

The Role of The Sharia Supervisory Council (DPS) of Sharia Financial Institutions and Its Supervision System in Compliance with Sharia Principles: Case Study of BPRS Bhakti Sumekar Sumenep East Java

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Abstract. The research aims to find out the role of DPS in Islamic Financial Institutions BPRS Bhakti Sumekar and DPS supervision system in fulfilling sharia. The research approach carried out is descriptive qualitative research. The data collection methods used are methods of observation, interview, and documentation. Whereas the analytical method used is an inductive analysis method to assess empirical facts found and matched with the foundation of sharia supervision. The results of this study showed that the role of sharia supervisory abroad the research aims to find out the role of DPS in Islamic Financial Institutions BPRS Bhakti Sumekar and DPS supervision system in fulfilling sharia principles by BPRS Bhakti Sumekar had fulfilled the criteria of the sharia supervisory board, obeying existing regulations and carrying out its duties properly. Nevertheless, BPRS has not been innovative in manufacturing new products, so the roles and responsibilities are less effective. Sistem supervision of sharia principles that uses bank Indonesia no. 11/23/PBI/2009 about Islamic people financing bank by analyzing the suitability of product agreements with MUI fatwa. However, DPS PNM Patuh Beramal has not optimally performed supervision toward sharia products. The suggestions for further research are to examine more deeply and more broadly related to DPS with more samples as well as suggestions for policy makers to make efforts to increase DPS so that it can help the community's economy.

Keywords: Role of Sharia Supervisory Board (DPS), Sharia Supervision System, BPRS

1. Introduction

Sharia supervisory board is an independent institution authorized to supervise the activities of the sharia bank. A form of strengthening the DSN-MUI fatwa to be implemented by the Islamic bank. In arranging its duties, DPS conducts limited supervision of ap products to

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comply with the fiqh muamalah that reformed into the legislation governing sharia economic law DSN-MUI (Ulum, 2020). Concern about, the decision of the sharia council of the Indonesian national assembly (DSN-MUI) No. Kep-98/MUI/III/2001 on the composition of the DSN-MUI Board of the DPS Role Section, DPS has the function of periodically supervising Islamic financial institutions (AK Munthe, 2019). DPS also acts as an Advisor, providing advice, ideas, advice, and consultation to develop innovative Islamic financial institution products and services to compete globally (Bank Indonesia, 2013). Sharia Supervisory Board at PT BPRS PNM Patuh Beram Bertais Mataram consists of 2 supervisors, namely Dr. Ahmad Rifai (chairman) and Prof. Dr. Lukman Al-Hakim (Selvia, 2019)

The role of DPS is very significant for Islamic banks based on Islamic principles. The presence of DPS as a legal result of the decision of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) No. Kep-98/MUI/III/2001 concerning the Composition of the DSN-MUI Board of the DPS Role Section, so that DPS has the function of periodically supervising Islamic financial institutions. But is it the same applied in Islamic financial institutions with the regulations set by the DSN fatwa? Generally, many public perceptions say that Islamic banks are the same as conventional banks, especially in terms of operations. However, the agreements carried out are different from conventional bank products (Saefudin, 2019).

Stakeholder confidence in LKS (Islamic Financial Institution) will be able to encourage the regional economy more significantly. For this reason, Bank Indonesia Regulation No. 11/33/PBI/2009 on the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units must meet sharia principles (Neneng, 2013).

2. Literature Review

2.1 The Definition of Sharia Supervisory Board

According to Muhammad (2011), the sharia supervisory board (DPS) is an independent institution that is in the bank and supervises sharia principles in sharia bank activities which in carrying out their functions are based on those who have the ability, both in the fields of fiqh, economic law, and banking. DPS members also have integrity, competence, and financial reputation, referring to the decree of the national sharia board (DSN) No. 3 Tahun 2000; PBI, 2004; Zainul, 2005).

2.2 The Concept of Sharia Supervisory Board

Regarding Griffin, management's functions include planning, organizing, implementing, and supervisory functions that are part of management functions that strive for the established plan to be achieved effectively and efficiently (Ricky, 2004). In Islam's view, Supervisory is done to straighten out, correct the wrong and justify the right (Abdul, 2000). Supervision in Islamic teachings is divided into two things: first, the control that comes from oneself that comes from tawhid and faith in Allah SWT. Second, supervision from the leadership related to the completion of delegated tasks, adjustments between tasks, task planning, and others (Didin, 2013).

The aims of supervisory as follows:

1. Stop or eliminate errors, irregularities, abuses, waste, and obstacles.
2. Prevent repeats of the return of errors, irregularities, wastes, and obstacles.
3. Improve the smooth operation of the company.
4. Make corrective actions against mistakes made in the achievement of good work (Husnaini, 2001).

