



## The Political Law of Regulating the National Sharia Council of the Indonesian Ulema Council in the Implementation of Islamic Finance in Indonesia

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### ABSTRACT

This research discusses the regulation of Islamic finance in Indonesia, focusing on the role of the National Sharia Council of the Indonesian Ulema Council (DSN MUI) in the context of evolving legal policies. The main objective of this research is to analyze the government's legal policy towards the DSN MUI and its impact on Islamic finance in Indonesia, as well as to provide recommendations for regulatory improvements. This research uses a qualitative approach with in-depth analysis of relevant laws and regulations, interviews with stakeholders, and review of relevant literature. The findings show that the existing regulations still face challenges in terms of legal certainty and institutional governance. The establishment of OJK Regulation No. 2 Year 2024 provides new certainty for the relationship between DSN MUI and Sharia Supervisory Board, although the position of DSN MUI is still not entirely clear. This study concludes that a change in the government's legal policy direction is needed to strengthen the position of DSN MUI and improve its integration with Islamic financial institutions in order to support the sustainable development of the Islamic economy in Indonesia.

**Keywords:** political law; national sharia council; Indonesian ulema council; Islamic finance.

### INTRODUCTION

Islamic economics and finance have become a source of new economic growth around the world (Indonesia, 2021). In line with the growing era of globalization, sharia-based economic principles are also globalizing and becoming popular in various continents and regions, both in Asia, Africa, Australia, Europe, America and Canada, the Middle East, and others (Musyafah, 2019). As a country where more than 85% of the population adheres to Islam, Indonesia certainly has great potential in the field of Islamic economics and finance. Indonesia has also declared its desire to become the center of Islamic economics and finance in the world. To be able to realize this, of course, adequate infrastructure is needed, especially in terms of legal and institutional regulatory infrastructure.

The history of the development of Islamic finance in Indonesia dates back to 1983. In that year, the Indonesian government issued an idea to implement a "profit-sharing system" in lending which is the concept of Islamic banking. In 1988, the Government issued the 1988 Banking Deregulation Policy Package with the aim of providing the widest possible opportunity to open the banking business to support development. Through this policy, several regional banking businesses were born that practiced Islamic financial principles (Kroszner & Strahan, 2014). On July 29-30, 1997, the Indonesian Ulema Council (MUI) held an Ulema Workshop on Sharia Mutual Funds which one of the results of the workshop was the urgency of establishing an institution that would specifically take care of issues related to the activities of Sharia Financial Institutions (LKS) which are increasingly numerous and continue to grow.

MUI followed up the results of the workshop by holding a meeting of the Team for the Establishment of the National Sharia Council (DSN) on October 14, 1997, which then led to the birth of the National Sharia Council of the Indonesian Ulema Council (DSN MUI) through Decree No. Kep -754/MUI/II/1999 dated February 10, 1999 concerning the Establishment of DSN MUI. The Decree until now is the legal basis for the establishment of DSN MUI, which has a central role in Islamic financial activities in Indonesia.

The main task and function of DSN MUI is to ensure the suitability of service products, and business activities of Islamic financial institutions (banks, insurance, mutual funds, venture capital, etc.) with sharia principles (Abidah, 2020; Harrieti, 2018; Ibrahim & Salam, 2021). For this reason, DSN makes *guidelines for sharia* products that are taken from Islamic legal sources. Another function of DSN is to examine and provide fatwas for products developed by Islamic Financial Institutions. In addition, DSN also has several authorities, namely:

- 1) Warning Sharia Financial Institutions, Sharia Business Institutions, and other Sharia Financing Institutions to stop deviating from fatwas issued by DSN MUI;
- 2) Recommend to the authorities to take action if the warning is not heeded;
- 3) Suspend and/or cancel Sharia certificates for Sharia Financial Institutions, Sharia Business Institutions, and other Sharia Financing Institutions that commit violations;
- 4) Approve or reject applications from Sharia Financial Institutions, Sharia Business Institutions, and other Sharia Financing Institutions regarding the proposed replacement and/or dismissal of the Sharia Supervisory Board (DPS) at the institution concerned;
- 5) Recommending to related parties to develop businesses in the field of Islamic finance, business and economics; and
- 6) Establishing partnerships and cooperation with various parties, both domestic and foreign, to develop businesses in the fields of finance, business and Islamic economics.

