



The Role of the Supervisory Board in the Development of Sharia Cooperatives in Aceh After the Enactment of the Sharia Financial Institutions Law

Azka Amalia Jihad

Universitas Islam Negeri Ar-Raniry, Banda Aceh

Khairul Azmy

Politeknik Kutaraja Banda Aceh

Nazaruddin A Wahab

Universitas Islam Negeri Ar-Raniry Banda Aceh

Azman Sayuti

Universitas Islam Negeri Ar-Raniry Banda Aceh

Faisal Fauzan

Universitas Islam Negeri Ar-Raniry Banda Aceh

Email: azka.jihad@ar-raniry.ac.id

Abstract: Aceh is a region that applies Islamic law to all lines of government, including worship and *mu'amalah*. The Qanun on Sharia Financial Institutions (LKS) has been in effect since January 2019 and includes Sharia Financial Institutions. As of January 2022, there are still many cooperatives in Aceh that have not converted to sharia principles. Considering this situation, this study aims to examine the existence of the Sharia Supervisory Board (DPS) by analyzing its role and influence on sharia cooperatives in Aceh. This study employed a qualitative method, utilizing Islamic economics theory. Data were collected by means of interviews, questionnaires, and document studies. Interviews and questionnaires were carried out with respondents from the Aceh Sharia Council, the Aceh Cooperatives and SMEs Office, and the Cooperative Supervisory Board. Qanun, journal articles, and other documents relevant to the discussion were analyzed. The findings indicate that cooperatives in Aceh consist of Savings and Loans Cooperatives, Savings and Loans Units, Sharia Savings and Loans and Financing Cooperatives, and Sharia Savings and Loans and Financing Units. The number of DPS in Aceh as of 2023 is 214. The DPS has played a role in accelerating the conversion of sharia cooperatives by making several efforts while also facing various challenges and obstacles. From an Islamic economics perspective, the existence of the DPS also has an influence on increasing the conversion of sharia cooperatives in Aceh. However, the number of sharia cooperatives is still very low, only 6% of the total number of cooperatives operating in Aceh. Nevertheless, DPS still has an economic impact on the development of the sharia economy, which is an implementation of the Qanun LKS.

Keywords: Sharia Supervisory Board, Conversion of Sharia Financial Institutions, Sharia Cooperatives, Qanun LKS, Islamic Economics

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Abstrak: Aceh merupakan wilayah yang menerapkan syariat Islam di semua lini pemerintahannya, baik dalam hal ibadah maupun mu'amalah. Termasuk Lembaga Keuangan Syariah melalui penerapan Qanun Lembaga Keuangan Syariah (LKS) sejak Januari 2019. Berlaku efektif pada Januari 2022 Koperasi di Aceh masih banyak yang belum melakukan konversi ke prinsip syariah. Berdasarkan hal tersebut maka penelitian ini bertujuan untuk mengkaji tentang eksistensi Dewan Pengawas Syariah yang dikaji melalui peran dan pengaruhnya terhadap koperasi syariah di Aceh. Kajian ini menggunakan metode kualitatif, dianalisis dengan teori ekonomi Islam. Data dikumpulkan dengan cara wawancara, angket dan studi dokumen. Wawancara dan angket dilakukan pada Informan yang diwawancarai adalah Dewan Syariah Aceh, Dinas Koperasi dan UKM Aceh, Dewan Pengawas Koperasi. Sedangkan dokumen yang dianalisis adalah qanun, artikel jurnal, dan dokumen yang terkait dengan pembahasan. Hasil penelitian menunjukkan bahwa koperasi di Aceh terdiri dari Simpan Pinjam (KSP), Unit Simpan Pinjam (USP), Koperasi Simpan Pinjam dan Pembiayaan Syariah (KSPPS), dan Unit Usaha Simpan Pinjam dan Pembiayaan Syariah (USPPS) serta jumlah DPS di Aceh sampai tahun 2023 adalah 214 orang. DPS sudah berperan terhadap percepatan konversi koperasi syariah dengan melakukan berbagai upaya dan juga menghadapi berbagai tantangan dan kendala. Dari perspektif ekonomi Islam keberadaan DPS juga berpengaruh terhadap peningkatan konversi koperasi syariah di Aceh. Namun jumlah koperasi syariah masih sangat kecil, yakni hanya 6% dari keseluruhan jumlah koperasi yang beroperasi di Aceh. Meskipun demikian, secara ekonomi berpengaruh terhadap perkembangan ekonomi Syariah yang merupakan implementasi dari Qanun LKS.

Keywords: Dewan Pengawas Syariah, Konversi LKS, Koperasi Syariah, Qanun LKS, ekonomi Islam

Introduction

Aceh is a province in Indonesia that implements regulations in all lines of its government in accordance with Islamic sharia. This is in line with Law Number 11 of 2006 concerning the Government of Aceh, which has been granted the authority to develop and regulate the implementation of Islamic sharia in its territory. Reinforced by Aceh Qanun Number 8 of 2014 concerning the Principles of Islamic Sharia, which clearly requires financial institutions operating in Aceh to be applied in accordance with sharia principles, the Qanun on Sharia Financial Institution (*Lembaga Keuangan Syariah/LKS*) was stipulated in Aceh Province.¹

¹Armiadi Musa, et al., "Exploring Determinants of Saving and Financing Aspects in Islamic Banks: An Insight from Indonesia," *Journal Asian Economic and Financial Review*, 2022. Bambang Iswanto and Miftah Faried Hadinatha, "Sharia Constitutionalism: Negotiating State Interests and Islamic Aspirations in Legislating Sharia Economic Law," *Ahkam: Jurnal*

Qanun LKS, or Aceh Qanun Number 11 of 2018 on Sharia Financial Institutions, is a regulation that governs financial institutions in Aceh Province with the aim of realizing a fair and prosperous people's economy within the framework of Islamic sharia.² Based on the mandate of the Qanun LKS stated in Chapter XI Article 65 on Transitional Provisions, that three years after the enactment of this Qanun, all financial institutions in Aceh Province must be operated based on sharia principles. The Qanun LKS was stipulated on December 31, 2018, and promulgated on January 4, 2019. Three years after its promulgation coincides with January 4, 2022. On January 4, 2022, all financial institutions, including cooperatives, should have been operated in accordance with sharia principles.

