

The Sharia Supervisory Board's (DPS) Role in Sharia Compliance in Sharia Banking

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ABSTRAK

Penelitian ini mengkaji peran DPS dalam memastikan kepatuhan Syariah di perbankan syariah Indonesia. Penelitian ini menggunakan metode penelitian kepustakaan (library research). Sumber data utama dalam penelitian ini adalah bahan pustaka, yang merupakan referensi utama untuk topik makalah ini. Penulis melakukan penelusuran di perpustakaan untuk bahan-bahan yang berkaitan dengan pembahasan masalah ini, seperti artikel, jurnal, dan buku, kemudian melakukan analisis. Analisis ini dilakukan dengan menggunakan pendekatan deskriptif analitik, artinya peneliti berusaha mendeskripsikan dan memecahkan masalah yang ditemukan. Menurut hasil kajian, tiga persoalan tugas DPS yang harus ditangani: masalah kompetensi dan kualifikasi; masalah mandiri; dan masalah penerapan prosedur audit syariah. Penulis memberikan rekomendasi dalam menanggapi permasalahan tersebut, antara lain standarisasi kompetensi dan kualifikasi DPS; masalah independen yang harus diatur secara jelas dalam peraturan OJK dan internal bank syariah; dan masalah prosedur pelaksanaan audit syariah yang harus disamakan secara nasional di perbankan syariah.

Kata kunci : DPS, Sharia Compliance, perbankan syariah, prosedur audit syariah

ABSTRACT

This study examines the role of DPS in ensuring Sharia compliance in Indonesian Islamic banking. This study employs the library research method (library research). The primary source of data in this study is library material, which is the primary reference for the topic of this paper. The author conducts a search in the library for materials related to the discussion of this problem, such as articles, journals, and books, and then conducts an analysis. This analysis was conducted using a descriptive analytic approach, which means that the researcher attempted to describe and solve the problems that were discovered. According to the study's findings, three issues concerning the DPS's duties must be addressed: the problem of competence and qualifications; independent problems; and the problem of implementing sharia audit procedures. The author makes recommendations in response to these issues, including standardizing a DPS's competence and qualifications; independent issues that must be clearly regulated in OJK and internal sharia bank regulations; and the problem of sharia audit implementation procedures that must be equated nationally in sharia banking.

Keywords: DPS, Sharia compliance, sharia banking, sharia audit procedures

PENDAHULUAN

The global expansion of the Islamic finance industry has also spread to other parts of the world, including Indonesia. Indonesia's Islamic finance industry, specifically Islamic banking, has grown at a breakneck pace. Sharia principles and systems are used to run the Islamic banking industry. As a result, conformity of Islamic banking operations and practices with Sharia is a critical tool in Islamic banking (Prabowo & Jamal, 2017).

Islamic banks are financial intermediaries and service providers that follow Islamic ethics and value systems, particularly those that are free of interest (*riba*), free of non-productive speculative activities such as gambling (*maysir*), free of things that are unclear and uncertain (*gharar*), have the principle of justice, and only finance halal business activities. Islamic banks have three main functions: they collect funds from the general public in the form of deposits and investments; they channel funds to people in need of bank funds; and they provide Islamic banking services (Sebayang, 2020).

Sharia compliance is defined as a condition in which all of a financial institution's activities are in accordance with Sharia, or the compatibility of an Islamic financial institution's overall activities with Sharia Islamiyah as stated by the agreed fatwa, or relying on all activities in the Islamic financial institution towards Sharia Islamiyah (Faruq, 2021). This understanding demonstrates that sharia compliance is a state in which all aspects of sharia banking are carried out in accordance with sharia principles (Adhitama et al., 2022).

Customers frequently call into question Islamic banks' adherence to Sharia principles (Ullah & Lee, 2012). This implies that Sharia principles have not guided Islamic banking practice. This will also have an impact on public trust in Islamic banking services. Increased customer trust can be used as both an indicator of and a predictor of success in the development of Islamic banks. According to Chapra, Islamic banking has not altered the social structure of small communities of market participants getting to know one another, the role of kinship, ethnicity, and religious Sufistic ties that can provide trust and maintain stakeholder relationships (Ashraf et al., 2015).

