

The Effectiveness of Sharia Supervisory Board (DPS) Supervision on Baitul Maal Wat Tamwil (BMT) in implementing Sharia compliance: (Case Study of Tamzis Bina Utama Kotagede)

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Abstrak

The purpose of this study is to determine how effective the role of the Sharia Supervisory Board (DPS) is in implementing sharia compliance in the Tamzis Bina Utama Sharia Financing Savings and Loans Cooperative Kotagede Branch Office. This type of research uses a qualitative approach. Data collection methods include observation, interviews, and documentation. Data sources consist of primary data obtained directly from research sources as well as secondary data. The validity of the data is tested using source triangulation and triangulation techniques. Data reduction techniques, data presentation, and conclusions carry out data analysis. The results show that the implementation of sharia compliance by the Sharia Supervisory Board (DPS) in the supervisory mechanism at the Tamzis Bina Utama KSPPS Kotagede Branch Office is following the Standard Operating Procedures (SOP) regulated in the duties and functions of DPS, as stipulated in the MUI decision on the composition of the DSN-MUI management number Kep-98 / MUI / III / 2001. DPS is also active in providing Islamic briefing to prospective employees by holding routine activities such as cults, Riyadhus Sholihin recitations, recitations every week, Islamic economic studies every Thursday, MABIT once a month, and periodic training on contracts, as well as holding random branch office visits. Based on sharia principles stipulated in Article 2 of Law No. 21 of 2008, KSPPS Tamzis Bina Utama Kotagede Branch Office has ensured compliance with Sharia Compliance in the implementation of financing and raising funds.

Kata kunci: Effectiveness of supervision; Sharia Supervisory Board; Sharia compliance

Introduction

The existence of Baitul Maal Wa Tamwil (BMT) reflects a portrait of community life in the region, where BMT plays a role in supporting community economic activities. This role confirms that sharia principles are very important in people's economic activities. As a financial institution that interacts directly with the lower middle class, BMT has an important role in carrying out the Islamic mission in the economic realm (Ardiansyah Lubis et al., 2022).

Islamic Financial Institutions (LKS) have special regulations compared to Conventional Financial Institutions. One of the legal aspects of the Islamic financial sector is the regulation of Sharia compliance. Sharia compliance is an important part of the management and operations of

Islamic Financial Institutions. This is supported by the existence of a Sharia Supervisory Board (DPS) in every Sharia-based financial institution. The sharia supervisory board (DPS) is tasked with overseeing the implementation of contracts carried out in accordance with the principles of sharia applied (Syahril, 2022).

The Sharia Supervisory Board has a very important role in overseeing the implementation of Sharia principles in Sharia banking institutions, in accordance with the provisions contained in MUI decree number Kep-98 / MUI / III / 2001 concerning the Management Composition of DSN MUI. DPS is tasked with conducting routine supervision of Islamic financial institutions, submitting proposals for the development of Islamic financial institution products, and providing recommendations to the leadership of Islamic financial institutions and the National Sharia Council (DSN) (Saidurrahman & Soemitra, 2014). The importance of supervision of Sharia principles by DPS in Commercial Banks and Sharia Business Units is to ensure compliance with Sharia principles in their business activities, and to meet customer expectations, market, and society as a whole. Certification from DSN-MUI for DPS is one of the important indicators in assessing DPS's ability to carry out supervision.

However, several studies show that DPS supervisory mechanisms are less effective in reducing Sharia compliance in Sharia-based financial institutions, as stated (Violita & Handarbeni, 2019). This will hurt BMT's image because it is prone to violations. In addition, the case of misappropriation of funds by unscrupulous employees at one of the BMTs in Banyumas amounting to Rp 5 billion is a clear example of the negative impact of ineffective supervision mechanisms (Ayyubi, 2020). Other research by (Hikmah & Kartika Oktaviana, 2019) shows that the role of DPS is less influential in influencing Sharia compliance in BPRS East Java, especially due to the infrequent visits of DPS to BPRS and low certification levels. Conversely, the role of the Audit Committee has a more significant impact in influencing sharia compliance in BPRS East Java.

The development of Baitul Maal Wa Tamwil (BMT) in the Special Region of Yogyakarta shows a positive trend. Data from the DIY Sharia Cooperative Center (PUSKOPSYAH) revealed that as of December 2021, there are around 96 BMTs still actively operating in Yogyakarta. The distribution of the number of BMT in various districts/cities in Yogyakarta can also be presented in the following table 1:

Table 1. Number of BMT in Yogyakarta

Number of BMT Members of PUSKOPSYAH DIY	
District/City	Total BMT
Yogyakarta City	24
Sleman District	28
Bantul District	26
Kulon Progo District	7
Gunung Kidul District	11

With so many BMTs operating, the performance of the Sharia Supervisory Board (DPS) is very important to ensure that activities at BMT run smoothly and follow Sharia principles. This study aims to evaluate the effectiveness and optimization of DPS functions, especially in Tamzis KSPPS, in carrying out sharia compliance supervision. It is important to ensure that the Tamzis KSPPS has complied with the standards set by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI).

