



PROCEEDINGS

The 4th International Conference on Sustainable Innovation (ICoSI) 2020

Cutting Edge Innovations for Sustainable Development Goals

Universitas Muhammadiyah Yogyakarta (Indonesia)

October 13 - 14 2020

<https://icosi.umy.ac.id/>

Focal Conferences



- ✔ (ICPU) The 2nd International Conference on Pharmaceutical Updates
- ✔ (ICOMS) The 6th International Conference on Management Sciences
- ✔ (ICLAS) The 9th International Conference on Law and Society
- ✔ (ICMHS) The 4th International Conference Medical and Health Sciences
- ✔ (ICAF) The 6th International Conference for Accounting and Finance
- ✔ (ILEC) The 2nd International Language and Education Conference
- ✔ (ICONURS) The 2nd International Conference on Nursing
- ✔ (ICITAMEE) The 1st International Conference on Information Technology, Advanced Mechanical and Electrical Engineering
- ✔ (IConARD) International Conference on Agribusiness and Rural Development
- ✔ (ISHERSS) The 2nd International Symposium on Social Humanities Education and Religious Sciences
- ✔ (ICONPO) The 10th International Conference on Public Organization
- ✔ (DREAM) The 5th Dental Research and Exhibition Meeting
- ✔ (ICHA) The 5th International Conference on Hospital Administration
- ✔ (ICOSA) The 3rd International Conference on Sustainable Agriculture





Proceedings

4th International Conference on Sustainable Innovation

2020

Publisher UMYPress

Lembaga Penelitian, Pengabdian, dan Pengembangan Masyarakat (LP3M)

Universitas Muhammadiyah Yogyakarta

Address

Gedung D Lantai 2

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55183 Indonesia

ISBN : 978-623-7054-43-6



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Preface by the Chairperson of the 4th ICoSI 2020



Dr. Yeni Rosilawati, S.IP. S.E., MM.

Assalamu'alaikum Wr. Wb.

All praise is due to Allah, the Almighty, on whom we depend for sustenance and guidance. Prayers and peace be upon our Prophet, Muhammad SAW, his family and all of his companions.

On behalf of the organizing committee, it is my pleasure and privilege to welcome the honourable guests, distinguished keynote & invited speakers, and all the participants.

With the main theme of “Cutting-Edge Innovations on Sustainable Development Goals (SDGs)”, the 4th International Conference on Sustainable Innovation (ICoSI) 2020 serves as a forum to facilitate scholars, policy makers, practitioners, and other interested parties at all levels from Indonesia and abroad to present their novel ideas, promote cutting-edge research, and to expand collaboration network. The conference has about 1373 participants participating from more than 8 countries 4 continents all over the world, making this conference a truly international conference in spirit.

This multidisciplinary conference was first held in 2012 and has undertaken various changes and adopted to the current technological trends of our education system. From having this conference with just 175 participants back in 2012 we have come a long way in making the conference a huge success with more than 1373 participants participating in this two-day conference.

Formerly, this conference consisted of only 9 (nine) focal conferences. This year, there are 14 focal conferences from various disciplines, namely: 1) The 2nd International Conference on Pharmaceutical Updates (ICPU), 2) The 6th International Conference on Management Sciences

(ICoMS), 3) The 9th International Conference on Law and Society (ICLAS), 4) The 4th International Conference Medical and Health Sciences (ICMHS), 5) The 6th International Conference for Accounting and Finance (ICAF), 6) The 2nd International Language and Education Conference (ILEC), 7) The 2nd International Conference on Nursing (ICONURS), 8) The International Conference on Information Technology, Advanced Mechanical and Electrical Engineering (ICITAMEE), 9) The 2nd International Conference of Agribusiness and Rural Development (IConARD), 10) The 10th International Conference on Public Organization (ICONPO), 11) The 2nd International Symposium on Social Humanities Education and Religious Sciences (ISHERSS), 12) The 5th Dental Research and Exhibition Meeting (DREAM), 13) The International Conference on Hospital Administration (ICHA), and 14) The 3rd International Conference on Sustainable Agriculture (ICoSA).

