

Supervision Effectiveness DPS Deep Sharia Governance and Guarantee in Sharia Banking in Indonesia

M. Elfi Azhar¹, Syuhada Fela Yudha², Sugianto³, Iskandar Muda⁴

¹Management, Muhammadiyah University of North Sumatra, Medan, Indonesia

²Management, North Sumatra State Islamic University, Medan, Indonesia

³Islamic economics, North Sumatra State Islamic University, Medan, Indonesia

⁴Economy, University of North Sumatra, Medan, Indonesia

Article Info

Article history:

Received July 25, 2022

Revised July 30, 2022

Accepted July 31, 2022

Corresponding Author:

M. Elfi Azhar,

Management, Muhammadiyah
University of North Sumatra,
Medan, Indonesia.

Email:

m.elfiazhar@umsu.ac.id

ABSTRACT

Islamic banking, an indicator of Islamic economic development in Indonesia, where if Indonesians are asked about the Islamic economy, then the first thing that was highlighted was Islamic banking. Currently, the increase in Islamic financial institutions such as Islamic banks has increased significantly. Many people are currently starting to believe in sharia-related lembaga, However, Islamic banks must continue to supervise products in Islamic banks. In the development of Islamic financial institutions, certainly inseparable from the Sharia Supervisory Board, which is one of the characteristics compared to conventional banks. Sayriah financial institution has DPS in governance, where this DPS has a function to supervise the application of sharia principles in each product, in addition, DPS must also supervise sharia guarantees, be it from the guarantee mechanism to the execution of guarantee taking carried out by Islamic financial institutions.

Keywords: Islamic Banks, Shariah Supervisory Board, Sharia Guarantee

1. INTRODUCTION

The development of Islamic financial institutions in Indonesia from year to year continues to experience a significant increase, this can certainly be seen from the increase in the number of offices of Islamic financial institutions. Development of Islamic financial institutions in Indonesia, often seen from the development of the number of Islamic banks, where as we know, that Islamic banking institutions currently continue to innovate and provide the best service for the community. This development is certainly a matter of pride for Muslims, where the sharia system can be accepted by the wider community, not just Indonesia. Therefore, now many Islamic banks have sprung up around the population. Data on the development of Islamic financial institutions, can be seen from the number of offices and assets of the Islamic bank itself, The data is as follows :

No	Year	Asset BUS	BUS	UUS	BPRS
1	2018	316.691 (Miliar)	14	20	167
2	2019	350.364 (Miliar)	14	20	163
3	2020	397.073 (Miliar)	14	20	163
4	2021	441.789 (Miliar)	12	20	165
5	2022/ April	448 063 (Miliar)	12	21	164

Source : www.ojk.go.id

From the data above, it can be seen that Islamic banks in 2020 to 2021 experienced a decline, the decline was due to the government-owned Islamic commercial banks merging the formation of one Islamic bank, with the hope that the Islamic bank can be an example of other Islamic banks in Indonesia. Then the data above also shows an increase in assets in Islamic commercial banks, the increase occurred from 2018 until 2022. Means, Overall, Islamic banks show their existence in Indonesia, of course, this is due to the large number of community who conduct transactions in Islamic banks, whether it is financing or collecting.

Talking about Islamic financial institutions, then of course it will also talk about the operation of Islamic banks. Where a Sharia bank is a financial institution whose operations use sharia principles in it. To that end, all operations in Islamic financial institutions, must use or apply sharia principles (Bayu, 2020). The application of sharia principles in the operations of Islamic financial institutions, making Islamic financial institutions in great demand by the public. Due to the high public trust in Islamic banks, making Islamic banks continue to innovate, both in the product applied and to the existing system. Although Islamic financial institutions must continue to innovate, of course, it must also maintain sharia principles in every operation. To that end, Islamic financial institutions are supervised by two supervisory institutions, namely the government and the National Sharia Council.

The National Sharia Council or often abbreviated as DSN, is a council established by the Indonesian Ulema Council, where the function is to issue licenses for Islamic financial products and services (Pradesyah & Aulia, 2020). Means, if islamic financial institutions such as Islamic banks want to issue a product, then islamic banking or islamic financial institutions must receive approval from the National Sharia Council. In the approval, of course, the national sharia council will see whether the product is sharia-compliant or not, if so, of course, the national sharia council will issue product permits to be applied in Islamic financial institutions. In this case, of course, the DSN has an important regulation in the sharia environment. because every innovation carried out by Islamic financial institutions, of course, it must be approved DSN first, to carry out its operations (Armi & Pradesyah, 2022). In addition to the National Sharia Council, Islamic financial institutions also have supervision within the Islamic financial institutions themselves, referred to as the Sharia Supervisory Board.

