

UNRAVELING THE ECONOMIC SHIFTS AND CHALLENGES IN ACEH AFTER THE IMPLEMENTATION OF QANUN ON SHARIA FINANCIAL INSTITUTIONS NUMBER 11 OF 2018¹

MENGUNGKAP PERUBAHAN EKONOMI DAN TANTANGAN DI ACEH PASCA PENERAPAN QANUN LEMBAGA KEUANGAN SYARIAH NOMOR 11 TAHUN 2018

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ABSTRACT

The study aims to explore the impact of the implementation of Charter No. 11 of 2018 on the Shariah Financial Institution in Aceh on economic growth, with a focus on investment and regional gross domestic product. The method used is the study of literature with a descriptive-analytic approach. The data used are derived from various scientific references and statistical data, including investment realization and GDP. The results of the research showed a significant increase in the value of investment in Aceh after the implementation of the Shariah Financial Institution's Qanun. The implementation of this Qanun has triggered consistent investment growth from year to year. In addition, there has been a steady increase in Aceh's GDP. The implications of this study are that Shariah economic policies in Aceh have a positive impact on the economic growth of the region, especially in terms of increased investment and GDP.

Keywords: Qanun of Sharia Financial Institution, Economic Growth, Investment, Gross Domestic Product.

ABSTRAK

Penelitian ini bertujuan untuk mengeksplorasi dampak penerapan Qanun nomor 11 tahun 2018 tentang Lembaga Keuangan Syariah di Aceh terhadap pertumbuhan ekonomi, dengan fokus pada investasi dan Produk Domestik Regional Bruto (PDRB). Metode yang digunakan adalah studi literatur dengan pendekatan deskriptif-analitis. Data yang digunakan bersumber dari berbagai referensi ilmiah dan data statistik, termasuk realisasi investasi dan PDRB Aceh. Hasil penelitian menunjukkan adanya peningkatan signifikan dalam nilai investasi di Aceh setelah penerapan Qanun Lembaga

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Keuangan Syariah. Ditemukan bahwa penerapan Qanun ini telah memicu pertumbuhan investasi yang konsisten dari tahun ke tahun. Selain itu, terdapat pula peningkatan yang stabil dalam PDRB Aceh.

Kata Kunci: Qanun Lembaga Keuangan Syariah, Pertumbuhan Ekonomi, Investasi, Produk Domestik Bruto.

A. INTRODUCTION

Aceh province achieved a significant milestone in 2018 with the enactment of Qanun No. 11 of 2018 concerning Shariah Financial Institutions. This Qanun provides a legal foundation for all financial institutions operating in Aceh to adhere to Islamic financial principles, a unique effort within Indonesia. As the only province with special autonomy, Aceh is empowered to implement “Qanun” based on Sharia law, encompassing both religious and economic aspects (Amran et al., 2019). The implementation of this Qanun reflects the aspirations of the Acehnese people to strengthen their local identity through a Shariah-based financial system, which is expected to enhance inclusive economic welfare in Aceh.

However, the implementation of this Qanun is not without challenges. Unlike conventional institutions, Shariah Financial Institution in Aceh face the necessity to operate in accordance with Shariah principles, which prohibit practices such as *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (gambling) (Syamsuri et al., 2021). A major challenge in this conversion process is the limited understanding within the community regarding Sharia financial services, as some individuals still perceive conventional financial

services as more flexible and beneficial. Research by Kurniawan et al. (2023) indicates that the success of the implementation of the Qanun Shariah Financial Institutions is highly dependent on the community’s readiness and support from qualified human resources in the field of Shariah finance.

Moreover, there are concerns about whether Sharia financial institutions outside Aceh can remain competitive, especially in markets where conventional financial systems are more dominant and widely accepted. In facing a dynamic and competitive market, Sharia financial institutions in Aceh are challenged to create financial products that are both Sharia-compliant and attractive to the community. Several studies, such as those conducted by (Fauzi, 2020), reveal that shariah financial institution products still have limitations in innovation compared to conventional products, thus necessitating efforts to develop more varied and flexible offerings to attract a broader clientele.

