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Modification Finance of Salam and the Implications for Salam Accounting Treatment in Indonesia

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Abstract

Bank Indonesia has set standardization of *Salam* and PSAK No. 103. The theoretical study results showed that the non-application of *Salam* contract in the Islamic Banking includes: fear of the banks on dishonesty or farmers' harvest failure, the risks that brought by *Salam* contract and the lack of socialization of *Salam* contract to the farmers. The modified solutions made to eliminate the problem at *Salam* contract is to establish agricultural banks, providing socialization and education to farmers, giving option to the payment system of *Salam* and the amount of farmers' credit are not the basic price of farmers' harvest.

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1. Introduction

Islamic banks development is growing fast and it should be going along with the development of product types and contract variations which is in accordance with Islamic principles. Based on data from Statistics Islamic Banking (Bank Indonesia, 2012) stated that the number of Islamic Banks in 2006 amounted to 3 (three) bank with 349 offices. Meanwhile, until the end of 2012 the number of Islamic banks significantly increases and reaches 11 banks with 1745 offices. It shows that the growth of Islamic banks in Indonesia is quite rapid. According to a survey that has been

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conducted and reported in Global Islamic Finance Report (CIMB Islamic, 2012) Indonesia ranked the seventh in the development of Islamic banking in the world (Wardayati and Wulandari, 2014).

Product development is expected to meet the needs of customer transactions. One of the important issues faced by Islamic banking is the problem of financing products variation that are still dominated by *Murabaha*, *Musharaka* and *Mudaraba* which can be seen in the Table 1. Though there is still variety of other contracts that could be implemented.

Table 1. Composition of Islamic Banking Financing based on Contract (On Billion Rupiah)

Contract	2008	2010	2012	2014
Contract of Mudharabah	6.205	8.631	12.023	14.354
Contract of Musyarakah	7.411	14.624	27.667	49.387
Contract of Murabahah	22.486	37.508	88.004	117.371
Contract of Salam	-	-	-	-
Contract of Istishna	369	347	376	633
Contract of Ijarah	765	2.341	7.345	11.620
Contract of Qardh	959	4.731	12.090	5.965

Source obtained and processed from: Islamic Banking Statistics Data 2008-2014

From the data above, *trend* in the *Salam* financing agreement in Islamic banking does not exist at all. Whereas, the purchase of *Salam* contract with down payment is quite *applicable* for one of banking products, especially in the agricultural sector. With the existence of inequality, which according to the draft of *Salam contract* but is not applied in the agricultural sector, making the author interested in conducting the research on how to build solutions to make the contract of *Salam* as one of the *applicable* financing products to be applied in the Islamic banking industry.

2. Literature Review

2.1 Definition Financing of Salam

PSAK 103 explains that *Salam* is a contract of sale and purchase of goods' orders (*muslam fiih*) with the delivery on later dates by the seller (*muslam illaihi*) and the repayment made by the buyer at the time the contract was agreed in accordance with certain conditions. The explanation of article 3 of Bank Indonesia Regulation No. 9/19 / PBI / 2007 regarding the principles implementation of Islamic banks in the activities of fund collection and distribution of funds and services for Islamic banks mentioned the definition of *Salam* as" the buying and selling of goods by way of reservations with certain conditions and the advanced case payment is paid in full." According to Muhammad Shafi Antonoi (2002: 108) *Bai 'as-Salam* means the purchase of goods delivered in the later days, while the payment is made in advance. So that, *Salam* is a transaction which the delivery of ordered good is deferred while the payment is paid in cash at the beginning of the transaction by obtaining certain conditions.

2.2 Characteristics of Salam

Characteristics of *Salam* include: specifications and price of goods (agreed in the initial contract) with the following provisions: (1) The price of goods cannot be changed during the term of the contract, and (2) Bank as buyer-where banks can request a guarantee to avoid the risk of harm. Ordered goods agreed between the seller and the buyer with the following provisions: (1) The general characteristics should be noted such as type, kind, quality, and quantity of the goods, and (2) The seller must be responsible when the goods sent do not meet the characteristics previously noted.

Provisions concerning the payment of *Salam* are: (1) the amount and form of payment tools should be known, either in the form of goods, money or benefits, (2) Payment must be made when the contract agreed upon, and (3) Payment may not be in the form of debt relief. Provision of goods, i.e.: the characteristics should be clear and can be recognized as debt, explaining the specifications, the delivery is done at the later days, the time and place of goods delivery have

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