

CHAPTER ONE

INTRODUCTION

A. Background

The emergence of cooperatives in Indonesia began in 1896. It began after a civil servant named R. Ariawiria Atmaja in Purwokerto tried to establish a credit cooperative called Reiffeisen in Germany with the help of an Assistant Resident named E. Sieberg. The credit cooperative was established by turning *Bank Pertolongan dan Tabungan* to be *Bank Pertolongan, Tabungan dan Pertanian*. The aim is to help farmers and civil servants who are caught in debt by moneylenders who provide high-interest loans. Then, Boedi Oetomo was established in 1908 and was followed by *Serikat Dagang Islam* which tried to mobilize household cooperatives and shop cooperatives to become consumption cooperatives as well as cooperatives of small industries and handicrafts which were then followed up in other regions. The development in 1908 was coincided with the birth of a national awakening and continued to develop at the beginning of independence in 1945, at the beginning of the new order in 1967, and also at the beginning of the 1998 reform period.¹

¹ Muhammad Firdaus & Agus Edhi Susanto, 2004, *Perkoperasian: Sejarah, Teori, & Praktek*, Bogor, Ghalia Indonesia, p. 21.

Cooperatives actually have an essential role in achieving prosperity for members in particular and society in general. In its activities, cooperatives have two distinctive characteristics which are economic in nature and with a social character. Thus, even though cooperatives are based on economic principles, cooperatives still prioritize cooperative education for members and also the community. In the economic life of Indonesia, the first vice president, Mohammad Hatta, also known as the Father of Cooperatives, has promoted the cooperative as the implementation of Article 33 paragraph 1 of the 1945 Constitution.² Moreover, regulated in Law No. 25 of 1992 concerning Cooperatives, cooperatives are a business entity so that cooperatives remain subject to company rules and applicable economic principles.³ That is why cooperatives must be able to generate profits in developing their organization and business.

Cooperatives have the function and role in building and developing the potential and economic capacity of members in particular and society in general to improve economic and social welfare. In its development in Indonesia today, several parties connect current economic problems with Sharia principles.⁴ Therefore, cooperatives also began to develop not only conventionally in general but also in the field of Sharia. Historically,

² See 1945 Constitution, article 33, paragraph 1 states “*The Economy is structured as a Joint Effort based on the Principle of Kinship.*”

³ Law Number 25 of 1992 concerning Cooperatives

⁴ Toto Tohir, 2004, “Eksistensi Baitul Maal wa Tamwil (BMT) sebagai Lembaga Keuangan Syariah di Indonesia”, *Pro Justitia Legal Journal XXII No.4*, Bandung, Universitas Parahyangan, p, 71-72.

economic systems that are in accordance with Sharia principles have been practiced and institutionalized in Indonesia for a long time even the people of Indonesia had known Sharia economics long before the capitalist system was known to the Indonesian people by means of profit-sharing practices among sharecroppers and landowners. In its development even has a national role as evidenced by the establishment of *Syarikat Dagang Islam* in 1909. Then, the Islamic banking and financial institutions came outside the banking structure, such as Baitul Maal wat Tamwil, *Takaful* insurance, Sharia pawnshops and Islamic capital markets.⁵

The concept of Sharia principles has been recognized from time to time. This is no wonder since, in fact, Islam itself is one of the largest religions in the world. According to the US-based Pew Research Center, in 2010, there were 1.6 billion Muslims in the world.⁶ For a majority of Muslims, Islam provides the way to worship God, obey laws and ultimately be socially responsible.⁷ According to Schacht, Islamic law is a comprehensive law that includes equal footing ordinances regarding worship and ritual, as well as political and (in the narrow sense) legal rules.⁸ As long as a Muslim follows the Sharia action, whether it involves worship (*ibadaat*),

⁵ *Ibid*, p.73.

⁶ Olivia Rudgard, 2017, "Islam will be the largest religion in the world by 2070, says report", Published on <https://www.telegraph.co.uk/news/2017/03/01/islam-will-largest-religion-world-2070-says-report/> accessed on February 12th, 2019 at 9:52 PM

⁷ Esposito J., 1994, "Political Islam: Beyond the Green Menace", Published on <http://islam.uga.edu/espo.html>, accessed on February 12th 2019 at 8:41 PM

⁸ Schacht, J., 1966, *An Introduction to Islamic Law*, Oxford, United Kingdom, Clarendon Press, p.42.

and is seeking God's acceptance (*rida*), those actions that are considered as worship for God and will be rewarded accordingly.⁹

This, of course, affects the activities of the people in many aspects, including in economic activities. Countries with a majority Muslim population tend to apply *muamalah*, namely buying and selling in Islamic ways.¹⁰ This is what makes Islamic financial institutions grow and develop in many countries, especially Islamic countries in the world, including Indonesia.

