

Basic Principles of Islamic Bank Operations

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ABSTRACT

Islamic banking exists as an alternative financial system that operates based on Islamic values and avoids the practices of usury (riba), gharar (gharar), and maisir (gambling). This study aims to explain the basic operational principles of Islamic banks, which serve as the main foundation for implementing Sharia-based financial transactions. The discussion focuses on five main principles: **Al-Wadiah (deposit)**, **Syirkah (profit sharing)**, **Al-Tijarah (sale and purchase)**, **Al-Ijarah (rent)**, and **Al-Ajr wal Umulah (fee/service)**. The writing method is carried out through a literature review sourced from muamalah fiqh references and contemporary Islamic accounting theory. The results of the study show that each principle has a different but complementary contract mechanism in creating a fair, transparent, and real economic activity-oriented financial system. The application of these principles not only strengthens the unique characteristics of Islamic banks but also supports the goals of Islamic economics in realizing justice and the welfare of the people. Overall, the basic operational principles of Islamic banks reflect the integration of commercial functions and moral-spiritual values in a modern financial system.

Keywords: Sharia Bank, Operational Principles, Sharia Contract, Al-Wadiah, Syirkah

BACKGROUND

Islamic banking is a vital component of the Islamic financial system, addressing the public's need for financial institutions operating based on Sharia principles. Unlike conventional banking systems, which rely on interest (*riba*), Islamic banks reject all forms of usury, *gharar* (uncertainty), and *maisir* (speculation or gambling). In Islam, economic activity is not merely a means to seek profit, but also a means to achieve justice, prosperity, and blessings.

The basic operational principles of Islamic banking are built on a foundation of Islamic values that emphasize honesty, justice, trustworthiness, and social responsibility. These principles are then implemented in various forms of contracts, such as *Al-Wadiah* (deposit), *Syirkah* (concession), and *Al-Muttaqin* (deposit). (profit sharing), *Al-Tijarah* (sell buy), *Al-Ijarah* (rent), And *Al-Ajr wal Umulah* (fee or services). Each principle has different characteristics and applications, but all are oriented towards the benefit and justice of the parties.

In the context of the Indonesian economy, where the majority of the population is Muslim, the presence of Islamic banks is an important alternative that can provide a choice of financial systems. Which in accordance with values religion. By Because That, understanding to The basic operational principles of Islamic banking are very necessary, especially for accounting and economics students so that they are able to internalize Islamic financial concepts in professional practice.

Basic Principles of Islamic Bank Operations

The basic operational principles of Islamic banks are an important foundation that distinguishes the Islamic banking system from conventional banking. Etymologically, principles are understood as the basis or foundation that serves as a reference for action, while operations refer to the actual implementation process. Islamic banks themselves are financial institutions that carry out activities of collecting and distributing funds based on Islamic law. Thus, the basic operational principles of Islamic banks can be understood as the foundation that regulates banking transaction mechanisms to align with the values of Islamic law. According to Rizal Yaya, Aji Erlangga, and Ahim Abdurahim (2009), these principles are a set of rules aimed at preventing banking practices from elements of usury, *gharar*, and *maisir*, while ensuring that every transaction reflects justice and the benefit of the parties. Adiwarmarman Karim (2017) also emphasized that every transaction in Islamic banking must be conducted based on a valid contract in *muamalah fiqh*, with attention to clarity of rights, obligations, and transparency between the parties. The legal basis for implementing this principle is found in the Qur'an, including Surah Al-Baqarah verse 275 which is the basis for the prohibition of usury in Islamic

economics, as well as the word of Allah in Surah An-Nisa verse 29 which emphasizes the prohibition of consuming one's property in a false manner and requires willingness in transactions.