Accordingly, We are proud to announce that this year, the 4th ICoSI 2020 breaks the Museum Rekor-Dunia Indonesia (MURI) record as the Virtual Multidisciplinary Conference with the Largest Number of Area of Fields in Indonesia

In addition, this year, this conference holds special value since this is the first conference in the history of our university where the entire conference is taking place remotely on a digital platform through the use of advance technologies due to the Covid-19 Pandemic.

I would take this opportunity to express my highest respect to the Rector of Universitas Muhammadiyah Yogyakarta, Dr. Gunawan Budiyan to who gave approval and ensured the maximal support from all the faculty members of Universitas Muhammadiyah Yogyakarta (UMY) that made this event a big success. In addition, my appreciation goes to all the support teams who have provided their valuable support and advice from planning, designing and executing the program.

Let me conclude my speech by encouraging the delegates to participate with an increasing number in all the activities and discussions through the digital platforms for the next two days. I wish everyone a successful, safe, and fruitful conference.

Thank you!

Wassalamu'alaikum Wr. Wb.

Yogyakarta, Indonesia, 14 October 2020



Welcoming Remarks by the Rector of Universitas Muhammadiyah Yogyakarta



Assoc. Prof. Dr. Gunawan Budiyanto

Innovation is the beginning of the development of technology, and technology is a development machine that is expected to provide benefits to humans and provide the smallest possible impact on environmental quality. In the concept of sustainable development, development must improve the quality of human life without causing ecological damage and maintain the carrying capacity of natural resources.

International Conference on Sustainable Innovation (ICoSI) is an international conference which is an annual conference held by the University of Muhammadiyah Yogyakarta (UMY), Indonesia. In 2020 this raises the issue of "Cutting-Edge Innovations on Sustainable Development Goals." Therefore, on behalf of all UMY academics, I would like to congratulate you on joining the conference, hoping that during the Covid-19 Pandemic, we can still provide suggestions and frameworks for achieving sustainable development goals.

About The 4th International Conference on Sustainable Innovation (ICoSI) 2020

Cutting Edge Innovations for Sustainable Development Goals

The 2030 Agenda for Sustainable Development is enacted by the United Nations as a shared blueprint for peace and prosperity for people and the planet, now and into the future. It consists of strategies to improve health and education, reduce inequality, and spur economic growth while also conserving natures by 2030.

This year, however, at the first one-third of its timeline, the SDG Reports shows that the outbreak of COVID-19 did hinder the achievement, or at least decelerate the progress of achieving the 17 goals. In fact, according to the report, “some number of people suffering from food insecurity was on the rise and dramatic levels of inequality persisted in all regions. Change was still not happening at the speed or scale required”, accordingly.

Therefore, in this event of pandemic, the quantity and quality of research, innovation, and more importantly multi-disciplinary collaboration are indispensable. Furthermore, there needs to be clear ends of those works. That is how those research are applicable and benefits directly to the society. That is how those research is incorporated as the drivers of policy making, and used practically in the society. Hence, the stakeholders especially the triple helix of higher education institution, government, and industry must be re-comprehended and supported to reach the common goal of the SGD.

International Conference on Sustainable Innovation (ICoSI) has been essentially attempting to strengthen this regard since its first establishment. One of the goals of ICoSI is to provide primarily a platform where scholars, practitioners, and government could grasp the development and trends of research. Hopefully, meeting these actors altogether would result in stronger collaboration, sophisticated and advantageous research, and brighter ideas for further research. Based on these reasoning, this year, the 4th ICoSI 2020 UMY is themed ‘Cutting-edge Innovations for Sustainable Development Goals’.

Improving from last year conference which brought nine focal conference, this year ICoSI 2020 UMY brings 14 disciplines, from social sciences, natural sciences, and humanities. ICoSI 2020 received as much as 1005 papers. The paper works submitted in ICoSI 2020 UMY will be published in Atlantis Proceedings, IOP Proceedings, National/International Journals, and ICoSI ISBN-indexed Proceedings.

