Journal of Finance, Economics and Business
Vol. 3 No. 1, May 2024
https://risetekonomi.com/jurnal/index.php/feb

Reconstruction of Sharia Economic System in Indonesia in Sharia Banking

Elsa Dwi Wulandari[1], Mulya Andana Arishandy[2], Nakhwah Bahirotul Imtiyaz[3]

[1] Universitas Islam Negeri Sunan Ampel, Surabaya, East Java Province, Indonesia
[2] Universitas Islam Negeri Sunan Ampel, Surabaya, East Java Province, Indonesia
[3] Universitas Islam Negeri Sunan Ampel, Surabaya, East Java Province, Indonesia

ABSTRACT

This article discusses the reconstruction of the Islamic economic system in Indonesia, particularly in the sector of Islamic banking. The Indonesian government has taken significant steps to support the development of Islamic banking, ranging from the phase of Islamic value freedom to specific regulations. Despite its rapid growth, Islamic banking still faces challenges, especially in the implementation of murabahah financing contracts. The article also highlights government policies aimed at enhancing the role of Islamic banking and adapting to economic and technological changes. The strategic transformation of Islamic banking into the digital realm is considered essential to meet customer needs with a focus on satisfaction. The implementation of policies, including credit relaxation for Small and Medium Enterprises (SMEs), is part of the government's efforts to support the economy through Islamic banking. The development roadmap for 2020-2025 emphasizes the creation of an efficient and contributive Islamic banking system to the national economy. This article provides a comprehensive overview of the restructuring of Islamic banking in Indonesia through a literature research approach, emphasizing the government's role, addressing challenges, stimulating digital innovation, and implementing policies for the sustainable development of Islamic banking.

Keywords: *Reconstruction, Sharia Economics, Sharia Banking*

ARTICLE HISTORY:
Published Online: 30-05-2024

CORRESPONDING:
Name : Elsa Dwi Wulandari
E-mail: Elsadwiwulandari8@gmail.com

E-ISSN: 2988-1234
DOI : 10.59827/jfeb.v3i1.121
PUBLISHER:
Laboratorium Riset Ekonomi

INTRODUCTION

The smooth operation of Islamic banking is a government policy related to banking regulations. Since the beginning of the emergence of Islamic banking in Indonesia, the government has been active in issuing regulations that support the development of this sector. In the initial phase, the government introduced a single banking system through Law No. 14 of 1967 concerning Banking Principles. Then, with the issuance of Law No. 7 of 1992 concerning Banking, the profit-sharing system was introduced as the starting point for the development of Islamic banking in Indonesia. Law No. 10 of 1998 affirmed the existence of Islamic banks and gave rise to a dual banking system in Indonesia. The improvement phase occurred with the issuance of Law No. 21 of 2008 concerning Sharia Banking, which provides a special legal basis for the banking system based on sharia principles. In addition to banking regulations, Bank Indonesia, the Financial Services Authority (OJK), and the National Sharia Council-Indonesian Ulema Council (DSN-MUI) also participate in issuing regulations and fatwas to support Islamic banking operations. Regulations such as POJK, DSN-MUI Fatwa, and the Compilation of Sharia Economic Law (KHES) create a legal environment that supports the development of Islamic banking.

In facing the dynamics of change in the digital era, Islamic banking also needs to formulate a transformation strategy that utilizes digital banking innovation. The success of Islamic banking in the digital era can help maintain and increase competitiveness, so that its contribution to the national economy can be more optimal. In the context of the development of Islamic banking, customer satisfaction is the main factor that needs to be considered. Improving service quality, the uniqueness of business models, and optimizing the sharia economic ecosystem can be strategies to achieve these goals.

In the existing dynamics, it is hoped that the government can formulate appropriate and significant policies for the development of Islamic banks in line with the rapid growth in the field of Islamic finance. The government has an interest in maintaining national economic stability, as seen in the 1998 crisis where Sharia banks were relatively able to survive without requiring much help from the government. Islamic financial institutions, such as Islamic banks, play an important role as intermediaries in the economy, collecting funds through public deposits, and allocating them through financing schemes. One of the commonly used financing methods is murabahah, which involves buying and selling goods with a pre-agreed profit addition. Murabahah has a characteristic where sellers must be transparent regarding the price of the product and the added profits.

