Sys Rev Pharm 2020;11(8):671-677
A multifaceted review journal in the field of pharmacy

SHARIA COMPLIANCES OPTIMIZATION IN THE ISLAMIC FINANCIAL INDUSTRY DEVELOPMENT

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ABSTRACT
The goal of this study is to elaborate on the effectiveness of the supervision of Islamic banking business activities, the authority and role of the Sharia Supervisory Board on deviant Sharia Bank business activities and the enhancement of Sharia Regulation in the growth of Islamic Bank Financial Industry (IKBS). The work carried out is a descriptive empiric analysis with a normative legal approach. Collection of data and information from studies and interviews in the library was collected and a comprehensive legal review was then carried out. On the basis of the results of the study, the optimization of the implementation of Sharia Legislation in the growth of the Islamic Bank Financial Industry (IKBS) and the challenges still face a number of problems, including: the legal aspects of the regulation of Sharia Bank's business activities have not been effectively enforced, the agreement / contract still applies to the credit agreement and In addition , the value of the successful implementation of the GCG is the achievement of superior and resilient Islamic banks.

Keywords: Sharia Compliance, Good Corporate Governance, Optimization, and Islamic Bank Financial Industry (IKBS).

INTRODUCTION

Banks are one of the economic lifebloods of a country, without a bank, you can imagine how difficult it is to save and send money, to acquire additional business capital, or to carry out foreign trade transactions efficiently and securely. Many people today speak about Islamic banking, which is one of the economic instruments of Sharia law. Banks are important financial institutions to fuel economic growth in Indonesia. It is therefore a step forward in the development of banking, particularly Islamic banking or Islamic banking, better known as sharia banking, a bank that operates under Islamic law. The basic principle of Islamic banking is the prohibition against deduction of interest in any way when carrying out transactions and carrying out its trading activities. This Islamic banking was governed by Islamic Banking Act No. 21 of 2008 (hereinafter UUPS).

Islamic banking has been treated equally with conventional banks, and even Bank Indonesia (hereinafter BI) has developed regulations and facilities supporting the operation of the dual banking system, i.e. the implementation of two banking systems at once (conventional and sharia) is clearly separate from system administration. There was only one Islamic bank, Bank Muamalat Indonesia (hereinafter BMI), where the law had not been ratified. UUPS, as a law strictly governing Islamic banking, is governed by this Act on Sharia Compliance with the authority of the Indonesian Ulema Council (hereinafter MUI) headed by the Sharia Supervisory Board (hereinafter DPS) to be established in each Sharia Bank and Sharia Business Unit (hereinafter UUS). In order to follow up on the implementation of the fatwa issued by the MUI in the Bank Indonesia Regulations (hereinafter PBI), a Sharia Banking Committee was set up in the Internal Bank of Indonesia, the Ministry of Religion, and elements of a society whose composition was balanced..

Moreover, the development of Islamic banking in Indonesia has become a new phenomenon in the national banking system. Following the issuance of provisions concerning the Financial Services Authority, namely Law No. 21 of 2011 concerning the Financial Services Authority (hereinafter referred to as UUOJK). As a result, by transferring banking supervision functions, duties and authorities from Bank Indonesia (hereinafter BI) to the Financial Services Authority (hereinafter ASF), based on UUOJK, the banking supervision function of Bank Indonesia is transferred to OJK. In addition, after more than 10 years in the Islamic finance sector, an attempt has been made to compile its development studies. Finally, the Government and the Regulators succeeded in drawing up the Indonesian Sharia Financial Architecture Master Plan (hereinafter SCAI) at the beginning of last year. The Government is determined to adopt two major strategies.[1] First, a National Sharia Finance Committee (hereinafter KNKS) has been established by the

[1]@ sbu_dpbs_ojk. Setiawan Budi Utomo (Deputy Director of Product & Education Development, DPS) & Pungky Sumadi, Minister's Expert Staff for the Development of Leading and Infrastructure Sector, Keynote Speech at the National Seminar "Renewing Indonesian Economic Law in Order to Encourage the Development of Sharia Financial Services Industry" Padjadjaran University Faculty of Law Department of Economic Law Auditorium Faculty of Law Lt.4 Ged. Mochtar Kusumaatmadja Jl. Dipati Ukur No.45, Bandung, March 7, 2016, p. 4-5

Government. KNKS Institutions serve as a forum for coordination between the Government and the Regulators.

