

Literature Review on The Role of The Financial Services Authority (OJK) in Oversighting Sharia Investment

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ABSTRACT

In overseeing investment, OJK collaborates with the Satgas Waspada Investasi (SWI). To oversee investments based on sharia principles, the OJK is assisted by the Dewan Pengawas Syariah (DPS) and the Majelis Ulama Indonesia (MUI). This review aims to determine the role of the Financial Services Authority in overseeing Islamic investment and assisting the public in choosing safe and licensed Islamic investments from the OJK. This type of research uses qualitative research with content analysis techniques. The results of this research show that OJK has not been optimal in preventive action because there are still many who are deceived by fraudulent investment, and the low level of financial literacy and inclusion in Indonesian society, while repressive action, OJK is quite maximal because it is firm in closing down investment companies that have the potential to be fraudulent and detrimental.

Keywords: OJK, Investment, Supervision, Action.

INTRODUCTION

Indonesia is the world's largest Muslim country. Based on data from Global Religious Future, Indonesia's population who is Muslim in 2010 reached 209.12 million or around 87% of the total population. By 2020, Indonesia's Muslim population is estimated to reach 229.62 million (databoks.katadata.co.id, 2019).

The Indonesian Muslim community is not yet fully interested in using Islamic banking services, including: the public does not

fully believe in the suitability of sharia financial institutions, the obligation of the workplace to use conventional banks, facilities related to business interests that are not fulfilled by Islamic banks where most due to restrictions on authority by laws and regulations, and there is no adequate knowledge of the importance of sharia transactions from a religious perspective (Hikmah, 2017).

Since January 2013, OJK officially started its duties as the supervisory agency for the Indonesian capital market and other non-bank financial institutions replacing Bapepam and financial institutions (Bapepam-LK) and since January 2014 OJK has been the sole supervisory authority for the Indonesian financial sector (Indah, 2017).

Throughout March 2020, the Investment Alert Task Force (SWI) has found and stopped 15 business activities suspected of violating investment regulations in Indonesia, namely investment offering activities that do not have permission from the OJK and have the potential to harm the community (Financial Services Authority, 2020).

Sharia investment is currently overseen by the Financial Services Authority, but the role of the OJK in overseeing sharia investment still requires the role of the Sharia Supervisory Board and the Indonesian Ulama Council to focus more on supervising investment activities based on sharia principles (Financial Services Authority, 2014).

This paper aims to discuss the OJK's supervision of Islamic investment in a comprehensive manner. So that this review can be used as teaching material for future research, as well as helping the wider community in choosing safe sharia investments according to the direction of the Financial Services Authority.

LITERATURE REVIEW

Sari (2018) shows that OJK in collaboration with the Satgas Waspada Investasi (SWI) has taken two actions, namely preventive action against illegal investment and repressive action against illegal investment. On the other hand, OJK's preventive action is to call all investment organizers and conduct direction,

education and socialization related to the implementation and related regulations applicable in investment implementation, while OJK's repressive action is to investigate investment operators who do not register and permit (Pramana and Atmadja, 2019).

Based on Ahmad (2018), the actions of the Financial Services Authority (OJK) in dealing with illegal investments in the community are to carry out socialization and education to the public regarding the characteristics of fundraising and investment management activities, dispute resolution, issue regulations related to legal protection of illegal investment victims, and create a Satgas Waspada Investasi (SWI). OJK is also authorized to take measures to prevent losses to consumers and the public (Lestari, 2012).

OJK implements customer protection procedures through SWI, which opens complaints to the public for consultation regarding financial investment offers that are considered suspicious to OJK consumer services and SWI (Novitasari, 2019; Masyitoh, 2019; Bakhri, 2019). OJK as an independent state institution is an institution that coordinates the SWI coordination forum between ministries and institutions to work together in handling and preventing problematic investments (Vurista, 2019).

Pakpahan et al. shows that the OJK can help the Indonesian Stock Exchange (IDX) to socialize and educate about how to invest safely in the capital market. OJK, in protecting consumers and the public, has the authority to take measures to prevent losses to consumers and the public by establishing a Work Unit (Satker) for Education and Consumer Protection (EPK) (Elfajri, 2019; Stiyana, 2018).

