

The Effectiveness of the Indonesian Financial Services Authority Supervision on Sharia Financial Institutions in Aceh Province of Indonesia

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Abstract

Aceh Province is the only region in Indonesia that has fully implemented an Islamic financial system, as outlined in Qanun Aceh Number 11 of 2018, concerning Islamic Financial Institutions. This regulation mandates all financial institutions operating in Aceh to comply with Sharia principles. However, the effectiveness of the Financial Services Authority (OJK) in supervising substantial adherence to Islamic jurisprudence (fiqh muamalah) remains questionable. This study aims to assess the efficacy of OJK's supervision over Islamic financial institutions in Aceh and to identify the main obstacles and challenges in its implementation. The research employs an empirical, juridical, and statutory approach, with data collected through interviews, field observations, and a literature review. The findings reveal that OJK's supervisory role remains primarily administrative and has not adequately addressed the substantive aspects of Sharia compliance. Key

obstacles include low Sharia literacy among industry players, weak roles of internal Sharia Supervisory Boards (DPS), limited human resources within OJK knowledgeable in Islamic finance, underutilised digital supervision systems, and weak institutional coordination. Based on Soerjono Soekanto's theory of legal effectiveness, all five components—legal substance, legal structure, legal culture, infrastructure, and community—are insufficiently developed to support the ideal implementation of Islamic finance. The study recommends reformulating the supervisory approach to adopt a more participatory, contextual, and locally grounded model, ensuring the authentic and sustainable application of Islamic financial systems in Aceh.

KEYWORDS: Aceh, Islamic financial institutions, OJK supervision, and Sharia compliance,

Introduction

Indonesia has the largest Muslim population in the world, making it a potential market for the development of Islamic financial systems. Islamic finance offers an alternative economic system that is not only profit-oriented but also focused on values such as justice, prosperity, and public welfare. Islamic finance differs from conventional systems in that it upholds principles such as the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation), and employs contract systems based on Islamic jurisprudence.¹

Amid growing interest in Islamic economics, Aceh Province is the only region in Indonesia that has formally and comprehensively implemented an Islamic financial system. The Aceh Islamic Financial System Regulation (Qanun Aceh No. 11 of 2018) regulates this and covers Islamic Financial Institutions, requiring all financial institutions operating in Aceh to conduct business in accordance with Islamic principles.²

The Qanun applies not only to banks, but also to other financial institutions such as cooperatives, insurance companies, pawnshops, financing institutions, and microfinance institutions. The transition from a conventional system to a comprehensive Sharia system is a significant step that requires preparation in various aspects.³

¹ Ascarya. *Islamic Banking Contracts and Products*. Jakarta: Bank Indonesia, 2008. P. 81

² Aceh Regulation No. 11 of 2018 on Islamic Financial Institutions.

³ *Ibid*

The implementation of this regulation requires all financial institutions that are still operating conventionally to convert within two years after the regulation is issued. Thus, from the beginning of 2022, no conventional financial institutions will be allowed to operate in Aceh. This marks a milestone in the implementation of Islamic finance in Indonesia.⁴

Despite having a strong legal foundation and noble objectives, the comprehensive implementation of the Islamic financial system in Aceh presents challenges. One of the main challenges is the readiness of financial institutions themselves. Many institutions still struggle to fully comprehend Islamic principles.⁵

Savings and loan cooperatives, which are widespread in rural areas and are the mainstay of the community in accessing finance, are among the most affected entities. Many of these cooperatives previously operated under conventional models and lacked a sufficient understanding of Sharia contracts, which are valid under Islamic law. Some even still practise hidden interest under the guise of "administrative fees".⁶

Sharia banking, although more structurally and institutionally prepared, also faces its own challenges. The conversion from conventional banks to sharia banks is not just a matter of changing the name of the bank or its products. Still, it requires changes in risk management, accounting systems, human resource training, and the overall business approach.⁷

The Islamic insurance sector in Aceh is still in the process of development. The general public is still unfamiliar with the differences between Islamic and conventional insurance, both in terms of fund management principles (*tabarru'*) and risk-sharing systems. This low level of literacy has slowed the growth of the Islamic insurance market in this region.⁸

In addition, institutions such as Islamic pawnshops and Islamic financing also face challenges in adjusting their entire operational systems to Sharia principles. Some pawnshop products are still misunderstood as

⁴ Financial Services Authority (OJK). *Roadmap for the Development of Islamic Banking in Indonesia 2020–2025*. Jakarta: OJK, 2020.

