

Implementation of the Function of the Sharia Supervisory Board in Sharia Banks

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Abstract. *The aspect of Compliance with Sharia Principles (Shari'a compliance) is the most important and fundamental aspect that distinguishes Islamic financial institutions from conventional financial institutions. and to ensure that Islamic financial institutions do not deviate and comply with sharia principles in their implementation, a Sharia Supervisory Board was formed. The approach method used is sociological juridical, which is an approach method used in an effort to see and analyze a real legal rule and analyze how a legal rule works in society, in sociological legal research using the main source of primary data and secondary data in legal research is data obtained from the results of interviews and literature reviews or reviews of various literature or library materials related to the problem or research material which is often called legal material. The problem is analyzed with the theory of legal effectiveness and supervision theory. The results of the study show that the Sharia Supervisory Board has played a very important role in carrying out its function as a sharia supervisor for Bank Jateng Syariah from its branches and sub-branches, starting from the product inspection stage, and implementation of the contract to the evaluation stage of the Product and implementation of the contract, but the supervision carried out by the Sharia Supervisory Board at Bank Jateng Syariah has not been optimal because it only carries out indirect supervision and has never carried out direct supervision by going to the field to see the actual conditions in the field. whether what happens in the field is in accordance with sharia and the obstacles of the Sharia Supervisory Board in supervising products and implementation of contracts at Bank Jateng Syariah are due to: Members of the Sharia Supervisory Board who hold concurrent positions in several sharia financial institutions at Bank Jateng Syariah only carry out an indirect supervision system, the number of DPS members is very minimal, and only focuses on the central Bank Jateng Syariah and the quality of human resources of members of the Sharia Supervisory Board and the sections that assist the Sharia Supervisory*

Board, many of whom do not really understand sharia economics because they do not come from sharia economic academics.

Keywords: Effectiveness; Supervision; Theory.

1. Introduction

Islamic finance was practiced primarily in the Muslim world throughout the Middle Ages, encouraging trade and business activities through the development of credit. In Spain and the Mediterranean and Baltic countries, Islamic merchants became individuals who displaced middlemen for trading activities. In fact, many of the concepts, techniques, and instruments of Islamic finance were later adopted by European financiers and entrepreneurs. In contrast, the term “Islamic financial system” is relatively new and only appeared in the mid-1980s. In fact, all previous references to commercial or trading activities in accordance with Islamic principles were made under the umbrella of “interest-free” or “Islamic” banking.¹

The Islamic financial system is based on an absolute prohibition on the payment or receipt of a fixed and guaranteed rate of return. This closes the door to the concept of interest and discourages the use of debt-based instruments. The system encourages risk sharing, encourages entrepreneurship, discourages speculative behavior, and emphasizes the sanctity of contracts. The Islamic financial system is expected to be stable due to the elimination of debt financing and increased allocative efficiency. A “two-window” model for Islamic financial intermediaries has been suggested in which demand deposits are 100 percent backed by reserves, and investment deposits are accepted purely on an equity-sharing basis. Analytical models suggest that such a system would be stable because the terms and structures of liabilities and assets are symmetrically matched through profit-sharing arrangements, no fixed interest costs are incurred, and refinancing through debt is impossible. Allocative efficiency occurs because investment alternatives are selected strictly on the basis of their productivity and expected rates of return. Finally, entrepreneurship is encouraged as entrepreneurs compete to become agents for suppliers of financial capital who, in turn, scrutinize projects and management teams.²

The Sharia Supervisory Board of Islamic Financial Institutions occupies a very strong position in accordance with Article 109 of Law Number 40 of 2007 concerning Limited Liability Companies, which based on sharia principles,

¹Faozan, Akhmad. 2014. “Optimizing the Role of the Sharia Supervisory Board in Islamic Financial Institutions”. *el-Jizya: Journal of Islamic Economics* 2 (1): p. 23 <https://doi.org/10.24090/ej.v2i1.2014.pp23-40> accessed On August 29, 2024.

