

FINANCIAL SERVICES AUTHORITY SUPERVISION TO NON-BANK FINANCIAL INSTITUTIONS BASED ON SHARIA COOPERATIVES

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ABSTRACT

The Financial Services Authority (OJK) is an institution that supervises the banking and non-bank financial services sector. Supervision is only carried out on MFIs registered with the OJK. And OJK delegates its supervision to the local government (PEMDA). How is the supervision of Islamic cooperative-based MFIs. The results show that (1) if a sharia cooperative is registered with the OJK, the supervision is carried out by the OJK by delegating its supervision to the local government. (2) If a sharia cooperative is registered with the Cooperative Office alone, the OJK against the Regional Government cannot supervise, and the supervisor is the cooperative office. It is recommended that OJK reduce the delegation of supervision by the regional government because the delegation is ineffective for several reasons. The need for socialization by OJK to sharia-based microfinance institutions to register the business.

KEYWORDS: *Micro, OJK, Cooperatives, Sharia*

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1. INTRODUCTION

The Financial Services Authority (OJK) is an institution that carries out supervision of the financial services sector which is recognized. OJK is an independent institution and free from interference from other parties, which has the function, duties and supervisory authority as referred to in Law Number 21 of 2011 concerning OJK (OJK Law).

The establishment of this supervisory institution was initiated by the mandate of Article 34 paragraph (1) of Act Number 23 of 1999 concerning Bank Indonesia which states that the task of supervising banks will be carried out by an independent financial services sector supervisory institution, and established by law and paragraph (2) which states that the establishment of a supervisory institution will be carried out no later than December 31, 2002. The financial services supervisory institution that will be formed will later supervise banks and companies in the financial services sector, which include insurance, pension funds, securities, and venture capital, and finance companies, as well as other agencies that administer public fund management.

However, it was not realized until Act Number 23 of 1999 concerning Bank Indonesia, which later part of the articles was amended and enhanced by Act Number 3 of 2004, most recently being amended again by Act Number 6 concerning Bank

Indonesia. In Article 34 paragraph (1) it is stated that the task of supervising banks will be carried out by an independent financial services sector supervisory institution, and established by law, this financial service supervisory institution to be established shall supervise banks and other financial service sector companies. Which includes insurance, pension funds, securities, venture capital, and finance companies, as well as other agencies that administer public fund management and paragraph (2) the establishment of supervisory institutions will be carried out by December 31, 2010, and will not be realized.

The supervisory system by OJK is regulated in Law Number 21 of 2011 concerning OJK. This regulation states that OJK is an independent institution in carrying out its duties and powers, free from interference from other parties, except for matters regulated in this OJK law.¹ The objective of OJK's independence is needed so that the ability to regulate and supervise the operation of financial institutions in Indonesia can be carried out properly and firmly.² The background of the formation of the OJK in Indonesia was due to several reasons, namely the experience of the crisis that occurred in Indonesia in 1997-1998 and the case of

¹Ratna Syamsiar, *Hukum Perbankan, Justice Publisher* Badan Penerbitan Fakultas Hukum Universitas Lampung, Bandar Lampung, 2014, pg. 163

²Irham Fahmi, *Bank dan Lembaga Keuangan Lainnya Teori dan Aplikasi*, Alfabeta, Bandung, 2016, pg. 16

embezzlement of BLBI funds followed by the Century Bank case which was the failure of Bank Indonesia as a banking supervisor, as well as the increasingly complex development of hybrid products in Indonesia.³

OJK was formed with the aim that all financial service activities in the financial services sector are carried out in an orderly, fair, transparent and accountable manner, and can create a financial system that grows sustainably and stably, and is able to protect the interests of consumers and society. With this aim, OJK is expected to support the interests of the national financial services sector so as to increase national competitiveness. In addition, OJK must be able to safeguard national interests, including, among others, human resources, management, control and ownership in the financial services sector, while still considering the positive aspects of globalization.⁴ Furthermore, because of this, there was a transitional period where previously the supervision and regulation of the Capital Market and Non-Bank Financial Industry was still at the Capital Market and Financial Institutions Supervisory Agency and the Ministry of Finance, then in the transitional provisions of Article 55 paragraph (1) of Law Number 21 the Year 2011 concerning OJK. Since December 31, 2012, the functions, duties and authorities of regulating and supervising Financial Services activities in the Capital Markets, Insurance, Pension Funds, Financing Institutions and Other Financial Services Institutions sector have shifted from the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency to OJK.