Nevertheless, ICoSI believes that publication is only the beginning of research dissemination. The publications will enhance the chance of the research known by wider audience, and then used, applied, and incorporated at either system, institutional, or personal level of human lives.





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TRACK ECONOMICS, LAW, EDUCATION, SOCIAL, AND HUMANITIES



The Law Enforcement against a Non-Sharia Compliance Banking Transaction by the Financial Services Authority in Indonesia

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ABSTRACT

The Financial Services Authority (FSA/OJK), as one of the supervisors in the transaction on Islamic Economic Institutions still faces problems in carrying out its duty and function optimally. This research aims to find the legal basis, mechanism, and method of law enforcement for disobedience of sharia compliance in the practice of Islamic financial institutions by FSA in Indonesia. This is a normative empirical research employs statutory and conceptual approach. The results of this study indicate that the legal basis, mechanism, and method of law enforcement for disobedience of sharia compliance in the practice of sharia financial institutions by FSA in Indonesia are based on sharia principles and prudential principles in operating the Sharia Financial Institution (SFI/LKS). The law enforcement mechanism is carried out by the FSA. Referring to Article 5-9 of the FSA Law, the authority of FSA is to ensure of sharia compliance of Islamic banking transaction by Islamic banking Institution.

Keyword: *Financial Services Authority (FSA), Law Enforcement; Sharia Compliance*

1. INTRODUCTION

The Islamic Economic Institutions, especially the Islamic banking industry has been able to show high acceleration growth with an average of 40.2% (2007-2011), while the average of the national banking growth is only 16.7% per year. Therefore, the Islamic banking industry is labeled as the 'fastest-growing industry' (Alamsyah, 2012). This condition can be used as an indicator, and if Islamic banking can run well and healthy, then it will be able to encourage the development of the national economy. Conversely, if Islamic banking experiences a crisis, the national economy will also experience a downturn (collapse) (Huda & Nasution, 2009). These conditions influence Islamic Economic Institutions' growth.

Islamic banking, as one of the Islamic financial institutions, has salient features. Its specialty lies in financial services that are carried out with interest-free transactions and apply sharia principles (Muhammad, 2018). A similar opinion about IFIs is an established and Islamic-based institution where business practices are aligned with Islamic laws and frameworks (Yusoff et al., 2018). In this regard, the Sharia Supervisory Board (SSB/DPS) has a very strategic role in ensuring the sharia compliance of banks in carrying out sharia principles. Besides the SSB, the other supervisory of

Islamic Institutions is the Financial Services Authority (FSA).

However, the problems that exist include uncertainty how to implement law enforcement of the unlawful sharia compliance and implement the sanctions. Moreover, another problem is the uncertainty of SSB's position in the Islamic Economic Institutions. These conditions certainly have implications for the development of Islamic Economic Growth. Besides that, the issue of limited human resources competencies and the lack of facilities from Islamic Economic Institutions are among other crucial problems. The researchers will study on the law enforcement against a non-sharia compliance banking transaction by the FSA in Indonesia. The problems of this research: How are the legal basis, mechanism, and method of law enforcement for disobedience of sharia compliance in the practice of Islamic financial institutions by FSA in Indonesia.

2. LITERATURE REVIEW

2.1. Terms, Definition and Legal Basis of Sharia Banking

The Islamic Financial Institutions. According to Andri Soemitro, financial institutions are every company whose business activities are related to the

financial sector (Soemitro, 2009). Sharia governance refers to a system implemented by sharia principles and controlled by an effective religious council to ensure that the activities of Islamic financial institutions are in accordance with sharia principles (Grassa, 2013). Wardhany and Arshad said that “the development of Islamic finance has given rise to a new trend in the way business and economics are being conducted” (Wardhany & Arshad, 2012). The primary legal basis for operating Islamic banking is the Qur'an and the Hadith (Ahmed et al., 2018). Some Al-Qur'an verses related to Islamic banking include those in Surat Al-Baqarah: 275; Surah Ali Imran: 130, and Surah An-Nisā': 29.