This paper will discuss how the government is legal policy in regulating the position of DSN MUI in the government system in Indonesia. Padmo Wahyono defines legal policy as "the basic policy of state administrators in the field of law that will, is and has been in effect, sourced from the values prevailing in society to achieve the aspired state goals. The word policy above refers to the existence of a systematic, detailed and fundamental strategy and is related to the

formation of law, the application of law and its own enforcement. In the process of formulating and establishing the laws that have been and will be implemented, the legal policy entrusts the power of legislation to the state administrators, but still paying attention to the values prevailing in the society, everything is directed to the achievement of the aspired state goals".

The development of the regulatory direction with regard to the Sharia compliance supervisory authority, which is currently located in the DSN MUI, has slowly shifted. The government seems to be aware of the institutional position of DSN MUI, which does not have a strong legal legitimacy as a state institution, and has started to transfer its authority to the Financial Services Authority (OJK). This is interesting to discuss because the implications will be crucial for the development of Islamic banking in Indonesia. Therefore, this paper will focus on discussing two things, first, the legal policy of Sharia financial regulation in Indonesia and second, the legal policy direction of DSN MUI regulation by the government for the future.

Previous relevant research includes the work of Suharto (2015), which examines the challenges faced by Islamic financial institutions in maintaining compliance with sharia principles and the role of DSN MUI. Abdurrahman explored the legal politics governing Islamic finance, as well as the impact of government policies on its implementation (Sholeh, 2023). In addition, Zuhri (2020) focused on the function and authority of DSN MUI in maintaining Shariah compliance in financial institutions. While these studies provide important insights, they have not sufficiently explored the legal-political dynamics surrounding the DSN MUI and its implications for the future of Islamic finance in Indonesia (Kholidah, 2024).

This research offers novelty by critically analyzing the legal politics in the regulation of DSN MUI, highlighting its central role in the evolving landscape of Islamic finance. The main objective of this research is to explain the legal policy in the regulation of DSN MUI and its impact on Islamic finance in Indonesia. By identifying gaps and challenges in the current regulatory framework, this research aims to provide recommendations to improve legal certainty and institutional governance. Policy makers, practitioners and academics will feel the benefits of this research by providing a clearer understanding of the role and authority of DSN MUI. The implications of the findings are expected to contribute to the sustainable development of Islamic finance in Indonesia and provide a framework for future regulatory improvements.

## **RESEARCH METHODS**

This research is a normative legal research using a statute approach, which is carried out by examining the laws and regulations that are related to the legal issues addressed, in this case related to "Legal Policy of DSN MUI Regulation in the Implementation of Islamic Finance in Indonesia". The presentation of legal materials in this research is descriptive analytical in nature, which reveals legislation related to legal theories and non-legal materials that have relevance to the object, besides that field observations are also used as additional references in the preparation of this research.

The problem is researched through library legal research. The aim of this research is to provide a detailed, systematic and comprehensive description of everything related to the problem under study. The analysis of legal materials is carried out by means of qualitative legal analysis, starting from the provisions of the applicable laws and regulations, which are developed through discussion in secondary legal materials. Then, with deductive reasoning, all the selected and processed legal materials are presented as they are (descriptive), as answers to the studied problems.

## **RESULTS AND DISCUSSION**

### **The Politics of Legal Regulation of Islamic Finance in Indonesia**

In developing Islamic Financial Institutions in Indonesia, Bank Indonesia as the highest authority responsible for determining monetary policy, regulating and supervising the banking system, and maintaining the country's financial stability applies a strategy of "*market driven, fair treatment, and gradual sustainable approach*" in accordance with sharia principles in an effort to develop Islamic banking. The implementation of the strategy is carried out through several stages as follows:

- 1) The first phase, 2002-2004, laid the foundation for the development of Islamic banking;
- 2) The second phase, 2005-2009, strengthened the structure of the Islamic banking industry;
- 3) The third phase, 2010-2012, strengthened service standards and quality;
- 4) The fourth phase, 2013-2015, established the integration of Islamic financial institutions.

