

## Challenges Faced By Shariah Supervisory Board Members: A Case Study in One Islamic Bank

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### *Abstract*

*The purpose of this study was to explore the challenges faced by members of the Shariah Supervisory Board and how they overcame the challenges in carrying out their functions in Islamic banks. This research was a case study and three members of the Shariah Supervisory Board of one of the regional Islamic banks in South Sumatra were selected as research participants by using total sampling. This research was conducted qualitatively using case study. This research used semi-structured interviews as a data collection method. Then, the data were analyzed using the interactive analysis model suggested by Miles and Huberman. The interview results revealed the challenges faced by the Shariah Supervisory Board members were related to competence, independence, professionalism, integrity and technology. The results also revealed how members of the Shariah Supervisory Board overcame these challenges.*

**Keywords:** *Challenges, Islamic bank, Shariah Supervisory Board*

### **A. INTRODUCTION**

In the world of banking nowadays, in addition to conventional banks, there are also shariah banks. Islamic Rural Bank was the first Islamic bank in the world established in 1963 in the village of Mit Ghamr Egypt (Antonio, 2001). Due to politics condition in Egypt, the bank shifted into a conventional bank and finally became an Islamic bank in 1971 (Anshori, 2018). The most important mechanism designed in Islamic banking at the beginning was to avoid usury because it is forbidden in Islamic teachings (Algaoud & Lewis 2005; Janahi & Al Mubarak 2017; Sjahdeini 1999). The prohibition of usury can be found in the Al Quran Surah Al Baqarah verse 275:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ  
مِثْلُ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۚ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ  
فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۗ هُمْ فِيهَا خَالِدُونَ

Translated meaning : “Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allāh has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allāh. But whoever returns [to dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.”

In addition to avoiding usury practices, the objective of Islamic banking is to improve economic development and the social level of society (Metawa & Almosawi 1998). More broadly, Islamic banking involves ethics and morals that raise the concept of economic equality and justice to differentiate it from conventional banking (Khan 2010). In addition, Islamic banking is expected to overcome the dependence of Muslims on conventional banks. Thus, it is expected that Islamic banks can play a role in improving the welfare of society.

There are two important components related to Islamic banking, namely shariah compliance and corporate governance (CG) or shariah governance (SG). Shariah compliance in Islamic banking is related to products, services and bank operational systems. While CG or SG is related to the application of the principles of good corporate governance (CGC). Both of these are the heart of Islamic banking which must be implemented in Islamic banks.

Shariah compliance and GCG greatly affect the performance of Islamic banks. Serious implementation of shariah compliance will affect service quality and customer satisfaction in Islamic banking (Ahmed et al. 2022). The implementation of GCG related to compliance with shariah principles encourages customer satisfaction which has an impact on the growth of Islamic banks (Amin et al. 2013; Sayani 2015). In order for the implementation and implementation of shariah compliance and GCG to run well, internal and external supervision is needed.

Supervision related to the implementation of shariah compliance and GCG in Islamic banks is carried out by the supervisory board. The supervisory board consists of people who are considered capable and able to carry out the supervisory process in Islamic banks. Therefore, the supervisory board must have religious knowledge related to Islamic law and finance, especially banking. The supervisory board in Islamic banks is called the Shariah Supervisory Board (SSB).

The SSB is an integral part of an Islamic bank that is independent. The purpose of SSB is as an institution that oversees the activities of the bank. The existence of SSB in Islamic banking is to ensure that all activities of Islamic banks are in accordance with shariah compliance where the rules are binding for banks (Alnasser & Muhammed 2012). The existence of SSB is so important that the international organization Islamic Financial Service Board (IFSB) also regulates the existence of SSB related to GCG (IFSB 2006). In addition, the existence of SSB is a form of good GCG in an Islamic banking company (Al-Nasser Mohammed & Muhammed 2017).

The duties, powers, and responsibilities of the SSB are related to providing direction, review, and supervision of Islamic bank operations to comply with shariah rules and principles (Musibah & Alfattani 2014). The duties and responsibilities carried out by the SSB are very important. In carrying out this, principles such as fair, responsible and professional must be owned by SSB. In carrying out its functions in Islamic banks, philosophies such as fairness, responsibility, independence, transparency, accountability, morality and commitment are important to be applied by SSB. It aims to make the bank a professional institution in running its business.