2.2. Meaning and Legal Basis of the Sharia Supervisory Board (SSB/DPS) and Financial Services Authority (FSA/OJK)

Sharia supervision is a method that states whether services or products offered by the institution comply with sharia principles or not (Muda, 2017). Therefore, in the Islamic financial sector, one of the crucial governance issues is about SSB (Musibah & Alfattani, 2014). SSB/DPS is one of the internal governance mechanisms that involves monitoring whether the activities of sharia financial institutions are in accordance with sharia, especially in their implementation and compliance (Waemustafa & Abdullah). Based on DSN Decree Number 3 of 2000, DPS is part of the relevant Islamic financial institutions, and its placement is with the approval of the National Sharia Council (DSN).

Other notions of SSB/DPS are found in Article 1 point 11 of the Bank Indonesia Regulation Number 11/3/PBI/2009 concerning Sharia Commercial Banks and in Article 1 point 12 of the Bank Indonesia Regulation Number 10/11/PBI/2009 concerning Sharia Business Units which state DPS. Article 34 paragraph (1) of the Bank Indonesia Regulation No. 11/3/PBI/2009 stipulates that banks are required to have SSB/DPS domiciled at the bank's head office. Article 9 paragraph (1) PBI No. 10/11/PBI/2009 states that Conventional Commercial Banks that have Sharia Business Units are required to form a SSB/DPS domiciled in the Sharia Business Units office.

Besides SSB/DPS, the other supervision of the implementation of Islamic Economic Institutions is the FSA. FSA/OJK is an independent state agency that has functions and duties in the implementation of an integrated system of regulation and supervision of the financial services industry. FSA/OJK implement the supervision function of the Islamic Institutions based on Law No. 21 of 2011 concerning Financial Services Authority (FSA/OJK) and FSA/OJK Regulation No. 1 of 2013 concerning Consumer Protection in The Financial Services Sector.

In general, there are 3 (three) FSA/OJK tasks, including a. “Regulate and supervise financial service activities, both in the Banking and Non-Banking sectors”, b. “Regulate and supervise financial service transactions in the Capital Market sector”, and c. “Regulate and supervise financial service transactions in the Insurance, Pension Funds, Financing Institutions, and other Financial Institutions sectors”.

2.3. Supervision Concept

Supervision is one of the main functions of management to maintain and control so that the tasks that must be carried out can run properly according to plans and regulations. This is based on the consideration of the Decision of the Supreme Court of the Republic of Indonesia Number KMA/080/SK/VII/2006 letter a. According to Sofiyah, the sharia supervision system must refer to the basic principles of supervision that are part of the teachings of Islam (Sofiyah, 2012). Sri Dewi Anggadani believes that supervision in the Islamic view is carried out to correct the unrighteous, correct the wrong, and justify the right (Sri Dewi Anggadani, 2014). The effectiveness of supervision is based on the theory of legal effectiveness, according to Soekanto (2008).

2.4. The Definition and Regulations of Sharia Compliance

Based on Bank Indonesia Regulation Number 13/2/PBI/2011 concerning the Implementation of the Compliance Function of Commercial Banks, the definition of compliance is the value, behavior and actions that support the creation of compliance with Bank Indonesia regulations and applicable laws and regulations, including the shari'ah principle for shari'ah commercial banks and shari'ah business units (PBI, 2011). Shariah compliance is the compliance of sharia banks to sharia principles. An Islamic bank is a financial institution that operates in accordance with Islamic shari'ah principles, meaning that the bank in its operations follows Islamic shari'ah provisions, especially concerning the procedures for Islamic praying. Demands for Shariah Compliance, when referring to the history of the development of sharia banks, the main reason for the existence of shari'ah banking is “the emergence of awareness of Muslim communities who want to carry out all their financial activities based on the Qur'an and Sunnah”. Junusi said that: “why a legal certainty regarding the fulfillment of shari'ah compliance of all customer fund management activities by Islamic banks is very important in the business transaction of Islamic banks” (Junusi, 2012).