In principle, the achievement of state goals through legal politics must be pursued continuously and sustainably by the government as outlined by the constitution, for this reason, in the realm of Islamic banking as a continuation of the Bank Indonesia strategy, which ended in 2015, the Government through the National Development Planning Agency formed the 2019-2024 Sharia Economic *Master Plan*. Through this *Master Plan*, the scope of development becomes broader than just Islamic banking, namely the Islamic economy. There are 6 (six) basic strategies that will be implemented in this *master plan*, namely strengthening regulations and governance, developing research and development capacity, improving the quality and quantity of human resources, and increasing public awareness and literacy.

The blueprint has a broad scope where in outline, the blueprint contains 4 (four) main things, namely:

- 1) Basic values and principles of Islamic economic and financial development;
- 2) Basic policy framework for the development of Islamic economics and finance;
- 3) Strategy and action plan for Islamic economy and finance; and
- 4) Cooperation and coordination, both with internal and external parties in terms of economic development and Islamic finance.

The blueprint shows that Islamic economics and finance is not something that stands alone, it cannot develop partially and requires the support of other sectors to develop. The economic sector will not develop without the financial sector and the financial sector will not develop without the urgency of the real sector (Battiston et al., 2017; Pollitt & Mercure, 2018). Moreover, the role of the research, assessment and education sectors is needed to support the effectiveness and development of Islamic economics and finance. This blueprint is the foundation for the development of national Islamic economics and finance.

As one of the leading sectors in the Islamic finance industry, Islamic banking has several opportunities and challenges in practice. These opportunities and challenges are identified from the perspectives of human resources, regulation and governance, *research* and development, literacy, data, and technology. In relation to the development of Islamic banking in Indonesia, the following table shows the opportunities and challenges of Islamic banking contained in the Islamic economic master plan:

**Table 1. Opportunities and Challenges of Islamic Banking**

Aspects	Opportunities	Threat
HR	<ol style="list-style-type: none"> <li>1. The population and growth of the Indonesian Muslim community.</li> <li>2. Islamic economics study programs popping up in state and private universities can supply the needs of Islamic banks for qualified human resources.</li> </ol>	Lack of labor that is specific to the Islamic banking industry.
Regulation & Governance	<ol style="list-style-type: none"> <li>1. There is regulatory/master plan support from regulators such as OJK, Bank Indonesia, Bappenas, Ministry of Finance, Ministry of Religious Affairs, etc.</li> <li>2. The government and regulators have their own vision for the development of the Sharia economy;</li> <li>3. Regulations related to the halal industry and social Islamic finance are opportunities for Islamic banks to increase funding aspects and expand the financing segment/allocation.</li> <li>4. Government programs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Various policies/master plans of the government and relevant authorities are not well integrated and synergized.</li> <li>2. There is no alignment of the vision and mission of the regulations contained in each master plan/blue print made between departments or regulators.</li> </ol>
Research and Development	<ol style="list-style-type: none"> <li>1. Increased number of Islamic banking-related study programs at the tertiary level.</li> <li>2. There are various research/training institutions that focus on the development of Islamic economics.</li> <li>3. The emergence of research results from PTS / PTN that open sharia study programs.</li> </ol>	Lack of academics related to the Islamic banking industry.
Literacy	<ol style="list-style-type: none"> <li>1. Regulatory support to increase Islamic financial inclusion, especially banking, for</li> </ol>	<ol style="list-style-type: none"> <li>1. Penetration of the Islamic banking sector is still low.</li> </ol>

Aspects	Opportunities	Threat
	example with the laku pandai program; 2. Financial literacy is carried out to various segments of society; 3. Literacy can be used as a tool to further increase public understanding of Islamic banking in an effort to increase the market size of Islamic banking.	2. Public awareness to use Islamic bank products is still low.
Data & Technology	1. Islamic business units can utilize the technology owned by the parent bank. 2. The development of financial technology (fintech) as a means of developing the Islamic banking industry.	1. BUSs have technological quality that is still below conventional bank technology. 2. The development of financial technology (fintech) if it cannot be utilized properly will threaten the development of the Islamic banking industry.