2.3 The Position of Sharia Supervisory Board

The position of DPS in the Shariah Kuangan Institution (LKS) as stipulated in DSN-MUI decision No. 03 of 2000 on the Instruction for the Implementation of the Determination of Sharia Supervisory Board Members in Islamic financial institutions is an extension of representing DSN in overseeing the implementation of DSN fatwas in LKS. DPS members must meet the requirements in the form of integrity, competence, and financial reputation (Sutan, 2013). Determination of the term office of DPS members at the latest with a term of office set for members of the Board of Directors or Board of Commissioners. What is meant by "term of office" is a term of office in one period of appointment (Bambang, 2013).

2.4 Functions of Sharia Supervisory Board

Following up on the decision of the board of directors of Indonesia bank, a decree has been issued by the Indonesian Ulema Council No. Kep-754/MUI/II/1999 establishes a National Sharia Council (DSN). Meanwhile, DPS is regulated in DSN MUI Decree No. 3 of 2000 concerning the Implementation of Determination of DPS Members in Islamic Financial Institutions, which states that. Duties and Functions of the Sharia Supervisory Board, namely:

1. as advisors and advisors to directors, heads of sharia business units, and heads of sharia branches in matters relating to sharia aspects.
2. As the mediator between Islamic financial institutions and DSN in communicating proposals and suggestions in developing products and services from Islamic financial institutions requiring review and fatwa from DSN.

2.5 Role of Sharia Supervisory Board

The role of DPS as an official supervisory board, of course, is fully obliged to ensure that all financial activities and strategy determination are not contrary to sharia principles. Therefore, sharia supervision must be carried out thoroughly and continuously to detect various possible violations early on. Thorough supervision includes:

1. *Riqabah musbaqah* or preventive supervision is conducted when preparing various products and setting strategies.
2. *Riqabah lahiqah* or operational supervision is performed to ensure business activities such as financing contracts or marketing systems do not deviate from sharia.
3. *Riqabah a'mal* or supervision on financial aspects and management behavior.
4. *Riqabash dzatiyah* or morally based supervision on the individual aspect.

3. Research Method

The type of research used is descriptive. The descriptive theory is a method used to find elements, properties, and phenomena. The research method used is descriptive qualitative, which begins with collecting, analyzing, and interpreting data. The research location was conducted at BPRS Bhakti Sumekar. Source of data from Primary data. Obtained through direct observation to the field to observe and find conditions in the field at the research location. Interview with the Director of BPRS Bhakti Sumekar. Obedient Being generous, employees get in-depth data according to a list that researchers have compiled. Data collection procedures carried out by researchers include unstructured observations. Therefore, the interview method used in this research is structural. The informants interviewed were the Director of BPRS Bhakti Sumekar. To maintain the validity and credibility, the researcher checked the validity of the data with the Moleong technique, namely: participation counseling, observation persistence, and triangulation.

4. Results and Discussions

4.1 The Role of The Sharia Supervisory Board Against Islamic Financial Institutions BPRS Bhakti Sumekar

The issue of bank interest, referred to as *riba* has become a matter of debate among Islamic thinkers and jurists. It seems that this condition will never stop here, but it will continue to be discussed from time to time. To overcome these problems, Muslims have tried to develop an old economic paradigm that will continue to be developed to improve the ummah's economy and improve the welfare of the ummah. The realization is the operation. The role of DPS as a supervisory board in BPRS Bhakti Sumekar has not been included in all BPRS activities related to products, types of businesses, and services. The DPS assumes that nothing is too different from the previous activities. Because the types of products are few, the deal remains the same. All banking activities related to agreements and sharia aspects must involve DPS in the laws and regulations. Thus, the weak legal level for sharia compliance assessment by DPS is due to the ineffective and ineffective sharia supervision mechanism at BPRS Bhakti Sumekar.†

All transactions in Islamic banking must be monitored by DPS optimally because DPS is the long-standing hand of DSN-MUI to correct the mistakes in Islamic financial institution institutions in its operations. BPRS must provide sharia product application forms that meet the sharia principles that DSN-MUI has established for good supervision. The important thing that distinguishes Islamic banks from conventional banks is the existence of an independent Sharia Supervisory Board (DPS) and its position in line with the Board of Commissioners. The task of DPS is to conduct supervision on Islamic banks that refer to the Fatwa of the National Sharia Council (DSN) as well as Sharia norms regarding the operationalization of banks, Islamic bank products, and moral management. Article 27 PBI No. 6/24/PBI/2004 outlines the duties, authorities, and responsibilities of DPS, which include (Wirdianingsih, 2007).

1. Ensuring and supervising the suitability of the bank's operational activities to fatwas issued by the DSN.
2. Assess sharia aspects of operational guidelines and products issued by banks.
3. Providing opinions from sharia aspects on the overall implementation of bank operations in the bank's publication report.
4. Reviewing new products and services that have not yet had a fatwa be requested fatwa to the DSN.
5. Submit a report on sharia supervision results at least every 6 (six) months to the board of directors, commissioners, The National Sharia Council, and Bank Indonesia.