Furthermore, limited supporting infrastructure also poses an obstacle to the implementation of the Qanun on Shariah Financial Institution. Shariah financial institutions require technological systems and regulations that enable them to operate effectively and efficiently. According to research by (Hastuti & Harahap, 2021), technological

readiness and human resource skill are two critical factors influencing the smooth implementation of Shariah Financial Institutions. The unavailability of adequate technology may hinder shariah financial institution's ability to serve customers effectively and restrict access to Shariah financial services in remote areas.

Although the implementation of a Sharia-compliant financial system in Aceh through the *Qanun* began in 2018, in-depth studies on its economic impact remained limited. Most existing research focused on the legal and regulatory aspects of the *Qanun* on Sharia Financial Institutions without thoroughly evaluating its effects on economic growth, investment, and community welfare in Aceh. Additionally, few studies explored the differential impact of this *Qanun* on various economic sectors, especially from the perspective of boosting gross domestic product (GDP) and investment in the region.

Another gap found was the lack of empirical research measuring changes in perceptions and attitudes of the community and business actors toward the Sharia-based financial system following the implementation of this *Qanun*. However, shifts in attitudes and acceptance of the Sharia financial system among the community were also important indicators to assess the success of this policy in enhancing financial inclusion and economic welfare.

Therefore, this study was conducted to fill these gaps by providing a comprehensive analysis of the economic implications of implementing a Sharia-compliant financial system in Aceh. This

study not only focused on macroeconomic growth but also covered the policy's influence on investment levels and its impact on community welfare. This research was expected to offer deeper insights for stakeholders regarding the effectiveness of implementing a Sharia financial system in promoting sustainable economic growth in Aceh.

To address the various challenges faced by Sharia financial institutions in Aceh, this study aims to:

1. Evaluate the economic impact of the implementation of *Qanun* No. 11 of 2018 on the performance of Sharia financial institutions in Aceh, particularly in terms of increasing investment, gross domestic product (GDP), and community welfare.
2. Analyze the main challenges faced by Sharia financial institutions in Aceh in adhering to Sharia principles, including community understanding constraints and the limitations of available infrastructure.
3. Assess the readiness of the community and human resources in Aceh to support the Sharia financial system, as well as the role of technological infrastructure and human resource development in ensuring the success of Sharia financial institutions.
4. Explore the competitiveness of Sharia financial products in Aceh compared to conventional financial products and identify factors that influence the

attractiveness of these products to the community.

5. Identify the impact of the Qanun implementation on various economic sectors in Aceh, particularly in terms of changes in investment patterns, economic growth, and contributions to GDP.
6. Investigate the changes in perceptions and attitudes of the community and business actors toward the Sharia financial system after the enactment of this Qanun and how these changes have affected the adoption of Sharia financial services in the community and business sector.

By addressing these questions, this study is expected to provide deeper insights into the effectiveness of implementing Qanun No. 11 of 2018 in promoting sustainable economic growth in Aceh and offer recommendations for policymakers to design more effective strategies for developing Sharia financial institutions that align with the needs and challenges of the local community.

B. LITERATURE REVIEWS

History and Economic Policy of Sharia in Aceh

The roots of the Sharia economy in Aceh trace back to the Sultanate of Aceh, a historic Islamic trade hub in Southeast Asia. During this period, Aceh developed a financial system based on sharia principles in areas like trade, banking, and zakat management. As a region with a strong Islamic heritage, Aceh has played an important role in the development of the shariah economy in Indonesia. The modern Shariah economic

policy in Aceh can be traced back to the implementation of special autonomy in Aceh after the Helsinki Agreement in 2005. This autonomy paved the way the establishment of sharia banks, micro-sharia financial institutions, and sharia capital markets.

