded as the law. Ibn Taiymiyah's (1263–1328 AD) explanation of market and price systems in his work *Majmu' Fatawa* serves as another illustration. At the time, thinking about economics was frequently accompanied by ideas of justice, fairness, or appropriateness that had to be taken into account while building a society that was both just and equitable (Aji et al., 2017).

As defined by Pancasila and the Basic Law of the Republic of Indonesia in 1945, the purpose of national development is to build a fair and prosperous society based on economic democracy by creating a fair economic system. To ensure the continuation of economic democracy, all the potential, initiative, and creative power of the people must be mobilized and fully developed within boundaries that do not harm the common interest, so that all potential economic forces can be deployed into real economic forces for the benefit of increasing the prosperity of people. To fulfill objectives, the execution of economic development must pay greater attention to the harmony, compatibility, and balance of the factors of development, economic growth, and national stability (Shandy Utama, 2018).

As an economic constitution, the 1945 Basic Law also defines how the national economic system should be constructed and evolved. The key elements of the 1945 Basic Law on the national economic system are found in Chapter XIV, Article 33. The provisions of the national economic system are contained in one chapter consisting of five words. However, these regulations must be constructed consistent with the aspirations and foundations of the state based on the essential notions envisioned by the founders of the nation or historical players. In addition, the national economic system

must be built in connection with human rights, which also include economic rights, as well as provisions for people's well-being (Syarif, 2019).

According to the view of the public, long before the NKRI (United Kingdom of the Republic of Indonesia) was formed, even before the settlers took over the territory of Nusantara, the country had been inhabited by a religious population, especially Islam, which later came out as a single majority to this day. At least in certain locations, Islamic economic law in its extremely broad framework has ever been in existence and at least part of it continues in effect to this day. The system for results in the form of parole/memaw, and others in the field framework, is widely known in several areas, especially in the island of Java, and is one of the concrete evidence for the implementation or implementation of Islamic economic law in the Nusantara time before. Similarly, the symbols of commerce transactions in several ancient marketplaces were heavily engraved with the mazhab-mazhab fictitious known to society at the time (Habibullah, 2017). The fairness and welfare of society depend on the economic system adopted by the society (Tasriani & Febria, 2022).

The history of the creation of contemporary Islamic economics began in the 1970s, when there was knowledge of an economic system that was more educated in the West. Likewise, around the 1940s, the idea of Islamic economics had quite strong roots when several non-bank financial institutions were initiated, such as in Malaysia and Pakistan (Ahmad, 2000), and several other countries began to implement a centralized program of Islamic redistribution, namely zakat (Habibullah, 2017). The Islamic economy gained impetus after the Islamic Development Bank (IDB) was created in 1976 in Jeddah. The IDB was founded after previously having numerous significant meetings of OIC nations that outlined the necessity for an alternative new economic system for member countries that started with financial institutions with Islamic principles (Badruzaman, 2019). More than 60 nations, through Islamic banks, provide a free interest system, which is referred to as an alternative to the standard banking model with an interest system. Although the study of Islamic economics is fairly ancient, it is as old as Islam itself. Most of the underpinnings of sharia economics are found in Islamic literature, such as the interpretation of the Qur'an, syarah al-hadith, and fiqh texts published by well-known Muslim scholars, including Abu Yusuf, Abu Hanifah, Abu Ubaid, Ibn Khaldun, Ibn Taimiyah, and so on. Islam, as a religion that is accepted by the majority of Indonesia's

population, of course strongly impacts the lifestyle of the Indonesian country. The behavior of its believers cannot be isolated from the shari'ah in Islam, even in economic dealings. Likewise, the execution of religious law in the form of legislation is one of the dimensions of a person's adherence to practicing his religion (Habibullah, 2017).