The main task of the KNKS is to ensure that the Master Plan for the Indonesian Sharia Financial Architecture is carried out by the Government, regulators and industry players. The unity of vision, mission and synergistic action between different stakeholders to enhance the role and contribution of Islamic finance. It is time for the government to show its bias in the financial sector of the Sharia, as President Jokowi and Vice-President Jusuf Kalla have shown willing to lead this institution. Second strategy, the implementation of the Islamic Finance Development Agenda itself. The AKSI Master Plan is essentially a work plan to improve each sub-sector of Islamic finance, including banking, capital markets, non-bank financial industry and religious funds such as hajj, zakat and waqf funds. In addition to product development, this group will also include improvements in the governance of the Islamic financial system, consumer protection, safety net systems and human resources.

In an effort to improve the rapid growth of the Sharia banking sector and to achieve a vision to contribute to Sharia banking that is important to the national economy, it is important for the OJK to develop a roadmap for the development of Sharia banking. The Sharia Banking Roadmap is a plan for the development of the Indonesian Sharia banking sector in 2015-2019.[2] Referring to the Indonesian Islamic Finance Banking Master Plan (hereinafter MPSJKI) and the Banking Roadmap (hereinafter RP21) and harmonized with the Indonesian Sharia Financial Architecture Master Plan (hereinafter AKSI), the Republic of Indonesia National Development Planning Agency (hereinafter BAPPENAS RI). The Roadmap presents strategic issues or fundamental problems that still exist in the Islamic banking sector and is expected to become a reference point for Sharia banking stakeholders in the development of the Islamic banking sector, so that Islamic banking is expected to increase its role and contribution in supporting the national economy and the stability and improvement / equal distribution of the financial system.

In line with the foregoing, the implementation of the Roadmap for the Development of Islamic Finance 2017-2019 began with a vision of "Realizing a growing and sustainable, equitable Islamic financial services industry and contributing to the stability of the national economy and the financial system in order to make Indonesia the center of global Sharia finance." Until now, the Government has not only stopped improving the investment climate, but has also been thinking about how the sources of investment funding can be obtained. Improvements in the financial sector continue to be made, especially in the area of Islamic finance, starting with major breakthroughs. Not many parties have realized that Indonesia has more than 18 million Sharia bank clients. The largest number of customers in the world on the single market.[3] Islamic banking, in its operating system, has characteristics that are based on the principle of mutually beneficial outcomes for society and banks, and highlights aspects of transaction fairness, ethical investment, and the promotion of joint action avoiding speculative activities in financial transactions, so that the existence of Islamic banking can provide an alternative to the banking system in Indonesia. The difference between Islamic and conventional financing systems, namely the difference between buying and selling real transactions and borrowing something temporary (selling and buying something real and lending and borrowing something fleeting).[4]

In addition, financing transactions, particularly traditional banks, are based on interest, while Islamic banking is based on assets or services. The Indonesian Islamic Economics Master Plan 2019-2024 states that Islamic banking is a sub-sector of the Islamic finance industry. Its function is to collect funds, channel funds and provide banking services to its clients. In its implementation, the Islamic banking industry refers to Sharia principles, which are regulated and supervised by a number of institutions and teams. Among other things, Bank Indonesia, the National Sharia Council of the Indonesian Ulema Council, the Financial Services Authority and the Sharia Supervisory Board, which are available to the internal company.[5]

The main principle of Islamic banking is the prohibition against withdrawing any form of interest in the conduct of transactions and trading activities, but it is now becoming more complex. The existence of the Sharia Supervisory Board continues to be based on a conventional approach. In this connection, one of the most interesting problems is the financing channeled by Islamic banks. Moreover, in its development, the public viewed Islamic banking as a banking system that could be an alternative to the conventional banking system that uses the interest system. The banking system, through the use of interest, is considered unfair and does not provide the maximum benefit to the community. UUPS has regulated the type of business, provisions on the implementation of Sharia law, business feasibility, distribution of funds and prohibitions on Islamic banks or Islamic business units that are part of conventional commercial banks. As a result, surfacing is a sharia bank whose products are photocopies of conventional products with slight variations here and there. For example, if there is "working capital credit" in a conventional bank, then there is "working capital financing" in Islamic banks with specifications that are almost no different.[6] The problem is how to optimize the implementation of Sharia Compliance in the development of the Islamic Bank for Financial Industry (IKBS).

RESEARCH METHODS

The study was a descriptive analytical study with a normative legal approach. Collecting data and information obtained from research and interviews in the library, then analyzing it in a qualitatively legal manner. Qualitative legal method based on the following steps: that the review of the suitability of one regulation with other legislation, the review of the khirarkhie of the laws and regulations to be considered, the achievement of legal certainty and the exploration and discovery of living law in the community (living law), both written and unwritten. Analyzed by not using formulas or numbers.

