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*Research Article*

# The Role of Sharia Supervisory Board in Implementing Public Trust on Sharia Banks

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**ABSTRACT**

This study aims to see how implementing the Sharia Supervisory Board and its impact on providing public trust in Islamic banks. This study uses a quantitative approach with the method of Systematic Literature Review from various journals. With the Systematic Literature Review method, the research identifies all empirical evidence, where the identification aims to answer questions such as "What is the role of the sharia supervisory board on public trust?", "Implementation of the sharia supervisory board on sharia banking?". The analysis results found that the Sharia Representative Council (DPS) has a high level of helping to attract public interest. This is because the higher the spread of DPS, the public's knowledge about banking sharia will be increasingly known. This finding shows that Sharia Supervisory Board plays an essential role in providing public confidence to be interested in being part of a sharia bank because, so far, there are known factors that attract the public in the form of external factors such as marketing factors, psychological factors, cultural factors, social factors, and social factors. Personality so that this can be used as a view for further research that the Sharia Representative Council also still plays an essential role in contributing to society.

## 1. INTRODUCTION

The growth of Islamic banks globally in Muslim countries scattered around the world has emerged and continues to experience very rapid development. The development of Islamic banks in Indonesia is more advanced than in countries in Asia. The system change on the concept of sharia based on non-interest as implemented in conventional banks. Thus, the establishment of Islamic banks stipulates that the operating system carried out is not based on interest or usury, this makes it the main essential requirement in every country. A fairly strategic role can have a positive effect on the process of economic development in countries that apply the concept of sharia, its existence can reduce the number of people's poverty rates by providing financial assistance in the form of micro-enterprises and social funds (Ajzen, 1985) .

For muslims, including Indonesia, there have been obstacles to developing their economy. One cause is that people's inability to combine the two disciplines of sharia and economics, which should be able to complement each other's weaknesses. One tangible form or action of people in developing their country's economic system is building an economic system based on islamic principles (sharia). The sharia principle is based on the values of justice, universal, equilibrium and beneficial (Fishbein & Ajzen, 1975). The value of sharia banking is based on the principle of sharia. The organization of the islamic conference states that islamic bank is a financial institution with laws, rules, and the procedure is based on Islamic sharia principles with the prohibition of interest or additional payments in its operations (Shandy, 2020).

The Sharia Supervisory Board (DPS) is a supervisory agency for activities in Indonesian sharia finance that can run according to Islamic principles or sharia. The role of the DPS function has a powerful relationship with detecting

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risks in Islamic banks (Prabowo & Jamal, 2017). The risk that Islamic banks often face has a high reputation, so it can provide negative things for long-term risks such as liquidity. Activities organized by Islamic banks must apply the principles in which there are economic transactions and Islamic prohibitions that should not be applied to sharia principles such as gambling, usury, and speculation. There are still many things that contain prohibitions in Islam according to each individual's perspective.

Public interest and trust in Islamic banks in choosing as a means of saving money are very significant. This is due to the interest in the products or services offered by Islamic banks under the Shari'a and free from usury. The majority of Indonesia's population is Muslim, usury is a strong factor that is why people trust Islamic banks more than conventional banks (Putri et al, 2019). The statistical data below is based on the latest sources in 2022. It can be seen that it is true that the majority of the population in Indonesia adheres to Islam with an estimated 86.88%, Christian 7.49%, Catholic 3.09%, Hindu 1.71%, Buddhist 0.75%, Confucianism 0.03% and other religions (beliefs) ) as much as 0.05% (Figure 1).

