THE DUAL SUPERVISION MODEL AS A GOVERNANCE FRAMEWORK FOR ISLAMIC FINANCIAL INSTITUTIONS

Ashma Khairunnisa[1], Zainal Arifin[2], Imran Saleh[3], Riko Hermawan[4]
[1234] Master of Sharia Economic Law, Graduate School, Muhammadiyah University of Surabaya, Indonesia

E-mail:
[1]ashma.khairunnisa-2025@pps.um-surabaya.ac.id
[2]zainalarifin@um-surabaya.ac.id
[3]imran.saleh-2025@pps.um-surabaya.ac.id
[4]riko.hermawan-2025@pps.um-surabaya.ac.id

Abstract

The rapid growth of the Islamic financial industry has not been fully accompanied by the strengthening of ethical integrity and Sharia governance quality. This study examines the concept of dual supervision as an integrative model that combines regulatory oversight and taqwa-based internal control within Islamic economic systems. Using a qualitative library research approach, this study analyzes classical and contemporary Islamic legal thought, particularly drawing on Mausu'ah Qadhaya Fiqhiyyah Mu'ashirah by Dr. Ali al-Salus, along with relevant literature on Islamic governance and financial analysis. The findings indicate that regulatory supervision ensures formal compliance with Sharia standards and institutional procedures, while it remains insufficient in preventing moral hazards and ethical violations. Conversely, taqwa functions as an internal spiritual mechanism that fosters accountability, integrity, and ethical responsibility among economic actors. The integration of both dimensions produces a dual supervision framework that strengthens Sharia compliance, enhances governance effectiveness, and supports sustainable Islamic financial development. Furthermore, the model is relevant to contemporary challenges such as financial technology innovation, regulatory fragmentation, and increasing complexity in Islamic financial transactions. This study contributes to the development of Islamic governance theory and offers a conceptual framework for improving both Sharia compliance and ethical performance in Islamic financial institutions.

Keyword: Dual Supervision; Islamic Financial Governance; Taqwa-Based Ethics

A. INTRODUCTION

The development of the Islamic finance industry over the past two decades has shown rapid growth, both in terms of institutional development, asset growth, and the diversification of increasingly complex financial products (Halim, 2023). In Indonesia, this development has been marked by an increase in the number of Islamic financial institutions and a growing market share for Islamic banking in response to the public s rising demand for a financial system based on Islamic principles (Irawan et al., 2021). Statistical data on Islamic banking from the Financial Services Authority (OJK) also indicates that assets, financing, and fund mobilization in the Islamic banking sector have continued to increase year over year, demonstrating the growing contribution of the Islamic economy to the national financial system (Putri & Rachmawati, 2022). Nevertheless, this growth is still primarily measured through institutional and financial performance indicators, whereas the strengthening of Sharia governance based on values, ethics, and maqāṣid al-sharī ah has not developed in a balanced manner. As a result, institutional success is not always accompanied by an increase in moral integrity or the quality of substantive compliance with Sharia principles in the operational practices of Islamic financial institutions (Sholikhah et al., 2025).

These issues indicate that the primary challenge facing Islamic financial institutions in the contemporary era is no longer limited to industry growth, but rather to the quality of Sharia governance which can ensure the integration of legal compliance, ethical integrity, and spiritual responsibility. Various studies indicate that Islamic financial institutions still tend to prioritize administrative compliance with Sharia regulations and fatwas as the primary indicator of successful Sharia implementation, rather than the achievement of substantive Sharia objectives centered on justice, transparency, the public interest, and the protection of the maqāṣid al-sharī ah (Nasir, 2025). This situation has led to Sharia compliance being understood more as formal compliance rather than substantive compliance, meaning that economic practices administratively deemed Sharia-compliant may still potentially contain elements of gharar, contractual manipulation, or forms of hidden riba. Furthermore, weak internal control mechanisms and potential conflicts of interest in the functioning of the Sharia Supervisory Board (DPS) increasingly demonstrate that the existing oversight system has not yet been fully capable of integrating legal, ethical, and spiritual dimensions into the governance of Islamic financial institutions (Usman, 2022).

