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ETHICS OF GOLD INSTALLMENT PLANS IN PAKISTANI SHARIA BANKS: PERSPECTIVE OF A SHARIA ECONOMIC LAW

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Abstract

Pakistan is the country with the largest Muslim population in the world, with a total population of 220 million, of which around 96% are Muslims. Islam plays a central role in social, cultural, and political life in Pakistan, a country with a rich Islamic heritage and cultural diversity. In global economic development, various demands have emerged to adapt to changing social and economic conditions increasingly diverse by society's needs. This significantly impacts the banking sector, which must innovate to remain competitive. In Pakistan, both conventional commercial banks and Islamic banks face similar challenges. Islamic banking, in particular, aims to meet the needs of Sharia-based financial transactions, considering that the majority of Pakistan's population is Muslim. One of the innovative products offered by Islamic banks is gold installments. This research uses qualitative methods to analyze gold installment products from the perspective of Sharia economic law and ethics. The aim is to identify the service mechanism for this product, ensure its conformity with the provisions of Islamic Sharia economic law and the fatwas of the Shariah Advisory Boards of Pakistan, and assess its benefits in terms of economic ethics. The research results show that the service mechanism for gold installment products with murabahah contracts at Sharia banks does not violate Sharia economic law and is by the provisions of the Pakistani Shariah Advisory Boards. This product is popular with the public because it makes it easier for them to buy gold in installments, considering that gold is an asset whose value tends to increase.

Keywords: Economic Ethics, Gold Installment Practices, Syariah Law Perspective

A. INTRODUCTION

The development of the times and technological advances have had a major impact on human life, triggering various social, cultural, and economic changes. Humans are required to continue to innovate and adapt to the needs of the times. In the economic field, innovation is needed to survive the current changing times. If a

country cannot adapt to global economic changes, it will face a serious economic depression. In an open economy such as in South Asian countries, especially Pakistan, the economic conditions of a country greatly influence the macroeconomic variables of other countries, both in the monetary, fiscal, and real sectors.¹

¹ Herlan Firmansyah dan Endang Hendra, "Implikasi Globalisasi Ekonomi dan Perdagangan Bebas Terhadap Stabilitas Nilai

Rupiah", *Jurnal Asy-Syari'ah*, Vol.17 No.1 (April, 2015), 4.

In the banking industry, various service and product innovations aim to attract customers, including financial transactions, financing credit, and capital credit. Innovations are also being made in developing the Sharia banking business which is growing rapidly in Pakistani and Pakistan. The opportunity to realize Sharia economic law in various sectors is increasingly open after previously limited freedom of thought and opinion. Efforts to reform and establish new laws based on the Sharia economic legal system can be carried out, and this can be enhanced as a positive legal norm in national law².

Even though Sharia banking has only recently developed in Pakistan, this concept can meet the needs of the majority of the Muslim community. Many want banking services according to sharia, free from usury, and by Islamic law in terms of muamalah and understanding of the prohibition of usury³. The development of Islamic economics is not only centered on seeking profit or material value, but must also be able to create non-material benefits for business people themselves and a wider scope, such as creating an atmosphere of brotherhood, social care, and so on.

So in the Islamic economic system, the application of economics in daily practice for individuals and community groups to organize production factors, distribution, and utilization of goods and services produced and subject to sharia rules.⁴

The basic foundation of law in Islam, namely the Al-Qur'an and Hadith, provides general guidelines, such as justifying sustenance through trading, forbidding usury, prohibiting wasting wealth, orders to

earn a living, and so on. Apart from that, various views on usury also explain that usury has a large negative impact on the social life of the people. Ar-Razi in his interpretation explains⁵.

"Allah has forbidden usury because usury prevents people from actively trying. If a dirham owner is sure that he will make a profit from a usurious contract by lending money to another party without having to sweat it out and without reaping a loss, of course, he will not want to work which will not necessarily make a profit and what might happen is that on the contrary, he will suffer a loss. This will ultimately result in obstruction of the benefit of the people. Because the benefit of the world will not work well without trade, work and development."

The view of sharia economics encourages Muslims' need for banking services that comply with sharia rules. The demands of Islamic law are the basis for the establishment of sharia banking. According to Achmad Daniri, Islam is a system of values that is rich in norms and values that are a reference in building an ethical economic and business society. Islam teaches principles such as win-win in buying and selling, avoiding speculation, and prioritizing benefit, as well as the practice of zakat, infaq, sadaqah, ukhuwah, partnership, and profit sharing.