⁵ Yusanto, Muhammad, and Muhaimin Iqbal. *Islamic Economics: Solutions to the Global Crisis*. Jakarta: Kautsar, 2010.

⁶ Soemitra, Andri. *Banks and Islamic Financial Institutions*. Jakarta: Kencana, 2009

⁷ Antonio, Muhammad Syafii. *Islamic Banking: From Theory to Practice*. Jakarta: Gema Insani, 2001.

⁸ Tasmara, Toto. *Islamic Insurance: Concepts and Operational Systems*. Jakarta: Gema Insani Press, 2004

conventional transactions due to a lack of education from the institutions to the public.⁹

This is where the importance of supervision by the Financial Services Authority (OJK) lies. As the regulator and supervisor of the entire financial services sector in Indonesia, the OJK has a significant responsibility to ensure that financial institutions in Aceh truly substantively implement Sharia systems, not merely administratively.¹⁰

OJK supervision covers aspects of regulatory compliance, operational adequacy, risk management, and the conformity of products and services with sharia principles. In the context of Aceh, OJK supervision must also consider the harmonisation between national law and local qanun.¹¹ However, the effectiveness of OJK supervision in Aceh is not yet fully optimal. There are still cases where financial institutions operate products or systems that are not entirely in line with the fatwas of the DSN-MUI or local Sharia regulations. This indicates a gap between policy and implementation on the ground.¹²

One of the causes is the limited human resources within the OJK and Islamic financial institutions themselves. Not all supervisors and managers of financial institutions have a deep understanding of muamalah fiqh, so supervision is limited to document completeness rather than the substance of contracts and transaction processes.¹³ Another equally important issue is the weak coordination between the OJK, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), the internal Sharia Supervisory Board (DPS) of institutions, and local authorities such as the Islamic Sharia Office and the Bank Indonesia Representative Office in Aceh. This lack of synergy results in weak integrated guidance and supervision.¹⁴

⁹ Financial Services Authority (OJK). *OJK Annual Report 2022*. Jakarta: OJK, 2022. <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi>.

¹⁰ Financial Services Authority (OJK). *Roadmap for the Development of Islamic Banking in Indonesia 2020–2025*. Jakarta: OJK, 2020.

¹¹ Raharjo, Kusumaningtyas. "The Effectiveness of OJK Supervision of Islamic Financial Institutions: A Case Study in Aceh." *Journal of Islamic Economics and Finance* 10, no. 2 (2022): 115–130.

¹² Ma'ruf, Amin. *Islamic Economy as a New Trend in Indonesia's Economy*. Jakarta: Rajawali Pers, 2019.

¹³ Financial Services Authority (OJK). *Blueprint for Information Technology in the Indonesian Financial Services Sector 2020–2025*. Jakarta: OJK, 2020.

¹⁴ Huda, Nurul, and Muhammad Heykal. *Islamic Financial Institutions: A Theoretical and Practical Review*. Jakarta: Kencana, 2015.

In addition, there is also a lack of synchronisation between central regulations and regional qanuns, which confuses financial institutions in making policies, especially in terms of reporting, licensing, and operational adjustments. Differences in the interpretation of Sharia principles also add to the complexity of supervision.¹⁵

Digital-based technology supervision, which is intended to improve effectiveness and efficiency, has not yet been optimally implemented by the OJK in monitoring the activities of Islamic financial institutions in real-time. In fact, digitisation of supervision can help detect deviations from Sharia principles more quickly.¹⁶

All of the above issues raise fundamental questions about the effectiveness of the OJK's supervisory system in ensuring compliance with sharia principles by Islamic financial institutions in Aceh. Is the supervisory approach used thus far comprehensive, responsive, and locally based?

Therefore, it is essential to conduct a comprehensive study examining the effectiveness of OJK supervision of Islamic financial institutions in Aceh. This study is expected not only to reveal various obstacles and weaknesses in supervision but also to provide constructive solutions and policy recommendations to comprehensively and sustainably strengthen the Islamic supervision system in Aceh.