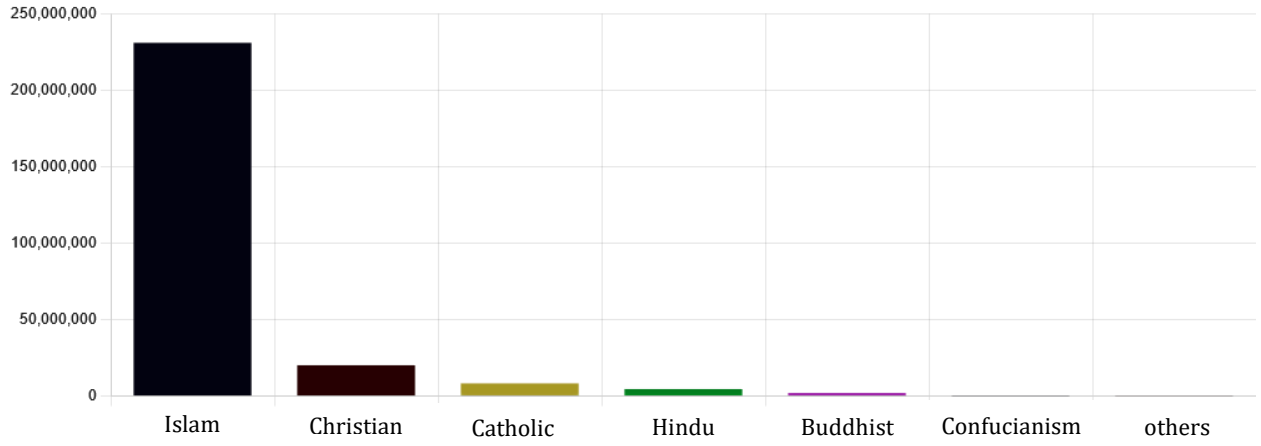



**Figure 1.** Population Statistics by Religion

*Source. Kemenag.go.id statistics data*

In the current era, not many Muslim communities use the services of Islamic banks, but it is possible that most Muslims also place their trust in saving in conventional banks in Indonesia. Several studies have argued that religion can be used as a reference as a reason to cooperate with Islamic banks, everything will come back again based on the beliefs and beliefs of each individual. Religiosity influences interest in saving in Islamic banks by seeing that the majority of the population in Indonesia is Muslim, the greater the opportunity for Islamic banks to attract people to become customers (Mujaddid & Nugroho, 2019). It is not the only religion that supports the community, but also with facilities(tangibles) and all good services provided by Islamic banks such as the availability of seats and rooms that are provided with a sense of comfort, coolness, and the availability of complete and clear information about the services provided by the bank (Delima & Paramita, 2019). Other things that encourage people to save are caused by marketing factors, psychological (motivation, knowledge, and perception), personal (age, occupation, income, lifestyle, personality), and social (reference, family, social status, and role). and culture (Kurniawan & Septiana, 2019).

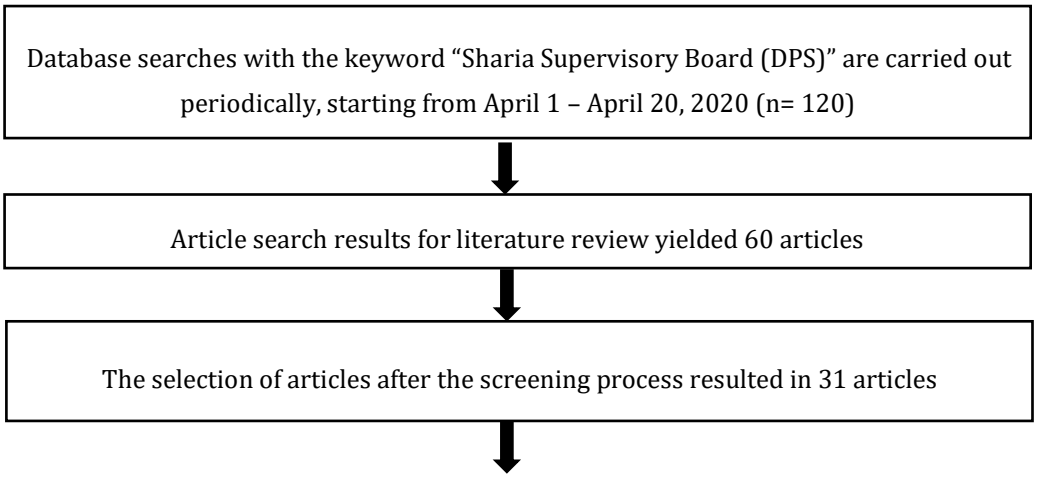
The friendliness of the services provided can also provide important points that can be assessed by the community, such as always giving a smiling face, and speaking politely and well. Some of the factors described above can be used as a basis to encourage people to join Islamic banks because seeing the lack of public interest in saving in Islamic banks compared to saving in conventional banks, this study wants to see the extent to which the role of DPS in contributing to encouraging people are more familiar with Islamic banks. Is the role of the Sharia Representative Council able to assist in a growing trust in the community or only to supervise Islamic banks? So, how the Sharia Supervisory Board (DPS) implementation and its impact on public trust in sharia banking.