In carrying out its duties and responsibilities, there are of course challenges and obstacles faced by the SSB. The challenges faced by SSB in supervising bank activities should not cause SSB to be weak or even negligent in carrying out its duties and responsibilities. Therefore, it takes people who are appropriate and feasible to become SSB. So that SSB can carry out its duties and responsibilities as well as possible.

The challenge faced by SSB members is the inadequate competence they have. Competencies related to educational background and expertise are important factors for them in carrying out their duties and responsibilities (Kachkar & Yilmaz 2022; Muda 2017; Mukhibad & Setiawan 2022). In addition, competence is also related to the knowledge possessed by them outside the disciplines they master (Ajili and Bouri 2018). Highly educated SSB members are expected to solve shariah and economic problems (Nomran & Haron 2019; Peni 2018; Rahman & Bukair 2013; Safiullah & Shamsuddin 2018). The education in question is related to the level of education that they have (Nomran et al 2018). No less important is how SSB members with a shariah education background play a role in increasing shariah compliance in the Islamic bank (Mukhibad et al. 2022).

The independence factor is also a challenge for SSB members (Mohammed & Muhammed 2017; Hamza 2013). They are elected by the board of directors and appointed by shareholders, therefore the independence of SSB members may lead to conflicts of interest (Panda & Leepsa 2017). Even though it may lead to conflicts of interest, they still have to be independent because they are involved in the bank's publication reports which are important information for customers and the public (Alam & Miah 2021). The independence of SSB members is also related to the shariah opinion given by SSB members regarding bank operations (Khalid & Sarea 2021). The independence of SSB is related to the reporting submitted by SSB members to the Indonesian Financial Services Authority (OJK) (Amani & Muhammad 2021).

Another challenge faced by SSB members is related to professionalism in carrying out their duties and responsibilities (Abdullah et al 2013; Mansoor et al. 2020; Muda 2017; Rahman and Bukair 2013). There are many things related to the professionalism of SSB members, among others, SSB members who have activities elsewhere can cause them to not have enough time at the bank to carry

out their functions (Ullah 2014). This, of course, causes their presence at the bank to be reduced (Triasari and de Zwart 2021). Whereas it is known that the presence of SSB members in Islamic banks on a regular basis both to carry out supervisory functions and to conduct monthly meetings can improve the performance of Islamic banks (Baklouti 2022). The increased performance of Islamic banks through the role of the SSB is to provide advice to the board of directors regarding bank operations (Mollah and Zaman 2015). In addition, they must be able to maintain bank confidentiality related to its professionalism in work (Andriana and Muhamad 2015).

The next challenge faced by SSB members is the integrity factor. Their integrity is related to their duty to review the transparency of Islamic banks in making reports (Masruki et al 2018). The transparency implemented by Islamic banks is an application of GCG in which there are shariah values in which they put interest in their supervisory function (Aslam and Haron 2020; Khan and Zahid 2020). SSB members integrity is also related to their reputation both personally and financially (Peni 2018; Safiullah & Shamsuddin 2018). On a personal level, they have never broken the law or dealt with the law. In the financial field, SSB members are also people who have never experienced or are experiencing financial problems both personally and in financial institutions.

Another factor that challenges them is the development of technology related to digital transaction transformation (Dz. 2018). This digital transaction transformation has also become a demand for business development. Currently, people have high expectations, which is to obtain financial services that are fast, efficient, safe and can be used wherever they are. The members must be able to develop knowledge and understanding related to technology and information systems in order to avoid violations of the principles of GCG and SG. Banks are very hopeful about the capabilities possessed by them (Alam et al. 2021). This is because regulations related to the development of the industry, both regulations and SSB, must be able to provide shariah advice and opinions regarding these technological developments (Muhammad & Lanaula 2019).

In the Indonesian context, all business entities that conduct their business based on shariah principles are required to have SSB based on Law Number 40 of 2007. Referring to the law, the Islamic banking business is included in these rules. In addition, the existence of SSB in Islamic banks is also regulated in Law Number 21 of 2008 concerning Islamic Banking. In the Islamic banking law, it is stated that SSB must be formed in Shariah Commercial Banks (SCB) and Conventional Banks that have Shariah Business Units (SBU).