According to Shariah, compliance is a manifestation of the fulfillment of all shari'ah principles in an institution that has characteristics, integrity, and credibility in Islamic banks where the compliance culture is the values, behaviors, and actions that support

the creation of sharia bank compliance with all Bank Indonesia regulations (PBI, 2011). Meanwhile, according to Sutedi, the meaning of operational shari'ah compliance is compliance with the DSN because the DSN Fatwa is an embodiment of shari'ah principles and rules that must be obeyed in shari'ah banking (Sutedi, 2009). Thus, sharia compliance is a form of sharia bank compliance in fulfilling sharia principles in its operations (Wardayanti, 2011).

Sharia compliance regulation begins with rules on banks that carry out their activities in the sharia sector. In accordance with amendments to Law No. 7 of 1992, which became Law No. 10 of 1998 concerning Banking as a start for the operation of Islamic banking in Indonesia. The still weak regulation in the Act, because of the brevity of regulations related to banks that carry out their activities in sharia, the issuance of regulations from Bank Indonesia in the form of Bank Indonesia Regulations (PBI) and Bank Indonesia Circular Letters (SEBI). The issuance of Bank Indonesia Regulation (PBI) No. 7/35/PBI/2005 concerning Amendments to Bank Indonesia Regulation No. 6/24/PBI/2004 concerning Commercial Banks Conducting Business Activities Based on Sharia Principles, as well as PBI No. 8/3/PBI/2006 concerning Change of Business Activities of Conventional Commercial Banks (CCB) to Commercial Banks Conducting Business Activities Based (CBAB) on Sharia Principles and Opening of Bank Offices CBAB on Sharia Principles by CCN. In connection with the previous regulation, the issuance of Law No. 21 of 2008 concerning Islamic Banking, which is more assertive and integrated in regulating Islamic banking in Indonesia. Furthermore, a variety of regulations related to the development of rules along with the progress of the Islamic banking industry (Prabowo & Jamal, 2016).

2.5. The Regulations of Sanctions for Disobedience of Sharia Compliance

Sanctions are a crucial concluding part of the law, and every rule of law that applies in Indonesia. The imposition of punishment is not only available in the form of laws, but can be in the form of other regulations under the law. Inclusion of punishment in this rule of law is a must that must be included in every legal regulation if it is stipulated in the legal coverage of anyone who approves this rule of law will be subject to court, civil and administrative consequences. So, for violators can be sentenced to cumulative. The proposed legal rules cannot be enforced or will not be obeyed if the final section does not include sanctions. There is no point in enforcing the rule of law when it cannot be imposed through agreement and enforcing the rule through procedures. Hadjon said: "therefore regulations of sanctions or unlawful of sharia compliance are regulated in Law No. 21 of 2008 concerning Sharia Banking" (Hadjon, 2007).

2.6. The Definitions of Law Enforcement and Sanction

Satjipto Rahardjo argues (Rahardjo, 2012), "Law enforcement is the concrete implementation of law in people's lives. After making law, a concrete implementation must be carried out in people's daily lives". According to Andi Hamzah (2005), "law enforcement is the supervision and application (or threatening) of the use of administrative, criminal, or civil instruments for structuring the provisions of laws and regulations that generally apply and individually." There are two definitions of law enforcement, including the law enforcement phase, which means repressive law enforcement and the compliance phase, which means preventive. Another opinion regarding the definition of law enforcement was stated by Asshiddiqie (2000), who said that "law enforcement was the process of making efforts to uphold or function of legal norms as a real guideline for behavior in traffic or legal relations in public and state life."

Sanctions, according to Hans Kelsen in Arief Sidharta (Sidharta, 2012), are forced acts or punishments. Law as a social order and a coercive order, then it should be able to do forced actions or actions taken not on the wishes of individuals who are targeted and if there is resistance will be used physical coercion. In the national legal order, sanctions can be interpreted as punishment or as civil executions. The act or inaction has the character of a violation of the legal system makes it a condition for the forced action as punishment.

