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GLOBAL FINANCIAL INFRASTRUCTURE MEDIATED BY THE ESTABLISHMENT OF ISLAMIC CENTRAL BANKS

Dr Agus Pandoman
Widya Mataram University of Yogyakarta, Indonesia

Abstract

The current global financial market, where money is based on debt, does not reflect a perception of wealth creation for inter-country life. The orientation of national income and expenditure has shifted towards debt. Citizenship has transformed into a consumerist lifestyle, and a country's economic policies have become dependent on the supply of debt. The financial structure of both nations and societies is created from one debt to another, with debt serving as the global financial standard. The Taylor rule links debt parallel to interest rates, transforming money into a commodity. Removing money from the current global financial market structure must be mediated by the establishment of a Shariah central bank under the supervision of the World Bank.

Keywords

Financial market, World Bank, global financial market.

INTRODUCTION

On August 15, 1971 the United States Dollar died. On that day without the approval of Congress, President Nixon ended the relationship between the United States Dollar and gold, became Monopoly Money. After that, the biggest economic boom in history has started (Robert T Kiyosaki - Rich Dads Conspiracy of The Rich The 8 New Rules of Money ,2009). When the economy failed, central bankers in the world created trillions of dollars, yen, pesos, euros and pounds by following a monopoly for bankers. is the use of money as an instrument of capital. The main contributors to capital in financing trade traffic (muamalah) are financial institutions. Banks and non-banks as actors channeling money used for business capital are concentrated in the form of financing, but after the end of fiat money, how far can the meaning of financing fulfill sharia-based economic justice.

On August 15, 1971, the United States Dollar died. On that day, without the approval of Congress, President Nixon terminated the link between the US Dollar and gold. The Dollar became largest explosion began during economic collapse, around trillions of into monopolizing for the Money has changed its function from being a medium of exchange to a means of payment. This concept represents the global supply chain in which money follows prices.

The commodity of money and the commodity of prices follow the basic needs of humans for scarcity and usefulness of goods and services. The current affirmative mainstream of the global financial infrastructure revolves around "scarcity and usefulness" not only with regard to goods and services but also with regard to the scarcity and usefulness of "money" as a means of payment. Money follows prices. Money no longer has a standard of valuable goods (such as gold or silver). Thus, money is subject to prices.

The era of money backed by valuable objects was beneficial to the owners of money, as economic needs followed money because money was a valuable object. However, this era has passed. The end of the era of the "gold standard" (the Bretton Woods Agreement) created a pile of debt. Every country raced to print money based solely on debt instruments (bonds). This shortcut concept created this "new wealth" because printing "money" did not require a certain amount of gold/silver reserves available in the treasury. The orientation of national income and expenditure shifted towards debt. Statehood transformed into a consumeristic lifestyle, and the economic policies of nations became dependent on the supply of debt. The financial structure of both the state and society were created from one debt to another.

As a result, the money market and capital market emerged, with all the elaborations of derivatives leading to a debt-based global financial infrastructure, from nothingness to existence. Money, truly made of paper (fiat money), reaped global resource supplies. The potential of money no longer held the position of valuable goods but surpassed its function as a medium of exchange for goods and services. The foundation of "function" has transformed into "purpose".

Buying oranges in London by purchasing oranges in Jakarta becomes challenging if our money functions solely as a medium of exchange. The positions of the Pound Sterling and the Indonesian Rupiah (Rp) are equivalent as mediums of exchange, so we wouldn't be too concerned about obtaining the oranges even though we are in different locations. However, it becomes difficult to shop for goods in London with money issued by the Indonesian government. Bartering is not effective because sellers reject the Indonesian Rupiah. The goal of purchasing goods becomes inversely related to money: Hg > Hu – the price of "goods/services" is greater than the "price" of money.

The major contributors to the current global financial infrastructure influence both sides of the supply chain between the two commodity prices: money and goods/services. The distribution of exports and imports forms the two components of derivative money and capital. Derivatives in the money market have given rise to innovative theories, followed by similar developments in the capital market where experts create new theories. Their scientific arguments or philosophies utilize hypotheses on how to design interest-based banking "profits." On the other hand, the phenomenon of regulatory arbitrage emerges as a free market competition between money and capital, where market players and regulatory authorities are always racing to find and close gaps. Market players constantly seek opportunities to exploit existing regulatory systems, while regulatory authorities continuously strive to close those opportunities. [Johan Van Overtveldt - Bernanke's Test Citation 2009, 203]