² Mervyn K. Lewis and Latifa M. Algaoud, 'Islamic Financial Systems', *Islamic Banking*, June, 2013, doi:10.4337/9781843762959.00012.

companies that carry out business activities also have a board of directors. Members are required to form a sharia monitoring committee. (Article 1), The Sharia Supervisory Board as referred to in paragraph (1) consists of one or more sharia experts appointed by the GMS upon the recommendation of the Indonesian Ulema Council. (Article 2), The Sharia Audit Committee as referred to in paragraph (1) is tasked with providing advice and suggestions to the Board of Directors and supervising the company's activities to ensure they are in accordance with sharia principles (Article 3).³

Along with the growth of Islamic banks in the year and adaptation to the desires and needs of the community for Islamic banking. Bank Jateng established a sharia-based business unit, namely Bank Jateng Syariah to meet the needs of the community for sharia-based banking products and services. As a limited liability company that carries out sharia-related activities, Bank Jateng Syariah also has a Sharia Supervisory Board to carry out its activities and ensure that the activities of Islamic financial companies are carried out in accordance with sharia principles.⁴

The role and function of the Sharia Supervisory Board do need to be optimized, because it would be very worrying if it turns out that Islamic financial institutions deviate from sharia provisions, thereby damaging the image and reputation of Islamic financial institutions in the eyes of the public to be negative and could reduce public trust in the current position of financial institutions.⁵

The purpose of this study is to determine and analyze the implementation of the function of the sharia supervisory board in Islamic banks.

2. Research Methods

This study uses a sociological legal approach method. The research specifications used are descriptive analytical. The data used in this study include primary data and secondary data. Data collection in this study uses interview and literature study methods. The data analysis method uses qualitative analysis methods.

3. Results and Discussion

3.1. Implementation of the function of the Sharia Supervisory Board at Bank Jateng Syariah

³Irham, Mawaddah. 2019. "Analysis of Lecturers' Perceptions of Islamic Banking (Case Study of Lecturers at the Faculty of Economics, UMN)", AT-TAWASSUTH: Journal of Islamic Economics IV (2): 436-456.<http://dx.doi.org/10.30821/ajei.v4i2.6490>. Accessed on August 29, 2024.

⁴aulana, Hafiizh. 2014 "Implications of the Authority of the Sharia Supervisory Board on the Supervision System at Bank Aceh Syariah". SHARE: Journal of Islamic Economics and Finance 3 (1): 1-20.<http://dx.doi.org/10.22373/share.v3i1.1051>. Accessed on August 29, 2029.

⁵Iyas, Rahmat. 2015. "Financing Concept in Islamic Banking". Research Journal 9 (1): 183-204.<http://dx.doi.org/10.21043/jupe.v9i1.859>. Accessed on August 29, 2024.

PT. Bank Pembangunan Daerah Jawa Tengah as a limited liability company, Bank Jateng Syariah must have a Sharia Supervisory Board, and after receiving a recommendation from DSN-MUI, the company through a general meeting of shareholders (GMS) has had a Sharia Supervisory Board. The role of the Sharia Supervisory Board in UUS Bank Jateng itself is considered very important in decision making in sharia management, especially related to the implementation of systems and products that are in line with Islamic sharia. In addition, the Sharia Audit Committee is also responsible for the selection of new employees based on Sharia which is carried out by the Secretary of the DPS (Sharia Supervisory Board) who is required to submit a Supervision Results Report every semester, which is submitted to Bank Indonesia within two months after the end of the semester period. Members of the Sharia Supervisory Board have taken sufficient time to carry out their duties and responsibilities optimally.

DPS members have competence and integrity assessed by Bank Indonesia, have passed the suitability and talent test, and their appointment must be approved by the GMS and DSN-MUI as well as Bank Indonesia Recommendation. Through: DSN-MUI Letter Number: U 236/DSN-MUI/VI/Recommendation of the Sharia Supervisory Board dated June 18, 2012. Bank Indonesia Letter Number: 15/15/DPbs/IDABS/Sm, Report dated March 22, 2013 concerning the Appointment of Sharia Auditors at Sharia Business Units.

According to the provisions of Article 29 paragraph (1) of the Banking Law, bank development and supervision activities are carried out by Bank Indonesia. The definition of development is efforts made by establishing regulations concerning institutional aspects, ownership, management, business activities, reporting and other aspects related to bank operational activities. Meanwhile, the definition of Bank Indonesia supervision is realized through (1) Indirect supervision, especially in the form of early supervision through research, analysis and evaluation of bank reports, and (2) direct supervision in the form of examinations followed by corrective actions.