Furthermore, Hans Kelsen argues that law is a social order so that it will give rise to general legal obligations, namely orders to individuals to behave in specific ways. Hans Kelsen called sanctions legal sanctions. He linked legal sanctions to obligations. According to Hans Kelsen, a legal obligation is related to the concept of sanctions, or potential offenders, or individuals who are able to avoid sanctions by behaving in reverse. Hans Kelsen said that individuals behave according to the legal order, so the forms of sanctions include:

1. Actual compliance with legal norms (fulfillment of legal obligations stipulated in legal norms);
2. Application of legal norms (implementation of sanctions determined by legal norms).

3. METHODS

This research is empirical normative research. The data used are secondary and primary data. Secondary data includes primary legal material consisting of the Qur'an and Hadith, statutory regulations, POJK No. 1 of 2013, DSN MUI Fatwa, and sharia contracts. Secondary legal materials, including books, articles on Islamic banking, SSB/DPS, and DSN. Primary data

was collected through interviews with resource persons from FSA/OJK, KNKS, DSN, SSB/DPS, scholars, academics, and practitioners of syaria banking. Research locations in Indonesia will be Jakarta and Yogyakarta. While supporting data will be obtained through the literature related to the subject matter. The data analysis technique is descriptive-analytical. Descriptive research is research that discusses the collection of information about the status in question, namely research based on what the research is doing. At the same time, the analysis is research to find and organize research data that is conducted by the study to look for meaning. An overview of the concepts of existing decisions on Islamic banking (IKBS) and non-bank (IKNBS) financial industry is described as what is available. After the data has been collected, discuss it with analysis in order to answer the subject (Shofanisa, 2017).

4. RESULT AND DISCUSSION

4.1. *The Form and Implementation of Sharia Compliance in Islamic Financial Institution*

The definition of sharia compliance as explained earlier is based on "Bank Indonesia Regulation No. 13/2/PBI/2011 concerning Implementation of Compliance Function of Commercial Banks". What is meant by compliance are values, behaviors and actions that support the creation of compliance with several regulations that have been issued by Bank Indonesia, OJK and related regulations. In addition to some of these documents also include sharia principles, both for Islamic banks and Islamic business units. Another understanding of sharia compliance is sharia bank compliance with principles Islamic principles.

In its operations, Islamic Banks must abide by and apply the principles of sharia and the principle of prudence. Understanding Islamic Banks according to some literature is a financial institution that operates in accordance with Islamic sharia principles. This means that banks operate in accordance with Islamic sharia provisions, especially those related to procedures in operating economic transactions, especially in sharia banking practices. The demand for Islamic compliance is also based on the historical development of Islamic banks. The main reason for the existence of Islamic banking is the emergence of awareness of the Muslim community who want to do all their financial transaction based on the Qur'an and Sunnah. That is why guarantees regarding the fulfillment of sharia compliance of all customer fund management activities by sharia banks are very important in business activities in sharia banking practices

Sharia compliance is one of the pillars in the development of Islamic financial institutions. This pillar makes Islamic financial institutions different

from conventional banking. Its application is an absolute necessity in every Islamic financial institution. To ensure that sharia compliance continues in its corridor, a Sharia Supervisory Board (SSB/DPS) is formed, which is tasked with providing oversight of the mechanism of sharia financial institutions. The existence of this SSB is based on Law No. 21 of 2008 Article 32 concerning Sharia Banking and Law No. 40 of 2007 Article 109. The strength of the law reinforces the SSB/DPS strategic position to ensure compliance with Islamic principles in financial institutions sharia.

Shariah compliance as explained above must be an understanding for every sharia bank manager as well as customers and the public. Compliance with sharia principles and prudential principles is an important part of Islamic banking operations. The understanding of sharia principles can be found in Article 1 Number 12 of Law Number 21 of 2008 concerning Sharia Banking. Based on that regulation, sharia principles are Islamic legal principles in banking transactions based on fatwas issued by institutions that have the authority to determine fatwas in the sharia sector. Another understanding of Sharia Principles is explained by Gemala Dewi, who states that "Sharia Principles are rules of agreement based on Islamic Law between banks and other parties to save funds/or finance business activities, or other activities that are declared in accordance with Sharia, including financing based on results (mudharabah)..."(Dewi, 2006). In sharia banking practices, besides basing on the principles of sharia, it is also based on the precautionary principle.