## 2. RESEARCH METHODS

This literature review stage starts by collecting data by doing a simple search on the page google Scholar page, Researchgate with the words "Sharia Supervisory Board (DPS)", “Islamic banks”, and “public trust", which produced approximately +2500 articles from various national and international journals. Then the research conducted a screening with the keywords "Sharia Representative Council on the trust of the Islamic banking community" and took five years of data starting from 2017-2021 obtained from articles that were relevant and more up to date with the

topics raised. The next stage is data filtering using Microsoft Excel. The collected data is then entered into a table to become a database. Finally, the article search process is as illustrated in Figure 2.

Of the 60 selected articles, this study again carried out the process screening to fit the regression and topics relevant to the themes raised. After conducting the screening, the study found 15 articles that explained the sharia representative council on sharia banking, 10 articles that explained public trust, and 6 articles that analyzed the sharia representative council on public trust. In general, this article presents a literature review on the role of the sharia supervisory board in implementing public trust in saving in Islamic banks. However, there are still many topics that have not been discussed in this research. In addition, the review implementation is minimal, and the number of reputable articles is considered less. From these limitations, it is hoped that further research will be able to find many articles and explain in more detail related to the topics mentioned.




| Journal Topic | Total |
|---|---|
| Sharia Representative Council on Sharia Banking | 15 |
| Public Trust | 10 |
| Sharia Representative Council on Public Trust | 6 |
| **Total** | **31** |

**Figure 2**. Stages of Research Methodology

## 3. RESULTS AND DISCUSSIONS

### *3.1. The role of the sharia representative council in sharia banking and public trust*

The Sharia Representative Council (DPS) will play a role in supervising the development of new products and activities of the Sharia People's Financing Bank (BPRS) by requesting an explanation from the BPRS board of commissioners regarding the contract, objectives, and characteristics of a new product or activity. The role of DPS is very influential on the credibility of Islamic banking. The DPS is the highest institution with a strong position because its existence is very important and strategic (Ilyas, 2021). Islamic banking has a high reputation for increasing public trust in using products at Islamic banks (Irma et al, 2019). Monitoring and inspection activities must be carried out at least once a month. DPS is required to be able to carry out supervision according to applicable procedures, collect data, and make corrections to errors in sharia principles committed by Sharia Banks (Muflihin, 2019). The more active and more DPS parties are monitoring to reduce non-compliance and improve the reputation of Islamic banking among stakeholders. This is in line with research (Zuliana & Aliamin, 2019; Lenap et al, 2021; Musaddad et al, 2021) which states that DPS has a significant effect on the performance of Islamic banks, where the higher the role of DPS, the more influential on the performance of Islamic banks. However, different results were found in research (Azizah & Erinos, 2020) which explains that DPS does not affect the performance of Islamic banks because a large number of DPS does not necessarily provide the effectiveness of Islamic banking performance. This result is also supported by research (Octaviani, 2020) which states that the size of the number of DPS does not affect sharia banking compliance. The duties and responsibilities held by the DPS aim to maintain and build trust for customers, BPRS officials, and all related parties that the contracts, products, and activities operated by Islamic banks are under Islamic principles (Zuliana & Aliamin, 2019). With the large number of DPS in Islamic banks at the level of implementation (knowledge, skills, and