One of the most significant developments in Aceh's sharia economic policy is the enactment of Qanun Number 11 of 2018, which provides a strong legal foundation for the development of sharia financial institutions. This regulation has fostered sharia economic growth in the region. Since then, Aceh has strengthened its infrastructure for sharia finance, expanded financial inclusion, and supported product innovation, reflecting a commitment to economic practices based on Islamic values aimed at fostering well-being and inclusivity.

The Evolution of Indonesia's Sharia Banks

The implementation of the Shariah Financial Institution's Qanun in 2018 gave significant impetus to the development of Sharia banking in Indonesia. In response to regulations requiring financial institutions in Aceh to operate in accordance with the principles of Islamic Sharia, Indonesian Sharia banks began to gain stronger momentum. They see great business opportunities in serving growing markets in Muslim-majority regions like Aceh. This law incentivizes Indonesian sharia banks to innovate and adapt their offerings to the needs of those seeking Sharia-compliant financial services.

Along with the growth of the sharia bank in Indonesia, other sectors of the sharia financial industry have also undergone significant development, creating an ecosystem that supports inclusive and sustainable economic growth. Thus, the implementation of the Shariah Financial Institution's Qanun in Aceh not only promotes local sharia-compliant finance but also contributes to national expansion of sharia financial service. One example of this national impact is the role of BSI in developing the halal industry in Indonesia, where financial institutions are seen as key players in financing and supporting the halal economy (Charisma, 2022).

The merger of three state-owned sharia banks into the Sharia Bank of Indonesia (BSI) has had a positive impact in many aspects. This allows customers to continue using card-based electronic money and guarantees the safety of the employees of the merging bank (Ulfa, 2021). The performance of BSI and the overall sharia banking sector in Indonesia has experienced post-fusion improvement, as evidenced by the key financial indicators (Qibtiyah & Wicaksono, 2022).

The Role of Qanun Number 11 of 2018 in Shariah Financial Inclusion

According to (Durai & Stella, 2019), financial inclusion can be defined as "the process of ensuring access to financial and credit services that are accessible to the weak and low-income at an affordable cost." The Shariah Financial Institution has an important role to play in increasing financial inclusion in Aceh. Research by (Muksal et al., 2023)

indicates that financial inclusion in Banda Aceh has reached a high level (83,4%) since the implementation of Qanun Number 11 of 2018, with notable metrics across access (86,67%), usage (82,56%), and quality (84,36%) dimensions. The Qanun's requirement that all customers convert conventional financial products to Sharia-compliant ones has enhanced public awareness of sharia banking.

High financial inclusion benefits individuals, financial institutions, and the government by promoting economic growth, reducing poverty, and increasing financial stability (Kusumaningtuti Sandriharmy & Setiawan, 2018). OJK Aceh reaffirmed its commitment to financial inclusion during the Financial Inclusive Month (FIN) event on October 24, 2023, with the chief of OJK Aceh, Yusri, citing survey data from 2022 showing a financial inclusion rate of 89,87% in Aceh, surpassing the national rate of 85,10%.

Socio-Economic Impact of Sharia Financial Institutions in Aceh

The socio-economic impact of sharia financial institutions in Aceh is far-reaching, as they have contributed significantly to economic empowerment, poverty reduction, and the overall development of the region. By adhering to Islamic principles, these institutions focus on providing financial services that are fair, transparent, and inclusive, which in turn helps to build trust within the community.

The development of sharia financial institutions in Aceh has had a significant impact on the socio-economic life of the

community. The presence of these institutions has facilitated broader financial access for the public, especially for those who were previously underserved by conventional financial systems. This has encouraged increased financial inclusion and created economic opportunities for the community, particularly in the small and medium enterprise (SME) sector.

The growth of sharia financial institutions has also raised public awareness of the importance of financial practices that align with sharia principles. This development has further strengthened the cultural identity and Islamic values that are an integral part of Aceh's society. Moreover, the presence of these institutions has contributed to poverty alleviation and income redistribution in the region.