The Islamic Development Bank (IDB) was created in 1974 and is supported by nations that are members of the Organization of the Islamic Conference; however, principally, the bank is an intergovernmental bank that intends to provide financing for development projects in its member countries. IDB provides fee-based and profit-sharing financial services for these nations and officially identifies itself based on Islamic sharia. In other sections of the nation in the 1970s, several Islamic-based banks developed. In the Middle East, among others, stood Dubai Islamic Bank (1975), Faisal Islamic Bank of Sudan (1977), Faisal Islamic Bank of Egypt (1977), and Bahrain Islamic Bank (1979). In Asia-Pacific, the Philippines Amanah Bank was created in 1973 by presidential order, while in Malaysia, in 1983, the Muslim Pilgrims Savings Corporation was established, which seeks to enable people who desire to save to do the trip (Suryani, 2012). The IDB has also witnessed an expansion in its membership, from 22 nations to 44. IDB has been effective in providing interest-free loans to its members, notably for infrastructure development through its capital involvement. In the first phases, the funding model still employs the *ijarah* and *murabahah* systems. The fundamental purpose of the IDB is to nurture and strengthen the economic and social development of member nations and Muslim communities, individually and collectively, in conformity with the principles of Islamic law (Idwal, 2019).

The expansion of the Islamic economy in the form of the construction of these financial institutions turned out to be of interest to many groups and nations around the globe. Several non-Islamic nations have also joined in adopting the Islamic financial model, such as the United States, Britain, Germany, and others. This significant interest in Islamic financial institutions is largely inspired by the resilience of Islamic banking in times of crisis. As it is acknowledged that the globe has been highly entangled by numerous financial and banking crises, it has played a big part in producing these crises, as happened in the subprime mortgage case (Badruzaman, 2019). Public excitement for the rise of Sharia economic practices is quite high, especially with the mushrooming formation of Sharia financial institutions (LKS) either in the form of *Bait at Tamwil*,

BPRS, or Islamic banking. Shari'ah banking is a reputable venue for individuals who desire to make investments with a fair profit-sharing structure according to Shari'ah principles. Fulfilling a feeling of fairness for all parties and offering advantages to the larger society is the basic concept of Islamic banking. Therefore, Islamic banks adopt provisions by separating themselves from the element of usury and applying the principles of profit sharing and a buying and selling system (Syarif, 2019).

Abdullah Saeed stated that there were at least three main factors for the emergence of Islamic banks, namely: (1) the emergence of neo-revivalist groups who stated that bank interest was usury; (2) the abundance of oil in the Gulf countries, which had implications for increasing the prosperity of countries in the surrounding areas; and (3) the adaptations made by several countries to the traditional concept of usury (Saeed, 1996). In general, the stages of the growth and development of the Islamic finance sector throughout the globe may be summarized as follows: 1. The 1970s: in the form of the development of Islamic banking institutions in the form of commercial sharia banks, in the form of commercial banking products, with coverage area remaining in the Middle East region (Gulf/ME). 2. The decade of the 1980s: in the form of the development of commercial Islamic banks as well as Islamic insurance and investment firms (commercial Islamic banks, takaful (Islamic insurance), and sharia investment companies). while its offerings include insurance as well as Islamic financial syndication. The area already spans Asia Pacific (Badruzaman, 2019).

Based on the description above, the authors are interested in conducting further research on the history of Islamic economic institutions in Indonesia based on the history of Islamic institutions that have emerged in various Islamic and non-Islamic countries. It is the hope of the authors in this study to obtain a clear and specific picture. In addition, this research also attempts to identify Islamic economic thought in Indonesia and how rules institutionalize Islamic economics in Indonesia to acquire an Islamic economic system that positively contributes to the growth of the Indonesian country.