The implementation of Microfinance Institutions business, namely a form of MFI business activities, a prohibition on MFI business activities, based on article 15 of the MFI Law that further provisions regarding MFI business activities are further regulated in POJK, namely Financial Services Authority Regulation Number 13 / POJK.05 / 2014 concerning Implementation Micro Financial Institution Business (POJK Organizing Microfinance Institution Business), which later some of the articles have been amended and added to the Financial Services Authority Regulation Number 62 / POJK.05 / 2015 concerning

Amendments to the Financial Services Authority Regulation Number 13 / POJK.05 / 2014 concerning the Implementation of Microfinance Institutions Business and related to the submission of MFI financial reports is further regulated in Financial Services Authority Circular Letter Number 29 / SEOJK.05 / 2015 concerning Micro Financial Institution Financial Reports.

The results of the research on the form of implementing the regulatory function of microfinance institutions in Lampung by the financial services authority in the agribusiness cooperative Gapoktan Sari Makmur, Metro City, can be seen that through the conformity of the MFI with the regulations set by the OJK, based on the results of interviews with Ningsiyah respondents that the legal entity form of the MFI cooperative agribusiness Gapoktan Sari Makmur, Metro City is a cooperative, the ownership of the MFI is an Indonesian citizen, the name of the LKM is the MFI agribusiness cooperative Gapoktan Sari Makmur, the capital of the MFI is based on the scope of the business area, namely Rp.50,000,000.00 (fifty million rupiahs), for the coverage of village business, areas/kelurahan is the Tejosari village. The problem described as a legal issue in this paper is what is the role of OJK in supervising non-bank financial institutions, in this case, Islamic cooperatives?

2. LITERATURE REVIEW

A. Functions of the OJK towards Microfinance Institutions

In carrying out its functions and authorities, OJK maintains an integrated regulatory and supervisory system for all activities in the financial services sector.⁵ Other financial service institutions that are declared to be supervised by OJK based on laws and regulations are microfinance institutions as regulated in Law Number 1 of 2013 concerning Micro Financial Institutions (LKM Law).

The case of fraud that befell the Village Treasury Fund and the Tuksono Village LKM Fund, Sentolo District, Kulonprogo, in the 2010 media, has triggered a massive withdrawal of customer funds (rush). Likewise, in the case of the Koperasi Syari'ah Ba'itul Maal Wattamwil (BMT) Sejahtera Langkat, Secanggang Village, Secanggang District, Langkat, there was the fraud of 2008 State Budget funds in the public housing program managed by the LKM (BMT). Suppose the credibility of this MFI is eroded. In that case, it is clear that the

³Moral Hazard is a condition that comes from a person's mental attitude which is negative and deliberate to cause harm to others and benefit him. Moral Hazard can be carried out by people and legal entities (represented by people).

⁴Zulfi Diane Zaini, *Pengalihan Fungsi Pengawasan Lembaga Perbankan Dari Bank Indonesia ke Otoritas Jasa Keuangan*, Pranata Hukum, Volume 9 Nomor, 1 Januari 2014, pg. 10

⁵Kasmir, *Bank dan Lembaga Keuangan Lainnya*, Rajawali Pers, Jakarta, 2015, pg.322.

economic safety cushion that operates in the small and micro business sector as well as informal economic activities, especially in rural areas, will be lost. History has recorded that MFIs, especially informal MFIs based on local economic wisdom, have proven capable of stimulating the movement of the people's economy.⁶