Various empirical findings further underscore this issue. Fraud, financing manipulation, misuse of collateral, and various forms of violations of Sharia principles are still found in a number of Islamic financial institutions, even though these institutions demonstrate relatively good financial performance (Jatmiko et al., 2024; Sriani et al., 2023). In Indonesia, the Financial Services Authority (OJK), through the Indonesia Anti-Scam Center (IASC), has also recorded tens of thousands of reports of financial transaction fraud, with losses amounting to trillions of rupiah as of 2025. This phenomenon indicates that oversight mechanisms, which have so far relied on formal regulations, have not been fully effective in preventing moral hazard, ethical violations, or opportunistic behavior by economic actors. Thus, strengthening the oversight system one that is

oriented not only toward regulatory compliance but also toward the internalization of Sharia values has become an increasingly urgent necessity in maintaining the credibility and sustainability of the Islamic finance industry.

On the other hand, developments in academic research on Sharia oversight still tend to take a partial approach. Some studies focus more on the effectiveness of institutional governance through the functions of the Sharia Supervisory Board, Sharia audits, regulatory compliance, and organizational oversight mechanisms (Samsuri et al., 2025). Meanwhile, other studies highlight the spiritual dimension through the concepts of taqwa, akhlak, muraqabah, and individual moral consciousness as the foundation of oversight in the Islamic economy (Kurt et al., 2021; Nurdiana et al., 2025). Both groups of studies make important contributions to the development of Sharia governance; however, they generally still treat regulatory oversight and spiritual oversight as two separate mechanisms. Consequently, there is currently no conceptual framework capable of explaining the functional relationship between these two forms of oversight in building a comprehensive Sharia oversight system.

This situation indicates a research gap in the study of the governance of Islamic financial institutions. To date, most research still views regulatory oversight as an instrument of institutional compliance, while taqwa-based oversight is understood as an individual moral responsibility. In fact, from an Islamic perspective, these two dimensions are complementary. Regulatory oversight is necessary to ensure institutional compliance with Sharia standards, while taqwa serves as an internal control mechanism that fosters integrity, trustworthiness, ihsan, and moral accountability among all economic actors. The lack of integration between these two mechanisms results in Sharia governance that is more administrative than substantive, thereby failing to fully realize the objectives of maqāṣid al-sharī ah in contemporary economic practice.

Based on this gap, this study develops the Dual Supervision Model as a new conceptual framework for analyzing the governance of Islamic financial institutions. This model is constructed by integrating two dimensions of supervision: external regulatory supervision which is realized through regulations, the Sharia Supervisory Board, Sharia audits, and Sharia governance mechanisms and internal spiritual supervision which is realized through the internalization of the values of taqwa, amanah, ihsan, and muraqabah. Unlike previous studies that discussed these two forms of supervision separately, this study formulates the functional relationship between regulatory supervision and spiritual supervision within a single conceptual model oriented toward achieving the maqāṣid al-sharī ah. Thus, the main contribution of this study lies not only in the integration of these two oversight mechanisms but also in the development of the Dual Supervision Model as a more comprehensive, ethical, and adaptive analytical framework for the governance of Islamic financial institutions in response to the dynamics of contemporary muamalah.

The urgency of this research is increasing in tandem with the growth of digital financial transactions, innovations in financial technology (fintech), regulatory fragmentation, and the rising complexity of Islamic financial products, all of which demand a more adaptive supervisory model (Alfian Widiyanto & Dini Selasi, 2024; Amirudin et al., 2025; Hasan, 2024). If sharia governance is oriented solely toward administrative compliance, the potential for deviations from sharia values will continue to increase.

Therefore, this study aims to: (1) analyze the limitations of a Sharia supervision system oriented toward regulatory compliance; (2) construct a Dual Supervision Model through the integration of regulatory supervision and taqwa-based supervision; and (3) explain the contribution of this model as a framework for analyzing the governance of Sharia financial institutions in addressing contemporary muamalah challenges.

B. RESEARCH METHODOLOGY

This study is a literature review (library research) using a conceptual approach aimed at developing the Dual Supervision Model as a framework for analyzing the governance of Islamic financial institutions. This approach was chosen because the study focuses on the construction and synthesis of concepts through a critical review of theories, Sharia principles, and scientific literature on supervisory systems in Islamic economics, without conducting empirical testing.

