

## Standards for letters of credit according to Islamic views

Mubarok El Alimi<sup>1</sup>, Wira Elmuhriani<sup>2</sup>

<sup>1</sup>Department of Economics, Universitas Islam Negeri Sunan Kalijaga, Indonesia

<sup>2</sup>Department of Ushuluddin, Stai Nurul Falah, Indonesia

---

**ARTICLE INFO****Article history:**

Received Sep 22, 2024

Revised Oct 1, 2024

Accepted Oct 21, 2024

**Keywords:**

DSN-MUI;

Halal Standard;

Wakalah.

---

**ABSTRACT**

In this increasingly modern era, there have been many big changes in various sectors which were previously carried out face to face, but now many conveniences have been provided due to changes in the current business climate. As we know, the world of exports and imports continues to be a special attraction in the field of implementation, so with the increasing complexity in a business, there must also be standards or benchmarks that become the basis for carrying out these economic activities, so that they remain on track. which is still permitted by the Islamic religion today. In this research, we use library research. The literature used in this research is from various books and relevant previous research journals as the basis for writing this article. From this research it can be concluded that Letter of Credit (L/C) is a payment method that is considered the safest in international trade transactions, because it provides security for both parties, namely exporters and importers. This method can also be adopted and applied by sharia banking, which generally uses wakalah contracts as the basic basis for its transactions. Fatwa of the National Sharia Council of the Indonesian Ulema Council No: 10/DSNMUI/IV/2000 concerning Wakalah provides guidelines regarding how the wakalah contract should be implemented in muamalah activities in society. The strong legal foundation of wakalah contracts strengthens their application in sharia banking, supports the development of sharia banking products and services based on wakalah contracts, and motivates the development of sharia banking in Indonesia.

*This is an open access article under the CC BY-NC license.*



---

**Corresponding Author:**

Mubarok El Alimi,

Department of Economics,

Universitas Islam Negeri Sunan Kalijaga,

Jl. Laksda Adisucipto, Papringan, Caturtunggal, Kec. Depok, Kabupaten Sleman, Daerah Istimewa Yogyakarta 55281

Email: mubarokelalimi2001@gmail.com

---

**1. Introduction**

Islam was revealed as a bringer of mercy to all nature, including all servants of Allah until the end of human development. That teaching contained in it also covers the economic field. Prophet Muhammad SAW once said that most of humanity's sustenance is within acquisition from the results of trading activities (Muhammad Syakir Sula, 2004). Muslims in carrying out all life activities must comply with the guidance contained in the Koran, Sunnah, and Ijma ulama. All these activities include how humans communicate, interacting, carrying out economic activities, dressing, eating, drinking, behaving All behavior must be in accordance with Islamic teachings. On the other hand, Muslims in this era globalization is currently struggling to stick to guidelines prescribed in Islam (Bakhri et al., 2022).

Currently the halal industry is experiencing rapid development in several sectors, among others others: halal food, finance, travel, fashion, cosmetics and medicine, media and entertainment, as well as other sectors such as health and education. Condition Report Global Islamic Economy 2016/2017 by Thomson Reuters shows total income earned by each sector starting in 2015 up to year 2021 has experienced a significant increase (Thomson Reuters, 2021). Not only that, but the development of the business world is also increasingly rapid, both domestically and abroad. One area experiencing significant growth is

international trade. The reason is, no country can become very strong just by relying on products made by domestic craftsmen. Therefore, economic activities called exports and imports are needed to facilitate trade relations between countries (Nurpatricia, 2020).

Globalization is basically emerging the result of a country being unable to meet the needs of its own population without assistance from other countries. This is because a country has certain characteristics different, whether natural resources, human resources, geographical, political, economic and social (Gunawan & Ahmad, 2001). In the current era of globalization, apart from the term international economics which includes international trade and finance, the term international business is also increasingly known and used. International business includes the export and import of goods, capital and other services, with the main actors often referred to as Multi-National Companies (Ginting, 2002).

It has become mandatory for a country to get supplies of goods from other countries. This happens because a country cannot only rely on products produced domestically. Apart from that, looking at the geographical position of each country, there are certainly differences in terms of natural resources, human resources and economic structure. These limitations encourage business between countries known as exports and imports (Nur Hikmah, 2017). Foreign trade is now a common thing to do, As has been stated by several economists who live around 16th and 17th centuries argued that foreign trade was source of wealth by selling goods abroad. This opinion is further strengthened by the opinions of economic experts Classics like David Ricardo (Sadono Sukirno, 2010).