Method

This research is a qualitative study with the KSPPS Tamzis Bina Utama Kotagede Branch as the object of research. Data collection methods used include observation, interviews, and documentation. Data sources consist of primary data obtained directly from research sources as well as secondary data. The validity of the data is tested using source triangulation and triangulation techniques. Data analysis is carried out by data reduction techniques, data presentation, and conclusions.

Result and Discussion

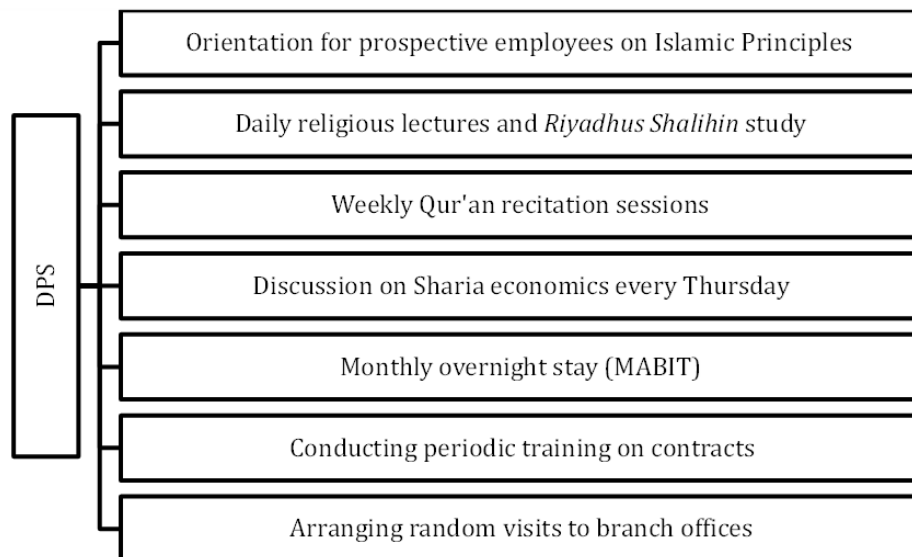
This study examines the Sharia supervision mechanism carried out by the Sharia Supervisory Board (DPS) at the Tamzis Bina Utama Kotagede KSPPS Branch Office. The research data was obtained through interviews with several speakers, namely Mrs. Novia Lestari as marketing manager, Mr. Haris as internal control system manager, and Mr. Maksun as DPS KSPPS member Tamzis Bina Utama. The findings show that DPS plays a very important role in conducting supervision to ensure compliance with sharia principles and prevent possible violations.

In the Standard Operating System (SOP) of DPS KSPS, Tamzis Bina Utama refers to the MUI's decision regarding the composition of the management of DSN-MUI Number Kep-98 /

MUI / III / 2001. DPS is tasked with carrying out the following functions to ensure the effectiveness of supervision:

1. As a consultant who advises directors and heads of Sharia branch offices on sharia-related issues.
2. DSN's studies and fatwas are required for its role as a mediator between banks and DSN in the communication of suggestions and inputs for the development of bank products and services.
3. As a DSN representative assigned to Islamic Financial Institutions, DPS's duties include:
 - a. Make periodic statements that the Islamic financial institutions it supervises have operated in accordance with sharia provisions.
 - b. Supervise the courts of Islamic financial institutions daily to ensure that they are always compliant with the provisions of Shariah.
 - c. Research new products offered by Islamic financial institutions it supervises and make recommendations for them.
 - d. Supervise and maintain the application of Islamic values in every activity of Islamic financial institutions together with commissioners and directors.

Figure 1: DPS Mechanism Chart in Conducting Operational Supervision



Application of Sharia *compliance* at KSPPS Tamzis Bina Utama

KSPPS Tamzis Bina Utama has implemented various steps to ensure compliance with Sharia principles, especially at the stage of raising and distributing funds, as follows:

1. No *usury* in transactions

The deliberation process between the prospective customer and Tamzis is carried out after the prospective customer fills out the form in accordance with the terms and conditions. This deliberation is carried out to determine and reach an agreement regarding margins or profits from financing. Mr. Maksun as a member of DPS explained:

"The thing that distinguishes conventional financing from Sharia financing is clear in the contract, this in Sharia financing is transparent. For example, murobahah financing where the contract we know and the margin is also clear and it is agreed by both parties".

2. No *gharar* in transactions

After analysing the application form, Tamzis confirms with the customer and ensures that no element of *gharar* or uncertainty can be harmful. Tamzis is committed to providing all clear information. Mr. Maksun as a member of DPS explained as follows:

"In sharia, gharar it is not permissible, because it is deceptive. Everything that is done is not in accordance with reality."