Based on the table above, it can be seen that one of the challenges faced is regulatory and institutional integration. Regulatory and institutional issues are also specifically highlighted in the blueprint of the Islamic economic master plan, which indicates that regulatory and institutional issues are one of the important things that must be improved in shaping a better Islamic economic and banking system. In the Islamic economic master plan, it specifically discusses several challenges for the DSN MUI institution, which are listed in the following table:

**Table 2. Opportunities and Challenges of the Fatwa, Regulation and Governance Cluster**

Aspects	Opportunities	Challenge
Fatwa	1. Indonesia already has a national fatwa council, MUI; 2. Indonesia is the country with the largest number of Muslims in the world, so the opportunity for the presence of contemporary fatwa fatwa is quite large; 3. Fatwa of MUI and DSN-MUI has a good reputation in the world	1. MUI is not the only fatwa institution, so if there is a contradiction between MUI fatwa and fatwa from other fatwa institutions, it will cause people who follow the social organization to not obey MUI fatwa; 2. MUI is an independent institution that is not in the government structure, so the fatwas it issues cannot be used as a legal umbrella; 3. Lack of attention to organizational governance means that fatwas are decided over a relatively long period of time, sometimes becoming <i>out of date</i> .
Governance	1. The Halal Product Guarantee Law (JPH) has provided ample room for public participation in the process of organizing halal assurance; 2. The JPH Law provides space for the establishment of regional halal	1. The implementation of the mandate of the JPH Law in 2019 is still difficult because it has not been supported by related regulations; 2. DSN does not have regulatory authority that is binding on financial institutions;

	stakeholders;	3. DSN-MUI does not have a standard timeframe for determining fatwas;
	3. DSN under MUI, which is a non-governmental organization, provides flexibility and independence of DSN from various potential co-optation and intervention from various parties;	4. There are no standardized provisions regarding the recruitment process, resignation mechanism, and dismissal of DSN members openly to the public;
	4. OJK has published the Indonesian Corporate Governance Manual;	5. There is no Code of Ethics and Conduct for DPS members;
	5. The potential for philanthropy is great and Indonesia is a generous country	6. There is no standard KPI/Key Performance Indicators to evaluate the performance of DPS in Sharia financial institutions;
		7. For post-ante monitoring, there is no standard operating procedure for resolving Sharia non-conformance findings;
		8. The Indonesian Corporate Governance Manual issued by OJK only applies to issuers that have gone public;
		9. Need to improve the governance of ZISWAF institutions
Regulation	1. In general, Islamic financial regulations are already quite comprehensive;	1. Many things need to be improved/amended from existing Islamic finance regulations;
	2. The existence of DSN-MUI fatwa No. 108 of 2016 concerning Sharia Tourism Guidelines which is a reference for several local governments to make halal tourism regulations.	2. Law No. 33/2014 has not received any regulatory support for its technical implementation

Based on the table, it can be seen that MUI has made various fatwas in the field of society and formed a special council to handle economic and financial issues through the National Sharia Council (DSN-MUI). Indonesia as a country with the largest number of Muslims in the world has the opportunity to pioneer the presence of contemporary fatwas considering that MUI fatwas (including DSN-MUI) have a fairly good reputation at the world level.

In addition to the opportunities mentioned above, there are several challenges that must be faced, namely, first, MUI is not the only fatwa institution. There are also fatwa institutions that are part of social organizations that are quite old in Indonesia such as Nahdlatul Ulama and Muhammadiyah as well as fatwas issued by scholars from social organizations. If there is a conflict between MUI fatwa and fatwa from other fatwa institutions, people tend not to obey MUI fatwa (Ali, 2020; Hasyim, 2020; Pradana Boy ZTF, 2017).

Second, because MUI is an independent institution that is not in the government structure, the fatwas issued by it cannot be used as a legal umbrella unless there are laws or other regulations that refer to the MUI fatwa or DSN-MUI. Third, the lack of attention to organizational governance makes fatwas decided in a relatively long time, so that sometimes they become out of date.