Sharia economic teachings strongly encourage import-export activities Strengthening a country's economy and increasing economic growth. Ibn Taymiyah once said that exports would strengthen the currency exchange rate domestic money. According to Islamic historical records, trading activities International practice has been practiced long ago by the Prophet Muhammad SAW young. And Umar bin Khattab also always reminded his friends to pay attention to import-export trade activities in order creating a strong economic structure (Muhammad Ayub, 2009).

During the Caliphate and early Islam, international trade had become a common practice among Muslim traders. They engaged in trade that covered a wide area, from the Middle East to North Africa, Asia and Europe. Although the modern L/C system does not yet exist, practices containing elements similar to L/Cs have been implemented, such as the use of hawala (trust-based money transfer system), wakalah (representative), and kafalah (guarantee). This system allows Muslim traders to carry out transactions without the need to carry large amounts of cash when traveling abroad (Rodinson, 1982).

However, modern Letters of Credit, as we know them today, only began to be implemented in Muslim countries in the 19th and early 20th centuries, when conventional banking systems developed globally. L/Cs were first introduced by European banks to facilitate international trade, and were soon adopted by banks in Muslim countries that began operating within a global trade framework. Conventional L/Cs are used to ensure that payments are made safely between exporters and importers in cross-border trade.

In the mid-20th century, Muslim countries became increasingly integrated into the global trading system, and the use of L/C became more widespread. Countries such as Egypt, Turkey, Saudi Arabia and other Gulf countries involved in the export of oil, gas and other major commodities are the main users of L/C in international trade transactions. Conventional banks in these countries, both local and affiliated with foreign banks, provide L/C services according to international standards, as regulated in the Uniform Customs and Practice for Documentary Credits (UCP) by the International Chamber of Commerce (ICC). The use of this L/C involves interest-based payments (riba), and also fines if payments are late in transaction activities. Although this practice is common in many countries, in the context of Muslim countries many different ulama figures try to create sharia-based letters of credit that do not violate Islamic law (Wilson, 2010).

In the late 1960 and early 1970, there was a revival of Islamic economics with the emergence of Islamic banking. Islamic Banking was established to provide financial services in accordance with sharia principles, especially by avoiding transactions involving riba (interest), gharar (uncertainty), and maysir (speculation). This triggered significant changes in the application of L/C in Muslim countries.

Islamic banking creates sharia-compliant versions of L/Cs to support international trade. In this context, several sharia L/C instruments used include: a) Murabahah L/C: In this model, the Islamic bank purchases goods from the supplier on behalf of the importer, and then sells them back to the importer at a

price that includes a pre-agreed profit margin. This profit margin is the result of halal buying and selling transactions, not interest. b) *L/C Wakalah*: In this model, the bank acts as an agent (representative) of the importer or exporter, managing the documents and payment process without charging interest. The bank only receives a commission as a representative who handles transactions. c) *Musyarakah and Istisna' L/C*: These instruments are more suitable for long-term project financing. In a *musyarakah* (partnership) scheme, the bank shares capital and profits with the parties to the transaction. Meanwhile, in *Istisna'*, the bank provides financing for the manufacture of an item or project. d) These instruments ensure that international trade transactions can take place without violating sharia principles, making sharia *L/Cs* the ultimate solution for Muslim entrepreneurs involved in cross-border trade. (Chapra, 2000).

With the emergence of Islamic banking, international institutions such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and the Islamic Financial Services Board (IFSB) began to play an important role in setting standards for Islamic finance, including the implementation of Islamic *L/C*. The standards issued by these institutions ensure that the financial instruments used by Islamic banks, including *L/Cs*, comply with strict sharia rules. Islamic banks in various countries, especially in Malaysia, Indonesia, the United Arab Emirates and Saudi Arabia, have adopted this standard, which allows them to provide sharia *L/C* products that can compete in the international market. These standards also help harmonize the application of sharia *L/C* across various types, making it easier for banks to operate in international trade (AAOIFI, 2020).