Data sources consist of primary and secondary sources. Primary sources include the Qur an, Hadith, books on muamalah fiqh, literature on maqāṣid al-sharī ah, hisbah, and Sharia governance, as well as classical and contemporary literature discussing oversight in Islamic economics. Secondary sources were obtained from scientific journal articles, academic books, regulations related to Islamic financial institutions, reports from the Financial Services Authority (OJK), and previous research relevant to the governance and supervision of Islamic financial institutions.

Data collection was conducted through a literature review by searching for, selecting, and examining relevant literature based on academic authority, the recency of publications, and their relevance to the research focus. The data were then analyzed using content analysis to identify concepts and issues related to Sharia supervision, as well as conceptual analysis to synthesize the relationships between regulatory supervision, taqwa-based supervision, maqāṣid al-sharī ah, and hisbah, resulting in the Dual Supervision Model as a framework for analyzing the governance of Sharia financial institutions.

Conceptual validity is ensured through conceptual validation by comparing various theoretical perspectives, regulations, and the results of previous research. This process aims to ensure logical consistency among concepts, their alignment with Sharia principles, and their relevance to developments in the governance of contemporary Islamic financial institutions.

C. RESULTS AND DISCUSSION

Limitations of Contemporary Sharia Supervision

The development of the Islamic finance industry over the past few decades has spurred the creation of various sharia governance instruments aimed at ensuring that financial institutions comply with sharia principles. Strengthened regulations, the establishment of Sharia Supervisory Boards (DPS), Sharia audits, and the development of governance

standards by various national and international authorities all represent a commitment to maintaining the integrity of the Islamic finance industry. However, the enhancement of these institutional frameworks has not been fully accompanied by an improvement in the quality of Sharia principle implementation in operational practices. Various cases of non-compliance indicate that adherence to formal regulations does not always reflect the realization of the values of justice, trustworthiness, transparency, and public interest which are the primary objectives of Sharia.

This situation indicates a shift in the focus of Sharia oversight from substantive compliance toward formal compliance. In practice, the success of oversight is often measured based on the fulfillment of administrative procedures, the conformity of contract documents, and compliance with applicable fatwas. While this approach is indeed important as a form of legal certainty, it has not yet been able to guarantee that all economic activities truly reflect the objectives of maqāṣid al-sharī ah. As a result, a transaction may be declared to formally comply with Sharia provisions but still contain practices that contradict the value of justice, such as contractual engineering, hidden gharar, or the misuse of financing structures intended solely to circumvent the prohibition on riba without altering the substance of the transaction.

Various studies confirm that the main issue with Sharia supervision does not lie in a lack of regulation, but rather in the effectiveness of Sharia governance implementation. Research in Jordan shows that the limited resources of Sharia auditors and the heavy supervisory burden have prevented the audit process from optimally covering all operational activities of financial institutions (Samsul, 2024). Similar findings are also evident in Bahrain, where differences in the implementation of Sharia governance exist between retail Sharia banks and wholesale Sharia banks, influenced by variations in organizational structure and institutional oversight mechanisms (Al-Saadi et al., 2022). These results indicate that the existence of regulations and supervisory agencies does not automatically result in uniform quality of Sharia compliance.

The same issue is also evident in the role of the Sharia Supervisory Board as the primary institution in the oversight system for Islamic financial institutions. Normatively, the Sharia Supervisory Board is responsible for ensuring that all of the institution s activities comply with Sharia principles. However, the effectiveness of this role still faces various obstacles, including limited independence, a lack of multidisciplinary expertise, a heavy workload, and potential conflicts of interest between the oversight function and the institution s business interests.(Haron et al., 2022) indicate that institutional capacity building for the Sharia Supervisory Board remains a significant challenge in strengthening the Sharia governance system. In the Indonesian context, similar issues are also evident in the oversight mechanisms for Sharia-compliant securities crowdfunding, which require regulatory strengthening so that the Sharia Supervisory Board can ensure transparency and accountability more effectively (Tektona, 2022).

