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THE ROLE OF THE SHARIA SUPERVISORY BOARD (DPS) IN SUPERVISION OF SHARIAH COMPLIANCE IN BMT EAST JAVA

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Abstract

In carrying out its duties and responsibilities, DPS is required to comply with sharia provisions in order to maintain the stability and existence of BMT. The purpose of this study is to reveal the role of DPS in supervising sharia compliance with managers and implementation of BMT management. This type of research uses field research with a qualitative approach. The type of data used is primary data through the responses of 13 DPS spread across East Java. The results of the study found that the majority of DPS did not fully understand the concept of sharia compliance according to the DSN-MUI fatwa so that the supervision carried out by DPS had not run optimally.

Keywords: The Role of DPS, Supervision, Sharia Compliance

INTRODUCTION

In 2020, there are around 91.3 million Indonesians who still do not have access to financial or banking services. Given the difficulty of accessing finance to carry out their economic activities, the poor are economically unproductive and remain in poverty. There is a need for non-banking financial institutions (NBFIs) to play a role in reaching people who are still disconnected from the banking system. Several NBFi models can be involved to solve the problem. Indonesia

as a country with the largest Muslim population in the world has a very famous NBIFI, namely Baitul Maal wa Tamwil (BMT). With a business model that focuses on the lower middle class economy and the MSME sector, it is hoped that BMT will be able to provide a solution to the problem of accessing financial services for the poor (Hadisumarto & Ghafar B. Ismail, 2010).

Baitul Maal wa Tamwil (BMT) does not only aim at collecting and distributing non-profit funds, such as zakat, infaq, shadaqah, and waqf, but also managing commercial funds. These activities prove that the role of BMT is more directed to the real sector that is driven by small communities and remains guided by Islamic law which has the aim of overcoming operational constraints in sub-district and rural areas (Faozan, 2015). The body has also been positive in the last decade (Prayoga, 2018). However, data on BMT has not been integrated so that the total distribution of BMT per unit in East Java is not yet valid (Prayoga et al., 2017). Based on research conducted by Sakti (2013), there are even some BMTs that are not operating again according to data that have been declared valid before. This condition illustrates that the management of BMT in East Java has not been effective and efficient so that it affects the level of existence of the BMT itself.

The existence of DPS is very urgent because DPS is a guarantee for the realization of *shariah compliance* in LKS. In carrying out their responsibilities, the DPS and its members are required to have the capacity of several relevant disciplines, namely fiqh muamalah, economics, and modern Islamic finance. Current is controlled by the management, the gut is DPS. Today, the DPS recruitment process carried out by LKS is based on the level of popularity and charisma in the community, not because of the knowledge they have in the field of Islamic economics and finance (Nuha, 2018). So there are still many members of the Sharia Supervisory Board (DPS) who do not understand the technical management of banking and LKS, especially Islamic financial economics (Taufiq, 2020). As a result, supervision and other strategic roles did not run optimally.

Supervision of *shariah compliance* at BMT is an important thing to do, because the trust of customers and the general public depends on the implementation of shariah compliance on a daily basis. The impact that occurs if supervision goes well is the growth of comfort in activities and transactions, both for the community who will establish relationships with BMT, as well as internal parties, namely managers and administrators who run BMT operations. In practice, there are still Sharia Supervisory Boards who have not been able to distinguish the margins of murabahah contracts with bank interest, have not fully understood the fatwas and provisions of the DSN-MUI (Islamiati, 2014). As a result, deviations in sharia practice are possible and will often occur. The appointment of the DPS is carried out through the GMS at the LKS which can also be recommended by the directors of the LKS. And it can also be dismissed through the GMS, on the other hand, the issue of payroll is also through the Islamic Financial Institution (Sultoni, 2019) .

