

The Central Bank in the Development of Islamic Economy Project in Indonesia: Role, Motivations and Moderating Effect

Shofwan Al Banna CHOIRUZZAD

1. Introduction: The State and Islamic Economy Project

According to Zeti Akhtar Aziz, the Governor of Bank Negara Malaysia, Islamic Finance is among the fastest growing segments in the global financial system.¹⁾ According to *The Banker*, sharia-compliant assets had crossed the \$1,000 billion milestone in 2011 and are still growing.²⁾ Global Islamic banking assets have grown from \$145 billion in 2002 to \$1,086 billion in 2011. Furthermore, the Islamic banking and finance industry is expected to record a compound annual growth rate (CAGR) of 15% to 20% until 2015.³⁾

Despite the negative image of Islam in the Western Hemisphere after the 9/11 tragedy, Islamic banking and finance continue to grow in the West as an alternative to interest based finance.⁴⁾ In 2010, total assets of Islamic banking and finance industry in Europe, North America, and Australia reached 42,729.5 Million USD, doubled from 21,475.7 Million USD in 2007.⁵⁾

This development is a symptom of a broader trend. After the First International Conference on Islamic Economics in Mecca (1976), literatures on 'Islamic economics' had been published and the new discipline of 'Islamic economics' was introduced. Other related developments are the ongoing attempts to advocate *Zakat* (Islamic religious alms) as a redistribution policy in many countries in order to complement or even replace taxation. All these developments could be understood as parts of the 'Islamic economy project,' a project to Islamize the economic system.

1.1. Why Indonesia's Case is Important

The Politics of Islamic Finance (2004), edited by Clement M. Henry and Rodney Wilson, collected articles from scholars related to 'the politics conditioning and sometimes enveloping Islamic financial institutions.'⁶⁾ Within this volume, several articles discussed case studies of several countries in the Middle East and North Africa (MENA) region. Some case studies briefly mentioned the discussion about states' responses to Islamic economy project.

In his work on Tunisia's Islamic Bank, Robert P. Parks noted that the development of Tunisia's Islamic bank was closely related to the response of Tunisia's ruling authoritarian

government. The state was dominating the banking system and was eager to maintain that control. Thus, the regime contained the development of Islamic banking due to the suspicion of political vision of Islamic banking and finance and the fear that Islamic banking will create an autonomous private banking sector.⁷⁾

Another work on the relationship between state and Islamic economy project was provided by Sherin Galal Abdullah Mouawad. In this article, Mouawad discussed the responses of the Egyptian government towards the development of Islamic financial institutions since 1963 until 2007. It concluded that the Egyptian government had restrained the growth of Islamic banking and finance through its policies and their manipulation over the legal, economic and religious institutions. This response is due to the regime's willingness to maintain the stability of its economic system and the suspicion of the link between Islamic banking and finance and the country's Islamic political movement.⁸⁾

While Ibrahim Warde argued that modern Islamic Finance is by and large "a creation of the Arab World",⁹⁾ the growth of Islamic economy movement is not confined in that particular region. This paper is aiming to give a new insight by looking closer at how the Indonesian state is responding to the Islamic economy movement since its inception in 1980s.

The case of Indonesia is also unique because Islamic economy movement had been growing in a changing environment. During the early period of the Islamic economy project in 1980s, Indonesia was in the era of an authoritarian regime which staunchly oppressed Islamic movements. In 1990s, Indonesia was still under the same regime but with a completely different attitude. In the late 1980s, President Suharto started to question the loyalty of top military leaders.¹⁰⁾ The long time pillar of the regime's power was cracked. Following the break up, Suharto went closer to Muslim groups. Many observers believed that Suharto's move was political as he attempted to reach Muslim groups in order to embrace a new ally to sustain and strengthen his regime.

Another seismic change happened in 1998, following the Asian Crisis that had shaken Indonesia's economy. The crisis and the economic hardship that it brought had given momentum for popular protests calling for democratization and the ending of Suharto's rule under the battle cry of "*Reformasi*" ("Reform"). Finally, the President declared his resignation in May 1998. Since 1998, Indonesia was undergoing a democratic transition where the citizens, including Muslim groups, relatively free to express their identity and ideas.

1.2. Research Question

This paper is aiming to understand how the Indonesian state, within the evolving political context, had responded to the Islamic economy project. It especially focuses on the responses of the Indonesian Central Bank (Bank Indonesia), an important state institution which is the highest authority in regulating the Indonesian banking and financial system, towards one core of Islamic economy project, namely the Islamic banking and finance. It tries to explain the dynamics behind such responses, including by understanding the key factors and the key actors (and their motivations) in the policy making processes.

2. Evolving Context

Despite its status as the most populous Muslim country, Indonesia is a latecomer in the development of Islamic economy project. Globally, Islamic banking and finance started to grow with the establishment of Islamic Development Bank in 1973. The establishment of IDB spurred the growth of Islamic banking and finance in various countries, such as Dubai Islamic Bank (1975), Islamic Commercial Bank of Abu Dhabi (1977), and Faisal Islamic Banks (1977). In the neighboring Malaysia, *Darul Mal al-Islami* (DMI) was established in 1981. Indonesia's first Islamic bank only appeared 10 years later in 1991 and started to operate in 1992.

In 1976, A.M. Saefuddin, who played significant role in the birth of Islamic economy movement in Indonesia in 1980s,¹¹⁾ went to the 1st International Conference on Islamic Economics in Mecca. In 1980s, A.M. Saefuddin and other figures started to openly call for the Islamization of the economy. The movement grew and a national symposium on Islamic economics was held in Bandung Islamic University (UNISBA) in 1983, initiated by ITB's SALMAN activists. The event was held in UNISBA because the rector, Professor Muttaqin, was very supportive to the idea of Islamic economy. Following the Bandung Conference, experiments to put the ideas of Islamic economy was put into practices. A group of students established *Baitut-Tamwil* ("House of Finance") Teknosa SALMAN in 1984. This institution operated based on the principles of Islamic banking and finance.

Despite this development, the impact and scale of Islamic economy project was still very limited. There was no formal Islamic banking or financial institution at the national level which was officially accommodated in the national banking system. The banking regulation (1967 Law on Banking) did not give any room for the establishment of any non-interest banking institution. The state was not supportive towards the idea of Islamic economy project.

2.1. "Muslim-Unfriendly" Authoritarian Regime (1980s)

In 1970s and 1980s, Suharto's regime was an "unfriendly" authoritarian regime for Muslim groups. The use of the word "unfriendly" and "friendly" might be confusing for some because it is a common sense that an authoritarian regime is "unfriendly." However, I insist to use the term to illustrate the significant change in the attitudes of the regime towards Muslim groups. In the 1970s and 1980s, Suharto was oppressive towards Muslim groups and aspirations. Following a political shift in late 1980s, Suharto started to accommodate Muslim groups and aspirations (in other words: becoming "Muslim-friendly").

As many observers had noted, one core of Suharto's 'New Order' was the prioritization of economic development. After the turbulent economic situation in Sukarno's leadership, Suharto relied to a handful of economists to rebuild the economy. To make sure that the economic development is going well as planned, the regime ensuring political stability by any means necessary, including political repressions and even violence.¹²⁾

For a regime that put economic growth and stability as one of the most important priority (and even kept with violence if necessary), the idea of changing or reforming the economic system was of course threatening. Furthermore, the idea also came with a

suspicious 'Islamic' label and supported by Muslim groups, many of them were sympathizers of Political Islam.

Of course, Islamic movements were not the only ones repressed. One should note that Suharto was not friendly to any potential oppositions, be it from the 'right' (Political Islam, *ekstrim kanan*), 'left' (Communists, *ekstrim kiri*), or from the 'middle' (liberal democrats, *ekstrim tengah*).¹³⁾ The regime forced Islamic parties to merge into a single party (1973),¹⁴⁾ pushed a national marriage bill in order to 'unify' Indonesian marriage Law (1973),¹⁵⁾ established MUI (*Majelis Ulama Indonesia*, Indonesian Council of Religious Scholars) for giving religious decrees (*fatwa*) in support of its 'development policies',¹⁶⁾ put *Penataran Pancasila* ('Pancasila Training') as an obligatory subject in the school curriculum (1978), and even waged military crackdowns (1976, 1981, 1984).