Banking today must respond to various needs by the development of social patterns in society. Therefore, various new banking brands and subsidiaries of conventional banks are now adapting to sharia economic rules. The following are several Sharia banks in Pakistan that have previously existed: Bank Bank Syariah

² Butt Usman, *Pakistan : Chapter Title : Changing Dynamics in The War on Terror : The Islamic Orientation of The Pakistani State and The Islamic Reaction of The Masses* (Pluto Press, 2012).

³ Veitzhal Rivai dkk, *Islamic Banking: Sistem Bank Islam Bukan Hanya Solusi Menghadapi Krisisis Namun Solusi Dalam Menghadapi Berbagai Persoalan Perbankan dan Ekonomi Global*. (Jakarta: Bumi Aksara, 2010), 29.

⁴ Fiqul Wadiah Warsidi, "ANALYSIS OF THE REALITY OF FORTUNE AND PROFIT ACCORDING TO ISLAMIC ECONOMICS," *Asean Comparative Education Research Journal on Islam and Civilization* Vol 6, No (2023).

⁵ Ar Razi, *Mafatih al Ghaib*, jilid II, 358 ; Ewandi Tarmizi, *Harta Haram Muamalat Kontemporer* (Bogor: Berkah Mulia Insani, 2013), 339.

(Lahore, Punjab), HBL (Karachi), MCB Bank Limited (Lahore, Punjab), UBL (Karachi), and State Bank of Pakistan (Karachi). Competition in the banking world also encourages conventional banks to provide financing innovations and Sharia-based transaction services. Apart from that, the opportunities for the growth of Sharia banking in Pakistan are greater thanks to the support of an academic climate that actively develops the Sharia economy through various international events that encourage the strengthening of the Sharia economy in the country.

In Pakistan, apart from the legal basis that supports the implementation of sharia banking, there is also a National Sharia Council which is tasked with supervising and directing sharia financial institutions. This council ensures that economic and financial activities are carried out according to the values of Islamic teachings. In the formulation of fatwas in Pakistan, there are modifications to muamalah fiqh, resulting in various banking products that are easier to operate and remain based on ulama fatwas, as is the case in other countries such as Indonesia⁶.

In Pakistan, Islamic banks offer various transaction and financing service products with various types of contracts. Some commonly used contracts include mudharabah, murabahah, musyarakah, ijarah, wadiah, rahn, and others. One of the services offered by Sharia banking is gold installments, which use a murabahah contract. For example, Bank Bank Syariah offers this gold installment product, giving people the opportunity to own gold in installments using a murabahah contract tied to a rahn contract. This product usually has a minimum installment requirement of 10

grams to 250 grams with an installment period of between 2 to 5 years⁷.

However, in the transaction implementation mechanism carried out by Islamic banks in Pakistan, such as Bank Bank Syariah, questions arise as to whether these transactions are by Islamic sharia. This raises the need for an analysis of Islamic law regarding gold installment transactions through a murabahah contract tied to a rahn contract. In Islamic law, economics focuses not only on material benefits but also on non-material benefits. The Islamic economic structure relies on three things: monotheism/faith, sharia, and morals⁸.

These three things are an important basis for Islamic economics in Pakistan. Tawhid or faith is the main focus of Islamic economics and the lives of Muslims. Faith is a fundamental initial basis for determining religious attitudes. Good faith is realized by obeying Islamic sharia, the main sources of which are the Al-Qur'an and Hadith, because faith makes a person, that is, someone who gets the consequences for obeying God's commands. Sharia must also be accompanied by strengthening good morals because the implementation of sharia is demonstrated by obeying sharia provisions and having good morals. Therefore, in banking transaction services, including gold installment transactions, these basics must be followed.

Sharia principles guide economic activities in Pakistan by Islamic principles. Morals guide economic activities so that they always prioritize moral and ethical principles to achieve goals. Morals that radiate from faith will form integrity which creates good corporate governance and good market discipline⁹.

⁶ Jaih Mubarak, *Perkembangan Fatwa Ekonomi Syariah di Pakistani* (Bandung: Pustaka Bani Quraisy, 2004), 3.

⁷ "Bank syariah , "Kriteria dan Produk Layanan," dalam <http://www.syariahmandiri.co.id/category/consu-mer-banking/> (Kamis, 25 Oktober 2018)

⁸ C. C Christine Fair, *Islam and Politics in Pakistan*. Dalam A. M. Rabarsa, C. Benard, P.

Chalk, C. C. Fair, T. Karasik, R. Lal, . . . D. Thaler, *The Muslim World After 9/11*. RAND Corporation (RAND Corporation, 2004).