RESEARCH METHOD

This study employs a literature review approach or literature study. A literature review is a report of research carried out on a particular subject to convey to readers what will be known and not known about the study concept (Tewksbury, 2013) to describe to

the readers what will be known and not known in order to obtain the truth in the research idea (Kadir, 2019). Management of discussion material and gathering of library data by reading (Kadir et al., 2019), taking notes, and collecting them from various sources such as books, journals, papers, and the internet (Nursalam, 2016). Furthermore, the analysis phase employing the Miles and Huberman Model in the study signifies how qualitative data analysis is carried out using an interactive approach and continues until completion. The three procedures of data reduction, data presentation, and conclusion or verification are carried out as part of the management and outcomes of data analysis. The descriptive analysis method is carried out by compiling the data obtained then interpreted and analyzed so that it can provide information for solving the problem at hand (Kadir, 2022).

RESULT AND DISCUSSION

1. History of Islamic Economic Thought in Indonesia

The history of the development of the Islamic economy in Indonesia began with the arrival of Islam in Indonesia and with the founding of Islamic kingdoms throughout the archipelago. Islam spread in Sumatra in 1200 AD (597 Hijriyah) based on historical evidence, such as among the cemeteries of the rulers of Aceh there is the tomb of Al-Malik Kamil, who died on Sunday, 7 Jumadil, early 607 H (1210 AD) in Blang Mel village, Aceh. It can be claimed that when Islam reaches an area or territory, it is not only the practice of worship that becomes the way of life of its adherents but also features of muamalah such as economic activities at the individual, communal, and state levels (Qoyum et al., 2021).

The Middle Eastern, Central Asian, and Andalusian kingdoms have all engaged in the practice of swapping taxes, which is what Islamic states do today. For instance, settlers who halted in Aceh during the reign of Iskandar Muda lamented the high cost of customs. This customs tariff policy is based on the religious affiliation of the individual; Christians pay very high customs rates for both entrance and exit, whilst Muslims do not pay export fees but are treated very severely when bringing in goods. Umar bin Khattab and subsequent al-Rashidun caliphs engaged in this practice, which was followed by the Islamic Daula-Daula in the future. Usyûr (customs) were enforced on three groups at varying rates during the reign of Caliph Umar: Muslims (2.5%), Dhimmi (5%), and Kafir Harbi (10%) (Qoyum et al., 2021).

The intellectuals of the time introduced Islamic economic concepts as well as Islamic economic policies. A book called *Bustan Salâtin* was composed in 1638 by Nur al-Din al-Raniri at the request of Aceh's Sultan Iskandar Thani (1636–1641). The Alkharaj kit, which was written at Caliph Harun al-Rashid's behest, and this book can both be considered mirror sources for the prince. Building mosques was the most frequent topic of waqf by sultans, as is made evident in *Bustan Salâtin*'s second chapter (Prophets and Leaders) (Raniri, 2004). Another is Shaykh Abdul Ra'uf al-Singkili's '*Mirât al-Thullâb*,' which is a historical book of Islamic economic thinking in the genre of mirrors for the prince.