Within this context, Indonesia's Islamic economy movement was born. In its early development, the state was not supportive. Some 'warnings' were issued against its proponents such as A.M. Saefuddin.¹⁷⁾ However, the government was not seeing this movement as a serious threat and thus allowed it to grow little by little, probably because the movement itself was cautiously distinct itself from Political Islam. Nevertheless, at this period, the government did not give room in the national banking and financial system to Islamic-economy-based institutions, such as Islamic banks.

2.2. "Muslim-Friendly" Authoritarian Regime (Late 1980s-1998)

Since late 1980s, the political environment changed. In the late 1980s, the President found that the military top brass leaders were unhappy with the growing influence of Suharto's sons and daughters in the business sector and started to doubt their loyalty. Suharto, and thus the government, was becoming friendlier towards Muslim groups.¹⁸⁾ In a high profile event in 1990, President Suharto opened the first meeting of the Association of Indonesian Muslim Intellectuals (*Ikatan Cendekiawan Muslim Indonesia*, ICMI). The influence of ICMI was also growing politically, with many ICMI-affiliated figures appointed as top state officials and the 'greenization' (*hijausasi*) in the ruling Golkar party.¹⁹⁾ MUI, the corporatist body that was designed as a top-down channel to impose government policies, was getting more influential and transformed into a canal of aspiration for Muslim groups to push their agendas more assertively to the state.

In this new environment, the establishment of Indonesia's first Islamic bank was planned and finally realized. Both ICMI and MUI played important roles in the process.

The idea of establishing the first Islamic bank in Indonesia was introduced by Amin Aziz in the discussions held by the MUI-affiliated Communication Forum for the Development of Indonesia (*Forum Komunikasi Pembangunan Indonesia*, FKPI).²⁰⁾ MUI finally organized Workshop on Bank and Interest was held in Safari Garden Hotel Cisarua, 18-20 August 1990. Interestingly, one of its main sponsors was Humpuss Group, the company that was owned by the President's own son, Hutomo Mandala Putra.²¹⁾ To represent the government, officials from the Central Bank of Indonesia were also invited. The result of the workshop then brought to the Fourth National Summit of MUI in Sahid Jaya Hotel, Jakarta, 22-25 August 1990, which finally recommended the establishment of a working group named 'MUI banking team' (*Tim Perbankan MUI*) to create an Islamic

bank in Indonesia.²²⁾

The establishment of ICMI in 1990 had significantly helped the vision to materialize. ICMI was a strong and influential vehicle for Muslim groups because it was having Habibie, at the time was the Minister of Science and Technology, as its chairman. According many observers, Habibie was the most trusted aide of Suharto since late 1980s.²³⁾ Habibie himself took the establishment of Islamic bank as one of ICMI's agenda. Habibie formed teams to prepare the establishment and asked Rachmat Saleh,²⁴⁾ a respected figure among the economists and former Governor of Indonesia's Central Bank, as one of the leaders.²⁵⁾

With the blessing of Suharto, Indonesia's first Islamic bank was established on 1 November 1991, using the name of Bank Muamalat Indonesia (BMI). The legal problem that the existing regulations on banking did not cover banks operating without interest was solved in 1992. Coincidentally, the government was on the process to amend the existing regulations on banking (i.e. 1967 Banking Law, the October Policy Package of 1988 (*Paket Kebijakan Oktober 1988* or Pakto 88) and January 1990 Package or *Paket Kebijakan Januari 1990*).²⁶⁾ With Suharto's supportive stance to BMI, Islamic economy movement supporters were confident enough to start lobbies to include a clear legal basis for the operation of a bank operating without interest.

On 25 March 1992, the Law No. 7/1992 on Banking was issued. The new Law briefly mentioned about the permissibility of bank to provide services based on the principles of profit-sharing, providing a legal basis for the operation of BMI.²⁷⁾ Two months after, in May 1992, BMI started to operate. On the following October, the government issued Government Regulation No. 72/1992 on Profit-sharing Based Bank (*Peraturan Pemerintah No. 72/1992 tentang Bank dengan Berdasarkan Prinsip Bagi Hasil*).

With the government's welcoming stance, BMI found its place. In 1994, the Bank opened branch in Bandung, Surabaya, and Semarang.²⁸⁾ The Bandung branch grand opening was marked with a *bedug* ceremony led by the vice Governor of West Java Province, H.A.M Sampurna.²⁹⁾ The Surabaya Branch was opened by the Governor of East Java Province, Basofi Sudirman, who was also the first customer of the branch.³⁰⁾

The success to establish Indonesia's Islamic bank boosted other initiatives. In 1994, ICMI sponsored the establishment of 85 BMTs in Aceh and Lampung provinces.³¹⁾ At the same year, *Dompot Dhuafa* (literally 'The Poor's Pocket'), a *zakat* management institution affiliated with Republika Daily which was affiliated to ICMI, launched the program to establish "1001 BMTs and Islamic Rural Banks" in Indonesia.³²⁾ Also in 1994, the first Islamic Insurance service in Indonesia, PT Asuransi Takaful Keluarga, was established.³³⁾ Study groups and academic institutions focusing on Islamic economics started to flourish.

2.3. Democracy (1999-recent)

The 1997 Asian Crisis was a blessing in disguise for Indonesia's Islamic economy movement. It sparked political events which eventually lead to the resignation of Suharto and the rise of Habibie as the President. In his relatively short transitional period, another important tipping point happened for Islamic economy movement. At least there were three Laws that were significantly affecting the development of Islamic economy movement: Law no. 10/1998 on Banking, Law no. 23/1999 on Indonesia's Central Bank

(Bank Indonesia) and Law no 38/1999 on Zakat.

The Law no. 10/1998 on Banking was issued to amend the 1992 Law on banking. In the revised Law, the term Islamic bank ("*Bank Syariah*") was explicitly mentioned, providing a strong legal basis for the development of Islamic banking and finance. It also provided a legal basis for the expansion of services of Islamic banks, allowed the formerly prohibited dual banking system and allowed interest-based banks to have Islamic banking Units. Law no. 23/1999 on Indonesia's Central Bank (Bank Indonesia) mentioned that the Central Bank's monetary policies could include *shari'a*-based measures.

Another positive impact of the 1997 economic crisis was the growing attention of the BI to Islamic banking. BI established the team for the research and development of Islamic bank in Indonesia in 1999, which was the embryo of BI's Directorate for Islamic Banking. With this establishment, BI positioned itself as an important actor in the development of Islamic banking industry. Following BI's recommendation, new commercial banks were established. *Bank Syariah Mandiri* (BSM) was founded on 8 September 1999 and started to operate on 1 November 1999.³⁴⁾ The establishment of BSM, owned by the powerful *Bank Mandiri*, marked the emergence of Islamic economy as an industry.

Before, the only Islamic commercial bank Indonesia was BMI (other Islamic 'banks' were small-sized Islamic rural banks), which was very much an idealist project accommodated by the state. After 1999, big money started to enter the arena for business purposes. For instance, in 2001 the Indonesian tycoon Chairul Tanjung bought PT Bank Umum Tugu and converted it into an Islamic bank named Bank Syariah Mega, started to operate in year 2004.³⁵⁾ The alumni of BMI, such as Adiwirman Karim and Syafii Antonio, played significant role by help many business actors to set up Islamic banks and other financial institutions.

During Yudhoyono's presidency (2004-2009, 2009-now), several legislations that were advocated by the Islamic economy movement were issued. These Laws were including Law number 19/2008 on Sovereign Shari'a Securities (*Surat Berharga Syariah Negara*), a specific Law on Islamic banking which is the Law number 21/2008 on Islamic Banking, and Law Number 23/2011 on Zakat.

