FUNDING FORMULA BY ISLAMIC PARTICIPATE POSSIBILITY 
TO USE AS A ALTERNATIVE OF CREDIT FACILITIES

APPROVAL
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NORI A SHALLOF
P100130017

Supervisor I                Supervisor II
Dr. Antin Agus Setyawan, SE          Dr. Agung Riyardi
ABSTRACT


This study talks about the funding method by participation Islamic Bank and the possibility of applying it as an alternative to credit facilities. The study covered making participation activities in the practical life, the idea was implemented by changing the activity of the banks of credit facilities into Islamic participation according to syaria, funding by participation provides permanent work and successful investment within Islamic banks and acting along with the contribution of the Islamic bank in funding by participation and increasing the investment and national income reinforcement and national income reinforcement. An Islamic bank adopting funding by participation will have a successful impact in replacing the credit facilities in the trade banks where establishing Islamic banks.

The fundamental problem that has plagued Bank Republic and all commercial banks in Libya, a deal beneficial usury by granting loans and advances to customers and here we seek participatory process Islamic alternative successful to solve the problem that has plagued the bank of the republic and all Libyan banks which usury Term funding HTP Islamic received acceptance excellent Republic by the bank as an alternative to a successful its investment.

Key word: Islamic banks, syaria, credit
CHAPTER I

BACKGROUND OF THE STUDY

This study about the Islamic method and the possibility of applying it as an alternative to credit facilities. The study covered making participation activities in the practical life, the idea was implemented by changing the activity of the banks of credit facilities into Islamic participation according to syaria, funding by participation provides permanent work successful investment within Islamic banks and acting along with the contribution of the Islamic bank in funding by participation and increasing the investment and national income reinforcement and national income reinforcement. An Islamic bank adopting funding by participation will have a successful impact in replacing the credit facilities in the trade banks where establishing Islamic banks.

The fundamental problem that has plagued Bank Republic and all commercial banks in Libya, a deal beneficial usury by granting loans and advances to customers and here we seek participatory process Islamic alternative successful to solve the problem that has plagued the bank of the republic and all Libyan banks which usury Terms funding HTP Islamic received acceptance excellent Republic by the bank as an alternative to a successful its investment Participation in the Islamic banks is one of the important investment which is a successful alternative to funding by participation instead of granting facilities i the traditional banks. Participation in the Islamic banks is the participation between the bank and the agent in establishing a project that complies with the essential base of Islamic Sharia which is the profit and loss. The traditional banks are profit-oriented where they lend money at an exorbitant rate of interest (usury) which is legally prohibited in Islam so the main difference between the participation and the credit facilities while the commercial banks grant the credit facilities based on interest.

It is also noticed that participation in the Islamic banks is a long term funding that an agent can heavily rely on and make use of it where the agent is participating
in the capital both profit and loss which is totally unlike the traditional banks that take rates at interests which is illegal in Islam. Eventually it can be said that participation in the Islamic banks is a successful alternative for granting money from traditional banks.

**STATEMENT OF PROBLEM**

- Why commercial banks do not deal funding formula to participate Islamic in transactions
- Do you Islamic finance to participate islamic be successful in the funding process within the framework of the banking rather facilities, and a loan The ability of the credit formula to fund and develop different projects and applying it as a system participating in the profits and losses instead of using the profit oriented credits that are prohibited in Islam.
- Do you customers of commercial banks agree to change the system within which commercial banks Cancel facilities and loans that rely on Interest and replace the funding formula for the participation of the Islamic.

**THE SIGNIFICANCE OF THE STUDY**

- To the researcher
  - Identifying the banking service in the Islamic banks and the funding and investment mechanism.
  - Understanding the concept of the Islamic banks and their existence in the Islamic and Arab world as an alternative to the traditional banks.
- To the community
  Exhibiting the role of Islamic bank in the economic growth, increasing investments, establishing projects and developing the national economy via the share of the customers within the Islamic bank.

**THE AIM OF THE STUDY**

- Identifying the extent of Islamic banks' contribution in the process of participation, increasing the investment and flourishing the national economy.
• Identifying the extent of the Islamic banks' contribution in promoting and motivating individuals in investing and establishing projects.
• Gaining legal income based on Islamic legislation via funding by share.