Pure Savings Principle (Al-Wadiah)

The principle of pure savings, or Al-Wadiah, is a fundamental principle in fundraising in Islamic banks. Wadiah is derived from the word meaning deposit, which is the transfer of assets to another party to be safeguarded and returned whenever needed. In Islamic banking practice, the wadiah contract is used in current accounts and savings products, where the customer acts as the depositor (muwaddi') and the bank as the recipient of the deposit (wadi'). Deposited funds are not bank assets, but rather a trust that must be safeguarded and returned whenever the customer requests it. Common forms of wadiah implementation in the Islamic financial system are wadiah yad al-amanah and wadiah yad adh-dhamanah. In wadiah yad al-amanah, the bank only functions as a custodian and is not permitted to use the deposited funds. Conversely, in wadiah yad adh-dhamanah, the bank is permitted to use the deposited funds for operational activities, provided it is required to return the funds in full upon request. In Islamic banking practices in Indonesia, the wadiah yad adh-dhamanah model is the most dominant, particularly for savings and current accounts. Although customers do not receive any profit in the form of interest, as this constitutes usury (riba), banks can provide voluntary bonuses (grants). The legal basis for the wadiah principle is stated in Surah An-Nisa, verse 58, which emphasizes the obligation to maintain trust and uphold justice. This demonstrates that this contract is not merely an economic mechanism but also part of the implementation of Islamic ethics. In an accounting context, wadiah funds are recorded as liabilities, as they are not part of the bank's capital. This demonstrates the essential character of the Islamic banking system, which places trust as the foundation of business, moral, and spiritual relationships.

Profit Sharing Principle (Syirkah)

The principle of Syirkah is one of the main pillars of the Islamic banking operational system, reflecting the concept of cooperation and fairness in capital and business management. Terminologically, syirkah means a partnership between two or more parties to combine capital, labor, or expertise to generate profits, which are then shared according to an agreement. In the Islamic banking system, this principle is applied to various financing and savings products such as mudharabah and musyarakah. In a mudharabah contract, the capital owner (shahibul maal) provides the funds, while the business manager (mudharib) is responsible for running the business operations. Profits are shared based on an agreed ratio, while losses are borne by the capital owner unless the manager is negligent. Meanwhile, musyarakah is a form of cooperation

in which both parties contribute capital and participate in business management. Profits and risks are shared in proportion to each party's capital contribution. Both contracts reflect the philosophy that profits in Islamic economics should come from productive activities, not from financial exploitation. The sharia basis for this principle is found in a hadith narrated by Abu Dawud, which states that God is the third party in a partnership contract as long as there is no betrayal. In practical terms, the syirkah contract contributes to boosting the ummah's economy by providing capital opportunities for the community, particularly for small business owners with skills but limited access to capital. Thus, the profit-sharing principle has not only economic but also social value, as it promotes distributive justice and prevents the economic system from monopolizing and inequality.

Principles of Buying and Selling (Al-Tijarah)

The Al-Tijarah principle in Islamic banking is a transaction mechanism based on the sale and purchase of goods or services with an agreed-upon profit margin. Transactions are conducted voluntarily and transparently and must be free from elements of usury, gharar, and maisir. In its implementation, there are several forms of contracts used in Islamic banking, namely murabahah, salam, and istishna. Murabahah is a sale and purchase contract in which the bank purchases goods needed by the customer and then sells them at the cost price plus an agreed-upon profit margin. This model is widely used in consumer and productive financing because it provides price certainty for both parties. The salam contract is used in transactions ordering goods with advance payment, usually for the agricultural sector or seasonal production of goods. Meanwhile, istishna is a contract for ordering the manufacture of certain goods, such as vehicles, buildings, or industrial machinery, with payments that can be made in installments. The principles of buying and selling are based on the word of God in Surah Al-Baqarah verse 282 and Surah An-Nisa verse 29, which emphasize the importance of clarity and willingness in transactions. According to Antonio (2001), this principle plays a strategic role because it provides a means of financing the real sector while simultaneously supporting economic stability. Thus, Al-Tijarah not only regulates commercial transactions but also serves as a means of implementing moral values such as honesty, trustworthiness, and blessings.