In addition to the above considerations, the existence of the MFI Law is that to encourage community empowerment, especially lower middle-income people and micro, small and medium enterprises (MSMEs), comprehensive support from financial institutions is needed. So far, MSMEs have been constrained by access to funding to formal financial institutions. To overcome these obstacles, in the community, many non-bank financial institutions have grown and developed which carry out business development services and community empowerment, either established by the government or the community. These institutions are known as microfinance institutions (LKM). However, many of these MFIs are not yet legal entities and have business permits. In order to provide a strong legal basis for the operationalization of MFIs, on January 8, 2013, Law Number 1 of 2013 concerning Microfinance Institutions was promulgated.⁷

Furthermore, related to LKM institutions, namely the form of a legal entity, ownership, name of the MFI, capital and management of the LKM, based on article 10 of the LKM Law on capital procedures, ownership of MFIs is further regulated in POJK, namely Financial Services Authority Regulation Number 12 / POJK.05 / 2014 concerning Licensing Business and Institutional Microfinance Institutions which later part of the articles have been amended and added to the Financial Services Authority Regulation Number 61 / POJK.05 / 2015 concerning Amendments to the Financial Services Authority Regulation Number 12 / POJK.05 / 2014 concerning Business Licensing and Institutional Institutions Micro Finance.

The first is related to the form of an MFI legal entity, based on Article 2 paragraph 1 of the Financial Services Authority Regulation Number 12 / POJK.05 / 2014 concerning Business Licensing and Institutional Microfinance Institutions that the legal entity form of MFI is a

cooperative, the cooperative in question is a service cooperative and limited liability company.

The second is related to the ownership of MFIs that with due observance of the provisions MFIs can only be owned by Indonesian citizens, village / sub-district-owned enterprises, Regency / City Government and/or cooperatives.⁸ Furthermore, based on article 4 of the Financial Services Authority Regulation Number 12 / POJK.05 / 2014 concerning Business Licensing and Institutional Microfinance Institutions that MFIs are prohibited from being owned either directly or indirectly by foreign citizens and/or business entities that are partly or wholly owned by foreign citizens or foreign business entities.

The third is related to the name of the MFI that the name of the MFI must begin with the form of a legal entity followed by the phrase "Microfinance Institution" and the name of the MFI for MFIs conducting conventional business activities and "Sharia Microfinance Institution" and the name of MFI for MFIs conducting business activities based on the Principle Sharia.⁹

The fourth is related to the capital of MFIs, that based on Article 9 paragraph (1) of Financial Services Authority Regulation Number 12 / POJK.05 / 2014 concerning Business Licensing and Institutional Microfinance Institutions, that the paid-up capital or principal savings, mandatory savings, and MFI grants are determined based on regional coverage. business, namely a village / sub-district, sub-district, or district/city and based on Article 9 paragraph (2) the amount of paid-up capital or principal savings, mandatory savings, and LKM grants is determined to be at least:

- a. Rp.50,000,000.00 (fifty million rupiahs), for the coverage of rural/urban village business areas;
- b. Rp. 100,000,000.00 (one hundred million rupiahs), for the coverage of the district business area; or
- c. Rp. 500,000,000.00 (five hundred million rupiah), for regency / city business area coverage.

⁶[http://www.stiead.ac.id/index.php/kolom-ketua/109-ojk-dan-nasib-lkm,OJK dan nasib LKM](http://www.stiead.ac.id/index.php/kolom-ketua/109-ojk-dan-nasib-lkm,OJK_dan_nasib_LKM), access on August, 3th 2017, at 11.30 WIB.

⁷<http://www.ojk.go.id/id/kanal/iknb/Pages/Lemba-ga-Kuangan-Micro.aspx> ,Otoritas Jasa keuangan, *Lemba-ga Keuangan Mikro*, access on April 5th 2016, at 22.30 WIB

⁸Pasal 3 Peraturan Otoritas Jasa Keuangan Nomor 12/POJK.05/2014 tentang Perizinan Usaha dan Kelembagaan Lembaga Keuangan Mikro Lembaran Negara Tahun 2014 Nomor 342, Tambahan Lembaran Negara Nomor 5621.

