

GUIDE TO APPRAISING THE SOUNDNESS OF SHARIA COMPLIANT SAVING, LOAN AND FINANCING COOPERATIVES AND SHARIA COMPLIANT SAVING, LOAN AND FINANCING UNITS OF COOPERATIVES

**(Regulation of the Deputy for Supervision to the Ministry of
Cooperatives, Small and Medium Businesses of
the Republic of Indonesia No. 07/Per/Dep.6/IV/2016
dated April 19, 2016)**

BY THE GRACE OF ALMIGHTY GOD
DEPUTY OF SUPERVISION TO
THE MINISTRY OF COOPERATIVES, SMALL AND MEDIUM BUSINESSES OF
THE REPUBLIC OF INDONESIA

Considering :

- a. that to implement provisions in Article 34 paragraph (7) of Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 16/Per/M.KUKM/IX/2015 concerning the Realization of Sharia-Compliant Saving, Loan and Financing Businesses by Cooperatives, the Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses has issued Regulation No. 02/Per/Dep.6/III/2016 concerning Guide to Appraising the Soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving, Loan and Financing Units of Cooperatives;
- b. that to increase the effectiveness and efficiency in appraising the soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving, Loan and Financing Units of Cooperatives, it is necessary to replace several provisions in Regulation of Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 02/Per/Dep.6/III/2016 concerning Guide to Appraising the Soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving, Loan and Financing Units of Cooperatives;
- c. that based on the considerations as referred to in letters a and b, it is necessary to stipulate Regulation of

Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses of the Republic of Indonesia concerning Guide to Appraising the Soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving and Loan Units of Cooperatives;

In view of :

1. Law No. 25/1992 concerning Cooperatives (Statute Book of the Republic of Indonesia of 1992 No. 116, Supplement to Statute Book of the Republic of Indonesia No. 3502);
2. Law No. 41/2004 concerning Wakaf (Statute Book of the Republic of Indonesia of 2004 No. 159, Supplement to Statute Book of the Republic of Indonesia No. 4459);
3. Law No. 23/2011 concerning the Management of Zakat (Alms) (Statute Book of the Republic of Indonesia of 2011 No. 115, Supplement to Statute Book of the Republic of Indonesia No. 5225);
4. Law No. 9/2015 concerning the Second Round of Amendment to Law No. 23/2014 concerning Regional Administrations (Statute Book of the Republic of Indonesia of 2015 No. 58, Supplement to Statute Book of the Republic of Indonesia No. 5679);
5. Government Regulation No. 4/1994 concerning Requirements and Procedure of Endorsing Deeds of Incorporation and Amendment to Articles of Association of Cooperatives (Statute Book of the Republic of Indonesia of 1994 No. 8, Supplement to Statute Book of the Republic of Indonesia No. 3540);
6. Government Regulation No. 9/1995 concerning the Realization of Saving and Loan Business Activities by Cooperatives (Statute Book of the Republic of Indonesia of 1995 No. 19, Supplement to Statute Book of the Republic of Indonesia No. 3501);
7. Government Regulation No. 42/2006 concerning the Implementation of Law No. 41/2004 concerning Wakaf and Its Elucidation (Statute Book of the Republic of Indonesia of 2006 No. 105, Supplement to Statute Book of the Republic of Indonesia No. 4667);
8. Government Regulation No. 14/2014 concerning the Implementation of Law No. 23/2011 concerning the Management of Zakat (Alms) (Statute Book of the Republic of Indonesia of 2014 No. 38, Supplement to Statute Book of the Republic of Indonesia No. 5508);
9. Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 08/Per/M.KUKM/IX/2015 concerning the Organization and Working Procedure of the Ministry of Cooperatives, Small and Medium Businesses (State Gazette of the Republic of Indonesia of 2013 No. 1487);
10. Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No.

10/Per/M.KUKM/IX/2015 concerning Cooperative Institution (State Gazette of the Republic of Indonesia of 2015 No. 1489);

11. Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 14/Per/M.KUKM/IX/2015 concerning Accounting Guide for Sharia Compliant Saving, Loan and Financing Cooperatives (State Gazette of the Republic of Indonesia of 2015 No. 1493);
12. Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 16/Per/M.KUKM/IX/2015 concerning the Realization of Sharia Compliant Saving, Loan and Financing Businesses by Cooperatives (State Gazette of the Republic of Indonesia of 2015 No. 1495);
13. Regulation of the Minister of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 17/Per/M.KUKM/IX/2015 concerning the Supervision of Cooperatives (State Gazette of the Republic of Indonesia of 2015 No. 1496).