The sharia supervisory board has a function as a supervisor of products approved by DSN to be operational. Means, The Sharia Supervisory Board has a function as a supervisor of products in the Institution Islamic finance

(Rama & Novela, 2015). This is done to maintain the principles of application of sharia principles in Islamic financial institutions, so if later sayriah financial institutions are found not to apply sharia principles in accordance with the napa that has been issued by the National Sharia Council, then the Sharia Supervisory Board will report to DSN, and it is the DSN that will later act on the pace of reports from the DPS. This research will elaborate on the duties and authorities of DPS in sharia mining institutions. This is because there are still many people who do not know about the duties and authorities of DPS in sharia ekuangan institutions.

This research is not a new research to do, there are many studies related to the title, so for that here the researcher will explain some research related to the research title. The research is as follows, first. Bambang conducted a research in 2016 with the title "Role of Bank Indonesia, National Sharia Supervisory Board, Indonesian Waqf Board and Baznas in The Development of Islamic Economic Law Products in Indonesia" the method used in the research is descriptive qualitative with a Literature study approach. The results obtained that the responsiveness of Islamic economic law products in the reform era was also largely influenced by the role of BI and not government politics alone. In addition, the National Sharia Council of the MUI also has a very important role in the development of products in Sharia Banks (Iswanto, 2016).

Second. Sri, Abdu, and Imas conducted a study in 2021 under the title "Supervision of sharia supervisory board (DPS) Towards Islamic Banks in Realizing a Healthy Banking System in Indonesia" This research is a descriptive qualitative research. The results obtained that, the Sharia Supervisory Board or DPS has an important role in supervising the application of sharia principles in Islamic financial institutions, and if later DPS finds that there is an incompatibility in the implementation of sharia principles, then DPS will report it to the board of directors and then, then if the Islamic bank has implemented sharia principles, a statement is made and then reported to BI, which is currently the function taken by the Financial Services Authority (OJK) (Hartini, Rosyadi, & Nurhayati, 2021).

Third. Rahma, conducting research in the year 2015 with a title "Performance Analysis of sharia supervisory boards in Islamic banks" the research method used is qualitative with an evaluative normative approach. As a result, that the sharia supervisory board between one Islamic bank and another Islamic bank differs in the procedures for its supervision and reporting. The absence of these guidelines certainly has an impact on the difficulty of measuring the quality of performance, because the extent to which the performance of supervisors is not a measure. The results of sharia supervision are also the results of member assessments DPS for the conformity of Islamic banks to DSN fatwas for which there is no reference. So that the quality of supervision is highly dependent on the commitment of each DPS member, availability of adequate facilities and infrastructure and costs (Astuti, 2015).

Fourth, Sathila, and Akhyar conducted a study in 2017, under the title "Sharia Supervisory Board (DPS) Compliance Analysis of Financial Services Authority Provisions (OJK) (Case Study at BPRS in Yogyakarta)" the research method used is the mix methode. The results obtained that the supervision carried out by DPS is good, this can be seen from the application of the target indicator issued by the OJK has been implemented in BPRS, there is only one thing that is still rudimentary in its application which is

professionalism. This professionalism has not been fulfilled by indicators, such as commitment, association for DPS does not yet exist, and the compensation obtained is also still small (Sadhila & Adnan, 2017).

Some of the research above suggests about the supervision system carried out by DPS in Islamic financial institutions, where between dps of islamic banks one with another is different in its reporting system, this is certainly due to the absence of standards in the reporting system carried out by DPS, in one of the journals revealed, that DPS in Sharia People's Financing Banks is still small in the incentives provided. For this reason, here the researcher tries to explain about DPS supervision and guarantees in Islamic banks.

3. RESEARCH METHOD

The method used in the research is a descriptive qualitative method, using the Library approach. Researchers will look for sources or references from research results that have been published, then also from books related to the title of the researcher. After that classify them and narrate them according to the objectives of the research you want to do.

4. RESULTS AND ANALYSIS

As is well known, that currently Islamic commercial banks continue to experience a significant increase, this can be seen from the many offices of Islamic financial institutions that have sprung up in the midst of society. In addition, now many banks have sharia business units, because many of the Indonesian people today prefer Islamic financial institutions, because it is considered safer and more convenient. In its development, Islamic financial institutions have strict supervision, to continue to supervise and monitor the application of sharia principles in them. The supervision is carried out by the Sharia Supervisory board. The function of the sharia supervisory board is to supervise the application of sharia principles in Islamic banks or Islamic financial institutions, and each Islamic financial institution has one sharia supervisory board. In the supervision system carried out, DPS monitors or supervises related to products in Islamic financial institutions, This supervision is carried out to maintain the sharia system in products in Islamic commercial banks and Islamic financial institutions. So if there is a product that is not in accordance with sharia principles, then DPS will report it to the board of directors, only then if the sharia prinsp has been applied and then to the financial services authority or OJK. In this case, the Sharia Supervisory Board can also submit a development product to the Islamic bank itself, which is submitted to the National Sharia Council, in order to see whether the product is sharia-compliant or not.