Sharia financial institutions' profit-sharing system has established a financing scheme that is more equitable and mutually beneficial for both capital owners and borrowers. This has encouraged inclusive economic growth, with benefits that can be felt across all levels of society. However, challenges remain in the development of sharia financial institutions in Aceh, such as the relatively low level of sharia financial literacy and the need for continuous innovation in developing products and services that meet community needs (Tanjung & Rokan, 2022; Kasman, 2021).

One of the key socio-economic benefits is the promotion of entrepreneurship. Sharia financial institutions have been instrumental in providing financing for SMEs, which are

essential to the local economy. These institutions offer alternative financing options such as Murabaha (cost-plus financing) and Mudharabah (profit-sharing), which are more suitable for entrepreneurs who may be excluded from conventional financing due to interest-based constraints. As a result, SMEs in Aceh have gained better access to capital, enabling them to grow and create jobs, thus fostering economic development.

Additionally, sharia financial institutions have played a significant role in improving the standard of living for Aceh's residents by offering products that cater to the needs of the local population, such as Qardhul Hasan (interest-free loans) for social and charitable purposes. These products support individuals in need, promote social welfare, and help address income inequality. Furthermore, the emphasis on ethical investments ensures that the funds raised by these institutions contribute to socially responsible and sustainable economic growth.

The presence of sharia financial institutions has also contributed to greater sense of financial security and stability within the community. By aligning financial practices with Islamic values, these institutions have helped to foster a culture of saving on responsible financial management, which is essential for long-term economic resilience. In the broader context, the success of sharia finance in Aceh serves as a model for other regions and countries with Muslim populations, showing that an Islamic financial system can lead to sustainable

development while respecting cultural and religious values.

Opportunities for Economic Improvement of the Aceh Community Following the Implementation of the Charter of the Shariah Financial Institution

Shariah financial institutions provide great opportunities to the community of Aceh in particular to avoid various forms of threat of interest transactions in the financial sector. The Head of the Legal Bureau of the Regional Secretariat of Aceh, Amrizal J Prang, in an introduction to the discussion entitled "Banking Resilience Against the Implementation of the Shariah Financial Institutions in Aceh" held at the Bank of Indonesia in Aceh, Banda Aceh, on Monday, September 23, 2019, said in his speech that the Government of Aceh has great hope to build the economy of Aceh through these rules, realizing the Islamic economy. The main objective is to help increase the economic empowerment of the people until the creation of well-being for the entire people of Aceh, in accordance with the spirit of implementation of Islamic Shariah in the Serambi Mekkah.

The Shariah Financial Institutions in Aceh, (Alidar & Maulana, 2021) identified several opportunities that could lead to the economic improvement of the people.

1. Increased construction and support by the Shariah Financial Institution against SMEs;
2. To maximize the transactions of Sharia Financial Institutions other than

Murabahah with the utilization of investments other than the Sharia Financial Institutions in Aceh;

3. The entry of halal investment from the world;
4. Establishment of a system of financing for debtors and creditors in accordance with Maqashid Syariah.

Chief of the Regional Representative Office of Bank Indonesia (BI) Aceh, Achris Sarwani, as a source in a relaxed conversation held by the Indonesian Cyber Media Network (JMSI) Aceh in connection with the implementation of the one-year Sharia Financial Institutions of Qanun implementation on Monday, April 18, 2022. Says that after the Shariah Financial Institution's statute comes into force, as a rule, conventional banks must exit Aceh. But this process does not cause economic turmoil. Even third-party funds collected by banks have increased.

Economic Growth Indicators

Ali (2016) defines economic growth as the process of consistently improving a nation's economic circumstances over a predetermined amount of time. Three fundamental elements are required for a country's economy to grow: (1) a steady increase in the supply of goods; (2) advanced technology as the primary factor determining the trajectory of growth in the provision of various goods to its population; and (3) widespread and efficient use of technology necessitates institutional and ideological adjustments in order to properly utilize the innovation produced by humankind's IPTEK.