LITERATURE REVIEW

[2] http://www.ojk.go.id/Files/box/roadmap-pbs_2015-2019.pdf.

[3] Mohammed, quoted from Renny Supriyatni B., *Profit and Loss Sharing Mechanism Can Give Justice to Customers & Islamic Banks*, Second Print, Unpad Press, Bandung, 2018, p. 1. Renny S. Bachro, Introduction to Indonesian Syariah Banking, Book Terace & Library, Bandung, 2013, p. 58.

[4] *Ethica Institute of Islamic Finance*, *Study Notes-CIFE01 Why Islamic Finance*, www. Ethicainstitute.com, 12

[5] National Islamic Finance Committee (KNKS) Indonesian Sharia Economic Master Plan 2019 - 2024, p. 195

[6] Renny Supriyatni Bachro, *Opcit,* P. 7

In its history, Islamic banking first appeared in Egypt without using the name of Islam because of fears that the ruling regime would see it as a fundamentalist movement at that time. The pioneering leader of this business, Ahmad El Najjar, took the form of a profit sharing bank in Mit Ghamr City in 1963. This experiment lasted until 1967, when banks with similar concepts were established in Egypt. These banks neither collect nor receive interest, most of which invest directly in commercial or industrial ventures, in the form of partnerships and share profits with savers. In Egypt, the Nasir Social Bank was established and declared an interest-free commercial bank. Although no reference to religion or the Islamic Sharia was made in the act of establishment.[7] A number of Islamic-based banks later emerged in other parts of the country in the 1970s. In the Middle East, among others, there were the Dubai Islamic Bank (1975), the Faisal Islamic Bank of Sudan (1977), the Faisal Islamic Bank of Egypt (1977) and the Bahrain Islamic Bank (1979). In Asia-Pacific, the Amanah Bank of the Philippines was established in 1973 on the basis of a presidential decree, and in Malaysia there was a Muslim Pilgrims Savings Corporation in 1983 to help those who want to save money to make a pilgrimage.

Moreover, the beginning of the 20th century was a time of revival of the Islamic world in the midst of the struggle of world life.8 This condition leads to awareness of the application of sharia principles and values in real life. One of these efforts is the implementation of Islamic financial institutions on the basis of Islamic principles. Banks with Islamic principles are based on the wishes of Muslims who do not use the usury principle to conduct their business in accordance with the rules set out in the Al-Quran and As-Sunnah. Some Muslims who want to have physical and mental well-being in their business activities in accordance with the provisions of Islamic law. Muslims want banking products that have rules in accordance with the rules in force under Islamic law. In pre-Islamic times, forms of trade have actually been developed in the modern business world. Forms include, for example , al-musyarakah (Joint Venture), al-ba'iu (Venture Capital), al-ijarah (leasing), at-takaful (insurance), credit for the possession of goods (al-murabahah) and borrowing with additional interest (usury). These forms of trade had developed in the Arabian Peninsula, which at that time was very strategically located for trade , particularly those in the cities of Mecca, Jidda and Medina.

Islamic banking attracts the attention of many academics as well as economic / banking practitioners, because it has differences in how to overcome economic problems based on Islamic Sharia teaching. It can thus be categorized that Islamic banking is part of modern economics, because Islamic economics is based on the Koran and the Sunnah as a source of Islamic law. Islamic norms such as: 'see for the halal again good; do not use the vanity method; do not overdo/overdo the limits; do not overdo or wrong; keep away from usury, maisir (gambling and intended speculation) and gharar (unclear and manipulative) and do not forget social responsibility in the form of zakat, infaq, and alms and endowments.' Islamic banking is a sub-sector of the Islamic finance industry. Its function is to raise funds, channel funds and provide banking services to its clients.