⁹ Pasal 8 POJK Perizinan Usaha dan Kelembagaan Lembaga Keuangan Mikro, Lembaran Negara Tahun 2015 Nomor 412, Tambahan Lembaran Negara Nomor 5830.

3. RESEARCH METHODOLOGY

The approach to the problem used is a normative approach (legal research), sources and types of secondary data obtained from legal research in the form of library research, methods of collection and processing of library data (literature, journals, journals / legal/multidisciplinary articles relating to OJK and Sharia Cooperatives), Data processing is carried out by means of classification, data systemization and evaluation of the OJK's performance against existing Sharia Cooperatives. Analysis of the data collected is then analyzed qualitatively, describes chronologically, adjusts to the problems and legal issues raised and provide solutions to problem-solving of events that occur in society.

4. RESULTS AND DISCUSSIONS

Based on OJK data, 19,334 MFIs from a total of 637,838 MFIs in Indonesia are not yet legal entities. To note, LKM is a financial institution specifically established to provide business development and community empowerment services through loans in micro-scale businesses to members and the community, savings management, as well as providing business development consulting services.¹⁰

Regarding the form of business activities of Micro Finance Institutions, based on Article 2 of the POJK Business Implementation of Micro Finance Institutions that MFI business activities include business development services and community empowerment, either through loans or financing in micro-scale businesses to members and the community, saving management, and providing consulting services business development and business activities can be carried out conventionally or based on Sharia Principles.

According to Article 3 of the POJK Business Implementation of Microfinance Institutions that in carrying out business activities of lending or financing, MFIs are required to analyze the feasibility of lending or financing and lending or financing is carried out in the framework of business development and community empowerment.

According to Article 4 of the POJK Business Implementation of Microfinance Institutions that in carrying out activities of distributing loans or

¹⁰<http://finansial.bisnis.com/read/20150501/89/428807/ojk-beberkan-syarat-agar-lembaga-keuangan-mikro-diakui>, Finansial bisnis, *OJK beberkan syarat agar lembaga keuangan mikro diakui*, access on April 6th 2017, at 08.00 WIB.

financing to members of the public, the MFI determines the maximum loan interest rate or maximum return on Financing that will be applied, in accordance with applicable laws and regulations.

According to Article 5 of the POJK for Microfinance Institution Business Operations, MFIs are required to announce the maximum loan interest rate or maximum return on Financing as referred to in Article 4 through the local daily newspaper or announcement board at the MFI's office that is easily known by the public.

Based on Article 6 of the POJK for the Implementation of Microfinance Institutions Business, the lowest limit of loans or financing served by MFIs is IDR 50,000 (fifty thousand Rupiah) and MFIs are prohibited from rejecting the lowest limit of Lending or Financing.

The second is related to the Prohibition for Microfinance Institutions Based on Article 28 in conducting business activities, MFIs are prohibited from:

- a. Receive deposits in the form of demand deposits and participate in payment traffic.
- b. Carry out business activities in foreign currency.
- c. Conducts insurance business as an underwriter.
- d. Act as guarantor.
- e. Provide loans or financing to other MFIs, except for the purpose of overcoming liquidity difficulties for other MFIs in the same regency/city.
- f. Disbursing loans or financing outside the scope of the business area.
- g. Conducting business outside of business activities as referred to in Article 2 of this OJK Regulation.

The third is related to the form and delivery of MFI financial reports that based on Financial Services Authority Circular Letter Number 29 / SEOJK.05 / 2015 concerning Financial Reports of Micro Financial Institutions that Financial Reports are financial reports prepared by microfinance institutions according to the format and procedures determined by the Authority. Financial Services.

Furthermore, based on the Financial Services Authority Circular Letter Number 29 / SEOJK.05 / 2015 concerning the Financial Statements of Micro Financial Institutions The contents of the financial statements are:

- a. MFI profile;
- b. financial position report;

- c. financial performance reports; and
- d. list of details.

2. For MFIs that carry out business activities based on sharia principles and carry out social functions, namely receiving and distributing social funds, MFIs are also required to submit:

- a. reports on the sources and distribution of zakat funds; and
- b. source report and distribution of *infaq* and *sodaqoh* funds.