In recent times, innovations and derivatives in financial and capital markets have occurred at a rapid pace, making it difficult for regulators to keep up with the phenomenon of regulatory arbitrage [Johan Van Overtveldt]. The current global finance system, where money is based on debt, does not provide a clear direction for addressing the issue of wealth distribution among nations. Timothy Geithner, former President of the Federal Reserve Bank of New York and Secretary of the Treasury under the Obama administration, criticized the global financial market structure, stating that the existing system has evolved into a convoluted set of accountability devices, overlapping regulations, and complex networks, creating corrupt incentives and wide opportunities for arbitrage and avoidance, resulting in an expanding knowledge and authority gap within our central banks.The main instrument of central bank policy is the interest rate. “Wisdom demonstrates must adjust rest “

Interest exceeds the growth of gross domestic product (GDP) is too high and above potential. It also suggests that the interest financial crisis in 2007 and the current one have proven Taylor - and many others with similar views - wrong.

The United States and the entire world have fallen victim to financial crises that have hit the global financial infrastructure and consumers worldwide. In 2007, Ben Bernanke, as the chairman of the most important central bank in the world, the Federal Reserve, played a major role in the systemic crisis drama. The Fed cut the central bank's interest rates by 425 basis points in a year, from 5.25 percent to 1 percent, in an effort to revive the weakening economy and inject funds into the financial and banking sectors.

2023 raised further gradual hikes, one-much lower . Conventional should rate doing so increases down . Conventional wisdom suggests that states that the amount by which inflation exceeds 2 percent, plus the long-run real rate. That would mean an interest rate of around 12 percent.

The Federal Reserve, the central bank of the United States, has even raised its benchmark interest rate by 375 basis points from March 2022 to November 2022. This increase in interest rates has led to increased volatility in the global financial markets, capital outflows from emerging market countries, including Indonesia. The subsequent impact includes currency depreciation and a surge in debt costs. These two impacts have the potential to cause a global debt crisis.

In its report titled "Is a Global Recession Imminent?" the World Bank predicts the possibility of a global economic recession in 2023. This prediction is becoming more apparent with several indications that have already begun to occur, such as the aggressive increases in benchmark interest rates by central banks in various countries to curb inflation

Simultaneously Raised

Bank sentral around the world have simultaneously raised their benchmark interest rates since the second half of this year, such as the Bank of England and the Federal Reserve (The Fed). Inflation pressures in Western countries and the US have prompted central banks to continue raising benchmark interest rates to control inflation. This trend is also seen in G20 member countries like Brazil, India, and Indonesia. During 2022, the Bank of England has raised its benchmark interest rate by 200 basis points, while The Fed has raised its benchmark interest rate by 300 basis points. [source: kpbu.kemenkeu.go.id] Responding to the same situation and following Taylor's doctrine on "interest rates," Bank Indonesia has also raised its benchmark interest rate by 50 basis points to 5.25% in November 2022. The simultaneous increase in benchmark interest rates by central banks worldwide will have an impact on economic growth and may lead to a global economic recession. The threat of a global economic crisis is looming.

The context of "interest rates" has affected G20 member countries, shaping the main agenda of their meetings as a key approach to addressing the global crisis, focusing on sustainable infrastructure investment, inclusive recovery, and resilient recovery to achieve "Recover Together, Recover Stronger." The problem faced by developing countries towards a global financial crisis is a serious financing gap. The gap in sustainable infrastructure needs lies between debt-based currency value and debt itself as a means of exchange, acquiring goods and services.

Securities-Based Financial System

As long as the debt/securities-based financial system continues to be enforced, the cycle undergoes severe tests of recurring global financial crises, often accompanied and followed by other disasters, such as the danger of increasing inflation. The situation of the financial crisis is undoubtedly complex. As this section is being written, a crisis is unfolding, and the effectiveness of Taylor's theory in therapy is met with both success and even more severe failures. [Niall Ferguson in the Financial Times, August 8, 2008, cited from Johan Van Overtveldt]

Andrew Hitchcock reveals the lies of Central Banks in titled consistently by claiming recessions depressions parts business However, it is not the case. Recessions depressions occur because Central Banks manipulate the money supply, with the ultimate goal of transferring more wealth from the public into their hands [Andrew Hitchcock, 2006, Citation 8].