ENVIRONMENT AND SAMPLE OF THE STUDY
• The environment is represented by the republic bank / Zleetin branch.
• The participants of the study are the employees and the people in charge in there public bank / Zleetin branch
• The sample of the study will be chosen from the employees in the republic bank / Zleetin branch.

METHODOLOGY
The researcher in this study is following descriptive and inductive methods in the Islamic banks from one hand, and studying the participation process in the Islamic banks and the possibility of its success and getting rid of the commercial banks on the other hand through studying data related to the period in which the Islamic banks can be established and applied in the participation process as an essential factor in financing the national economy.

LIMITATIONS OF THE STUDY
• Topic Limitations
  • Identifying the services given by this bank
  • The contribution extent of funding by Islamic participation in the Islamic bank based on the share in both loss and profit unlike the credit facilities.
• Location Limitation
  Republic bank / Zleetin branch.
• Period Limitation
CHAPTER II

ISLAMIC BANKS AND PARTICIPATION IN THE ISLAMIC BANKS

• Islamic Banks

According to islamic banks (2007: 11) The Islamic Banks are the most important institutions because they rely on Islamic banking service the is gained, where according to Islamic legislation, legal profit. This increases both people's compliance towards the Islamic Banks and the funding tools respectively. This leads to noticeable acceleration in developing the banking service and increasing research in the field of bank agenda. Islamic Banks are recruiting a great number of graduates especially those who graduated from faculties of Economy. This explains the necessity of this sector and its suitability with the skills of these graduates according to Islamic Bank agenda.

• Participation in the Islamic banks

According to participation on islamic banks (2007:11) Participation in the Islamic banks means a share in a particular work or to attain legal transaction legal profit which is of a great importance in the lives of people because it is the best tool that contributes to developing the global economy and facilitates investment and achieving huge projects that meet the human needs. Its importance increases with the development of societies in which nations are in need to strong economy based on Islamic legitimacy through the participation between the Islamic banks and investors.

The posts of the most important formulas invest money in Islamic jurisprudence, which suit the nature of Islamic banks, it can be used to finance various economic activities. Are sharing formula of Islamic alternatives for financing the benefits applicable to conventional banks. The funding to participate on the basis of providing Islamic bank financing required by dealers without requiring a fixed rate of interest as is the case in funding conventional banks, but involved bank trader in output expected profit was or loss and as alive and God actually do, in light of the rules and distributional agreed between bank and a
customer, and these foundations Mtst mdh of company rules unleashed, and funding is through participation project, the Conference decided to Islamic bank in Dubai participation approved by Islamic law if Chatha solver and kicking God of the profit is distributed among the partners or partners by capital each, and that the same percentage loss as well as profits and losses sharing, if one of the partners based management company has allocated a percentage of the net profit agreed to distribute the rest of the profit after it among the partners according to its share in the capital.

Came the Islamic banks form of participation is considered the most important formulas banking activity that I want her to be a substitute for funding an interest-based, as the foundations of the Islamic bank to take money from people on the basis of speculation (ticks) and then submit it to the works on the basis of participation in profit and loss contracts participation of all kinds.

- Islamic Participation
  - The Participation notion

According to participation on islamic banks (2007:21)The participation is one of the significant investment parts in the Islamic banks. Besides that, it is considered a successful alternative to fund debatable profit. And participation is a contract between two parties or more to gain by capitals and share the profit based on previous deal.

- The legality of the Participation

Participation is legal according to Holly Quran, Sunna and unanimous. "In the Quran, it is said: Participation is a partnership between the Islamic bank and the customer demanded funding, based on the basis of the Islamic Bank to provide funding requested by the client, without the benefit of usury, that involved the Islamic bank in the output of the project a profit or loss, according to the rules and foundations in the distribution agreed between the bank and student finance, including accordance with the regulations of contracts legitimacy
• In the Prophetic Sunnah

ManyHadith evinced the possibility of participation in Islam as in Albukhari and Ahmed through Abi AL manhal: " my partner and I bought something hand in hand, then Albaraa Bin Azib came and we asked him and said: my partner Zaid Bin Arqam did the same thing and we asked the prophet Muhammed about it and said: what is hand in hand, take it and what is interest refuse it"The Prophet also said: "I am a third partner unless one of them cheated on his partner, if he does so, I am out of it"

• Credit Facilities

Commercial According to Credit facilities(1999:12) Banks play a vital role in activating the economic activities to gain swift interests through collecting the savings from various sectors and push it to individuals via loans, credit facilities and other bank service. These banks depend on the giving loans to individuals to gain usurious interests which are their ultimate goal to succeed.