In foreign trade transactions, trade relations occur between sellers and buyers in different countries. The problem is because between sellers and buyers cannot be found directly due to distance which is far away, so it will be difficult or even impossible to get interact in cash. This causes concern among sellers and buyer. Buyers will feel worried if they send the money first before the item reaches your hands. Maybe it will arrive take a long time or even not reach the buyer's hands. The same thing is felt by sellers with the same concerns, namely if the seller sends the goods first before receiving the money from the buyer, the seller is afraid that the buyer will not pay him afterwards receive goods that have been sent by the seller (Ismail, 2014).

Letter of Credit which is usually abbreviated with (*L/C*) being one of the instruments payment is very important in international trade. Letter of credit very vital in providing confidence to buyers (buyers) and sellers (sellers) in conducting international trade export-import (Pantoro, 2010). Letters of credit have become a very helpful product, especially for exporters and importers. However, the mechanism for letter of credit transactions is still considered among the ulama because it is considered a conventional bank product that is contrary to sharia principles. Therefore, the question arises whether conventional bank products can be adapted and applied to sharia banking so that sharia banking products can still exist and be relevant to current developments (Rizal & Sutrisno, 2018).

So at this time we need someone who will solve the problem the. The bank acts as an intermediary that guarantees payment the importer to the exporter or representing the billing party exporter to importer, being the party who launches it. One of Payment solutions offered by banks on International trade is a Letter of Credit (*L/C*). Letter of Credit (*L/C*) itself is a service facility provided by banks to customers to facilitate goods buying and selling transactions, especially those related to export-import activities (Ahmad Kamil, 1997).

In fiqh there are characteristics that are always relevant to current developments, because they can always provide solutions to various problems that arise in the contemporary world of muamalah. This started from the rejection of the *syara'* related to muamalah, so that there were only general rules without discussing the technical details in detail. These technical details are handed over to ulama and fuqaha to carry out *ijtihad*, translating these general rules into new sharia that is in accordance with current developments for the benefit of the people (Zuhail, 2002).

In this case, the letter of credit is a conventional bank product which needs to be reviewed first based on fiqh law so that it can be implemented by sharia banking. If it turns out that it is not in accordance with existing general rules, it is necessary to look for alternative solutions that can be offered by fiqh scholars. It is hoped that this solution can replace letters of credit and continue to help the modern economy which is carried out by many countries in export and import trade (Kholik, 2017).

In this article, the researcher will examine the substance of letter of credit activities, then examine the fiqh law that underlies it. So this letter of credit product can also be applied by sharia banks to make it easier for people to export and import but still within the underlying Islamic framework.

## 2. Research Method

This research uses library research methods or library research which collects data from accurate and reliable sources such as books, journals, or previous research which can become data that can reveal one by one the existing problems (Uma & Bougie, 2013). In research conducted by Ulya & Nursikin (2023) stated that qualitative research using library methods is a way of collecting data by conducting or analyzing data that has been presented in books, related journals or relevant research reports. Basically, the more references this library research contains, the richer and more complex the research obtained.

Basically, library research is not only limited to collecting, reading and recording literature or books that are widely known. More than that, library research must pay attention to the appropriate steps in the research process, including research methods for collecting data, reading and processing library materials, as well as the equipment that needs to be prepared. All of this aims to make it easier for researchers to obtain the required data (Khatibah, 2011).

This study uses a qualitative approach and applies descriptive analysis research. The focus of the research Halal standard for letters of credit according to Islamic views. The descriptive analysis method is used as a framework to obtain research results. This research is included in the domain of library research, where researchers analyze various previous journals that are relevant to this research, after that they look at the quality of various literature in terms of authorship, methodology, as well as the results obtained from various literature, which will then process any relevant data to enrich this research so that it continues to present quality work. Author references were obtained through literature searches using books, reports and journals, using the Publish or Perish application, and Google Scholar.

## 3. Result and Discussion

### Letter of credit in a fiqh perspective

As sources of Islamic teachings, the Al-quran and hadith have them position is very important for the people Islam. Al-Quran and hadith of the Prophet SAW explain the characteristics of Islamic teachings which is both holistic and not recognize the dichotomy between religious teachings with personal human problems which is always developing, whether problems economic, political, social, cultural and other actual problems cannot be separated from dynamicshuman life (Iqbal, 2019).

