

# **THE ROLE OF SHARIA SUPERVISORY BOARD IN DETERMINING THE SHARIA COOPERATIVE KESYARIAHAN CAHAYA MADANI (STUDY OF ISLAMIC ECONOMIC PERSPECTIVE ANALYSIS)**

**Abi Waqqosh<sup>1</sup>**

**Wahyu Tiska Diana<sup>2</sup>**

<sup>1</sup>STAI Syekh H Abdul Halim Hasan Al Ishlahiyah Binjai, North Sumatra, Indonesia. (E-mail: [abipaytren@gmail.com](mailto:abipaytren@gmail.com))

<sup>2</sup>Wahyu Tiska Diana, University of Muhammadiyah Surakarta (UMS) Surakarta, Central Java, Indonesia. (E-mail: [wahyuvanjava9@gmail.com](mailto:wahyuvanjava9@gmail.com))

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*Abstract: The research aims to find the foundation of cooperatives in the Islamic economy as well as the role of sharia supervisory board in determining sharia cooperatives and their realization of sharia cooperative products, as well as looking at the course of sharia cooperative activities from the point of view of analysis of Islamic economic perspectives. This research method uses qualitative and descriptive analysis. Data collection techniques used in this research are using interviews, observations, and documentation. With the data source, the primary data of the interview principal data and secondary data observe the results of the realization of the implementation of sharia products provided by the sharia cooperative light madani Binjai. The results of this study show the role of sharia supervisory board in providing advice and advice to the board and supervisors and supervising KSPPS activities to comply with sharia principles, assess and ensure the fulfillment of sharia principles on operational guidelines and products issued by KSPPS, supervise the development of new products, request a fatwa to DSN-MUI for new products that have not been fatwa.*

**Keywords:** Role, Statutory Provisions, Sharia

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## **Introduction**

The Islamic finance industry has grown very significantly in the last two decades. Starting with the Sharia banking industry, then continued with the Islamic capital market and also some supporting entities such as sharia insurance also shows a real role in the map of the Islamic financial industry then expands to the micro scale in the form of Sharia Financial Services Cooperatives (KJKS) and Sharia Financing Save Lending Cooperatives (KSPPS) and Sharia Financing Savings Units (USPPS) or known as Baitul Maal wat Tamwil (BMT).

In this case, small business groups (micro) are usually in the real business sector with limited capital. The biggest problem in micro enterprise development is those who do not have access to entry into official financial institutions such as banking. Efforts to increase productivity, one of the important supporting factors is the availability of sufficient capital. The constraints of capital for micro-entrepreneurs are generally inaccessible through modern banking, so a credit system is needed that is able to reach all levels of society.

Financial institutions that are able to reach all levels of society include Cooperatives Save Borrowing (KSP), Baitul Maal wat Tamwil (BMT), People's Credit Bank (BPR), PerumPegadaian, and so on. The ideal credit service institution should reflect social and economic principles. Social characteristics are shown by the concern of the institution with the community in its environment, while the economic characteristics (effective and efficient) become the motor of the institution's business wheel drive.

Among these financial institutions, cooperatives are one of the long-known forms of legal entities in Indonesia. Pioneers of development cooperatives in Indonesia is Bung Hatta, and until now he is very well known as the father of Indonesian cooperatives. In its journey, cooperatives that are actually very in accordance with the soul of the Indonesian nation precisely the development is not encouraging. Cooperatives that are considered as the biological children and the backbone of the populist economy actually arise drowning, even though the government has fought hard to revive and empower cooperatives in the community. So many conveniences obtained by cooperative legal entities through various facilities, but not much changed the life of the cooperative itself. It is undeniable that there are a small number of cooperatives that still exist in the community.

In carrying out its activities, the cooperative collects money from each member of the cooperative. The money collected by the members is then used as capital to be managed by the cooperative management, which is then loaned back to members who need it.