And provide structure facilities and channels of credit commensurate with the needs of each client, and extends these facilities that offered by the bank to cover working capital facilities and financing of projects, contracts and financing facilities with medium and long term, we also provide credit facilities for letters of credit for import letters of credit and foreign exchange

• Credit Facilities
• Credit Facilities Concept

According to Credit facilities(1999:27) It is profitable process in which the bank gives money or other facilities to customers for a period of time to cover cash deficit to enable the customers complete their activities or for investment purposes.
CHAPTER III
RESEARCH METHODS

• SAMPLE AND POPULATION

This study aimed to analyze the financial performance of Research Summary includes Islamic banks and commercial banks and this letter included a form and Houalemsarv commercial and devoted Bank Republic, one of the commercial banks in Libya and the Bank of BMT, one of the Islamic banks in Indonesia, where the commercial bank in Libya contend Balfoid For this we had a Hdz the message in order to change these banks from commercial to Islamic banks and the response was positive from the Bank of the Republic aspires to change the banking system in the way the work of the granting of loans and facilities to process HTP Islamic finance as in Islamic banks ABSTRACT This study aimed to analyze the financial performance of BMT in the region Sukoharjo. Including capital structure, liquidity, profitability, efficiency, financing ability and asset growth. Samples used in this study is that is BMT SUKOHARJO. with the purposive sampling method from the population. This research is descriptive of a study conducted by collecting, processing, and then present the observational data so that others can easily obtain the description of the nature (characteristics), the object being studied. The scope of this research is spread across the BMT. The results of this study indicate that financial performance in the capital structure of 39.55 sukoharjo, liquidity amounted to 73.92, an efficiency of 84.06, profitability at 2.87, 15.93 and financing capability for asset growth in one year is 1.55. Keywords: comparative financial performance, Financial Ratios, Baitul Maal Wat Tamwil (BMT), descriptive statistics, Within 1 year after BMT in open, there are additional members as much as 28%. Also on the financial side showed no increase in wealth, liabilities, capital, and surplus operating results, compared with the previous year in 2012. For there is an increase in wealth or assets of 52%, liabilities 84%, and the difference in the result of operations up to 300%.
Surplus operating result have been achieved up to 72.51%, accounting for up to 31 December 2013.

• **DESIGN OF THE RESEARCH**

  A research design is a systematic plan to study a scientific problem. The design of a study defines the study type (descriptive, correlational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, and, if applicable, data collection methods and a statistical analysis plan. Sometimes a distinction is made between "fixed" and "flexible" or, synonymously, "quantitative" and "qualitative" research designs. However, fixed designs need not be quantitative, and flexible design need not be qualitative. In fixed designs, the design of the study is fixed before the main stage of data collection takes place. Fixed designs are normally theory driven; otherwise it is impossible to know in advance which variables need to be controlled and measured. Often, these variables are measured quantitatively. Flexible designs allow for more freedom during the data collection process.

  One reason for using a flexible research design can be that the variable of interest is not quantitatively measurable, such as culture. In other cases, theory might not be available before one starts the research. However, these distinctions are not recognized by many researchers, such as Stephen Gorard who presents a simpler In an experimental design, the researcher actively tries to change the situation, circumstances, or experience of participants (manipulation), which may lead to a change in behavior or outcomes for the participants of the study. The researcher randomly assigns participants to different conditions, measures the variables of interest and tries to control for confounding variables. Therefore, experiments are often highly fixed even before the data collection starts and cleaner definition of research design. Non-experimental research designs do not involve a manipulation of the situation, circumstances or experience of the participants. Non-experimental research designs can be broadly classified into three categories. First, relational designs, in which a range of variables is measured.
These designs are also called correlational studies, because correlational data are most often used in analysis.