DECIDES :

To stipulate :

REGULATION OF THE DEPUTY FOR SUPERVISION TO THE MINISTRY OF COOPERATIVES, SMALL AND MEDIUM BUSINESSES CONCERNING GUIDE TO APPRAISING THE SOUNDNESS OF SHARIA COMPLIANT SAVING, LOAN AND FINANCING COOPERATIVES AND SHARIA COMPLIANT SAVING, LOAN AND FINANCING UNITS OF COOPERATIVES

CHAPTER I

GENERAL PROVISIONS

Article 1

Referred to in this Regulation as :

1. Cooperative is a corporate body, which comprises individuals or legal entities by basing its activities on the principles of cooperative and functions as people-based economic movement based on family principle.
2. Sharia compliant saving, loan and financing cooperative, hereinafter called KSPPS is a cooperative, which is merely engaged in sharia compliant saving, loan and financing business. .
3. Primary KSPPS is a cooperative which is set up by and comprises individuals to engage in sharia compliant saving, loan and financing business.

4. Secondary KSPPS is a cooperative, which is set up by and comprises KSPPS to engage in sharia compliant saving, loan and financing business.
5. Sharia compliant saving, loan and financing unit of cooperative, hereinafter called USPPS of cooperative, is a unit of cooperative which is engaged in sharia compliant saving, loan and financing business as part of the business activities of the related cooperative.
6. Appraisal of the soundness of KSPPS and USPPS of cooperative is an activity carried out to measure the sound level of KSPPS and USPPS of cooperative periodically.
7. Sharia principle is the principle of Islamic law related to the business activities of cooperative based on fatwa (edict) issued by the National Sharia Council of the Indonesian Ulemas Council (DSN-MUI).
8. Sharia Supervisory Council is the council appointed by the related cooperative based on a decision reached at the meeting of members and comprises ulemas having expertise in sharia law, to carry out functions and tasks as a sharia supervisor at the relevant cooperative and authorized to give response to and interpretation of fatwa issued by DSN-MUI.
9. KSPPS branch is an office which represents the head office of KSPPS in carrying out its business to raise and extend funds and has the authority to decide the granting of sharia compliant loan and financing.
10. Soundness appraiser is a state civil apparatus (ASN) who is assigned and authorized to assess the soundness of KSPPS and USPPS of cooperative according to the area of membership.
11. Minister is the Minister who carries out government affairs in the field of cooperative, small and medium businesses.
12. Deputy is the Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses.
13. Governor is the head of province/special region (D.I).
14. Regent is the head of regency.
15. Mayor is the head of municipality.
16. Regional Apparatus Working Unit, hereinafter called SKPD, is an assistant to the governor/regent/mayor in an official form which deals with affairs related to cooperatives, small and medium businesses at a provincial/regency/municipal level and is responsible for the realization of co-administration tasks at the Ministry of Cooperatives, Small and Medium Businesses set by the governor/regent/mayor.

CHAPTER II

OBJECTIVE, TARGET AND WORKING BASE

Article 2

Guide to Appraising the Soundness of KSPPS and USPPS of Cooperatives is aimed at providing directives to appraise the soundness of KSPPS and USPPS of cooperatives.

Article 3

The appraisal of the soundness of sharia compliant saving, loan and financing businesses by cooperative KSP and USP of cooperatives is targeted at :

- a. creating the sound management of KSPPS and USPPS of cooperatives in accordance with the law and regulation.
- b. creating primary services to the users of cooperatives' services;
- c. improving the image and credibility of sharia compliant saving, loan and financing business activities by cooperatives as financial institution capable of managing sharia compliant saving, loan and financing business activities in accordance with the law and regulation;
- d. assuring the assets of sharia compliant saving, loan and financing business activities by cooperatives in accordance with the law and regulation;
- e. increasing transparency and accountability in the management of sharia compliant saving, loan and financing business activities by cooperatives; and
- f. increasing economic gains for members in the realization of sharia compliant saving, loan and financing business activities by cooperatives.

Article 4

Working bases for appraising the soundness of KSPPS and USPPS of cooperatives are as follows:

- a. KSPPS and USPPS of cooperatives carry out their business activities based on the law and regulation;
- b. KPPS and USPPS of cooperatives carry out their business activities based on the sharia principles and DSN-MUI fatwa;
- c. KSPPS and USPPS of cooperatives are realized to meet the financial need of members on a self-help basis;
- d. Members of KSPPS and USPPS of cooperatives are within a unit of cooperatives' working system set forth

- in the articles of association (AD/ART) of KSP and USP of cooperatives; and
- e. KSPPS and USPPS of cooperatives must give greater benefit to their members.

CHAPTER III

SCOPE OF THE APPRAISAL OF SOUNDNESS

Article 5

The scope of the appraisal of soundness of KSPPS and USPPS of cooperatives is done to the following aspects:

- a. capital;
- b. quality of productive assets;
- c. management;
- d. efficiency;
- e. liquidity;
- f. self-reliance and growth;
- g. identity of cooperatives and
- h. sharia principles..