⁹ Veitzhal Rivai dkk, *Islamic Banking: Sistem Bank Islam Bukan Hanya Solusi Menghadapi Krisis Namun Solusi Dalam Menghadapi Berbagai Persoalan Perbankan dan Ekonomi Global*. (Jakarta: Bumi Aksara, 2010), 52.

Based on the description above, the author feels it is necessary to conduct a more in-depth study of Islamic legal analysis regarding gold installment financing through murabahah carried out at Sharia Banks in Pakistan. This study covers aspects of Islamic law provisions regarding transaction and financing mechanisms, as well as considering the benefits and ethics of Islamic business in these transactions. Therefore, the author conducted research with the title, "Economic Law and Islamic Economic Ethics (Analysis of Gold Installment Products in Sharia Banks in Punjab, Pakistan)".

B. RESEARCH METHODS

This research uses qualitative methods because according to researchers this is the best method for understanding social phenomena. This method allows researchers to explore the cultural context and values underlying human behavior, which are difficult to measure quantitatively. Therefore, qualitative research is a relevant choice to explore social dynamics¹⁰. This research is field research. Researchers conducted direct observations and interviews with parties related to gold installment products to obtain accurate and in-depth sources of information. This method allows researchers to gain a direct understanding from the perspective of research subjects (informants) as well as access primary sources of information relevant to the research topic¹¹. This also aims to find direct data in the field regarding the gold installment product contract mechanism in Pakistan's Sharia banks in the context of research in Pakistan, the essential data is that which describes the gold installment product service mechanism and related regulations. This includes the results of field observations, written sources, as

well as direct interviews with actors such as customers and banks that offer these products. This data will provide in-depth insights into the implementation of gold installment products and the regulatory framework influencing their use in the Pakistani market.

Data collection techniques are 1). Observation is where the researcher deliberately observes the phenomenon being studied and notes the symptoms that are relevant for analysis¹². Observations were carried out to examine the gold installment transaction process in the field, ensuring detailed data regarding the mechanism. 2). Interviews are used to validate observational data by talking directly to customers and banks involved in gold installment transactions. 3). Data analysis includes the systematic compilation of notes from observations and interviews to enhance the researcher's understanding of the problem under investigation. In the data analysis method, researchers used descriptive-analytic data analysis. This is a method that aims to describe something that is happening in a systematic, factual, and accurate manner that is related to the phenomenon you want to know. The data obtained will be reviewed and reduced so that it can be sorted. Then, the data will be presented narratively to facilitate understanding. From the data presentation, conclusions and verification will be drawn, which then form a temporary thesis. Furthermore, with subsequent data collection, more valid evidence will be found, which will then help in drawing conclusions that can be accounted for.

C. RESULTS AND DISCUSSION

1. Gold Installment Transaction Mechanism at Sharia Banks, Punjab, Pakistan

¹⁰ John W Cresswel, *Research Design, Pendekatan Kualitatif, Kuantitatif, Dan Mixed*. (Yogyakarta: Pustaka Pelajar, 2016).

¹¹ B. Gamal, T., Micali, S., and Schneier, *Applied Cryptography*, Second (New York: John Willey and Sons, Inc, 2022).

¹² Sugiono, *Metode Penelitian Kuantitatif, Kualitatif, Dan R&D*, Thirrd (Bandung: Alfabeta, 2021).

Gold installment financing at Punjab Sharia banks, Pakistan, uses a murabahah contract involving three parties: the bank as the financing buyer, the customer as the orderer of the goods, and the gold supplier, such as the Aneka Tambang Company, which acts as the gold seller. The bank is responsible for purchasing goods according to the customer's order and then selling them back to the customer under a murabahah contract, adding an agreed profit margin. Goods or gold purchased by the bank also function as collateral or rahn because this financing system uses installments, so ownership has not been transferred from the bank to the customer until the financing is completed according to the agreed period or paid in full. There are several gold installment financing options available at Pakistani Sharia banks, depending on the number of grams to be taken, with options ranging from 10 to 20 grams¹³. Following are the adjustments for transactions in Pakistani currency:

Table 3:1

Bank Gold Prices Pakistani Sharia banks

Price per gram	Weight per gram	Price per stem
PKR 6,500.00	250	PKR 1,625,000.00
PKR 6,500.00	100	PKR 650,000.00
PKR 6,510.00	50	PKR 325,500.00
PKR 6,520.00	25	PKR 163,000.00
PKR 6,550.00	10	PKR 65,500.00

The price will depend on the price in the market. However, when the gold has been transacted under a murabahah contract and the price and profits to be taken by the bank have been mutually agreed upon, then during the financing process, the price of the gold transacted may not change until the financing process is complete or paid off.