3. Guidelines for preparing MFI Financial Statements are as follows:

- a. for those who carry out business activities conventionally areas referred to in Attachment I;
- b. for those who carry out business activities based on sharia principles are as referred to in Attachment II, which is an integral part of this OJK Circular Letter.

Furthermore, based on the Financial Services Authority Circular Letter Number 29 / SEOJK.05 / 2015 concerning the Financial Reports of Micro Financial Institutions, the time for submitting financial reports is:

1. MFIs are required to submit Financial Reports periodically every 4 (four) months for the periods ended April 30, August 31, and December 31 to OJK.
2. Submission of Financial Statements as referred to in point 1 shall be made no later than the end of the following month.
3. If the MFI obtains a business license for less than 4 (four) months from the report submission obligation as referred to in point 1, the report submission obligation as referred to in point 2 shall come into effect for the next Financial Statement submission period.
4. If the deadline for submission of Financial Statements as referred to in point 2 falls on a holiday, the deadline for report submission is the following first working day.

Furthermore, based on Financial Services Authority Circular Letter Number 29 / SEOJK.05 / 2015 concerning Financial Statements of Micro Financial Institutions that the procedures for submitting financial reports are

1. Submission of Financial Statements is made online through the OJK data communication network system.

2. If the OJK data communication network system experiences a disruption or the MFI cannot submit it online as referred to in point 1, the submission of the Financial Report shall be made offline:

- a. Use storage media, among others, in the form of a compact disc or storage media (flash), or
- b. In hardcopy, by a letter signed by the Board of Directors of the LKM and addressed to OJK c.q. Local Regency / City Government or other party appointed by OJK.

3. Conditions that cause MFIs to be unable to submit online as referred to in point 2 include:

- a. MFIs domiciled in areas where telecommunication network facilities are inadequate;
- b. the telecommunication network in the MFI's area is experiencing disruption;
- c. MFIs experience technical problems that cause MFIs to be unable to submit online, including fire, damage to computer systems, and disruption of electricity networks;
- d. There is a force majeure, including natural disasters such as earthquakes and floods, mass riots, and wars; or
- e. MFIs do not yet have adequate infrastructure to submit financial reports online.

4. Submission of Financial Statements offline as referred to in point 2, can be done in the following manner:

- a. submitted directly to the local Regency / City Government office or other party appointed by OJK;
- b. Sent by post office in a registered manner; or
- c. Sent through a courier/courier service company.

5. MFIs are declared to have submitted Financial Statements with the following conditions:

- a. For online submission through the OJK data communication network system, evidenced by a receipt from the OJK data communication network system;
- b. For offline submission, evidenced by:
 - 1) A receipt from the Regency / City Government or other party appointed by the OJK, if submitted directly to the Regency / City Government or other party appointed by the OJK; or

- 2) Delivery receipt from the post office or delivery/courier service company, indicating the date of the postmark or the date of receipt of the report document by the delivery/courier service company if the report is sent via the post office or delivery/courier service company.

Based on the above, that the form of implementing the regulatory function of microfinance institutions in Lampung by the financial services authority in the agribusiness LKM cooperative Gapoktan Sari Makmur, Metro City, can be seen that through the conformity of the MFI with the regulations set by the OJK.

Based on the results of interviews with Ningsiyah respondents, the form of business activities of the MFI agribusiness cooperative, Gapoktan Sari Makmur, Metro City is a business development and community empowerment service, both through loan loans to members of farmer groups and the community and providing consulting services for business development and business activities carried out conventionally and businesses. Horticultural food crops and the development of home industry processing of cassava chips, banana chips and instant tiwul.¹¹

In addition, consumer protection is weak, so if something undesirable happens, the consumer or customer will suffer a lot.¹² Based on Article 28 of the MFI Law, it is stated that OJK carries out the guidance, regulation, and supervision of MFIs. In providing guidance, OJK coordinates with the ministry that organizes cooperative affairs and the Ministry of Home Affairs. Guidance and supervision are delegated to Regency / City Government. If the Regency / City Government is not ready, OJK can delegate guidance and supervision to other appointed parties. Provisions regarding matters relating to guidance and supervision delegated to the Regency / City Government and other appointed parties are regulated in OJK Regulations. However, until now, from the time the MFI Law was promulgated in 2013 and took effect 2 years after that, namely 2015, other parties appointed by the OJK have not even existed throughout Indonesia.