The sharia supervisory board consists of three or more people with professions that are experts in Islamic law, led by the chairman of the sharia supervisory board, functions to provide religious fatwas, especially in sharia banking products. Then, together with the board of commissioners, supervise its implementation. Religious fatwas resulting from the decision of the sharia supervisory board's deliberation are submitted in writing to the board of directors with the action of the board of commissioners.

New ideas, especially regarding Islamic banking products, whether they arise from the Islamic board itself, from the commissioners, from the board of directors or from Muslims in general, must go through a deliberation of the Islamic supervisory board to be made into a religious fatwa which is also submitted to the board of directors in writing with a copy to the board of commissioners.

The policy of the board of directors is mainly the products of Islamic banks if the implementation is lacking or not in accordance with the religious fatwa from the sharia supervisory board, then the commissioners hold a joint deliberation between the board of directors, the sharia supervisory board and the commissioners. The decision or result of the deliberation is made a new religious fatwa, which is submitted to the board of directors in writing with a copy to the board of commissioners.

The function of the Sharia Supervisory Board at UUS Bank Jateng itself is considered very important in decision making in sharia management, especially related to the implementation of systems and products that are in line with Islamic sharia. In addition, the Sharia Audit Committee is also responsible for the selection of new employees based on Sharia which is carried out by the Secretary of DPS. The Sharia Supervisory Board is required to submit a Supervision Results Report every semester, which is submitted to Bank Indonesia within two months after the end of the semester period. The members of the Sharia Supervisory Board have been given sufficient time to carry out their duties and responsibilities optimally.

Members of the Sharia Supervisory Board are competent and honest according to Bank Indonesia's ranking and have passed the fit and proper test. Their appointment has been approved by the GMS and also recommended by DSN-MUI and Bank Indonesia. Through: DSN-MUI Letter Number: U236/DSN-MUI/VI/2012, dated June 18 regarding the Recommendation of the Sharia Supervisory Board. Bank Indonesia Letter Number: 15/15/DPbs/IDABS/Sm, Report dated March 22, 2013 regarding the Appointment of Sharia Auditors at Sharia Business Units

In general, DPS has two functions. One is as an advisor and the other is as an application of fatwa to the National Sharia Council (DSN) for modern sharia financial products that do not yet have a fatwa. The advisory function is a function where DPS provides advice to financial institutions to ensure that their management policies are in accordance with Islamic law.⁶

The Sharia Supervisory Board also has the task of supervising the Products and implementation of contracts at Bank Jateng Syariah that they supervise. In relation to the supervision of Products and the implementation of contracts at Bank Jateng Syariah, Bank Jateng Syariah branches and sub-branches have never had direct contact with the Sharia Supervisory Board, Bank Jateng Syariah branches and sub-branches only report their performance processes that have been carried out every month to the internal audit department, then the internal audit department forwards the report to the Sharia Supervisory Board. Furthermore, the Sharia Supervisory Board sees, by taking samples, to see whether or not the fulfillment

⁶Nelli, Fitra. 2015. "Problematics of the Role of the Sharia Supervisory Board (DPS) in Islamic Banking". *Al-Masharif: Journal of Economics and Islam* 3 (1): 85-98. <http://jurnal.iain-padangsidempuan.ac.id/index.php/Al-masharif/article/view/1055>. Accessed on September 02, 2024.

of Sharia principles is correct, and in its implementation it is not uncommon to find unnecessary variations that do not comply with positive law and Sharia law. The next task of the Sharia Supervisory Board is to evaluate the Products and the implementation of contracts as a whole and to review the Products and the implementation of the contracts at Bank Jateng Syariah. The structure is briefly as follows:⁷

a. Fatwa of the national sharia council.

The existence of ulama in the banking management structure is unique to Islamic banking. The ulama who are competent in the field of Islamic law and banking applications have a very large function and role in determining and supervising the implementation of Islamic principles in banking. The authority of ulama in determining and supervising the implementation of Islamic banking law is under the coordination of the National Sharia Council of the Indonesian Ulema Council (DSN - MUI).

In line with the development of Islamic financial institutions, Indonesia needs a special institution that handles issues related to the Islamic economic system so that it does not deviate from the provisions of the Qur'an and Sunnah. The Indonesian Ulema Council (MUI) as an institution that has authority in the religious field related to the interests of Indonesian Muslims formed a national-scale sharia council. The institution is known as the National Sharia Council (DSN) which was established on February 10, 1999 in accordance with the MUI Decree No. Kep-754/MUI/II/1999.