character) and mastery, it can provide an estimate of the ability and strength in supervising banking, so that these conditions can provide the implementation of trust to the wider community regarding the existence of Islamic banks (Wijayani, 2017). However, The challenges faced by DPS against Islamic banking are the difficulty of obtaining human resources in the field of Islamic economics and finance and usually, the recommendations given by DPS do not get approval from the board of directors, this is a challenge for DPS towards Islamic banking (Masse, 2018). Another challenge is seen from the weaknesses in the DPS where there is no special law that is used as a reference for supervision in Islamic banking, the DPS is only used as a complementary object in a sharia banking institution, the DPS structure can be filled without special criteria based on expertise (Prabowo & Jamal, 2007). 2019). DPS very much needs financial and economic law in carrying out its work to run effectively to be able to affect banking performance, both financially and socially (Mukhibad, 2018). With the trust given by the public to Islamic banks, the DPS must be independent and not take sides with anyone (Prastiwi, 2017). Applying the principle of independence in Islamic banking is expected to hold fast to the truth and cannot be influenced by any party so that it can provide guarantees for the community (Firman, 2019).

### *3.2. The level of public trust in Islamic banking*

In building trust in the community, it is very important to do were the circumstances of the parties involved want to benefit both in terms of diversion of funds, recipients of funds, and recipients of distribution of funds. The higher the public trust, the higher the third party funds that Islamic banks will receive. Third-party funds of Islamic banks are funds collected by banks from the public, which consist of time deposits, savings, and demand deposits. (Andriani & Halmawati, 2019) public trust will affect the public's interest in becoming a customer of a sharia bank, this belief and trust will have a good impact on the continuity of repurchasing the products produced by the company. (Junianto et al, 2021) said that one of the benchmarks for public trust in Islamic banks is DPS. (Pertiwi, 2019) the level of public trust positively affects people's interest in saving. This is because the general public widely knows Islamic banks, another thing is the service factor provided by Islamic bank employees (Nurrohmah & Purbayati, 2020). Good service is very influential on the perspective and thinking of society in general, Indonesian culture which has a polite attitude in speaking is very attached to the behavior of each individual. It turns out that based on the existing facts customers who are part of Islamic banking do not only consist of Muslim majority people, but the majority of non-Muslims also put their trust in Islamic banks (Iskamto & Yulihardi, 2017). The factors of public trust in Islamic banks are the quality of fast, efficient service, the reputation of Islamic banks, the image of Islamic banks, and customer confidentiality. The importance of maintaining customer confidentiality is the main thing for every bank. If confidentiality cannot be maintained, the reputation of public trust will decline. The number of cases in data theft and data sales carried out by certain institutions also does not rule out the possibility that this can happen to Islamic banks. Trustworthy bank mergers can increase a high sense of trust to save in Islamic banks, in line with the theory of Planned Behavior (Theory of Reasoned Action), which is a theory that has belief values, public trust arises with encouragement from the family. The family plays a role as a factor that is a customer at a sharia bank, so it is easy to invite his family to join so that this includes the behavior of someone whom their intentions and interests can influence. A person's mood can also affect, a good mood will be manifested by good behavior.

## 4. CONCLUSION

The Sharia Representative Council (DPS) has a high level of helping to attract public interest. Several factors attract people to become customers, for example, marketing, cultural, social, psychological, and personality. However, the main factor that is of public interest is the existence of DPS, it can be seen that with the existence of DPS Islamic banking can run efficiently. The number of customers in Islamic banking also depends on DPS. Judging the number of DPS in each Islamic banking will provide the implementation of trust to the wider community regarding the existence of Islamic banks. So that the level of mastery and implementation in knowledge, ability, and behavior can provide intensity in bank supervision. The higher the spread of DPS, the public's knowledge of Islamic banking will be increasingly known in general. Where Islamic banking is a form of institution that is oriented toward a high level of trust in the community or customers, without any trust, banks will not be able to carry out their business activities properly. The loss of public trust will hamper the growth of Islamic banking (Nengsih et al, 2021).

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