4.2 Sharia Principles Compliance Supervision System by BPRS Bhakti Sumekar

Sharia principles in BPRS are applied to funding transactions (savings and deposits) and financing (loans). BPRS manages community funds with a revenue-sharing system. With the profit-sharing system, the community of depositors will get a profit share in a real way because it is very dependent on the income obtained by BPRS (Rahmadi, 2014). In financing transactions, BPRS provides financing to UMK with a buying and selling system, revenue sharing, or rent. Therefore, the choice of sharia system is very dependent on the type of financing submitted by the community to BPRS. Moreover, to achieve the success of DPS tasks, empowerment steps are needed, both in competence, integrity, and independence. Empowerment steps that must be done require planning and development gradually by

† Chairman of DPS, *interview*, Sumenep, Januari 3, 2023

considering the condition of banks' readiness and human resources of DPS as described in Bank Indonesia Regulation No. 11/23/PBI/2009 article 28 paragraph 2 (a) number 4. DPS BPRS Bhakti Sumekar has participated in certification several times, namely the certificate board of Sharia Commissioners in 2003, a certification given by DSN-MUI in 2012, and certification obtained from OJK in 2018.

The implementation of Islamic banking products is poured into an agreement. The DPS must check all accounts first to avoid deviating from the provisions of sharia. If there is an agreement that has not been fatwaed, the DPS must first request a fatwa to the DSN. Until there is approval from the DSN, the agreement cannot be issued. Therefore, there must be a time limit for DSN to decide whether the product is suitable or not according to Shariah for the smooth and rapid development of Islamic banking (Wirdayaningsih, 2005). The duties and responsibilities of the DPS are carried out by supervising the bank's new product development process and supervising the bank's activities. In addition, the sharia supervisory board also reviews the process of developing new bank products by asking for an explanation from authorized bank officials regarding the objectives, characteristics, and agreements used in the new products to be issued and checking whether the contracts used in the new products. the product has been stated in the DSN fatwa. -MUI. The existence of the MUI fatwa has been issued, then DPS analyzes the suitability of the new production agreement with the DSN-MUI fatwa (Hasbi & Fitriyanto, 2021).

However, if no fatwa has been issued, DPS proposes to the bank's directors to complete the new production agreement with a fatwa from DSN-MUI. Then, the sharia supervisory board can review the new production systems and procedures issued related to the fulfillment of sharia principles and give sharia opinions on new products to be issued (Bambang, 2013). The Sharia Supervisory Board can review the SOP if there is an agreement that has not met the sharia provisions. DPS should give an opinion of sharia opinion in collecting funds or distributing funds and bank services to the board of directors that this contract criterion has not met sharia principles. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOFI) pioneered the empowerment and development of sharia compliance supervision and audit systems. The DPS standard published by AAOFI is specified as follows (Bambang, 2014)

Each Islamic Bank annual report must include the opinion of the bank's DPS, which explains the bank's business activities under sharia principles (Sharia opinion). There is an active supervision and audit process from the DPS on all bank business activities. In its reporting, DPS PT. BPRS PNM Patuh Beramal reported the results of its supervision to DSN-MUI what was found in the Islamic financial institution, whether sharia-compliant or not, and reported the results of the implementation of DPS duties and responsibilities in one semester. However, to support the effectiveness of implementing DPS tasks and responsibilities, there must be a special room available for DPS (Nazwa, 2021).

5. Conclusion

Sharia Supervisory Board is a board that conducts supervision of banks' products and operational activities and provides advice to directors on Islamic financial institutions that must be established. Sharia Supervisory Board of BPRS Bhakti Sumekar Its supervision as DPS has fulfilled the SOP that the relevant institution has determined. Therefore, PT chose the roles and responsibilities of DPS. BPRS Bhakti Sumekar, through the GMS meeting, is indeed competent in its field, namely the muamalah jurisprudent and experts in banking management, and has been tested scientifically by evidence by certification and experience while in financial institutions. However, the role in overseeing BPRS activities is still not optimal in checking the accounts used in BPRS products. For PT. BPRS Bhakti Sumekar related to the product development process does not yet exist. Therefore, increase new

products even more because the products are too few so the duties and responsibilities of DPS have not been maximized.

DPS BPRS Bhakti Sumekar Patuh is in charge of supervision. It is permissible to be charitable under the applicable provisions. However, to be more effective, roles and responsibilities must be included in all contracts carried out by BPRS Bhakti Sumekar. Be generous. All contracts, however, are the same, with the same product, agreement, and contract. DPS's role is to provide advice to employees of BPRS Bhakti Sumekar Obedient Amal. As a result, the sharia aspect will be ingrained in the individual. DPS should suggest to BPRS Bhakti Sumekar Obeys Amal Bertais that a special room is created for DPS for DPS's duties and responsibilities to be more effective.

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