The national sharia council institution is tasked with supervising and directing sharia financial institutions to encourage the implementation of sharia principles in economic activities. Therefore, the existence of the DSN is expected to play an optimal role in the development of the sharia economy in order to meet the demands of the needs of the community. In addition, the DSN also provides warnings if there are certain economic institutions that deviate from the established law. If the institution concerned does not heed the warning given, the DSN can submit recommendations to institutions that have the authority to impose legal sanctions, such as Bank Indonesia (BI) if related to banking or Bapepam-LK if related to the capital market, or to the Ministry of Finance, to impose sanctions so that the company does not further develop its actions that are not in accordance with sharia.⁸

⁷Sutedi. Adrian. 2011. *Sharia Capital Market: A Financial Investment Facility Based on Sharia Principles*. Jakarta: Sinar Grafika, p. 45

⁸Prabowo. Bagya Agung, and Jasri Bin Jamal. 2017 "The Role of the Sharia Supervisory Board in Sharia Compliance Practices in Islamic Banking in Indonesia". *Journal of Law: IUS QUIA IUSTUM* 24 (1): 113-129. <https://doi.org/10.20885/iustum.vol24.iss1.art6>.

In accordance with and based on the MUI Decree Number: Kep-754/MUI/II/1999 in point 3 it states the Position, Status and Authority of DSN, namely:

- a. The National Sharia Council (DSN) is part of the Indonesian Ulema Council (MUI).
- b. DSN assists related parties such as the Ministry of Finance, Bank Indonesia, and others in preparing regulations or provisions for Islamic financial institutions.
- c. DSN membership consists of scholars, practitioners, and experts in fields related to sharia transactions.
- d. DSN membership is appointed and appointed by MUI for a 4year term of office.

Furthermore, the duties and authorities of the DSN are regulated in number 4:

- a. Developing the application of sharia values in economic activities in general and finance in particular.
- b. issue fatwas on types of financial activities.
- c. issue fatwas on sharia financial products and services.
- d. supervise the implementation of fatwas that have been issued. The position of the DSN-MUI fatwa occupies a strategic position.

for the progress of the economy and Islamic financial institutions. Because in the development of the economy and Islamic banking refers to the legal system built on the basis of the Qur'an and Hadith whose existence functions as the main guideline for the majority of Muslims in particular and other peoples in general.⁹

The fatwa of the National Sharia Council of the Indonesian Ulema Council related to the development of sharia economic and banking institutions was issued based on the consideration of the Daily Executive Body (BPH) which is in charge of sharia science and banking economics. With the consideration of these experts, the fatwa issued by the DSN-MUI has the authority and scientific power for sharia economic business activities. Therefore, in order for the fatwa to have binding power, it must first be adopted and formally ratified in the form of laws and regulations. Meanwhile, to ensure that the fatwa issued by the DSN-MUI can effectively run and be complied with by sharia economic and banking institutions, a Sharia Supervisory Board was formed which is placed in each sharia financial institution, with the aim of carrying out the supervisory function of sharia aspects

⁹Interview Results with Ahmad Rofiq, as chairman of the Sharia Supervisory Board of Bank Jateng

in banking, although technically the supervision of sharia banking remains the authority of Bank Indonesia (BI).¹⁰

b. Supervisory Authority by the Sharia Supervisory Board.

The Sharia Supervisory Board (SSB) is an independent body placed by the National Sharia Council (DSN) in Islamic banking and financial institutions. SSB members must consist of experts in the field of sharia muamalah who also have knowledge in the field of banking economics. In this case, Bank Jateng Syariah must appoint three SSB members.

In carrying out its daily duties, DPS is obliged to follow the DSN fatwa which is the highest authority in issuing fatwas regarding the conformity of bank products and services with sharia provisions and principles. The main task of DPS is to supervise bank business activities so that they do not deviate from the provisions and principles of sharia that have been fatwad by DSN.¹¹

The role of DPS is very strategic in the implementation of sharia principles in sharia banking institutions. DSN-MUI assigns the DPS to:

- a. carry out periodic supervision of Islamic financial institutions,
- b. submit proposals for the development of Islamic financial institutions to the leaders of the relevant institutions and to the DSN.
- c. report on the development of products and operations of the Islamic financial institutions it supervises to the DSN, at least twice in one budget year, and;
- d. formulate problems that require discussion with the DSN.