However, based on the data presented by Helvizar Ibrahim as the Head of the Cooperatives and SMEs Office of Aceh Province, the number of cooperatives in Aceh Province at the beginning of 2021 was 6,602 cooperatives, yet only 3,777 cooperatives were still active. On the other hand, data on Sharia Cooperatives in Aceh Province as of 2021 showed that there are 229 Sharia Savings and Loans and Financing Cooperatives/Sharia Savings and Loans and Financing Units. Thus, the number of sharia cooperatives compared to that of non-sharia cooperatives was still significantly lower in 2021.³ In addition, the Central Statistics Agency reported that as of 2021, the number of cooperatives in Aceh is as follows:

Table 1: Number of Cooperatives in Aceh Province, 2019-2021

Year	2019	2020	2021
Number of Cooperatives (Units)	4,115	4,176	4,102

Source: Data of Central Statistics Agency of Aceh Province Year 2022

In early 2022, during the Coordination Meeting of the Sharia Supervisory Board of Cooperatives throughout Aceh Province in 2022, Helvizar, as the Head of the Aceh Cooperatives and SMEs Office, reported that the number of Sharia

Ilmiah Syariah 23, No. 1 (2023). Chairul Fahmi, "The Impact of Regulation on Islamic Financial Institutions Toward the Monopolistic Practices in the Banking Industrial in Aceh, Indonesia," *Jurnal Ilmiah Peuradeun* 11, No. 2 (2023).

² Syamsuri Syamsuri, et. al., "Analisis Qanun (Lembaga Keuangan syariah) Dalam Penerapan Ekonomi Islam Melalui Perbankan Syariah di Aceh," *Jurnal Ilmiah Ekonomi Islam* 7, No. 1 (2021). Mohamad Zaim Ismail, et.al., "Dynamics of the Financial Stability of Islamic Banking in Malaysia: Current Perspective Analysis," *Al-Risalah: Forum Kajian Hukum dan Sosial Kemasyarakatan* 20, No. 2 (2020). Aceh Qanun Number 11 of 2018 concerning Sharia Financial Institutions.

³Alfi Nora, "Dari Total 3.535 Koperasi Hanya 229 Yang Berbasis Syariah Di Aceh Per 2021," *Dialeksis*, December 28, 2021, <https://dialeksis.com/aceh/dari-total-3535-koperasi-hanya-229-yang-berbasis-syariah-di-aceh-per-2021/>.

cooperatives in Aceh as of March 2022 was 231 cooperatives out of 3,675 savings and loan cooperatives/savings and loan units in Aceh Province.⁴

Based on the data from the Aceh Provincial Cooperatives and Small and Medium Enterprises Office, the number of Sharia Supervisory Boards (*Dewan Pengawas Syariah/DPS*) registered in Aceh Province until 2020 was 88 people. The registered number of DPS does not include the additional number of DPS until 2022. As of 2022, the total number of Sharia Supervisory Boards in Aceh Province was around 212 people, spread throughout the districts and cities in Aceh Province.⁵

The number of Sharia Supervisory Boards is not yet proportional to the number of cooperatives in Aceh Province. Therefore, the Aceh Sharia Council has issued a policy that allows one DPS to supervise more than two sharia cooperatives with the aim of accelerating the conversion of sharia cooperatives in Aceh. However, this has not shown a significant increase in the number of sharia cooperatives conversion in Aceh. In fact, some of the DPS listed have not yet been assigned the task of supervising sharia cooperatives.

Several studies have focused on sharia financial institutions in Aceh. A study by Azhari Yahya examined the challenges of establishing sharia investments in Aceh following the implementation of the Qanun LKS. The findings of the study revealed that the implementation of the Qanun LKS has faced several challenges, including limited understanding of the Qanun LKS among stakeholders; restricted access to financial resources for investors; slow economic growth in Aceh, leading to low investor interest; and inadequate infrastructure. These challenges require special attention to ensure the successful realization of the Qanun LKS on sharia financial institutions in Aceh.⁶

Other research by Jihad discussed the readiness of financial institutions in Aceh to implement the Qanun LKS. This study concludes that financial institutions in Aceh have opportunities and challenges in preparing to welcome the implementation of the Qanun LKS and financial institutions in Aceh have performed well and are prepared to welcome the implementation of the Qanun

⁴ Aceh Cooperatives and SMEs Office, "Rapat Koordinasi Dewan Pengawas Syariah Koperasi Se Provinsi Aceh Tahun 2022," Dinas Koperasi dan UKM Aceh, March 31, 2022, <https://diskop.acehprov.go.id/berita/kategori/dinas-koperasi-dan-ukm-aceh/rapat-koordinasi-dewan-pengawas-syariah-koperasi-se-provinsi-aceh-tahun-2022>.

⁵Interview with Joni Hendri, Employee of the Aceh Province Cooperatives and SMEs Office, September 22, 2022.

⁶Azhari Yahya, et al., "Legal Study of Building Sharia-Based Investment in Aceh: The Challenges After the Enactment of the Qanun of Sharia Financial Institution," *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 7, no. 2 (2023), p. 959–77. Harjoni Desky and Husni Mubarrak, "The Decision of The Aceh Community to Invest in Sharia," *International Journal of Management and Business Economics* 1, No. 1 (2022), p. 46-58.

LKS.⁷ Another study conducted by Putri Atikah explored the efficiency of sharia cooperatives in Aceh. The study showed the factors that affected the efficiency level of sharia cooperatives in 16 districts/cities in Aceh. The results of the study found that sharia cooperatives in Aceh have not been fully efficient, due to a number of factors, one of which was the reporting process had not been carried out properly and correctly.⁸ Furthermore, research by Thalita Latifa also investigated the perception of a sharia cooperative in Banda Aceh City on sharia cooperative conversion.⁹

Choirul Absor conducted a study concerning the Sharia Supervisory Board in sharia cooperatives. Absor found that the role of the Board in “Berkah Abadi Gemilang Jepara” Sharia Savings and Loans and Financing Cooperative was not yet optimal. Several factors, including the Board rarely visiting and not reporting operational activities and the development of the Cooperative to the National Sharia Board (*Dewan Syariah Nasional/DSN*) leading to a potential for deviations from sharia practices, have caused this issue.¹⁰ Even though Law Number 10 of 1988 has guaranteed the existence of the Sharia Supervisory Board, the Board has yet to show its optimal function.¹¹

In light of previous studies and existing problems, this study seeks to fill the research gap, by exploring the existence of the Sharia Supervisory Board as an effort to accelerate the conversion of cooperatives in Aceh Province after the implementation of the Qanun LKS. This study aims to investigate the influence of the existence of the Sharia Supervisory Board in Aceh as an effort to accelerate the conversion of sharia cooperatives and to examine the effectiveness of the role of the Sharia Supervisory Board in supervising sharia cooperatives in Aceh after the implementation of the Qanun LKS.