Data and Methods

The type of research used in this study is *empirical legal* research. This legal research approach focuses not only on the analysis of written legal norms (doctrinal) but also on the application of law in social reality. This approach is used to determine the effectiveness of law enforcement and how legal norms are implemented by relevant legal institutions or subjects in the field.¹⁷ In this study, a *statutory approach* is also employed, which aims to examine the statutory regulations that serve as the legal basis for the supervision of the Financial Services Authority (OJK) over Islamic financial

¹⁵ *Ibid*

¹⁶Raharjo, Kusumaningtyas. "The Effectiveness of OJK Supervision of Islamic Financial Institutions: A Case Study in Aceh." *Journal of Islamic Economics and Finance* 10, no. 2 (2022): 115–130.

¹⁷ Soerjono Soekanto and Sri Mamudji, *Normative Legal Research: A Brief Review*, Jakarta: Rajawali Pers, 2011, p. 13.

institutions in Aceh, particularly in reference to Qanun Aceh No. 11 of 2018 on Islamic Financial Institutions.¹⁸

This research is *descriptive and analytical* in nature, describing and systematically analysing the reality of OJK supervision of Islamic financial institutions, while evaluating the effectiveness, obstacles, and challenges faced in the supervisory process.¹⁹ To obtain relevant and accurate data, this research utilizes two types of data: primary data and secondary data. *Primary data* were collected through direct interviews with relevant parties, including OJK officials, stakeholders from the Islamic financial industry, and community leaders with knowledge pertinent to the research topic. Meanwhile, *secondary data* were obtained from various written sources, including laws and regulations, official OJK documents, annual reports, scientific journals, and other relevant literature that support the discussion in this study.²⁰

Data collection techniques were employed through both *field research* and *library research*. *Field research* was conducted through *in-depth interviews* and direct observation of the OJK's supervision of Islamic financial institutions in Aceh. On the other hand, *library research* was employed to examine legal materials and literature relevant to the research topic, including books, journals, regulations, and other supporting documents that informed the analysis.²¹

The data obtained from interviews, observations, and literature studies were then analysed using *qualitative analysis* methods, namely by compiling and interpreting the data in the form of descriptive narratives. The analysis was conducted by reducing the data, classifying the information, and drawing conclusions directly related to the problem statement. This analysis also adopted a normative approach to the applicable laws and regulations, identifying the conformity between legal norms and their implementation in practice.²²

¹⁸ Aceh Regulation No. 11 of 2018 on Islamic Financial Institutions.

¹⁹ Bambang Sunggono, *Legal Research Methodology*, Jakarta: Raja Grafindo Persada, 2003, p. 37.

²⁰ Zainuddin Ali, *Legal Research Methods*, Jakarta: Sinar Grafika, 2016, p. 99.

²¹ Lexy J. Moleong, *Qualitative Research Methodology*, Bandung: Remaja Rosdakarya, 2013, p. 103.

²² Burhan Bungin, *Qualitative Research Data Analysis*, Jakarta: Raja Grafindo Persada, 2007, p. 108.

Effectiveness and Influence of OJK Supervision on Sharia Financial Institutions in Aceh

Supervision by the Financial Services Authority (OJK) of Islamic financial institutions in Aceh plays a strategic role in upholding the principles of Sharia law as mandated in Qanun Aceh No. 11 of 2018.²³ In this context, the OJK not only acts as an administrative and institutional supervisor but is also responsible for ensuring that all business processes conducted by Islamic financial institutions comply with the principles of Islamic jurisprudence (fiqh muamalah), which is the branch of Islamic law governing social and economic relations between individuals, including transactions such as buying and selling, lending and borrowing, leasing, and financial systems.²⁴ The effectiveness of this supervision is crucial to the success of transforming the conventional financial system into a comprehensive Islamic economic system in Aceh.²⁵

Formally, the OJK has adopted several regulations and guidelines to support the supervision of Islamic financial institutions, including the implementation of a compliance-based reporting system, sharia product certification, and the mandatory establishment of a Sharia Supervisory Board (DPS) within every institution.²⁶ However, at the implementation level, the effectiveness of OJK supervision has not been optimal. This can be seen from the large number of financial institutions that only implement Islamic principles at the administrative level without a substantial understanding of the contract, which is an agreement between two parties in a financial transaction that must comply with the principles of halal, free from riba (usury), *gharar* (uncertainty), and *maysir* (speculation).²⁷ Ideal supervision

²³ Aceh Government, *Aceh Regulation No. 11 of 2018 on Islamic Financial Institutions* (Banda Aceh: Aceh Government, 2018).