3. Bank Indonesia's Early Involvement

The involvement of the BI on the Islamic economy project started in 1990s. When MUI held the Workshop on Bank and Interest in Cisarua, 18-20 August 1990, officials from the Central Bank of Indonesia were invited. The Governor of BI, Adrianus Mooy, was scheduled to give a presentation on the banking system and its implication for social welfare. However, he did not attend the event personally and thus his presentation was delivered by another official.³⁶⁾

Following the workshop, there was no formal statement by the BI regarding the establishment of an Islamic bank in Indonesia. The central bank did not reject the idea but also promised nothing. The situation changed when Suharto openly declared his support for the establishment of the Islamic bank, even though the President asked that the word 'Islam' should be dropped from the name of the Bank.

Responding to this development, BI established a special team to assist the establishment of BMI. The BI team was led by Subarjo Joyosumarto and included Siti Fajriyah, Ramzi A. Zuhdi, and Muchtar Syafi'i.³⁷⁾ Most of the team had no idea on Islamic banking before, and thus started to learn from zero. This unfamiliarity did not stop them, even though some colleagues in the Central Bank often joked to them that BMI is the acronym for "Bank Mustahil Indonesia" ("Indonesia's Impossible Bank").³⁸⁾ BI also worked closely with a team which was formed by ICMI, led by Karnaen Perwataatmaja, an official at the Department of Finance who had an experience as an executive director at the Islamic Development Bank (1988-1989 and 1991-1992). Bank Indonesia also called other parties, including some major private banks such as Bank Niaga, to lend their hands.³⁹⁾ With the help from the BI team, BMI was finally established and started to operate in 1992.

In this period, skepticism did face BI officials who participated in the establishment project. Many colleagues, including those in the higher rank of BI, doubted that Islamic banking will work in Indonesia. Many saw that the establishment of BMI was nothing more than a concession given by the regime to Muslim groups.⁴⁰⁾ Nevertheless, the idea of Islamic banking and finance promoted by Islamic economy movement had successfully reached the epicenter of state's policy making process on monetary policies and on the banking and financial system.

A small but committed group of sympathizers for further development of Islamic economy project was informally formed within the Central Bank. Their close involvement in the hectic establishment of BMI made them personally connected to Islamic economy activists.

4. Following the Market or Actively Shaping the Market?

From 1992 to 1997, 75 Islamic rural banks were established, while BMI remained the only commercial bank operating by Islamic principles. Even though the 1992 Law on Banking did gave the legal basis for the operation of non-interest banks, many technicalities were conducted according the existing regulations on banking which were not always compatible with the operation of Islamic banking. Due to the small size, BI did not allocate specific unit to deal with Islamic banking.

Some officials did argue that rather than 'following the market' (*BI should create a specific unit to deal with Islamic banking only if Islamic banking is growing to a certain size*), BI should be actively shaping the market by proactively creating an environment which is supportive to the growth of Islamic banking. Harisman, the Head of Kuala Lumpur Office of BI (1994-1997), sent some papers on how BI could help to develop Islamic banking in Indonesia based on his observation to Malaysian practices. However, while his colleagues in BI's central office did positively accept his papers, they "only put the papers as decorations."⁴¹⁾ "Fortunately", according to Harisman, "the idea was captured by Mr. Subarjo Joyosumarto, who was a Deputy Governor at the time."⁴²⁾

The 1997 Asian Crisis had shaken the Indonesian banking system. Responding to the crisis, the authorities took several intervening measures, including closures, take over, and

recapitalization of banks. Furthermore, the authorities introduced several reforms to ensure the emergence of a sound and efficient financial system. To enable it conducting an effective supervision to the banks, BI was granted an independent status from government intervention in the Law No. 23/1999 on Central Bank.

Within this wave of reforms, Islamic banking and finance was taken more seriously by the Central Bank. Even though it was not the main theme of the reform, Islamic banking was considered in line with banking restructuring measures taken by BI.⁴³⁾ The term 'Islamic banking' (*perbankan syari'ah*) also appeared in the Law no.10/1998 on Banking. Law No. 23/1999 on Central Bank also stated that BI is eligible to take shari'a-based monetary policies. BI started to see that the development of Islamic banking, if managed properly, can be positively contributing to the emergence of a sound and efficient financial system.

Within its organization, BI established the team for the research and development of Islamic bank in Indonesia in 1999. With this establishment, BI positioned itself as an active actor in shaping the development of Islamic banking industry. The team was under the supervision of Harisman, who returned from Malaysia in 1997 and was a high ranking official in BI's Bank Monitoring and Development Affairs Section (UPPB, *Urusan Pengawasan dan Pembinaan Bank-Bank*).

Furthermore, BI was deeply involved in the birth of the second Islamic commercial bank in Indonesia, *Bank Syariah Mandiri* (BSM). In early 1999, *Bank Susila Bhakti* (BSB bank) was merged with several other crisis-affected banks. At around the same period, the government merged *Bank Dagang Negara*, *Bank Bumi Daya*, *Bank Exim*, and *Bapindo* banks into a new bank named PT Bank Mandiri (Persero) on 31 July 1999. Following the establishment of PT *Bank Mandiri*, the new bank was granted the majority ownership of BSB. The BSB was then transformed into *Bank Syariah Mandiri*, founded on 8 September 1999 and started to operate on 1 November 1999.⁴⁴⁾

The growth of Islamic banking industry created the need for a specific unit dealing with Islamic banking. In May 2001, the Islamic banking bureau was established to further develop the sector. In 2002, BI issued a regulation on Islamic banking units through BI regulation No. 4/1/PBI/2002, which was significantly supporting the growth of Islamic banking in Indonesia by providing the legal basis for the conversion of conventional bank into Islamic bank, conversion from a branch of conventional bank into a branch of Islamic bank, conversion from a cash office of a conventional bank into a branch of Islamic bank, establishment of an Islamic sub-branch within a branch of a conventional bank, and establishment of Islamic banking unit within a branch of a conventional bank. Around two years later, the status of the bureau was elevated into a directorate.

Table 1. Chronological Development of the Directorate of Islamic Banking, Central Bank of Indonesia⁴⁵⁾

Date	Unit Dealing With Islamic Banking	Information
1992-1998	No specific unit	Some officials were tasked for the Islamic banking.
1998-March 1999	Team for Research on Banking Management and Operations, Bureau for Banking Research, Bank Monitoring and Development Affairs	Research and regulation for Islamic banking is part of the task of the team. Status: a team, but no specific unit
April-August 1999	Team for the Development of Islamic Banking, Bank Monitoring and Development Affairs	Status: a specific unit under a bureau.
September 1999-May 2001	Team for the Development of Islamic Banking, Bureau of Banking Research, Directorate for Banking Research and Regulation	Status: a specific unit under a bureau.
31 May 2001-1 November 2003	Islamic Banking Bureau (Biro Perbankan Syariah, BPS)	As part of the banking reorganization measures, Islamic Banking Bureau (Biro Perbankan Syariah, BPS) was established. Status: a bureau (staffed by < 30 person)
1 November 2003-recent	Directorate of Islamic Banking (DPbS)	Based on PDG No. 5/ /PDG dated 23 October 2003, Directorate of Islamic Banking (DPbS) was established as a directorate. Status: a directorate (staffed by 45-60 person)

In 2002, BI published the Blueprint of Islamic Banking Development in Indonesia to provide the guidance for the stakeholders of Islamic banking and to set the position and vision of the Central Bank on the development of Islamic banking in Indonesia.⁴⁶⁾ In 2004, BI sponsored the establishment of the Center of Communication for Islamic Economy (*Pusat Komunikasi Ekonomi Syariah*, PKES) as part of its efforts to educate the public on Islamic banking and finance.