This study employed a qualitative method, using Islamic economics theory.¹² Data were collected by means of interview, document study, and questionnaire. Interview and questionnaire were carried out with the Aceh

⁷Azka Amalia Jihad, “Siapakah Lembaga Keuangan Di Provinsi Aceh Menyongsong Pemberlakuan Qanun Lembaga Keuangan Syariah?,” *Jurnal Al-Mudharabah* 3, no. 2 (2021).

⁸Putri Atikah, et al., “Analyzing the Sharia Cooperatives Efficiency in Aceh Province, Indonesia,” *International Journal of Finance, Economics and Business* 2, no. 2 (2023), p. 134–41.

⁹Thalita Latifa, et al., “Analisis Persepsi Konversi Koperasi Syariah (Studi Pada Stakeholder Dan Anggota Koperasi Pegawai Republik Indonesia (KP-RI) Beringin Pemerintah Kota Banda Aceh),” *Ekobis Syariah* 5, no. 2 (2021), p. 29.

¹⁰Choirul Absor, et al., “Ada Apa Dengan Dewan Pengawas Syariah Di Koperasi Simpan Pinjam Dan Pembiayaan Syariah?,” *MALIA: Journal of Islamic Banking and Finance* 3, no. 2 (2019), p. 155.

¹¹Irwan Misbach, “Kedudukan Dan Fungsi Dewan Pengawas Syariah Dalam Mengawasi Transaksi Lembaga Keuangan Syariah Di Indonesia,” *Jurnal Minds: Manajemen Ide Dan Inspirasi* 2, no. 1 (2015), p. 79–93.

¹²Hafas Furqani, *Metodologi Ekonomi Islam: Membangun Pradigma dan Format Keilmuan*, Banda Aceh: Naskah Aceh, 2018.

Cooperatives and SMEs Office, the Sharia Supervisory Board, and a number of cooperatives in Aceh. The documents analyzed consisted of laws, qanun, and legal regulations, as well as journal articles and books, and other related documents. This study concerned with three main indicators, namely: (1) The availability of competent human resources as the Sharia Supervisory Board; (2) The adequacy of the number of Sharia Supervisory Boards in Aceh Province; and (3) The impact of the existence of the Sharia Supervisory Board on the efforts to accelerate the conversion of sharia cooperatives in Aceh.

The Urgency of the Qanun on Sharia Financial Institutions in Aceh

Aceh is one of the provinces in Indonesia granted special authority to regulate its governance in accordance with Islamic sharia. This is in line with Law Number 11 of 2006 concerning the Government of Aceh, which has the authority to develop and regulate the implementation of Islamic sharia in its territory. This is reinforced by Aceh Qanun Number 8 of 2014 concerning the Principles of Islamic Sharia Article 21, which explicitly requires financial institutions operating in Aceh to work in accordance with sharia principles.¹³

Qanun LKS, or Aceh Qanun Number 11 of 2018 on Sharia Financial Institutions, stands as a cornerstone of Sharia-compliant economic development in the Aceh province. This ground-breaking legislation meticulously outlines the framework for financial institutions to operate within Aceh, guided by the principles of Islamic sharia, with the ultimate goal of fostering a just and prosperous society. At the heart of Qanun LKS lies the overarching concept of economic justice, striving to achieve *maslahah* (benefit), the term encompassing the collective well-being of society. Sharia economics, as envisioned by Qanun LKS, serves as a transformative alternative, empowering communities and paving the path towards a society that thrives under the blessings of *maslahah*.¹⁴

Qanun LKS consists of 12 Chapters and 67 Articles. This Qanun was stipulated on December 31, 2018, and promulgated on January 4, 2019. The mandate of the Qanun LKS in Chapter XI Article 65 on Transitional Provisions states that: “Three years after the enactment of this Qanun, all financial institutions in Aceh Province must operate in accordance with sharia principles.” Three years since the enactment coincides with January 4, 2022. It should be that

¹³Raudhatul Anzira, et al. “Analisis Persepsi Dan Dampak Penerapan Qanun Lembaga Keuangan Syariah Pada Perbankan Di Aceh, *At-Tasyri’: Jurnal Ilmiah Prodi Muamalah* 14, No. 1 (2022). Rahmad Safitri, et al., “Implementasi Qanun Lembaga Keuangan Syariah Dalam Konversi Perbankan Syariah di Aceh,” *Jurnal Ekombis* 7, No. 1 (2012).

¹⁴Hafas Furqani and Mohamed Aslam Haneef, “Configuring Problems of Economics in Islamic Perspective: Moral Nexus, Realities and Its Unification,” *International Journal of Ethics and Systems* 39, no. 4 (2023), p. 875–91. Hafas Furqani, et.al., “Good Finance: Integration of Ethics and Shariah in Islamic Finance,” *International Journal of Islamic Business Ethics* 1, No. 2 (2016).

by January 4, 2022, all financial institutions, including cooperatives, must run according to the sharia principles.