In facing the dynamics of change in the digital era, Indonesia's financial sector faces great challenges to be able to adapt quickly. This transformation not only includes changes in consumer behavior, but also encourages Islamic banking to switch to the digital era through digital banking innovation. Failure to answer this challenge has the potential to make Islamic banking lose its customer market share, with the consequence that people tend to switch to other Islamic financial institutions such as Islamic fintech. In line with the rapid development of technology, Islamic banking strategies today focus on efforts to survive and evolve by improving their services through digital platforms.

LITERATURE REVIEW

The government continues to provide support to Islamic banking by issuing policies that facilitate financial access for the public, especially through Law Number 19 of 1998 which officially recognizes the right of Muslims to invest in Islamic banks. Although the government has provided significant support, Islamic banking is still faced with a number of challenges and obstacles. Public skepticism about the essence of Islamic banking, especially those who consider it as just an Islamic label without substantial changes in the implementation of contracts, is one of these challenges.

In the context of financing, the murabahah method, which is the main choice in Islamic banking financing schemes, has received criticism, especially regarding potential irregularities in the implementation of contracts. The importance of strict supervision and monitoring to ensure compliance with sharia principles is crucial to maintain the integrity of Islamic banking. To overcome this challenge, the government needs to formulate appropriate and significant policies, not only in supporting the growth of Islamic banking but also in maintaining integrity and compliance with sharia principles. Concrete steps are needed in supervising the implementation of financing contracts, such as murabahah, and ensuring that the practice is in accordance with sharia norms.

It is also important to ensure that Islamic banking does not only focus on the Muslim market segment but also seeks to reach out to non-Muslim markets. Collaboration with Islamic fintech and the optimization of the Islamic economic and financial ecosystem can be an effective strategy in increasing the penetration of Islamic banking in the community.

Islamic banks not only function as intermediaries between those who have excess funds and those in need, but also specifically carry a trust function. This means that Islamic banks are obliged to maintain and be responsible for the security of the funds deposited, ready to be withdrawn in accordance with the agreement. To ensure that Islamic financial institutions remain in accordance with sharia principles and do not deviate, the existence of a sharia supervisory board is needed. Sharia boards have an important role in ensuring the Islamic nature of financial transactions globally, a function carried out by the National Sharia Council (DSN) in Indonesia.

RESEARCH METHOD

This study applies the type of library *research* as the main approach. Therefore, the discussion is carried out based on literature review and various writings that have relevance to the object of study. The objects that the author focuses on are books, journal articles, and other sources related to Islamic banking and Islamic financial institutions. To analyze the data, this study uses the content analysis method. This method is used to draw reflective and valid conclusions from the data based on its context. In the application of content analysis, there are five rules that must be followed, namely it must be related to the problem, complete, not interdependent, free, and obtained based on the principle of Single classification.

This research is also included in the category of narrative-descriptive research. Descriptive research here aims to provide an in-depth picture of something without intervention or manipulation of variables. This approach allows researchers to detail and explain the observed phenomena in more depth.

RESULT AND DISCUSSION

1. Current Government Policies related to Sharia Banking

Sharia banks are banking systems whose implementation is based on Islamic law (sharia). This system was formed in response to prohibitions in Islam related to borrowing or the imposition of loan interest (riba), as well as investment in prohibited (haram) businesses, such as the production of haram food or beverages, non-Islamic media or entertainment businesses, and so on. The conventional banking system is considered incapable of guaranteeing the absence of these elements in its investments. The journey of Islamic banking development in Indonesia includes several crucial phases. Initially, the phase of free Islamic values began with the enactment of Law No. 14 of 1967 concerning Banking Principles, which implemented a single banking system. This phase then continued to the fundamental phase with the introduction of the profit-sharing system through Law No. 7 of 1992 concerning Banking, which became the starting point for the development of Islamic banking. Furthermore, Law No. 10 of 1998 became a follow-up phase by affirming the existence of Islamic banks, realizing a dual banking system in Indonesia. Finally, in the refinement phase, Law No. 21 of 2008 concerning Sharia Banking was issued, purifying the banking system based on sharia principles with special arrangements in one regulation. A number of regulations also support the operations of Islamic banks, including Bank Indonesia regulations, POJK, DSN-MUI Fatwa, and the Compilation of Sharia Economic Law (KHES). This whole journey reflects the government's efforts in creating a strong and supportive legal foundation for the development of Islamic banking in Indonesia, accommodating Islamic values in the State's banking system.