In the implementation of cooperative activities based on the Regulation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 concerning the Implementation of Sharia Savings and Financing Business Activities by the Cooperatives Of The Third Part of the Sharia Supervisory Board is KSPPS and cooperatives that conduct sharia financing savings and loan business activities must have a Sharia Supervisory Board stipulated by the Meeting of Members, the number of Sharia Supervisory Board at least 2 people and half of them have DSN-MUI certificate, when the author sees firsthand the spaciousness of there are still many Sharia cooperatives that have not followed the Regulation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 concerning the Implementation of Sharia Savings and Financing Business Activities by the Third Part cooperative of the Sharia Supervisory Board , then the question began to arise how a Sharia cooperative continues to run in the absence of a Sharia supervisory board that has a DSN-MUI certificate how the foundation of cooperative sharia is carried out, why and what is the role of sharia supervisory board in determining sharia cooperatives, as well as whether sharia cooperative products and the course of Sharia cooperatives are in accordance with Sharia principles and are in accordance with the analysis of Islamic economic perspectives from the background above researchers are interested to see if Sharia cooperatives have carried out government regulations, whether Sharia cooperatives have carried out their activities in accordance with sharia principles and whether the roles and duties of sharia supervisory boards are in accordance with the foundations and principles of Sharia. In the implementation of cooperative activities based on the Regulation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 concerning the Implementation of Sharia Savings and Financing Business Activities by the Cooperatives Of The Third Part of the Sharia Supervisory Board is KSPPS and cooperatives

that conduct sharia financing savings and loan business activities must have a Sharia Supervisory Board stipulated by the Meeting of Members, the number of Sharia Supervisory Board at least 2 people and half of them have DSN-MUI certificate, when the author sees firsthand the spaciousness of there are still many Sharia cooperatives that have not followed the Regulation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 concerning the Implementation of Sharia Savings and Financing Business Activities by the Third Part cooperative of the Sharia Supervisory Board, then the question began to arise how a Sharia cooperative continues to run in the absence of a Sharia supervisory board that has a DSN-MUI certificate how the foundation of cooperative sharia is carried out, why and what is the role of sharia supervisory board in determining sharia cooperatives, as well as whether sharia cooperative products and the course of Sharia cooperatives are in accordance with Sharia principles and are in accordance with the analysis of Islamic economic perspectives from the background above researchers are interested to see if Sharia cooperatives have carried out government regulations, whether Sharia cooperatives have carried out their activities in accordance with sharia principles and whether the roles and duties of sharia supervisory boards are in accordance with the foundations and principles of Sharia.

### Literature Review

Sharia cooperatives are one of the micro institutions that in the principle of activities, objectives and business activities based on islamic sharia sources, namely the Quran and Hadith. The purpose of sharia cooperatives is to prosper the economy of its members in accordance with islamic norms and morals in creating brotherhood and justice of fellow members. As far as the author's observations, There are research that is concerning the sharia supervisory board such as:

The authors, **Bagya Agung Prabowo and Jasri Bin Jamal** in the journal "*The Role of sharia supervisory board on Sharia Compliance Practices in Sharia Banking Indonesia*" in 2017, which discussed the functions and roles of DPS in Sharia banking, have a strong relationship with Sharia banking risk management, namely reputational risk, which in turn affects other risks, such as liquidity risk. Violation of sharia compliance left by DPS will obviously damage the image and credibility of Sharia banking in the public eye, thereby reducing public confidence in sharia banking. For this reason the role of DPS in Sharia banking really must be optimized. Among others, dps appointment qualifications must be tightened through a more selective process in order to elect DPS that is able to supervise and control sharia banking operations in accordance with sharia principles.

The author, **Taufik Kurrohmah**, in the journal title "*The role of sharia supervisory board on sharia compliance in sharia banking*" in 2017, which discusses the Sharia Supervisory Board (DPS) has not been able to perform its functions and authorities properly in compliance with Sharia banks. The waiver of sharia compliance in the operational order by the Sharia Supervisory Board (DPS) can reduce public confidence in Sharia bank institutions. Furthermore, the position of sharia compliance authority of the Sharia Supervisory Board (DPS) which places structurally on Sharia banks needs to be reviewed in an effort to independent the Sharia Supervisory Board in carrying out its duties and functions. Because the position is in a

dilemma, the Sharia Supervisory Board in Sharia banks is required to enforce sharia compliance in other positions he is in the structural position of sharia banks at the level of commissioners

Previous research and studies have only focused on the role of sharia supervisory board on sharia banks, how independence of sharia supervisory board supervision on sharia banks, there is a tendency towards sharia supervisory board to sharia banking supervision, of course this research conducted by the author is very different from previous journals, where the role of sharia supervisory board in the study of the author is broader coverage, because sharia supervisory board is also required in sharia financing savings and loan cooperatives, as well as how the implementation of the Regulation of the Minister of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 about Implementation of Sharia Savings and Financing Business Activities by the Third Part of the Sharia Supervisory Board Cooperatives, and how the basis of cooperatives in the perspective of Islamic economy, how the role of sharia supervisory board supervision on the products and the course of sharia cooperative activities.