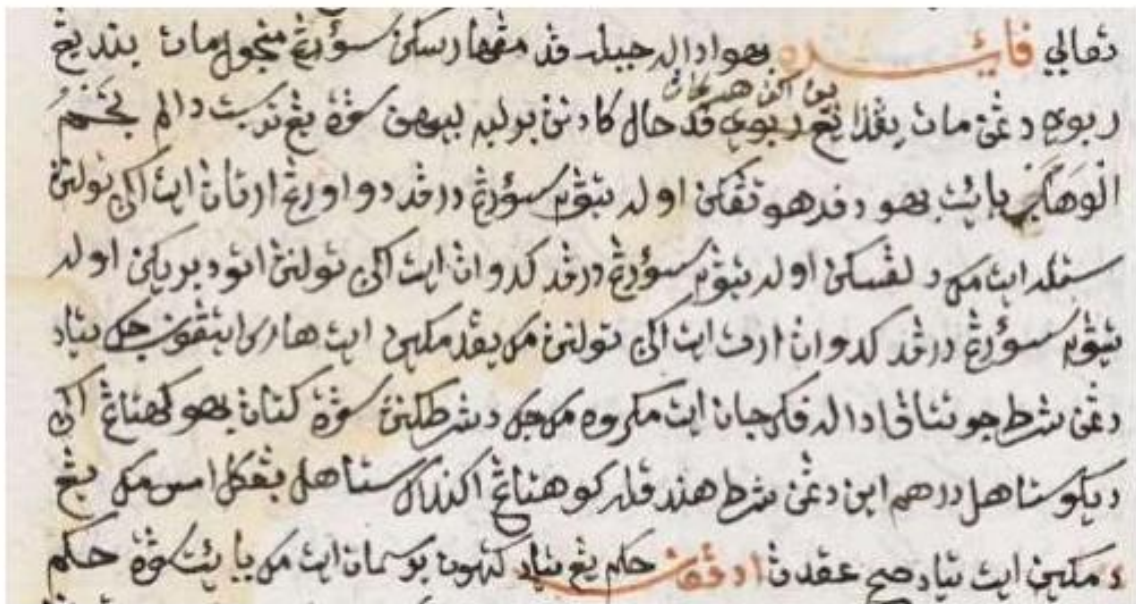
Abdurrauf stated in his prologue that the work was written at the sultanah Tajul Alam Saiatuddin Syah's (1641–1675) request to produce a book of jurisprudence from the Shafi'i school of thinking. After living in the Middle East for approximately twenty years ("because I spent a long time as a student at Yemen, Mecca, and Medina"), he had lost his command of the Malay language and needed the help of two aides ("my two comrades, very pious and respectable, and fluent in written Malay"). The book is divided into 71 paragraphs, half of which are about business transactions (law of muamalah), the other half about crime (law of jinayat), and the remainder on miscellaneous subjects, such as inheritance law (law of afraid). The paragraphs are numbered in the edition but not in the original text. The earliest Malay mu'amalah text, published by al-Singkili, fully explains the laws of transactions in Islam (Loir, 2000). The definition of *al-Bai'* (buying and selling), which is the exchange of one thing for another (trade), is one of 35 Muamalat discussions in *Mir'ât al-Thullâb* that Othman, et al. (2019) found. The law of the origin of trading is required, and to legalize buying and selling affairs, one must adhere to the pillars of sale purchase, terms of consent, and qabul, as well as terms.

When Islamic Daula like the Ottoman, Safavid, and Mughal Turks were in power in the 16th century, a lot of literature relating to Islamic economic ideas emerged (Othman et al., 2019). It is crucial to understand how Islamic economic policies and practices were implemented in Indonesia and other Islamic kingdoms in the archipelago, as well as some of the academics' opinions during the time. However, the principles of Islamic economics are connected to the thinking of Islamic thinkers, particularly Abdurra'uf al-Singkili, who wrote the book "*Mir'âtu alThullab*." The Abdurra'uf al-Singkili family is said to have originated in Persia or Arabia and arrived in Singkil, Aceh, around the end of the 13th

century. Abdurrauf already has a reasonably solid religious basis in terms of his schooling. He only traveled to Arab countries in or around 1642. His departure on the pilgrimage in Arab countries. Abdurrauf spent time in Arabia studying with a variety of renowned professors, academics, and mystics at Jeddah, Mecca, Medina, Mokha, Baitu al-Faqih, among other locations.