To carry out such supervision, DPS members must have integral scientific qualifications, namely the science of muamalah jurisprudence and modern Islamic financial economics, not because of their charisma and popularity in society. If the appointment of DPS is not based on their knowledge, it is certain that the DPS's supervisory function will not be optimal, as a result, deviations and sharia practices become possible and often occur.

Based on Bank Indonesia Regulation Number: 6 of 2004 Article 27 states that the duties, authorities and responsibilities of the sharia supervisory board are:

¹⁰? Prabowo, Bagya Agung. 2012. Legal Aspects of Murabahah Financing in Islamic Banking. Yogyakarta: UII Press, p. 74

¹¹Suryani, Suryani. 2014. "Islamic Banking Industry in Reflection of Sharia Governance Aspects", *Economica: Journal of Islamic Economics*, 5 (1): pp. 93-134. <https://doi.org/10.21580/economica.2014.5.1.766>. Accessed on September 02, 2024.

- 1) ensure and supervise the conformity of bank operational activities with the fatwas issued by the DSN.
- 2) assess the sharia aspects of operational guidelines and products issued by the bank.
- 3) provide opinions from the sharia aspect regarding the implementation of bank operations as a whole in the bank's published report
- 4) review new services and products for which there is no fatwa yet to request a fatwa from the DSN.
- 5) submit reports on the results of sharia supervision at least every six months to the board of directors, commissioners, DSN, and Bank Indonesia.

Apart from the above, there are three functions that must be carried out by DPS:

- 1) as an advisor and provider of advice to the board of directors, heads of Sharia Business Units and heads of Sharia Branch Offices regarding matters related to sharia aspects,
- 2) as a mediator between banks and DSN in communicating proposals and suggestions for product and service development from banks that require study and fatwa from DSN,
- 3) as a representative of the DSN placed in a bank. The DPS is required to report business activities and developments of the Islamic banks it supervises to the DSN at least once a year.

Banks that will form a DPS in order to change business activities or open a sharia branch office for the first time can submit a request for placement of DPS members to the DSN.

In short, it can be said that the supervision mechanism of the sharia supervisory board, at least once every six months the sharia supervisory board analyzes the operations of Bank Jateng Syariah and assesses the activities and products of the bank, which in the end the sharia supervisory board can ensure that the operational activities of Bank Jateng Syariah are in accordance with the fatwa issued by the national sharia board and then submit the results of the supervision to the directors, commissioners, the national sharia board and Bank Indonesia.

Regarding the supervision of the sharia supervisory board, the effectiveness of the law according to Soerjono Soekanto, it is explained that the effectiveness or ineffectiveness of a legal regulation can be seen from several factors, namely:

- a. The legal factor itself (law).

In line with the development of Islamic financial institutions, Indonesia needs a special institution to handle issues related to the Islamic economic system so as not to deviate from the provisions of the Qur'an and Sunnah. The Indonesian Ulema Council (MUI) as an institution that has authority in the religious field related to the interests of Indonesian Muslims formed a national-scale sharia council. The institution is known as the National Sharia Council (DSN) which was established on February 10, 1999 in accordance with the MUI Decree No. Kep-754/MUI/II/1999, the Law or regulations in this case were created to provide a legal umbrella related to the existence of the sharia supervisory board because this is a difference in the implementation of financial activities in Islamic banks themselves, so that the effectiveness of its implementation must be based on regulations so that its implementation is not just a mere formality.

b. Factors from law enforcement.

In relation to law enforcement so that Islamic banks have and implement Islamic principles, every Islamic bank must have a Sharia Supervisory Board to ensure that every contract carried out by the Islamic bank is based on Islamic provisions that adhere to the Al-Quran and Hadith. In the Islamic Banking Law, there are articles that emphasize the principle of prudence in the management of Islamic banks, namely Articles 2, 35-37 and 54. In paragraph 2 it is stated that Islamic banking in carrying out its business activities is based on the principles of sharia, economic democracy and the principle of prudence. In the explanation of Article 2 it is stated that the principle of prudence is a guideline for bank management that must be adopted in order to realize healthy, strong and efficient banking in accordance with statutory provisions.