So that the role of DPS is like an employee who does not have independence from the LKS, and can lead to unprofessionalism from the Sharia Supervisory Board. The results of this study indicate that there are still obstacles faced by DPS in conducting supervision due to several factors, namely limited human resources and the age factor of DPS members. Based on the explanation and information above, the researchers will examine the problem with the role of the Sharia Supervisory Board (DPS) in carrying out supervision of BMTs in East Java.

RESEARCH METHOD

This section describes the way the research was done. The main materials must be written here: (1) research design; (2) population and samples; (3) sample collection techniques and instrumental development; and (4) data analysis techniques. The specification and type of tools and materials must be written in case the researches have been conducted by using them.

The qualitative research, such as classroom action research, case studies, and so forth, need to mention the researcher attendance, research subject, and participated informants, as well as the methods used to explore the data, research location, research duration, and the description of research results validation.

It is suggested that the authors avoid organizing the article content into the smaller parts than second subheading in this section. However, in case of unavoidable factors, the writing style must follow the “Results and Discussion” section. In this Part, authors should follow the direction:

- a) Use Past Tense
- b) Justify why each one of your methodological choices is appropriate and scientifically sound.
- c) Sampling: target population, research context, units of analysis, respondent demographic and behavioral profile, sampling method (disadvantages for generalizability, target sample size and how to determine, realized sample size, response rate, number of questionnaires and why this is not that.

The methods section that follows the introduction section should provide a clear description of the experimental procedure, and the reasons behind the choice of specific experimental methods. The methods section should be elaborate enough so that the readers can repeat the experimental procedure and reproduce the results. The scientific rigor of the paper is judged by your materials and methods section, so make sure you elaborate on all the fine details of your experiment. Explain the procedures step-by-step by splitting the main section into multiple sub-sections. Order procedures chronologically with subheadings. Use past tense to describe what you did since you are reporting on a completed

experiment. The methods section should describe how the research question was answered and explain how the results were analyzed. Clearly explain various statistical methods used for significance testing and the reasons behind the choice.