To carry out gold installment financing in Pakistan, several conditions must be fulfilled by customers. First, customers must be considered adults or understand the law, be at least 21 years old, and be Pakistani citizens. Second, the customer is not included in the blacklist of the State Bank of Pakistan or the Financial Monitoring Unit (FMU) and does not have a bad record in any bank. Apart from that, customers must fulfill the prerequisites for applying for gold installment financing, including: a). Customers who wish to apply for gold installment financing must fill out the application form. b). Submit a photocopy of your identity. c). Submit a color photo measuring 3x4cm. d). submit the original employment certificate. e). submit a salary or income statement. If you work as an entrepreneur, you must show a business certificate. f). Sign a power of attorney addressed to the bank to debit the customer's Sharia bank savings account for monthly installment payments. Customers who wish to finance gold installments can come to the Sharia Bank and meet with the Pawn and Gold Installment Officer. Customers will be explained about gold installment financing and its mechanism. After understanding the product and meeting the requirements, customers are asked to complete the requirements file. The next mechanism is as follows :

- a. After the customer submits the required documents and fills in the form, the officer will check and verify the customer's documents and income and then include them in the Financing Analysis Note (NAP). The unit head reviews the NAP and approves it. The bank then contacts the customer to carry out the contract and pays a 20% down payment and administration fees. Customers must have an account at a Sharia bank and pay all fees, such as administration (1% of financing),

¹³ Warsidi, *Strategi Pemasaran Produk Bank Syariah* (Yogyakarta: Zahir Publishing, 2023).

- gold insurance (0.25% per year of purchase price), stamp fees for 4 pieces, and a down payment of 20% of the gold price.
- b. The officer contacts the supplier to order gold according to the customer's order. The supplier sends the gold to the bank, is received by the Loan Admin and acknowledged by the Operational Manager, then assessed for collateral assessment and stored at the bank.
 - c. Operational Manager approves disbursement based on completeness of requirements. The disbursement proceeds are credited to the customer's account and then transferred to the gold supplier's account. Proof of gold purchase becomes the property of the bank as the underlying financing, and customers can find the collateral in the form of gold around 10 days after disbursement.
 - d. The officer credits the financing to the customer's account. Repayment is made according to the agreement, in agreed installments. Payment is made by transferring the customer's account balance to gold installment financing, the customer receives a proof of payment slip, and bank staff records the payment.

In repayment, apart from paying according to the agreed period, there are also categories of repayment that can be made by the customer.

- a. Full Repayment:
Customers pay off the financing according to the period and number of installments calculated from the price of gold plus profits taken by the bank, carried out regularly every month.
- b. Expedited repayment.
If a customer wants to speed up repayment before the due date, several provisions must be complied with. Repayment must be

made at least one year after the financing agreement begins. All agreed principal and margin must be paid by the customer using funds that do not come from the sale of gold collateral. Although customers may receive a margin discount for early repayment, this discount is not promised in the contract.

- c. Partial Repayment.
Customers are permitted to make partial repayments on the condition that the repayment process is carried out at least one year after the financing agreement takes place. Customers can only take part of the collateral, which consists of gold-plated fractions or bars, provided that the remaining collateral is still sufficient to cover the remaining principal of the financing. If the customer fails or is late in paying off the financing by the due date, the bank will give a warning 3 times during the period 30-90 days after the due date. If the customer is still unable to pay, the collateral for the rahn contract, in the form of gold that has not yet been transferred to the customer, will be executed.

In executing collateral, the proceeds from the sale take into account all customer obligations (principal, margin, and other costs) that have been deferred, with the condition that if the proceeds from the sale of collateral exceed the customer's obligations, the excess will be returned to the customer. However, if the proceeds from the sale of collateral are less than the customer's obligations, the shortfall will be borne by the customer.

2. Analysis of Sharia economic law on economic ethics in gold installment services at Sharia banks, Punjab, Pakistan

Gold installments, one of the financing products at Sharia Banks, offer great opportunities in the Pakistani market

due to the projected increase in gold prices every year, making it attractive for market players. This product is based on a murabahah contract, a buying and selling concept recognized by Islamic scholars, where the seller determines the price of goods and adds a certain profit to the buyer¹⁴.