In the Indonesian dictionary the word "council" is a body consisting of several people whose work decides something by way of negotiation. The watcher of the word "watch out" which means to be able to see well, sharp eyesight. The superintendent means the one watching. While "sharia" is a component of Islamic teachings that govern the life of a Muslim both from the field of worship (*hablminallah*) and in the field of muamalah (*hablminannas*) which is the actualization of the faith that becomes his belief. While muamalah itself covers various areas of life, among others, concerning the economy or property and business called *muamalahmaliyah*.

Sharia supervisory board is a board of economists and scholars who control the field of Islamic commercial jurisprudence that stands alone and is tasked with observing and supervising the operations of Islamic financial institutions and their products in accordance with the provisions of Islamic sharia, namely by carefully supervising how the forms of alliances / agreements implemented by Islamic financial institutions.

## Methods

The type of research carried out is a kaulitative research, namely qualitative descriptive research that will give an overview of the role of the internal Sharia supervisory board in determining the sharia cooperative *kesyariahanmadani*, the study of Islamic economic perspective analysis.

Qualitative research states that research based on the philosophy of postpositivism, used to research on the condition of natural objects, (as opposed to experiments) where researchers are as a key instrument, data collection techniques performed triangulated (combined), data analysis is inductive / qualitative, and qualitative research results emphasize the meaning of generalization.

### 1. Data Source

Qualitative research uses qualitative method, namely observation, interview, or document study. This qualitative method is used due to several considerations. The data

collected is in the form of words and images. The data may come from interview manuscripts, field notes, photographs, videos, personal documents, notes or memos, and other official documents.

The data sources used by the research are:

a. Data primer

Primary data is the main data obtained from the field directly, in this research the primary data source is data obtained and collected directly from the information of leaders and employees at the Syariah CahayaMadani Cooperative.

b. Secondary data

Secondary data is data obtained from records, books, and magazines in the form of financial statements of company publications, government reports, articles, books such as theories, magazines, and so on.

2. Data Collection Methods

Based on the problems and data sources needed, the data collection in this study was conducted using a method consisting of:

a. Literature Studies

This method is done by searching and collecting theoretical materials by quoting or summarizing library materials related to research objects, including literature related to research objects.

b. Document Studies

Document studies are reading, studying, and reviewing documents belonging to The Syariah CahayaMadaniBinjai Cooperative relating to the products and contracts used.

c. Interview

Interviews are a method of obtaining long data sourced directly with relevant parties, among others, the leadership, and employees of The Syariah CahayaMadaniBinjai Cooperative.

Then the research was analyzed using descriptive analysis. The descriptive analysis steps in this study are as follows:

1) Reduction data

The data obtained in the field for it needs to be recorded carefully and in detail. In this case, researchers reduce data by collecting, selecting basic and discarding unnecessary matters and then focusing on what is the role of sharia supervisory board in determining sharia cooperatives

2) Inference/Verification

The next step is to draw conclusions or verify. The initial conclusions presented are still temporary, and will change if there is no strong evidence to support them at the next stage of data collection. But if the conclusions presented at an early stage, supported by valid and consistent evidence when researchers to the field collect data, then the conclusions presented are credible conclusions.

## Results and Discussions

### 1. Research Findings

The results of interviews with the secretary, supervisory board and members of sharia cooperatives cahyamadani, it was obtained that the supervisory board at the sharia cooperative cahyamadani does not yet have a certificate of DSN-MUI, as for the activities and products of sharia cooperatives light madani certainly need support and review from the relevant government in this case the National Sharia Council to see and review the product of sharia cooperative light madani. In carrying out its operational activities Syariah cahyamadani cooperatives have several sharia-based products, namely:

- 1) Qordhul Hasan Financing:
  - a) With a 6-month service period
  - b) Administration of Rp10,000
  - c) And infaq agreed based on the ability of members.
  
- 2) Mudharabah Financing,
  - a) With a maximum financing period of 36 months.
  - b) Share fluctuating results based on agreement.
  - c) Administration of financing of Rp. 1000, then Rp. 5000, every multiple of one million rupiah.
  
- 3) Murabahah Financing (product purchase)
  - a) The service period is a maximum of 6 months.
  - b) The cooperative's selling profit is up to 25% of the product price for the financing period of more than 6 months.
  - c) The cooperative's selling profit is maximum 15% of the product price for a maximum financing period of 6 months.
  - d) Convention profit to members amounted to 25% of profit.
  - e) Administration of financing of Rp. 10,000, then Rp. 5000, every multiple of one million rupiah.