¹¹Indonesian traditional food

¹²<http://malangkota.go.id/2015/12/23/otoritasjasa-keuangan-sosialisasikan-uu-tentang-lembaga-keuangan-mikro/>, Malang Kota, *Otoritas Jasa Keuangan sosialisasikan Undang-Undang tentang Lembaga Keuangan Mikro* accessed on, 6 April 6th 2017, at 08:05 WIB.

Based on Article 28 of the MFI Law, it is stated that OJK carries out the guidance, regulation, and supervision of MFIs. In providing guidance, OJK coordinates with the ministry that organizes cooperative affairs and the Ministry of Home Affairs. Guidance and supervision are delegated to Regency / City Government. If the Regency / City Government is not ready, OJK can delegate guidance and supervision to other appointed parties. Provisions regarding matters relating to guidance and supervision delegated to District / City Governments and other appointed parties are regulated in the OJK Regulation, namely OJK Regulation Number 14 / POJK.05 / 2014 concerning Development and Supervision of Micro Financial Institutions.

Based on the above, in conducting guidance, OJK coordinates with the ministry that organizes cooperative affairs and the Ministry of Home Affairs as regulated in the Memorandum of Understanding between OJK, the Ministry of Home Affairs and the Ministry of Cooperatives and small and medium enterprises Number: PRJ-28 / D. 01/2014, Number: 900 / 3479A / SJ, Number: 04 / KB / M.KUMK / 11/2014 concerning Coordination of Implementation of Law Number 1 Year 2013 concerning Micro Financial Institutions. Guidance is the efforts made by stipulating regulations concerning institutional, ownership, management, business activities, reporting and other aspects related to operations.¹³

Based on Article 6 of OJK Regulation Number 14 / POJK.05 / 2014 concerning Development and Supervision of Microfinance Institutions, the guidance and supervision of MFIs are carried out by the MFI Law and its implementing regulations as well as the guidelines set by OJK.

OJK also conducts supervision in the form of examinations, namely direct examinations as regulated in Article 9 of OJK Regulation Number 14 / POJK.05 / 2014 concerning Development and Supervision of Micro Financial Institutions. Guidance is the efforts made by stipulating regulations concerning institutional, ownership, management, business activities, reporting and other aspects related to operations.¹⁴

Based on Article 6 of OJK Regulation Number 14 / POJK.05 / 2014 concerning Development and Supervision of Microfinance Institutions, the guidance and supervision of MFIs is carried out in accordance with the MFI Law and its implementing

¹³Uswatun Hasanah, *Hukum Perbankan*, Setara Press, Malang, 2017, pg. 147.

¹⁴Uswatun Hasanah, *Hukum Perbankan*, Setara Press, Malang, 2017, pg. 147.

regulations as well as the guidelines set by OJK. OJK also conducts supervision in the form of examinations, namely direct examinations as regulated in Article 9 of OJK Regulation Number 14 / POJK.05 / 2014 concerning Development and Supervision of Micro Financial Institutions.

The examination is carried out in the event that any of the following conditions are suspected:

- a. The occurrence of misuse of MFI finances by both Directors, Commissioners and MFI employees.
- b. The occurrence of liquidity and solvency difficulties that lead to conditions that endanger the sustainability of the MFI's business.
- c. There are deviations from the Sharia Principles for MFIs that carry out business activities based on Sharia Principles.
- d. The arrears in loan or financing repayments are large enough to affect the financial condition of the MFI.
- e. The existence of irregularities in the form of granting fictitious loans or financing.
- f. An error occurs in recording and/or accounting calculations which results in financial losses for the MFI and
- g. There are conditions, which based on the consideration of OJK, it is necessary to conduct an in-person examination by OJK of MFIs.

