Chapter 5
The Moral Possibility of Islamic Banking System as Institution: Contrasting Cases

ABSTRACT

This is an applied chapter on the application of the phenomenological model of unity of knowledge to a critical understanding of the Islamic law, economics, finance, and banking philosophy of the Islamic banks in Indonesia. The chapter explains how the Indonesian Islamic banks are trying to introduce the moral and ethical factors in the mundane business of finance and banking as a sign of integrating God (i.e. the monotheistic law) with this world-system. The chapter goes on with its critical examination of the Indonesian case in the light of its theorem of universality and uniqueness of the monotheistic law as functional ontology. An extensive review of the literature is undertaken to establish its critical worldview of the predicament prevailing in the moral premise with Islamic economics, finance, and banking. The alternative prescription is provided in light of the phenomenological model of epistemic unity.

INTRODUCTION

Much of this chapter is a rigorous depiction of the principles of Bank Muamalat as an example of an Islamic bank operating successfully in Indonesia. These principles were explained in their moral context by Riawan Amin (2004). The summary of his work is as follows:

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The Islamic bank Muamalat is charged by three principal motivations. These are firstly, power, information, knowledge and rewards. These attributes make up the Arabic (Indonesian-ised) meaning of PIKR. Secondly, a Zero-base (humility) combines with Iman meaning faith, to yield Konsistency (Indonesian-ised consistency) and Result. Thus these principles together comprise Amin’s key principle of ZIKR, meaning devotional worship. Thirdly, the attribute of Militancy (meaning competitive aggressiveness) combines with Intellect, Kompetitif (competition) and Regeneration to yield together MIKR. Amin’s conception of the Islamic bank in the final instance is the organization of interaction between ZIKR, PIKR, and MIKR in seamless continuity of interrelations. It does not matter at which of these initiating points the organization launches its vision and mission. The end result is the same – the attainment of common wellbeing for all, both within and outside the organization. Between all of them, the moral-social organization as of the institution of Islamic bank interacts to attain the common goal of wellbeing.

Amin’s schema of interaction between the value attributes in Islamic Bank Muamalat is improvised by us in Figure 1. In our improvising of Figure 1 the re-statement of ZIKR points to the central role of knowledge formed by faith and belief in the

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**Figure 1. Interaction between ZIKR, PIKR, MIKR, and FIKR in continuity across knowledge, time, and space continuums**

![Diagram showing interaction between ZIKR, PIKR, MIKR, and FIKR in continuity across knowledge, time, and space continuums.](image-url)
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