**MEASUREMENT**

A topic which can create a great deal of confusion in social and educational research is that of types of scales used in measuring behaviour. It is critical because it relates to the types of statistics you can use to analyse your data. An easy way to have a paper rejected is to have used either an incorrect scale/statistic combination or to have used a low powered statistic on a high powered set of data:

- **Nominal**
  A nominal scale, as the name implies, is simply some placing of data into categories, without any order or structure.

- **Ordinal**
  An ordinal scale is next up the list in terms of power of measurement. There is no objective distance between any two points on your subjective scale. An ordinal scale only lets you interpret gross order and not the relative positional distances.

- **Interval**
  It is an interval scale because it is assumed to have equidistant points between each of the scale elements. This means that we can interpret differences in the distance along the scale.

- **Ratio**
  Interval scales are also scales which are defined by metrics such as logarithms. In these cases, the distances are note equal but they are strictly definable based on the metric used. A ratio scale is the top level of measurement and is not often available in social research. The factor which clearly defines a ratio scale is that it has a true zero point.
• **DATA ANALYSIS METHODS**

Methods of data analysis, where data collection through questionnaire and analyzed quantitative analysis is the stage of data analysis (Data Analysis) one of the main stages in the study or scientific research so that it is at this stage to review and analyze various data, which was collected using a questionnaire. Methods of data analysis, a compilation of data from the staff of the Commercial Bank of Libya and the staff of the Islamic Bank in Indonesia of the questions and the questionnaire asked them where we hold 40 questions 20 questions for each bank, and the questions are general modus operandi of staff within the bank, and what the plan of action exercised by each bank and what are the advantages that will attract customers and when the timing of work and rest, and what look Director to remain employees specific questions related to the subject of research and include the extent of the success of the Islamic Bank in the growth of the economy and how the modus operandi of the Islamic Bank with clients and all the questions were answered by all the staff at the agent sides of the Commercial Bank and the Islamic Bank

40 questionnaires were distributed and all of them were filled and analyzed as follows:

<table>
<thead>
<tr>
<th>Distributed questionnaires</th>
<th>Answered questionnaires</th>
<th>Percentage</th>
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CHAPTER IV

• **Short Introduction about Republic Bank / ZleetinBanch**

  The Republic Bank is one of the oldest banks in Zleetin area. It was an English Bank in the 1960s named Liz Bank which was opened in 2 / 11/ 1968 and later changed into Libyan bank in 1970 till 2007 when 15% of the shares were sold to Libyans. This bank is owned by the Libyan Central Bank.

  The bank offers all types of service to the customers such as current accounts, saving accounts and other service in the foreign currency, money transfer, electronic service including the ATM cards and Cellphone banking. It also grants credits as commercial real-estate and credit facilities, opening documentary credits, granting social loans. The bank added a new product in 2008 that is Islamic profit sales.

  The bank has 45 employees with seven parts: Department of treasury, current accounts, accounting credit, profit sales, credits, foreign transfers and electronic service. The budget of this bank till 31st / 12 / 2013 was 265, 000,000

• **Organizational Structure of Republic Bank / Zleetin**

  Environment, Community, and the Sample of the Study The environment of the study is Republic Bank / Zleetin branch and the community of the study is the employees and the people in charge in the bank, while the sample of the study will be selected participants from the employees

  The scientific analysis style. There are many branches for the Republic Bank all over Libya and they are very much far from each other which made it difficult to do a holistic survey, therefore, Zleetin branch was chosen to be the sample of the study.
Organizational Structure of Republic Bank/Zleetin

Administration

- Administrative affairs
- Deputy Branch Manager

- Deputy Manager for Credits
- Deputy Manager for foreign affairs
- Deputy Manager for Accounting

- Credits and loans
- Islamic Profits
- Social Loans
- Foreign Transfer
- Credits and guarantees
- Accounting and clearing
- Current accounts
- Department of the Treasury

EMPLOYESS
20 questionnaires were distributed and all of them were filled and analyzed as follows:

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• **Short Introduction about the Bank AmanahUmmah (BMT)**

  The goal is to give priority to the enforcement of Islamic Sharia in business, to be free of fraud, bribery, and interest/usury. BMT conduct fund raising organization and functioning as Zakat, Infaq, and Sadaqah. And channel these funds into programs such as the cost of education, humanitarian donations, donation of religious institutions, lending to micro enterprises and others that are social.