1. Sharia Cooperatives

Sharia cooperatives are cooperative business entities that conduct their business activities based on Islamic sharia principles, which are derived from the Qur'an and Hadith.¹⁵ According to Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 11 of 2018, a cooperative is a business entity that is composed of individuals or legal entities of cooperatives, basing its activities on cooperative principles while also being a people's economic movement based on the principle of familyhood. Based on the Fatwa of the National Sharia Board of the Indonesian Ulama Council (*Dewan Syariah Nasional-Majelis Ulama Indonesia /DSN-MUI*), a sharia cooperative is defined as a cooperative that is established and managed, and operates its business activities based on sharia principles.¹⁶

The establishment of sharia cooperatives is also regulated in the DSN-MUI Fatwa No. 141/DSN-MUI/VIII/2021 Concerning Guidelines for the Establishment and Operation of Sharia Cooperatives, as follows:

1. The establishment agreement of a Sharia Cooperative between the parties (members who join) uses the *shirkah aqad*;
2. The establishment of a Sharia Cooperative must meet the requirements of statutory regulations that do not conflict with sharia principles;
3. *Ra's al-mal* (business capital) must be in the form of money (*nuqud*), and/or goods that can be made the object of the *shirkah aqad*;
4. In the case of *ra's al-mal* in the form of goods, an appraisal of the goods (*taqwim al-'urudh*) must be carried out to determine their value;
5. The management of Sharia Cooperative business is authorized (*wakalah*) by the *sharik*/members to the Management of the Sharia Cooperative through a deliberation mechanism (Member Meeting) in accordance with the provisions of the applicable laws and regulations;
6. Members of the Sharia Cooperative may agree on the type of Sharia Cooperative business (i.e., producer, consumer, savings and loans and financing, services and marketing) as a single business or all-business sharia operational functions, and the procedures and times for distributing income/profits and sharing losses;
7. Members of the Sharia Cooperative may agree on, among other things: the scope and type of Sharia Cooperative business, the functions of the

¹⁵Abd. Kholik Khoerulloh and Yadi Janwari, "Analysis of Investment Decisions in Sharia Cooperatives: Does Sharia Accounting Standards Affect?," *Economica: Jurnal Ekonomi Islam* 12, no. 1 (2021), p. 119–40.

¹⁶Fatwa of DSN-MUI Number 141/DSN-MUI/VIII/2021 regarding Guidelines for the Establishment and Operation of Sharia Cooperatives.

Sharia Cooperative, and the procedures and times for distributing income/profits and sharing losses.

The provisions of business activities for sharia cooperatives are regulated in the DSN-MUI Fatwa No. 141/DSN-MUI/VIII/2021 Concerning Guidelines for the Establishment and Operation of Sharia Cooperatives, as follows:

1. The business activities of Sharia Cooperatives must not be contrary to sharia principles and regulations;
2. The type of business of Sharia Cooperatives can be single-purpose (single business) or multi-purpose (multi-business);
3. Sharia Cooperatives may carry out business activities in the fields of agriculture, livestock, fisheries, industry, trade, property, finance, transportation, logistics, tourism, education, social services, and other business fields that do not conflict with sharia principles;
4. The business activities of Sharia Cooperatives as referred to in point 3 may use contracts that do not conflict with sharia principles, including the principles and contracts of sale, services, and business cooperation;
5. The sale and purchase contracts and principles carried out by Sharia Cooperatives in their business activities include *musawamah* sale and purchase, *murabahah* sale and purchase, *salam* sale and purchase, and *istishna'* sale and purchase;
6. The rental contracts and principles carried out by Sharia Cooperatives in their business activities include the contracts of *ijarah*, *ijarah muntahiyyah bi altamlik*, *ijarah maushufah fi al-dzimmah*, *ju'alah*, *wakalah bi alujrah*, *kafalah bi al-ujrah*, and *hawalah bi al-ujrah*;
7. The business cooperation contracts and principles carried out by Sharia Cooperatives in their business activities include the contracts of *musharakah*, *musharakah muntahiyyah bi al-tamlik*, *musharakah muknaqishah*, *mudharabah*, and *mudharabah mushtarakah*.

Sharia cooperatives and conventional cooperatives differ in several aspects, as follows. First, Profit-Sharing Principle: Conventional cooperatives provide interest to their members as a form of profit. In contrast, sharia cooperatives offer profit sharing on their financing products based on profit-sharing principles. Second, Supervision: The management board supervises conventional cooperatives while a Sharia Supervisory Board supervises sharia cooperatives. Third, Fund Distribution: Fund distribution in conventional cooperatives is carried out through a credit system while fund distribution in sharia cooperatives is done in the form of financing. Fourth, functioned as a Zakat Institution: Conventional cooperatives do not operate as zakat collection and distribution institutions. In contrast, sharia cooperatives allow their members to channel zakat through the cooperative.¹⁷

¹⁷Sukmayadi, *Koperasi Syariah: Dari Teori Untuk Praktek*, 1st ed. (Bandung: Alfabeta, 2020).

Cooperatives in Indonesia are regulated by Law No. 25 of 1992 on Cooperatives in carrying out their business activities. Government Regulation No. 9 of 1995 concerning Savings and Loan Business by Cooperatives, and other special regulations governing sharia cooperatives are Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 11 of 2018 concerning the Implementation of Sharia Cooperatives, and Fatwa of DSN-MUI No. 141/DSN-MUI/VIII/2021 concerning Guidelines for the Establishment and Operation of Sharia Cooperatives.

Sharia cooperatives in the form of sharia savings and loans have products that are nearly the same as sharia banking. In carrying out its business activities, sharia cooperatives are allowed to collect funds from their members and the public in the form of savings, time deposits, and providing financing.¹⁸ In general, the products of Sharia Savings and Loan Cooperatives and Sharia Financing consist of fund-raising activities and fund disbursement activities. Fund-raising products at Sharia Cooperatives comprise savings and investment products. In savings products, it typically includes:¹⁹

1) Principal savings

Principal savings is a mandatory deposit that each member of a cooperative must pay upon joining. The deposit is only made once during the member's entire membership in the cooperative. The member cannot withdraw the deposit unless the member resigns from the cooperative's membership. The type of *aqad* (contract) used for principal savings is *wadi'ah yad dhamanah*.

2) Mandatory savings

Mandatory savings are savings that must be paid regularly at a specified time, for example, once a month or once every two months. These mandatory savings cannot be withdrawn by members of the cooperative either. The *aqad* used for these mandatory savings is the *wadi'ah yad dhamanah*.

3) Voluntary savings

Voluntary savings are different from basic savings and mandatory savings. This is because this savings is not mandatory for all members. As the name suggests, these savings are free to make at any time and can be withdrawn at any time by members. The *aqad* used for these voluntary savings is the *wadi'ah yad dhamanah*.

¹⁸Darmawan and Muhammad Iqbal Fasa, *Manajemen Lembaga Keuangan Syariah*, ed. Dini Maulana Lestari, 1st ed. (Yogyakarta: UNY Press, 2020).