In its implementation, the Sharia banking industry refers to the principles of Sharia law which are regulated and supervised by a number of institutions and teams. These include Bank Indonesia, the National Sharia Board of the Indonesian Ulema Council, the Financial Services Authority and the Sharia Supervisory Board established within the company. The supervision of Islamic banks is carried out simultaneously in the form of:

General Supervision of Bank Indonesia and the Financial Services Authority

General supervision of Islamic banks shall be carried out externally by BI. BI acts to oversee Islamic banks as supervisors and bank supervisors. Article 50 of the UUPS points out that: 'The development and supervision of Islamic banks and the UUS shall be carried out by BI.' Implementation of supervisory duties by BI in respect of banks, banks carrying out conventional and Sharia principles on the basis of Act No 23 of 2009 concerning Bank Indonesia and Act No 7 of 1992 concerning banking as amended by Act No 10 of 1998 Article 29 through Article 33 and the Decree of the Directors of BI No 27/52 / KEP / DIR, SEBI No 27/1 / BPPP of 3 August 1994 concerning Requirements and Procedures for Bank Inspectors

In addition, the formation of the OJK is based on / based on the Bank Indonesia Act mandating the establishment of a supervisory agency for the financial services sector, which means that it is necessary to restructure the institutions that perform regulatory and supervisory functions in the financial services sector. In an effort to re-increase the rapid growth of the Sharia banking industry and to achieve a vision for a significant contribution of Sharia banking to the national economy, it is important for the OJK to draw up a roadmap for the development of Sharia banking. The Sharia Banking Roadmap is a plan for the development of the Indonesian sharia banking sector in 2015-20199, referring to the Indonesian Sharia Financial Banking Master Plan (hereinafter MPSJKI) and the Banking Roadmap (hereinafter RP21) and harmonized with the AKSI of BAPPENAS RI.

Regulatory authority shall lay down provisions for the implementation of the OJK Law in the financial services sector; for supervision and procedures for the establishment of written orders. Whereas the supervisory authority, including the supervision and protection of consumers in the banking sector, Capital Market & Non-Bank Financial Institutions sector, grants and/or revokes business license, ratifies, approves or stipulates dissolution, gives written instructions to the Financial Services Institution and appoints the statutory manager, lays down administrative sanctions. In particular, the banking supervision authority, namely the regulation and supervision of micro prudential banks, includes: institutional, banking health, banking prudential aspects and bank controls. OJK coordinates with the relevant agencies for the smooth running of tasks, in particular with Bank Indonesia and LPS in the field of bank supervision.

Special Supervision [10]

Supervision of the National Sharia Council

DSN is an institution / board formed by the MUI in charge and has the authority to determine the fatwas of products and services in the business activities of banks carrying out business activities based on the principles of Sharia

[7] *Ibid*

[10] Rahmadi Usman, *Sharia Banking Products and Covenants,* PT. Citra Aditya Bakti, Bandung, 2009, P. 69. Muhammad Syafi'i Antonio, *Islamic banks from theory to practice*, Tazkia Cendekia-Gema Insani, Jakarta, 2001, P. 32.

law. DSN is a structural institution formed by the MUI in charge and has the authority to ensure compatibility between the products, services and business activities of banks engaged in business activities based on the principles of Sharia law. Any request for approval submitted to BI for new goods and services products to be issued by banks carrying out their business activities on the basis of Sharia principles must be accompanied by DSN Fatwa. The institutionalization of MUI DSN is carried out in accordance with the provisions of Article 26 of the Sharia Banking Act, which stipulates that Sharia banking activities and/or Sharia products and services must comply with the principles of Sharia law as set out in the MUI. The MUI Fatwa was then outlined in the PBI of the Internal BI, the Sharia Banking Committee, whose membership consisted of representatives of the BI, the Department of Religion and elements of society that were balanced in composition and had expertise in the field of Sharia law.

Supervision of the Sharia Supervisory Board

DPS is a body that has the authority to oversee / supervise and closely monitor the activities of Islamic financial institutions in order to ensure that these institutions always comply with the rules and principles of Sharia law. DPS is an independent body set up by the National Sharia Board (DSN), made up of experts in the field of sharia muamalah and has banking knowledge. The requirements of the members are determined by the DSN and, in carrying out daily tasks, the DPS must comply with the DSN fatwa, which is the highest authority in the issuing of fatwas for products and services. The special supervision of banks based on the principles of profit sharing is carried out by DPS, which is independent and separate from the management of the bank in the organizational structure of the bank concerned so that it does not have access to banking operations.

The DPS shall be established by the bank concerned in consultation with the MUI. The difference between traditional banks and Islamic banks in the supervision system is marked by the presence of DPS in the Islamic banking supervision system. DPS is headquartered in every Islamic bank. The DPS is responsible for the internal supervision of sharia banking products in the conduct of public fundraising activities and the channeling of funds to the public in accordance with the principles of sharia.