In 2004, BI introduced several strategic programs to further consolidate the national banking system, including the “single presence policy” that prohibits investors from holding more than 25% of the shares of more than one bank. Islamic economy movement activists and business actors saw this “single presence policy” as an opportunity. They lobbied BI to make a special case for Islamic banking. Investors are prohibited to hold ownership of more than one bank, except in the case where one bank is interest-based bank and the other one is an Islamic bank. BI agreed to this proposal, which lead to the birtch of some new Islamic commercial banks.⁴⁷⁾

On 2 July 2007, BI launched ‘iB’ (*Ai Bi*) as a common identity of Islamic banks.⁴⁸⁾ The fancy name, intentionally aimed at making the audience connect it with modern brands

such as iPhone, iPod, ibank, was designed to familiarize public to Islamic banking services.⁴⁹⁾ In 2008, BI established the Islamic Banking Committee (Komite Perbankan Syariah) to assist BI to understand fatwa from MUI and translate it into BI regulations. In the same year, BI also launched the 'Grand Strategy for Islamic Banking Market Development', which stressed the importance of rebranding Islamic banking by focusing on its 'substance' rather than its 'symbols'.⁵⁰⁾ Until today, BI is still actively involved in the development of Islamic banking and finance in Indonesia.

5. Understanding the Responses

In many occasions, Islamic economy activists praised BI's role in the development of Islamic banking and finance in Indonesia. However, it would be misleading to say that BI is embracing the idea of Islamizing the economic system or the banking and financial system. While BI support to the development of Islamic banking and finance in Indonesia is real and significant, BI had its own views on Islamic banking and finance. Interestingly, by proactively supporting the growth of Islamic banking industry, BI acts as a moderating actor of the Islamic economy project in Indonesia.

5.1. Institutional Interest

Its initial involvement was merely a response to the demand from the society, which was strongly endorsed by President Suharto. However, this initial encounter had sparked the growth of interest in BI on Islamic banking and finance. Because the idea of Islamic economy or Islamic banking and finance was unfamiliar, BI inevitably requested the participation of many Islamic economy activists in the process of developing the regulatory environment that allow Indonesia's first Islamic commercial bank to operate. To gain more insights, BI also learned from the practices of Islamic banking and finance abroad, including Singapore, London and New York.

Domestically, BI also conducted research to understand the views of Muslim communities in Indonesia towards interest. The research found that several Muslim communities in Muslim majority regions such as Java's northern coast, Madura, and West Sumatra were avoiding bank services except in urgent matters. They also rejected to accept the interest from their savings, which in turn created accounting problems for the bank.⁵¹⁾

From this process, BI came into a view that rather than a threat to the banking system, Islamic banking could play a supportive role to strengthen the banking system. The availability of an alternative banking service which operates without interest, BI hoped that the banking system is going to be able to reach out a certain part of the population who see interest as usury and thus forbidden by the religion. More choices of banking services means wider mobilization of public fund. In its official website, BI stated:

"In view of providing a wider banking services alternative to Indonesian economy, the development of Islamic banking in Indonesia is implemented under dual banking system in compliance with the Indonesian Banking Architecture (API). Islamic banking and conventional banking systems jointly and harmoniously support a wider

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public fund mobilization in the framework of fostering financing capability of national economic sectors."⁵²⁾

After the 1997 Crisis which had shaken the banking system, BI took Islamic banking more seriously. BI viewed Islamic banking in the context that diversification of the banking system is important for to strengthen its resilience. Furthermore, at least conceptually, Islamic banking is more connected to real economy and thus will contribute positively to the stability of the financial system.

This perception is evident in various documents of BI regarding Islamic banking in Indonesia. In its official website, BI stated:

"In the context of macroeconomic management, an extensive use of various Islamic financial products and instrument will help attaching financial sector and real sector and create harmonization between the two sectors. In addition to support financial and business the widely use of Islamic product and instrument will also reduce speculative transactions in thus the economy supports the stability of overall financial system. At the end, the Islamic banking will significantly contribute to the achievement of mid-long term price stability."⁵³⁾

Thus, it could be argued that BI's support to the development of Islamic banking in Indonesia was not ideologically driven. There is in no way that BI embraced Islamic economy movement's idea of Islamization of the economic system. Instead, BI supported the development of Islamic banking and finance in Indonesia because BI see its benefit for BI's institutional objective, which is "to achieve and maintain the stability of the Rupiah value," which is related to monetary policies, payment system, and banking system.⁵⁴⁾

5.2. Role of Individuals

But, how BI came into the view that Islamic banking will positively contribute to the stability of the banking system? The role of certain individuals did matter.

Some BI officials did play important roles to convince their colleague in the BI, and thus BI as an institution, that supporting the growth of Islamic banking and finance will be beneficial for the achievement of BI's own institutional objective. One prominent figure is Subarjo Joyosumarto.

He is applauded by Islamic economy activists for his significant role in paving the way for Islamic banking through the bureaucracy of BI. He was the person in charge for assisting the creation of BMI in early 1990s. After 1998, he was also the person behind the birth of the team for the research and development of Islamic banking in BI. He was personally involved in various BI initiatives to develop Islamic banking, including socialization in universities and communities across the Indonesian archipelago. After PKES was established in 2004, he was at its helm as the chairman. Now, in his position the director of Indonesian Banking Development Institute (LPPI, *Lembaga Pengembangan Perbankan Indonesia*) continuously helped further development of Islamic banking and financial industry in Indonesia.⁵⁵⁾ With his role, LPPI established a Directorate of Islamic

Banking in 2004 which officially became the International Center for Development in Islamic Finance (ICDIF) in 2008.⁵⁶⁾

The reason for his support was hardly ideological. According to some BI officials, Subarjo Joyosumarto was not coming from a *santri* (devout muslim) background, even though it was true that he was getting more religious since his encounter with Islamic banking and finance.⁵⁷⁾ With his many initiatives to support Islamic banking, he does not limit himself exclusively into it. He was appointed as Alternate Executive Director of IMF and the Executive Director of the South-East Asian Central Banks (SEACEN) Research and Training Centre prior to his current position in LPPI. Currently, he also sits as a commissioner of the BTN (Bank Tabungan Negara).

The explanation for his support might be socially constructed. His encounter with Islamic economy activists in early 1990s and his close personal relationship with them after the establishment of BI is probably the main factors behind his support. As the person who was in charge for the banking liberalization project in 1980s, he was pretty much open minded to any possibility to strengthen the national banking system. His encounter with the idea of Islamic banking and finance and the fact that some Indonesian rejected interest made him convinced that Islamic banking and finance is an untapped potential in Indonesia.

Another important figure was Harisman, who was the Head of Kuala Lumpur Office of BI from 1994 until 1997. During his stay there, he observed the Malaysian practices of dual banking system and how the central bank plays a significant role in developing Islamic banking sector.⁵⁸⁾ Based on his observation, he sent papers back to Indonesia, which will later become important sources for BI's initiatives on Islamic banking. He recalled that his interest for Islamic banking was sparked since early 1990s, at the time when BMI was born.⁵⁹⁾

BI's encounter with Islamic economy movement during the establishment of BMI in early 1990s was not only significant in terms of the birth of BMI itself, but also significant because this encounter had helped created a close personal relationship with many important BI officials that view Islamic banking positively. Most of BI officials who play important roles in the development of Islamic banking were among Joyosumarto's team in early 1990s, such as Siti Fajriyah, Ramzi A. Zuhdi, and Muchtar Syafi'i.

5.3. Close Relationship with Islamic Economy Movement and Business Actors

BI's Grand Strategy of Islamic Banking Market Development regarded the efforts to develop Islamic banking industry in Indonesia as a kind of "total football". According to this grand strategy, BI should work together closely with activists, Islamic banks, and the academics.



Picture 1. Total Football Approach of Islamic Banking Development ⁶⁰⁾

The relatively small size of the Islamic banking industry and the active role of BI to help develop the sector had made some BI officials were personally close to Islamic economy movement activists and business actors.⁶¹⁾ This close relationship was started since the beginning, because BI had no idea of what is 'Islamic banking' before. Thus, BI officials, institutionally and personally, inevitably consult with Islamic economy activists, Islamic economists, and Islamic religious scholars. The relationship was continuously maintained. Throughout the development of Islamic banking-related policies in BI, BI always involved activists, Islamic economist, Islamic religious scholars, and (after the industry grew) Islamic bank bankers.

