

Value Based Intermediation (VBI) as a Sharia Banking Strategy in Supporting Sustainable Development in Indonesia

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Abstrak

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The implementation of SDGs is in line with the principles of Islamic teachings that prohibit destruction on earth (ifsad fil-ardhi), both physical damage and non-physical damage. In addition, the principle of sustainability, in accordance with Maqashid Sharia by maintaining religion, preserving the soul, maintaining reason, or nurturing offspring, and maintaining property. The application of Islamic economics and finance is no different from the SDGs. The role of Islamic economy and finance strengthens the target of SDGs, one of which is by implementing Value Based Intermediation (VBI).

Value Based Intermediation (VBI) aims to reorient the business model of Islamic finance with the aim of realizing the objectives of sharia so that it can generate positive and sustainable impacts for the economy, society, and the environment through practices, processes, offers, and behaviors. Value-based intermediation (VBI) aims to deliver the desired outcomes of Sharia through practices, behaviours and offerings that generate positive and sustainable impacts on society, economy, community and environment, consistent with sustainable shareholder benefits as well as long-term interests. VBI also emphasizes on minimizing and preventing negative impacts arising from the practices, behaviors, and offerings of the Islamic banking industry.

The expected results of Sharia focus on improving people's welfare through the preservation of people's wealth, faith, life, offspring, and intelligence in accordance with the maqasid of Sharia. In the context of Islamic finance business, one of which is Islamic banking focuses on encouraging to generate, accumulate, and distribute wealth fairly.

Keywords: SDGs, Value Based Intermediation (VBI), Sharia Banking.

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INTRODUCTION

Islamic finance should be the main driving force in achieving the goals in the Sustainable Development Goals or known as Sustainable Development Goals (SDGs), the principles contained in Islamic finance are very much in line with the goals of the SDGs. These principles include profit sharing, avoiding usury, avoiding speculative business, and every transaction is

backed up real sector. So that naturally Islamic finance will be a driving force in achieving SDGs targets in Indonesia.

The concrete form in encouraging SDGs in Indonesia is stated in the application of sustainable finance in OJK Regulation Number 51/POJK.03/2017 concerning the Application of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. The regulation regulates the steps that must be taken by financial institutions in Indonesia in implementing sustainable finance, so that it is expected that there will be a transformation of the financial system towards sustainable finance. That way it can make a significant contribution to the implementation of SDGs. In this POJK also regulates social development. Where the role of Islamic economy and finance in SDGs as poverty alleviation and income equality. Islamic economics and finance have instruments to alleviate poverty, reducing the gap between people's income levels. The instruments are zakat, infak, alms, and waqf.

In addition, another tangible form of encouragement is the roadmap or roadmap for sustainable finance in Indonesia. This roadmap has ended in 2019 and OJK is currently in the final stages of finalizing the roadmap for 2020-2024. In this sustainable finance roadmap, it has resulted in a lot of Islamic finance applications to support the SDGs, SDGs encourage all economic activities to pay attention to three things in a balanced manner, namely people, environment and profit.

The implementation of SDGs is in line with the principles of Islamic teachings that prohibit destruction on earth (*ifsad fil-ardhi*), both physical damage and non-physical damage. In addition, the principle of sustainability, in accordance with the *maqashid sharia* by maintaining religion, nurturing the soul, nurturing reason, or nurturing offspring, and maintaining property. The implementation of Islamic economy and finance is no different from SDGs. The role of Islamic economy and finance strengthens the target of SDGs.

Now, Indonesian people also have an awareness of the importance of following Islamic law in all sectors of life, including the financial sector. With this awareness, Islamic finance is present, one of which is Islamic banking.

The journey of the Islamic banking industry in Indonesia has found a bright spot by increasing its market share market share as of September 2020 by 6.24% compared to 2015 of 4.87% (OJK, 2020). Even in the midst of the corona outbreak, Islamic banking is still showing its existence while the performance of companies engaged in property, manufacturing, automotive, finance to MSMEs is now in a declining graph (Caroko, 2020).

2021 is a very important year for the development of Islamic banking, as it is known that even in the midst of a pandemic, Islamic banking is still experiencing positive business growth. Based

on the latest Sharia Banking Statistics data released by the Financial Services Authority (OJK) in January 2021, it shows that Islamic banking assets in the past year grew by around 14.2%.

Islamic economics is the philosophical foundation for Islamic banking which has the main purpose of *falah*. (Ghofur 2017) *Falah* is the achievement of the fulfillment of human life both in social and economic aspects, as well as the fulfillment of basic human needs or what is called *maslahat*. Furthermore, Islamic banking is expected to be able to provide financial services that contribute to the achievement of Sustainable Development Goals (SDGs).

Talking about *maslahat* and Sustainable Development Goals (SDGs), of course, these two things are inseparable from the *maqasid al-sharia* which consists of maintaining faith and piety (*ad Din*), offspring (*an Nasab*), soul and salvation (*an Nafs*), property (*al Maal*), and mind (*al Aql*). (Ghofur 2017)

The five things contained in the *sharia maqasid* are certainly in line with the values in the SDGs. One of the values in the SDGs is socio-economic values which are now experiencing changes in the orientation of the business world from the previous Corporate Social Responsibility (CSR) to Creating Shared Value (CSV).

CSV is a concept where companies must play a dual role to create economic value and social value simultaneously by providing solutions to economic, social, and environmental problems.