In addition to the laws related to the duties and responsibilities of the SSB in Islamic banking, it also refers to the Bank Indonesia Regulation (PBI) issued by Bank Indonesia (BI). As it is known, BI is an institution authorized by the state to act as a government agency that functions to supervise Conventional Financial Institutions (LKK) and Sharia Financial Institutions (LKS) based on PBI

Number 11/33/PBI/2009. Since the establishment of OJK, Bank Indonesia's duties related to regulating and supervising financial services have shifted to OJK. Based on the regulations on the OJK, namely Law Number 21 of 2011 that the laws and regulations related to financial services issued previously remain in effect as long as no new rules have been issued and do not conflict with the law. Likewise with PBI, it remains in effect until there is a new rule and as long as it does not conflict with OJK rules.

SSB members are appointed by the General Meeting of Shareholders (RUPS) with prior recommendation from the Indonesian Ulema Council (MUI). Based on applicable regulations, in carrying out its duties and functions, they must be in line with GCG. The position of the SSB members is subordinate to the RUPS and equal to the Board of Commissioners. The term of office set for the SSB members is equal to the term of office of the Board of Directors and the Board of Commissioners.

Seen from this background, the existence of the SSB is very important in Islamic banks. This encouraged the researchers to conduct research related to this matter. The researchers conducted this research in one of the Islamic banks in South Sumatra. Based on preliminary interview with one of the SSB members, it is known that the current challenge of SSB members is the development of technology related to financial technology transformation. The bank has conveyed to them about the technology development plan.

This research was necessary because many previous studies on the challenges faced by SSB members used quantitative methods. In addition, research using qualitative methods only discussed the challenges faced by them one by one. There has been no research that utilized the challenges of competence, independence, professionalism and integrity and technology as the components studied.

## **B. RESEARCH METHODS**

This research used qualitative research method in the form of case study. Qualitative research is research that produces descriptive data in the form of speech or writing and observed behavior (Moleong 2017). Qualitative research uses a natural background that aims to interpret the phenomena that occur and usually utilizes interview methods, observation, and document utilization (Sidiq and Choiri 2019). In essence, qualitative research is descriptive by collecting soft data (Yusuf 2016). According to Digdowiseiso (2017), Case studies are research with problem characteristics related to the background and current conditions of the subjects studied, as well as individuals, groups, institutions or communities.

The participants in this study were three SSB members from one of the Islamic banks in South Sumatra who were selected purposively using total sampling. The Islamic bank studied is an SBU of a conventional bank in South Sumatra. In this study, interviews were conducted by conducting group

discussions with the SSB members so that the information obtained was more complete. The interview was conducted at the head office of the Islamic bank located in Palembang. Semi-structured interview was the only method of data collection. The data collected in this research were primary data sourced from interviews with SSB members. The interview data were then analyzed using the interactive analysis model suggested by Miles and Huberman (1994). After the data were collected, data reduction was then carried out. The data reduction process discarded unnecessary data that were not related to the research problem. Then, the data were presented and finally the data were concluded.

## C. RESULTS AND DISCUSSION

The Islamic bank has three people acting as SSB consisting of the chairman of the SSB and two SSB members, where the number of SSB members was in accordance with the applicable provisions which have a minimum of two people and a maximum of three people based on PBI Number 11/10/PBI/2009 concerning Shariah Business Units.

### 1. Results

#### a. Competence

It was conveyed by the SSB members that competence could be a challenge in carrying out its functions. The challenge was because none of them mastered religious knowledge, banking and finance or accounting at the same time. As stated by SSBs with a background in Islamic religious knowledge that they were not experts in finance or accounting. For finance, especially accounting, they have SSB expert in that field. As stated by SSB 2 *“I learned about the general knowledge related to banking by myself. However, for expert in finance, especially accounting, we have SSB member who is competent and has the ability regarding this matter.”* The similar opinion was also by SSB 1 *“We complement each other in carrying out tasks, if there are matters related to shariah and fiqh then there is SSB members who have competence related to this matter while for accounting matters there is a SSB member who is good at it.”*

They said that they overcame their limited competencies by entrusting what they were not good at to others who were. They felt very comfortable in this way because each of them has different expertise. SSB 3 said *“In the substance of the financing contract, my friends are very expert in the field of shariah both fiqh and tafsir. But if it is related to the calculations in the contract until the end of the contract and the reports presented, the SSB who is an accounting expert who ensures that it is in accordance with shariah rules.”*