Around the time when BI started to have a specific team dealing with Islamic banking in 1998, BI also formed the Expert Committee for Islamic Banking Development, which was chaired by KH Alie Yafie of MUI and Syafi'i Antonio, an Islamic economist, as the secretary. In 2004, BI sponsored the establishment of PKES, which bridge the communication between various stakeholders of Islamic economy project. Subarjo Joyosumarto then acted as the chairman. When BI formed Islamic Banking Committee in 2008, it also invited Islamic economy activists, Islamic economists, and religious scholars.

In the other hand, Islamic economy activists are also intentionally maintaining close relationship with the BI. When the Society for Islamic Economy was founded by Islamic economy movement activists in 2001, some BI officials were invited to sit in the central board. Muliaman Hadad, currently a Deputy Governor in BI, is currently acting as the Chairman of MES (from 2008 until 2011 and re-elected for 2011 until 2014).

6. The Twin Negotiations: The Place of Islamic Banking and Finance in the State and the Place of State in the Islamic Banking and Finance

BI's active role in supporting the growth of Islamic banking and finance in Indonesia is a fundamental factor in the development of Islamic economy project. However, BI's deep involvement inevitably brought forward a dilemma about the relationship between the state and this particular Islamic economy project, which can be identified as two parallel continuous negotiations.

The first negotiation is on the place of Islamic banking and finance in the state. The original goal of Islamic economy movement is the islamization of the economic system of the state. Islamic banking and finance is an important part of this long term project. In the

other hand, BI sees Islamic banking as an instrument to “provide a wider banking services alternative” which is compliant to the existing Indonesian banking architecture.⁶²⁾ Islamic banking, in the view of BI, is not to replace the existing banking system, but instead to strengthen it.

Interestingly, given the abstract nature of this negotiation, both Islamic economy movement activists and BI official often tend to avoid discussing this openly. BI officials do not ask MES or other Islamic economy movement organizations to stop criticizing the current economic system or to change their ideological vision of changing the economic system. On the other hand, Islamic economy movement activists do not ask BI to support Islamic banking as a part of a total Islamization of the economic system, because they know that it would be impossible. Both prefer to discuss more practical matters in developing Islamic banking and finance in Indonesia.

Nevertheless, the interaction between the state institution (BI) and Islamic economy activists did affect both sides. Some Islamic economy activists are becoming more and more moderate due to their intensive interaction with BI and various other actors such as business actors. Some started to think that ‘coexistence’ with the existing economic system is not a bad thing. Some of them see that the way to an Islamic economic system is a long way, and thus need the journey should be conducted step by step, including by compromising with the state. In the other hand, some BI officials were becoming more supportive towards Islamic economy movement. However, these different positions were often swept under the carpet. Rather than discussing something that is too far away and resulted in nothing but disagreement, both BI and Islamic economy activists focus on practical things that they can agree upon.

The second negotiation is the opposite direction: the place of the state within Islamic banking and finance industry. How far should the state (BI) involved? What authorities should be in the hand of the market and what should be in the hand of the state? BI has a stake in this negotiation because it will affect the overall stability of the banking system.

Although a specific debate on this question was never formally held, many incidents were illustrating this negotiation. For instance, after BI sponsored the birth of Bank Syariah Mandiri and several other Islamic commercial banks were established, the new Islamic bank was ‘directed’ to establish another organization rather than unified in the existing Indonesian Association for Islamic Banks (*Asosiasi Bank Syariah se-Indonesia*, ASBISINDO) which was founded in 1992. Finally, BSM founded Islamic Banking Compartment within the Indonesian Banks Association (*Kompartemen Perbankan Syariah PERBANAS*). While there were some little disappointments within ASBISINDO, both organizations went along well with relatively no conflict.⁶³⁾

Another case was the debate on the Islamic Banking Committee (KPS, *Komite Perbankan Syariah*). During the legislation process of the 2008 Islamic Bank Law, BI wanted to establish Islamic banking committee (KPS) within the BI structure with significant power to regulate the Islamic banking industry. In the KPS, BI promised to fairly accommodate representatives from the business, Islamic religious scholars, and Islamic economists.

This idea was not completely accepted by business actors due to their worries that the

BI will have stronger control to the industry and thus limiting its growth. MUI was also not really fond of the idea because it worried that the KPS will take over their role (for example: to issue *fatwa* regarding Islamic banking practices).⁶⁴⁾

Finally, the KPS was established under BI structure, but with an unclear role, more like an advisory board, and not as powerful as it was designed. The power to issue fatwa stayed in DSN MUI (*Dewan Syariah Nasional Majelis Ulama Indonesia*, Indonesia Islamic Scholars Council's National Council of Shari'a). However, because MUI is not a state body, it has no legal power. Thus, as before, the fatwa only serve as an accepted agreement among the actors and only become a legal rule after BI issued a BI regulation (*Peraturan Bank Indonesia*) based on that particular fatwa. Of course, theoretically, BI can prefer to skip any fatwa that it does not agree to be legalized as PBI.⁶⁵⁾ Due to its unclear position, KPS only existed in 2008 until 2010.

The KPS issue was only a part of BI's concern on the governance of Islamic banking and how far the state should interfere. Some officials in the BI still found that the current governance of Islamic banking industry is a little bit problematic. Formally, the guideline for the industry was set by BI through BI regulations (PBI). Most PBI came from fatwa by DSN-MUI, which have more authority due to their vast religious knowledge.

However, according to personal opinions of some BI officials, the process is a problematic one. The process of an issuance of fatwa is started when an institution, usually Islamic banks or other business institutions, formally submit a request for a *fatwa* to DSN-MUI, usually about the permissibility of a particular business practice. Following the request, DSN-MUI then will conduct meetings and discussions to discuss the matter. All costs for the discussion process to issue fatwa were beared by the institution that had requested the fatwa. While DSN-MUI members and Islamic banks always insist that DSN-MUI is independent when making fatwa, some were worried that the process is unhealthy. Even though not criticizing it openly, some BI officials personally think that in current process there are many conflicts of interests. Even though the requester does not influence the fatwa making process, it pays for the cost of the process. Furthermore, many of DSN-MUI members are also sitting as a member of Shari'a Supervisor Board in many Islamic banks, which was paid by the banks.⁶⁶⁾

7. The Moderating Effect of BI's Involvement

Prominent involvement of state institutions in the development of Islamic economy project had profoundly affected Islamic economy movement. By taking the leadership role in directing the development of Islamic banking and finance in Indonesia, added with the impact from the role of business actors, Bank Indonesia had created a moderating effect to the movement.

BI's official website stated:

"The Islamic banking system envisioned by Bank Indonesia is a modern Islamic banking with open and universal characteristics and inclusive to all Indonesian people with no exception. It refers to banking system presenting applicative forms of Islamic

economic concept that is wisely formulated in the current context of problems faced by Indonesia within the consciousness of the historical socio-cultural condition of this country. Only by doing that, the aspiration development of Islamic banking will always be recognized and accepted by all Indonesian people as a part of the solutions to the various problems encountered by this country."⁶⁷⁾

One instance of this moderating role of BI was BI's invitation to MarkPlus Inc., a professional marketing company, to help designing the grand strategy for Islamic banking market development. What is interesting is that the company was owned by Hermawan Kartajaya, a marketing expert with Chinese-Catholic background.⁶⁸⁾ Furthermore, he was appointed to sit as the member of the Islamic Banking Committee from 2008 to 2010. Interestingly, there was no opposition or critics from Islamic economy activists.