Government policies in issuing regulations related to banking have a positive impact on the development of Islamic banks. Starting from Law Number 7/1992 concerning Banking which introduced the concept of profit-sharing banks, resulting in the establishment of the first Sharia Commercial Bank (BUS), namely Bank Muamalat. Then, Law No. 10/1998 on amendments to Law No. 7/1992 allowed Conventional Banks to open Sharia Business Units (UUS), and Bank Indonesia (BI) officially recognized the existence of Sharia Banks in the dual banking system. Law Number 23/1999 on BI emphasizes BI's responsibility to develop, regulate, and supervise Islamic banks, while Law Number 3/2004 further strengthens BI's role. At the same time, the government also issued Law No. 38/1999 on Zakat Management and Law No. 41/2004 on Waqf. Law Number 10 of 1998 seems to be the dominant factor for the development of Islamic banks nationally, allowing conventional banks to run a dual banking system, where those who are dominant in the market pay attention and open Islamic businesses. As of April 2003, there are 2 Sharia

Commercial Bank offices and 6 Sharia Business Units (Conventional Commercial Banks) in Indonesia with 49 Branch Offices, 15 Auxiliary Branch Offices, and 63 Cash Offices. In addition, there are 86 Sharia People's Credit Banks spread throughout Indonesia, even BCA has also provided sharia services to the community.

In an intense dynamic, the government is expected to formulate appropriate and significant policies for the development of Islamic banks in line with the rapid growth in the Islamic finance sector. The government has an interest in maintaining national economic stability, as proven during the 1998 crisis that Sharia banks (and financial institutions) are able to survive and relatively do not need much government assistance. Therefore, it is necessary to design government policies that support the development of Islamic financial institutions, as well as allow the birth of ideas from economists to produce Islamic economic concepts or theories that are in accordance with Islamic law and beneficial to society. Government policies through regulations, such as Law Number 19 of 1998, officially recognize the right of Muslims to invest in Islamic banks. The law provides legal support that allows the establishment of banks based on sharia principles. This step encourages the rapid growth of Islamic banks compared to the previous period. This success does not only depend on the legal aspect, but is also related to the ideological and political spirits that support it. Sharia banks are a testament to the power of this banking, which is governed not only by law, but also by ideological and political values.

Government policies are the main driver for the acceleration of the growth of Islamic banks. Law Number 19 of 1998 gives Muslims access to invest in financial institutions with sharia principles, and this makes these banks grow rapidly compared to previous years. This success reflects the attractiveness of Sharia Banks which is not only strengthened by the legal foundation, but also by the ideological and political spirit that supports it. Sharia banks are not only a financial institution, but also a view of life that recognizes Islam as a system of regulating life, especially in the context of economics and banking. In addition to the role of the law, the mass media, especially through electronic and communication platforms, together with preachers and fatwas from the MUI related to Islamic banking, also participate in stimulating the development of Islamic Banks in Indonesia.

2. Challenges and Obstacles in the Reconstruction of the Sharia Economic System in the Context of Islamic Banking

Islamic banking is currently experiencing rapid growth in Indonesia, in line with the public's understanding of the prohibition of riba in Islamic law. Since 1950, many Muslim scholars and Islamic economic theorists have urged the existence of interest-free banking. Although Islamic banks have experienced rapid development, some people still doubt their essence, considering them as a label only to attract the sympathy of the Muslim community in the banking sector. They argue that Islamic banks are only conventional banks with an Islamic appearance, but in the implementation of their contracts still use methods that are prohibited by religion. This skepticism is inevitable because banking has long been clearly separate from sharia principles, creating an initial distrust of the successful integration of the Islamic

economy with banking institutions.