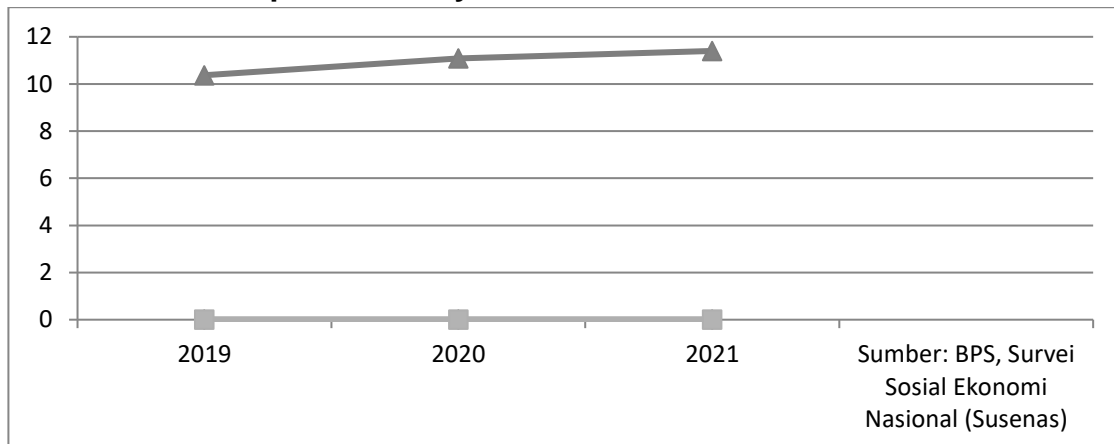
RESULT AND DISCUSSION

BMT has an influence on the economic development of the community in East Java. The benchmark for the progress and development of a BMT lies in the role of the DPS, while the current condition is that the majority of DPS in East Java have weaknesses in terms of fiqh muamalah, so that the implementation of the DSN fatwa is hampered, especially in terms of sharia compliance (*sharia compliance*). DPS has a role in overseeing its operational activities in order to continue to uphold sharia principles, namely the Sharia Supervisory Board (Prastiwi, 2017). Empirical facts show that Islamic bank equity financing is influenced by the characteristics of DPS. In particular, the duality of DPS members has a positive effect on equity financing, while the presence of a sharia department in the bank has a negative impact. Meslier et al also found that the role of DPS in Islamic banks is influenced by the characteristics of the board of directors and the banking environment. The impact of DPS on equity financing is reduced in a better banking environment, possibly indicating a substitutionary role between DPS and the institutional and Islamic environment (Meslier et al., 2020). Waemustafa and Abdullah found that there was a positive and significant relationship between DPS, financing schemes and the financial growth of Islamic banks (Waemustafa, 2015).

Socio-Economic Conditions of the People of East Java

The quality of economic growth affects the welfare of the people of East Java. Economic growth is generally followed by a reduction in poverty, an increase in the Human Development Index (HDI), as well as an expansion of employment opportunities. However, the following data illustrates that the number of people in the poor category in East Java has actually increased since 2019.

Graph 1: Poverty Line of the Poor in East Java



Source: Central Bureau of Statistics of East Java

Increase in the number of poor people from 4,112.25 in 2019, to 4,572.73 in 2021, is a reflection that the economic condition of the people of East Java needs encouragement from financial institutions. BMT which has a segmentation of alleviating poverty and empowering the middle and lower society.

Intensity of Attendance and Involvement of DPS

a. Intensity of Presence

The intensity of the presence and involvement of the Sharia Supervisory Board is one of the evidences of its relationship with BMT , as can be seen in table 1.

Table I 1 : Intensity of DPS Presence

I	II
More than 12 times	8 – 12 times
III	IV
4 – 7 times	1 – 4 times

Source: Processed Data, 2022

Based on table 1, there are four categories of intensity of the presence of the sharia supervisory board that visits the BMT office within one month. First, the DPS group which has a visit intensity of more than 12 times a month, and the number reaches 38.46 %. Second and third, the DPS which has the same intensity of meetings with BMT managers and employees 4-8 times and 8-12 times a month, respectively, is 23.07%. Fourth, the DPS with the intensity of meeting 1-4 times in a month is 15.38 %.

The intensity of the presence of DPS in the office cannot be used as a benchmark for DPS involvement, especially in the era of the COVID-19 pandemic, which uses online methods a lot in their activities. However, the

physical presence of DPS to the office will make communication easier and avoid misunderstandings so that the BMT operational process can run optimally.

b. DPS Engagement

Every BMT operational activity is very much needed, and the data can be seen in table 2.

Table I 2 : DPS Engagement

84.62%	Engaged
15.38%	Not involved

Source: Processed Data, 2022

The data illustrates that the DPS BMT in East Java has a central role so that its involvement in every meeting is an obligation that must be fulfilled, but there are 15.38% that have not involved the DPS, of course this is a weakness for the integrity of the BMT itself.

DPS in BMT scattered throughout the East Java region play an active role in promoting and marketing BMT products, as can be seen in table 3.

Table I 3 : Marketing BMT Products and Services

92.31%	Contribute to marketing
7.69%	Not contributing

Source: Processed Data, 2022

The DPS action, apart from being able to increase the marketing reach of BMT , also adds to the *Engagement and trust of prospective* customers in the BMT. Because in addition to products and systems that make it easy for the community, the charisma of a DPS can certainly give influence from the psychological side of prospective customers.

Supervision on Sharia Compliance and Implementation of DSN Fatwa

a. Sharia Compliance Supervision

Supervision of sharia compliance in BMT in reality becomes a guideline for BMT in operating. Good supervision will have an impact on the stability of BMT. The percentage of supervision carried out by DPS BMT in East Java can be seen in table 4.