This development is significant because during its early period, Indonesia's economy movement was colored by a strong protest against Chinese domination in the economy. Even until late 1990s, this sentiment was still strong. For example, Agus Wahid, a staff at Bank Muamalat Indonesia, was criticized that Chinese-Indonesians were controlling at least 60% of Indonesia's economy and argued that Islamic economy is the way to end this unfair domination and strengthen the Muslims economic power.⁶⁹⁾ The activists' acceptance to Hermawan Kartajaya's appointment as a member of KPS and his role in designing a more inclusive Islamic banking marked a significant departure of Islamic economy movement from its past political context.

Another factor that contributed to this moderating effect was BI's role in connecting Indonesia's Islamic economy project with the global Islamic economy industry. In its early period, Indonesia's Islamic economy movement was pretty much isolated because of its limited resource. When BI started to be actively involved in the development of Islamic banking and finance, BI connected Indonesia's Islamic economy industry with various international organizations such as Islamic Development Bank (IDB), Accounting and Auditing Organization for Islamic and Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), and International Islamic Financial Market (IIFM).⁷⁰⁾ These organizations are having more professional orientation rather than political one ('making bucks rather than changing the system'). Furthermore, BI also open Indonesia's Islamic banking market to international business actors such as HSBC Amanah or CIMB, which conduct Islamic banking as a real business rather than as an idealist project to Islamize the economy.

8. Conclusion

In conclusion, BI's support to the development of Islamic banking in Indonesia was not ideologically driven. There is in no way that BI embraced Islamic economy movement's idea of Islamization of the economic system. Instead, BI supported the development of Islamic banking and finance in Indonesia because BI see its benefit for BI's institutional objective, which is "to achieve and maintain the stability of the Rupiah value," which is related to monetary policies, payment system, and banking system.

In coming to this positive view, the role of certain individuals such as Subarjo Joyosumarto, Harisman, and Ramzi Zuhdi were important. Most of these officials were involved in the establishment of Indonesia's first Islamic bank in 1991 and maintained close relationship with Islamic economy movement activists since then.

BI was very open in working together with Islamic economy movement activists who advocate for the Islamization of the economic system. However, despite the convergence of interests, there was also continuing tensions. These continuing tensions could be identified as 'the twin negotiations,' in which the state and Islamic economy movement negotiate the role of the state in the Islamic banking and finance (i.e. how far BI could interfere in the industry?) and the role of the Islamic banking and finance in Indonesia's economic system (i.e. replacing the existing system vs. complementing the existing system).

The leading role of BI in shaping the Islamic banking and finance industry had created a moderating effect towards Islamic economy movement. Originally was calling of a total Islamization of the banking system, many supporters of Islamic economy project started to talk about 'coexistence' with the existing banking and financial system.

Notes

- 1) The National Bureau of Asian Research, Asia Policy Q&A, "Understanding Islamic Finance: Local Innovation Global Integration," *Asia Policy*, Number 6, July 2008, pp. 1-14.
- 2) *Shari'a* means Islamic law. Islamic banking and finance implies the banking and financial practices which are conducted in accordance to Islamic law which prohibited interest (regarded as usury) and speculations. Instead of interest, Islamic banks operate based on the principle of 'profit and loss sharing.'
- 3) Melissa Hancock, "Islamic Finance's Growth Story is Only Just a Beginning," *The Banker*, 1st of November, 2011, retrieved from <http://www.thebanker.com/Markets/Islamic-Finance/Islamic-finance-s-growth-story-is-only-just-beginning> on 12th of May 2012, 15:00 Japan Standard Time (JST) and Joseph DiVanna, "Islamic Finance Roars Again," *The Banker*, 1st of November, 2011, retrieved from <http://www.thebanker.com/Markets/Islamic-Finance/Islamic-finance-roars-again> on 12th of May 2012, 15:00 JST.
- 4) Rodney Wilson, "Islamic Finance in Europe," *RSCAS Policy Papers*, No. 2007/2 (Italy: European University Institute for Muslim Minorities in Europe, 2007)
- 5) Brian Caple and Joseph DiVanna, "Top 500 Islamic Financial Institutions," *The Banker*, 24th of November, 2010. Retrieved from <http://www.thebanker.com/Markets/Islamic-Finance/Top-500-Islamic-Financial-Institutions2> on 12th of May 2012, 15:00 JST.
- 6) Clement M. Henry and Rodney Wilson (eds.), *The Politics of Islamic Finance*, (Edinburgh: Edinburgh University Press, 2004).
- 7) Robert P. Parks, "Ayyu Bank Islami? The Marginalization of Tunisia's BEST Bank", in Clement M. Henry and Rodney Wilson (eds.), *The Politics of Islamic Finance*, pp. 240-255.
- 8) Sherin Galal Abdullah Mouawad, "The Development of Islamic finance: Egypt as a Case Study," *Journal of Money Laundering Control*, Vol. 12 No. 1, 2009, pp.74-87.
- 9) The National Bureau of Asian Research, Asia Policy Q&A, "Understanding Islamic Finance: Local Innovation Global Integration," p. 6.
- 10) See Jun Honna, *Military Politics and Democratization in Indonesia*, (London and New York: Routledge Curzon, 2003)
- 11) Ahmad Muflih Saefudin, (31 October 1940 -) is a leading figure in Indonesia's Islamic

economy movement. Acknowledged as the initiator of the movement, he was often considered as the 'teacher' of the younger generation of Indonesia's Islamic economists. He served as Ibnu Chaldun University Rector (1983-1986), as Parliament member from the Islamic party PPP (1992-2004), and appointed as the Minister of Food and Horticulture (1998-1999). While working as Agriculture Advisor of World Bank in Bank of Indonesia (1978-1982), he established *Pusat Pengembangan Agribisnis* (PPA, Center for Agribusiness Development) with Amin Aziz and Dawam Rahardjo. Later, PPA played important role in the early stage of Islamic economy project in Indonesia. Amin Aziz is considered by many as the man behind the establishment of Indonesia's first Islamic bank, Bank Muamalat Indonesia.

- 12) Howard Dick, *et. al.*, *The Emergence of A National Economy: An Economic History of Indonesia, 1800-2000*, (NSW: Allen & Unwin, 2002), pp. 203-205. See also John Bresnan, *Managing Indonesia: The Modern Political Economy* (New York: Columbia University Press, 1993), pp. 51-85.
- 13) The terms 'right', 'left', and 'middle' is the terms used by the military during the New Order Period. As a political rhetoric, the terms were not always follow academic categorization (for example: 'middle' for 'democrats' is nowhere to be found in any political science literature).
- 14) Martin van Bruinessen, "Islamic State or State Islam? Fifty Years of State Islam Relations in Indonesia," in Ingrid Wassel, *Indonesien am Ende des 20. Jahrhunderts*. (Hamburg: Abera Verlag, 1996), pp. 19-34. Christian and secular parties were also forced to merge into PDI (Partai Demokrasi Indonesia, Democratic Party of Indonesia). Soeharto also established the government party, Golkar (Golongan Karya, or Functional Groups), which was expected to dominate the parliament.
- 15) Mark Cammack, "Islamic Law in Indonesia's New Order," *ICLO*, vol. 38, 1989, pp. 53-73.
- 16) To strengthen its grip to Muslims, in 1975, the New Order regime created MUI (*Majelis Ulama Indonesia*, Indonesian Council of Islamic Scholars). This corporatist body was used to give religious decrees (fatwa) for supporting 'development policies' (for example: fatwa justifying state sponsored sports gambling or support for contraception). Muslim organizations such as NU, Muhammadiyah, and Persis (*Persatuan Islam*, Islamic Union) many times opposed this state-sponsored 'council of ulama'.
- 17) Interview with A.M. Saefuddin, 16th of September, 2011.
- 18) See Jun Honna, *Military Politics and Democratization in Indonesia*. Many observers believed that following this break up, Suharto went closer to Muslim groups to embrace a new ally to strengthen his regime.
- 19) Green is often considered as the color of Islam.
- 20) Zaim Uchrowi & Usman Ks, *ICMI Bergerak: Lintasan 10 Tahun Ikatan Cendekiawan Muslim se-Indonesia (ICMI on the Move: 10 Years Journey of ICMI)*, (Jakarta: Penerbit Republika, 2000), p. 40. In MUI-sponsored Cibogo meeting, May 1986, Forum Komunikasi Pembangunan Indonesia (FKPI, *Communication Forum for the Development of Indonesia*) was established. The main aim was to back up the MUI by providing recommendations from the perspective of Muslim intellectuals. Actually, many participants were willing to establish an organization of Muslim intellectuals. However, after discussing with figures from MUI and the Ministry of Religion, they decided not to do so because they were worried of government responses. Some participants, most vocal was Fuad Amsyari, kept pushing the idea to establish an organization. Thus, FKPI was established for a compromise. Still a forum for Muslim intellectuals, but putting it as a supporting system for MUI and thus avoid government's wrath.