The Sharia Supervisory Board is one of the most important pillars of the Islamic finance industry in Indonesia in terms of Sharia compliance (DPS). As required by Law No. 40 of 2007 on Limited Liability Companies and Law No. 21 of 2008 on Islamic Banking, Islamic banks must have three Sharia Supervisory Boards (DPS) (Arsyanti, 2010). The role of DPS in the implementation of Sharia compliance in Islamic banking in Indonesia is critical. DPS has functions, including periodic supervision of Islamic financial institutions, under DSN MUI Decree No. Kep-98/MUI/III/2001. DPS members, however, must have comprehensive and integral scientific qualifications in muamalah fiqh and modern Islamic financial economics in order to supervise Islamic financial institutions. It is hoped that with effective supervision and the academic credentials of qualified DPS members, the performance of Islamic financial institutions will improve economically in line with their level of adherence to Sharia principles (Waqqosh et al., 2021).

RESEARCH METHODS

This study employs library research methods (library research). The primary source of data in this study is library material, which is the primary reference for the topic of this paper. The authors conducted a search on library materials such as articles, journals, and books related to the discussion of this problem, followed by an analysis, to collect data for this study. This analysis used a descriptive analytic approach, which means the researcher attempted to describe and solve the problem under investigation.

RESULTS AND DISCUSSION

Sharia Compliance

Sharia compliance is defined as a condition in which all of a financial institution's activities are in accordance with Sharia, or the compatibility of an Islamic financial institution's overall activities with Sharia Islamiyah as stated by the agreed fatwa, or relying on all activities in the Islamic financial institution towards Sharia Islamiyah. Sharia compliance is a condition in which all aspects of Islamic banking's operations are based on sharia principles (Faruq, 2021).

Sharia compliance, according to Adrian Sutedi, is compliance with the Fatwa of the National Sharia Council (DSN), because the DSN Fatwa is the embodiment of

sharia principles and rules that must be followed in sharia banking. Sharia compliance is a manifestation of all sharia principles being fulfilled in institutions with the characteristics, integrity, and credibility of sharia banks, where the compliance culture is the values, behaviors, and actions that support the creation of sharia bank compliance with all Bank Indonesia regulations (Ariadin et al., 2020).

Sharia compliance is part of the risk management framework's implementation and fosters a compliance culture in managing Islamic banking risks. Sharia compliance has international standards as well, which are prepared and set by the Islamic Financial Service Board (IFSB), where sharia compliance is part of corporate governance (Setiawan, 2021).

According to the authors' understanding, sharia compliance is the compliance of sharia banks with sharia principles and the Fatwa of the National Sharia Council (DSN).

Sharia Compliance Provisions

Sharia compliance assurance for all sharia bank activities is critical for customers and the community. The following provisions can be used as a qualitative measure to assess sharia compliance in Islamic financial institutions:

- 1) Sharia principles and applicable Sharia rules are followed in the contract or contracts used for the collection and distribution of funds.
- 2) Sharia accounting standards are used to fairly report all transactions and economic activities.
- 3) Sharia-compliant work environment and corporate culture.
- 3) The funded venture does not violate Sharia law.
- 4) A Sharia Supervisory Board (DPS) oversees sharia banks' overall operational activities.
- 5) The funds are obtained from legal and halal sources, according to Sharia (Silvia et al., 2018).

These provisions are general principles that serve as a guide for Islamic bank management when operating Islamic banks. Sharia compliance in sharia bank operations is evaluated based on provisions, specifically whether bank operations were carried out in accordance with general sharia compliance provisions (Andraeny, 2021).