Principle of Lease (Al-Ijarah)

The principle of Ijarah is a contract that transfers the benefits of a good or service for a specified period of time for an agreed-upon fee, without transferring ownership of the good. This principle is applied as an alternative financing for productive assets without having to purchase the asset directly. In its application, there are two main forms of Ijarah contracts: Pure Ijarah and Ijarah Muntahiyah Bittamlik (IMBT). Pure Ijarah is used when the lessee only requires the benefits of

the goods, while IMBT combines a rental contract with the option of ownership of the goods at the end of the lease period. This principle is based on Allah's command in Surah At-Talaq verse 6, which affirms the worker's right to wages, as well as the hadith of the Prophet Muhammad (peace be upon him) which commands payment of wages before the worker's sweat dries. Ijarah benefits both parties because the bank earns income from the ujarah payment, while the customer can use the goods without having to spend a large amount of money. In sharia accounting, leased assets are recorded as fixed assets and income is recognized according to the lease duration, thus reflecting the principles of prudence and transparency.

The Principle of Fee or Service (Al-Ajr wal Umulah)

The Fee Principle, or Al-Ajr wal Umulah, governs Islamic banks' income from service-based services. Fees are paid as compensation for benefits received by customers, such as transfers, collections, foreign exchange, document management, and electronic banking services. Unlike conventional interest systems, fees in Islamic banking can only be charged if a tangible service is provided and clearly agreed upon from the outset. This principle is based on Surah At-Taubah, verse 105, and the hadith of the Prophet Muhammad (peace be upon him) regarding fair wages, which demonstrate that every service has a value that must be rewarded according to the principle of justice. Economically, fee-based income is a legitimate source of income that supports the operational stability of Islamic banks and supports the diversification of revenue sources. Furthermore, this principle reflects Islamic social and moral values, namely the appreciation of effort and contribution, and the rejection of all forms of economic exploitation.

RESEARCH METHODS

descriptive qualitative method with a literature review approach. This method was chosen to provide an in-depth explanation of the basic operational principles of Islamic banking, as outlined in reference sources and the contents of the documents studied. The qualitative approach was used because the research focused on understanding the concepts, meanings, and sharia foundations underlying Islamic banking practices, rather than testing hypotheses or generating statistical generalizations.

Data collection in this study was conducted through **document studies** covering the contents of files that served as the primary sources of the research, and supported by additional theoretical references such as the Qur'an, hadith, academic books on Islamic banking, scientific journals, and Islamic jurisprudence literature. All collected data were then analyzed using **content analysis techniques** to identify, classify, and interpret information regarding the operational principles of Islamic banks, particularly those related to Al-Wadiah, Syirkah, Al-Tijarah, Al-Ijarah, and Al-Ajr wal Umulah.

The analysis process is carried out through three main stages, namely: (1) **data reduction** , namely selecting the content sections that are relevant to the research focus; (2) **data presentation** , namely compiling information into a systematic conceptual structure according to the operational principles of Islamic banking; and (3) **drawing conclusions** , namely the final interpretation of research findings based on the framework of Islamic economic theory.

Data validity was maintained using **source triangulation** , which involves comparing information in the primary document with other relevant literature sources. This was done to ensure that the concepts, terminology, and legal basis discussed conform to applicable academic and institutional Islamic jurisprudence and Islamic banking practices.

With this research method, the results of the study are expected to be able to provide a systematic and accurate picture of the basic operational principles of Islamic banks and their application in the context of modern banking.

RESULTS AND DISCUSSION

The study results show that the basic operational principles of Islamic banks are the fundamental foundation that distinguishes the Islamic financial system from the conventional banking system. These principles serve not only as administrative and procedural guidelines but also as the implementation of Islamic sharia values in modern economic practices. Based on the contents of the document and supporting literature, there are five main principles that form the operational structure of Islamic banks: **Al-Wadiah, Syirkah, Al-Tijarah, Al-Ijarah, and Al-Ajr wal Umulah** . Each principle has different characteristics, objectives, and mechanisms, but they complement each other in the activities of fundraising, fund distribution, and service provision.