3. There is no object of illicit transaction

Tamzis ensures that there is no haram element in the proposed financing application. Mr. Maksun confirmed this as a member of DPS, he stated as follows:

"There must be no maisir element in the proposed financing, this can eliminate the integrity of Tamzis itself"

4. No tyranny or injustice must be

In the process of applying for financing, Tamzis confirmed every piece of information related to financing and emphasized the importance of transparency to prevent tyranny. For example, through deliberation between customers and Tamzis to establish fair margins. Mr. Maksun as a member of DPS stated:

"In the transaction, transparency is needed, this is to avoid tyranny that will occur. For example, in the margin, deliberation is needed between the customer and Tamzis, to clarify"

5. Existence of Sharia Supervisory Board (DPS)

DPS has an important role in overseeing all operational activities at the Tamzis Bina Utama KSPPS under Sharia principles. This is in accordance with the statement of Mr. Haris as the manager of the internal control system, namely:

"In Sharia activities, both banks and non-banks, it is mandatory to have DPS. DPS has to ensure that all products and operations are in accordance with Sharia. So the existence of DPS is mandatory. Tamzis products will not come out before there is a sharia opinion, which is the opinion of DPS about the product. If

the internal audit requests a sharia opinion related to how the transaction for a particular contract, the internal audit sends a letter to DPS regarding the sharia opinion. Then DPS held a meeting and reviewed the books to find references. Then a sharia opinion is issued based on existing evidence, so DPS decides. For example, there is a member of the KSPPS who initially sold chicken meat, on the way we saw him selling pork, even though he made deposits and financing at the Tamzis KSPPS, so it is necessary to know what his sharia opinion is. Then DPS reviewed the matter until the release of a sharia opinion."

Based on the description above, the researcher concluded that in practice the implementation of Sharia Compliance at the Tamzis Bina Utama KSPPS Kotagede Branch Office is in accordance with the provisions of the DSN-MUI Fatwa so that there is no violation in the contract and operational activities carried out. This finding is in line with research conducted by (Ainiyah & Qulub, 2019), entitled " Sharia Compliance *Akad Mudharabah* at BMT BIM" that the implementation of *mudharabah* contracts on financing products at BMT BIM Rengel branches has complied with Sharia principles. This is in accordance with Fatwa DSN-MUI No. 07/DSN-MUI/IV/2000 concerning *mudharabah* financing which regulates three aspects of justice, namely the provision of financing, harmonious *mudharabah* conditions, and *mudharabah* financing law. The implementation of this compliance provides benefits for various parties involved (Ainiyah & Qulub, 2019).

Obstacles and Efforts to Resolve DPS Implementation at KSPPS Tamzis Bina Utama Kotagede Branch Office

Researchers identified several obstacles experienced by the Sharia Supervisory Board (DPS) at the Tamzis Bina Utama KSPPS Kotagede Branch. One of the main obstacles is the lack of human resources (HR) in DPS, where only one of the two supervisors is active because the other is old. This creates limitations in monitoring operations in 51 branch offices spread across 4 provinces. In addition, the widespread of branch offices is also an obstacle in DPS supervision due to the long distance between one branch and another. Furthermore, Tamzis employees have diverse educational backgrounds and disciplines so limited knowledge in the field of Islamic economics or religious science is also a challenge.

To overcome these obstacles, DPS has made various efforts. One of them is through training held every month to convey transaction contracts in accordance with Sharia principles to employees. The training was conducted virtually through the *zoom* platform to allow participation from employees in all branches. In addition, DPS has also ensured that all members are certified to ensure their eligibility to carry out supervisory duties.

According to researchers, the obstacles faced by the Sharia Supervisory Board (DPS) at the Tamzis Bina Utama KSPPS can still be considered reasonable. This is due to the limited number of sharia supervisors, where there are only 2 supervisors with one of them actively monitoring office activities. However, supervision efforts are also supported by the existence of internal audits in each region to assist in carrying out operational control.

Conclusion

Based on the results of this study, regarding the effectiveness of DPS supervision at the Tamzis Bina Utama KSPPS Kotagede Branch Office in implementing Sharia Compliance, it was concluded that the Sharia supervision mechanism carried out by DPS at the Tamzis Bina Utama KSPPS Kotagede branch office was in accordance with the SOP regulated in the duties and functions of DPS in accordance with the MUI decision regarding the composition of the DSN-MUI management number Kep-98 / MUI / III / 2001. DPS is also active in providing Islamic briefing to prospective employees by holding routine activities such as cults, Riyadhus Sholihin recitations, recitations every week, Islamic economic studies every Thursday, MABIT once a month, and periodic training on contracts, as well as holding random branch office visits.

In the context of Sharia principles stipulated in Article 2 of Law No. 21 of 2008, the KSPPS Tamzis Bina Utama Kotagede Branch Office has complied with Sharia Compliance. In the implementation of the financing agreement and fundraising at the Tamzis Bina Utama KSPPS, there are no elements that violate the Sharia principles listed in Law No. 2 of 2008 such as usury, gharar, maisir, and so on.

However, this study still has shortcomings in measuring the effectiveness of DPS in supervising the implementation of Sharia Compliance, including research only conducted in one branch office due to time and distance constraints. Therefore, it is expected that further research can involve more than one branch office and other Islamic financial institutions to obtain more comprehensive and representative results. Thus, further research is expected to provide a deeper understanding of the effectiveness of DPS in supervising the implementation of Sharia Compliance in Sharia-based financial institutions.

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