To realize the philosophical foundation of Islamic banking, Value Based Intermediation (VBI) is designed in accordance with the concept of value-based banking and should be adopted by Islamic banking in Indonesia. VBI was first initiated by the Malaysian state in 2017. With its presence, VBI opens a new dimension for Islamic financial institutions in providing services that are more impactful and beneficial to the wider community, so that the final results of VBI are expected to achieve Sharia goals holistically and support the SDGs.

Arsalaan Ahmed (HSBC Amanah-Malaysia), gave an overview of the role of the Malaysian government in impact investing, namely as a catalyst for the private sector to take part. Forms of government support include becoming investors, making attractive schemes, mobilizing social funds, providing tax incentives, and moving the capital market or banks. Especially for the Bank as one of the private sectors that plays a role in impact investing, Value Based Intermediation (VBI) is applied which is designed in accordance with the concept of value-based banking. The commitment of Islamic banks in Malaysia to adopt VBI is a significant step taken by the industry to clearly identify Islamic finance with sustainable practices. It has also set in motion initiatives that will raise barriers to processes, practices, offerings, and behaviors that promote sustainable business and community. (Ministry of Finance 2019)

So based on the background of the above problem, the first research problem can be formulated, namely, how the concept and relationship between Value Based Intermediation (VBI) and Sustainable Development and Maqashid Sharia, second, How Value Based Intermediation (VBI) is a Sharia Banking strategy in supporting Sustainable Development in Indonesia.

Based on the formulation of the problem, it can be seen that the purpose of this writing is to see how Value Based Intermediation (VBI) is one of the strategies for Islamic banking in supporting Sustainable Development Goals (SDGs)

RESEARCH METHODOLOGY

This research is descriptive qualitative (*review literature*) which means describing a research subject. In this case, it is the concept of sustainable development in Islamic Banks. Then design the strategy of the Islamic bank in supporting Sustainable Development or *Sustainable Development Goals* (SDGs).

The type of data used in this study is qualitative data sourced from previous studies, websites (*google scholar*) and also reference books (electronic books) sourced from various websites such as, www.google.scholar.com, <http://e-resources.perpusnas.go.id/>, www.sciencedirect.com, Academia.edu, Research Gate, Cambridge Journal, and other sources. Then identify the journal by classifying the research theme; research methods used; research results and also the scope of research (local, national or international). This method will later provide an overview of the dynamics of banking planning or strategy in supporting sustainable development which must be elaborated and or evaluated more deeply as a form of research questions for future research. Then explain the Islamic banking strategy to achieve the goals of the SDGs which are in line with the objectives of Islamic financial institutions.

Research Data Classification

1. By Source

The research used in this paper is with a *literature review* approach. Literature sources come from *the websites* of google scholar (google scholar), Elsevier (sciencedirect.com) Academia, Cambridge Journal and textbooks. The literature sources referenced consist of a number of literature originating from Indonesia and abroad, then also sourced from different years from the same journal sources.

Table 1.
Literature Sources

CATEGORY	AUTHOR,TAH UN	SOURCE	SUM
SHARIA BANKING STRATEGY	(Osman et al. 2009)	<i>International Journal of Economics and Finance</i>	2
	(Ismal 2010)	<i>International Journal of Islamic and Middle Eastern Finance and Management</i>	1
	(Salleh 2013)	<i>Strategizing Islamic Education</i>	
	(Hashem 2019)	<i>International Research Journal of Finance and Economics</i>	2
	(Mukhlisin and Suhendri 2018)	<i>JES (Journal of Sharia Economics)</i>	2
	(Phase* 2013)	<i>Ejournal.Unida.Gontor.Ac.Id</i>	1
	(Entaresmen and Pertiwi 2017)	<i>Journal of Service Management and Marketing</i>	1

(Ginanjar 2015)	<i>Taubidinomics</i>	1
(Nurjanah and Hilyatin 2017)	<i>El-jizya : Journal of Islamic Economics</i>	
(Lammers, Loehndorf, and Weitzel 2004)	<i>Ecis</i>	1
(Khan 2019) (Kasri and Kassim 2009)	<i>Journal of King Abdulaziz University-Islamic Economics</i>	2
(Akbar and Sajid 2012)	<i>New York Science Journal</i>	1
(Sakib 2015)	<i>International Journal of Business and Management</i>	1
(Basiru 2012)	<i>Journal of Sustainable Development in Africa</i>	1
(Hashem 2019)	<i>Journal of Economic Cooperation</i>	1
(Rizkiah 2018)	<i>Tazkia Islamic Finance and Business Review</i>	1
(Febrian and Mardian 2017)	<i>Ekonomika</i>	1
(Samsudin and Don 2013)	<i>Jurnal Teknologi (Sciences and Engineering)</i>	1
(Cahyadi 2018)	<i>MALLA: Journal of Islamic Banking and Finance</i>	1
(Aldarabseh 2020)	<i>MEC-J (Management and Economics Journal)</i>	1
(Adzhani and Rini 2017)	<i>Journal of Islamic Accounting and Finance</i>	1
(Mohammed, Ismail, and Muhammad 2016)	<i>Malaysian Journal of Economics</i>	1
(Atici 2018)	<i>Asian Economic and Financial Review</i>	
(Zulfahmi et al. 2021)	<i>Journal of Islamic Banking and Finance</i>	1
(Awan and Azhar 2014)	<i>European Journal of Accounting Auditing and Finance Research</i>	1
(Aravik, Hamzani, and Khasanah 2021)	<i>Islamic Banking : Journal of Islamic Banking Thought and Development</i>	1
(Qureshi, Khan, and Zaman 2012)	<i>International Review of Management and Marketing</i>	1
(Sakib 2015)	<i>The International Journal of Excellence in Islamic Banking and Finance</i>	1
(Mohammed, Muhammad, and Ismail 2018)	<i>Malaysian Journal of Economics</i>	1
(Hanif et al. 2012)	<i>International Research Journal of Finance and Economics</i>	
(Handayani 2017)	<i>Baabu Al-Ilmi</i>	1