The law of buying and selling in Islam is permissible as long as it does not violate the Sharia and does not contain negative elements, both in terms of transaction mechanisms, business strategies, and goods traded. In the Qur'an, Allah permits buying and selling, as explained in Surah Al-Baqarah verse 275.

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقْوَمُونَ إِلَّا كَمَا يَقْوَمُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ
ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلَ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَكَ
مَوْعِظَةً مِّن رَّبِّهِ فَآتْ بِهَا مَا سَلَفَ وَأْمُرْهُ إِلَى اللَّهِ وَعَنْ عَادٍ وَلَيْكَ أَصْحَابُ النَّارِ
هُمْ فِيهَا خَالِدُونَ

Meaning: people who eat (take) usury cannot stand but are like those who are possessed by the devil because of (the pressure of) insanity. Their situation is like that, because they say (opinion), Indeed buying and selling is the same as usury, even though Allah has permitted buying and selling and forbidden usury. those who have received a prohibition from their Lord, then continue to stop (from taking usury), then for them what they have taken before (before the prohibition came); and its affairs are (up to) Allah. the person who returns (takes usury), then that person is the inmate of hell; they will abide therein.

In this verse, Allah explains that buying and selling are permitted, but usury is not permitted because it causes more evil. Thus, the conclusion that can be drawn is that buying and selling is permitted as long as it does not violate the Sharia and does not bring evil. Allah also emphasizes that seeking sustenance, including material possessions, is not a sin. Allah warns

humans to be careful in earning a living, Allah says in Surah an-Nisa verse 29.

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَن تَرَاضٍ مِّنكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا

Meaning: O you who believe, do not falsely consume each other's wealth, except using commerce which is valid between you and your mutual consent. and do not kill yourselves; Indeed, Allah is Most Merciful towards you.

This verse, explains the prohibition against consuming other people's property unfairly, while Allah teaches the principle of justice in the buying and selling mechanism, where the consent agreement must be based on the agreement of both parties. The hadith also emphasizes that good buying and selling are included in good deeds. "From Rafa'ah bin Rafi' r.a. The Prophet SAW was once asked by a friend about business or work, which is the best? The Apostle answered: a person's efforts with his own hands and every good trade." (HR. al-Bazzar and al-Hakim). The Ulama agree that buying and selling is permissible because it has been practiced since the time of the Prophet, as the main way for humans to fulfill their needs in social life. Because humans are social creatures, buying and selling are considered important aspects of meeting their needs.

Murabahah, according to the terms of classical fiqh scholars, is part of a trust sale and purchase, where the seller determines the cost price of the goods and adds a certain profit to the buyer¹⁵. Meanwhile, according to the language, Murabahah comes from the word rich, which means addition¹⁶. Linguistically, it is also interpreted as "ar-ribhu" which means an-namaa' which means growth and development or also means al-ibadah, because one of the two people making a transaction benefits the other. Meanwhile, in terms of terms, Murabahah is

¹⁴ Ibnu Rusyd, *Bidayatul Mujtahid*, jilid 2 (Jakarta: Pustaka Azzam, 2007), 368.

¹⁵ Ewandi Tarmizi, *Harta Haram Muamalat Kontemporer* (Bogor: Berkah Mulia Insani, 2013), 382.

¹⁶ Syukuri Iska, *Sistem Perbankan Syariah* (Yogyakarta: Fajar Media Press, 2014), 200

defined as selling buy at the initial price accompanied by additional benefits¹⁷.

In general, Murabahah is the sale of goods at a price equal to the purchase price of the goods. In a sale and purchase contract, there is an agreement between the seller and the buyer, where the seller has determined the purchase price of the goods along with the profit he will obtain from that sale price. According to Erwandi Tarmizi, murabahah is a type of buying and selling where the seller is not a trader but only buys goods based on the buyer's request. The law of this transaction depends on the text of the agreed contract¹⁸.

From a fiqh perspective, murabahah is a form of buying and selling that is trustworthy (*bai' al-amanah*), which means it does not involve *musawwamah*/bargaining. This is because in the murabahah transaction mechanism, the price of the goods is determined by the seller, plus the previously agreed profit¹⁹.

Malikiyah Ulama defines murabahah as a form of buying and selling where the owner of the goods sets the purchase price and adds a previously agreed profit to the buyer. These benefits are explained in clear detail and can use specific measurements or in percentage form²⁰. Meanwhile, Ulama Hanafiyah defines murabahah as the transfer of something owned with an initial contract and initial price accompanied by additional profits²¹. Syafiiyah and Hanabilah scholars think that murabahah is buying and selling at the basic price or the seller's profit price plus one dirham for every ten dinars, with a prior explanation to the buyer about the basic price of the goods.