Indonesia is one of the countries whose majority is Muslim. Because the majority of the population is Muslim, therefore everything that breathes Islam starts to emerge and develop, ranging from primary things to tertiary in various fields, including business entities to financial institutions. Some Islamic financial institutions began to develop rapidly in Indonesia, such as insurance, multi finance, pawnshops, capital markets, and others. These financial institutions apply Islamic principles or more commonly referred to as Sharia principles, such as Sharia banks, Sharia insurance, including among others, the Sharia cooperative.

Sharia cooperatives are defined as a neatly organized, democratic, autonomous participatory economic enterprise, and with a social character that operates using Sharia principles. One form of Sharia cooperatives is

⁹ Based on a hadith by The Prophet SAW: 'verily, the reward of deeds depends upon the Niyah (intentions), and every person will get the reward according to what he has intended.'

¹⁰ Amir Mu'allim, 2004, "Praktek Pembiayaan Bank Syariah dan Problematikanya", *Al-Mawarid Journal of Islamic Law*, Vol. 12, No.11, Yogyakarta, Universitas Islam Indonesia, p.7.

Sharia saving and financing cooperatives that have the same role and function as conventional savings and financing cooperatives, but they are based on Islamic or Sharia principles. The foundation of the Islamic cooperative law as other Islamic economic institutions is referring to the Islamic economic system itself as stated in the Qur'an and al-hadith. The legal foundation of Sharia cooperatives includes an integral Islamic economic system and is a collection of people who work together as a whole.¹¹

Nowadays, the existence of Sharia cooperatives in Indonesia is getting more recognized by the public. The number of the Sharia cooperatives is increasing by each year, including the Sharia saving and financing cooperatives. This shows that the existence of any kind of business based on Islamic economy and Sharia is becoming higher and in demand by the people.

The spread of these various Islamic financial institutions in Indonesia is emerging in many provinces and cities including Special Region of Yogyakarta. Special Region of Yogyakarta is one of the provinces occupied by various religious community including Muslims. At the end of 2018, it was noted that the number of Muslims in the Special Region of Yogyakarta had reached the number of 3,367,465 people.¹² With this fact, there are many emerging systems based on Islam (Sharia) in the Special Region of

¹¹ Nur Syamsudin Buchori, 2009, *Koperasi Syariah*, Sidoarjo, Mashun, p. 15-17.

¹² Regional Secretariat of Special Region of Yogyakarta, Population of Special Region of Yogyakarta according to Religion SEMESTER II 2018, published on <https://kependudukan.jogjapro.go.id/olah.php?module=statistik&periode=11&jenisdata=penduduk&erdasarkan=agama&prop=34&kab=71&kec=00> accessed on February 20th, 2019 at 11:25 PM.

Yogyakarta, one of which is the system of financial institutions based on Islamic principles in the form of Sharia cooperatives.

Based on the background above, the author is very interested in discussing in details on how a Sharia cooperatives more precisely Sharia saving and financing cooperatives run its business and how they apply the Islamic principles in the products such as the principle of *Wadi'ah* which is applied in saving and also the principle of *Murabahah* which is applied in the practice of financing. This is due to the fact that there is a large number of savings and financing cooperatives, especially in Yogyakarta, which does not apply Sharia principles. Therefore, to fulfil this research, the author will conduct the research in one of the Sharia saving and financing cooperatives, that is KSPPS Tamzis Bina Utama of Yogyakarta. KSPPS Tamzis Bina Tamzis has already opened many branches in Indonesia including several branches in Yogyakarta and the branch that will be taken for the research is KSPPS Tamzis Bina Utama branch Ahmad Dahlan Yogyakarta which is located on KH. Ahmad Dahlan Street No.7, Ngupasan, Gondomanan, Yogyakarta, Special Region of Yogyakarta 55122.

B. Research Problems

Considering the research background above, the author formulated two questions to be answered, namely:

1. What are the products of KSPPS Tamzis Bina Utama with regards to saving and financing?

2. Are the products of KSPPS Tamzis Bina Utama namely *Wadi'ah* compliant with the Fatwa of DSN-MUI number 02/DSN-MUI/IV/2000 and *Murabahah* compliant with the Fatwa of DSN-MUI number 04/DSN-MUI/IV/2000?

C. Objective of Research

Based on the research questions above, there are two objectives to be achieved, namely:

1. To understand the products of KSPPS Tamzis Bina Utama of Yogyakarta with regards to saving and financing.
2. To analyze the Sharia compliance of the products in KSPPS Tamzis Bina Utama of Yogyakarta namely *Wadi'ah* with Fatwa of DSN-MUI number 02/DSN-MUI/IV/2000 and *Murabahah* with Fatwa of DSN-MUI number 04/DSN-MUI/IV/2000

Whereas the subjective of this research as the graduation requirement to obtain Law Degree in Faculty of Law, Universitas Muhammadiyah Yogyakarta.

D. Benefits of Research

There are some benefits of this research, namely:

1. Theoretical aspect

This research gives benefits to understand deeply about the concept of Sharia saving and financing Cooperatives and how it implements the Sharia principles in its activities.

2. Practical aspect

This research provides a better understanding of Sharia compliance of Sharia cooperatives and also for those who are engaged with any businesses which are conducted by Sharia principles.