¹⁹Andri Soemitra, *Hukum Ekonomi Syariah Dan Fiqh Muamalah: Di Lembaga Keuangan Dan Bisnis Kontemporer*, 1st ed. (Jakarta: Kencana, 2019).

In cooperatives, there are also investment capital using the *mudharabah* contract and cooperative capital certificates using the *musharakah* contract.²⁰ The owners of this capital will later be given Remaining Business Results (*Sisa Hasil Usaha/SHU*) which is based on the amount of capital invested in the cooperative. Lending products in sharia cooperatives are generally grouped based on the type of contract used, as follows:²¹

1. Lending products based on sale and purchase contracts. These products involve the use of the *murabahah*, *salam*, and *istishna* ' contracts.
2. Lending products based on profit-sharing contracts. The products involve the use of the *mudharabah* or *musharakah* contract.
3. Lending products based on rental contracts. The products involve the use of the *ijarah* or IMBT (*Ijarah Muntahiya Bit Tamlik*) contract.
4. Lending products based on other service contracts. These products involve the use of the *hiwalah*, *rahn*, and *qardh* contracts.

2. Conversion of Sharia Cooperatives

According to the Grand Dictionary of the Indonesian Language, conversion is the change from one system of knowledge to another. Therefore, conversion in financial institutions is interpreted as a change or transformation from a conventional system to a sharia system in all operational activities of financial institutions.

The conversion of sharia financial institutions is regulated by POJK Number 64/POJK.03/2016 concerning the Conversion of Business Activities of Conventional Banks into Islamic Banks, which specifically regulates sharia banking. The provisions regarding the conversion of sharia cooperatives are specifically regulated in the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 11/PER/M.KUKM/XII/2017 on the Implementation of Savings and Loan and Sharia Financing Business Activities by Cooperatives.

The aforementioned provisions shall apply before the effective date of the new Minister of Cooperatives and SMEs Regulation, i.e., Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 11 of 2018 on Licensing for Savings and Loan Cooperatives and Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 8 of 2023 on Savings and Loan Business by Cooperatives.

²⁰Safrudin Halimy Kamaluddin and Sudarman Sudarman, "Assessing Validity of Some Critiques towards the Fatwas of the DSN-MUI on Mudharabah within the Perspective of the Aqwal of Islamic Legal Expert," *Al-Risalah: Forum Kajian Hukum dan Sosial Kemasyarakatan* 20, No. 2 (2020). Siti Nur Mahmudah, et.al., "Implementation of Sharia Maqashid on Sukuk Based on Fatwa DSN-MUI/IX/2020," *Jurnal Ilmiah Islam Futura* 22, NO. 2 (2022).

²¹Sukmayadi, *Koperasi Syariah: Dari Teori Untuk Praktek*.

3. Sharia Supervisory Board

Sharia Supervisory Board is an independent body tasked with directing, reviewing, and overseeing activities at sharia financial institutions to ensure that they adhere to sharia principles. These sharia principles are based on the *fatwa* (religious rulings) issued by the DSN-MUI. The presence of a Sharia Supervisory Board is a fundamental distinction between sharia financial institutions and conventional financial institutions.

Regulations regarding Sharia Supervisory Board refer to the decision of DSN-MUI No. 01 of 2000 concerning the Basic Guidelines for the National Sharia Board. The decision states that the Sharia Supervisory Board is a body that exists in sharia financial institutions and is tasked with overseeing the implementation of the decisions of the National Sharia Board so that these institutions operate in accordance with sharia principles. The position of the Sharia Supervisory Board in sharia financial institutions is as an extension of the DSN in overseeing the implementation of DSN *fatwa* in sharia financial institutions as regulated in DSN-MUI Decree Number 3 of 2000 concerning Guidelines for the Establishment of Members of the Sharia Supervisory Board in Sharia Financial Institutions.

Regarding its membership, the Sharia Supervisory Board has the following provisions: 1) Each sharia financial institution must have at least three Board members; 2) One of these members is appointed as the chair; and 3) The term of office of the Board members is four years and there will be a rotation of members between terms.²² Furthermore, the Sharia Supervisory Board member must meet the following requirements: 1) Have noble character; 2) Have an expertise in the field of sharia *muamalah* and knowledge in the field of banking and/or finance in general; 3) Have a commitment to developing sharia-based finance; 4) Have the qualifications to be a Sharia Supervisory Board as evidenced by a letter/certificate from the National Sharia Board.²³

DSN-MUI Regulation No. PER-01/DSN-MUI/X/2017 concerning the Sharia Supervisory Board (*Dewan Pengawas Syariah/DPS*) in Sharia Financial Institutions (*Lembaga Keuangan Syariah/LKS*), Sharia Business Institutions (*Lembaga Bisnis Syariah/LBS*), and Sharia Economic Institutions (*Lembaga Perekonomian Syariah/LPS*) states that:

- 1) Every LKS, LBS, and LPS must have at least 3 (three) DPS members, and one of them is appointed as the Chair;
- 2) In case the LKS, LBS, and LPS still have a small business management, it is possible that the minimum number of DPS members is 2 (two) people and one of them is appointed as the Chair.

²²Irwan Misbach, "Kedudukan Dan Fungsi Dewan Pengawas Syariah."

²³ Irwan Misbach, "Kedudukan Dan Fungsi Dewan Pengawas Syariah."

The main task of the Sharia Supervisory Board is to supervise the business activities of sharia financial institutions in accordance with sharia principles as stipulated in the *fatwa* of the DSN-MUI. The main functions of the Sharia Supervisory Board are as follows:

- 1) Advising and providing guidance to the directors, heads of sharia business units, and heads of sharia branch offices on matters related to sharia aspects;
- 2) Acting as a mediator between sharia financial institutions and the DSN-MUI in communicating proposals and suggestions for the development of products and services at sharia financial institutions that require review and *fatwa* from the DSN.

In addition, the role of the Sharia Supervisory Board towards sharia financial institutions is as follows: 1) Conducting supervision over the planning and operations of Islamic financial institutions, 2) Providing advice and guidance to sharia financial institutions on matters related to sharia, 3) Providing sharia opinions, and 4) Being a mediator liaison between the Sharia Supervisory Board and sharia financial institutions.