This contract is permitted in Islam considering the various permissibility of

murabahah contracts. According to Abdullah Syeed, the Koran does not directly refer to murabahah, even though it touches on the topic of buying and selling, profits and losses. Since there is no direct reference to murabahah in the Qur'an and Hadith, legal scholars have to legitimize murabahah based on other grounds²².

Ulama has agreed that the reason why murabahah is permitted is that humans will not be able to meet their own needs without the help of others. So in cheapness, when people need an item they need, they will exchange the item they own for the item they want with the appropriate value²³.

Similarly, as explained by Imam Syafii above, murabahah is permissible and legal as long as it is within the provisions of sharia, apart from that the absence of the element of usury is also the reason why murabahah is permitted, in the Qur'an it is explained how Allah prohibits usury. Meaning: Allah has permitted buying and selling and prohibited usury.

Imam Malik also argued that murabahah was permissible based on the fact that at that time in Medina the people there had a consensus regarding the law regarding people buying clothes in one city, and taking them to another city to sell them based on an agreement on the profit taken²⁴. Sharia banks carry out financing agreements according to Sharia law procedures. Customers who wish to obtain gold installment financing can directly visit a Sharia bank and consult with the Pawn and Gold Installment Officer. They will be explained about gold installment financing and its mechanisms. After understanding the product, customers can apply for gold

¹⁷ Ibnu al-Manzur, *al-Maktabah al-Saymilah*, 2005. 3765.

¹⁸ Erwandi Tarmizi, *Harta Haram Muamalat Kontemporer* (Bogor: Berkah Mulia Insani, 2013), 382.

¹⁹ Wiroso, *Jual Beli Murabahah* (Yogyakarta: UII Prees, 2005), 14.

²⁰ Ibnu Jazy ; Wahbah al-Zuhaili, *Fiqh al-Islami wa Adillatuhu*; Ibnu al-Manzur, *al-Maktabah al-Saymilah*, 2005, 263.

²¹ Wahbah al-Zuhaili, *Fiqh al-Islami wa Adillatuhu*, 3766.

²² Abdulllah Syeed, *Menyoal Bank Syariah: Kritik Atas Interpretasi Bunga Kaum Neorevivalitas*. (Jakarta: Paramadina, 2004) 119.

²³ Rachmad Syafi'i, *Fiqh Muammalah*, (Bandung, Pustaka Setia, 2004), 75.

²⁴ M. Syafi'I Antonio, *Bank Syariah dari Teori ke Praktek*, (Jakarta: Gema Insani, 2001), 102.

installments by fulfilling the specified requirements

- a After the customer submits the required documents and fills in the form, the officer will check them and verify them, including the customer's income. Next, the document will be included in the Financing Analysis Note (NAP), which contains confirmation of the gold price and information related to the termination of financing and implementation of the contract. The NAP is then reviewed by the branch unit head to obtain approval.
- b After approval from the bank, the customer will be contacted to carry out the contract and pay a 20% down payment and administration fees. Before disbursing financing, customers must fulfill several conditions, including having an account at a Sharia Bank if not already, and paying all fees listed in the gold installment financing product manual, such as admin fees, gold insurance, stamp fees, and a down payment of 20% of the price. gold
- c The officer contacts the gold supplier to order gold according to the customer's order. Next, the supplier will send the gold to the bank which is received by the Loan Admin and known to the operational manager who is then assessed for collateral assessment and the gold is stored at the bank.
- d The operational manager approves the disbursement based on the completeness of the requirements on the financing review form, with the following conditions: 1) The disbursement proceeds are credited to the customer's account and then transferred to the gold supplier's account. 2) Proof of gold purchase belongs to the bank as underlying financing. 3) The customer will find out about the collateral in the form of

gold within approximately 10 days after the financing is disbursed.

- e The officer credits the financing to the customer's account.

First, fatwas issued by the Shariah Advisory Board of the State Bank of Pakistan or other boards that have authority in Islamic financial matters in Pakistan. Banks and customers are required to enter into a usury-free murabahah contract, with the goods traded must meet halal criteria according to Islamic sharia. The bank is responsible for financing part or all of the agreed price of goods, as well as making purchases in its name so that transactions are free from usury. In this process, banks must provide clear information to customers about all aspects of purchases, including if they are made on debt, and sell goods to customers at selling prices that include profits, while maintaining transparency regarding basic prices and costs. Customers are required to pay the price of goods according to the agreement within the specified period. To prevent misuse or damage to the contract, the bank can enter into a special agreement with the customer. If the bank represents a customer to purchase goods from a third party, the murabahah contract must be executed after the goods become the property of the bank in principle.