According to Untoro (2010:39), economic growth is the expansion of economic activity that raises the quantity of products and services generated in society and, over time, the prosperity of the community. According to Adisasmita (2014), there are a number of indicators that can be used to detect economic growth, including regional gross domestic product, changes in the economic structure, growth in employment opportunities, and the level and distribution of facilities.

C. RESEARCH METHODS

Research Design

The research employs a qualitative approach with a descriptive-analytical design. A qualitative approach was chosen because the primary objective of this study is to explore and gain an in-depth understanding of the economic changes in Aceh following the implementation of Qanun on Sharia Financial Institutions Number 11 of 2018. This approach is appropriate as it allows the researcher to analyze literature and secondary data, which includes not only quantitative figures but also narratives that provide context, issue, and challenges in the policy's implementation. Additionally, qualitative analysis facilitates the identification of patterns and themes within secondary data gathered from various sources, offering a broader and deeper understanding of the policy's impact on the local economy.

Data Collection Procedures

Secondary data will be collected from various relevant sources, including

books, articles, journals, and official documents discussing sharia financial institutions (Qanun). Statistical data from the Central Statistics Agency (BPS) will also be used to analyze economic indicators such as economic growth and unemployment rates. This data will cover information from before and after the implementation of the Qanun to assess the impact of policy changes in greater detail.

Data Collection and Analysis Techniques

The primary method of data collection is a literature study, which involves gathering and analyzing literature relevant to the research topic and examining existing secondary data to evaluate the economic situation in Aceh, while qualitative analysis will be applied to evaluate information from literary resources. This analysis aims to identify themes and patterns related to economic changes and challenges faced in the region.

Step to Ensure Data Validity and Reproducibility

To ensure data validity, this study will use reliable and relevant sources and maintain consistency in data collection and analysis. Source triangulation will also be conducted by combining statistical data from BPS with literature discussing the Qanun's impact to reinforce the accuracy of findings. This approach aims to provide a comprehensive picture of the economic changes in Aceh following the policy implementation.

D. DATA ANALYSIS AND FINDINGS

Overview of Economic Shifts in Aceh

The implementation of Qanun Number 11 of 2018 concerning Sharia Financial Institutions has catalyzed substantial economic shifts in Aceh. This chapter presents a detailed analysis of the impact of this legislation on the region's economic landscape, emphasizing investment realization, Gross Regional Domestic Product (GRDP), public perception of Sharia finance, and the operational challenges faced by Sharia financial institutions.

The regional economy of Aceh has historically faced various challenges, including the legacy of conflict, natural disasters, and limited infrastructure development. However, the introduction of the Qanun has been a turning point, aiming to create a more inclusive and sustainable financial environment that aligns with Islamic principles.

A significant outcome of the Qanun has been the enhancement of financial inclusion among various segments of society. Prior to its implementation, many individuals, particularly those in rural areas, lacked access to formal financial services due to cultural and religious reservations about conventional banking systems. The establishment of Sharia financial institutions has facilitated broader access to financial services, allowing communities to engage in economic activities that were previously inaccessible (Zainuddin et al., 2021).

Additionally, the Qanun has prompted a shift in the economic

landscape towards sectors that comply with Sharia principles, such as agriculture, micro-enterprises, and tourism. These sectors have started attracting more investments, contributing to job creation and improved livelihoods for the local population. According to a report by the Aceh Investment Agency, sectors like agriculture and eco-tourism have seen an increase in investment by approximately 40% following the Qanun's implementation (Aceh Investment Agency, 2022).

Furthermore, public institutions have begun to recognize the importance of Sharia finance in achieving broader economic goals, including poverty alleviation and sustainable development. This recognition has led to increased collaboration between government entities and Sharia financial institutions to develop programs that support small and medium-sized enterprises (SMEs), which are vital for economic resilience and growth (Fitria & Harahap, 2023).