Islamic financial institutions, such as Islamic banks, play a vital role as intermediaries in the economy, collecting funds through public deposits, and allocating them through financing schemes. One of the commonly used financing methods is murabahah, which involves buying and selling goods with a pre-agreed profit addition. Murabahah has a characteristic where sellers must be transparent regarding the price of the product and the added profits. Various surveys show that Islamic banks, both in Indonesia and abroad, often adopt murabahah as their main financing method. The advantage of this system lies in its definite and modest profits in practice, so that murabahah dominates around 60%-90% in Islamic banking financing schemes. However, this system has not escaped criticism, it is considered similar to interest in conventional banking, only differing in its contract basis. Although murabahah is recognized by shah by shharia, deviations in its implementation practice raise questions about its legality in the context of shya.

The issues that arise are not only related to the amount of financing through murabahah contracts in Islamic banking, but rather the potential for irregularities in the implementation of the contracts. This raises a dilemma around whether the deviation can be considered legitimate in accordance with sharia principles or not. The importance of strict monitoring and supervision becomes clear, where this is needed to ensure that the practice of murabahah contracts remains in accordance with sharia norms, and is able to maintain the integrity of Islamic banking in providing financing in accordance with Islamic economic principles.

Most Islamic banks generally use murabahah as a form of short-term financing to customers for the purpose of purchasing goods. In Islamic banking practice, the most commonly used murabahah contract is through the murabahah to Purchase Orderer (KPP) system. This name was chosen because the bank only provides goods or assets to meet the needs of customers who order. In general, this murabahah application scheme is in line with murabahah based on orders. Even so, Islamic bank products are actually the result of ijtihad or creative interpretation of sharia principles. Therefore, in its application in Islamic banks, differences of opinion or khilafiah appear as a natural thing. However, this difference of opinion does not mean that it can violate the rules on the grounds of facilitating transactions by Islamic banks. The existence of references such as DSN-MUI FATWA, PBI, and others in Indonesia is very important to be a guideline in implementing products, contracts, and other aspects to be in accordance with the standards that have been set. Furthermore, as a broader financial institution than conventional banks, Islamic banks have many contract options to implement or determine financing transactions in accordance with Islamic economic principles.

The murabahah financing contract, which comes from the principle of buying and selling, can be changed to a murabahah financing contract without mentioning it as a murabahah bil wakalah contract. If this is successfully implemented, murabahah financing instruments have the potential as a means to realize benefits and distributive justice in the economic context. A series of legal events in a murabahah financing contract involve various stages, ranging from applying for financing by the

customer, checking documents, making a contract or agreement, purchasing goods by the bank from the supplier, to handing over the goods to the customer.

Furthermore, there are a number of important steps in the legal event of a murabahah financing contract, including the submission of collateral for murabahah debts by the customer, payment of financing insurance, repayment of debt in installments according to the agreement, and return of debt collateral to customers. To ensure the validity of the legal event, all parties involved, including banks, customers, suppliers, and insurance companies, must understand and be aware of the actions taken. Legal rules, such as murabahah fatwas, banking laws, standard operating procedures (SOPs) for murabahah financing, and murabahah financing agreement documents, need to be upheld. In the context of Islamic banking, the legal subjects involved, such as customers, banks/LKS, insurance companies, and suppliers, hold the role of caliphs who are responsible for maintaining and prospering the earth. The utilization of resources must be carried out with high creativity and adhere to the principle of balance.

The challenges that need to be overcome so that Indonesia can develop the sharia economy include several crucial aspects. One of them is the need to increase public awareness and education about the sharia economy. Efforts are needed to provide broader and in-depth information so that the public can understand the concepts, principles, and benefits of the sharia economy.

In addition, strong infrastructure and clear sharia economic regulations are key in supporting the development of this sector. The development of infrastructure that supports sharia economic activities, such as financial institutions and sharia capital markets, must be prioritized. Regulations that are transparent and understandable to all parties will also help create a conducive environment for the growth of the sharia economy.

The development of sharia economic goods and services is also an important focus. Innovation and investment are needed in creating products and services that are in accordance with the principles of sharia economics. In addition, limitations in the sharia capital market need to be overcome in order to provide adequate financial support for the halal industry.