Second: the murabahah provisions for customers in the Fatwa Shariah Advisory Board of State Bank of Pakistan state. The murabahah provisions of the Shariah Advisory Board of the State Bank of Pakistan state that the customer submits an application and promises to purchase goods from the bank. Banks buy goods legally from traders and offer them to customers, who must buy them according to the agreed promises. Customers may be asked to pay a down payment, and if they

cancel the purchase, real costs are charged to the down payment. If the value of the down payment is insufficient, the customer must pay off the shortfall.

Third is the guarantee in the murabahah contract, this is permitted in the fatwa of the Shariah Advisory Board of the State Bank of Pakistan on sharia banking matters, within reason.

In murabahah, collateral is allowed to ensure the customer is serious about the order, and banks may ask for such collateral. In a murabahah contract, the customer's debt is not related to other transactions with third parties regarding the goods, so the customer still has to settle his debt to the bank even if he sells the goods at a profit or loss. If the customer sells the goods before the installment period ends, he is not obliged to pay the entire installment immediately. However, if the sale causes a loss, the customer must still settle the debt according to the initial agreement and must not delay payments or ask for the loss to be taken into account.

Fourth, an explanation of the provisions for delays in murabahah payments, including. Customers who can afford it should not delay settling their debts. If the customer delays payment intentionally or one of the parties does not fulfill its obligations, settlement is carried out through the Sharia Arbitration Board after deliberation efforts fail.

Fifth, the explanation regarding bankruptcy in the murabahah process states that if a customer is declared bankrupt and fails to settle his debt, the bank must postpone debt collection until the customer can pay it back, or based on a previously made agreement.

In murabahah, the presence of rahn in gold installment financing is by sharia procedures, where the rahn or collateral is by the provisions. Rahn in this financing uses gold as the object of the financing contract. The gold is still the property of the bank and will not be transferred until the financing payment obligations are completed according to the mutually agreed period. Rahn in financing gold installments also fulfills the pillars and conditions of Rahn, among others:

- a. There are perpetrators, namely customers who enter into a contract with the conditions that they must understand the law, be mature, be sensible, be trustworthy, and have goods that can be used as collateral.
- b. Recipient, namely the bank or financial institution that offers murabahah and rahn products.
- c. Financing, namely a clear and specific amount of money given by the bank to the customer and the customer's obligation to return it. If the customer is deemed unable to carry out the payment process within the agreed period, then the collateral can be sold as a source of payment.
- d. The existence of collateral is provided that the collateral has value, is clear in form, is useful, and the item belongs to the customer himself.

Guarantees are divided into two types: first, individual guarantees, namely guarantees from third parties that can guarantee the fulfillment of customer financing obligations; second, material collateral, namely collateral provided directly by customers or third parties to banks or financial institutions²⁵.

According to cleric Syafii, Rahn is collateral that can be used to pay off debts if the customer is unable to pay. Hanbali scholars state that rahn is a property that is used as collateral, where the debt is paid off

²⁵ Hermansyah, *Hukum Perbankan Nasional Pakistani* (Jakarta: Prenada Media, 2005), 70.

from the sale of the property if the person responsible for the debt cannot pay it off. Maliki scholars are of the opinion that rahn is a valuable property that can be used as collateral, is positive and binding²⁶.

Rahn is allowed because in murabahah there needs to be a contractual obligation, as explained in the National Sharia Council's fatwa that the guarantee binds the customer to be serious in financing the murabahah contract. Rahn also reduces losses if problems occur in the financing process. If the customer is unable to pay his obligations, the bank has the right to use collateral as a substitute for outstanding financing.

The basis for guaranteeing rahn in the Qur'an is surah al-Baqarah verse 283, which means that if you are on a trip (and don't do charity in cash) and you don't have a writer, then there should be collateral in your possession (by the receivable person). However, if some of you believe in others, then let those who are trusted fulfill their mandate (debt) and let them fear Allah, their Lord; and do not you (witnesses) hide your testimony. and whoever hides it, then indeed he is a sinner at heart; and Allah is All-Knowing of what you do.

3. Islamic Banking Gold Installments in the View of Islamic Economic Ethics

The ulama explains that the goal of economics in Islam is not only to make a profit but also to integrate the values of Akhlaqul Karima in all economic and business activities. This ensures the creation of good relationships between fellow Muslims and fellow humans, such as between business owners and workers, sellers, and buyers, as well as customers and banks²⁷.