According to Agustianto, a specialist in Islamic economics, there are at least eight DPS tasks:[11]

1) DPS is an expert (expert) who becomes the source and reference for the application of sharia principles, including the source of fatwa references.
2) DPS oversees the development of all products to ensure that there are no characteristics that violate Sharia law.
3) SSB analyzes all unprecedented situations that are not based on fatwas in banking transactions to ensure compliance and compliance with Sharia law.
4) In order to ensure compliance with Sharia law, DPS analyzes all contracts and agreements relating to transactions in Sharia banks.
5) DPS ensures that violations (if any) are immediately corrected in order to comply with Sharia law. If there is a violation, the DPS members must immediately correct the deviation so that it is adjusted to the principles of the Sharia law.
6) DPS provides supervision of Sharia training programs for staff of the Islamic Bank.
7) DPS compiles an annual report on the balance sheet of Sharia banks on their compliance with Sharia law. The DPS provides the Sharia Banking Financial Statements with this statement.
8) DPS oversees the development and creation of investments in accordance with Sharia law and innovative financing products.

On the basis of the reference for assignment referred to above, the DPS is not a careless person and must have certain qualifications. Scientifically, the DPS is people who understand finance, banking, law, jurisprudence and other sciences, or at least people who have dedicated themselves to research in the field of Islamic finance. The ability to understand jurisprudence must also be balanced with an adequate knowledge of banking, and at present the advancement of the world of education has given birth to many scientists of Islamic Economics who are quite competent and who can be "exploited" to build a sharia economic system that is more diversified in thought.

Regulations concerning DPS are contained in Article 34-39 PBI Number 11/3 / PBI/2009 relating to Sharia Commercial Banks, which are essentially as follows: banks are required to form DPS based at the headquarters of the bank, DPS is responsible for providing advice and advice to the directors and overseeing banking activities in accordance with the principles of Sharia law. In Indonesia, DPS plays a very important role in Islamic banking or financial institutions.:[12]

a. Approved operating guidelines for Islamic banking products in accordance with the provisions laid down by the DSN;
b. To make periodic statements every year about the Sharia banks which are under their supervision that the banks under their supervision have been operating in accordance with the provisions of Sharia law in the annual reports (annual reports) of the Sharia institutions, then to make clear the reports of the DPS,
c. DPS is required to submit a report on the development and implementation of the Islamic financial system in Islamic financial institutions, in particular Islamic banks under their supervision, at least every six (six) months. The report was sent to BI in the capital city of the country of Indonesia-Jakarta,
d. DPS is also obliged to examine and make recommendations where there are innovations of new products under the supervision of the bank. It is the Council that conducts a preliminary assessment before proposing, re-examining and submitting a new product from the Islamic Bank to the DSN,
e. Help the public to socialize Islamic banking / financial institutions,
f. Provide input (in-put) to the development and progress of Islamic financial institutions.

According to him, the position of the DPS, the function of which is sometimes not so optimal, the broader expansion of the Sharia banking business and also the tendency of national banks competing to set up Sharia Business Units, will put the practice of Sharia banking at risk. The type of risk management that is closely related to the role of DPS is a reputation risk that will have an

[11] Sthe data source is processed from: Agustianto on a Personal Blog.

[12]Heri Sunandar, *The Role and Function of the Sharia Supervisory Board In Islamic Banking in Indonesia, Islamic Law, Vol. IV Number 2, December, 2000, p. 162*.

impact on displaced commercial risk (risk of transfer of funds from Islamic banks) in order to generate liquidity risk and other risks.

Apart from the above, according to Agustianto [13] The growth and development of sharia banking in Indonesia is increasing. In addition to developments, it is important to look at aspects of good corporate governance (hereinafter GCG). According to him, M.Umer Chapra underscored the importance of effective GCG implementation in Islamic financial institutions in the book Corporate Governance for Islamic Banking. GCG is an important pillar that needs to be built to create a superior and resilient Islamic bank. That's because the concept of Islamic banks uses risk sharing. Internal control, risk management, transparency, accounting and financial disclosure, purification and Shariah auditing, regulation and prudent supervision are among the most important means of supporting corporate governance.

GCG principles were first recognized in the United States in the 1980s, when there was tremendous economic turmoil.[14] GCG is a pattern or principle of good corporate governance. Corporate governance and good corporate governance itself have a broad understanding. The Forum for Corporate Governance in Indonesia (FCGI) defines corporate governance as:

"A set of rules governing the relationship between shareholders, the management (manager) of the company, creditors, government , employees and other internal and external stakeholders with regard to their rights and obligations or, in other words, a system that regulates and controls the company".[15]

The application of GCG to the Islamic banking industry is based on five basic principles. First, transparency, that is, openness in the presentation of material and relevant information and openness in the decision-making process. Second, accountability, which is the clarity of the function and implementation of the bank 's responsibility for the organization in order for the management to operate effectively. Thirdly, responsibility, namely the suitability of bank managers and the laws and regulations in force and the principles of sound banking management. Fourth, professional (professional) with competence, ability to act objectively and free from influence / pressure by any party (independent) and a high commitment to the development of Islamic banks. Fifthly, fairness, namely fairness and equality in the fulfillment of the rights of stakeholders on the basis of the agreement of the prevailing laws and regulations.