In carrying out its activities, in the form of providing fulfillment of members' needs in turn, the capital is obtained mostly from mandatory deposits and voluntary deposits. Murabahah profit is determined by 25% of the purchase price paid in installments, a maximum of 36 months based on the agreement of the borrower with the cooperative management with the provision of 25% of the sales profit, and returned to the borrower as a financing profit compensater. While 75% of the remaining profit is divided into cooperatives and investors with a ratio of 50%: 50%. The financing administration services are set at Rp 10,000,- for the first Rp. 1,000,000, then increased by Rp. 5000,- every multiple of Rp. 1,000,000 million rupiah.

### 2. Discussion of Research Results

Referring to the Regulation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14 concerning the Implementation of Sharia Savings and Financing Business Activities by the Cooperatives Of The Third Part of the Sharia Supervisory Board are:

- 1) KSPPS and cooperatives that conduct sharia financing savings and loan business activities must have a Sharia Supervisory Board stipulated by the Meeting of Members.

- 2) The number of Sharia Supervisory Board is at least 2 people and half have DSN-MUI certificate.
- 3) Requirements to be elected to the Sharia Supervisory Board include:
  - a) Never been convicted of a crime that harms corporations, state finances, and/or related to the financial sector, within 5 (five) years prior to appointment.
  - b) It has no blood family relationship and is up to the first degree with the manager.
- 4) Sharia Supervisory Board is preferred from cooperative members and can be appointed from outside the cooperative members for a term of office of not later than 2 (two) years.
- 5) Sharia Supervisory Board as referred to in paragraph (one) shall be in charge of:
  - a) Provide advice and advice to the board and supervisors and supervise KSPPS activities in accordance with sharia principles.
  - b) Assessing and ensuring the fulfillment of sharia principles on operational guidelines and products issued by KSPPS.
  - c) Supervise the development of new products
  - d) Request a fatwa to DSN-MUI for new products that have not been fatwanya.
  - e) Conduct periodic reviews of sharia savings and financing products. The supervisory mechanism of the Sharia Supervisory Board, at least every six months, the Sharia Supervisory Board analyzes the operations of Sharia Banks/Islamic Financial Institutions and assesses the activities and products of sharia banks/financial institutions and ultimately the Sharia Supervisory Board can ensure that the operational activities of Sharia banks are in accordance with the fatwa issued by the National Sharia Council and then convey the results of such supervision to the relevant parties.

From several explanations regarding the understanding of DPS, it can be concluded that DPS is a board formed by DSN-MUI as a representative of DSN-MUI in supervising Islamic financial institutions. This is done to ensure that every activity carried out by Islamic financial institutions is in accordance with sharia principles as well as fatwas that have been determined by DSN-MUI.

From the discussion of the results of the research above we can know how the role of the supervisory board, as well as how the standards and references that become the basis of the sharia cooperatives CahayMadanitesebut. The national sharia council fatwa on products in cooperatives must be adhered to and followed including:

- 1) Fatwa DSN No. 04/DSN-MUI/IV/2000 on *Murabahah*
- 2) Fatwa DSN No. 115/DSN-MUI/IV/2017 on *Mudharabah*
- 3) Fatwa DSN No. 19/DSN-MUI/IV/200 on *al-qardh*

## Conclusion

This study aims to develop an understanding to see how the role of sharia supervisory board towards sharia cooperatives and financing in this case researchers took samples in one of the sharia cooperatives light madani writers see how standards and references and the role of sharia supervisory board in determining sharia cooperatives, refer to the prevailing laws and regulations and see firsthand the practice di cooperative Save Loan Sharia Financing CahayaMadani, that it is not yet fully sharia-based cooperative activities and there are some things that are not in accordance with the legislation of the Minister of Cooperatives of Small and Medium Enterprises of the Republic of Indonesia Number 16/Per/M.KUKM/IX/2015 clause 14, the lack of support and supervision of the government and the national Sharia council is one of the factors causing sharia cooperative products not yet in accordance with sharia principles but this has been a good first step to start an islamicsharia-based economy , for the benefit of the people.

Of course, in the future more research is needed to see from the government side, what causes the weak support and supervision of the government on the course of sharia cooperative activities and products, as well as further research is needed from the community whether the public is confident that the selected sharia products and cooperatives are in accordance with sharia principles, then further research can be done to see if the community is satisfied with the sharia cooperative products offered.

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