²⁴ Muhammad Syafi'i Antonio, *Islamic Banking: From Theory to Practice* (Jakarta: Gema Insani, 2001).

²⁵ Teuku Ramli, "Evaluation of the Implementation of the Qanun LKS in the Transformation of the Financial System in Aceh," *Indonesian Journal of Islamic Economics* 11, no. 2 (2021): 135–150.

²⁶ Financial Services Authority (OJK), *Roadmap for the Development of Islamic Banking 2020–2025* (Jakarta: OJK, 2020).

²⁷ Wahbah az-Zuhaili, *Islamic Jurisprudence and Its Evidence*, Volume 4 (Damascus: Dar al-Fikr, 2011).

should not only control legal documents but also understand the context and substance of transactions and their impact on economic justice for society.²⁸

One indicator of the weak effectiveness of supervision is the slow transformation of conventional cooperatives into Islamic cooperatives. Many cooperatives still maintain the practice of usury, which is the taking of fixed profits from loans, which is strictly prohibited in the Islamic system because it is considered detrimental to one party and does not reflect the principle of justice.²⁹ This practice of usury is often disguised as "fixed administrative fees" imposed on cooperative members. The ineffectiveness of OJK supervision in this sector is the primary cause of the failure to align the operational practices of these financial institutions with the Islamic principles expected by the law.³⁰ Yet, cooperatives are a vital instrument in achieving financial inclusion at the regional level, particularly in rural areas with limited access to banking services.³¹

Furthermore, the Islamic banking sector also faces significant challenges. Although most banks in Aceh have completed the conversion process from conventional to Islamic banking, many of them have struggled to develop innovative products in accordance with Islamic principles. This is due to a supervisory approach that is still focused on formal compliance standards rather than evaluating product quality, contract clarity, and customer protection in accordance with Islamic principles.³² Such oversight is feared to give rise to "sharia window dressing," which involves the use of sharia labels without the substantive application of sharia principles.³³

The impact of ineffective supervision is also felt in the insurance and financing sectors. The public's understanding of *takaful*, a form of Islamic insurance based on the principles of mutual assistance (*ta'awun*) and donation (*tabarru'*) among participants, is still low and is not balanced by sufficient

²⁸ Mohammad Nur Hosen, "Strengthening Substantive Aspects in Islamic Financial Supervision," *Islamic Finance Review* 6, no. 1 (2019): 49–62.

²⁹ Adiwarmanto A. Karim, *Islamic Microeconomics* (Jakarta: Rajawali Pers, 2010).

³⁰ Research and Community Service Institute of UIN Ar-Raniry, *Evaluation Report on the Transformation of Islamic Cooperatives in Aceh* (Banda Aceh: UIN Ar-Raniry, 2022).

³¹ Yusriadi et al., "The Role of Islamic Cooperatives in Promoting Financial Inclusion in Rural Areas," *Journal of Islamic Economics and Finance* 9, no. 1 (2021): 33–47.

³² National Sharia Finance Committee (KNKS), *Annual Report on Sharia Finance in Indonesia* (Jakarta: KNKS, 2021).

³³ Hendra Basti, "The Phenomenon of Window Dressing in Islamic Banking: A Critical Review," *Journal of Islamic Economic Ethics* 5, no. 2 (2020): 65–78.

education from these institutions.³⁴ This is where the OJK should not only act as a regulator but also as a facilitator for improving Islamic financial literacy and education in the community. However, in reality, the OJK's educational and literacy activities remain limited, unevenly distributed across all districts/cities, and often ceremonial in nature without ongoing support.³⁵

In addition, another factor affecting the effectiveness of supervision is the limited number of human resources with a deep understanding of *fiqh muamalah*. Many OJK field supervisors lack a background in Islamic economics, which hinders their ability to assess the substance of Sharia contracts.³⁶ As a result, supervision is often limited to administrative checklists or document validation without analysing the validity of contracts in terms of *fiqh*. This situation allows financial institutions to freely use Sharia terms without in-depth supervision of their practices.³⁷

Overall, the influence of OJK supervision on the development of Islamic finance in Aceh is still partial. On the one hand, regulations and policies have been established, but on the other hand, their implementation has not substantially addressed the root causes of the problem. If supervision continues to be carried out with an approach that is not responsive to local dynamics and the substance of Islamic finance, then achieving the grand objectives of the Qanun Lembaga Keuangan Syariah (Islamic Financial Institutions Regulation) will be challenging.³⁸ Strengthening the OJK's functions, both institutionally and through enhanced human resource capacity, is necessary to ensure that supervision is not merely formalistic but capable of guaranteeing justice, blessings, and the greater good in Islamic financial transactions in Aceh.³⁹

³⁴ Yusuf al-Qaradawi, *Fiqh Muamalah al-Maliyah al-Mu'ashirah* (Cairo: Maktabah Wahbah, 2004).