According to Hitchcock's perspective, Central Banks are the metamorphosis of ancient money changers. This concept forms the basis of the global economic system and the a few Hitchcock quotes who said problem too entrusted Banks.stated of Similarly,has never been depression. [However, it's important to remember that Hitchcock's viewpoint is a personal perspective, and there are various viewpoints in economics and finance. Not all economists agree with this view.] Another perspective comes from Sir Josiah Stamp, the Director of the Bank of England, who regarding

The modern banking system creates money out of nothing. This process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in iniquity and born in sin. Bankers own the Earth. Take it away from them but leave them the power to create money, and with the flick of a pen, they will create enough money to buy it back.

Take this great power away from them and all the great fortunes like mine will disappear, and they ought to disappear, for then this would be a better and happier world to live in. But if you want to continue to be slaves of the banks and pay the cost of your own slavery, then let bankers continue to create money and control credit (Andrew Hitchcock, The History of The Money Changers, copyright @2006).

Central Bank Today

Central banks today are seen as good people, acting as financial regulators. However, they have actually done something wrong in their handling of money. They fail to realize that the money they print is just a piece of paper with numbers on it. Human beings have no future hope with the money they possess. If people were to flock to the central bank to exchange their money, the central bank would not be able to replace the amount of money they have with an equivalent amount of gold or other valuable assets.

Let's say we have a banknote worth Rp 1,000 (Indonesian currency). Does the number one thousand reflect our abundant wealth? Our hope of living in Indonesia with Rp 1,000 can only buy us one piece of cracker. If we have a banknote with a nominal value of one hundred thousand, it means that our wealth is only worth one hundred crackers. Essentially, what conventional central banks need is not to provide a warehouse of gold, but rather to provide a can of crackers, or perhaps just a plastic bag. So if we go to Bank Indonesia (BI) to exchange Rp 1,000, Bank Indonesia will give us one cracker.

We then take the cracker home and keep it. How long can we keep the value of the tangible wealth in the form of a cracker? In just a day or two, the cracker becomes stale and disappears, meaning it becomes worthless. Rp 1,000 turns out to be something meaningless. The number 1,000 on the Indonesian banknote is not a reflection of abundant wealth but a mirror of injustice that humans impose on themselves. Central banks that print money without a standard medium of exchange create monetary uncertainty.

B. The Urgency of Establishing a Sharia Central Bank.

The question is, what can the World Bank Group provide to the Islamic banking system if this situation continues and the World Bank does not intend to save it? The infrastructure of the Islamic banking system still relies on the conventional central bank infrastructure in the credit and interest-based industry circle.

The G20's efforts to follow up on the 2021 Sustainable Finance Roadmap, continued in the 2023 meeting with the agenda of sustainable infrastructure investment, aim to develop infrastructure as a group of assets with investment characteristics. However, this dialogue does not address the question of what kind of financial infrastructure system is needed to implement asset-characteristic investments. As long as financial infrastructure continues to rely on "debt-based money," we need to prepare for a bunker. Sooner or later, the storm of monetary cycles is only a matter of time.

The system we will establish is one where prices follow money, unlike the current global financial structure where money follows prices. Debt as the global financial standard will be transformed into trade receivables, changing the medium of payment from raw debt to raw commercial receivables (asset-based investment). In implementing this system, the issuing of money, the Islamic central bank must be established under the supervision of the World Bank.

Banks are synonymous with the money industry, and there is no clear distinction between the two banking systems (conventional banking and Islamic banking) because all financial industries are under one umbrella, the interest-based central bank. The Islamic financial infrastructure is based on the real economy, not debt (non-loan). The actors channeling money for business capital are concentrated in the form of financing. However, after the end of the gold standard (fiat money), to what extent can financing fulfill justice based on Islamic economic principles?

Islamic finance is equity-based finance, supported by ethical, sustainable, and socially responsible assets. It promotes risk-sharing, connects the financial sector with the real economy, and emphasizes financial inclusion and social well-being. Islamic financial commodities prioritize the concept of non-debt, where profits are derived from margins rather than interest. The following main principles guide Islamic finance ; Prohibition of interest in transactions (riba); Financing must be linked to real assets (materiality); Engagement in morally or ethically problematic businesses is not allowed (e.g., weapons manufacturing or alcohol production); Returns should be linked to risk.

The current global financial system.

The current global financial system where money is debt, does not indicate a perception of wealth creation among nations. This concept represents a conflict between the Islamic worldview of materialism, asceticism, and Sharia purity, and the neo-liberal view in the form of financial industry. It is not about moving towards separating central bank infrastructures, but rather growing within the heart of the same central bank infrastructure.