In addition to the supervision carried out, DPS is also part of the governance of Islamic banks or Islamic financial institutions, where the Sharia Supervisory Board has an important regulation in ensuring the application of sharia principles in every product of Islamic financial institutions. Therefore, the Board Sharia supervisors also have an important role in decision making. Moreover, now many people still equate convention financial institutions with Islamic financial institutions, even though when viewed and examined, Islamic banking and conventional banking have significant differences. For this reason, this is one of the tasks of DPS, which is to try to design how Islamic financial institutions can promote effectively, in order to understand the public related to the difference between Islamic banks and conventional banks. DPS also has an important role in making decisions in Mnausia Resources, as it is well known, that currently many Islamic financial institutions take human resources not from human resources who have expertise or understand about Islamic financial institutions, so that many of the human resources in Islamic financial institutions do not understand the contracts used by Islamic financial institutions. This is certainly related to governance, where human resources are very important in the sustainability of a company. So if the human resources do not understand what is being done, of course, it will have an impact on public trust and the benefits that will be obtained.

The competence of human resources owned by the company, of course, will make the company will quickly develop and certainly get high profits. In Islamic financial institutions, DPS also has regulations in the supervision system carried out on each product, one of which is financing products. In addition to supervising financing products, DPS must also look at or supervise the contracts used in financing, in order to see whether the contracts used have met sharia principles or not. Because, In this financing product, many Islamic financial institutions are trying to modify, in order to attract the market from the public. This is certainly something that must be often seen or supervised by DPS, so that the application of sharia principles continues to occur. In addition to product supervision, DPS must also supervise the guarantees provided by the public to Islamic financial institutions. Where on the guarantee there are rules on the return of the guarantee, and the taking of guarantees.

A guarantee is a thing given to a person or institution, in order to exchange for something that is considered very important for the borrower. Warranty in in Islamic financial institutions are allowed to be requested, in order to anticipate something that is not wanted. For this reason, DPS has an important role in

supervising the guarantees requested from Islamic financial institutions. Starting from the submission of the requested guarantee to the bank, return if it has been said to meet the repatriation on financing, until the execution of the guarantee if the customer does not pay the financing provided by the bank. Therefore, DPS has an important role in supervising guarantees in Islamic financial institutions.

5. CONCLUSION

The Sharia Supervisory Board or often abbreviated as DPS, has a very important regulation in the sustainability of Islamic financial institutions in increasing the profits to be achieved. Where DPS in addition to having to supervise the application of sharia principles in Islamic financial institutions, DPS also looks at public trust in Islamic financial institutions. DPS should be more active in analyzing the market and products that want to be developed in the community, so that later in every meeting held between DPS and Islamic financial institutions, it can be a discussion to improve or advance syariah financial institutions. In addition, the Sharia supervisory board also has an important role in supervising the guarantees provided by the public to Islamic financial institutions, because the collection of guarantees carried out by Islamic financial institutions must be in accordance with sharia principles, where if the guarantee is executed, then the amount of debt is taken by the bank, and the rest of course must be returned to the customer.

REFERENCES

- Armi, B., & Pradesyah, R. (2022). Penerapan Etika Bisnis Islam (Studi Kasus Pada PT. Bank Syariah Indonesia KCP Setia Budi Kota Medan. *Al-Sharf: Jurnal Ekonomi Islam*, 85-101.
- Astuti, R. Y. (2015). Analisa Kinerja Dewan Pengawas Syariah di Bank Syariah. *Al Tijarah*, 194-210.
- Bayu, D. (2020). Analisis Pemahaman Bunga Bank Dan Sistem Bagi Hasil Di Pusat Pasar Kota Medan. *Aghniya : Jurnal Ekonomi Islam*, 16-26.
- Hartini, s., Rosyadi, A. R., & Nurhayati, I. (2021). Pengawasan Dewan Pengawas Syariah (Dps) Terhadap Bank Syariah Dalam Mewujudkan Sistem Perbankan Yang Sehat Di Indonesia. *Jurnal Hukum De'rechtsstaat*, 91-107.
- Iswanto, B. (2016). Peran Bank Indonesia, Dewan Syariah Nasional, Badan Wakaf Indonesia dan Baznas dalam Pengembangan Produk Hukum Ekonomi Islam di Indonesia. *IQTISHADIA*, 421-439.
- Pradesyah, R., & Aulia, N. (2020). Pengaruh Pembiayaan Murabahah Dan Musyarakah Terhadap Profitabilitas Pada PT. Bank Syariah Mandiri. *AGHNIYA: Jurnal Ekonomi Islam*, 78-89.
- Rama, A., & Novela, Y. (2015). Syariah Governance Dan Kualitas Tata Kelola Perbankan Syariah. *Signifikan*, 111-126.
- Sadhila, & Adnan, M. A. (2017). Analisis Kepatuhan Dewan Pengawas Syariah (DPS) Terhadap Ketentuan Otoritas Jasa Keuangan (OJK) (Studi Kasus pada BPRS di Yogyakarta) . *Reviu Akuntansi dan Bisnis Indonesia*, 152-167.

www.ojk.go.id