Despite entrusting something to the experts, in giving opinions, they went through a discussion process. Sometimes there were quite long discussions conducted because there were differences between them. Even so, this is not a problem because in examining a problem, the basis

is related to whether or not it is beneficial and what the implications are. It was said by SSB 1 *“Another important thing is that the decisions are collective so we must reach consensus in deciding something.”*

b. Independence

In carrying out their functions, the challenge of SSB independence was because they were elected by the board of directors who were then appointed through the RUPS. SSB said that the principle of independence must be upheld because it was related to honesty and trustworthiness in the job they did. Although they were appointed by shareholders through RUPS and got payment from the bank, they should still work independently. SSB 2 said *“In carrying out the supervisory function, we must work with trust. If it is not in accordance with shariah principles, it must be conveyed to the board of directors that there is a violation of shariah compliance.”*

SSB 1 said *“Providing sharia opinion must be in accordance with the procedure.”* SSB 2 also added *“Based on experience, there are some activities related to the bank's operations where SSB cannot provide shariah opinion. We then asked the bank to postpone the activity because there was no rule.”* SSB 3 said *“The independence of SSB is the courage to say no when finding things that are not in accordance with shariah principles so we must have the courage to do so.”*

To overcome the challenges of independence, the most important thing that becomes the basis of SSB in carrying out its functions, especially in providing sharia opinion, is to adhere to the rules of the National Sharia Council of the Indonesian Ulema Council (DSN MUI). This was said by SSB 2 *“Explicitly, we carry out the duties and responsibilities based on the DSN rule, if there is no rule then this must be conveyed. If shariah opinion can be given, we will provide it. But if it must be postponed because there is no rule from the DSN then it must be postponed.”*

c. Professionalism

The SSB members conveyed that the professionalism was related to the reports they submitted. In submitting reports related to the supervisory function, they submitted the report truthfully. As SSB 2 said *“The violations found could still be tolerated. Even so, the findings are still exposed with the bank and then the bank was given time to fix and complete the things that we noted.”* The same thing was said by SSB 3 *“Until now no serious violations have been found. All findings were related to administrative completeness. Even so, we still noted this and the note was not removed from the record at the exit meeting.”*

The important thing that the SSB members should do is to always position themselves that they work as supervisors who have duties and responsibilities related to shariah principles. Their responsibility is not only to themselves, but also to the bank and the customers who choose the bank because they want to be free from usury. As said by SSB 3 *“People can choose between Islamic and*

*conventional banks. The difference between margins in Islamic banks and interest in conventional banks is very clear. So that customers who have chosen Islamic bank do not switch to conventional banks.”*

d. Integrity

SSB members work collectively to carry out its functions by upholding integrity. They never take advantage of their position to gain personal or group benefits. As SSB 1 said *“All of us have extensive relationships because of our background and work experience so many people come to see us to ask for help, but we certainly do not want our good names to be damaged because of bad things.”* They said that if the assistance was related to communication to the bank, it could still be done by them as long as it did not take advantage of their position. As said by SSB 1 *“For example if there are family and acquaintances who ask for help to move their position of working in the bank from one area to another for family reasons, we will help to convey this to the bank but the decision is still left to the directors without any coercion.”*

Regarding integrity, they also did not want to take advantage of their position regarding the facilities they could receive from the bank. As mentioned by SSB 2 *“We could have proposed an operational car facility by approaching the board of directors but SSB did not do this because it was related to integrity.”* They felt burdened if they applied for an operational vehicle because they were afraid that there would be an unfavorable perception of them, especially with their background who are ulema, even though they deserved it.

To overcome the integrity factor so that it does not become an obstacle is that what they do does not violate the rules and must comply with applicable regulations. Assistance provided by them to friends and acquaintances was non-binding. In addition, another important thing is that they do not wish to clash with the board of directors, especially since the synergy between them and the board of directors, leaders and employees of the Islamic bank has been going well. As said by SSB 3 *“Our synergy with the bank is very good. It is proven by our current work pattern which can be considered as excellent.”* Added by SSB 2 *“We feel very appreciated by the board of directors, especially the President Director because of the good synergy.”*

e. Technology

Understanding the development of digital financial transactions became a challenge in the supervision process related to bank products, services and operations. They said that technology continued to evolve. Technological developments became a requirement so that businesses could continue to grow. SSB 2 mentioned *“For example, nowadays everything can be done online. Now if I want to buy a book, I just need to go online. It was not like that in the past.”*