Sharia Compliance Concept in Sharia Banks

Sharia bank compliance with sharia principles is mandated by Sharia Banking Law No. 21 of 2008. Sharia principles are the primary characteristics of Islamic banks, and they are also the primary reason for Muslims' acting as shahib al-mal (investors) and mudharib (business managers) (Karimah, 2022). Sharia principles ensure that every transaction and operation conducted by sharia banking adheres to sharia provisions and is free of usury, gharar, and maisir. As a result, adherence to Sharia principles must be implemented.

In Indonesia, Islamic banking has adequate rules for implementing Sharia principles. One of them is Islamic Banking Law No. 21 of 2008. This law also specifies that Islamic banks' adherence to Sharia principles has been strictly regulated (Firdaus, 2019). The Indonesian Ulema Council (MUI) has been given complete authority to formulate shariah compliance implementation, which is presented through the Sharia Supervisory Board (DPS). , Musyarakah implementation at Bank Syariah Mandiri (Study on Principles of Justice and Sharia Compliance).

Sharia Compliance Implementation Regulation

According to Article 33 paragraphs 1-3 of the Sharia Banking Law (Indonesia), No. 21 of 2008, concerning Sharia Banking, the regulation and implementation of shariah compliance are as follows (Firdaus, 2019):

- 1) Sharia Banking Law, No. 21 of 2008, paragraphs 1-3 of Article 33. This law governs sharia compliance in sharia banks. The MUI, which is represented by the DPS, has been tasked with supervising sharia compliance. Every Sharia Commercial Bank and Sharia Business Unit has a DPS. Sharia compliance supervision rules are a component of and implemented as part of Good Corporate Governance (GCG).
- 2) Bank Indonesia Regulation No. 11/33/PBI/2009 on the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units.
- 3) Explanation of Bank Indonesia Regulation No.11/33/PBI/2009 on the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units.

Sharia Supervisory Board (DPS)

The Sharia Supervisory Board (DPS) was purposefully established to oversee the operation of Islamic banks in order to ensure that they are always in accordance with the principles of muamalah in Islam. The Sharia Supervisory Board is an agency in charge of overseeing DSN implementation in Islamic financial institutions. DPS are appointed and dismissed at Islamic financial institutions via the GMS after receiving a recommendation from the DSN (Ilyas, 2021).

Based on some of the above explanations, the authors conclude that the Sharia Supervisory Board (DPS) is a government-established body tasked with supervising Islamic financial institutions.

The Role of the Sharia Supervisory Board in the Sharia Banking Industry

The Sharia Supervisory Board plays a critical role in sharia banking in accordance with sharia contracts, specifically (et al., 2021):

- 1) Create guidelines for the approval of sharia banking products and operations based on provisions from the National Sharia Council (DSN).
- 2) Make annual reports on Islamic banks under his supervision to ensure that they are operating in accordance with Sharia provisions. The DPS report must be clearly stated in the annual report (annual report) of sharia institutions.
- 3) At least once every six months, the Sharia Supervisory Board should issue a report on the development and application of the sharia financial system in sharia financial institutions, particularly sharia banks under supervision. The report has been submitted to Bank Indonesia in the provincial capital and/or Bank Indonesia in Indonesia's capital city, Jakarta;
- 4) The Sharia Supervisory Board is also responsible for reviewing and making proposals if the banks it supervises introduce new innovative products. This assembly conducts a preliminary assessment before the proposed Islamic bank's new product is examined again and the DSN issues a fatwa.
- 5) Helping to publicize Sharia banking and financial institutions;
- 6) Contributing to the development and advancement of Islamic financial institutions

The Sharia Supervisory Board's (DPS) Role in Sharia Compliance in Sharia Banking

DPS has provided standards for DPS, composition, and related aspects such as regulations, reports, and so on. Sharia institutions, according to this standard, should be independent institutions comprised of scholars interested in Islamic science and law (Nur et al., 2020). Other experts in the field of Islamic financial institutions with scientific knowledge of Islamic law relating to commercial transactions may also be included in the DPS. DPS is in charge of directing, researching, and supervising the activities of Islamic financial institutions to ensure that they adhere to Sharia rules and principles. DPS must follow the rules established by AAOIFI and the Islamic Financial Services Board when conducting sharia compliance supervision (IFSB).