³⁵ OJK Institute, *National Report on Islamic Financial Literacy and Inclusion* (Jakarta: OJK, 2022).

³⁶ Research and Development Agency of the Ministry of Religious Affairs of the Republic of Indonesia, *Mapping the Competencies of Sharia Supervisors in Indonesia* (Jakarta: Ministry of Religious Affairs of the Republic of Indonesia, 2021).

³⁷ Irfan Maulana, "Analysis of Sharia Supervisory Competencies in Banking Practice," *Journal of Sharia Economic Law* 8, no. 1 (2022): 59–71.

³⁸ Agus Ismail, "Reformulation of Sharia Financial Supervision Policy in Special Autonomous Regions," *Journal of Islamic Governance* 12, no. 3 (2023): 211–230.

³⁹ Financial Services Authority (OJK), *Strategy for Strengthening OJK Human Resources in the Supervision of Islamic Financial Institutions* (Jakarta: OJK Training Centre, 2023).

OJK Supervision of Sharia Financial Institutions in Aceh

In modern financial systems, the supervisory function is a crucial aspect in maintaining stability, integrity, and public trust in the financial services industry. In the context of Islamic finance, supervision encompasses not only technical and administrative aspects but also compliance with Sharia principles (*Sharia compliance*). The Financial Services Authority (OJK), as the state agency responsible for regulating and supervising the financial services sector in accordance with Law No. 21 of 2011, holds the primary responsibility for ensuring that all financial institutions, including those based on Islamic principles, operate in compliance with applicable regulations.⁴⁰

The Financial Services Authority (OJK)'s supervision of Islamic financial institutions in Aceh, including data collection and analysis, is a crucial aspect for identifying gaps between regulation and implementation. This study employs a combination of primary and secondary data to provide a comprehensive and objective understanding of the supervisory conditions in the field. Primary data was obtained through *in-depth* interviews with OJK Regional Office 5 North Sumatra officials, representatives from several Islamic financial institutions, Islamic cooperative administrators, as well as academics and community leaders who have an understanding of *muamalah fiqh*.⁴¹

A critical finding in the field data collection was that there are still financial institutions, particularly cooperatives and microfinance institutions, that do not fully understand the basic principles of the Islamic economic system. Based on interviews with cooperative managers in the Banda Aceh District, it was found that some cooperatives still set fixed *margins* or profits that resemble interest in their savings and loan products. This is done because there has been no integrated training on the use of Islamic *contracts* such as *murabahah*, *ijarah*, or *mudharabah*.⁴² However, the use of *contracts* that comply with Islamic principles is a fundamental element in transactions that are valid according to Islamic principles.

⁴⁰ Law No. 21 of 2011 on the Financial Services Authority.

⁴¹ Interview with OJK officials in Aceh, Banda Aceh, 5 August 2025.

⁴² Interview with sharia cooperative officials, Banda Aceh, 15 August 2025.

On the other hand, secondary data obtained from official OJK documents, such as *the 2023 OJK Annual Report*, shows that of the 78 Islamic financial institutions operating in Aceh, only about 61% have consistently implemented Sharia compliance reporting through the OJK's internal reporting system.⁴³ The remaining institutions have not yet met reporting standards or are still in the process of adjusting their systems, particularly those that have recently undergone conversion. This data highlights the challenges in implementing *real-time* digital technology-based supervision, which should serve as a crucial tool in enhancing the efficiency and accuracy of OJK's oversight activities.

Additionally, findings in the field also suggest a weak role for the Sharia Supervisory Board (DPS) in certain institutions. In an interview with one of the internal auditors of a sharia bank, it was found that the involvement of the DPS was often merely a formality, involving only the signing of product documents without active participation in evaluating *contracts* or supervising the institution's daily operations.⁴⁴ However, the role of the DPS should serve as a bridge between the financial institution and the principles of *Islamic banking*, and function as a guardian of substantive *Sharia compliance* principles.