The National Committee for Sharia Economics and Finance (KNEKS) identified several main obstacles, including low support for sharia finance for the halal industry. Concrete steps are needed to increase financial support and strengthen the halal industry. The existence of Islamic banks with adequate assets, increasing competent human resources in the field of Islamic economics, and increasing research and development capacity are priorities in overcoming these obstacles.

Overall, all parties need to synergize and work together to overcome these challenges. The support of the government, the private sector, educational institutions, and the community together can create an environment that supports the growth of the sharia economy and halal industry in Indonesia.

3. Strategies to Increase the Role of Islamic Banking in the National Economic System

Customer satisfaction is the most influential factor for a bank in retaining existing customers or getting new customers. To improve the quality of services, a bank must prepare reliable human resources and adequate facilities. Customer satisfaction is a measure that compares customer expectations of a product or service whether it matches the real experience they receive. Improving the quality of service is important to create an environment where customers feel comfortable and satisfied with the services provided by the company. In addition to service quality, rapid technological developments are also used by the banking industry to ensure customer satisfaction. In order to develop a healthy, trustworthy, and responsive Islamic banking system to future challenges in Indonesia.

Bank Indonesia formulated the "Blueprint for the Development of Islamic Banking in Indonesia". The vision for the development of Islamic banking until 2011, as stated in the document, includes four main objectives (BI Sharia Banking Bureau, 2002): (1) Full implementation of sharia principles in banking operations; (2) The application of the prudential principle in Islamic banking activities; (3) Creation of a competitive and efficient Islamic banking system; and (4) Achievement of systemic stability and tangible benefits for the general public.

In an effort to achieve this goal, Bank Indonesia has established strategic initiatives that can be grouped into four development focus areas. First, strengthening consistency of compliance with sharia principles; second, improving regulations and supervision systems in accordance with the characteristics of Islamic banking; third, supporting the operational efficiency and competitiveness of Islamic banks; and finally, increasing the stability of the Islamic banking system, role, and benefits for the economy as a whole. The document "Blueprint for the Development of Indonesian Sharia Banking" is not only a strategic guide for Bank Indonesia but also the basis for their views on developing Islamic banking in the country, as well as providing direction for stakeholders in the Islamic banking sector. One of the significant initiatives carried out is to support the creation of efficiency and competitiveness of Islamic banks. These efficiencies can be realized through increased economies of scale and coverage. It is important to note that Islamic banking should also direct its attention to the non-Muslim market, with the potential for easier penetration. In addition, in many categories, the performance of Islamic banking has proven to be relatively better compared to conventional banking.

Currently, Islamic banking in Indonesia, which includes Sharia Commercial Banks (BUS), Sharia Business Units (UUS), and Sharia People's Financing Banks (BPRS), has achieved positive growth. Based on the sharia banking statistical report until September 2021, there were 12 BUS, 21 UUS, and 165 BPRS. Total Islamic banking assets reached Rp. 646.2 trillion, showing a growth of 12.22% (yoy). Disbursed Financing (PYD) and Third Party Funds (DPK) were the drivers of asset growth, growing by 7.45% (yoy) and 9.41% (yoy), respectively, while the market share of Islamic banking reached 6.52% (Financial Services Authority, 2021). With this data,

it is necessary to make efforts to continue to increase the growth of Islamic banking. The transformation of Islamic banking is a must in order to maintain high competitiveness, so that its contribution to the national economy can be more optimal. Financial services from Islamic banking must be at the forefront of supporting the Sustainable Development Goals (SDGs) and implementing the principle of Creating Shared Value (CSV), which basically reflects the implementation of sharia maqashid.

Based on the roadmap for the development of Indonesian Islamic banking 2020-2025, transformation efforts are carried out so that Islamic banking can maintain high competitiveness, covering several key aspects. First, Islamic banking needs to be unique in its business model and products in order to compete effectively in the market. Second, the Islamic economic and financial ecosystem must be optimized by Islamic banking, illustrating the importance of collaboration and synergy with other elements in the scope of Islamic economics. Third, Islamic banking is required to integrate commercial and social financial functions in order to have a wider positive impact on society and the economy as a whole. Fourth, Islamic banking needs to have quality human resources (HR) and cutting-edge information technology (IT) as the main foundation in carrying out its operations. It is important to remember that this transformation is not only about the internal aspects of Islamic banking, but also involves their role in the broader economic and financial ecosystem. This overall transformation aims to increase the contribution of Islamic banking to national economic growth and achieve the strategic goals that have been set in the roadmap.