In terms of sharia governance related to the Islamic financial sector, institutional issues are crucial. Institutionally, the National Sharia Council (DSN) is a non-governmental organization. This status, on the one hand, provides flexibility and independence of the DSN from various potential co-optation and intervention from various parties. On the other hand, as a non-governmental organization, the DSN does not have binding authority over financial institutions. Some of the issues that arise with the current institutional status of the DSN as a non-governmental organization is the absence of a standard fatwa determination period.

For simpler issues, the fatwa determination process can be done quickly. However, for more complex issues, the fatwa determination process can take a long time, even up to years. This condition is certainly not conducive to the acceleration of Islamic finance. With the length of the fatwa determination process, the industry has the potential to lose momentum to take business opportunities from products that are being requested for fatwa. As a non-governmental institution, the provisions on the implementation of good institutional governance are not binding for DSN.

However, as an institution that issues fatwas that are used as references to Islamic law for the Islamic financial industry, DSN needs to apply the principles of institutional governance that rely on the principles of good governance. These include: transparency, accountability, responsibility, professionalism, and fairness. Furthermore, so far there has also been no standardized provision regarding the recruitment process of DSN members openly to the public. Different from DSN's parent organization, MUI, which consists of representatives of Islamic mass organizations, DSN membership is based more on expertise and skills in the field of *fiqh muamalah maliyah*.

In addition to the recruitment process, the mechanism for resignation and dismissal of DSN does not yet have a standardized standard. In addition to the DSN, a good Sharia governance system also needs to be applied to the Sharia Supervisory Board in Sharia Financial Institutions. Currently there is no code of ethics for DPS members. In addition, what is considered urgent is the preparation of standard KPI/Key Performance Indicators (KPI/Key Performance Indicators) to evaluate the performance of DPS that can be applied in Islamic financial institutions. For performance evaluation, DPS currently relies more on self-assessment which is part of the good corporate governance self-assessment. However, because it is a self-assessment, this report tends to be subjective.

In addition, for post-ante monitoring, there is no operational standard for the resolution of sharia non-conformity findings. In practice, there is a diversity of patterns in the form of resolving findings of sharia non-conformity. However, in the supervisory process, until now there has been no standard operating procedure (SOP), including sanctions, for LKS that violate sharia provisions, even though there have been findings from DPS. Some of these sharia governance issues need to be followed up immediately in order to harmonize legal and regulatory provisions in Islamic financial institutions.

Therefore, the competent authority needs to adopt international standards, especially for the sharia governance system in Islamic financial institutions. Furthermore, fatwa, regulation and governance support for the halal industry can be identified through sector analysis of each industry. Each sector or cluster has different conditions of fatwa, regulation and governance so that separate elaboration is needed.

Referring to the explanation above, related to the legal politics of the formation of Islamic banking regulations, several things can be concluded as follows:

- 1) The political law of Islamic banking regulation in Indonesia is a legal ideal to encourage national economic development through the potential of Islamic banking in Indonesia, in addition, the political law of Islamic banking regulation is intended to provide legal certainty for *stakeholders* implementing Islamic banking through integrated and comprehensive arrangements.
- 2) The development of Islamic banking in Indonesia has gone through many stages and continues. The first stage was the period from 1992 to 1998, a period where there was a process of transformation, adaptation and harmonization of muamalah fiqh in order to perfect the Islamic banking system in Indonesia. The second stage is the "*market driven, fair treatment, and gradual sustainable approach*" strategy of Bank Indonesia. This stage occurred from 2002 to 2015 with the agenda of laying the foundation for the development of Islamic banking, strengthening the structure of the Islamic banking industry, strengthening service standards and quality, and forming the integration of Islamic financial institutions. Then, through a blueprint standardized in 2017, the era of Islamic banking development was included in the 2019-2024 Sharia Economic *Master plan*. This shows that the legal ideals contained in the politics of Islamic banking law in Indonesia are still being continuously pursued through various improvements including in terms of institutions and regulations.

## **DSN MUI LEGAL POLITICS IN INDONESIA**

The legal politics of the establishment of DSN MUI can be interpreted as the choice and foundation used by the state to achieve its goals in the field of Islamic banking through the establishment of DSN MUI. In an effort to realize this, there is an important role of law as a tool as the opinion expressed by Sunaryati Hartono which states that "the law is a goal, but only a bridge, which will bring us to the aspired idea". This is in line with the opinion of Mochtar Kusumaatmadja who adapted the legal concept of "*law as a tool of social engineering*" from Roscoe Pound where Mochtar Kusumaatmadja stated that "the role of law in development is needed to ensure that changes brought about by development occur in an orderly manner".