Abdurrauf's spiritual guide in Medina, Sheikh Shafiuddin Ahmad Al-Dajjani Al-Qusyairi, may be regarded as having the strongest effect on him. Abdurrauf obtained from him a *khirqah* and a certificate authorizing him to lead the Syaththariyyah and Qadiriyyah Thariqat. In addition to being a Tasawuf scholar, Abdurrauf was an authority in a variety of scientific disciplines, including interpretation, *fiqh*, and *hadith*. Abdurrauf's scientific outlook, which focused on the intersection of Shari'a and Sufism, was significantly affected by the merger of these two disciplines of knowledge. Around 1083 H/1662 AD, when he is thought to have returned to Aceh, he created the Syattariah system he had learned and imparted it to his pupils, who arrived from all areas of the archipelago. Numerous pupils from Aceh and other islands in the archipelago studied with him. Syekh Burhanuddin Ulakan from Pariaman, West Sumatra, and Syekh Abdul Muhyi Pamijahan from Tasikmalaya, West Java, were two intellectuals who rose to prominence. Abdurrauf finally received the position of Qadi Malik al-'Addil, who was in charge of overseeing religious issues, since Sultanah Safiyyatudin, who was then in charge of the Sultanate of Aceh, found Abdurrauf's mentality to be appealing. After Abdurrauf al-Singkili passed away, his pupils traveled to other islands in the archipelago and carried on his teachings.

After reading the book *Mir'âtu ath-Thullab*, it was discovered that using god to purchase and sell things is deemed usury. As stated in the following manuscript:

Figure 1. The Book of *Mir'âtu ath-Thullâb* Abdurra'uf al-Singkili's Original

Rules: That forcing someone to sell ribawi items alongside ribawi items is unlawful. even if the Najmu al-Wahhab text mentions that the circumstances are overblown. Specifically, whatever is due by each of the two persons shall constitute his taulan. After that, each of the two of them will release it as his beneficiary or give it to each other, with the treasure going to the recipient in each case. Therefore, even though there is no need for the job to be makruh, that must be permissible. Therefore, if it is stated that I owe you the same amount as this dirham on the condition that you owe me the same amount as a pot of gold, as he claimed, then this contract is void (Darmawan, 2020).

The viewpoints of the traditional scholars Sheikh Zakaria Al Anshori, Ibn Hajar Al Haitami, and Syamsudin al-Romli are presented in the muamalah book *Mir'âtu ath-Thullâb* in a Shafi'i fiqh manner. The topic of muamalah is the main focus of *Mir'âtu ath-Thullâb*, which has its distinctiveness due to the question-and-answer format. This approach is a useful and simple way to comprehend Islamic studies. The Book of *Mir'âtu ath-Thullâb*, which uses the Malay language as its distinctive feature and serves as a solid foundation for the future development of muamalah fiqh studies, is crucial for muamalah law in Indonesia in particular. This scientific legacy is very open to accepting development. According to the requirements of the moment and evolving social

situations. by adhering to the standards of Islamic law and religion that have been endorsed by earlier scholars.

2. History of the Institutionalization of Islamic Economics and Islamic Banks in Indonesia

The several motivating elements stated above are inextricably linked to the growth of the Islamic economy in Indonesia. These elements may be divided into internal and external components, to put it simply. Causes that originate outside the country include the growth of the Islamic economy there. This understanding was "spread" to other nations before arriving in Indonesia. In the meantime, the internal aspect is Indonesia's projected future as the nation with the world's biggest Muslim population. This reality makes certain academics and business professionals more conscious of the necessity for Indonesia's Muslim communities to operate an economy in line with Islamic principles (Santi, 2019).

The concept of establishing an Islamic bank in Indonesia first came to K.H. Mas Mansur in 1937, when he was Chairman of the Muhammadiyah Board. However, it was abandoned at the time due to concerns that it would undermine national stability. In 1968, the Muhammadiyah Tarjih Council made decisions about bank interest paid by state banks to clients and vice versa at the Mukhtamar in Sidoarjo, East Java. As a result, the community must exercise caution while handling matters that are in question, according to the hadith's rule. K.H. Azhar Basjir, then-Chairman of the Tarjih Muhammadiyah Council, made it clear that when deciding the law on bank interest, one must take into account the amount of the interest or the profit of the person who receives it and for what purpose the profit is used to uphold the precautionary principle that applies to this interest. A national seminar on Indonesia's links with the Middle East was conducted in 1970, and the Institute for the Study of Social Sciences (LSIK) and the Bhineka Tunggal Ika Foundation sponsored an international seminar in 1976. It was discovered after an extensive investigation that there were challenges, including the lack of a legal framework for the establishment of a bank without interest or profit sharing since it did not conform to the then-current Law Number 14 of 1968 regarding banking principles. The advent of Islamic banks, which some parties believe to be connected to ideological elements that are part of the notion of an Islamic state, is still another barrier.