Observational data also indicates coordination challenges between the OJK and local authorities, such as the Islamic Sharia Agency and the Bank Indonesia Representative Office in Aceh. Several socialisation and education activities were conducted separately without integrated agendas, resulting in overlapping information and weak programme effectiveness. This was revealed in a public discussion forum held by the OJK Aceh in February 2025, where representatives from the Islamic Sharia Office emphasized the need for more potent synergy in supervision and education.⁴⁵

Thus, the data collected, both qualitative and quantitative, provide an overview indicating that OJK supervision of Islamic financial institutions in Aceh still faces several obstacles, including internal aspects of the institutions, the readiness of the reporting infrastructure, the understanding of Sharia principles, and inter-agency synergy. These findings will form the

⁴³ OJK, *OJK Annual Report 2023* (Jakarta: OJK, 2024), pp. 88–92.

⁴⁴ Interview with the internal auditor of Bank Syariah Indonesia Branch Banda Aceh, 9 August 2025.

⁴⁵ Public Discussion “Synergy in Sharia Supervision in Aceh”, organised by OJK and DSI Aceh, 20 February 2025.

basis for an in-depth analysis to evaluate the effectiveness of supervision carried out so far.

Analysis of the Effectiveness of OJK Supervision in the Implementation of Islamic Finance in Aceh

Based on the data collected and presented above, it can be concluded that the overall effectiveness of OJK supervision of Islamic financial institutions in Aceh remains suboptimal. From the perspective of legal effectiveness theory, as articulated by Soerjono Soekanto, the effectiveness of a legal norm is determined by five main factors: legal substance, legal structure, legal culture, legal infrastructure, and the society that supports the legal system itself.⁴⁶ These five factors can be analysed in parallel with the conditions of Islamic financial supervision in Aceh.

First, from a legal substance perspective, the existence of Aceh *Qanun* No. 11 of 2018 and derivative regulations from the OJK already provide a relatively comprehensive regulatory framework for governing the implementation of Islamic financial institutions. However, inconsistencies persist between regional and central rules, particularly in areas such as reporting, licensing, and Sharia compliance standards. For example, some institutions are still unclear about aligning their reporting formats with the OJK's national system and local regulations established through *the Qanun and the governor's regulations*. This lack of harmonisation creates legal uncertainty at the operational level and may weaken compliance among financial institutions.⁴⁷

Second, in terms of legal structure, the OJK, as an independent state institution, has broad authority in supervising financial services. However, in the local context of Aceh, the supervisory structure has not been operating synergistically between the OJK, the Sharia Supervisory Board (DPS), the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and regional authorities, such as the Islamic Sharia Agency and the Bank

⁴⁶ Soerjono Soekanto, *Factors Influencing Law Enforcement* (Jakarta: Rajawali Press, 2004), pp. 8–12.

⁴⁷ Hasan, M. (2023). *Implementation of Sharia Finance and Its Challenges in Aceh*. Banda Aceh: UIN Ar-Raniry Press, pp. 121–125.

Indonesia Representative Office in Aceh. The lack of institutional coordination has resulted in weak substantive control over the implementation of *Sharia* principles. As found in field research, the involvement of the DPS is often merely formal. It does not play an active role in supervising the implementation of *contracts* and the daily financial transactions of institutions.⁴⁸ In fact, the DPS has a vital role in ensuring comprehensive *Sharia compliance*.

Third, in terms of legal culture, the low level of Islamic financial literacy among financial institution actors and the general public is a particular obstacle. Many managers of cooperatives and microfinance institutions do not understand the substantial meaning of Islamic *contracts* and are still accustomed to practicing usury disguised as "fixed administrative costs."⁴⁹ This lack of awareness and understanding renders OJK oversight ineffective, as institution managers lack *internal legal awareness* of the principles being monitored. Therefore, strengthening a legal culture based on *Islamic* values is necessary through continuous education, both formal and informal.

Fourth, the OJK's monitoring facilities and infrastructure for Islamic financial institutions in Aceh are still inadequate in terms of digitizing the monitoring system. *The online reporting system*, which should be able to detect violations or non-compliance with *Sharia* principles in *real time*, has not been optimally integrated. This is evident from the fact that some institutions have not yet complied with the requirement to submit reports regularly, as well as the slow response to violations that occur in the field.⁵⁰ Additionally, the shortage of supervisory staff who have a comprehensive understanding of *Islamic jurisprudence (fiqh muamalah)* poses a challenge in conducting substantive audits of Islamic transactions.