In establishing sharia law in a system adapted from conventional banks for letter of credit transactions, in-depth observation of each practice and stage is required. This aims to ensure that the banking products produced remain in accordance with halal principles even though they originate from conventional bank products (Kholik, 2017).

In the Al-Quran surah an-nisa [4] : 29

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُم بَيْنَكُم بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا  
أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا

Meaning: (O you who believe, do not consume your neighbor's wealth in a vanity (unrighteous) manner, except in the form of business based on mutual consent between you. Do not kill yourselves. Indeed, Allah is Most Merciful to you.

The verse above says that you should never consume wealth in vain on Allah's earth, because Allah has prepared a more noble way, namely through commerce. So, if you look at the context of this verse, a letter of credit is a method of commerce that uses a more complex system due to several factors, so the creation of L/C is one of the efforts made by Islamic banks to make commerce easier today. If you look more broadly, L/C can be divided into two parts, namely: a) Letter of credit as a means of payment, in this context, a letter of credit (L/C) is given to applicants who have sufficient funds to pay for the goods they purchase.

The bank acts as an intermediary to pay the exporter on behalf of the applicant. In Islam, this practice is permitted because it is included in the wakalah contract, where the applicant appoints a bank as his representative to issue a letter of credit and complete the transaction according to his wishes (Syahriyah, 2017). b) Letter of credit as a means of payment accompanied by a loan, in this situation, a letter of credit (L/C) is given to an applicant who does not have sufficient funds to pay the price of the goods he purchased, so the bank provides a loan. Banks act not only as intermediaries in making payments to exporters on behalf of the applicant, but also provide loans so that the applicant can pay off the purchase of goods. In Islam, this practice is permitted because money loans provided by banks are included in the qardh contract (Kholik, 2017).

Basically, sharia banking business activities can include three types of products. These products are savings products (liability based product); such as current accounts, deposits and savings, asset products (asset-based products); such as financing and service products (service-based products); for example money transfers, safe deposit boxes, bank guarantees, letters of credit, and others (Wangsawidjaja, 2013). But in its application L/C is not only a service, L/C as well can be turned into a financing product, namely ordinary credit. Similar revealed by Adiwarman A. Karim that L/C in sharia banks is included financing products (Adiwarman A. Karim, 2014).

#### **Conditions for accepting a letter of credit from the perspective of Islamic fiqh**

When receiving goods, there are conditions that must be agreed upon by both parties. One of them is the delivery of goods that are the object of the contract, which often varies depending on the location of the transaction (Sjahdeini, 2015). Therefore, the principles that have become a tradition in letter of credit transactions and are used as a reference in international trade, as stated in convention number 350 of 1980, must be followed as long as they do not conflict with sharia law. These rules include: a) Delivery of commodity goods at the production site, at this stage, the primary obligation is for both parties to avoid confrontation. The seller must ensure delivery of the goods according to the agreement, usually carried out at the production location, while the buyer is responsible for the costs of maintaining the goods incurred. b) Delivery made at the seller's port (free along side/ F.A.S), the seller has the obligation to prepare the goods in accordance with the terms of the contract, such as delivering the goods at the port of the seller's location. Therefore, the buyer is responsible for safeguarding the goods and other costs incurred after the goods are placed at the port by the seller. c) Handover on board (free on board/ F.O.B), at this stage, the seller's rights and responsibilities are transferred to the buyer when the goods are placed on the shipping vessel in accordance with the mutual agreement. Thus, the buyer is responsible for safeguarding the goods and other costs incurred after the goods are placed at the port by the seller. d) Delivery at the buyer's port (cost and freight/ C.A.F), the seller has the obligation to prepare the goods in accordance with the terms of the contract, such as delivering the goods at the buyer's port. Therefore, the buyer's obligation is to safeguard the goods and bear other costs that arise after the goods arrive at the buyer's port.