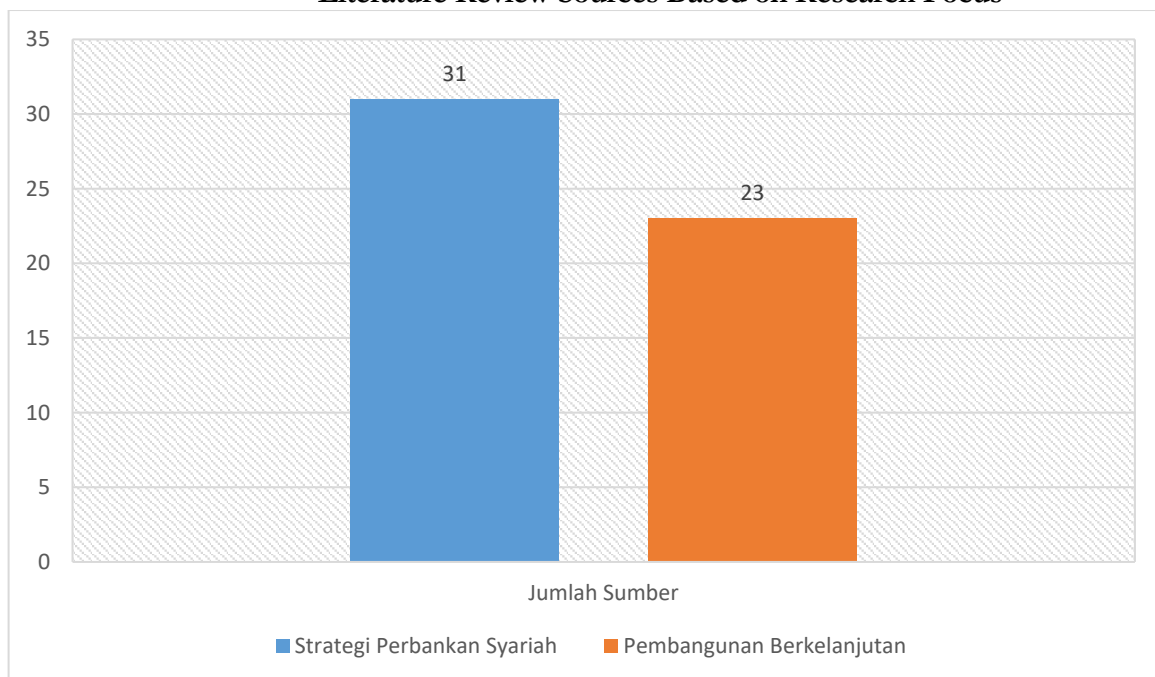
	(Akbar and Sajid 2012)	<i>New York Science Journal</i>	1
SUSTAINABLE DEVELOPMENT	(Swartz et al. 2013)	<i>Journal of Management and Sustainability</i>	
	(Belkacem 2015)	<i>Journal of Emerging Issues in Economics, Finance and Banking (JEIEFB) An Online International Research Journal</i>	1
	(Goodland 2005)	<i>International Journal of Sustainable Development and World Ecology</i>	1
		<i>ACADEMICA BRĂNCUȘI</i>	1
	(Ahmad and Safwan 2011) (Ahmad, Saif, and Safwan 2010) (Marlehan bin Mohamed 2011) (Ahmad et al. 2010) (Khattak 2010) (Muhammad Ali Shahid 2012)	<i>African Journal of Business Management</i>	6
	(Azizuddin and Sani 2010)	<i>Journal of Humanity</i>	1
	(Thursday and Che Mohd Salleh 2018)	<i>International Journal of Social Economics</i>	1
	(Khokhar and Bukhari 2014)	<i>Journal of Islamic Economics Banking and Finance</i>	
	(Bashir, Sajid, and Iqbal 2011)	<i>Asian Journal of Finance & Accounting</i>	1
	(Banu 2014)	<i>International Journal of Innovative Research & Development</i>	1
	(Trimulato and Nuringsih 2019)	<i>ICBAE</i>	1
	(Cahyadi 2018)	<i>Journal of economics and business</i>	1
	(Ramli, N; Mohd Sobani 2013)	<i>Journal of Technology</i>	2
	(Octrina and Mariam 2021)	<i>Journal of Perspectives on Financing and Regional Development</i>	1
	(Adetunji, Rashid, and Ishak 2018)	<i>Jurnal Komunikasi: Malaysian Journal of Communication</i>	1
	(Ibrahim, Hussin, and Hussin 2019)	<i>Management Journal</i>	2
	(Akram, Rafique, and Alam 2011)	<i>Australian Journal of Business and Management Research</i>	1
(Bintawim and Saud 2011)	<i>ASian-Pacific Economic Literature</i>	1	
(Thursday and Che Mohd Salleh 2018)	<i>Journal of Islamic Monetary Economics and Finance</i>		
(Banna and Alam 2020)	<i>Journal of Islamic Monetary Economics and Finance</i>	1	