Specifically in terms of the DSN MUI institution, the 2019-2024 Sharia Economic Master Plan specifically highlighted several weaknesses of the DSN MUI institution including institutional status, recruitment process, standard time for issuing fatwas, and institutional governance, besides that the DPS was also highlighted mainly in terms of performance evaluation and institutional code of ethics. The government's legal policy on DSN MUI institution can only be assessed when its position is recognized by legal products of legislation. As explained earlier, the first specific regulation that contains DSN MUI is the Decree of the

Board of Directors of Bank Indonesia dated May 12, 1999 which in Article 19 paragraph (2) and (3) states that:

*"Banks are required to have a Sharia Supervisory Board based at the bank's head office. Requirements as members of the Sharia Supervisory Board are regulated and determined by the National Sharia Council. DSN is an autonomous institution under MUI."*

Through this regulation, it can be seen that the government's legal politics leads to giving special authorities in the field of Islamic banking to DSN MUI which is recognized as an autonomous institution under the auspices of MUI. The new Banking Law mentions DSN MUI explicitly in Law Number 21 Year 2008 on Islamic Banking which explicitly recognizes the existence and authority of DSN in Article 26 paragraphs (2) and (3) which states the obligation of Islamic Financial Institutions in the suitability of their products and services, must comply with sharia principles that are ruled by MUI and then applied in the form of Bank Indonesia Regulations. Then, in Article 32 paragraph (2) it is mentioned that regarding the inauguration of the Sharia Supervisory Board (DPS) whose duty is to oversee the conformity with sharia principles in Islamic banking practices elected at the General Meeting of Shareholders must be on the recommendation of MUI where in this case the MUI mechanism is to delegate authority to DSN so that the process of sharia financial fatwa and selection of DPS is carried out by DSN members which are then authorized by MUI.

In addition, DSN MUI is also mentioned in the Law on Limited Liability Companies, the norm that mentions DSN MUI is Article 109 of Law Number 40 of 2007 concerning Limited Liability Companies, which states that companies that carry out business activities based on sharia principles in addition to having a Board of Commissioners must have a Sharia Supervisory Board (Prabowo, 2020). The Sharia Supervisory Board consists of one or more sharia experts appointed by the General Meeting of Shareholders upon the recommendation of the Indonesian Ulama Council.

The mention of DSN MUI in the two Law-level regulations above is a form of confirmation that the legal politics desired by the government towards DSN is to give it a central role in national Islamic banking affairs, especially in the field of fatwa formation and enforcement. DSN is expected to be the core element in determining sharia principles which is the main domain in efforts to form sharia compliance from LKS. However, there are several notes in the implementation of the authority of DSN MUI in the field of Islamic finance, this makes the political direction of government law in regulating DSN MUI continues to experience turmoil and change.

The construction of DSN MUI formation shows that at the beginning of its formation, DSN MUI purely came from MUI's initiative, although in the composition of the board involves elements of government, but DSN MUI is not part of the government because it is not formed based on legal products of government legislation. Based on that fact, of course the legal politics of DSN MUI establishment cannot be associated with the legal ideals of the Indonesian state because its formation is internal to the organization. If it is associated with the politics of law, then it can be said that the establishment of DSN MUI is a form of community participation in

this case MUI as a community organization that participates in the financial sector by forming DSN MUI institution that is assigned in terms of resolving the many double standards of DPS-DPS in solving the problem of sharia principles in LKS at that time.

Related to participation, it has been explained earlier that Yuliandri stated "public participation can be interpreted that in essence all parties, both within the state structure and outside the state and government structure, can initiate the idea of forming a law, although it is determined that the official initiative must come from the President, DPR, or DPD. Consequently, initiatives from other institutions or other parties must still be submitted through one of the three doors, namely the President, DPR, and DPD".