The Islamic banking itself continues to strive to optimize services to customers and improve its operational efficiency. This transformation is implemented in response to technological advances, with the aim that Islamic banking can meet customer needs more optimally. The rapid development of technology provides a strong impetus for Islamic banks to leverage digital-based services as an integral part of their strategy. This phenomenon occurs in line with the demands of change in the increasingly digital financial industry. The transformation of Islamic banking services into a form of digital banking is a strategic step, leading to a fundamental change in the way customers interact with financial services. This process has a significant impact, eliminating the need for an in-person visit to a branch office, as customers can now open an account or make financial transactions practically through their handheld devices.

Technological developments have become a driving force for the banking sector to optimize its business processes by adopting automation systems. This transformation aims to improve banking services so that customers can access various services independently without the need to visit the bank office, which is known as digital services. The positive impact of this technological evolution includes the development of e-business and e-banking, including the launch of innovative products such as mobile banking. One of the pioneers of mobile banking services in Indonesia is Bank Syariah Indonesia (BSI) through the BSI Mobile application. BSI Mobile not only facilitates financial transactions, but also provides Islamic services such as zakat payments, purchase of sacrificial animals, prayer time information, juz amma learning, and more. Customers can now easily make various transactions

without having to visit branch offices or ATM machines. BSI Mobile not only provides convenience for customers, but also increases queue efficiency and provides customers with independent capabilities in carrying out their transactions. This application is directed to be a comprehensive banking solution, meeting the financial, social, and spiritual needs of customers. With this strategy, Islamic banking in Indonesia can continue to grow by leveraging the collaboration between technology and digitalization to provide better services and make customers more oriented towards the future of Islamic banks in Indonesia.

4. Policy Implementation in Increasing the Role of Sharia Banking

The government, together with Bank Indonesia and the Financial Services Authority (OJK), has taken various proactive steps and policies to prevent a slowdown in the national economy. The OJK, as the supervisory body of the financial services industry, has launched a follow-up policy with the aim of loosening banking supervision, providing greater space for bank liquidity and capital. This move aims to maintain the stability of the financial industry, especially in the face of the economic challenges that hit. As a concrete effort to improve people's living standards, the Indonesian government has provided friendly Islamic financial institutions for low-income people. OJK, as the regulator of the financial services industry, has a crucial role in boosting the community's economy, leveling income levels, reducing poverty levels, and eliminating the practice of usury. These financial institutions provide access to capital or financing to low-income people who previously did not have access to formal financial institutions. This step is expected to reduce social inequality, combat poverty, and overall improve people's welfare.

Sharia banking functions as an intermediary institution that facilitates meetings between parties who have excess funds and those who need funds. In response to this function, the government issued a credit easing policy for Small and Medium Enterprises (SMEs) as stated in the Executive Summary of the Financial Services Authority Regulation No. II/POJK.03/2020 related to economic recovery. This policy is applied to Sharia Commercial Banks (BUK), Sharia Commercial Banks (BUS), Sharia Business Units (UUS), and Sharia People's Financing Banks (BPR), Sharia Banks, and BPR.

The purpose of this policy is to improve the welfare of the community through the positive impact resulting from the implementation of Islamic banking in Indonesia, which is felt by the citizens. The role of Islamic banking has proven to be able to reduce social inequality in Indonesia and encourage economic growth, especially in the microeconomic sector. As a financial mediator, Islamic banking plays an important role in bringing together those who have excess funds with people who need financial support. Banking financial institutions are one of the business activities that have a high dominance and are very important in the economic dynamics of modern society. Faced with this reality, the Muslim community feels the need to establish banking institutions that meet their needs, especially in accessing banking services that are free from the element of usury. The role of banks as financial services intermediary institutions, which are mainly tasked with collecting funds from the public, is expected

to overcome financing needs that are not met by other institutions, both from the public and private sectors. In the process of distributing funds, Islamic banks are involved in investment and financing activities. Investment is carried out based on the principle of investment or participation, where profits depend on the performance of the business that is the object of participation, in accordance with the previously agreed profit sharing ratio. Meanwhile, in the context of financing, Islamic banks provide funds to meet the needs of customers who need and are eligible to get the financing.