	(Subramanian 2018)	<i>Journal of Advance Research in Electrical & Electronics Engineering</i>	1
	(Handayani 2017)	<i>Baabu Al-Ilmi</i>	1
	(Jan et al. 2021)	<i>Sustainability (Switzerland)</i>	1
BOOKS, PROCEEDINGS, AND MORE	(Saeed n.a.)	<i>Proceedings of 2nd International Conference on Business Management</i>	1
	(AL-ASKAR 2005)	<i>Durham University</i>	1
	(Ascarya 2016)	<i>Paper Presented on Periodic Discussion Directorate of Monetary Management Bank Indonesia, Jakarta</i>	
	(Primary 2017)	<i>UNNES</i>	1
	(Tarazi n.d.)	<i>Academia.Edu</i>	1

2. Based on Research Focus

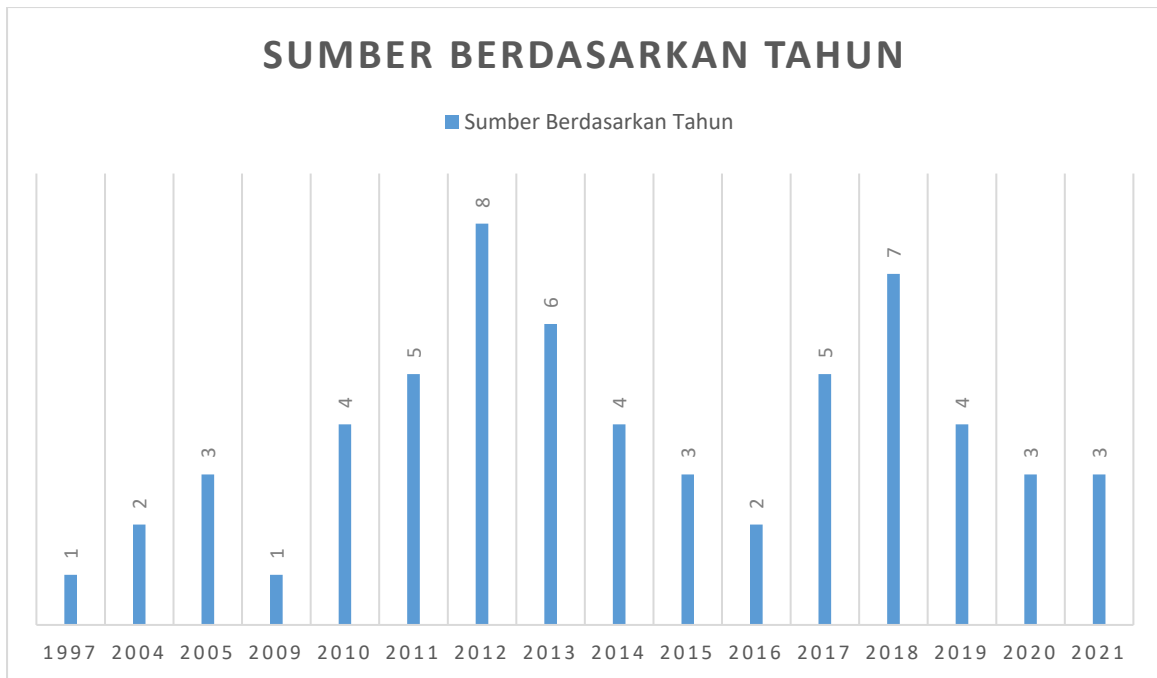
The keywords in this article are about sustainable development and Islamic banking strategies.