The precautionary principle is based on, Qur'an 5: 49, and the Hadith of the History of Ath Thabrani, which means as follows: "And you must decide the problem between them (according to what God revealed and do not obey their wishes. And beware towards them so that they do not turn you away from part of what Allah has revealed to you. "(Qur'an 5: 49)." Attention comes from God, but careless attitude comes from Satan "(HR. Ath Thabrani). According to Gemala Dewi, the principle of prudence This must be done by banks, not only because they are connected with obligations so that banks do not jeopardize the interests of customers who entrust their funds to banks and the public (through bank loans), but are also closely related to the monetary system that concerns the interests of all members community, (not only the eyes of deposit customers), (Dewi, 2006).

Another opinion was explained by Sutan Remy Syahdeini who stated that bank health guidelines or prudential standards as explained below must get the attention of every bank, both banks that only carry out activities based on sharia principles (sharia banks) only and conventional banks that have Islamic windows (has a special Islamic branch). Disobedience of these signs are threatened with sanctions, not only in the form of administrative sanctions that may be imposed by Bank



Indonesia on its banks or on their managers and owners, but is also threatened with imprisonment and fines and civil sanctions for relevant Islamic bank administrators (Sutan Remi Syahdeini, 1999).

The application of the good faith principle must also pay attention to the principle of objective good intentions, which means fair and equitable. Ridwan Khairandy believes that the rules contained in the contract are formulated by free and rational individuals, so the rules are not only rational, but must also be in accordance. The theory of justice by John Rawls focuses his attention on how to distribute rights and obligations equally in society, so that everyone has the opportunity to take advantage of it and truly carry the same burden. To ensure proper distribution and encourage social cooperation, it is important that the principle of justice first serves as a guide must be an appropriate agreement (Khairandy, 2004). In solving sharia banking, besides having to pay attention to sharia principles and the precautionary principle as explained above, sharia banking must function as an agent of trust. Irsyad Lubis explained that trust agents are "bank activities as financial intermediaries carry out their functions based on the trust received by banks from public trust given in the form of a mandate for banks to manage and secure funds held by the public. In banks. The function of banks as Trust Agents is of course is inseparable from the principle of mutual benefit for both parties "(Lubis, 2010).

4.2. The Implementation of Sanctions for Islamic Financial Institutions by FSA/OJK

In connection with the implementation of sanctions for Islamic financial institutions that do not comply with the principles of sharia and the prudential principle is based on Articles 56 - 58 of Law No. 21 of 2008. The authority to provide administrative sanctions referred to in Article 56 and 57 of Law No. 21 of 2008 is at Financial Services Authority (FSA/OJK). The content of Article 56 of Law No. 21 of 2008 is "Bank Indonesia imposes administrative sanctions on Sharia Banks or Sharia Business Unit (UUS), members of the board of commissioners, members of the Sharia Supervisory Board, directors, and/or employees of Sharia Banks or Conventional Commercial Banks that have UUS, which obstruct and/or do not implement Sharia Principles in carrying out their business or duties. or does not fulfill its obligations as specified in this Law".

Article 57 Paragraph (1) of Law No. 21 of 2008 is "Bank Indonesia imposes administrative sanctions on Sharia Banks or UUSs, members of the board of commissioners, members of the Sharia Supervisory Board, directors, and/or employees of Sharia Banks or Conventional Commercial Banks that have UUS that violate Article 41 and Article 44". Article 57 Paragraph (2) of Law No. 21 of 2008 are "Imposing administrative

sanctions as referred to in Paragraph (1) does not reduce criminal provisions as a result of breaches of bank secrecy.

4.3. Bank. This is based on Article 9 of Law No. 21 of 2011 concerning the FSA.

In the previous description, it has been explained that sanctions, according to Hans Kelsen, are forced action or punishment. Law as a social order and a coercive order, then it should be able to do forced actions or actions taken not on the wishes of individuals who are targeted and if there is resistance will be used physical coercion. In the national legal order, sanctions can be interpreted as punishment or as civil executions. The act or inaction, has the character of a obedient of the legal system makes it a condition for the forced action as punishment.