The requirements for the Supervisory Sharia Board in Sharia Cooperatives are based on the Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia Number 8 of 2023. Article 59 Paragraph 1 of this Regulation states that Sharia Savings and Loan Cooperatives (KSPPS) or Sharia Savings and Loan Units (USPPS) are required to have a Supervisory Sharia Board that receives recommendations from an institution with the authority to establish *fatwa* in the sharia field. Paragraph 2 of the Regulation states that Supervisory Sharia Board members can be selected from members and non-members. Paragraph 4 of the Regulation further describes that the Supervisory Sharia Board consists of at least 2 people and at least 1 person²⁴ must have a Supervisory Sharia Board Education and Training Certificate.

Based on the Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia Number 8 of 2023, Article 61 Paragraph 1, the Duties of the Supervisory Board of Sharia Cooperatives are as follows:

1. To provide advice and suggestions to the Management and Supervisory Board and to supervise the cooperative's activities in accordance with sharia principles;
2. To assess and ensure the fulfillment of sharia principles for operational guidelines and products issued by the cooperative;
3. To supervise the development of new products;

²⁴Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 8 of 2023 concerning Savings and Loans Businesses by Cooperatives

4. To request *fatwa* from an institution that has the authority to establish *fatwa* in the field of sharia for new products that have not yet generated a *fatwa*; and
5. To periodically evaluate sharia savings and financing products.

The Development of Cooperatives and Sharia Supervisory Boards in Aceh

Savings-and-loan based cooperatives in Aceh consist of Savings and Loans Cooperatives (*Koperasi Simpan Pinjam/KSP*), Savings and Loans Units (*Unit Simpan Pinjam/USP*), Sharia Savings and Loans and Financing Cooperatives (*Koperasi Simpan Pinjam dan Pembiayaan Syariah/KSPPS*), and Sharia Savings and Loans and Financing Business Units (*Unit Usaha Simpan Pinjam dan Pembiayaan Syariah/USPPS*). The data on savings-and-loan based cooperatives in Aceh has continued to increase from 2019 to 2023. The data are shown in the following table.

Table 2: Cooperative Data in Aceh Province Year 2019-2023

No.	Type of Cooperative	2019	2020	2021	2022	2023
1.	Savings and Loan Cooperatives (KSP)	142	155	228	146	134
2.	Savings and Loan Units (USP)	2,794	3,133	3,216	3,293	3,234
3.	Sharia Savings and Loan Cooperatives (KSPPS)	20	24	88	108	118
4.	Sharia Savings and Loan Units (USPPS)	67	65	143	158	123
	Total	3,023	3,377	3,675	3,705	3,609

Source: Data from the Aceh Cooperative and SMEs Office (June 2023)

Table 2 above shows that there has been a significant increase in the number of sharia-based savings and loan cooperatives, both in the form of KSPPS and USPPS from 2019 to 2023. In detail, the following table describes the data on Savings and Loan Cooperatives in 2023 in each district/city in Aceh.

Table 3: Number of Cooperatives in Aceh in 2023

No	City/District	Type of Cooperative				Total
		KSP	USP	KSPPS	USPPS	
1	2	3	4	5	6	7
1	Banda Aceh	2	375	17	61	455

2	Greater Aceh	18	423	28	8	477
3	Pidie	12	115	2	4	133
4	Pidie Jaya	0	14	9	2	25
5	Bireuen	12	94	1	0	107
6	Lhokseumawe	1	199	9	0	209
7	North Aceh	13	88	3	1	105
8	East Aceh	2	43	0	0	45
9	Langsa	7	352	1	6	366
10	Aceh Tamiang	1	36	7	2	46
11	Southeast Aceh	17	20	4	0	41
12	Gayo Lues	2	123	0	0	125
13	Central Aceh	3	319	4	3	329
14	Bener Meriah	4	92	10	1	107
15	Aceh Jaya	2	17	0	0	19
16	West Aceh	15	43	3	3	64
17	Nagan Raya	4	57	4	2	67
18	Southwest Aceh	0	199	3	6	208
19	South Aceh	2	374	8	0	384
20	Subulussalam	7	6	0	1	14
21	Aceh Singkil	5	111	0	0	116
22	Sabang	1	37	2	10	50
23	Simeulue	1	92	0	3	96
24	Province	3	5	3	10	21
Total		134	3,234	118	123	3,609

Source: Data from the Aceh Cooperative and SMEs Office (June 2023)

Based on the data from the Aceh Cooperatives and SMEs Office as of 2023, there are 214 Sharia Cooperative Supervisory Board (DPS) spread across 23 districts/cities in Aceh. The highest number of DPS is situated in Banda Aceh City, while the lowest number of DPS is in Gayo Lues and Simeulue Districts. Other data related to the Sharia Supervisory Board in Aceh Province also includes additional training for DPS held by the Aceh Middle East Alumni Association (*Ikatan Alumni Timur Tengah/IKAT*). Thus, the total number of DPS as of 2023 is 271 DPS.²⁵

²⁵Interview with Prof. Dr. M. Shabri Abd. Majid, M.Ec., Chair of Aceh Sharia Board, August 8, 2023.

The Role of the Sharia Supervisory Board on Cooperatives in Aceh

The Sharia Supervisory Board plays a very important role in the operation of Sharia Cooperatives. The Sharia Supervisory Board is one of the requirements for cooperatives to be allowed to operate based on sharia principles. To date, the Sharia Supervisory Board has a significant impact on the conversion process of sharia cooperatives in Aceh.

According to the regulations of the DSN-MUI, each Sharia Supervisory Board is only allowed to supervise a maximum of two sharia financial institutions. However, due to the large number of Sharia Supervisory Boards in Aceh, the Aceh Sharia Board allows the Sharia Supervisory Boards of Sharia Cooperatives in Aceh to supervise more than two Sharia Cooperatives.

The following is a table that describes the Sharia Supervisory Boards that have been active or inactive in supervising sharia cooperatives in Aceh.