Diagram 1
Literature Review Sources Based on Research Focus

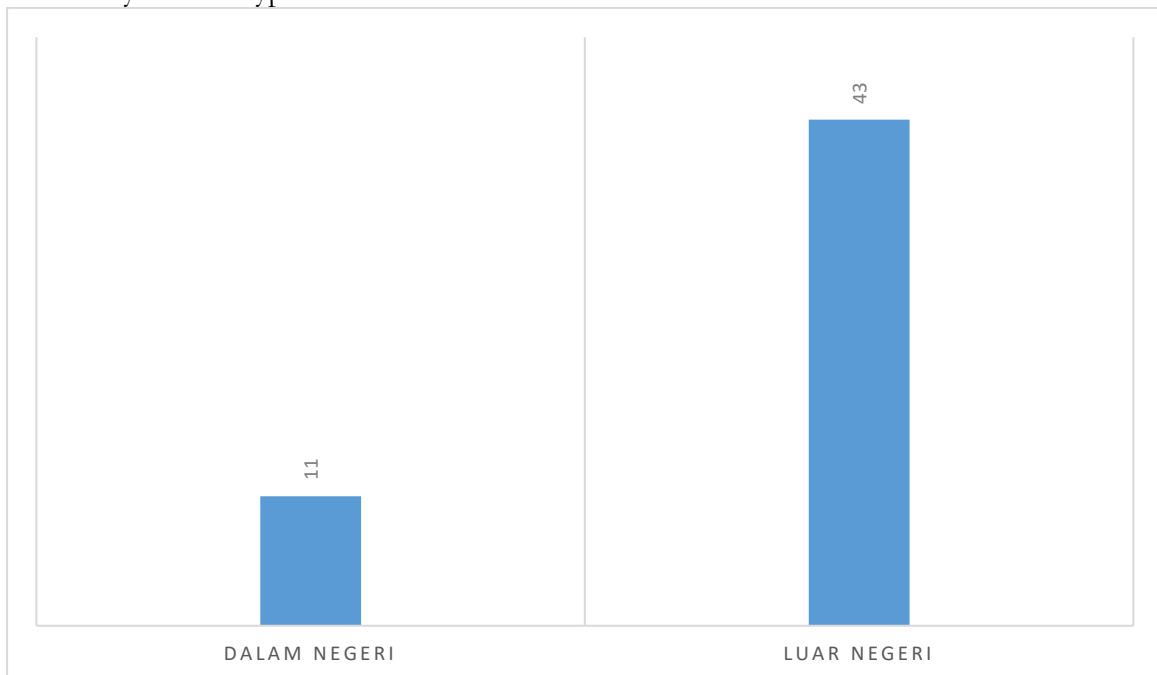


Based on the graph above, it can be seen that the sources / references used in this study as a whole are 54 reference sources, including 31 articles / books referring to Islamic Banking Strategy and 23 reference sources regarding Sustainable Development.

3. By Year of Referral Source



4. By Article Type



5. Based on the Methodology Used

This literature review identifies six methodologies: (i) empirical; (ii) descriptive; (iii) literature review; (iv) conceptual; (v) case studies; and (vi) comparative. Empirical study involves the application of observation or experience. Descriptive studies involve detailed explanations or representations of sub-sector aspects related to infrastructure development planning. The literature review analyzed several articles related to the impact of infrastructure development. Conceptual

studies are concerned with basic concepts and general problems related to infrastructure development planning. Comparative studies involve analyzing data from several countries.

RESULTS AND DISCUSSION

Grouping Related Article Trends

Based on the above studies, it can be seen that Islamic banking strategies in supporting sustainable development can be explained from several aspects. Various countries that have begun to realize the values of SDGs in their economic activities have broadly started from Islamic financial institutions, especially Islamic banking. Furthermore, through this systematic literature review, research questions can be raised for the future that are relevant to Islamic banking strategies in supporting sustainable development. Next, we will explain the grouping of research results that are closely related to Islamic banking strategies in supporting *Sustainable Development Goals*.

Table 2
 Grouping of Articles related to Islamic Banking Strategy

Aspects	Author, Year	Title	Publishing
Maqashid Sharia	(Khan 2019)	Reforming Islamic Finance For Achieving Sustainable Development Goals	Jkau: Islamic Economic
Strategy	(Syamsu et al. n.d.)	Sustainable Development Goals (SDGs) through Productive Financing of MSMEs at Sharia Banks	Islamic Review Journal of Islamic Research and Studies
	(Novitasari 2019)	Optimizing the Potential of Sharia Banking in Indonesia for Halal MSMEs in Support of Sustainable Development Goals	Economic Magazine
	(Trimulato and Nuringasih 2019)	Linkage of Sharia Microfinance Institutions with Sustainable Development Goals (SDGs) Agenda	Al-Mashrafiyah: Journal of Islamic Economics, Finance and Banking
Regulation	(Sadiq 2015)	The Role Of Islamic Finance In Sustainable Development	Journal Of Islamic Thought And Civilization
	(Hashem 2019)	The Role Of Islamic Finance In Achieving Sdgs: Case Study- Egypt	International Research Journal Of Finance And Economics
Investment	(Schmidt-Traub 2015)	Investment Needs To Achieve The Sustainable Development Goals	Sustainable Development Solutions Network
Impact	(Anon 2020)	How Islamic Finance Contributes To Achieving The Sustainable Development Goals	Oecd Publishing

	(Jan et al. 2021)	Alignment Of Islamic Banking Sustainability Indicators With Sustainable Development Goals: Policy Recommendations For Addressing The Covid-19 Pandemic	Sustainability (Switzerland)
	(Nur Alim Mubin AM 2021)	SDG's in Post-Pandemic Economic Development	Indonesian Journal of Social Science

Source : Previous research, data processed

From the table above, it is known that of all the articles cited in this paper, the article (in the table) explains the most about the impact of these SDGs in the economy followed by strategies for various sectors and regulations related to them. So far, Islamic banking has only focused on products but forgot the main concept of Islamic financial institutions themselves, focusing on product, technical and Islamic banking activities. In fact, if you look again at the previous explanation, Islamic banking is tasked with prospering the community in order to achieve *falab*. However, the role of Islamic banking is still not perfectly felt by the community, because the basic concepts are starting to fade in order to pursue profit. This happens because, after all, Islamic banking is an institution that pursues profit for the sustainability of its company. So on this occasion, the author would like to introduce some concepts that should be brought back by Islamic financial institutions, especially Islamic banking.