In addition, the Sharia banking industry must comply with Sharia principles (Sharia Compliance) because the incompatibility of bank governance with Sharia principles could potentially lead to a variety of risks, in particular the reputation risk to the Sharia banking industry. BI issued a regulation on the implementation of effective GCG in Islamic banking institutions, namely PBI 11/33 / PBI/2009 of 7 December 2009 on the implementation of good corporate governance for Sharia Commercial Banks and Sharia Business Units. This PBI started on 1 January 2010.[16]This Sharia Bank GCG PBI provides for the implementation of the GCG for the Board of Commissioners, Directors and the Sharia Supervisory Board (DPS). This paper focuses only on the study of the implementation of the GCG by the Sharia Supervisory Board. There are six key points in the PBI concerning the issue of the Sharia Supervisory Board, namely:

1. Requirements for DPS (Articles 45-45)
2. DPS Duties and Responsibilities (Articles 46-48)
3. Meeting of the DPS (Article 49)
4. Transparence (Articles 50-51)
5. Sanctions (Articles 81 to 82)
6. Reports on supervision of the Sharia (Article 88)

Results and Discussion

The sharia banking system has been in operation in Indonesia for 25 years, but does not provide a guarantee that the quarter-century period will allow the Indonesian people to fully embrace the shari'ah system. Data from the Financial Services Authority (hereinafter OJK) show that Sharia Banking Industry still has a market share of 5.57%. This shows that Islamic banking is still struggling to achieve higher numbers and better systems. Meanwhile, according to the UMY Rector, Gunawan Budiyanto, there is still a lot of socialization in the sharia banking community over the last 25 years, which also shows that people's knowledge of it is still minimal. In addition, according to him, there are still many Islamic institutions that apparently did not make the most of the Islamic banking system. That, he said, needs a solution.[17]

In addition, its growth and development can be seen from the increasing number of office networks, assets, the number of Islamic banks established (full status or only Islamic business units of conventional banks), Third Party Funds (hereafter written DPK) successfully collected by Islamic banking and increasing financing. Sharia economic growth (Elucidation of Article 49 of Law No. 3 of 2006 on amendments to Law No. 7 of 1989 concerning the Religious Courts, Letter i), in particular the Bank's financial industry (hereinafter IKB) in particular Islamic banking (IKBS) is increasingly significant, based on the Sharia banking statistical data reported by the Financial Services Authority (hereinaf) in June 2017.[18] In addition, al-murabahah contracts increased by 13.96 per cent or equivalent to Rp. 17.03 Trillion, al-musyarakah contracts increased by 27.72 per cent, equivalent to Rp.16.89 Trillion. But, along with this growth, the ratio of bad loans is also fairly high, i.e. non-performing financing (NPF) of 4.9%, equivalent to Rp 6.82 billion.[19]

Moreover, Indonesia has the potential and strength to become a major player in international Islamic finance. At present, Indonesia is ranked among the top ten in the world. [20]. Compliance with Shariah is an important pillar in the development of Islamic financial institutions. This pillar is the main differentiator between Islamic financial institutions and traditional financial institutions. As far as Shariah Compliance is concerned, there is one key element that functions as a regulator in the development of policies , rules and procedures that are implemented in the practice of the Sharia banking world. The instrument

[13] Agustianto*, Loc.Cit.*

[14] Renny Supriyatni, "The Responsibilities of Sharia Banks in Implementing Prudential Principles and Good Corporate Governance *",* *AHKAM Journal of Sharia Science* Volume XII Number 1 January 2012, p. 110-111. Encyclopedia for Corporate Governance, p. 4.

[15]www.*forum for corporate Governance in Indonesia*.com,

[16]Agustianto, Islamic Bank GCG and the Role of DPS, Articles, Opcit, p. 27.

[17] The Chairperson of the Tarjih and Tajdid PP Muhammadiyah Council Prof. Dr. H Syamsul Anwar, M.A, in the National Seminar entitled "Reflection of 25 Years of Sharia Banking in Indonesia, Opportunities and Challenges". The event was organized by the Tarjih Assembly and Tajdid PP Muhammadiyah and took place at the K.H Ibrahim UMY Building, Wednesday (6/12).