Table 4: Role of Sharia Supervisory Boards in Cooperatives in Aceh

No.	City/District	Active	Inactive	Total DPS (People)
1	Banda Aceh	38	42	80
2	Greater Aceh	10	4	15
3	Bireuen	3	3	6
4	Pidie	2	6	8
5	Pidie Jaya	2	2	4
6	Sabang	0	3	3
7	West Aceh	2	4	6
8	Southwest Aceh	1	3	4
9	Nagan Raya	1	2	3
10	South Aceh	3	3	6
11	Central Aceh	2	7	9
12	Gayo Lues	2	0	2
13	Aceh Tamiang	2	3	5
14	Langsa	6	6	12
15	Lhokseumawe	3	4	7
16	Simeulue	1	1	2
17	Singkil	2	2	4
18	Aceh Jaya	0	6	5
19	Southeast Aceh	3	3	6
20	North Aceh	4	4	8
21	East Aceh	1	6	7
22	Subulussalam	2	2	4

23	Bener Meriah	1	7	8
	Total	91	123	214

Source: Processed from the Research Data (June 2023)

Table 4 above shows the Sharia Supervisory Boards who are currently active and inactive in overseeing sharia cooperatives. Their inactivity as the Sharia Supervisory Board does not indicate that they have no role in the conversion of sharia cooperatives. The Sharia Supervisory Boards have carried out varied roles on cooperatives in Aceh, one of which is by creating a volunteer group to assist voluntarily cooperatives that have good intentions to convert to sharia cooperatives, e.g., socialization to members of cooperatives that have not yet shifted to sharia.²⁶

The Aceh Cooperatives and SMEs Office is one of the offices that plays a key role in realizing the operation of cooperatives in Aceh based on sharia principles. The Aceh Cooperatives and SMEs Office together with the Sharia Supervisory Boards, joined as the volunteer group, hold socialization and mentoring activities for cooperatives that have not yet been converted. In addition to organizing socialization to such cooperatives, the Sharia Supervisory Board is also willing to become a Sharia Supervisory Board voluntarily for sharia-to-be cooperatives.

However, this large number of Sharia Supervisory Boards has uneven distribution in terms of its role in supervising sharia cooperatives. In the following distribution table, it is clear that each Sharia Supervisory Board has yet to possess the same role in supervising sharia cooperatives in Aceh.

The Influence of Sharia Supervisory Board Existence on Accelerating the Conversion of Sharia Cooperatives in Aceh

The Sharia Supervisory Board is an entity tasked with overseeing sharia financial institutions to ensure their adherence to sharia principles. These principles are outlined in the *fatwa* issued by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI).

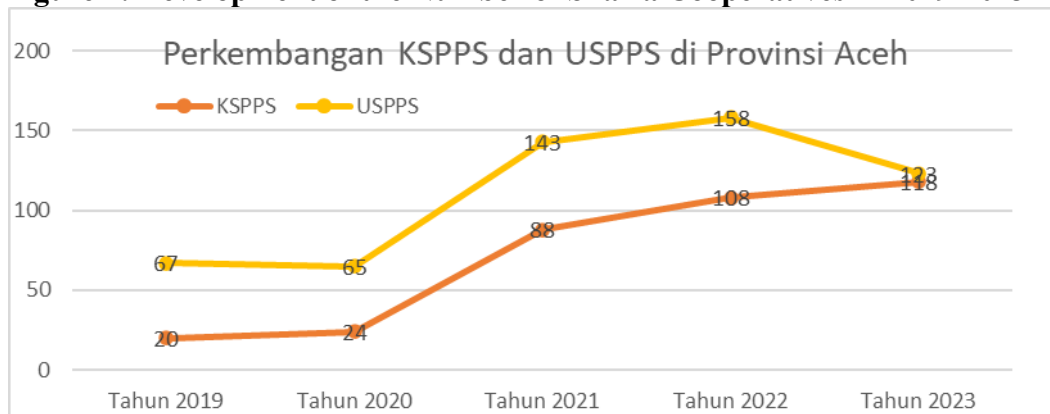
The conversion of sharia cooperatives in Aceh was carried out in line with the enactment of Law Number 11 of 2018 concerning Sharia Financial Institutions. Sharia cooperatives have emerged as an alternative to support sharia financial institutions that are free from the practices of *maysir* (gambling), *gharar* (uncertainty), and *riba* (usury), and to promote the realization of a prosperous and just economy that brings blessings to all (*rahmatan lil 'alamin*).

In theory, the existence of Sharia Supervisory Boards should have a significant impact on the conversion process. The more Sharia Supervisory

²⁶Interview with Roly Triwahyudi, Member of Sharia Cooperative Supervisory Board in Aceh, August 8, 2023.

Board there are, the more the number of sharia cooperatives will increase. The reason is that the existence of Sharia Supervisory Boards is one of the requirements for establishing a sharia cooperative. However, in reality, the increase in the number of sharia cooperatives has not been significant. The following is a graph showing the rise in the number of sharia cooperatives since the enactment of the Qanun LKS.

Figure 1: Development of the Number of Sharia Cooperatives in 2019-2023



Source: Data from the Aceh Cooperative and SMEs Office, 2023.

Figure 1 displays the number of sharia cooperatives in the form of KSPPS (Sharia Savings and Loan Cooperatives) increasing from 2019 to 2023. However, for USPPS (Sharia Savings and Loan Units), there was an increase from 2019 to 2022 and a decrease in 2023. The data certainly show a major challenge, as it is expected that the number of KSPPS and USPPS will continue to rise and grow in line with the increasing number of Sharia Supervisory Boards.

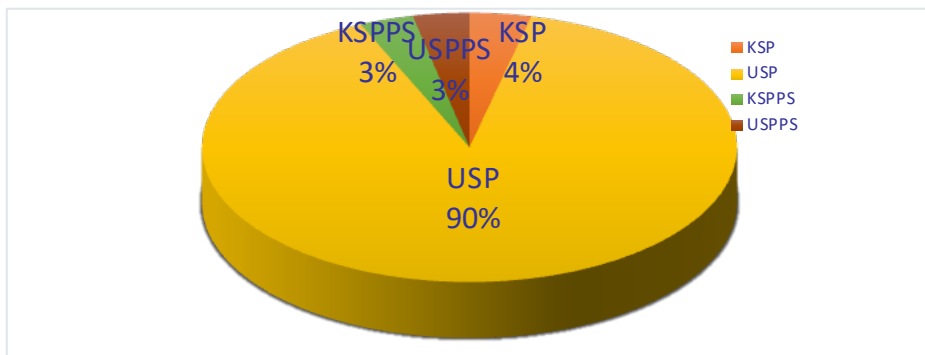
Sharia cooperatives are grassroots economic institutions that operate on sharia principles.²⁷ Sharia cooperatives can be a solution for the community's economy. The presence of sharia cooperatives has a positive impact on the income and welfare of the community. The cooperatives have become the most accessible and easily reached sharia financial institutions for all segments of society.²⁸ Therefore, the presence of the Qanun LKS strongly supports the growth and development of sharia financial institutions, such as sharia cooperatives.