MFIs are required to maintain a liquidity ratio of at least 3% (three percent) and MFIs are required to maintain a solvency ratio of at least 110% (one hundred and ten percent).

Based on Article 23 paragraph 1 of the MFI Law, that if MFIs experience liquidity problems and solvency that endanger the sustainability of their business, OJK can take actions to:

- a. Shareholders or cooperative members raise capital.
- b. Shareholders replace the board of commissioners or supervisors and/or directors or management of the MFI.
- c. The MFI writes off non-performing loans or financing and calculates the KM losses with its capital.
- d. MFIs merge or merge with other MFIs.
- e. MFI ownership is transferred to another party who is willing to take over all obligations.
- f. The MFI hands over the management of all or part of the KM activities to another party.

- g. The MFI sells part or all of the property and/or liabilities of KM to KM or other parties.

Article 23 paragraph (2) of the MFI Law, that if the actions referred to in paragraph (1) are not sufficient to overcome MFI liquidity and solvency difficulties, OJK revokes the MFI's business license and orders the MFI's board of directors or management to immediately hold a General Meeting of Shareholders, a Meeting Members or similar meetings to dissolve the LKM legal entity and form a liquidation team. Based on the above matters, OJK establishes regulatory policies for MFIs, OJK together with the Ministry of Cooperatives and SMEs are working together in terms of establishing cooperative establishment deeds, guidance and supervision are delegated to Regency / City Government.

5. CONCLUSION

In 2014, many regions in Indonesia were largely autonomous. So, the coordination between the centre and the regions must go through the provincial government first not directly to the village or the mayor, but through the governor. When the socialization was conducted by the OJK and the Ministry of Home Affairs regarding the guidance and supervision of these MFIs, most of the governors in Indonesia were absent. whereas at the central level, OJK has signed a memorandum of understanding with the Ministry of Home Affairs and the Ministry of Cooperatives and SMEs (Kemenkop UKM) regarding the preparation for the implementation of the MFI Law. The Ministry of Home Affairs itself has ordered the regional government to appoint employees or human resources as LKM supervisors. These employees will also be required to take part in training from the OJK related to MFI guidance and supervision. Most of the local governments have appointed staff assigned to supervise and build MFIs and provide the data to OJK. However, these regional governments are still inside Java Island.

Meanwhile, outside Java, there are still many local governments that have not provided data on their employees who are appointed as LKM supervisors and supervisors. So that this results in the message of guidance and supervision of MFIs not yet reaching remote areas, because it requires the assistance of the governor or provincial government to convey it. This has resulted in the absence of common perceptions regarding the MFI regulations in the Cooperatives and UKM Service so that it can hinder the coaching process.

After the guidance and supervision delegated to the Regency / City Government and other parties appointed by the OJK, only evaluate as regulated in Article 16 of OJK Regulation Number 14 /POJK.05/2014 concerning Development and Supervision of Microfinance Institutions that the Regency / City Government or another party who receives the delegation of guidance and supervision to periodically report the results of the guidance and supervision of MFIs to OJK for a period of 1 (one) calendar year no later than 2 (two) months from the end of the calendar year and OJK conducts an evaluation of the implementation of MFI guidance and supervision has been carried out by the Regency / City Regional Government or other parties appointed for 1 (one) calendar year as well as the revocation of business licenses, the Micro Financial Institution fines are on the OJK as well as conducting indirect audits in the form of audited financial reports and direct examinations as regulated in Article 8 paragraph 3 of OJK Regulation Number 14 /POJK.05/2014 Regarding the Development and Supervision of Microfinance Institutions, that if necessary, OJK can conduct a direct examination of the MFI either individually or jointly with the Regency / City Government or other appointed party and paragraph 4 that the Audit aims to gain confidence about the actual condition of the MFI, examine the suitability of the MFI's condition with laws and regulations and healthy MFI business practices and ensure that the MFI has made efforts to fulfill its obligations to its customers.

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