#### **Letter of credit agreement in the view of DSN-MUI**

In this transaction, a wakalah contract was used which had previously been regulated in the fatwa of the national sharia council of the Indonesian Ulema Council listed under number: 34/DSNMUI/IX/2002 discussing import letters of credit (DSN MUI, 2002b). However, in several conditions, changes to the wakalah contract are made to the transaction, namely:

1. Letter of credit impor syariah: a) The wakalah bil ujah contract has applicable provisions, including: The buyer has an obligation to pay for the goods purchased; the buyer and the opening bank enter into a wakalah bil ujah agreement for the fees received by the opening bank for document management; the amount of ujah has been agreed upon during the initial opening in nominal form, not a percentage of profits. b) The wakalah bil ujah and qardh contracts have applicable provisions, among others: Buyers do not have large funds to pay off the entire price of the goods purchased; the buyer and the opening bank enter into a wakalah bil ujah contract for the fee received by the opening bank for document management; the amount of ujah has been agreed upon during the initial opening in nominal form, not a percentage of profits; the opening bank lends money (qardh) to pay off the goods purchased. c) Murabahah Agreement with the following conditions: Banks act as buyers representing importers to carry out transactions with exporters; processing of documents and payments is carried out by the bank when the documents are received (at sight) and/or deferred until maturity (usance); Banks sell goods on a murabahah basis to importers, either in cash or by installment payments; Costs incurred by the bank will be taken into account as the purchase price of the goods. d) Salam/Istishna'dan Murabahah Agreement, with the following conditions: The bank carries out a Salam or Istishna' contract by representing the importer to carry out the transaction; document processing and

payments are carried out by the bank; Banks sell goods on a murabahah basis to importers, either in cash or by installment payments; costs incurred by the bank will be taken into account as the purchase price of the goods. e) Wakalah bil Ujrah and Mudharabah contracts, with the following provisions: The customer enters into a wakalah bil ujarah contract with the bank to process documents and payments; the bank and the importer enter into a Mudharabah contract, where the bank acts as shahibul mal and hands over capital to the importer in the amount of the price of the imported goods. f) Musyarakah Agreement with the following provisions: The bank and importer enter into a Musyarakah contract, where both include capital to carry out goods import activities. g) Wakalah bil Ujrah and Hawalah with the following provisions: The importer does not have sufficient funds in the bank to pay the price of the imported goods; the importer and bank enter into a Wakalah contract to process import transaction documents; the amount of ujarah must be agreed in advance and stated in nominal form, not in percentage form; the debt to the exporter is transferred by the importer into a debt to the bank by asking the bank to pay the exporter the value of the imported goods.

2. Letter of credit ekspor syariah, meanwhile, in the fatwa of the National Sharia Council of the Indonesian Ulema Council number: 35/DSNMUI/IX/2002, there is a discussion regarding export letters of credit (DSN MUI, 2002), but in several conditions modifications to the wakalah contract are made to these transactions, namely: a) Wakalah bil Ujrah contract with the following provisions: Foreign exchange bank as export document management; the foreign exchange bank collects the bill from the opening bank, then it is paid to the seller minus the ujarah; the amount of ujarah has been agreed upon during the initial opening in nominal form, not a percentage of profits. b) Wakalah bil Ujrah and Qardh contract with the following provisions: Bank as export document manager; the bank collects it from the opening bank, then sends it to the seller minus the ujarah; Banks provide bailout funds (Qardh) to exporter customers in the amount of the price of the exported goods; the amount of ujarah has been agreed upon during the initial opening in nominal form, not a percentage of profits; ujarah payments can be taken from the bailout fund according to the agreement in the contract; Between the Wakalah bil Ujrah contract and the Qardh contract, no linkage (ta' alluq) can be allowed. c) Wakalah Bil Ujrah and Mudharabah contracts with the following provisions: The bank provides the exporter with all the funds needed in the production process of export goods ordered by the importer; the bank handles export documents; the bank carries out collection (collection) from the L/C issuing bank (issuing bank); payment by the L/C issuing bank can be made when the document is received (at sight) or at maturity (usage); payments from the L/C issuing bank (issuing bank) can be used for ujarah payments, mudharabah refunds and profit sharing payments; the amount of ujarah must be agreed in advance and stated in nominal form, not in percentage form. d) Musyarakah Agreement with the following provisions: The bank provides the exporter with a portion of the funds needed in the production process of export goods ordered by the importer; the bank handles export documents; the bank carries out collection (collection) from the L/C issuing bank (issuing bank); payment by the L/C issuing bank can be made when the document is received (at sight) or when it is due (usance); payments from the L/C issuing bank (issuing bank) can be used for refunding musyarakah funds and profit sharing payments. e) Al-Bai' (Sales and Purchases) and Wakalah contracts with the following conditions: Banks buy goods from exporters; Banks sell goods to importers represented by exporters; the bank pays the exporter after sending the goods to the importer; payment by the L/C issuing bank (issuing bank) can be made when the document is received (at sight) or at maturity (DSN MUI, 2002).