The Sharia Supervisory Board (DPS) is charged with numerous duties and responsibilities. According to the author, the DPS's duties are complicated by at least three issues: competency and qualification issues, independent issues, and sharia audit procedures.

1. Competency and qualification issues.

The current issue is the appointment of DPS members based solely on their charisma and popularity in the community, rather than their knowledge of economics and sharia banking . There are still many DPS members who do not understand the technical aspects of banking and Islamic financial institutions, resulting in a suboptimal DPS supervisory function. As a result, deviations from sharia practices in sharia banking are possible and even common. As a result, the OJK must determine the selection process, competence, and qualifications for DPS members. This is done to ensure that the DPS consists of people with good qualifications and competencies in the field of Islamic financial economics, such as accounting. The current issue is the appointment of DPS members based solely on their charisma and popularity in the community, rather than their knowledge of economics and sharia banking. There are still many DPS members who do not understand the technical aspects of banking and Islamic financial institutions, resulting in a suboptimal DPS supervisory function. As a result, deviations from sharia practices in sharia banking are possible and even common. As a result, the OJK must determine the selection process, competence, and qualifications for DPS members. This is done to ensure that the DPS consists of people

with good qualifications and competencies in the field of Islamic financial economics, such as accounting (Prabowo, 2020).

2. Independence Issues

Apart from being the party that provides guarantees about sharia values in sharia financial institutions, the Sharia Supervisory Board (DPS) faces objectivity and independence as employees who benefit from sharia banking (Hendra, 2017). There are currently several DPS members who also serve as DSN administrators. This will cause issues when DPS members who hold concurrent positions apply to the DSN for a fatwa. As a result, there must be a regulation requiring DPS to be separate from bank management as an autonomous body, because they are the parties who obtain facilities from OJK or BI. In addition, there must be strict regulations for the DPS to be independent, because the DPS is a member appointed by the DSN, not a member of the DSN.

3. Procedures for implementing sharia audits, relating to contract issues and financing procedures

Islamic banking is extremely vulnerable to contract and financing procedure errors. Demands for targets, higher profit levels, and performance evaluations are all based on financial performance at each Islamic bank branch that still stands out. This has the potential to incite perpetrators and practitioners to violate Sharia provisions. If the level of Islamic banking supervision is low, sharia provisions will frequently be violated. As a result, it is not surprising that many sharia aspects are still violated by Islamic banking, particularly by conventional banks that open sharia business units. Therefore, in an effort to maintain and improve sharia compliance procedures in a bank, the management or OJK must make strict regulations regarding internal audit standards carried out by DPS.

According to Makmur, in conducting supervision, there are several techniques that must be considered so that the supervision carried out by the DPS can run optimally, including (Makmur, 2019): 1). Monitoring under supervision. Monitoring is carried out directly or indirectly, so that the planned program can be implemented properly. 2). Inspection under supervision. Inspection techniques under supervision must be able to provide clear information or information containing the truth. 3). Assessment under supervision. Assessment as part of supervision must be done honestly and fairly. His

main soul is truth, because judgment will be very negative. 4). Interview under supervision. Interviews in supervision are carried out in order to obtain information so that the supervisor can determine a belief in the truth in carrying out an activity in accordance with the initial plan. 5). Observation under supervision. This is done to prove between the observed data and what actually happened. 6). Analysis under supervision. Any data obtained from the results of supervision must be analyzed to determine the quality of the work carried out by the work unit. 7). Reporting under supervision. As we know that every activity implementation in various institutions always provides a report of what has been done, as well as in a supervision.

CONCLUSION

The Sharia Supervisory Board (DPS), as the party in charge of Sharia Compliance in Indonesian Sharia Banking, has legal duties and responsibilities. The role of the DPS is critical in determining Sharia compliance (sharia compliance). Sharia compliance is critical to the survival and growth of the Islamic finance industry.

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