Regarding technology, the bank has conveyed to them that it wanted to develop technology

so that services to customers became better and the company's business was more developed. Responding to this, they also believed that it could be implemented by the bank. As SSB 3 said *“We all agree that it can be done because it is undeniable that technology has become a necessity. Technology cannot be blamed in shariah principles because technology serves as a tool as long as it is able to accommodate needs better and has a good security system.”* The statement was also added by SSB 1 *“If the bank does not catch up with technology, the service to customers will also be in effect. I am afraid the bank will lose the customers if this happens.”* SSB 3 also mentioned *“Currently the bank still uses an average calculation related to the margin received by the bank. Although it is not a problem, it would be better if the bank creates a virtual account based on each customer so that they bank can see the profit sharing obtained from each customer.”*

Facing these challenges, what SSB members did was to continue to develop their knowledge related to technology. It is intended so that they can provide shariah opinion related to the implementation of bank operations, especially the implementation of financing contracts. They suggested that the development of technology could adopt technological instruments from conventional bank that oversees Islamic banks and then modify them to be in accordance with shariah compliance. This act can be done so that the cost of technology developed does not burden the Islamic bank too much.

## **2. Discussion**

### **a. Competence**

From several existing studies, it can be seen that the competence possessed by SSB members are not only related to their scientific background, but also related to their experience, especially in the field of banking, finance and their level of education. Based on the rules, the scientific background of the SSB member is at least related to shariah knowledge, banking plus finance. Currently, the SSB members at the Islamic bank under study have religious and economic scientific backgrounds with diverse expertise. The scholarly backgrounds of the three SSB members are ushuluddin with a specialization in hadith interpretation, shariah with a specialization in ushul fiqh and economics with a specialization in accounting.

The diverse expertise of the SSB members affects their performance in carrying out the SG supervisory function at the Islamic bank. This condition is in line with the results of research by Kachkar and Yilmaz (2022) and Mukhibad et al (2022). The positive effect of SSB performance has an impact on the financial performance of The Islamic bank which is classified as good due to the level of bank compliance with GCG. These conditions are also similar with the results of research conducted Baklouti (2020) and Khan and Zahid (2020). The effect of SSB members educational background at the Islamic bank on bank performance through GCG implementation is in line with

the results of research by Ajili and Bouri (2018).

The performance of SSB members in the bank under study was also supported by the level of education they possessed where all SSB members held doctorate degrees and two members are professors in university. Their performance had an impact on bank performance because the advice given by them both related to shariah compliance and related to bank operations was responded well by the bank. This condition is the same as the results of research by Nomran et al (2018), Peni (2018) and Safiullah and Shamsuddin (2018) which state that the level of SSB members education affects the performance of Islamic banks through the suggestions they convey to the board of directors.

In contrast to the research results of Triasari and Zwart (2021) which state that the selection of SSB members is only based on popularity not because of their knowledge and experience, SSB members at the Islamic bank under study showed that their popularity can be justified by their good performance. Still according to Triasari and Zwart (2021) that SSB members usually lack focus due to activities elsewhere and that causes their lack of presence at the bank. This condition is different from the fact of SSB members in the Islamic bank under study where they were regularly present at the bank even though they are also active in other activities because of their profession as academics and active in community and professional organisations.

Their regular attendance and supported by an educational background had an impact on their performance because it could add knowledge beyond their field of expertise. This was because the meetings they held regularly were also used to conduct discussions and share experiences. This is in line with the results of research by Mukhibad and Setiawan (2022) which state that experience, attendance level, and educational background can increase their knowledge.

#### b. Independence

The Shariah Supervisory Board members in BSBS originates from from party independent and them No own connection family until degrees second according to the straight line and to side . Neither does Shariah Supervisory Board members own linkages regarding finance with all holder share director of UUS, and the board of commissioners . Circumstances and conditions the Of course just make Shariah Supervisory Board members not feel burdened in run duties and responsibilities he replied.

The independence of Shariah Supervisory Board members in BSBS also has an effect positive to risk bank operations . it \_ because shariah opinion made by Shariah Supervisory Board members is firm and binding so the banks followed suit shariah opinion made by Shariah Supervisory Board members. In make shariah opinion based on Shariah Supervisory Board members to the DSN MUI and SG or CG fatwas. Condition This The same with results study Elamer et al., (2020) where Shariah

Supervisory Board members independence and CG implementation have an effect to performance risk shariah bank operations and the effectiveness of shariah compliance because banks comply to opinion made by the Shariah Supervisory Board members.