The question is, what can we offer to the world if this situation continues and Muslims are not willing to save it, so that their system continues to be used within the concept of the conventional central bank with loans and interest? The Sharia Central Bank must be in a position as a true central bank based on its philosophy, not as good people doing wrong things. Its existence should reflect the Muslim community, serving as a regulatory institution for the medium of exchange needed by the community for trade and worship. It is the hope of all humanity to obtain the true value of the wealth they possess in the form of money. Money is gold.

Now is the time for the World Bank Group to commit to the Islamic world, encouraging Islamic countries that adopt both banking systems to establish Sharia Central Banks. These central banks should be located in the capital of each country and serve as the highest Islamic financial institutions responsible for monetary policies towards Sharia-based banks.

The Sharia Central Bank functions as the last gateway of Islamic finance in the country, serving as the Lender of Last Resort (LOLR), and responsible for maintaining the stability of currency value, stability of the banking sector, and the currency system of a country.

The Sharia Central Bank must be in a position as a true central bank based on its philosophy, not as good people doing wrong things.

Its existence as a regulatory institution for the medium of exchange fulfills the needs of the community for trade and worship, and it is the hope of all humanity to obtain the true value of the wealth they possess in the form of money.

And has the authority to print gold-standard money. Money is gold.

The Main Tasks of the Sharia Central Bank

Supervision of Sharia Commercial Banks and Sharia People's Credit Banks, Selling and trading equity-based securities from Sharia banks, under the name "Sharia Shares", Surat Akad (Contract Letter) in the form of a "debtor's commitment" used as a financial instrument between Sharia banks, Swift instruments with unique codes different from conventional banks, Non-loan collateral, Contract based on Ijab-Qabul (offer and acceptance),

Fractional Banking System. Reconciliation of Non-Debt-Based Currency. Currency reconciliation is important to appreciate the validity of money in relation to goods and services in a fair manner. The concept of reconciliation interprets money as a pure means of payment without a debt basis.

The doctrine of non-debt, as an implementation of Sharia law, builds a shield of justice against the instrument of exchange, as the value of its components is something valuable. Thus, its contract should provide a payment instrument that generates a debt-free, asset-backed "money" based on a valuable guarantee standard. This construction refers to the purity of the principle that trade is not constructed in the form of a monopoly game. The current monopoly game in the form of monetary politics demonstrates the direction of debt accumulation, which enslaves human life, making it a gamble.

The gamble is that our current lives are financed by future income, which is still in the form of hope. The way of life we currently live is debt-based. This paradigm of life needs to be changed immediately. We need to establish a Sharia Central Bank so that the structure of life is no longer financed by debt but built and conditioned by fair financing that can be combined in two central bank systems. Is this acceptable in a government that prioritizes the electability of debt-based price instruments? This question is reminiscent of the history of the United States during the Abraham Lincoln administration. The President was trapped in how to finance the war. In one meeting, President Lincoln and Colonel Taylor had a conversation:

President Lincoln asked Colonel Taylor about any proposals he had on hand to finance the war. Colonel Taylor said, "Mr. President, that's easy. Just have Congress pass a bill authorizing money printing, and then pay our troops with it and go win the war with them."

President Lincoln then asked Colonel Taylor if the American people would accept it. Colonel Taylor said, "People or anyone else will not have a choice in this matter if you make it legally valid. They will fully agree with the government's decision and treat it as if it were their own money, just as Congress is granted authority by the Constitution." Around 1862, President Lincoln then created a new currency called the "Greenback" worth $450,000,000. The money was printed with green ink on the reverse side to distinguish it from other circulating currencies, hence its nickname "Greenback." The money was printed without paying interest to the Federal government and was used to pay the troops and purchase food supplies for them. President Lincoln would be the last President of the United States to issue American money.

President Lincoln stated, "The government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the government and the buying power of consumers. The privilege of creating and issuing money is not only the highest prerogative of government but also its greatest creative opportunity. By adopting these principles, any country with two banking systems can free itself from conventional central banks. If this can be implemented, then the Sharia Central Bank will provide its own costless money. The existence of this central bank frees the government from debt. The country will have money that it possesses to conduct trade.

The country will prosper beyond the precedents in the history of global governance today. The cheap source of funds from collecting zakat money is compensated by the existence of real gold stored in the gold warehouse as the capital of the Sharia Central Bank. The Islamic concept (syara') states that money must be associated with laws and regulations. If we realize that the hypothetical barter of one ton of sticky rice for an airplane is difficult to procure, then this connection must be transformed based on the ability of nature to provide its valuable resources, namely gold and silver. Such measures are recommended by Allah in His words in Surah At-Tawbah (9:34): "And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment."