At the international level, differences in Sharia governance structures across countries also demonstrate that supervisory systems remain highly dependent on the institutional

design of each jurisdiction. Countries that adopt a centralized Sharia supervision model tend to have more uniform compliance standards, whereas those that use a decentralized approach grant greater flexibility to individual financial institutions in implementing Sharia principles. In Ethiopia, for example, the absence of an integrated Sharia governance framework has led to increased risks of Sharia non-compliance and inconsistencies in supervisory practices among Islamic financial institutions (Hailu & Tekdoğan, 2023). This phenomenon indicates that the effectiveness of Sharia supervision is influenced not only by the quality of regulations but also by the design of the governance framework and the capacity of supervisory institutions.

In addition to institutional challenges, the development of financial technology (fintech), the digitization of financial services, and innovations in Sharia-compliant products have also introduced new and increasingly complex forms of risk. Digital transactions occur at high speeds, involve various cross-jurisdictional platforms, and utilize increasingly complex contracts, thereby increasing the potential for information asymmetry, misuse of technology, and moral hazard. In such situations, supervision that relies solely on document reviews, periodic audits, or administrative compliance becomes increasingly difficult to effectively cover the full dynamics of transactions. In other words, the higher the complexity of the modern Sharia financial system, the greater the need for supervisory mechanisms that do not rely solely on institutional controls.

This issue demonstrates that the primary limitation of contemporary Sharia oversight is not the absence of regulations, but rather the dominance of an oversight paradigm focused on external aspects. Thus far, the oversight system has placed greater emphasis on the existence of rules, supervisory institutions, and audit mechanisms as the primary instruments for ensuring Sharia compliance. However, from an Islamic perspective, economic behavior is influenced not only by external factors but also by the quality of the moral and spiritual consciousness of individuals as economic actors. When these internal dimensions do not receive adequate attention, even sound regulations remain limited in their ability to prevent deliberate violations committed by individuals or institutions.

Based on this analysis, it is clear that strengthening Sharia governance requires a more comprehensive approach than merely refining regulations or enhancing institutional capacity. External oversight remains an indispensable component, as it serves to create legal certainty and ensure institutional accountability. However, its effectiveness will be optimized if supported by internal oversight mechanisms rooted in the moral and spiritual awareness of every economic actor. Thus, the main problem with contemporary Sharia oversight lies in the failure to integrate the regulatory and ethical-spiritual dimensions into a single, cohesive oversight system. This conceptual finding forms the basis for the development of the Dual Supervision Model, which will be discussed in the following section.

2. Taqwa as a Mechanism for Internal Oversight in Islamic Economics

From an Islamic perspective, oversight of economic activities is not only carried out through external mechanisms such as regulations, supervisory agencies, and legal sanctions, but also through internal mechanisms rooted in an individual s spiritual awareness. These internal mechanisms are embodied in the concept of taqwa an awareness that compels a person to consistently obey the commands of Allah SWT, avoid His prohibitions, and take responsibility for every action they take. Unlike external oversight, which operates through institutional controls, taqwa operates through self-supervision rooted in the belief that all human activities are under the supervision of Allah SWT. Thus, taqwa not only has a theological dimension but also functions as an ethical instrument that shapes economic behavior in accordance with Sharia principles.

This concept has a strong foundation in the Qur an. Allah the Almighty says: And fear Allah. Indeed, Allah is All-Knowing of what you do. (Quran 2:282). This verse indicates that Allah s oversight does not depend on the presence of human supervisors or legal systems. Awareness of divine oversight (muraqabah) serves as the foundation that motivates every individual to maintain integrity, honesty, and responsibility in all their activities, including economic activities. Therefore, compliance with Sharia in Islam is understood not only as adherence to formal rules but also as a form of devotion to Allah manifested through honest, just, and trustworthy behavior.

In Islamic economic studies, taqwa is a multidimensional concept that encompasses spiritual, moral, and social dimensions. Research by Ihsan (2022) and Nazam et al. (2022) (Ihsan, 2022) explains that taqwa does not merely signify fear of Allah, but also encompasses moral consciousness, a love for goodness, and a commitment to maintaining harmonious relationships with fellow human beings. This perspective demonstrates that taqwa has direct implications for economic behavior because it shapes an individual s orientation to avoid practices that harm others, such as fraud, manipulation, gharar, and riba.

As an internal oversight mechanism, taqwa differs in nature from regulatory oversight systems. Regulatory oversight operates through rules, procedures, audits, and sanctions applied after an action has been taken or when a violation is discovered. In contrast, taqwa functions preventively by regulating individual behavior before deviations occur. The awareness that every transaction will be accounted for before Allah motivates economic actors to maintain integrity even when not under direct supervision. Thus, the effectiveness of taqwa does not depend on the intensity of external oversight, but rather on the quality of spiritual awareness possessed by each individual.