  Within 1 year after BMT in open, there are additional members as much as 28%. Also on the financial side showed no increase in wealth, liabilities, capital, and surplus operating results, compared with the previous year in 2012. For there is an increase in wealth or assets of 52%, liabilities 84%, and the difference in the result of operations up to 300%.

  Surplus operating result have been achieved up to 72,51%, accounting for up to 31 December 2013.
Analysis of data from the Bank AmanahUmmah (BMT)
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**Explanation of data analysis**

4.1. description of respondents /partipators *(1:5)*

*(1 : 5 )*

We note that the analysis of the data in the first tables to analyze the data for staff and include the number of data distributed to employees and field function and Qualification staff and I have a specialization in the field of work and the number of years of experience in the banking business

4.2. opinion of islamic finance *(6:7)*

*(6: 7)*

In Table VI and Table VII Hawana funding formula to participate more in the development of of Islamic economic projects and rely on'm earning between profit and loss

4.3. the role of islamic finance *(8:11)*

*(8: 11)*

In the table *(8,9,10,11)* we see that the funding seeks to participate in the economic growth process of participation between the bank and the customer in the establishment of projects saluting Ba funding for the participation of the Islamic Aymanh money on the loans it grants money to projects by establishing which increases in growth the economy, the spectrum according to the Islamic Sharia, where
Islamic banks are consistent with clients in the establishment of projects in accordance with the Islamic Sharia within the profit and loss where Islamic banks bear the loss with the customer that happened because the spectrum of Islamic banks to benefit Ataataaml usury but Taatatmd to participate in the profit and loss

4.4.interested investor/(12)

(12)

In the table (12) we see that funding Ba participating attracts investors to invest with Islamic banks and this a good incentive I have a bank because Islamic banks may not be granted money for the purpose of gaining interest Forbidden in Islam, but seeks to achieve the project investment for the purpose of profit for the bank and the customer together and this is something which attracts investors to deal with Islamic banks by funding Ba to share according to the theory of profit and loss
CHAPTER V

• **Results**
  - Though out this study, it was found out that establishing Islamic bank working under the Islamic participation principle will have a positive effect to replace the credit facilities in the commercial banks in banking service and transactions.
  - Funding by Islamic participation is a great motive for investors to submit projects to share them with the Islamic banks instead of requesting for usurious loans and credit facilities from commercial banks.
  - The results obtained from this study show that funding by Islamic participation works based on participation between the agent and the bank in both losses and profits which brings investors to deal with these banks instead of dealing with the usurious commercial banks that give loans and credit facilities with fixed interests that are forbidden in Islam.
  - The service in the Islamic banks through the Islamic participation aims at improving projects and the national income through bringing investors to participate in the Islamic banks.

• **Recommendations**
  - The necessity of establishing Islamic banks working according to the *Sharia* of Islam in participation, speculation and profit.
  - The study recommends increasing the studies regarding performance indicators to enable the Islamic banks reaching their best performance in the Islamic and Arabic communities.
  - Doing constant research and analysis to guarantee the success of the Islamic banks instead of the commercial banks.
  - Explaining the activities of the Islamic banks and replacing it with the activities of the commercial banks.
  - Doing constant research and analysis in order to attain unified indicator performance to explain the successfulness of the Islamic banks in our world instead of the commercial usurious banks that are forbidden in Islam.
• The Conclusion

Praise to Allah, prayers and peace be upon his prophet Muhammad and all his kin and companions.

This study addresses the method of funding by participation in the Islamic bank and the possibility of applying it as an alternative to credit facilities. The study also addressed the role of the Islamic banks in the social and economic arena then the research studied the mechanism of funding by participation which is the core of the study and found out that funding by Islamic participation is the most successful and optimum solution. Even the officials in the commercial banks were convinced that funding by participation can be a good alternative to credit facilities. We also found out that funding by participation gives a great enthusiasm to the investors to take part in the Islamic bank's transactions to gain legal profit (halal). The study confirmed the necessity of establishing Islamic banks works according to Sharia in participation, speculation and profit.
REFERENCES