The Prophet (peace be upon him) established gold and silver as money and made only gold and silver as the standard currency, not sticky rice. The standard of goods (such as airplanes) will be returned to that standard. And with this foundation of gold and silver, all forms of transactions can be conducted. The Prophet established this standard in the form of uqiyyah, dirham, daniq, qirath, mitsqal, and dinar. Money in Islamic teachings has an honest and tangible standard, where the allocation of natural resources to meet human needs in that particular area is truly provided by the state. The limit is the standard of gold and silver, and with their respective weights, where the rights of Allah, such as zakat, and the rights of human beings, such as debt, as well as the prices of goods purchased, are all related to dirham and dinar, namely gold and silver, which have been determined by certain measurements.

History records that during the reign of Abdul Malik, an institution was established to mint dirhams from silver and dinars from gold. The authority to print money in the modern era is called a Central Bank, and this event occurred in the 75th year of the Hijri calendar. Since then, the "money" dirhams and dinars of Islam have been printed by the Sharia Central Bank. This historical record can be said to be the precursor to the existence of a Central Bank.

Sharia and from there the birth of Islamic money and started from that date Islamic money became distinctive following a unique characteristic that is not different.

The Monetary System In Islam

Thus, the monetary system in Islam - in terms of its principles - follows the standard of (collateralized and guaranteed) with gold and silver. As for the weight, imprint, shape, and engraving model, they are all merely technical matters.

In line with the Islamic view, Alan Greenspan, the former Governor of the Federal Reserve of the United States, who is considered a prominent figure in the World Central Bank, once stated in his article published in the scientific journal "The Objective" in the 1950s-1960s, titled "Gold and Economic Freedom".

Greenspan vigorously defended a monetary order that strictly enforced gold as an absolute standard, rejecting monetary policies based on the personal considerations of bankers, which Marten Mayer referred to as "blind worship of gold." However, it is necessary to apply this system in a country that has significant gold reserves.

Greenspan argued that monetary policies based on personal considerations (because money is debt-based) would inevitably lead to inflation and wealth confiscation. Only a monetary order based on the gold standard can protect humanity from the predatory nature of the state towards its people's wealth. Unfortunately, it turned out that he was not loyal to his own opinion, and what he envisioned in his writing actually happened when he served as the Governor of the Federal Reserve of the United States during the 2007-2008 monetary crisis.

Alan Greenspan was in a state of panic as he witnessed stock prices plummeting worldwide. The US stock exchanges had closed, but futures exchanges continued to trade, signaling a sharp decline already on the horizon. During Greenspan's era, the collapse of the subprime mortgage market in August 2007 and the drastic fall of the capital market occurred.

This crisis was truly terrifying, not only for the United States but for the entire world. Greenspan served as the Governor of the Federal Reserve for more than nineteen years, and it was during his tenure that the monetary crisis occurred, and the people's wealth was plundered by the state, as he had envisioned in his writing, proving the betrayal of his own ideas.

Greenspan left behind a monetary crisis along with a myriad of other related problems faced by the US economy, resulting in a new record of foreign deficits and, even worse, an entire generation of American children having very little savings but mountains of debt, leading the world economy towards disaster.

After the burst of the global economic bubble, the main solution to overcome the world's inherited disaster from Greenspan may not be excessive if we, as Muslims, realize the establishment of a Shariah Central Bank in Indonesia

Islamic Finance Principles and Instruments

The term Islamic finance is used to refer to financial activities conforming to Islamic Law (Sharia). One of the main principles of the Islamic finance system is the prohibition of the payment and the receipt of riba (interest) in a financial transaction. The term riba covers all forms of interest and is not limited to usury or excessive interest only. The most critical and significant implication of banning interest is the indirect prohibition of a “pure” debt security. The key point to bear in mind is that Islamic law doesn’t recognize money and money instruments as a commodity but merely as a medium of exchange. Hence any return must be tied to an asset, or participation and risk-taking in a joint enterprise (such as partnerships). A pure debt security is replaced with an “asset-linked” security, direct financing of a real asset, and different forms of partnerships of which equity financing is the most desirable.