3. Letter of credit payment system from a fiqh perspective, the following are several payment systems that can be used in international trade transactions, namely: a) Advance payment (advance payment), prepayment is payment of part of the price of traded goods using valid receipts and notes. The remaining payment is made after all complete shipping documents are submitted in accordance with the provisions of the letter of credit, or can also be made over a long period of time according to the agreement of both parties. This payment system is in accordance with the urbun principle in fiqh which is permitted by Imam Ahmad; b) payment in cash or by check (at sight), this payment is made after all documents required by the letter of credit have been checked and verified to ensure compliance with the specified requirements. In this context, the bank has an important role because the bank acts as a partner for the applicant, responsible for the entire transaction process, including the document verification process and payment implementation. Therefore, the bank has the authority and obligation to make payments after ensuring that all requirements have been fulfilled in accordance with the provisions stipulated in the letter of credit; c) Payment with due date (acceptance), this payment involves a previous agreement between the exporter and importer, where payment is made in installments or within a certain time. In this process, the exporter sends documents to the foreign exchange bank, which will then be forwarded to the opening bank on behalf of the importer. After that, the document will be returned to the exporter to be disbursed after the goods purchased reach the importer. This

type of payment system is in accordance with sharia principles, on the basis that the bank acts as the buyer and opener of the letter of credit, so that the transaction can be carried out in a manner that complies with the provisions of Islamic law.

#### 4. Conclusion

Letter of credit (L/C) is a payment method that is considered the safest in international trade transactions, because it provides security for both parties, namely the exporter and importer. This method can also be adopted and applied by sharia banking, which generally uses wakalah contracts as the basic basis for its transactions. Fatwa of the National Sharia Council of the Indonesian Ulama Council No: 10/DSNMUI/IV/2000 concerning Wakalah provides guidelines regarding how the wakalah contract should be implemented in muamalah activities in society. The strong legal foundation of wakalah contracts strengthens their application in sharia banking, supports the development of sharia banking products and services based on wakalah contracts, and motivates the development of sharia banking in Indonesia.

However, in carrying out this contract, sharia principles must still be adhered to. These principles include the absence of usury, the absence of danger to other parties, the absence of elements of fraud and gambling. By ensuring that sharia L/C transactions comply with these principles, customers who use these services can feel safe in carrying out their business activities. The suitability of Islamic fiqh in applying these principles in the modern era shows its continued relevance, as well as providing a legacy of rich Islamic law that is still relevant and applicable in the context of this ever-evolving era.

Wakalah in the context of a sharia-based Letter of Credit (L/C) is a mechanism that allows sharia banks to act as representatives (representatives) for customers in the transaction process. Wakalah is a contract that is in accordance with sharia principles because it does not involve *riba* (interest), *gharar* (uncertainty), or other prohibited practices.

The following is a specific explanation of how wakalah is applied in sharia-based L/C transactions:

- a) Customer Appoints Bank as Representative (Agent), in wakalah-based sharia L/C transactions, the importer (customer) appoints a sharia bank to act as their representative in making payments to the exporter (seller) when the goods have been sent and the relevant shipping documents have been received. The bank acts as an intermediary to ensure payments are made in accordance with the agreed terms. Wakalah Agreement: The customer authorizes the bank through a wakalah agreement to act as his agent in facilitating transactions. Rewards for Wakalah Services: Sharia banks charge an agreed fee for the services provided, not in the form of interest but a clear and transparent service fee.
- b) Opening of L/C by Sharia Bank, after the wakalah agreement is agreed, the sharia bank opens an L/C in the customer's name for the benefit of the exporter. This L/C contains instructions that stipulate that payment will be made to the exporter when the specified conditions are met, such as delivery of goods and submission of shipping documents (such as bill of lading, invoice and insurance certificate). Relevant Documents: The exporter must submit the documents specified in the L/C to prove that the goods have been delivered in accordance with the agreed terms. No Elements of Usury: There is no interest or usury in payments, but sharia banks only manage payments as agents, in accordance with sharia principles.
- c) Exporter Submits Documents to Issuing Bank, the exporter, after sending the goods, submits shipping documents that comply with the terms of the L/C to the sharia bank (issuing bank). Islamic banks check the completeness of documents and ensure that all requirements have been met. Bank's Role as Representative: Sharia banks only act as intermediaries, ensuring documents are complete and appropriate before making payments to exporters. No interest-bearing financing: The bank does not provide interest-bearing financing facilities, but instead operates it as a representative in accordance with the customer's process.
- d) Payment to Exporters, after the documents are met and deemed to meet the requirements, the sharia bank makes payments to the exporter on behalf of the customer. This payment can be made in cash or through a sharia-compliant financing system, such as *murabahah* (buying and selling with margin) if the customer wants to pay in stages. Wakalah Fee: The customer pays a wakalah service fee to the sharia bank for L/C management services. Sharia financing (optional): If the customer cannot pay the bank directly, sharia financing such as *murabahah* can be used, where the bank buys the goods first and sells them back to the customer at an agreed margin.
- e) Wakalah Benefits in Sharia L/C, does not contain usury: In a wakalah-based L/C, there is no element of usury or interest charged to either the exporter or importer. Transparency: All fees charged are service fees that have been agreed upon from the start, without any additions based on time such as late interest. Sharia Law Certainty: By using a wakalah contract, this

transaction is fully in accordance with sharia principles because there is no element of intimidation (gharar) or exploitation.

In the Al-quran, surah Al-Muj is verse 11

أَيُّهَا الَّذِينَ آمَنُوا إِذَا قِيلَ لَكُمْ تَفَسَّحُوا فِي الْمَجَالِسِ فَافْسَحُوا يَفْسَحَ اللَّهُ لَكُمْ وَإِذَا قِيلَ انشُرُوا فَانشُرُوا يَرْفَعِ اللَّهُ الَّذِينَ آمَنُوا مِنْكُمْ وَالَّذِينَ أُوتُوا الْعِلْمَ دَرَجَاتٍ وَاللَّهُ بِمَا تَعْمَلُونَ خَبِيرٌ

Meaning: (O you who believe, when it is said to you "Make room in the assemblies," make room, surely Allah will give you space. When it is said, "Stand up," (you) stand up. Allah will surely lift up people - those who believe among you and those who have been given some degree of knowledge. Allah is aware of what you do.)

The verse above conveys that the importance of knowledge is very important, because the fundamental truth is found in science so that if a Muslim has adequate knowledge it will make it easier to adopt or establish rules that facilitate the development of this modern era to establish fiqh laws that can apply universally without violating the basic principles. the basis of the Al-quran and Hadith (Alfi & Thantawi, 2015).

### ACKNOWLEDGEMENTS

I would like to express my thanks to the journal that has published my manuscript, I hope that with the publication of this journal it can become a new scientific treasure in the future and can be further refined by future researchers.