The SSB members in the Islamic bank under study were independent and they were not related to the second degree in a straight line and sideways. They also had no financial relationship with all shareholders of the SBU director, and the board of commissioners. These circumstances and conditions certainly made them not feel burdened in carrying out its duties and responsibilities.

Their independence also positively influenced the bank's operational risk. This is because the shariah opinion made was firm and binding so that the bank followed the shariah opinion made. In making shariah opinion, they were guided by the rules of DSN MUI, SG, and CG. This condition is the same as the results of research by Elamer et al., (2020) where SSB independence and CG implementation affect the operational risk performance of Islamic banks and the effectiveness of shariah compliance because banks obey the opinions made by the SSB.

Although elected by the board of directors and appointed through the RUPS and also receive remuneration which was quite satisfying, it did not affect their independence. It is proven that until now they could carry out everything with trust, honesty and full responsibility. This condition is supported by the results of research conducted by Amani and Muhammad (2021) and Alam and Miah (2021) which stated that SSB members must work independently even though they are elected by the board of directors. The independence of the SSB at the Islamic bank under study was different from the condition of the SSB stated by Kurrohman (2020) in his research results which states that the SSB is not independent in acting because it is elected by the board of directors so that the maqasid shariah objectives cannot be achieved.

Related to concurrent positions by the SSB chairman at the Islamic bank under study which had a positive impact on their performance. This was evidenced by the reports made and submitted to OJK in accordance with the conditions and facts that exist at The Islamic bank. This can dismiss issues related to concurrent positions by SSB in Islamic banks in Indonesia as stated by Amani and Muhammad (2021).

In addition, SSB is also involved in publication reports made by Islamic banks where SSB is represented by the head of SSB signing the report. Before it was signed, SSB was required to conduct a review regarding the SG contained in the report. If it was deemed appropriate, then only the chairman of the SSB signed the report. This condition supports the results of research conducted by Hamza (2013).

The publication report made by SSB members could be seen and read by all parties, both stakeholders and shareholders so that they were considered to be in accordance with agency theory

according to Mohammed and Muhammed (2017) from an Islamic perspective because it conveys the actual conditions. Even so, conflicts can still arise between the SSB members and the board of directors if the board of directors acts otherwise, namely not complying with shariah compliance and shariah opinions made by the SSB. This condition should not occur in Islamic banks according to Panda and Leepsa (2017) in their research.

c. Professionalism

In carrying out their duties and responsibilities, their professionalism is not only related to competence, but also being able to act objectively and not being influenced by any party. In addition, they had a strong commitment to the development of Islamic banks, where they requested that the Islamic bank under study do more socializing to the public so that people, especially in the provinces of South Sumatra and Bangka Belitung, are more familiar with Islamic banks. They hoped that through socializing, the community could get much more information regarding the bank. The professionalism is in line with what is mandated in Bank Indonesia Regulation Number 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance.

Their professionalism was also related to the reports they submitted to OJK where the reports were made based on actual conditions related to operations in the bank. The report was about the practice of shariah compliance and the implementation of GCG in the Islamic bank under study. The ability of an SSB who has expertise and experience related to audit and finance is very useful for other SSB members who do not master audit and finance, conversely the ability of other SSB members who master shariah, fiqh and hadith knowledge is very helpful for another SSB member. The professionalism of the SSB in accordance with the applicable rules and regulations is in line with the results of research conducted by Mansoor et al., (2020), Muda (2017), Abdullah et al (2013) and Rahman and Bukair (2013). This condition dismisses the issues and challenges of professionalism presented by Andriana and Muhamad (2015) in their research.

They could maintain their professionalism at the Islamic bank under study. This could be seen by the level of attendance at the frequency of meetings they held during the year. This is in line with the results of research conducted by Baklouti (2020). In addition, the presence of SSB in the office was not only to conduct supervision and meetings but also to have a discussion with the board of directors if needed. So that the role of SSB can run as stated by Mollah and Zaman (2015). SSB members that only attend monthly meetings or even less than twelve times a year can contribute to weak supervision by the SSB. This condition is described by Ullah (2014) on the existence of SSB in Islamic banks.

d. Integrity

The integrity at the Islamic bank under study was related to their morals and commitment to carry out their duties and responsibilities in accordance with the provisions of the applicable laws and regulations. As it is known that they have quite extensive relationships and networks. Sometimes, there were people they are acquainted with who came to ask for help related to their position and this was admitted by them. The assistance that they provided is limited to information assistance to the board of directors and other bank officials. This action was done if the information was not confidential.