In addition to prohibition of riba, there are several other important provisions which may affect financial transactions. These include the prohibition of ‘gharar’ (uncertainty or asymmetrical information), ‘maysir’ (gambling, speculation), hoarding, as well as trading in prohibited commodities (for example, pork and alcohol).

The Role Of A Shariah Central Bank.

The role of a Shariah Central Bank in financial stability is also carried out through the concept of "lending of last resort" (LOLR), in accordance with the principle of "bagebot." The Real Bills Doctrine concept aligns with the Shariah Central Bank based on its history as a guardian of currency value and the custodian of gold and silver as a whole. The money managed by the Shariah Central Bank is based on the gold and silver standard.

The issuance of money based on the gold standard can be established when existing banking instruments, especially Islamic banks, form a parent bank within the gold and silver standard money community. This means that if paper currency is used domestically, it can be exchanged for gold at a fixed rate. In other words, the unit of paper currency is guaranteed by gold in the form of a banking statement.

Money With A Gold Standard

According to the author, money with a gold standard has several characteristics ;

Fixed transformative value, as money is a good store of value. Imagine a scenario where we do not need anything because all goods are abundantly available. We would then exchange the real money we possess with the Central Bank, which already has a standard, namely gold. Unlike Fiat Money, as explained earlier, which can be transformed into nothingness, as money only has the value of a cracker.

Real exchange facility. Money will circulate in parallel as something given and unchangeable. The printing of money fulfills the element of justice because it inherently contains wealth. Thus, this money is just. In contrast, paper money is used to print money on a large scale. This money can be introduced massively after the discovery of modern printing machines. Circulating money is not parallel to evidence of itself.

Non-commodity. In the Fiat Money system, money as a commodity can be used to facilitate the exchange process and the sale of money against itself and goods and services. The scarcity of goods becomes the benchmark for commodities. The question is, which one is needed first, goods or money?

If money is merely a piece of legal tender printed by the authorized party, then money will always be available, even if the numerical value is not parallel to its constant value. How can you determine that 1 Indonesian Rupiah means an exchange medium today? One rupiah is not worth more than human waste or animal waste, which can be sold as fertilizer. However, if one rupiah can be exchanged for 1 gram of gold in reality, then the value of one gram of gold is one rupiah, and so on. The wrong analogy, as quoted from ISRA's research, is that if money is equated with a bag of sticky rice, how troublesome the world would be. Because everyone would have to carry a bag of rice to exchange it for other goods. And don't be mistaken about how many warehouses have been built by the Central Bank and how many are held by Bank Indonesia

Money does not function as debt certification. The current foundation of money is based on legality: Banks are merely records of debt, which are merely proven debt certificates that can be transferred. All holders of monetary notes will be certified IOU creditors. Those who borrow money from banks and use it in the market to purchase various goods and services will be debtors.

These are the key points regarding the role of a Shariah Central Bank and the characteristics of money based on the gold standard. Bank serves as a recording entity, while the Central Bank functions primarily as a large-scale clearing institution.

If money is merely a promissory note (monetary notes) or IOU, then the bank acts as an intermediary between creditors and debtors. However, it is strange that the credit conditions, which should be determined through mutual agreement between the parties involved, are not subject to coercion, especially if the transaction is intended to comply with Shariah. But modern IOUs are issued without the consent of the creditors, meaning that loans are given to debtors without the involvement of the creditors.

Bank World's Strategy in Islamic Finance Activities

The use of Islamic finance in the World Bank's strategy to assist the poor in several countries is mostly theoretical. It is depicted as a dichotomy between practice and theory. A passage from the World Bank's article states, "Islamic finance helps promote the development of the financial sector and expands financial inclusion. By expanding the reach and scope of Islamic finance, it can help increase access to finance and promote inclusion for those who lack financial services."

The World Bank's involvement in Islamic finance is a process of determining what goals it wants to achieve. The "Paradox of Choice" specifically refers to global financial policy choices used by the World Bank that only contribute minimally to the Islamic finance model. Can it eliminate the "interest" of banks? What is done for this purpose? Can it participate in the establishment of an Islamic Central Bank? It all relates to global financial market literacy in finding the best way to get better results or settling for what is good enough rather than what is best.