When the government released the October Policy Package (PAKTO), which included the deregulation of the banking sector in Indonesia, the concept of Islamic banking reappeared in the 1980s. The growth of Islamic banks in Islamic nations has influenced the creation of the Islamic economy in Indonesia. Discussions regarding Islamic banking as a foundational element of the Islamic economy started in the early 1980s. When the government released the October Policy Package (PAKTO) in the 1980s, which included the deregulation of the financial sector, the concept of Islamic banking reappeared. Karnaen A. Perwataatmadja, M. Dawam Rahardjo, A.M. Saefuddin, M. Amien Azis, and other individuals were participants in the study. Several attempts on a small scale have been realized. Baitul Tamwil-Salman in Bandung is one of them and has had tremendous growth. A cooperative with a similar structure was established in Jakarta, called the Ridho Gusti Cooperative. But it wasn't until 1990 that a more focused effort to form an Islamic bank in Indonesia was made. The Indonesian banking sector The growth of Islamic banks in Islamic nations has influenced the creation of the Islamic economy in Indonesia. The growth of Islamic banks in Islamic nations has influenced the creation of the Islamic economy in Indonesia. Discussions regarding Islamic banking as a foundational element of the Islamic economy started in the early 1980.

Karnaen A. Perwataatmadja, a pioneer of Islamic banking in Indonesia, was a career official in the Ministry of Finance of the Republic of Indonesia and one of the historical figures responsible for the establishment of Bank Muamalat, the country's first Islamic bank. In the years 1988–1992, as well as 1997–2001, Karnaen held the position of Executive Director at the Islamic Development Bank (IDB). He then had positions on the boards of directors of National Refinery Ltd. in Karachi, Pakistan, and Ikhlas Finance in Istanbul, Turkey. He also helped start several sharia microfinance organizations in Indonesia, including BPRS and BMT. At first, we discovered under the Banking Act that a bank may be established without charging interest. Then, Karnaen met Mr. Mohammad Natsir, a personality and leader in Islam. Pak Natsir is a fervent supporter and proponent of the founding of an Islamic bank. A person having connections to and a network of collaboration with the Islamic world was known as the previous prime minister, who at the time held the position of Deputy President of the Islamic Alam Mukhtar. Karnaen then traveled to Jeddah, Saudi Arabia, to meet with IDB President Ahmed Mohammad Ali to seek assistance and other things.

Without the approval of President Soeharto, no strategic choice could be made during the New Order era. As a result, Pak Harto has to be contacted. His sons and daughters and his aides, in this case, the ministers, were the two routes via which the approach was made. Senior banker and former Director of Bank Indonesia, I. Nyoman Moena, made contact through Pak Harto's sons. While a panel from the Indonesian Ulema Council (MUI) oversees the ministerial path. It was explained to politicians, including Minister of State Secretary Moerdiono, that the notion of establishing an Islamic bank was not novel and had been used in Indonesian agricultural culture for some time. The MUI Workshop on "Bank and Banking Interest" was not held in Cisarua Bogor on August 18–20, 1990, until after the meeting between the MUI team and President Soeharto. The MUI Workshop on Bank Interest in Cisarua is regarded as a historic occasion that helped to establish Indonesia's first Islamic bank, putting into practice the suggestions made during the ulema workshop on banks and banking interest held in Cisarua, Bogor, on August 19–22, 1990. At the Fourth National Conference of the National Ulama Council (MUI), which was held at the Sahid Jaya Hotel in Jakarta from August 22–25, 1990, the workshop's findings were covered in further detail. To develop Islamic banks in Indonesia, a working committee was established based on the directives of the MUI National Conference. PT. Bank Muamalah Indonesia was created as a consequence of the group's efforts (Sofyan, 2016).