Based on the opinion of Yuliandri, it can be seen that community participation in a policy or regulation that is the source of legal politics must still be followed up with official initiatives from authorized state institutions. In the case of the establishment of DSN MUI, the establishment is not followed up in a legal product of the establishment of an institution based on the initiative of a legitimate government institution, this is what makes the establishment of DSN MUI by MUI does not have the aspect of legal politics in it because although it fulfills the aspect of community participation, but it cannot be said as a process of forming legal politics because it does not involve government institutions, policies and legal products in it.

Regarding legal politics, Surojo Wignjodipuro explains that "legal politics investigates what changes should be made in the current law so that it becomes more in accordance with the legal feelings that exist in society. Continuing the development of law by trying to eliminate as much as possible the tension between the prevailing law and the feelings that exist in society (between positivity and social truth)". Furthermore, Satjipto Rahardjo states that:

"A substantial part of the politics of law lies in the study of legislative technique, which deals with matters relating to the objectives to be achieved by the existing legal system, determining the best means of achieving the objectives, and when the law needs to be changed, as well as how to formulate an established pattern that guides towards the process of selecting objectives and means of achieving objectives, including the process of updating the law efficiently, by total change, by part-by-part change."

Based on the opinions of the two experts, it can be seen that included in the politics of law is an effort to renew, change, replace the law carried out in order to achieve the desired goals in a regulated legal aspect. In the aspect of Islamic finance, the legal politics desired by the government for the future is to improve regulatory and institutional issues in DSN MUI and DPS.

The concrete form of the government's actual efforts in fixing these problems is by issuing POJK Number 2 of 2024 concerning the Implementation of Sharia Governance for Sharia Commercial Banks and Sharia Business Units, which is the latest legal product related to Sharia economic affairs. The presence of POJK Number 2 of 2024 is in principle an implementing regulation for the DPS, which previously received attribution authority through the Sharia Banking Law and the Limited Liability Company Law. The legal construction in POJK Number 2 Year 2024 is also more comprehensive and systematic and provides holistic certainty

for the DPS in carrying out its duties. POJK Number 2 of 2024 tries to emphasize that DPS is part of the company, is in the board of directors, must be subject to and comply with company regulations and GMS and mandates DPS to work solely in the interests of the Bank/UUS that oversees it, there is also an obligation to form a code of conduct which means that DPS is considered an independent institution that can gather its own members who are then in charge under the supervision of the OJK.

Although the POJK content focuses on regulating DPS, this has a major impact on DSN MUI because previously, through its bylaws, DSN MUI claimed DPS as its organizational tool. The presence of this POJK clearly legally invalidates all DSN claims to DPS which has implications for the independence of the DPS institution, meaning that DPS is now separate from DSN and has its own rights and obligations regulated in the POJK. This can also be interpreted as a form of reformulation for the DSN MUI institution that must adopt the changes specified in the POJK.

Therefore, this POJK can be said as a new legal product as part of the government's efforts to realize legal politics in the field of Islamic economics through the formation of new legal products formed based on legal issues that occurred in the previous period. Given the many evaluations of the DSN MUI institution in the 2019-2024 Sharia Economic Master Plan, it can be predicted that in the future, after improving the governance of the DPS institution, the government will also touch on changes to the DSN MUI institution in order to realize an integrated Islamic economic system.

## **CONCLUSION**

This study analyzes the legal politics surrounding the regulation of the National Sharia Council of the Indonesian Ulema Council (DSN MUI) and its impact on the development of Islamic finance in Indonesia. The findings show that although the DSN MUI plays a central role in ensuring Sharia compliance in financial institutions, there are significant challenges related to legal legitimacy and institutional governance. In order to facilitate the sustainable growth of Islamic finance, it is important to strengthen the position of the DSN MUI in the Indonesian legal system and to improve its integration with other regulatory institutions such as the OJK.

It is suggested that the government and relevant stakeholders conduct a thorough evaluation of the existing regulatory framework, with a focus on clarifying the role and authority of DSN MUI. In addition, it is necessary to develop clear and systematic guidelines for the fatwa determination process to make it more efficient and responsive to industry needs. Cooperation between the DSN MUI and Islamic financial institutions is also very important to create an ecosystem that supports the development of Islamic finance in a holistic and sustainable manner.

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