The Sharia Supervisory Board is an independent body in the bank. The members of the DPS must consist of experts in the field of Sharia muamalah who also have general knowledge of banking. The requirements for DPS members are regulated and determined by the National Sharia Council (DSN).¹²

As a follow-up to the Decree of the Board of Directors of Bank Indonesia, the Decree of the Indonesian Ulema Council No. Kep-754/MUI/II/1999 concerning the establishment of the National Sharia Council (DSN) has been issued. Meanwhile, the members of the Sharia Supervisory Board are regulated in the Decree of the MUI DSN No. 3 of 2000 concerning the implementation guidelines for the determination of members of the Sharia Supervisory Board in Islamic Financial Institutions.

¹²Sultoni, Hasan. 2019. "The Role of the Sharia Supervisory Board in Islamic Financial Institutions in Indonesia". Eksyar: Journal of Islamic Economics and Islamic Business 6 (2): 106-115.<https://staim-tulungagung.ac.id/ejournal/index.php/Eksyar/article/view/396>. Accessed on September 02, 2024.

c. Factors of supporting space/conditions.

With the existence of facilities in the form of means and infrastructure for implementing officers in carrying out their duties. The means and infrastructure in question are infrastructure or facilities used as a tool to achieve legal effectiveness. In relation to the means and infrastructure referred to in the term facilities, Soerjono Soekanto predicts the benchmark for the effectiveness of certain elements of the infrastructure, where the infrastructure must clearly be a part that contributes to the smooth running of the duties of officers at their place or work location.

In relation to the supervision of the sharia supervisory board, the Sharia Supervisory Board is formed under or parallel to the Sharia Supervisory Board in the structure of a sharia bank or sharia financial institution. The main task of the Sharia Supervisory Board is to supervise the business activities of sharia financial institutions in accordance with the provisions and principles of the Sharia Articles issued by the National Sharia Council through fatwas. The main function of the Sharia Supervisory Board is to act as an advisor and counselor to directors, heads of sharia business units, and heads of sharia branches on issues related to sharia aspects, and to act as an advisor and counselor to sharia financial institutions. and the National Sharia Council. Submitting proposals and proposals for the development of sharia financial institution products and services that require study and fatwas from the National Sharia Council.

The Sharia Supervisory Board or DPS is an independent body consisting of sharia muamalah experts who also have knowledge in the field of banking in sharia financial institutions and are tasked with supervising the implementation of DSN decisions in these sharia financial institutions. DPS is an independent body, so to ensure the issuance of opinions, several things need to be considered:

- a) DPS is not a bank employee, in the sense that it is not subject to administrative authority.
- b) DPS is elected through a general meeting of shareholders (GMS).
- c) The DPS honorarium is determined by the GMS.
- d) DPS has a work system and certain tasks like other supervisory bodies

Therefore, the certainty of the supporting conditions of the sharia supervisory board regulated by regulations and in carrying out its duties it is appointed by the GMS where the GMS is the highest forum in a company, so this makes the sharia supervisory board at Bank Jateng Syariah able to carry out its duties effectively.

3.2. Obstacles to the Sharia Supervisory Board at Bank Jateng Syariah

The obstacles faced by the Sharia Supervisory Board in supervising products and implementing contracts at Bank Jateng Syariah at branches and sub-branches are as follows:

1) Concurrent Position and supervision carried out indirectly.

The Sharia Supervisory Board of Bank Jateng also has the same status as the Sharia Supervisory Board in several Islamic financial institutions, so that the Sharia Supervisory Board of Bank Jateng is less than optimal in monitoring contract performance so that the system is the simplest. It is an indirect monitoring exercise by examining and analyzing reports sent by Bank Jateng Syariah branches and Assistant Branches through the internal audit department.

As a result, the Sharia Supervisory Board does not directly know the implementation of the contract in the field. In addition, the Sharia Supervisory Board is also unable to review and make changes to the products available at Bank Jateng Syariah Branches and Sub-Branches. As a result of the indirect supervision system, the role of the Sharia Supervisory Board, which should be able to socialize the existence of Bank Jateng Syariah, is less than optimal.

2) Limited Sharia Supervisory Board Members

The National Sharia Council stipulates in Article 1 and 2 of Decree Number 03 of 2000 Number concerning Membership of the Sharia Supervisory Board that every Islamic financial institution has at least three members of the Sharia Supervisory Board, with the provision that one must be a member of the Sharia Supervisory Board. One member must be appointed as Chairman.