Article 6

The appraisal of the soundness of KSPPS and USPPS of cooperatives as referred to in Article 5 is realized as set forth in the Regulation of the Deputy as follows:

- a. Attachment I concerning Guide to Appraising the Soundness of KSPPS and USPPS of Cooperatives;
- b. Attachment II concerning Questionnaire of Management Aspects;
- c. Attachment III concerning Questionnaire of Compliance with the Sharia Principles; and
- c. Attachment IVI concerning Working Paper of the Appraisal of the Soundness of KSPPS and USPPS of Cooperatives.

CHAPTER IV

APPRAISAL OF SOUNDNESS

Article 7

- (1) The appraisal of the soundness of sharia compliant saving, loan and financing businesses by cooperatives is realized to measure the sound level of KSPPS and USPPS of cooperatives and KSPPS branches.
- (2) Appraisers of the soundness of KSPPS and USPPS of cooperatives are as follows:
 - a. Regency/municipal SKPD for primary/secondary KSPPS and USPPS of cooperatives, with the area of membership covering 1 (one) regency/municipality and KSPPS branch;
 - b. Provincial/Special Regional SKPD for primary/secondary KSPPS and USPPS of cooperatives, with the area of membership covering more than 1 (one) regency/municipality within 1 (one) province/special region; and
 - c. Deputy for primary/secondary KSPPS and USPPS of cooperatives, with the area of membership covering more than 1 (one) province/special region.
- (3) In appraising the soundness as referred to in paragraph (2), soundness appraiser from state civil apparatus in the field of cooperatives can be appointed by fulfilling the following requirements:
 - a. holding at least Diploma III degree;
 - b. having capability and knowledge in the field of cooperatives; and
 - c. holding a certificate of training and/or technical guidance in the appraisal of the soundness of sharia compliant saving, loan and financing businesses.
- (4) The results of appraisal of the soundness of KSPPS and USPPS of cooperatives are classified into 4 (four) categories, namely:
 - a. sound, if the result of appraisal shows a total score of $80.00 \leq x < 100$
 - b. fairly sound, if the result of appraisal shows a total score of $66.00 \leq x < 80.00$;
 - c. under surveillance, if the result of appraisal shows a total score of $51.00 \leq x < 66.00$; and
 - d. under special surveillance, if the result of appraisal shows a total score of $0 < x < 51.00$.
- (5) The appraisal of the soundness of KSPPS and USPPS of cooperatives shall be done at least once every year after the annual meeting of members (RAT) has been held.

CHAPTER V

MECHANISM OF REPORTING

Article 8

- (1) Soundness appraiser shall submit a report of soundness appraisal once every 6 (six) months, year and incidental report.
- (2) The mid-yearly report as referred to in paragraph (1) shall be submitted no later than 30 (thirty) days after the period of 6 (six) months has ended.
- (3) The yearly report as referred to in paragraph (1) shall be submitted no later than 30 (thirty) days after the period of 1 (one) year has ended.
- (4) The incidental report as referred to in paragraph (1) shall be submitted no later than 30 (thirty) days after the soundness appraisal has been realized.
- (5) Yearly report of soundness appraisal shall be presented by comparing the condition of sound performance between the current year and the previous year.

Article 9

Soundness appraisers shall submit reports to :

1. The Regent/Mayor, for the appraisal of the soundness of primary/secondary KSPPS and USPPS of cooperatives, with the area of membership covering 1 (one) regency/municipality and KSPPS branch, with copies addressed to the Governor and the Minister.
2. The Governor, for the appraisal of the soundness of primary/secondary KSPPS and USPPS of cooperatives, with the area of membership covering more than 1 (one) province/special region, with a copy addressed to the Minister.

CHAPTER VI

CONCLUSION

Article 10

- (1) The appraisal of the soundness of KSPPS and USPPS of cooperatives done based on Regulation of the Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 02/Per/Dep.6/III/2016 concerning Guide to Appraising the Soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving, Loan and Financing Units of Coop-

eratives, is recognized based on this regulation.

- (2) Regulation of the Deputy for Supervision to the Ministry of Cooperatives, Small and Medium Businesses of the Republic of Indonesia No. 02/Per/Dep.6/III/2016 concerning Guide to Appraising the Soundness of Sharia Compliant Saving, Loan and Financing Cooperatives and Sharia Compliant Saving, Loan and Financing Units of Cooperatives, is revoked and declared null and void.

Article 11

This Regulation of the Deputy shall come into force as from the date of stipulation.

Stipulated in Jakarta

On April 19, 2016

THE DEPUTY FOR SUPERVISION,

sgd.

MELADISEMBIRING

Editor's note :

- The attachments are not carried for technical reasons.

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