- 21) Hutomo Mandala Putra, popularly known as Tommy Suharto, is Suharto's youngest son and the most controversial. He founded his business enterprise, Humpuss Group in 1984 at the age of 22. Using his father's name assertively, Tommy brought Humpuss to be a major player in various fields, including petrochemicals, wood manufacturing, fertiliser production, toll roads, sugar and palm-oil plantations, and advertising. Adam Schwarz, *A Nation in Waiting: Indonesia's Search for Stability*, (Singapore: Talisman, 2004), p. 143.
- 22) Muhammad Syafii Antonio, *Bank Syariah: Dari Teori Ke Praktek (Islamic Bank: From Theory to Practices)*, (Jakarta: Gema Insani Press, 2001), pp. 25-26. It should be noted that MUI was recognizing that there were different views on the status of 'interest' (three views: interest is riba (usury) and thus prohibited, interest is not riba and thus allowed, and that interest is *mutasyabihat*, in doubt, thus it is better to avoid but it is ok in case of emergency). However, the financial system was not having an institution that can serve thus who believe that riba is prohibited. Thus, MUI recommended the establishment of an Islamic bank. See also Robert W. Hefner, "Islamizing Capitalism, On the Founding of Indonesia's First Islamic Bank" in Arskal Salim and Azyumardi Azra (eds.), *Shari'a and Politics in Modern Indonesia*, (ISEAS: Singapore, 2003) pp. 148-167. This is a reprint of Robert W. Hefner, "Islamizing Capitalism, On the Founding of Indonesia's First Islamic Bank" in Mark R. Woodward, ed., *Toward a New Paradigm: Recent Developments in Indonesian Islamic Thought* (Tempe, Arizona: Arizona State University, 1996), pp. 291-322.
- 23) Habibie was intentionally recommended to be the chairman of the organization by Imaduddin Abdulrahim, an influential figure among Muslim activists, to make a supporting environment for the new organization. Robert W. Hefner, "Islam, State, and Civil Society: ICMI and the Struggle for the Indonesian Middle Class," *Indonesia*, No. 56, (October 1993), pp. 16-22.
- 24) Rachmat Saleh is the Governor of Central Bank of Indonesia (Bank Indonesia, BI) from 1973-1983. He served as the Minister of Trade from 1983 to 1988.
- 25) Zaim Uchrowi and Usman Ks, *ICMI Bergerak: Lintasan 10 Tahun Ikatan Cendekiawan Muslim se-Indonesia (ICMI on the Move: 10 Years Journey of ICMI)*, p. 97. According to the BMI Board of Directors Report 1992, ICMI established several teams: fund raising team, law and regulation team, and the team dealing with the drafting of the statute/articles of association of BMI and the formation of the management team. See Bank Muamalat Indonesia, "Sejarah Singkat Bank Muamalat" ("Brief History of Bank Muamalat") in *BMI Board of Directors Report 1992*, p. 19.
- 26) Interview with Nusirwan and Ali Sakti, senior researchers at Central Bank of Indonesia, 11th of August, 2011.
- 27) See Undang Undang No. 7 tahun 1992 tentang Perbankan (Law No. 7/1992 on banking).
- 28) "BMI Membuka Cabang di Kota Bandung" ("BMI Opened Branch in Bandung"), *Republika Daily*, 19th of July, 1994. "BMI Berikan Layanan Bagi Hasil Sesuai Syariat Islam" ("BMI Provides Profit-sharing Services Compliant to Islamic Shari'a"), *Republika Daily*, 18th of November, 1994.
- 29) "BMI Membuka Cabang di Kota Bandung" ("BMI Opened Branch in Bandung"), *Republika Daily*.
- 30) "BMI Berikan Layanan Bagi Hasil Sesuai Syariat Islam" ("BMI Provides Profit-sharing Services Compliant to Islamic Shari'a"), *Republika Daily*.
- 31) "Di Aceh dan Lampung akan Beroperasi 85 Baitul Maal wat Tamwil" ("85 BMTs will Operate In Aceh and Lampung"), *Republika Daily*, 20th of September, 1994.

- 32) Eri Sudewo, "*Dari Dompot Dhuafa Republika: Forum Ekonomi Syariah*" ("From Republika's Dompot Dhuafa: Forum for Islamic Economy"), *Republika Daily*, 10th of November, 1994.
- 33) *Pusat Ekonomi dan Bisnis Syariah Fakultas Ekonomi Universitas Indonesia* (Center for Islamic Economics and Business, Faculty of Economy, University of Indonesia; PEBS FEUI) , *Indonesia's Shari'ah Economic Outlook 2011* (FEUI Press, 2011).
- 34) "The History of BSM", accessed from <<http://www.syariahmandiri.co.id/category/info-perusahaan/profil-perusahaan/sejarah/>> on 4th of January, 2011, 14:50 JST.
- 35) "A Brief Profile of Bank Syariah Mega, accessed from <<http://www.bsmi.co.id/Profil-SekilasBSMI.php>> on 4th of January, 2011, 14:50 JST.
- 36) Zaim Uchrowi & Usman Ks, *ICMI Bergerak: Lintasan 10 Tahun Ikatan Cendekiawan Muslim se-Indonesia (ICMI on the Move: 10 Years Journey of ICMI)*, p. 95.
- 37) Subarjo Joyosumarto and Siti Fajriyah were both later appointed as a Deputy Governor of BI. Subarjo Joyosumarto was serving as a Deputy Governor of BI from 1998 (Habibie's presidency) until 2000 (Abdurrahman Wahid's presidency). His resignation from the position was said to be caused by Abdurrahman Wahid's enmity towards him. "Syahril Sabirin: Presiden Tidak Menyukai Subarjo Joyosumarto" ("President Disliked Subarjo Joyosumarto: Syahril Sabirin"), *Kompas Daily*, 13th of June, 2000.
- 38) "Subarjo Joyosumarto: Pelopor Bank Mustahil di Indonesia" ("Subarjo Joyosumarto: The Pioneer of Impossible Bank in Indonesia"), *Jurnal Nasional Daily*, 11th of October, 2011. The news also appeared in PKES Portal, accessed from <<http://www.pkesinteraktif.com/edukasi/sosok/2702-subarjo-joyosumarto-pelopor-bank-mustahil-di-indonesia.html>>, 26th of December, 2011. www.pkesinteraktif.com is a newsportal specializing on the news on Islamic economy in Indonesia.
- 39) Interview with Aries Muftie, former director of Bank Muamalat Indonesia, chairman of Indonesia Society for Islamic Economy (MES), and now is the chairman of ABSINDO (Association of Indonesia's Islamic Cooperatives), 12th of September, 2011.
- 40) Interview with Harisman Sidi, former Head of Islamic Banking Bureau (and in 2003 turned into the Directorate of Islamic Banking) at BI, 15th of August, 2011.
- 41) Fathurrozi N.K., Sofyan Badrie, Tata Septayuda, "*Menguji Kekuatan Bank Syariah: Wawancara dengan Direktur Direktorat Perbankan Syariah BI*" ("Evaluating the Strength of Islamic banking: Interview with the Director of the Directorate of Islamic Banking of BI"), *Majalah Gontor*, 2004. Available online at one of the editor's blog: <http://rojinulis.blogspot.com/2008/02/menguji-kekuatan-bank-syariah.html>
- 42) *Ibid.*
- 43) Subarjo Joyosumarto, "*Kebijakan Pemerintah dalam Pengembangan Perbankan Syariah di Indonesia*" ("The Government's Policies in the Development of Islamic Banking in Indonesia"), paper for public education on Islamic banking by BI, published by BI. Included as the 20th chapter in Muhammad Syafii Antonio, *Bank Syariah: Dari Teori Ke Praktek (Islamic Bank: From Theory to Practices)*, p. 223.
- 44) "The History of BSM", accessed from <<http://www.syariahmandiri.co.id/category/info-perusahaan/profil-perusahaan/sejarah/>> on 4th January, 2011, 14:50 JST.
- 45) Compiled and modified by the author from BI document, "Informasi Seputar Peningkatan Status Biro Perbankan Syariah (BPS) menjadi Direktorat Perbankan Syariah (DPbS)" ("Informations Regarding the Status Elevation of the Islamic Banking Bureau into the Directorate of Islamic Banking"), Bank Indonesia, 2003.
- 46) "Sekilas Perbankan Syariah di Indonesia" ("An Overview of Islamic Banking in Indonesia"),