Supervision is one of the main functions of management to maintain and control so that the tasks that must be carried out can run well in accordance with plans and regulations. This is based on consideration of the Decision of the Supreme Court of the Republic of Indonesia Number KMA/080/SK/VII/ 2006 letter a. According to Sofiyah, the sharia supervision system must refer to the basic principles of supervision that are part of the teachings of Islam (Sofiyah, 2012). Sri Dewi Anggadini believes that supervision in the view of Islam is carried out to correct mistakes, correct mistakes, and justify rights (Anggadini, 2014). The effectiveness of supervision is based on the theory of legal effectiveness, according to Soekanto (2008). In terms of sharia principles and the precautionary principle has been used as a basis in making sharia contracts in sharia banking practices. However, this does not fully guarantee the implementation of banking practices as expected. Therefore, in its implementation, Islamic banking still needs supervision so that the application of sharia principles and prudential principles can run well. Based on Law No. 21 of 2011 the supervisory function in the realm of microeconomics lies with the FSA. The authority of the FSA in carrying out supervision must also be accompanied by the authority to enforce sanctions that have been regulated in several regulations mentioned above.

Furthermore, Hans Kelsen argues that law is a social order so that it will give rise to general legal obligations, namely orders to individuals to behave in specific ways. Hans Kelsen called sanctions legal sanctions. He linked legal sanctions to obligations. According to Hans Kelsen, a legal obligation is related to the concept of sanctions, or potential offenders, or individuals who are able to avoid sanctions by behaving in reverse. Hans Kelsen said that individuals behave not in accordance with the legal order, so the forms of sanctions include:



1. Actual compliance with legal norms (fulfillment of legal obligations stipulated in legal norms);
2. Application of legal norms (implementation of sanctions determined by legal norms).

4.4. The Law Enforcement for Disobedience of Sharia Compliance in Islamic Financial Institutions in Indonesia

Law enforcement, as stated by Jimly Asshiddiqie, “is the process of making efforts for the establishment or functioning of legal norms as a real guide to behavior in traffic or legal relations in the life of society and the state”. Especially in the legal relationship between the customer and the financial service provider, supervision of compliance with sharia principles and the precautionary principle is the authority of the FSA. This is based on Articles 6 - 9 of the FSA Law. Related to the authority to set administrative sanctions that can be carried out by the FSA is based on Article 9 letter g of the FSA Law. The contents of the article are: FSA establishes administrative sanctions against those who disobey the laws and regulations in the financial services sector.

In the event that there is a disobedience of sharia principles and the good faith principle for financial service actors, administrative sanctions are based on Article 9 letter h of the FSA Law, namely: FSA grants and/or revokes: “business license; permission of individuals; effectiveness of the registration statement; registered certificate; approval to conduct business activities; endorsement; approval or stipulation of dissolution; and other stipulations”. As referred to in the provision in the financial services sector.

5. CONCLUSION

The result of this study indicates that the legal basis, mechanism, and method of law enforcement for violations of sharia compliance in the practice of sharia financial institutions by financial service authorities in Indonesia are based on sharia principles and prudential principles in operating the Sharia Financial Institution (SFI/LKS). The law enforcement mechanism is carried out by the FSA. The authority of the FSA is based on Article 5-9 of the FSA Law. The implementation of sharia compliance is done to provide consumer protection and maintain market stability and economic stability in Indonesia. The application of sanctions for disobedience of sharia compliance in Islamic financial institutions by the FSA in Indonesia is carried out including “revoking business licenses”; “individual license”; “effective registration statement”; “registered certificate”; “approval to conduct business activities”; “endorsement”; “approval or conditions for dissolution”; and “other provisions, as referred to in the law in the financial services sector”. The results of this

research will provide benefits for LKS as well as customers and related parties to understand the existence of administrative sanctions. It is expected that law enforcement for disobedience of sharia compliance of this Muslim compliance can maintain and increase economic stability in Indonesia. Besides that, the parties and the community better understand the application of Islamic economics through LKS to realize the purpose of life in kaffah, falah, and taqwa.

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