The first principle is **Al-Wadiah** , which functions as a pure deposit mechanism. In its implementation, banks are not authorized to use funds without the customer's permission, except in the form of wadiah yad adh-dhamanah, which allows the bank to use funds with the obligation to return them at any time. The results of the study indicate that the wadiah principle provides an alternative for the public to safely store funds without interest or binding additional fees. Bonuses or grants can only be given voluntarily without prior agreement, thus avoiding elements of usury. This shows that this principle emphasizes the trustworthiness and security of customer funds as the primary moral aspect in transactions.

The second principle is **Syirkah** , which is a key characteristic of Islamic banking because it uses a profit-sharing system as a revenue mechanism, rather than interest. Syirkah-based financing, such as mudharabah and musyarakah, provides opportunities for the public to obtain business capital without the pressure of fixed returns inherent in conventional credit systems.

Analysis shows that the syirkah contract encourages the creation of equitable economic partnerships, where risks and profits are shared according to the contributions of each party. Thus, this principle has a positive impact on empowering micro and medium enterprises and creating a more equitable economic distribution.

The third principle is **Al-Tijarah**, which is implemented through sale and purchase contracts such as murabahah, salam, and istishna. Documents indicate that murabahah is the most widely used form of financing due to its price certainty and simple transaction procedures. Salam and istishna contracts are predominantly used in the agricultural and industrial sectors, which rely on custom production. The study shows that the tijarah principle encourages bank involvement in the real sector, ensuring that financial transactions are inseparable from productive economic activity.

The fourth principle is **Al-Ijarah**, a mechanism for transferring the benefits of goods or services in exchange for a specific reward without transferring ownership. Its implementation through pure ijarah and ijarah muntahiyah bittamlik (IMBT) provides financing solutions for customers who require investment or asset management facilities without having to purchase the goods directly. Studies show that this principle helps customers obtain economic benefits from productive assets with a flexible and affordable payment system.

The fifth principle is **Al-Ajr wal Umulah**, which is implemented as a service-based reward mechanism. Based on an analysis of the document's contents, this principle provides a legitimate and interest-free source of bank income because rewards are based on actual services, not on the use of money. This principle applies to services such as fund transfers, foreign exchange, document management, and electronic cards.

Overall, the study results show that these five operational principles form a fairer, more transparent, and more morally value-based system. The fundamental difference from conventional banking lies not only in the absence of interest, but also in the system's orientation, which emphasizes partnership, mutual consent, avoidance of exploitation, and direct connection to real economic activity. This demonstrates that Islamic banking functions not only as a financial institution but also as an instrument for implementing Islamic economics in modern life.

CONCLUSION

Based on the discussion above, the conclusion is that the basic operational principles of Islamic banks are the main foundation in running the business. The activities of financial institutions are based on Islamic sharia. The five operational principles are Al-Wadiah, Syirkah, Al-Tijarah, Al-Ijarah, and Al-Ajr wal Umulah, describes the system finances that

fair, transparent, and oriented towards the public interest people. Through the application of these principles, Islamic banks not only serve as institution collector and fund distributor, but also as an instrument for ethical and equitable economic development.

The Islamic banking system demonstrates that Islamic finance is capable of balancing worldly gains and spiritual blessings. The values it embodies, such as honesty, justice, and not quite enough social responsibility, to be moral strength that distinguishes it from the system conventional interest-oriented.

SUGGESTION

Based on the explanation of the existing material, the author suggests that strengthening the implementation of the operational principles of Islamic banking requires support from various parties, including regulators, practitioners, and the public. The government needs to strengthen sharia regulation and supervision, while educational institutions need to expand their coverage. economic literacy Islam. Besides that, society needs to be given education about the benefits and advantages of the Islamic financial system so that more people switch to using Islamic banking products.

With this synergy, it is hoped that Islamic banks will not only become a symbol of Islamic financial institutions, but also become the main driving force of the people's economy towards a fair, ethical, and sustainable financial system.

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