VBI, SDGs and Maqashid Sharia

Value Based Intermediation (VBI) is designed according to the concept of value-based banking., The commitment of Islamic banks in Malaysia to adopt VBI is a significant step towards clearly identifying Islamic finance with sustainable practices (BNM 2018)

Value-based intermediation or VBI was first introduced in Malaysia in July 2017. This is done through the issuance of a strategy paper by the Central Bank of Malaysia entitled "*Value-Based Intermediation: Strengthening the Role and Impact of Islamic Finance*". The introduction of VBI received positive responses from industry players, especially Sharia scholars. By having VBI as a sustainability approach, IFSI is formed to be stronger, especially in resilience to economic crises. In addition, Malaysia is also trying to contextualize VBI into pragmatic practices in financial services offered by IFSI. This is taken with the hope that IFSI can be taken to the next level of growth. In addition to the introduction of the VBI strategy paper, the Central Bank of Malaysia also introduced three important guidance documents, namely:

1. VBI Implementation Guide
2. VBI Funding and Investment Impact Assessment Framework (VBIAF)
3. VBI Scorecard according to an announcement made by the Central Bank of Malaysia.

Generally, any approach that does not contradict Shariah is acceptable to practice unless there is a clear prohibition for such an approach. In the face of the realities of financial services and markets, an innovative approach can be considered as a necessity especially to enhance and strengthen Shariah principles in IFSI in the face of the modern world. This is permissible by following the rules of Islamic law *al-aşlu fı al-ashyā' al-ibāḥah* which means the original is permissible. Although VBI is allowed based on the rules of Islamic law, it is not wrong to consider carefully in analyzing VBI. (Mahadi, Mohd Zain, and Engku Ali 2019)

Value Based Intermediation (VBI) aims to reorient the business model of Islamic finance with the aim of realizing the objectives of sharia so that it can generate positive and sustainable impacts for the economy, society, and the environment through practices, processes, offers, and behaviors.

In accordance with the rules of Islamic law which reads "*الأصل في الأشياء الإباحة*" *al-ashlu fil ash-yaa-i al-ibahah*, in general any approach that does not contradict the Shari'a can be done

unless there is a clear prohibition. Although VBI is allowed, it does not rule out the possibility of analyzing and considering carefully related to it.

In analyzing VBI from an Islamic perspective, it is certainly very important to examine the sharia principles relevant to it. VBI is derived from sharia principles so that the final result must certainly be in line with the objectives of sharia holistically and *Maqashid Sharia*.

When the VBI is mentioned, it gives focus to the role of financial intermediaries of Islamic financial institutions in delivering positive and sustainable impacts on society, SDGs specifically focus on the goals set and their achievement. It is important to remember that the SDGs are man-made goals that are not linked to divine revelation. Thus, the SDGs are secular in nature and subject to criticism. SDGs are suitable to be applied in the capitalist system and are less consistent with sharia. Collectively there are 17 goals set based on human needs. While the holistic goal of Shariah or Maqāṣid al-Sharī‘ah is the highest goal of the Lawgiver i.e. Allah Almighty who was revealed through the intermediary of Prophet Muhammad (PBUH). Compared to Maqāṣid al-Sharī‘ah, the goals set are limited to 17 goals and can be changed according to need. The foundations of Maqāṣid al-Sharī‘ah are general and universal, while they must be consistent with the Shariah, these holistic goals are comprehensive and timeless in their characteristics. (Syed Alwi et al. 2021)

VBI and Sharia Banking

Reflecting on Malaysia, which has previously initiated the implementation of VBI in Islamic banking practices. In Malaysia, the introduction of VBI received positive responses from sharia industry players. With the VBI, it can form stronger Islamic banking, especially in economic crisis. In addition, VBI aims to redirect the Islamic finance business model in realizing sharia goals so that it can have a positive and sustainable impact on the economy, society and the environment through practices, processes, offers and behaviors

VBI has guidelines in the application of banking practices as a reference for other Islamic financial institutions that intend to start implementing this VBI. Furthermore, VBI has a financing and investment impact assessment framework to facilitate the implementation of a risk management system to assess the financing and investment activities of Islamic financial institutions. And the VBI *scorecard* provides an overview that includes objectives, key components of the assessment, and measurement methodology.

VBI and Maqashid Sharia

Maqashid Sharia is the ultimate goal of Islamic law which refers to five fundamental aspects of human life, namely the protection of life, religion, intellect, offspring and property. This goal is a necessity and the basis for the realization of the general welfare of man in this world and the hereafter. If it is ignored, then coherence and world order cannot be established and chaos, and losses will prevail.

Islamic banking must be consistent in providing benefits (*maslahah*) for its customers by avoiding things that lead to losses, and of course all of it is firmly rooted in *the maqasid of sharia*. Furthermore, although SDGs are part of VBI, it must be considered and observed that SDGs can also contradict *Sharia*. Therefore, in achieving sustainable sharia development, SDGs can be used as a set of objectives of VBI by considering sharia *maqasid* and in accordance with *sharia*.

Correlation of VBI, SDGs, and Maqashid Al-Sharia

VBI has a focus as a financial intermediary for Islamic financial institutions in providing a sustainable positive impact on society. And it is important to know that the SDGs are man-made goals that have nothing to do with divine revelation, so they are secular and often the target of criticism. SDGs are more suitable to be applied in the capitalist system and are less consistent with sharia.

While sharia has a holistic purpose, namely *maqasid al-shariah* which comes from the highest lawgiver, namely Allah SWT through the intermediary of the Prophet Muhammad SAW. The foundation of *maqasid al-shariah* is general and universal and must be consistent with sharia.