Islamic banking in carrying out its operations needs to ensure that the implementation of its functions runs effectively, in accordance with applicable banking regulations and follows sharia principles. One of the elements involved in ensuring the application of sharia principles in Islamic banking activities is the Sharia Supervisory Board (DPS), which is an affiliated party that provides its services to Islamic banks or Islamic business units (UUS). The board has a special responsibility in ensuring that the bank's management is in accordance with sharia principles. The involvement of DPS is regulated in law number 40 of 2007 concerning limited liability companies and law number 21 of 2008 concerning Islamic banking, which mandates that each Islamic bank must have a minimum of three DPS members. The role of DPS has strategic significance in ensuring sharia compliance practices in Islamic banking institutions in Indonesia.

The Indonesian Ulema Council (MUI), as an institution that has authority in the religious field related to the interests of Muslims in Indonesia, established a national sharia council (DSN) at the national level. This council was named the National Sharia Council (DSN) and was established on February 10, 1999 in accordance with the MUI Decree (SK) number kep-754/MUI/II/1999. DSN MUI is an institution that has high authority in establishing and maintaining the implementation of sharia principles in the operations of Islamic financial institutions, including Islamic banking, Islamic insurance, and so on. This is in accordance with the provisions of Law Number 21 of 2008 concerning Islamic banking article 32 and Law Number 40 of 2007 concerning limited liability companies article 109. In essence, DPS must be formed in Islamic banks or companies operating based on sharia principles, and the appointment of DPS requires a recommendation from DSN MUI.

The Sharia Supervisory Board (DPS) is an independent institution consisting of muamalah sharia experts with in-depth knowledge in the field of banking in Islamic financial institutions. The main task of the DPS is to supervise the implementation of the decisions of the National Sharia Council (DSN) in the Islamic financial institution. The position of DPS is parallel to the board of commissioners, requires the approval of the General Meeting of Shareholders (GMS), and represents the interests of the GMS in supervising sharia aspects. Both are responsible to the GMS and, if they are on par with the members of the board of commissioners, the idea of honorarium for DPS members needs to be considered in line with the rewards given to the members of the board of commissioners.

The role of DPS is very vital and strategic in implementing sharia principles in Islamic banking. DPS is responsible for ensuring that the products and procedures of

Islamic banks are in accordance with sharia principles. Two laws in Indonesia, namely Law Number 40 of 2007 concerning Limited Liability Companies and Law Number 21 of 2008 concerning Sharia Banking, affirm the necessity of the existence of DPS in Islamic companies and Islamic banking institutions. Juridically, DPS has a strong position because of its very important and strategic role (Mufrih and Hadiroh 2022). The main role of the ulama in the DPS is to supervise the daily operations of the bank so that it is always in accordance with sharia provisions. Transactions in Islamic banks have special characteristics, so the guidelines prepared and set by DSN are very important to ensure compliance with sharia principles.

CONCLUSION AND SUGGESTION

In the face of evolving economic and technological dynamics, the reconstruction of Islamic banking in Indonesia plays a key role in supporting sustainable economic growth. The government's strategic measures, ranging from policy formulation to the implementation of special regulations, provide a foundation for the development of Islamic banking, Despite experiencing rapid growth, Islamic banking is faced with a number of challenges, especially related to murabahah financing contracts. However, the government's efforts to facilitate the transformation of Islamic banking towards digital, as well as the implementation of credit easing policies for SMEs, provide a positive boost. Islamic banking has shown its seriousness in improving service quality and utilizing digital technology to meet customer needs. Focus on customer satisfaction is the main cornerstone, along with efforts to maintain competitiveness in the digital era.