[18] www.ojk.go.id, Islamic Banking Statistics, June 2017 edition, p. 4

[19] Data Sources were processed from: Amran Suadi in a paper entitled Human Resource Development in Upholding Islamic Economic Law in Indonesia as a Keynote Speech in Upgrading the 1st Lecturer of Indonesian Islamic Economic Law in collaboration with Law and Postgraduate Study Program FH-UII and APPHEISI April 19-21 2018 at the UII Yogyakarta Faculty of Law Campus. http://ekonomi.kompas.com, accessed on August 2, 2017.

[20] Moch. Muchlasin, *Loc.Cit*, hlm. 3.

is the Sharia Supervisory Board or, more often than not, the DPS has an important role to play in maintaining Shariah compliance in the Sharia Banking business. The Sharia Supervisory Board shall be established by approval granted by the National Sharia Council (DSN) which is a body specifically formed by the Indonesian Ulema Council. DSN is an institution that functions to carry out the tasks of MUI in dealing with issues related to the activities of Islamic financial institutions.

The four supervisory aspects that become the responsibility of Bank Indonesia apply to all types of banks, including Islamic banks, in accordance with the Banking Act. The essence of supervision also appears to be relevant to the mission and values of Islamic economics to uphold the law of justice, professionalism and responsibility. From the point of view of the Sharia economy, in addition to the four aspects of supervision of Bank Indonesia, the elements of Sharia banking, which are not found in conventional banking, namely the position, authority, functions and responsibilities of the Sharia Supervisory Board (hereinafter DPS)-National Sharia Council (hereinafter DSN), and DSN-MUI is one of the government-recognized institutions to provide guidance on the implementation of sharia products in Islamic financial institutions.

DPS, which is an extension of DSN, will play a role as guardian of Sharia Compliance in the operations of the Sharia financial institutions that it oversees. Starting from the Fatwa fund, products, insurance and other products are financed by Islamic financial institutions. This fatwa is the main guide to the operation of the Islamic financial institution. Sharia supervision by the Sharia Supervisory Board (DPS) is needed to ensure the application of Sharia principles in Sharia banking and financial institutions.

The presence of DPS-DSN, an institution under the auspices of the Indonesian Ulema Council since 1999, has begun to reverberate nationally and meets all the needs of LKS for guidance on fatwa. DSN-MUI has a duty to publicize the application of Islamic economics to the public through its fatwas as a guideline for the implementation of Islamic economic actors and to oversee the products of Islamic financial institutions in accordance with Islamic Sharia law.[22] The authority possessed by the DSN is issuing fatwas which bind the DPS to each Islamic financial institution. This was further regulated in the Bank Indonesia Circular (hereinafter referred to as SEBI). Fatwa issued by the Authorized Body becomes the basis for the provisions / regulations and becomes the basis for legal action by related parties, such as the Ministry of Finance (hereafter written by the Ministry of Finance) and Bank Indonesia (hereafter written by BI).

The government has issued two laws that strategically position the Sharia Supervisory Board to ensure that Sharia banking and financial institutions comply with the principles of Sharia law. Article 47 PBI Number 11/33 / PBI/2009 As regards the implementation of good corporate governance for Sharia Commercial Banks and Sharia Business Units, it is explained that the responsibilities and responsibilities of the DPS are to provide advice and advice to the Directors and to oversee the activities of the Bank to comply with Sharia Principles. The duties and responsibilities of the DPS include, among others:

a. Assess and ensure compliance with the Sharia Principles for operating guidelines and products issued by the Bank;
b. Oversee the process of developing new products for the Bank to comply with DPS-DSN fatwa;
c. Request a fatwa from DSN-MUI for new bank products for which there is no fatwa;
d. Conducting periodic reviews of the implementation of the Sharia Principles on the mechanism for raising funds and channeling funds and banking services;
e. Request data and information on aspects of Sharia law from Bank Work Units in the context of the performance of their duties.

DPS is required to submit a DPS Semester Supervisory Report. Reports shall be submitted to BI no later than 2 (two) months after the end of the intended semester period. The implementation of the reporting duties and responsibilities and procedures are further regulated in the SEBI.