The improved economic sentiment and increased consumer confidence in Sharia financial products also reflect a significant cultural shift. The community is beginning to view Sharia finance not only as a religious obligation but also as a viable option for financial planning and wealth management. This evolving perception is evident in the rising number of individuals seeking financial education programs that focus on Sharia-compliant practices (Muhammad & Rahman, 2023).

Overall, the legislative framework established by the Qanun has not only

influenced the financial sector but has also initiated broader socio-economic transformations in Aceh, positioning the region towards a more sustainable and inclusive economic future.

Investment Pattern in Aceh Post-Implementation of Qanun on Sharia Financial Institutions

Since the implementation of the Qanun on Sharia Financial Institutions (LKS), investment patterns in Aceh have undergone significant changes. Table 1 presents the investment realization data from 2018 to 2022, highlighting a substantial surge in investment, particularly in 2019 and 2022.

Table 1: Investment realization in Aceh Year 2019-2022

Investment realization (billions of rupiah)				
2018	2019	2020	2021	2022
970	3.606,9	8.241,1	7.904,7	44.424,2

Source: Central Statistical Agency of Aceh Province.

The data presented in Table 1 reveals a dramatic increase in investment realization following the implementation of the Qanun on Sharia Financial Institutions (LKS). In 2018, investments totaled 970 billion Rupiah, surging to 3,606.9 billion Rupiah in 2019—an impressive increase of 271.02%. The trend continued with investment peaking at 8,241.1 billion Rupiah in 2020 before declining slightly to 7,904.7 billion Rupiah in 2021. However, a remarkable rebound occurred in 2022, with investments soaring to 44,424.2 billion Rupiah. This extraordinary increase from 970 billion Rupiah in 2018 to 44,424.2 billion Rupiah in 2022 reflects an overall rise of nearly 4,500% over five years, indicating that the Qanun has successfully attracted the attention of both local and foreign investors. The remarkable growth in investment activity can be attributed to several

factors. The establishment of Sharia financial institutions has created a more favorable investment climate, providing alternatives that align with Islamic principles. Furthermore, regulatory frameworks that support the Sharia financial ecosystem have contributed to increased legal certainty and incentives for investors, making Sharia-compliant investments more appealing (Syamsuri et al., 2021).

Overall, the data suggests a robust transformation in the investment landscape of Aceh following the adoption of the Qanun on LKS, marking a significant shift towards Sharia-compliant investment strategies. This shift not only reflects changing investor sentiments but also underscores the potential for sustained economic growth in the region.

Economic Growth

Economic growth is a crucial indicator for measuring the progress of a region, and it can be quantified using the Gross Regional Domestic Product (GRDP). By analyzing the GRDP, we can assess the economic development of a region year by year. The GRDP measures the total value of all goods and services produced by all economic units in a region during a specific period. In the case of Aceh, the GRDP serves as a vital indicator of the region's economic growth.

Since the implementation of the Qanun on Sharia Financial Institutions, Aceh's GRDP has demonstrated a steady increase. On average, the GRDP has risen by approximately 3.53 trillion Rupiah per year, including oil and gas, and by 3.38 trillion Rupiah annually when excluding these sectors from 2018 to 2022. Figure 1

illustrates Aceh's GRDP at current prices over this period, indicating a consistent upward trajectory that suggests the Sharia financial sector has positively contributed to the overall economic health of the region.

(Erlin et al., 2021) emphasize the importance of GRDP as an indicator of economic performance, particularly in the context of the COVID-19 pandemic. The increase in GRDP value over the last five years highlights that price-related increases have been more dominant compared to those driven by increased production in sectors like oil and gas. This sustained growth reflects the positive impact of Sharia finance on regional development, demonstrating how the implementation of the Qanun has fostered an environment conducive to economic expansion.