From the literature above, there are several actions in monitoring Islamic investment by the Financial Services Authority, namely preventive and repressive. Preventive actions are actions taken by OJK with the aim of preventing irregularities in the financial services industry, while repressive actions are actions taken by OJK to protect consumers of financial services, especially if the violations committed by financial services

institutions harm consumers and prevent illegal investment. Meanwhile, there are two forms of investment supervision by OJK, namely directly and indirectly.

METHODS

This research uses qualitative data analysis with bibliography methods from various scientific articles as literature. The library method according to (Zed, 2014) is a series of activities relating to methods of collecting library data, reading, and taking notes and processing research materials. While the qualitative data method according to (Anggito, 2018) is research that does not use statistics but through data collection analysis, then interpreted.

Data taken from electronic journals is via google scholar. The search for electronic journals is in accordance with the research theme being written and at least the publication in 2011. From many electronic journals, the contents are in accordance with the theme being researched.

The results of the search for electronic journals on google scholar obtained 13 scientific articles in the form of 9 scientific journals, and 4 theses with the keywords “Role and Authority of OJK”, “Role of OJK Supervision”, “Protection of Investors by OJK”, and “Overcoming Investment Illegal by OJK”.

The data analysis method used is content analysis or content analysis. It is a research that is in-depth discussion of the content of written or printed information in the mass media, content analysis refers to the process of categorizing verbal or behavioral data to classify, summarize and label data.

RESULTS

Table 1. List of articles obtained

No	Keywords	Type of article	Total
1.	The Role and Authority of OJK	Journal	2
2.	The Role of OJK’s Supervision	Journal	3
3.	The Role of OJK’s Supervision	Skripsi (Thesis)	4
4.	Investor Protection by OJK	Journal	3
5.	Prevention of Illegal Investments by OJK	Journal	1

From the results of the search for references from several journals on google scholar, there were 13 electronic journals that match the discussion criteria researched by the author, so that these electronic journals can be used as material to analyze the role of the Financial Services Authority in overseeing investment.

OJK's Preventive Actions in supervising Sharia Investment

According to Ahmad (2018), OJK provides measures to prevent people from detrimental investments by taking preventive or preventive actions, namely by socializing and educating students (universities), sellers in the market, and the wider community. Educate sellers in the market by directly visiting the markets, both traditional and modern markets, introducing which investments are licensed, and explaining what kinds of efforts to prevent fraudulent investments. And finally education for the wider community (Vurista, 2019).

According to (Sari, 2018) education and outreach need to be carried out in coordination between the OJK, the Investment Alert Task Force, and Local Law Enforcement. Meanwhile, according to Sari (2018), education and outreach need to be carried out in coordination between the OJK, the Investment SWI and Local Law Enforcement.

OJK's repressive action in supervising Sharia Investment

According to Samosir (2018), the OJK's repressive action in suppressing illegal investment is by filing complaints from the public who have suffered from fraudulent investment, the complaint or report will enter the information system, namely the Intelligence Market Reporting Information System (SIPMI).

Regarding the handling of illegal investment cases, OJK and SWI conduct investigations by taking into account 2 aspects, namely aspects of safeguarding aspects, and aspects of clarity of the parties responsible for illegal financial institution activities (Novitasari, 2019). Bakhri (2019) explained that SWI issued an appeal against Islamic investment companies that have not been licensed by the OJK. If the investment company is indicated to

have caused harm to the community, SWI will follow up by giving a warning to the investment company that violates the rules.

According to Fadlia (2015), OJK regulates the obligations of financial service actors to resolve consumer complaints. If a consumer is not satisfied with the complaint handling by OJK, the consumer can continue the complaint to the court or the Alternative Dispute Resolution Agency (LAPS).

Financial Services Authority Oversight in Overseeing Sharia Investments

According to Masyithoh (2018), direct OJK supervision is a form of OJK supervision by coming directly to an investment company or place which can be called on-site supervision. OJK's supervision of conventional financial institutions includes supervision of its Islamic financial institutions, because Islamic financial institutions send reports to conventional financial institutions for review as well as their operational findings. DPS has the duty to report to the OJK for at least once a year regarding its sharia focus.

OJK supervision indirectly or it can be called off-site supervision is by means of investment companies sending several files or reports needed by OJK through an online system in the form of monthly reports, publication reports, reports from the board of commissioners, annual work plan reports, and other reports (Pratiwi, 2018). This indirect supervision is monitoring carried out by OJK from the Investment Company to Islamic financial services institutions in seeing the health level of financial institutions.