The role of DPS is very strategic in the application of the principles of Sharia law in Islamic banking institutions. According to the decree MUI DSN No. Kep-98 / MUI / III/2001 As regards the management composition of the MUI DSN, which states that the DSN assigns tasks to the DPS, including the DPS:

a. The periodic supervision of Islamic financial institutions;
b. Submit proposals for the development of Islamic financial institutions to the leaders of the institutions concerned and to the DSN;
c. Reporting on the development and operation of Sharia financial institutions overseeing the DSN at least twice in one fiscal year;
d. Formulation of problems that require discussion with DSN.

If the duties and roles of the DPS are not carried out optimally, the possibility of compliance with the Sharia law is violated and the customer's credibility and trust towards the Sharia bank is diminished. This is becoming a big record both for DSN as the reference institution and for DPS and the management of the bank. In addition , customer confidence will decline so that the financial performance of the bank will have an indirect impact on risk in practice.

In addition, if the capacity of Fiqh possessed by DPS is not matched by the capacity and knowledge of the banking sector, it can lead to the DPS position for two options. First, DPS will always be based on the principles of Sharia law and adhere to the principles of Fiqh. From the point of view of banking, it is inconceivable how to sell products that may be of interest to customers, so that products are difficult to compete on the market. Even the marketing of products will be affected. Second, if DPS does not know the entire banking cycle and does not perform optimal supervision, it will benefit management because it is more free to do anything and supervision is very loose. In the long run, these two options will be detrimental to Islamic economic movements in general, especially Islamic banking. As a result of this, the statement "Sharia banks are the same as conventional banks" will always be heard.

The weakness of the people's response that Islamic banking is no different from conventional banking is merely a change of name, while the behavior of the perpetrators remains conventional. At present, it cannot be said that Islamic banks are applying purely what is contained in sharia. Islamic banks are traditional banks

[22] Ma'ruf Amin, (Foreword to the MUI National Sharia Board) Sharia Economy: The Best Solution for Nation Development, Capital Market Work System, Renaissance, ctk. 1, Jakarta, 2005, p.7-8.

that are "prescribed"[23] Products and transactions in all transactions. Just take the basis from the rules of ushul fiqh: "Everything in muamalah is allowed unless there is an argument that forbids it." As a result, surfacing is an Islamic bank whose products are photocopies of conventional products with slight variations here and there.

Another weakness is that the purity of Sharia financing agreements / contracts that have not yet been fully implemented creates its own problems in partnership with Micro , Small and Medium Enterprises (MME) customers, because the agreements / contracts still refer to the credit agreements that have been applied to date and even the same, i.e. the credit agreements that have been standardized or used,[24] However, the concepts of both (conventional and Islamic) are very different. In addition, this contract is actually adopted and is based on Islamic law[25] That is, the Qur'an and the Hadith, so commonly called the Law, is religion.[26]

As a result, Islamic human resources support is also needed in the development and challenges of Islamic banking, so that Indonesia can take advantage of global opportunities:[27] Furthermore the challenges faced are:[28] Increase the purity of Islamic banks in accordance with Islamic law, the potential for foreign ownership of Islamic banks, the uneven quality of human resources and the lack of capital.

Conclusion

Based on the results of the research, optimizing the implementation of Sharia Complience in the development of Sharia Bank Financial Industry (IKBS) and the challenges still face a number of challenges, including the legal aspects of DPS supervision of Sharia Bank's business activities, but not yet well and not yet effective, the agreement / contract still refers to the credit agreement. In addition , the importance of implementing an effective GCG to create a superior and resilient Islamic bank is important.

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[23] Renny Supriyatni B., Op.Cit, p. 6-7. Quoted from Cecep Maskanul Hakim, "Problem of Product Development in Islamic Banks", Paper, Research and Development Team of Islamic Banks_DPNP, p.2..

[24] Mariam Darus Badruzzaman, *Bank Credit Agreement,* Citra Aditya Bakti, Bandung, 1998, p.48,

[25] Excerpted from: Muhammad Hasby Ash-Shiddiqy; *Islamic Legal Philosophy*, Bulan Bintang, Jakarta, 1993, p. 21.

[26] Miftahul Huda, *Philosophy of Islamic Law, Exploring the Nature, Sources and Purposes of Islamic Law*, STAIN PO Press, Yogyakarta, 2006, p. 40. Zainuddin Ali, *Philosophy of Law*, Sinar Grafika, Jakarta, 2006, p. 64.

[27] Moch. Muchlasin, Director of IKNB Sharia - OJK, at the National Seminar in the context of the Inauguration of APPHEISI Padjadjaran University - 27 April 2016, p. 23.

[28] M. Nur Rianto Al Arif*, Opcit*, hlm. 341-343.