Fifth, in terms of community support, it is evident that the people of Aceh strongly support the implementation of Islamic finance, as it aligns with the region's Islamic legal identity. However, this support has not been fully complemented by the community's critical ability to monitor transactions or financial products that do not comply with *Sharia law*. This makes supervision

⁴⁸ Interview with a member of the Board of Directors of the Islamic Rural Bank (BPRS), Banda Aceh, 7 August 2025.

⁴⁹ Interview with the management of a savings and loan cooperative in Banda Aceh, 15 August 2025.

⁵⁰ OJK Aceh, *Sharia Reporting Monitoring Report for the First Semester of 2025*, pp. 18–22.

one-sided, dependent on formal authorities, without any social control from below (*bottom-up*) that can strengthen participatory supervision.⁵¹

By analysing the five factors above, it can be concluded that OJK supervision in Aceh remains predominantly administrative and procedural in nature, and has not yet addressed substantial and transformational aspects. Supervision that merely assesses compliance with procedures and documents, without understanding the essence of *Sharia*, risks creating a financial system that is *Sharia-labelled* but not *Sharia-principled*. Therefore, a reformulation of the OJK's supervisory approach is needed, from a top-down and reactive approach to a participatory, collaborative, and locally based approach in Aceh, a region with special Islamic law.⁵²

Conclusion

The supervision of the Financial Services Authority (OJK) over Islamic financial institutions in Aceh Province is a vital element in ensuring the successful implementation of Aceh *Qanun* No. 11 of 2018, which concerns Islamic Financial Institutions. This supervision aims not only to ensure formal compliance of financial institutions with Islamic banking regulations, but also to guarantee that all operational activities are genuinely based on the principles of *Islamic jurisprudence (fikih muamalah)*, such as the prohibition of *riba (usury)*, *gharar (uncertainty)*, and *maysir (gambling)*, as well as the use of *contracts* that are valid under *Islamic law (akad syar'i)*.

Based on the research and analysis results, it can be concluded that OJK supervision has not been entirely adequate in ensuring substantive *Sharia compliance*. Although the regulatory framework is in place and institutional infrastructure is available, various obstacles are still encountered in practice, including low *Sharia* literacy among financial industry players, the weak role of the *Sharia Supervisory Board (DPS)*, limited human resources within the OJK who understand *muamalah fiqh*, and the suboptimal integration of digital supervision systems.

Field data indicate that some financial institutions, notably savings and loan cooperatives and microfinance institutions, continue to operate in a

⁵¹ Agus Ismail, "Reformulation of Sharia Financial Supervision Policy in Special Autonomous Regions," *Journal of Islamic Governance Studies* 12, no. 3 (2023): 211–230.

⁵² Fadillah, R. (2024). "A Local-Based Sharia Supervision Model: A Case Study of Aceh," *Indonesian Journal of Sharia Economics*, Vol. 7 No. 1, pp. 44–60.

manner similar to conventional systems, such as applying hidden interest in the form of "fixed administration fees." This suggests that supervision tends to be administrative in nature and has not yet addressed the fundamental aspects of Sharia principles themselves. Additionally, the lack of coordination between the OJK, DSN-MUI, DPS, and local authorities, such as the Islamic Sharia Department, further weakens the structural effectiveness of oversight.

By considering the five factors of legal effectiveness according to Soerjono Soekanto's theory — namely, legal substance, legal structure, legal culture, infrastructure, and society — it can be concluded that all five elements still require strengthening in the context of Sharia financial supervision in Aceh. Without strengthening all these aspects, the Islamic economic system being developed risks becoming merely symbolic (*Islamic formalism*) without the substance aligned with the values of justice, blessings, and *public welfare* that form the core of Islamic economics. Therefore, in the future, it is necessary to develop a more participatory, contextual, and locally based supervisory approach. Supervision should not be limited to regulatory measures alone but must be accompanied by education, capacity building, and cross-sectoral institutional collaboration. In this way, the implementation of Islamic finance in Aceh can genuinely become a model for the authentic, sustainable, and empowering implementation of an Islamic financial system.

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