In terms of quantity, the number of members of the Sharia Supervisory Board at Bank Jateng Syariah has met the requirements because it has three members, but the position of the members of the Sharia Supervisory Board at Bank Jateng Syariah is only at the head office while the supervisory area that must be carried out by the Sharia Supervisory Board is very broad and spread throughout Central Java, so with such a very limited number it will be difficult for the Sharia Supervisory Board to be able to supervise all branches and sub-branches throughout Central Java. And if it must be forced to supervise all branch offices and sub-branches, it will certainly drain energy, thoughts and costs. So that the principle of supervision that should be flexible and economical cannot be fulfilled.

3) Human Resources

The rapid development of Bank Jateng Syariah is not balanced with the quality of human resources of the Sharia Supervisory Board and Human Resources working at the financial institution, because many members of the Sharia Supervisory Board and Human Resources at the Islamic financial institution do not yet understand the technicalities of banking and other Islamic Financial Institutions,

let alone Islamic financial economics, as a result supervision and other strategic roles are very suboptimal.

As mentioned above, in principle, there are fundamental differences between Islamic banks and conventional banks, namely that Islamic banks in their business activities are based on sharia provisions and conventional banks in their business activities are based on the principle of interest. This difference results in fundamental differences in the structure of corporate governance and the supervisory system in sharia activities.

The function of Islamic bank supervision as mandated in the Law aims to support efforts to realize healthy Islamic banking, operating prudently, complying with various applicable banking provisions, protecting the interests of the community using banking services and consistently implementing sharia principles. The approach to Islamic bank supervision uses an integrated pattern that integrates indirect supervision (off-site supervision) and direct supervision or field inspection (on-site supervision) and adopts a risk-based bank supervision approach.

The off-site and on-site supervision activities are directed to maintain the bank's health level and support the achievement of the bank's business plan while still paying attention to the principle of prudence and compliance with sharia principles. Off-site supervision activities are carried out by analyzing financial conditions through the Supervision Management Information System (SIMWAS) and reports submitted by the bank, as well as assessing the bank's compliance with applicable provisions.

Supervision of Islamic banking basically has two systems, namely as follows:

- a. Supervision of financial aspects, compliance with general banking and banking prudential principles.
- b. Supervision of sharia principles in bank operational activities.

Supervisory provisions are part of the bank's operational provisions which serve as a public protection barrier so that bank employees, bank managers and affiliated parties comply with the various prudential provisions which have been established so that if there are violations, in order to carry out supervision, the supervisory authority will impose sanctions.

In general, BI's role and responsibility are more towards supervising financial aspects, while guaranteeing the fulfillment of sharia principles is the responsibility and authority of DSN with DPS as its extension. In this case, competence and ability to understand sharia are still mandatory for Bank supervisors from BI.

Sharia banking business activities involving operational and sharia aspects are like two sides of a coin that are an inseparable whole. Based on Law No. 10 of 1998, the explanation of article 6 letter m explains that operational supervision in the

form of implementing prudential provisions is carried out by Bank Indonesia while supervision of sharia aspects is carried out by DPS.¹³

4. Conclusion

That based on the research results that have been described by the author above, the author can draw the following conclusions: That the Sharia Supervisory Board has played a very important role in carrying out its function as a sharia supervisor for Bank Jateng Syariah from its branches and sub-branches, starting from the product inspection stage, and implementation of contracts to the evaluation stage of products and implementation of contracts, but the supervision carried out by the Sharia Supervisory Board at Bank Jateng Syariah has not been optimal because it only carries out indirect supervision and has never carried out direct supervision by going to the field to see the actual conditions in the field. Whether what happens in the field is in accordance with sharia and the obstacles of the Sharia Supervisory Board in supervising products and the implementation of contracts at Bank Jateng Syariah are due to: Members of the Sharia Supervisory Board who hold concurrent positions in several sharia financial institutions at Bank Jateng Syariah only carry out an indirect supervision system, and the number of DPS members is very minimal, and only focuses on the central Bank Jateng Syariah and the quality of human resources of members of the Sharia Supervisory Board and the sections that assist the Sharia Supervisory Board, many of whom do not really understand sharia economics because they do not come from sharia economic academics

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