These preventive functions are reinforced by the values that are an integral part of the concept of taqwa, namely amanah, ihsan, and muraqabah. Amanah implies a sense of responsibility to uphold the rights of others and to carry out duties in accordance with Sharia provisions. Ihsan requires every individual to perform their work professionally and to the best of their ability, based on the belief that Allah is always observing all their deeds. As for muraqabah, it is the spiritual awareness that not a single action escapes Allah s oversight. These three values form the moral integrity that drives economic actors to

uphold the principles of honesty and justice even in the absence of external pressure. In the view of Sheikh Abdul Qadir al-Jailani, taqwa is a process of purifying the soul that fosters consistency in carrying out Allah s commands and avoiding all forms of sin, whether apparent ( ) or hidden (Mahmud et al., 2022).

When applied to organizational governance, the concept of taqwa aligns with the control environment component within the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. In modern internal control systems, the control environment is viewed as the foundation that shapes organizational culture, integrity, and the ethical behavior of all organizational members. Spiritual values in Islam can strengthen this control environment by making religiosity a factor that influences individual behavior in carrying out organizational responsibilities (Djasuli, 2021). Thus, taqwa not only has implications at the personal level but also contributes to the formation of an organizational culture oriented toward integrity and Sharia compliance.

In the context of Islamic financial institutions, the role of internal oversight grounded in taqwa is becoming increasingly important as the complexity of transactions and the digitization of financial services continue to rise. Technological advancements enable various transactions to be conducted automatically without direct interaction between business operators and customers. This situation increases the likelihood of abuse of authority, which is difficult to detect through audit mechanisms or administrative inspections alone. Therefore, the internalization of the value of taqwa serves as a factor that can strengthen the effectiveness of the oversight system by encouraging individuals to continue behaving in accordance with Sharia principles even when outside the scope of formal oversight.

Based on this discussion, it can be understood that taqwa is not only a spiritual concept related to the relationship between humans and Allah, but also serves a practical function as an internal oversight mechanism in Islamic economic governance. Supervision built through taqwa can complement the limitations of regulatory oversight by fostering self-control that is preventive in nature, integrity-oriented, and conducive to achieving the objectives of maqāṣid al-sharī ah. Therefore, an effective Sharia oversight system cannot rely solely on institutional instruments but also requires the internalization of the values of taqwa as a moral foundation for all economic actors. The synthesis of these two dimensions of oversight forms the conceptual basis for the development of the Dual Supervision Model discussed in the following section.

3. Development of a Dual Supervision Model in the Governance of Islamic Financial Institutions

An analysis of various studies on the governance of Islamic financial institutions shows that the current supervisory system is still dominated by a regulatory approach. Supervision is understood as a mechanism to ensure institutions compliance with regulations, fatwas, and operational standards established by the relevant authorities. This approach plays a crucial role in creating legal certainty, maintaining institutional

accountability, and protecting the interests of stakeholders. However, various empirical findings, as outlined in the previous discussion, show that strengthening regulations has not been fully effective in eliminating practices such as moral hazard, contract manipulation, abuse of authority, or various forms of violations of the principle of Sharia. These conditions indicate that administrative compliance does not necessarily align with substantive compliance with Sharia values.

On the other hand, Islam views economic behavior as being influenced not only by the existence of formal rules and oversight mechanisms, but also by the spiritual and moral qualities of individuals as economic actors. The concepts of taqwa, amanah, ihsan, and muraqabah foster the awareness that every human activity will be accounted for before Allah SWT. This awareness motivates individuals to conduct economic activities honestly, fairly, and responsibly, even when not under direct supervision. Thus, oversight in Islam actually has two complementary dimensions: oversight stemming from institutional systems and oversight arising from an individual s spiritual awareness.

Based on this synthesis, this study develops the Dual Supervision Model as a conceptual framework for the governance of Islamic financial institutions. This model is built on the assumption that effective supervision cannot rely solely on one form of oversight but requires the integration of external supervision and internal supervision. These two dimensions are positioned as a mutually reinforcing whole, thereby producing a more comprehensive supervisory system compared to models that rely solely on formal regulations.