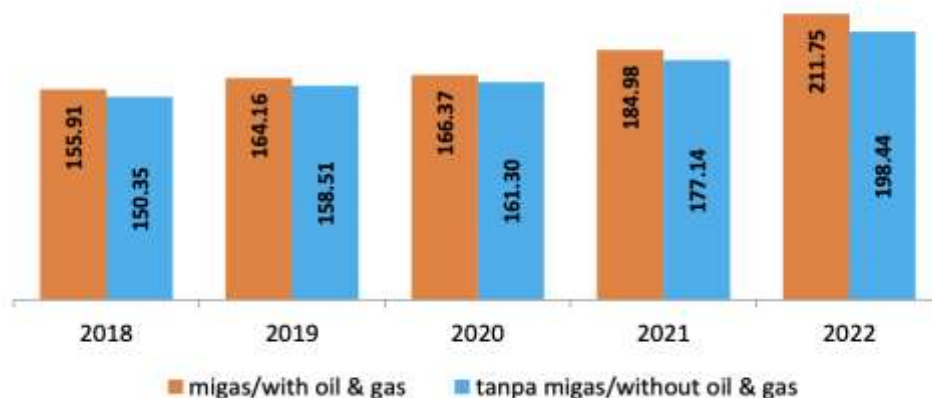


Figure 1: Aceh GRDP at Current Prices, 2018-2022 (Trillion rupiah)

On average, Aceh's constant price-based GRDP has increased by Rs. 3.53 trillion per year with migas and Rs. 3.38 trillion per year without migas since 2018. The increase in value of GRDP at

Applied Price over the last five years is seen as more than twice as much as the increase in advertising for GRDP on Constant Price Base. This suggests that price-related increases are more

dominant compared to increases due to increased production for the GRDP with Migas.

Challenges Faced Post-Implementation

Despite the positive economic shifts attributed to the Qanun on Sharia Financial Institutions, several challenges persist that may hinder further progress in Aceh. A significant issue is the limited understanding of Sharia finance among stakeholders, including potential investors and consumers, which restricts broader adoption and engagement with Sharia-compliant financial services (Sari & Hasan, 2023). Furthermore, the integration of Sharia financial institutions into the existing conventional banking system presents complexities that may require substantial adaptation from both sectors to create a harmonious operational environment (Harrieti et al., 2020).

Although the Qanun provides a legal framework for Sharia finance, ongoing regulatory hurdles necessitate adjustments and clarifications to address ambiguities and enhance operational efficiency (Yahya, et al., 2023). Additionally, economic volatility arising from global conditions, such as inflation and market instability, poses risks to the growth of the Sharia financial sector, potentially disrupting investment flows and undermining confidence in Sharia financial products (Zainur, 2021). Lastly, cultural resistance to adopting Sharia-compliant practices remains a challenge, particularly among individuals accustomed to conventional financial systems. Addressing this resistance will require targeted awareness campaigns to

dispel misconceptions and align cultural beliefs with Sharia finance principles (Waheed & Hamid, 2023).

E. DISCUSSION

Impact of the Shariah Financial Institution's Law on Economic Growth in Aceh

The Shariah Financial Institution's law has significantly impacted Aceh's economy by requiring all financial activities, products, and institutions, including banks, to comply with Islamic law within a specified timeframe. The financial service authority asserts that the enforcement of the Sharia Financial Institutions law can facilitate the growth of national sharia financial institutions and bolster the overall sharia economy. This shift is expected to significantly increase sharia bank assets and accelerate the growth of Aceh's economy.

In a national seminar titled "Aceh Economic Affairs After the Implementation of the Qanun of Sharia Financial Institutions" held on July 28, 2021, Taufuk Hidayat, the Director of Sharia Financial Services of the Indonesian National Sharia Economic and Financial Committee (KNEKS), identified three primary impacts of the Qanun on Aceh's economy and finance. These include an increase in the market share of sharia finance, heightened public awareness of sharia financial principles, and the introduction of diverse sharia-compliant service options as part of national government programs.