### References

- AAOIFI. (2020). *Standar Syariah. Organisasi Akuntansi dan Audit untuk Lembaga Keuangan Islam*.
- Adiwarman A. Karim. (2014). *Analisis Fiqih dan Keuangan*. PT Raja Grafindo Persada.
- Ahmad Kamil. (1997). *Kitab Undang-Undang Hukum Dagang dan Ekonomi Syariah*. Kencana Prenada Media.
- Alfi, R., & Thantawi, T. R. (2015). Analisis Peraturan Perdagangan Internasional Uniform Customs and Practice for Documentary Credit (Ucpdc) Revisi 600 Dalam Tinjauan Ekonomi Islam. *Nisbah: Jurnal Perbankan Syariah*, 1(1), 23. <https://doi.org/10.30997/jn.v1i1.214>
- Bakhri, S., Saiban, K., & Munir, M. (2022). Peran Lembaga Keuangan Syariah dalam Industri Halal sudut Pandang Maqosid Syariah. *Tasharruf: Journal of Islamic Economics and Business*, 3(1), 11–29. <https://doi.org/10.55757/tasharruf.v3i1.88>
- Chapra, U. (2000). *The Future of Economics: An Islamic Perspective*. Islamic Foundation.
- DSN MUI. (2002a). *Letter of credit ekspor syariah*. 1–7.
- DSN MUI. (2002b). *Letter of credit impor syariah*. 32, 1–7.
- Ginting, R. (2002). *Letter of Credit; Tinjauan Aspek Hukum dan Bisnis*. Salemba Empat.
- Gunawan Widjaja dan Ahmad Yan. (2001). Seri Hukum Bisnis, Transaksi Bisnis Internasional (EksporImpor dan Imbal Beli). In *J. Raja Grafindo Persada*.
- Iqbal, I. (2012). Pemikiran Ekonomi Islam Tentang Uang, Harga dan Pasar. *Jurnal Khatulistiwa: Journal Of Islamic Studies*, 2(1), 1–15.
- Ismail. (2014). *Perbankan Syariah*. Kencana Prenadamedia Group.
- Khatibah. (2011). Penelitian Kepustakaan. *Iqra*, 05(01), 36–39.
- Kholik, J. A. (2017). Letter of Credit (Lc) Dalam Perspektif Fiqh Dan Alternatif Lc Dalam Bank Syari'Ah. *Wadiah*, 1(2), 41–71. <https://doi.org/10.30762/wadiah.v1i2.1281>
- Maxime Rodinson. (1982). *Islam dan Kapitalisme*. Iqra Bandung.
- Muhammad Ayub. (2009). *Understanding Islamic Finance, Terjemahan. Aditya Wisnu Pribadi*. Gramedia.
- Muhammad Syakir Sula. (2004). *Asuransi Syariah (Life and General): Konsep dan Sistem Operasional* (p. 24). Gema Insan.
- Nur Hikmah. (2017). Studi Komparasi Produk Letter of Credit Pada Bank Konvensional dan Bank Syariah. *UIN Walisongo*, 53(9), 21–25. <http://www.elsevier.com/locate/scp>
- Nurpatria, A. S. (2020). *Perjanjian Jual Beli Dengan Menggunakan L/C (Letter of Credit) Pada CV. Golden Teak Garden Semarang*.
- Pantro, R. (2010). Analisis Discrepancy L/C Dan Cara Penanganannya Untuk Meningkatkan Pemakaian L/C Pada Perdagangan Internasional. *Jurnal Ilmiah Panorama Nusantara*, IX(1), 24–33.
- Rizal, M., & Sutrisno, R. (2018). *Prinsip Syariah Dalam Akad Pembukaan Letter of Credit Ekspor Pada Bank Syariah*. 243–253.
- Sadono Sukirno. (2010). *Makro Ekonomi Teori Pengantar* (p. 360). PT. Raja Grafindo Persada.

- Sjahdeini, S. R. (2015). *Perbankan Syariah: Produk-produk dan Aspek Hukumnya*. Prenadamedia Group.
- Syahriyah, J. (2017). Letter of Credit (L/C) Syariah Menurut Hukum Ekonomi Islam. *Repository IAIN Syekh Nurjati Cirebon*, 14122210993, 1–75.
- Thomson Reuters. (2021). State of the Global Islamic Economy Report 2020/21. *Dubai International Financial Centre*.
- Ulya, M. Z., & Nursikin, M. (2023). Urgensi Pendidikan Nilai dalam Perspektif Islam Menuju Era Society 5.0. *Muttaqien; Indonesian Journal of Multidisciplinary Islamic Studies*, 4(2), 149–160. <https://doi.org/10.52593/mtq.04.2.05>
- Uma sekaran, R. bougie. (2013). Research Methods for Business: A Skill-Building Approach. *Leadership & Organization Development Journal*, 34(7), 700–701. <https://doi.org/10.1108/lodj-06-2013-0079>
- Wahbah Al Zuhail. (2002). *Al mu'âmalât al mâliyyah al mu'âshirah*. Dâr al fikr al mu'âshir Beirut, Dâr al fikr Suriya.
- Wangsawidjaja. (2013). *Pembiayaan Perbankan Syariah*. PT. Gramedia Pustaka Utama.
- Wilson, R. (2010). *Islamic Banking and Finance in the European Union*. Edward Elgar Publishing Limited.