DISCUSSION

Based on the Financial Services Authority (2019), the results of the 2019 National Financial Literacy and Inclusion Survey, the levels of financial literacy and inclusion in cities and in rural areas differ greatly, seen by regional strata, for urban areas the level of financial literacy and inclusion reaches 41.41% and 83.60%. Meanwhile, the levels of literacy and financial inclusion in rural communities were 34.53% and 68.49%. This data shows that both

in terms of understanding and use of financial products or services, people living in rural areas are still quite behind compared to people living in urban areas.

From the data on financial literacy and inclusion, it shows that the preventive action of socialization and education regarding sharia investment by the OJK is still not optimal and uneven. OJK must be more aggressive in disseminating information about investment through technology, namely through social media, electronic news, and through television. For now, socialization through electronic media is still lacking, even though if the OJK can aggressively take preventive actions through electronic media, it can make financial literacy and inclusion more evenly distributed throughout Indonesia, both urban and rural.

OJK's repressive actions are still not optimal, because there are still 99 investment offering entities without a license (Otoritas Jasa Keuangan, 2020). This illustrates that the OJK has not maximally suppressed the number of fake investment offers. The only sanctions given to business actors are imprisonment and closure of business licenses. There are no special measures to replace money that has caused harm to society. OJK needs to increase sanctions against investment business actors, not only closing business licenses but rather requiring counterfeit investment actors to compensate for losses that have been done. There are still many people who are not aware of the importance of making complaints about fake investments, because they still think that making a complaint to the OJK will pass a series of quite difficult solutions.

There is no guarantee that money that has been invested in an illegal fraudulent investment platform will return 100 percent. OJK continues to urge the public to be careful before deciding to invest in a platform, always ensure that the investment platform is legally registered with OJK or not and always pay attention to whether it offers realistic benefits and is based on the website. Currently, the total losses due to fraudulent investment have reached 92 trillion (CNN Indonesia, 2020).

Direct supervision by OJK is already well-done. Even though the OJK's supervisory duties were questioned by the BPK, OJK has

proven it with concrete evidence in updating illegal investments that are rife in society through electronic media. An example of clear evidence that OJK is carrying out its duties properly in investment supervision is in the Capital Market sector. OJK has issued 184 written warnings, 192 fines, and suspension of two securities brokerage representatives (WPPE). OJK also revoked the business licenses of 7 underwriters and 6 WPPEs. Regarding consumer protection, SWI and OJK have taken action against 61 illegal investments, 589 illegal online loans, and 25 illegal pawn businesses. In addition, financial services sector investigators have prepared 13 sprindics, 12 delegations of cooperation documents, and 10 complete case files or P-21.

There is no specific regulator to discuss specifically in detail regarding Islamic investment. Stiyana (2018) argues that supervisory arrangements in the syari'ah scope are not detailed in the OJK Law. Supervision is only carried out on syari'ah banking or syari'ah banks as stated in Article 1 point 5. OJK should have made a special regulator and detailing Islamic investment. If there is no regulator specifically regarding Islamic investment, it will make Islamic investment activities operate irregularly. Currently there are many sharia-based investment offers, but when compared to conventional investment, there are still many people who prefer conventional investment to Islamic investment.

OJK encourages sharia finance to develop by establishing a Sharia Supervisory Board (DPS), a Sharia Supervisory Board (DPS) which must be established in Sharia Banks and Conventional Commercial Banks that have Sharia Business Units and BPRS. Based on the law, DPS is appointed based on the General Meeting of Shareholders (GMS) on the recommendation of the Indonesian Ulema Council (MUI). DPS duties include assessing and ensuring compliance with the Sharia Principles of operational guidelines and products issued by Islamic banks.

CONCLUSION

OJK in supervising sharia investment collaborates with SWI, the Sharia Supervisory Board (DSN), and the Indonesian Ulema Council (MUI). At current time, OJK has not been

optimal in preventive action because many are still deceived by fake investments. The level of literacy and financial inclusion in Indonesian society is still low. As for repressive actions, OJK works well-done because it is firm in closing down investment companies that have the potential to be wrong and detrimental, and the form of supervision has been effective due to the creation of an online reporting application technology made by OJK. However, the OJK does not yet have comprehensive regulations regarding sharia investment.

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