Their integrity was also related to reviewing reports related to the implementation of SG made by the bank. They ensured that the transparency aspect had been fulfilled in accordance with the applicable rules. The transparency of reports made by the bank was very necessary because it reflected openness in disclosing material and relevant information and openness in the decision-making process. This condition is the same as the results of research by Masruki et al (2018). Transparency carried out by the Islamic banks can foster a culture of transparency and positive openness so that the integrity of SSB in supervising the implementation of GCG is needed as stated by Aslam and Haron (2022).

Their integrity was proven by their reputation regarding personal and financial matters. They personally have never been involved and committed a violation of the law. In addition, in the financial sector they have never had problems such as including people who are blacklisted or had bad credit problems in the financial services sector. This condition supports the results of research conducted by Safiullah and Shamsuddin (2018) and Peni (2018).

#### e. Technology

The technology used by the Islamic bank under study was supervised by the Technology and Information Systems Division. This division is under the Director of Operations and concurrently the Director of the SBU under study. Functionally, the Technology and Information Systems Division supervises the conventional bank which includes the business unit, the Islamic bank under study. Overall, the technology and information systems used by the Islamic bank was adequate. However, if the bank does not develop technology, it is certain that the current technology and information systems will be left behind by other Islamic banks which will have an impact on the decline in bank performance.

The Islamic bank intended to conduct technology development related to business development and has been submitted to SSB members. Facing this situation, there were challenges faced by SSB due to the limitations of the rules related to the existing rules. Therefore, they must be able to develop knowledge and understanding related to technology and information systems so as

not to violate the principles of CGC and SG. This is the same as stated by Muhammad and Lanaula (2019) in their research that the challenges of the financial industry are due to the limitations of existing regulations.

In addition, the world of Islamic banking is also slowly but surely implementing a digital system in its operations. QRIS can be taken as an example on this matter. QRIS is used by banks in Indonesia, both conventional and Islamic. The Islamic bank under study continued to make digital updates through technology development. This technology development is also a mandate of the Financial Services Authority Regulation Number 76/POJK.07/2016 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and / or the Community. This is a challenge for SSB members regarding financial literacy and inclusion in Islamic banks. It is intended so that there were no violations related to sharia values due to the development of this technology. This condition supports the results of research conducted by Dz (2018).

#### **D. CONCLUSION**

The challenge faced by SSB members related to competence was the limited knowledge of SSB who only master the field according to their scientific background. The challenge faced by SSB The Islamic bank related to independence was that they were chosen by the board of directors and appointed by shareholders through the RUPS and got remuneration from the bank. To overcome these challenges, two things became their principles in carrying out their duties and responsibilities. The challenges faced related to professionalism were objective, cannot be influenced by any party and were committed to the effort to develop Islamic banks. To overcome these challenges, the important thing that they did was to hold discussions between them so that they could remind each other. The challenge faced related to integrity was collusion and nepotism due to the relationships and networks they have. To overcome this, the fundamental thing done was to remain consistent in working based on applicable rules and regulations. This consistency was important because the shariah values of honesty and trustworthiness will always be inherent in them. The challenge faced related to technology was the development of technology related to the transformation of digital transactions in Islamic banks. To overcome this, they continued to try to improve their knowledge related to digital transaction literacy so that there were no violations related to shariah law in these transactions. The challenge faced by DSP related to technology is the development of technology related to the transformation of digital transactions in Islamic banks. To overcome this, they continued to improve their knowledge related to digital transaction literacy so that there were no violations related to shariah law could be found in these transactions. Based on the research that has been done, the suggestion for SSB members related to their function that the SSB members of the Islamic bank under can improve

communication with the board of directors so that they can encourage the Islamic bank to expand the office network by opening branch offices so that Muslim customers feel more comfortable in making transactions. This research has two implications. SSB members must communicate more intensely with the board of directors to encourage Islamic banks to immediately expand their office network to increase customer convenience in transactions. Further research can be conducted on SSB members in Islamic Commercial Banks and Islamic Rural Banks.

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