- <http://www.bi.go.id/web/id/Perbankan/Perbankan+Syariah/> , accessed 6 March 2012, 21:31.
- 47) Interview with Adiwarman Karim, 14th of September, 2011. Adiwarman Karim is the Founder and President Director of Karim Business Consulting, a leading consultant who plays an important role in helping to establish many Islamic financial institutions in Indonesia, and one of the Chairmen of the Indonesian Society for Islamic Economy.
 - 48) At the time was 5 Islamic Commercial Banks, 26 Islamic Banking Units, 132 Islamic Rural Banks, and 1,492 Office Channeling.
 - 49) "Apa sih iB (Ai Bi)?" ("What is iB?"), BI document, accessed from http://www.bi.go.id/NR/rdonlyres/F6262FB5-D4D4-4DB1-BBF3-E65C444D0FA4/17643/Apa_Sih_iB.pdf , accessed 6th of March, 2012, 21:31 JST.
 - 50) BI, *Grand Strategy of Islamic Banking Market Development*, (Jakarta: BI, 2008), accessed from http://www.bi.go.id/NR/rdonlyres/1DFA882B-16DB-44C9-8461-5CA3D8C637A5/19459/Grand_Strategy_of_Islamic_Banking_Market_Developme.pdf , 6th of March, 2012, 21:50 JST.
 - 51) Subarjo Joyosumarto's presentation in Islamic Banking Seminar, Faculty of Law, University of Indonesia, November 1999. As quoted in Zaim Uchrowi and Usman Ks., *ICMI Bergerak*, pp. 100-101.
 - 52) "Sekilas Perbankan Syariah di Indonesia" ("An Overview of Islamic Banking in Indonesia"), <http://www.bi.go.id/web/id/Perbankan/Perbankan+Syariah/> , accessed on 6th of March, 2012, 21:31 JST.
 - 52) Interview with Adiwarman Karim, 14th of September, 2011.
 - 53) "Sekilas Perbankan Syariah di Indonesia" ("An Overview of Islamic Banking in Indonesia"), <http://www.bi.go.id/web/id/Perbankan/Perbankan+Syariah/> , accessed on 6th of March, 2012, 21:31 JST. This paper presents the statement in the website because an official website represents the main idea which is publicly announced.
 - 54) Law No. 23/1999 on Bank Indonesia, article 7 and 8.
 - 55) LPPi is a BI-affiliated education institute. See www.lppi.or.id
 - 56) "About ICDIF", accessed from <http://www.lppi.or.id/english.php/module/Pages/sub/18> on 6th of March, 2012, 21:40 JST.
 - 57) Interview with Nusirwan and Ali Sakti, Senior Researchers at BI, 11th of August, 2011.
 - 58) Fathurrozi N.K., Sofyan Badrie, Tata Septayuda, "Menguji Kekuatan Bank Syariah: Wawancara dengan Direktur Direktorat Perbankan Syariah BI"
 - 59) Interview with Harisman Sidi, former Head of Islamic Banking Bureau (and in 2003 turned into the Directorate of Islamic Banking) at BI, 15th of August, 2011.
 - 60) BI, *Grand Strategy of Islamic Banking Market Development*, (Jakarta: BI, 2008), p. 3.
 - 61) Interview with Adiwarman Karim, 14 September 2011. Similar statement was also obtained from the interview with Harisman Sidi, former Head of Islamic Banking Bureau (and in 2003 turned into the Directorate of Islamic Banking) at BI, 15 August 2011. Similar opinion regarding this matter is also evident in other interviews with other Islamic bank bankers, BI officials, or MES activists.
 - 62) "Sekilas Perbankan Syariah di Indonesia" ("An Overview of Islamic Banking in Indonesia"), <http://www.bi.go.id/web/id/Perbankan/Perbankan+Syariah/> , accessed on 6th of March, 2012, 21:31 JST.
 - 63) Interview with Wahyu Dwi Agung, former Chairman of ASBISINDO (1998-2002 and 2002-2005), 13th of September, 2011.
 - 64) Interview with Ali Sakti, a Senior Researcher at BI, 11th of August, 2011.

- 65) Interview with Ali Sakti, 11th of August 2011.
- 66) Interview with Ali Sakti, 11 August 2011. Also from interview with Ahmad Ifham Sholihin, a project contractor in several Islamic banks, 9th of August, 2011.
- 67) "An Overview of Islamic Banking in Indonesia", <http://www.bi.go.id/web/id/Perbankan/Perbankan+Syariah/>, accessed on 6th of March, 2012, 21:31 JST.
- 68) Interview with Hermawan Kartajaya, founder and owner of MarkPlus Inc. and former member of BI's Islamic Banking Committee, 11th of August, 2011.
- 69) Agus Wahid, "Memperkuat Posisi Ekonomi Ummat" ("Strengthening the Ummah's Economic Position"), *Republika Daily*, 17th of November, 2000.
- 70) Bank Indonesia, *Laporan Perkembangan Perbankan Syariah (Islamic Banking Development Report)*, (Jakarta: BI, 2004), pp. 23-28.

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(CHOIRUZZAD, Shofwan Al Banna, Doctoral Program in International Relations, Graduate School of International Relations, Ritsumeikan University)

インドネシアのイスラム経済プロジェクトの発展における中央銀行（Bank Indonesia）の役割、意図、及び緩和効果

本稿は銀行及び金融制度において最も重要で最高権限を有する国家機関である中央銀行（Bank Indonesia）に焦点を当てて、進化した政治状況の中で、インドネシア政府はいかにイスラム経済プロジェクトのコアであるイスラム金融に対して反応してきたかについて理解するためのものである。また、本稿では様々な反応の背景となる政策決定過程における主要な要素や重要なアクターの意図を明らかにすることも試みる。

筆者はイスラム金融の発展に対する BI の支持とはイデオロギー的な意図主導のものではないと考える。BI は経済制度のイスラム化の考え方を受け入れたという解釈も考えにくい。その支持は、イスラム銀行と金融制度の推進は BI の利益をもたらす可能性があるという BI の見解によるものだと見られる。

このような見解の背景には、Subarjo Joyosumarto, Harisman, 及び Ramzi Zuhdi は重要な役割を担ってきた。彼らは 1991 年に、インドネシアで最初のイスラム銀行の設立に関わったのみならず、それ以来イスラム経済の学者や活動家と密接な関係を維持してきた。

イスラム銀行及びイスラム金融業の形成における BI の主導的な役割はイスラム経済支持者の動きに対して「緩和効果」をもたらしたと見られる。以前、多くのイスラム経済プロジェクトの支持者は銀行と金融制度の完全なイスラム化を求めたが、近年、既存の銀行・金融制度との共存の可能性も議論するようになった。

(コイルザド・ソフワン・アル・バナ, 立命館大学大学院国際関係研究科博士課程後期課程)