Pak Harto stopped inquiring about what an Islamic bank was during the MUI discussion with President Suharto. He said, "Do the ulema already have the funds to establish a bank?" Karnaen recounts. MUI's chairman, K.H. Hasan Basri, answered at that point, "If we don't have money, sir, what we have is prayer." A loan of IDR 3 billion from the Pancasila Muslim Amal Bakti Foundation (YAMP) was needed to start an Islamic bank, and Pak Harto said on the spot that he was willing to contribute to that cause. Then, to generate money for the bank's founding, President Soeharto organized a fundraising event in the Bogor Palace. Around IDR 60 billion in taxes were collected during that period. This sum exceeds the founding capital requirements at the time of starting a bank. The MUI requested Pak Harto for the name of the bank that had a profit-sharing structure and no interest when they next convened. The President received two name recommendations from MUI Chairman K.H. Hasan Basri: (1) Bank Muamalat and (2) Bank Muamalat Islam. Is the concept of Islam included when Pak Harto pronounces

"muamalat" as "mualamat" because he is still learning how to do so? The name "Bank Muamalat" was chosen by Pak Harto since the response was that it was covered.

The founding date of Bank Muamalat is 24 Rabiul Tsani 1412 H, or November 1, 1992. Its activities began on 27 Shawwal 1412 H, or 1 May 1992. As an early proponent of Islamic banking in Indonesia, Bank Muamalat was present. Karnaen A. Perwataatmadja assisted in the administration and regulation of the establishment of this first Islamic bank, along with several first-generation Islamic economists, including Amin Aziz (late), Amir Rajab Batubara (late), and Zainulbahar Noor. The adoption of Law No. 10 of 1998 catalyzed the growth of Islamic banking throughout the reform era. The legal foundation and kinds of businesses that can be conducted and carried out by Islamic banks are specifically controlled under this Act.

The legislation also specifies how normal banks are to establish Sharia branches or perhaps fully transform into Sharia banks. However, due to the Islamic banking industry's accelerated growth, legal regulation is now required. The relevant Law Number 21 of 2008 Concerning Islamic Banking has been ratified and published. It also stimulates the economic role of the community, contributing to Indonesia's economic development towards an independent and sovereign nation (Kadir et al., 2024).

CONCLUSION

Islamic economic thought in Indonesia is not something that suddenly appears on the surface without any basis but is present because of the presence of figures who bring the concept of thought that becomes theoretical Islamic economics. This thought must be examined and found traces of historical truth. The purpose of this research focuses on the discussion of the history of Islamic economic thought in Indonesia and the history of the institutionalization of Islamic economics and Islamic banks in Indonesia. This research method is a qualitative literature study of journal articles and relevant documents. The results of this study indicate that the history of Islamic economics in Indonesia began with the entry of Islam into Indonesia and the establishment of Islamic kingdoms in the archipelago (Indonesia). Islam had spread in Sumatra in 1200 AD (597 Hijriyah). The practice of trade tax carried out by the Islamic kingdoms of the archipelago referred to what had been practiced in the kingdoms originating from the Middle East. Then trade practices began to be written in *Mirât al-Thullâb* by Shaykh Abdul Ra'uf al-Sinkili which

became a source of Islamic economic thought. Meanwhile, the establishment of Islamic banks was a collaboration between the Indonesian Muslim Scholars Association and MUI. The participation of Indonesian President Soeharto as the initiator of the establishment of the first Sharia bank in Indonesia, as well as the personal role of several former ministers and ministers of the Development V cabinet. With a capital of Rp.116 billion, the Islamic bank began operations on 1 May 1992.

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