²⁷ Nilam Sari, "Efforts To Develop Sharia-Compliant And Professional Civil Servant Cooperatives," *Jurista* 6, no. 1 (2022), p. 77–94.

²⁸ M W Batubara, "Peran Koperasi Syariah Dalam Meningkatkan Perekonomian Dan Kesejahteraan Masyarakat Di Indonesia," *Jurnal Ilmiah Ekonomi Islam* 7, no. 03 (2021), p. 1494–98.

The development of sharia cooperatives is still relatively slow compared to conventional cooperatives. The number of sharia cooperatives is only 241 compared to 3,368 cooperatives that have not yet converted to sharia principles. When calculated, the number of sharia cooperatives in Aceh is around 6% of the total number of cooperatives in Aceh today. The following diagram depicts the low number of sharia cooperatives compared to that of non-sharia cooperatives.

Figure 2: Percentage Distribution of Savings and Loan Cooperatives in Aceh



Source: Data from the Aceh Cooperative and SMEs Office (June 2023)

Based on the previous tables on the total number of all types of cooperatives, both sharia and conventional, in each district/city in Aceh, the highest number of cooperatives is in Greater Aceh District with 477 cooperatives, followed by Banda Aceh City with 455 cooperatives, and South Aceh District with 384 cooperatives. However, this is not yet comparable to the distribution of Sharia Supervisory Boards (DPS) in the districts/cities. Greater Aceh District only has 15 DPS, Banda Aceh City has 80 DPS, and South Aceh District has 6 DPS.

The number of Sharia Supervisory Board members for Sharia Cooperatives in Aceh is also very limited, at only 214. If we assume that the 3,368 non-Sharia cooperatives must be promptly converted, then we are still short of around 1,000 Sharia Supervisory Board members. The uneven distribution of Sharia Supervisory Board members is a challenge that needs to be addressed immediately. Some of the ways to handle this issue is by holding Sharia Supervisory Board certification workshops with DSN-MUI. The number of potential Sharia Supervisory Board participants should be adjusted to the needs of each district/city. Transparent and open recruitment is necessary so that participants who take the certification test have a greater chance of passing.²⁹

²⁹Interview with Prof. Dr. M. Shabri Abd. Majid, M.Ec., Chari of Aceh Sharia Board, August 8, 2023.

Several steps need to be taken to expedite the conversion process of sharia cooperatives in Aceh, including the following:³⁰

- 1) Conducting mapping or identification of active or inactive cooperatives by tracing the names and addresses of the cooperatives concerned;
- 2) Inquiring about the willingness to convert through a letter to the active management by filling out the conversion willingness form;
- 3) For cooperatives that are unwilling to convert, they should immediately fulfill their obligations to their members within a specified timeframe;
- 4) For cooperatives that are willing to convert, they must immediately prepare a conversion plan and stages;
- 5) The conversion process must certainly be accompanied and monitored by the government or related parties.

Sharia cooperatives play a crucial role in promoting community economic development by adhering to Islamic values such as monotheism, honesty, consistency, communication, equality, *amanah* (trustworthiness), *ta'awun* (cooperation), and familial ties.³¹ By embracing these Islamic principles, transactions conducted by members are expected to be devoid of *maysir*, *gharar*, and *riba*.

A healthy economic cycle will avoid poverty. Poverty is closely linked to crime and social inequality. The existence of sharia cooperatives is one of the alternatives to achieve the common good for all parties. Therefore, it is highly hoped that there will be an acceleration of the growth of sharia cooperatives in Aceh to realize a prosperous and just community economy, free from *riba* practices. The existence of the Sharia Supervisory Board has a significant influence on the conversion of sharia cooperatives in Aceh after the enactment of the Qanun LKS. Yet, if the influence is not yet visible, several inhibiting factors may exist, such as the uneven distribution of Sharia Supervisory Boards in each district/city and the disproportionate task distribution in supervising sharia cooperatives at each Sharia Supervisory Board.

Conclusion

The figure of sharia cooperatives and Sharia Supervisory Boards in Aceh has increased since the enactment of the Qanun LKS. There are currently 3,609 cooperatives in Aceh, consisting of 134 KSP, 3,234 USP, 118 KSPPS, and 123

³⁰M. Shabri Abd. Majid et al., *Optimalisasi Peran Lembaga Keuangan Syariah Dalam Peningkatan Perekonomian Aceh Yang Bebas Riba: Analisis Penguatan Implementasi Qanun Aceh No. 11 Tahun 2018 Tentang Lembaga Keuangan Syariah*, ed. EMK. Alidar (Banda Aceh: Dinas Syariat Islam Provinsi Aceh, 2022).

³¹Aminudin Ma'ruf, et al., "Application of Islamic Values of Sharia Cooperatives in Indonesia," *Maqdis: Jurnal Kajian Ekonomi Islam* 8, no. 1 (2023), p. 35.

USPPS. However, the number of Sharia Supervisory Boards (DPS) registered with the Aceh Cooperatives and SMEs Office is 214 people spread throughout all districts/cities in Aceh. Since the enactment of the Qanun LKS in Aceh Province, which requires all financial institutions in Aceh to operate in accordance with sharia principles, the DPS has played a role in assisting and mentoring cooperatives to convert to sharia principles. Although there are still many obstacles in achieving the goals of the Qanun LKS, all efforts continue to be made to assist the conversion process of cooperatives in Aceh. The DPS has also played a major role in assisting the conversion of sharia cooperatives. The existence of the DPS has an impact on the acceleration of the conversion of sharia cooperatives in Aceh, as indicated by the increasing number of KSPPS and USPPS from 2019 to 2023. Thus, the existence of the DPS has a significant impact on the acceleration of the conversion of sharia cooperatives in Aceh. While the proportion of sharia cooperatives and Sharia Supervisory Boards in Aceh has elevated since the enactment of the Qanun LKS, the rise only reaches 6% of the total number of savings and loan cooperatives in Aceh as of today. Nevertheless, from the Islamic economic perspective, this development can support the implementation and growth of sharia economy in Aceh, a region that applies the Islamic sharia.

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