Therefore, it is very important to promote ethical and moral values in all economic processes. This will create conducive economic conditions and minimize fraud in transactions and economic competition, which in turn will have an impact on good economic stability. Muhammad Djakfar explained that adherence to basic ethical principles guarantees the justice and balance required in the economic system. Islam has linked muamalah with morals, such as honesty, trustworthiness, fairness, Ihsan, doing good, and friendship.²⁸

Sharia banks try not to abandon Islamic economic ethics in their products and continue to strive to realize community welfare through the various financing products offered. One example is BSM Education financing, which is useful for helping with short and medium-term financing used for school or college entrance fees. This funding helps people who need funds for education costs which are sometimes quite high.

Installment financing and gold pawning offered by Sharia banks also help people get loans and long-term investments through gold installments. With the gold installment service, people who want to buy gold for investment but do not have enough funds can pay in installments according to their ability. Apart from these two products, BSM also offers various financing and savings products that aim not only to make a profit but also to help meet people's needs. For example, home installment financing with 0% down payment, business capital financing, and savings for the Hajj and Umrah to facilitate those who want to go on the Hajj or Umrah.

Yusuf Qardawi explained that in the Islamic economic system, individuals and groups are given the freedom to seek

²⁶ Wahbah Az Zuhaili, *Fiqh Islam Wa Adillatuhu*, (Jakarta: Gema Insani, 2011), 107.

²⁷ Veitzhal Rivai dkk, *Islamic Banking: Sistem Bank Islam Bukan Hanya Solusi Menghadapi Krisisis Namun Solusi Dalam Menghadapi Berbagai*

Persoalan Perbankan dan Ekonomi Global. (Jakarta: Bumi Aksara, 2010), xiv.

²⁸ Muhammad Djakfar, *Agama, Etika, dan Ekonomi: Wacana Menuju Pengembangan Ekonomi Rabbaniyah* (Malang: UIN Malang Press, 2007), 26.

maximum profit, but they are also bound by faith and moral ethics. Thus, in their efforts to seek profits, they must not ignore the consequences of faith and moral ethics in Islam ²⁹. In essence, in Islamic economic ethics, apart from the Koran, another basis in the foundation of Islamic economic ethics is the prophet Muhammad's morals in trading, among others. Honesty, honesty is the most important attitude in running a business, whether a person is good or bad in running a business or working can be seen from how he can be honest or not in the Qur'an, it is also explained in Surah al-An'am verse 152, meaning Whoever Allah wills will guide him, surely He will expand his chest to (accept the religion of) Islam. and whoever Allah wills to mislead, Allah will surely make his chest tight and narrow, as if he were climbing the sky. That is how Allah inflicts punishment on those who do not believe.

- a b Istiqamah and Qanaah, both of which are key concepts for success in running a business. Traders, workers, and others who earn a living will not be able to be successful without being able to do iqamah in their business and accept the qanaah of the situation by continuing to try. Allah also guarantees in the Qur'an that people who are istiqamah will not have feelings of worry or sadness in their hearts. Meaning: Indeed, those who say: "Our Lord is Allah", then they remain istiqamah, then there is no worry for them and they do not (nor) grieve.
- b c Fathanah, Amanah, and Tablihg, these three are one unit when a

businessman or worker wants to be successful in his business. Fathanah is an attitude of professionalism that must become a work culture so that it can improve results at work. Next is trust, which must be instilled within ourselves how we can be responsible with our work. The last one is tabligh, namely the spirit of a good leader, which is also an important key in developing a business.

4. DISCUSSION

The gold installment financing mechanism at Sharia Bank can be said to be by Sharia principles, based on the Sharia economic system with a murabahah contract. The financing process begins with an explanation of the gold installment product provided by the bank to the customer so that the customer understands the service before entering into a murabahah contract. Next, the bank will ask for document files from the customer until the financing disbursement process. This mechanism is also based on the MUI National Sharia Council Fatwa on Murabahah, which explains collateral or rahn as a condition in the gold installment murabahah contract.

Economic ethics in this gold installment financing application has also helped improve the welfare of society. This product facilitates people who want to invest in gold but do not have sufficient funds to pay in full. With this product, people can pay for gold in installments, considering that the price of gold tends to always rise. So, people can have investments that can be utilized at any time if needed.

²⁹ Yusuf Qardawi, *Norma dan Etika Ekonomi Islam*, (Jakarta: gema Insani Press, 1997), 51.

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