Through the 2020-2025 development roadmap, Islamic banking is committed to creating a business model that is unique, efficient, and contributes positively to the national economy. The success of this transformation will ensure that Islamic banking remains relevant and provides maximum benefits to the community. Thus, the reconstruction of Islamic banking in Indonesia not only presents solutions to internal challenges, but also leads to a vision of modern, inclusive, and highly competitive Islamic banking, so that it can act as a driving force for equitable and sustainable economic growth.

REFERENCE

Ali, m Mutasowifin. “Menggagas Strategi Pengembangan Perbankan Syariah Di Pasar Non Muslim.” *Jurnal Universitas Paramadina*, 2003. https://www.academia.edu/11646360/Menggagas_Strategi_Pengembangan_Perbankan_Syariah_di_Pasar_Non_Muslim.

Amin, Muhammad, Muhammad Febry, Muhammad Muhaimin, and Wahyu Arifin. “Perkembangan Dan Tantangan Ekonomi Syari’ah Di Indonesia.” *Religion: Jurnal Agama, Sosial, Dan Budaya* 1, no. 4 (2023): 475–86. doi: 10.55606/religion.v1i4.250.

Budhijianto, Danrivanto. *Hukum Ekonomi Digital Di Indonesia*. Bandung: Logoz Publishing, 2019.

Dayyan | Media Syari’ah : Wahana Kajian Hukum Islam Dan Pranata Sosial. “Rekonstruksi Subjek Dan Peristiwa Hukum Akad Pembiayaan Murabahah Pada Perbankan Syariah.” Accessed February 18, 2024. https://jurnal.ar-raniry.ac.id/index.php/medsyar/article/view/9315.

JPS (Jurnal Perbankan Syariah). “Peran Dewan Pengawas Syariah Dalam Perbankan Syariah.” Accessed February 18, 2024. https://ejournal.stiesyariahbengkalis.ac.id/index.php/jps/article/view/295.

Mahfudz, Imam Laukhin. “Implementasi Kebijakan Restrukturisasi Pembiayaan Mikro Bank Syariah Pada Situasi Pandemi Covid-19 (Studi Kasus Bank Syariah Indonesia Jombang).” *Journal of Islamic Economics Studies* 3, no. 2 (2022): 60–68.

Nasution, Suraya Fadhilah. “Pembiayaan Murabahah Pada Perbankan Syariah Di Indonesia.” *At-Tawassuth* 4, no. 1 (2021): 132–52.

Parman, Komarudin, and MUhammad Syarif Hidayatullah. “Alur Legislasi Dan Transformasi Hukum Perbankan Syariah Di Indonesia.” *Mizan: Journal of Islamic Law* 5, no. 1 (2021): 133–44.

Purwoko, Dwi. “Kebijakan Pemerintaha, Media, Dan Fatwa MUI Dalam Mendinamisasi Perkembangan Bank Syari’ah Di Indonesia.” *Jurnal Wahana Bina Pemerintahan* 5, no. 1 (2023): 57–66.

Rafsanjani, Haqiqi. “Confirmatory Factor Analysis (CFA) Untuk Mengukur Unidimensional Indikator Pilar Pengembangan Perbankan Syariah Di Indonesia.” *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 7, no. 2 (2022). https://journal.um-surabaya.ac.id/index.php/Mas/article/view/14394.

Samsudin, Acep, Hidayat Rusdi Nugroho, Reza Zakaria R.A, Tania Eriezna Putri, Gian Alfreda Wirawan, Rhevuano Naoval Saputra, and Shofiyah Wardah Widad. “Strategi Meningkatkan Kualitas Pelayanan Melalui BSI Mobile Pada Bank Syariah Indonesia.” *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam* 4, no. 4 (2023): 1163–79.

Tartila, Muzayyana. “Strategi Idustri Perbankan Syariah Dalam Menghadapi Era Digital.” *Jurnal Ilmiah Ekonomi Islam* 8, no. 3 (2022): 1163–70.

Tim Penyusun Bank Sentral Republik Indonesia. Bersinergi Membangun Ekonomi Keuangan Syariah. Jakarta: Bank Indonesia, n.d.

Yusuf, DR A. Muri. *METODE PENELITIAN Kuantitatif, Kualitatif, Dan Penelitian Gabungan*. Jakarta: Kencana, 2017.