Type of Difference	**Islamic Bank**	**Conventional Bank**
Legal Basis	Al-Qur'an & Al-Sunnah and Positive Law	Positive Law
Operational Basis	Profit	Interest

Type of Difference	Islamic Bank	Conventional Bank
Product Scheme	Sharia-based, e.g., mudharabah, wadiah, murabahah, musyarakah, etc.	Interest
Treatment of Public Funds	Public funds are entrusted investments that only yield returns when invested or managed first	Public funds are deposits that must be paid with interest upon maturity
Funds Allocation Sector	Must be halal (permissible)	Does not consider halal/haram (permissible/forbidden)
Organization	Must have a Sharia Supervisory Board (DPS - Dewan Pengawas Syariah)	Does not have a Sharia Supervisory Board
Accounting Treatment	Accrual and cash basis (for profit-sharing)	Accrual basis

Profit-Based (Islamic Bank): Profit-sharing ratio (nisbah bagi hasil)* is determined upfront. The profit-sharing ratio is applied to the income earned by the financing customer. The profit-sharing ratio can change if agreed upon by both parties.

The term "nisbah bagi hasil" is an Indonesian term that translates to "profit-sharing ratio" in English. In financial and business contexts, it refers to the division of profits or returns between different parties involved in a business venture or investment. This ratio determines how profits will be distributed among partners, investors, or stakeholders based on their respective contributions or agreements. For example, in Islamic finance, profit-sharing ratios are commonly used in various financial products and partnerships that comply with Islamic principles, such as Mudarabah and Musharakah. In these arrangements, the profit-sharing ratio determines how profits and losses are distributed between the entrepreneur (Mudarib) and the capital provider (Rab-ul-Maal) in a Sharia-compliant manner.

In general finance, profit-sharing ratios can also be used in partnership agreements, joint ventures, and investment contracts to specify how profits will be divided among the parties involved. These ratios are typically negotiated and agreed upon in advance to ensure transparency and fairness in the distribution of earnings.

There's an important aspect of decision science that the World Bank's strategy emphasizes, the Paradox of Choice [Barry Schwartz, 2004]. I do not mean to say that the World Bank does not benefit from the choice of establishing an Islamic Central Bank. However, it can still lead to anxiety or possibly errors regarding:

Experienced Utility:

a. Feelings of good or bad regarding the Sharia or Islamic financial model. The World Bank might or might not favor the use of Islamic finance. The recipe presented by the World Bank in July 2015 has created a Memorandum of Understanding (MOU) between the World Bank and the General Council for Islamic Banks and Financial Institutions (CIBAFI).

b. This MOU is a legal basis for the World Bank to apply the Islamic financial institution model on a global scale. What the World Bank definitively states in the article is that the use of the Islamic finance model is only an effective tool for providing funding for development in all Islamic countries, including non-Muslim countries.

c. When signing contracts with Muslim countries, the World Bank will next consider the presentation correlation with "profit" databases, which undergoes a difficult process regarding "interest or non-interest" choices.

d. Determining the objectives and decisions of the World Bank towards the global financial market, there are two paradoxes regarding financial inclusion options. The implementation of Islamic finance emphasizes the real economy, equity, asset-backed, ethical, sustainable, and environmentally and socially responsible aspects. Meanwhile, conventional finance emphasizes derivatives and bonds, showing rewards for risky choices.

Expected Utility:

a. The World Bank truly has experience. Once legal protection is obtained, promoting sustainable Islamic financial instruments with easy access and enhancing awareness, consensus-building, and promoting the use of Sharia-compliant financing instruments worldwide becomes possible.

b. As part of its work in Islamic finance, the World Bank, in partnership with the Turkish government, established the Global Islamic Finance Development Center in 2013 as a knowledge center for the global development of Islamic finance. It conducts research and training, as well as provides technical assistance and consulting services to World Bank Group client countries interested in developing Islamic financial institutions and markets.

c. The World Bank's function in its journal is an expression of a deterministic value in the Islamic finance industry structure. There is no aspect that teaches vulnerability but only provides autonomy for financial inclusion, instrumental financial inclusion, in the global financial infrastructure. Thus, there is no mediation effort to establish an "Islamic Central Bank."

Remembered Utility:

a. The powerlessness learned by the World Bank when it has obtained legal protection, which includes easy access to promoting sustainable Islamic financial instruments, is experienced in increasing financial literacy, building awareness, consensus-building, and promoting the use of Sharia-compliant financing instruments worldwide.

b. The World Bank's research results create a paradox in that when implementing financial inclusion, the attractive quality of each alternative is ignored as an opportunity to develop various independent financial instruments. For example, transaction instruments that use legal transmission; Bay'salam contracts - futures contracts; Murabahah contracts - sales-based financing contracts; Mudharabah contracts - profit-sharing cooperation contracts; Ijarah contracts - leasing contracts; Musyarakah contracts - capital participation or partnership contracts

c. Legal transmission in the context of Islamic finance, regardless of instrumental profit for global financial market literacy options, demands learning to choose is difficult. Learning to choose what is good in the global financial market with limited possibilities is even more challenging, perhaps very challenging.