Law Number 11 of 2018 has broader implications, including the application of Sharia principles and the establishment

of a legal framework for microfinance institutions. Research by (Pradana & Purwanto, 2023) at Mahirah Muamalah microfinance institution reveals dual impacts: increased community trust but also potential limitations on services due to operational restrictions imposed by the law.

Post-application Challenges of the Shariah Financial Institution

While the Qanun has brought about transformative changes to Aceh's financial landscape, it is crucial to acknowledge the challenges accompanying its implementation. The integration of sharia financial institutions into the existing financial ecosystem necessitates considerable time and effort for adaptation. One of the foremost challenges is the limited understanding of sharia finance among stakeholders. Many stakeholders, including entrepreneurs and local investors, often lack a comprehensive understanding of the principles and benefits of sharia finance. This knowledge gap leads to limited access to financial resources and hampers economic growth (Erlin et al., 2021). In this context, there is an urgent need for initiatives aimed at enhancing community literacy regarding sharia finance to maximize the potential benefits of the sharia economy.

Furthermore, while studies indicate that the implementation of Law Number 11 of 2018 has reshaped Aceh's economic landscape and stimulated the development of the Islamic capital market (Amanatillah, 2021), the practical challenges remain pronounced. The transition from conventional banking to

Islamic banking has been seen as a stabilizing factor in the economy, particularly during the COVID-19 pandemic (Fauzi, 2020).. However, the process of conversion is often complex and met with resistance from both consumers and financial institutions accustomed to conventional practices. This complexity requires substantial educational outreach to build trust and confidence in sharia-compliant financial products.

In addition, the infrastructure to support sharia financial institutions is still underdeveloped in many areas. Rural communities in Aceh, where traditional financial practices are deeply ingrained, often lack the necessary access to banking services that adhere to sharia principles. As highlighted in recent studies, the absence of adequate distribution channels and digital platforms limits the reach of sharia financial products, particularly in rural regions (Badan Pusat Statistik Aceh, 2023).

Moreover, the regulatory environment remains a double-edged sword. While the Qanun aims to provide a solid framework for the operation of sharia financial institutions, inconsistencies in regulation can create uncertainty among investors and operators alike. This regulatory inconsistency not only hampers investor confidence but also stifles innovation within the sector, leaving it vulnerable to market fluctuations and external shocks. To address these challenges, a collaborative effort among various stakeholders – including government,

financial institutions, and civil society – is essential. Enhancing financial literacy programs, improving access to sharia-compliant financial products, and creating a more cohesive regulatory environment will be pivotal in ensuring that the benefits of the Qanun can be fully realized. Ultimately, overcoming these challenges will not only support the growth of sharia finance in Aceh but also contribute to broader economic resilience and sustainability.

F. CONCLUDING REMARKS

This study highlights the impact of implementation of the Shariah Financial Institution law on economic growth in Aceh. The primary findings indicate that the enforcement of the Qanun on Sharia Financial Institutions has transformed investment patterns and enhanced economic activity in the province. From 2018 to 2022, there was a significant surge in investment realization, demonstrating that this regulation has created a more attractive climate for investors. The increased public awareness of Sharia finance and the conversion of conventional banks into Sharia banks also serve as positive indicators of economic growth driven by this policy.

However, challenges remain in the adaptation process of integrating Sharia financial institutions into the existing financial system in Aceh. The lack of understanding of the Qanun among stakeholders, limited access to financial resources, and low levels of public literacy regarding Sharia finance can hinder greater growth potential. Therefore, continuous efforts are needed

to enhance education on sharia finance and improve access for the community.

Overall, the result of this research indicates that despite these challenges, the implementation of Sharia Financial Institutions in Aceh has significantly contributed to economic growth. With further efforts in education and improved access to financial resources, the potential of the Sharia economy in Aceh can be maximized, leading to a brighter future.

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