External oversight is a control mechanism implemented through institutional instruments. In the context of Islamic financial institutions, this supervision is carried out through government regulations, fatwas issued by the National Sharia Council Indonesian Ulema Council (DSN-MUI), the functions of the Sharia Supervisory Board (DPS or SSB), sharia audits, risk management, and the implementation of sharia governance. All of these instruments serve to ensure that the products, contracts, and operations of financial institutions comply with applicable Sharia provisions. In addition to providing legal certainty, external supervision also serves as a mechanism for organizational accountability through the processes of evaluation, oversight, and the imposition of sanctions for violations.

Nevertheless, external oversight has unavoidable limitations. Regulation is essentially only capable of monitoring behavior that can be observed through documents, procedures, or audit processes. In practice, many economic decisions depend on individual integrity and thus cannot be fully addressed by institutional mechanisms. The more complex modern financial transactions become particularly with the rise of digitalization and financial technology the greater the scope of activities that cannot be directly monitored by regulators. Therefore, the effectiveness of institutional oversight is

heavily influenced by the character and integrity of the individuals operating the system.

To address these limitations, this study positions internal supervision as the second dimension in the Dual Supervision Model. Internal supervision is established through the internalization of the values of taqwa, amanah, ihsan, akhlak, and muraqabah as a mechanism for self-supervision. Unlike external supervision, which operates through rules and sanctions, internal supervision operates through the awareness that every action is under the supervision of Allah SWT. This awareness encourages individuals to avoid misconduct not out of fear of human punishment, but rather out of a sense of faith and moral responsibility. Thus, internal supervision has a preventive nature that serves to prevent misconduct before it occurs.

The integration of these two forms of oversight is at the core of the Dual Supervision Model. This study argues that regulatory oversight and spiritual oversight are not two mutually exclusive approaches, but rather two mechanisms that serve distinct and complementary functions. External supervision ensures institutional compliance through regulations, operational standards, audits, and accountability systems, while internal supervision fosters a culture of integrity by instilling Sharia values within each economic actor. If one dimension does not function optimally, the other can serve as a reinforcing mechanism, thereby ensuring that governance effectiveness is maintained.

This concept has a normative foundation in the principle of ar-raqābah al-muzdawijah (الرقابة المزدوجة), which refers to dual oversight that integrates institutional control with moral control. This principle has, in fact, long been recognized in the tradition of Islamic economics through the institution of hisbah, which not only performs the administrative function of market oversight but also instills business ethics and social responsibility among economic actors. Therefore, the Dual Supervision Model is not a concept that contradicts the tradition of muamalah fiqh, but rather a conceptual reconstruction of Islamic oversight principles to make them more relevant to the dynamics of contemporary Islamic financial institution governance.

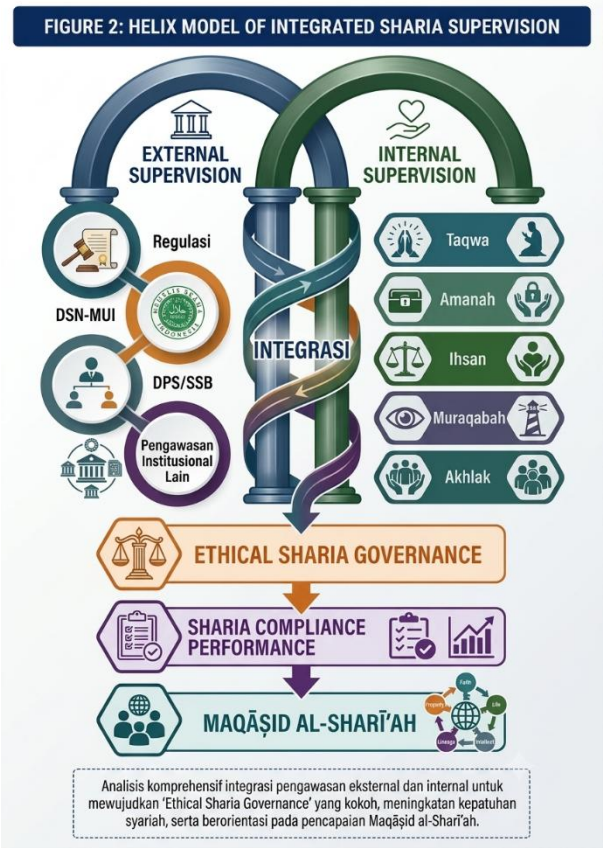

Figure 1. The Dual Supervision Model in the Governance of Islamic Financial Institutions