CONCLUSION

The principles of financing based on Islamic finance can be drawn a middle line. Capital is solely needed for the production process in the form of cash, capital is static, does not change or change itself as movable goods that are traded. Capital is synonymous with "money", because money is seen as a form of exchange based on "nomboki " , is a convergence between the logic of profit and loss sharing from partners created by actors who own wealth in the form of "money" not as a means to enter and exit automatically. financial arrangements in contract capacity for risk (risk sharing arrangements) in trading traffic (merchant banking), venture capital.

a) capital owned by the bank, which is distributed to customers is used as an actor with the power to "nomboki " to carry out productive actions in the framework of developing a customer's real business/business with other actors who trade with customers where customers carry out their trading activities need help from the bank as a "nomboki" actor that he uses in production activities.

b) Capital is oriented towards real business, and implemented through the means of production and economic results, the goal to be achieved is equality, namely what should be attempted, more precisely - for what business, not how capital is treated and mobilized for gain profits based on equality of opportunity, because the profits derived from trade are fundamentally different from borrowing money. Islam tends to approve of trading business, but is suspicious of "money" business. In the "money" business, thick with a philosophy of risk sharing, there are interest rates determined by one party (leder) and risks borne by the other party (borrower). all-time financial crisis.

c) Capital construction in the non-cash trading philosophy taught by the paragraph above is capital used for real trading where equality of opportunity is obtained by sharing risks (profit and loss sharing / PLS), namely building trades as intended according to the selected capital.

d) Material-based capital, is "gold" standard money, not debt-based money, this gold-based money is channeled by the central bank as a capital basis for Islamic banking, then distributed by banks to business actors circulated as a constant medium of exchange, in trade where capital only functions as a "nomboki" tool, making money will be maintained as business capital that generates production profits.

e) Distribution of money in real business capital, the bank involved in it uses a business component for the capital it has tombok, not entirely on the basis of a percentage calculation, but the distributed capital will be returned based on the ratio, from profits in the form of "profit".

f) The contract is designed to avoid the prohibition of interest, one of the most important is the profit and loss sharing contract which uses legal instruments through mudharabah, murabaha, musyarakah contracts.

g) Capital is not immediately returned with installments, the concept of return on capital is different from conventional banking, where the return on capital (ROI/re of investment) is calculated together with profits based on an "interest" ceiling. The difference between Islamic principles and debt-based capital. (difference as described above).

h) The existence of Islamic banking according to the understanding of the dual banking system (Indonesia Law No. 10/1998 and Indonesia Law No. 21/2008) as an intermediary (disbursement) institution, from customers who own funds (shahibul mal) to customers who need funds. That is, within the framework of "nomboki" capital, with the existence of public fund deposits in banks, it is related to efforts to move the Muslim financial economy, saving public funds in the capitalist economic concept, is surplus economic funds, the meaning of economic surplus in Islamic norms, shows that money is still money that has definite value, because money has been standardized with gold. Money that is transformed in the form of capital, the bank compensates through "financing" which functions as assistance in business/muamalah activities.

i) Capital-oriented business activities such as banking as pockets of "people's money" needed for "nomboki-based business assistance". Customers of funds in Islamic banks are treated as investors and/or depositors of funds, as well as actors
who receive "unlocking" in the contract are treated as managers (mudharib)

Whenever banks decide to increase the money supply, they essentially decide to increase the money supply without requiring the approval of any creditors. In this case, the role of the Central Bank is no longer necessary because it does not investigate the willingness (approval) of the community to provide credit. Indonesia has the highest number of Islamic banks in the world. According to Otoritas Jasa Keungan until 2019, approximately 189 Islamic banks in Indonesia, consisting of 14 Islamic Commercial Banks (BUS), 20 Sharia Business Units (UUS), and 164 Sharia People's Finance Banks (BPRS). The term "otoritas jasa keuangan" in English can be translated as the "Financial Services Authority." It refers to a regulatory body or authority responsible for overseeing and regulating financial services and institutions within a particular jurisdiction. This authority typically ensures that financial markets are fair, transparent, and operate in the best interests of consumers and the overall economy

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