VBI and Islamic Social Financing

VBI makes SDGs a set of its goals as long as they are in line with *Sharia*. The existence of Islamic social finance and its instruments is useful as a tool in carrying out VBI-based activities. Islamic social finance consists of traditional Islamic instruments based on philanthropy (*zakat*, alms, *waqf*) and cooperation (*qard* and *kafalah*) (Islamic Social Finance Report, 2015: 8). But it is not limited to just traditional instruments, but also includes modern forms of Islamic financial services such as Islamic microfinance, *Sukuk* and *Takaful* that aim to solve societal challenges.

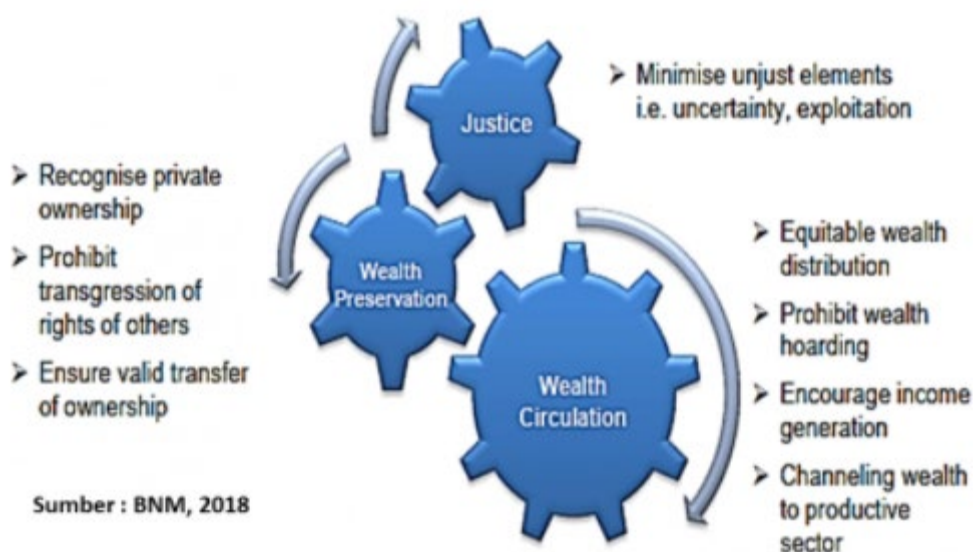
These traditional and modern Islamic financial instruments remain relevant and can be used by Islamic banking in achieving sharia principles holistically. In addition, Islamic social finance and its instruments are important tools for the success of VBI and also for the sustainability of Islamic financial institutions that also concentrate on the social welfare of society, economy, environment, and others.

The philosophies and principles inherent in Islamic finance underpin the three pillars of a sustainable economy: environment, social justice, and economic growth. Islamic social finance has an important position to contribute positively in achieving the SDGs. VBI focuses on the role of Islamic financial institutions as value-based intermediaries, Islamic social finance and its instruments can be utilized in achieving *Maqasid Al-Sharia* and SDGs.

VBI and Socio-Economic Impact

Value-based intermediation (VBI) aims to deliver the desired outcomes of Sharia through practices, behaviours and offerings that generate positive and sustainable impacts on society, economy, community and environment, consistent with sustainable shareholder benefits as well as long-term interests. VBI also emphasizes on minimizing and preventing negative impacts arising from the practices, behaviors, and offerings of the Islamic banking industry (BNM, 2018).

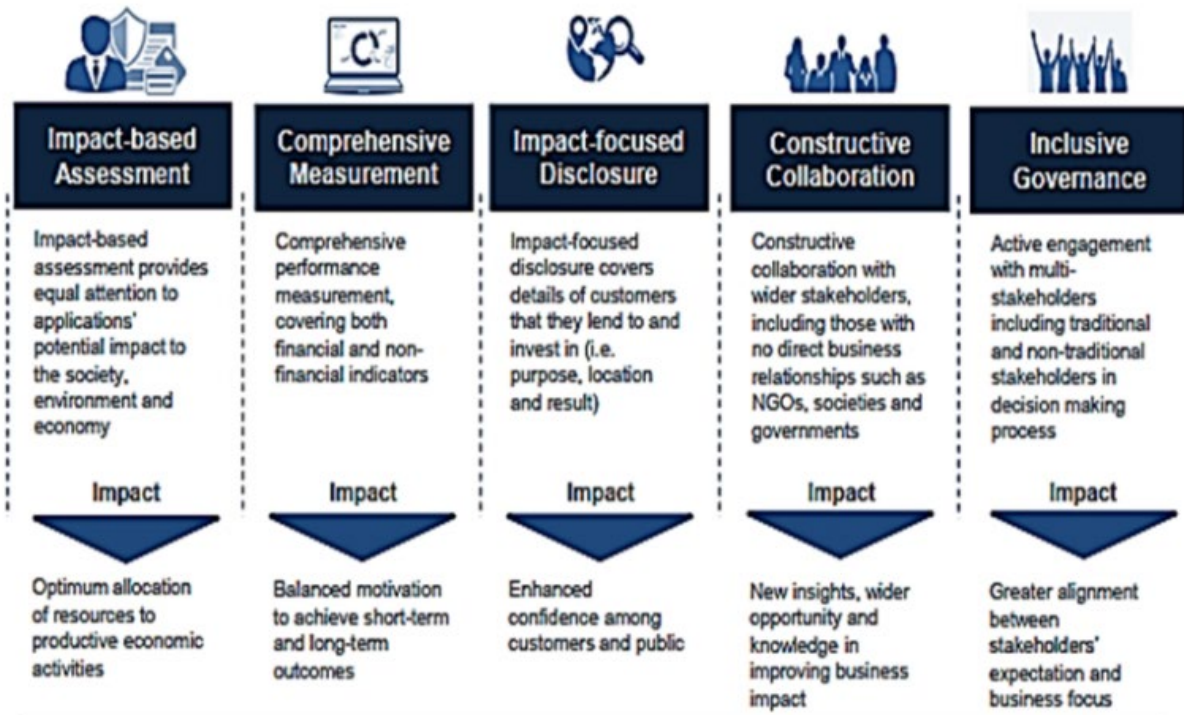
The expected results of Sharia focus on improving people's welfare through the preservation of people's wealth, faith, life, offspring, and intelligence in accordance with *the maqasid of Sharia*. In the context of Islamic finance business, one of which is Islamic banking focuses on encouraging to generate, accumulate, and distribute wealth fairly.