Tabel 4: Supervision of Sharia Compliance

92.31%	Supervise sharia compliance
7.69%	Haven't run surveillance yet

Source: Processed Data, 2022

In the process of developing BMT in East Java, it would not be possible to do without the role of supervising sharia compliance by DPS. The pattern of supervision is varied and subjective, but the DSN-MUI fatwa remains the basis. Table 4 data explains that the DPS BMT in East Java has attempted to carry out sharia compliance supervision to a percentage of 92.31%, and the other 7.69% have not implemented supervision because it is still in the stage of establishing the BMT.

Supervision of sharia compliance is the main task of the DPS, which is the DSN-MUI apparatus and is tasked with overseeing the implementation of the fatwas and decisions of the DSN-MUI. The fatwa and decision of the DSN-MUI are the product of *ijtihad* from the scholars as an operational form of sharia rules in Islamic financial institutions that are sourced from the Qur'an, Hadith, *Ijma'* and *Qiyas*.

b. Problems with the Implementation of the DSN-MUI Fatwa

MUI fatwa is one of the benchmarks for the development of BMT, because the image of BMT is reflected in the implementation of the values contained in the DSN fatwa in every activity and work culture, but along the way there are several challenges that arise current is overcome. Table 5 shows the formulation of the results of the interviews regarding the obstacles faced by BMTs in implementing the DSN fatwa on sharia compliance.

Table 5: Problems with the Implementation of the DSN-MUI Fatwa

BMT name	Problematic
Kopsyah Harapan Surabaya	The impression is complicated and too procedural so it takes a bit longer
BMT Nusantara Mojopahit	Communication, delivery of sharia standards to management and members

BMT Airlangga Bakti Persada	1) HR Professionalism 2) BMT Manager 3) Customer protection in case of BMT bankruptcy
BMT Khoin Ummah	Understanding regarding the implementation of the DSN fatwa
BMT As-Syifa	The problem is to provide motivation and enthusiasm to managers which must be done continuously, while DPS does not work every day or is in the office.
Puskopsyah Annisa Jawa Timur	Understanding regarding the implementation of the DSN fatwa
BMT Harapan Muslimah	Provide understanding and understanding to members about the implementation and meaning of sharia in cooperatives
Kopsyah Harapan Muslimah	Knowledge of sharia economics, especially contracts
Kopsyah Amanat Ummat	Management habits that are not in accordance with sharia rules
Kopsyah Wanita Waspada	Lack of knowledge about sharia law
BMT Sri Sejahtera JATIM	Knowledge about the MUI fatwa/about sharia muamalah is less honed, on the other hand the development of public financing uses many and varied
Koperasi Ships	Combination of modern financial science and application of DSN fatwa
KSPPS Bina Ummat Terpadu JATIM	Shari'a cooperative understanding BMT which is not enough

Source: Processed Data, 2022

Constraints experienced by BMTs are generally almost the same, around 76.92 % due to an understanding of the DSN fatwa related to sharia compliance , this shows that the role of DPS is still h current is increased in terms of knowledge both about sharia economics and modern finance. The opportunity for BMT is still very prospective in supporting the economy of the ummah, while the

prominent weakness is the DPS's central role, which is still lacking, as well as its integration with management not running optimally. This weakness can be overcome by providing education and training aimed at DPS and BMT managers.

In order to overcome these obstacles, DPS can cooperate with BMT managers and with related agencies to disseminate and disseminate DSN-MUI fatwas to all staff or *stakeholders* related to BMT. In addition, training related to the DSN-MUI fatwa can also be carried out, both held internally at BMT and included in external training.

CONCLUSION

Shari'a compliance becomes a guideline for BMTs in carrying out their operational activities, every DPS manager and DPS must implement sharia compliance in accordance with the DSN-MUI fatwa, because public trust and participation depend on on the implementation of sharia compliance. However, the facts on the ground show that the majority of DPS in East Java do not fully understand the DSN-MUI fatwa, especially regarding sharia compliance. DPS's low understanding of the DSN-MUI fatwa has an impact on the supervision carried out by DPS on the management and implementation of contracts and technical management of BMT.

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