The model in Figure 1 shows that external oversight and internal oversight are linked through an integration process oriented toward the achievement of maqāṣid al-sharī ah. External oversight provides an institutional foundation in the form of regulations, Sharia audits, the Sharia Supervisory Board (DPS), and Sharia governance, while internal oversight strengthens this system through the cultivation of character grounded in taqwa, amanah, ihsan, and muraqabah. The integration of these two dimensions results in Sharia governance that is oriented not only toward administrative compliance but also toward fostering an organizational culture that is ethical, transparent, and accountable.

Based on this framework, this study identifies four main implications of the Dual Supervision Model. First, this model strengthens Sharia compliance because compliance is built through a combination of institutional controls and moral awareness. Second, this model improves the quality of Sharia governance by strengthening organizational integrity and institutional accountability. Third, this model contributes to increased public trust, as the public evaluates institutions not only based on financial performance but also on the consistent application of Sharia values. Fourth, the integration of these two dimensions of oversight supports the achievement of maqāṣid al-sharī ah namely, the realization of

justice, the public interest, the protection of assets, and the sustainability of the Islamic economic system ( ).

Thus, the Dual Supervision Model proposed in this study not only broadens the perspective on Sharia supervision but also provides a new conceptual framework for analyzing the governance of Sharia financial institutions. Unlike conventional approaches, which place greater emphasis on regulatory compliance, this model positions the spiritual dimension as an integral part of the supervisory system. The integration of regulation and taqwa serves as the primary foundation for building governance that not only meets legal standards but also substantively reflects Islamic ethical values. On this basis, the Dual Supervision Model is expected to serve as a relevant analytical framework for the development of governance in Islamic financial institutions as they face contemporary muamalah challenges.

D. CONCLUSION

This study shows that Sharia oversight in contemporary Islamic financial institutions is still dominated by a regulatory approach focused on administrative compliance (formal compliance). Although the oversight system comprising regulations, the Sharia Supervisory Board, Sharia audits, and Sharia governance mechanisms plays a crucial role in ensuring compliance with Sharia principles, this approach has not been fully effective in preventing moral hazard, contract manipulation, or various forms of misconduct stemming from weak individual integrity. This situation indicates that the effectiveness of Sharia governance is determined not only by the quality of institutional oversight but also by the strengthening of the moral and spiritual dimensions of economic actors.

Based on a conceptual analysis of the literature on muamalah fiqh, maqāṣid al-sharī ah, Sharia governance, and the concept of taqwa, this study formulates the Dual Supervision Model as a framework for analyzing the governance of Islamic financial institutions. This model integrates external oversight manifested through regulations, the Sharia Supervisory Board, Sharia audits, and institutional governance mechanisms with internal oversight built through the internalization of the values of taqwa, amanah, ihsan, akhlak, and muraqabah. The integration of these two dimensions results in a more comprehensive oversight system because it not only ensures legal compliance but also strengthens moral integrity, accountability, and a focus on achieving the maqāṣid al-sharī ah.

The main contribution of this study lies in the development of the Dual Supervision Model as a conceptual framework for the study of contemporary muamalah. Unlike previous studies, which generally discuss regulatory supervision and spiritual supervision separately, this study demonstrates that these two forms of supervision have a complementary relationship and need to be integrated into the governance system of Islamic financial institutions. The proposed model is expected to enrich the development of sharia governance theory while also serving as a conceptual foundation for strengthening the supervisory system of Islamic financial institutions amid economic complexities and the digitalization of financial services.

This study is still conceptual in nature and has not yet tested the effectiveness of the Dual Supervision Model in institutional practice. Therefore, further research is recommended to develop measurement instruments for each dimension of the model and to conduct an empirical test of across various Islamic financial institutions, so that the relationship between regulatory supervision, taqwa-based supervision, the quality of Sharia governance, and the achievement of maqāṣid al-sharī ah can be verified more comprehensively.

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