The picture above is an illustration of the expected results of *sharia*, especially in financial transactions

1. The first is justice, which is to minimize everything that causes injustice such as uncertainty and exploitation.
2. The second is the preservation of wealth which consists of three ungsur including:
 - a. Recognizing private ownership
 - b. Prohibit infringement of the rights of others
 - c. Ensure the validity of the transfer of ownership.
3. Third is the circulation of wealth which consists of four ungsur including:
 - a. Fair distribution of wealth,
 - b. Prohibit the hoarding of wealth
 - c. Drive increased revenue
 - d. Channeling wealth to productive sectors

VBI and Current Banking Practices



Source : BNM, 2018

There are five main components in VBI practice in the Islamic banking sector, including *Impact-based assessment* which has a potential impact on society, the environment, and the economy so that resources can be optimally allocated for productive economic activities. Second, *comprehensive measurement* includes financial and non-financial indicators so as to have an impact on the balance of motivation in order to achieve short and long-term results. Third, *Impact focused disclosure* includes details of customers where they lend and invest (goals, locations, and results) so as to increase trust between customers and the public. Fourth, *constructive collaboration* with various stakeholders so as to provide new insights, opportunities, and broader knowledge in increasing business impact. Fifth, *inclusive governance* by having active involvement with various stakeholders, both traditional and non-traditional, in the decision-making process so as to align the expectations of stakeholders and business.

Underlying Trust of VBI

Islamic banking institutions in addition to having a commercial business, but also have a business that also benefits the community so it requires a framework that collaborates between stakeholders. In this regard, it is imperative for Islamic banks to ensure that the intent, strategy and performance of their Islamic finance business are based on the area foundation of the VBI so as to create indigo for stakeholders.

Efforts to coordinate between IBI and industry stakeholders are very important so that the implementation of VBI can have a positive impact. Here are four basics that serve as initial guidelines for the beliefs underlying VBI:

Entrepreneurial Mindset, this area focuses on facilitating entrepreneurial activities holistically, which includes financing and support in the form of advisors, market infrastructure, and business networks. By offering these facilities, it is expected to increase Islamic banking innovation through the development of new products, equipment, and business models to help and support entrepreneurs.

Community Empowerment, which is providing financial solutions for the community so as to create a positive impact. In the context of social obligations, those who are able have a responsibility to help those who are able through the effective distribution of wealth. Therefore, Islamic banking can play a significant role in creating socio-economic impact for communities. A balance between commercial and social aspects can be achieved through development, funding, and providing solutions to problems faced by the community so as to create a positive impact and open up new business opportunities for Islamic banking.

Good Self-Governance, which instills discipline in the organization and has a good governance framework for all stakeholders. Related to governance, there are two main components, including *inclusive governance*, where all decisions made by Islamic banking not only affect shareholders, but also other stakeholders such as customers and investors. Next is *self-governance* which instills discipline in practical and operational activities. This is in line with the principle of truth (*ihsan*) from a sharia perspective so as to produce high values of accountability and integrity in Islamic banking.

Best Conduct, which is behavior that encourages to achieve continuous improvement to increase stakeholder satisfaction. Furthermore, Islamic banking aims to provide efficient services in addressing public needs while ensuring the rights of shareholders and other stakeholders. Safeguarding the rights of stakeholders can be through transparent and fair disclosure of all transactions in order to minimize the occurrence of information asymmetry. Sharia has clearly outlined a set of rules to protect the interests of various parties, including the prohibition of unfair transactions such as *riba* and *gharar* caused by lack of information obtained, as well as avoiding disputes.

CONCLUSIONS

Important note for Islamic banks, especially in Indonesia that want to implement VBI, of course, it all depends on the level of maturity of each institution concerned. And according to the author, it is very necessary to conduct research related to the readiness of Islamic banking in Indonesia in implementing VBI. Because Islamic banking institutions in addition to having a business commercially, but also have a business that also benefits the community, it requires a framework that collaborates between stakeholders. In this regard, it is imperative for Islamic banks to ensure that the purpose, strategy and performance of their Islamic finance business are based on the area foundation of the VBI so as to create value for stakeholders. Efforts to coordinate between VBI and industry stakeholders are very important so that the implementation of VBI can have a positive impact.

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