Aceh as a Model of *Halal* Trade in Financial Goods and Services
Regulation based on Pancasila within the Framework of National Law in Indonesia

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**Abstract:** The province of Aceh holds a special autonomy status, which allows Aceh to possess the jurisdiction to enforce Islamic law specifically in the realm of the civil law, particularly in matters related to commerce. In Aceh, trading in commodities and financial services must adhere to the principles of Islamic law, ensuring that only *halal* goods are involved. Using the Content Analysis Technique, this study adopts a combined approach of the national law and the Islamic law. The data was gathered by literature and document analysis, including an examination of legal statutes, scholarly publications, and relevant books pertaining to the topic being discussed. This study asserts that the trading of *halal* commodities and financial services are fundamental aspects of the Islamic law, a concept that is unfamiliar in legal frameworks rooted in the Western civil law systems. Consuming food that is not *halal* and engaging in usury are both forbidden under the Islamic law. Within the framework of *sharia*, commerce is not just confined to individuals, but can also be subject to public scrutiny if they contravene *fiqh*, so rendering them impermissible. In order to achieve this legislative objective, the Aceh Province established a regulatory framework in the form of the Aceh Qanun, in line with the authority granted by Article 125 of Law Number 11 of 2006. This model has facilitated the emergence of a trade system that is devoid of any forbidden aspects, and financial services that are free from the practice of charging excessive interest, in accordance with *Sharia* principles. As a result, it differs from the conventional practices of trading goods and services that are prevalent within Indonesia. It is important to highlight that both Pancasila and National law ensure the freedom of citizens' rights to practice the Islamic law, including engaging in *halal* trade of commodities and financial services.

**Keywords:** Trade model, *halal* goods, financial services, *Pancasila*, and national law

Kata Kunci: Model perdagangan, barang halal, jasa keuangan, Pancasila, hukum nasional

Introduction

The trade of halal goods and services is not limited to Muslim countries, but has also expanded into non-Muslim majority countries. However, in practice, the Islamic trading system goes hand in hand with different system, in which the exchange of illicit commodities and services occurs simultaneously with the halal trading. Trade in halal goods and services has emerged as a significant concern in Indonesia, influencing the production of lawful items at both the national and

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The Indonesian constitution, specifically Article 29 paragraph (2) of the 1945 Constitution of the Republic of Indonesia, ensures the presence of halal products. This constitutional provision guarantees the freedom of every resident to practice their own religion and worship in accordance with their beliefs. It accommodates the desires of the Indonesian citizens to live their lives in accordance with the principles of the Islamic faith.

In order to provide a legal clarification, the Indonesian government has implemented Law Number 33 of 2014 about Halal Product Guarantees. This legislation primarily focuses on the regulation of halal certificates, but does not address the ban of trading items that contain haram (forbidden) materials. Similarly, within the realm of financial services, there exist regulations that govern the provision of financial services, both prohibiting and permitting usury in accordance with Islamic principles. Nevertheless, in Aceh province, there exist specific legislation that mandate the trading of commodities to be halal. Similarly, there is unrestricted trade in financial services that is devoid of usury. The province of Aceh enforces distinct legislation due to its population, the majority of whom (98.56%) adhere to the Islamic faith. According to Article 1 number 2 of the JPH Law, it is stated that halal products are those that have been officially certified as meeting the requirements of the Islamic law. Hence, trade should be capable of offering a range of options to consumers based on their specific requirements. The Indonesian government grants special privileges to the province of Aceh in the realm of religion, allowing its inhabitants to enforce the Islamic law. The legal foundation for this is established by Law Number 44 of 1999, which pertains to the implementation of the special provinces in the Special Region of Aceh. The granting of authority to execute Islamic law is also governed by Law Number 11 of 2006 about the Aceh Government.

Aceh has its own distinct legal rules governing the trading system for products and financial services, which differ from the national legal system in Indonesia. As a result, Aceh is recognized for having its own unique system. This approach has facilitated the development of a framework for conducting trade in both physical commodities and financial services in the region of Aceh. This regulatory framework, referred to by Roscoe Pound as "social engineering as a

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tool”, should facilitate the integration and harmonization of law, society, state, and regions, while avoiding conflicts with national legal policies.  

The regulatory framework is implemented through the legal instrument known as the Qanun in the province of Aceh. This legislation specifically pertains to Islamic law and serves as a regional-level regulation within Aceh. The Aceh Qanun is established on the foundation of Article 125 of Law Number 11 of 2006, which pertains to the Aceh Government (Undang-Undang Pemerintahan Aceh/UUPA). The relevant Aceh Qanun are as follows: Aceh Qanun Number 8 of 2016, which pertains to the Halal Product Guarantee System (Qanun Sistem Jaminan Halal/Qanun SJH); Aceh Qanun Number 11 of 2018, which concerns Sharia Financial Institutions (Qanun of LKS); and Aceh Qanun Number 6 of 2014, which addresses Jinayat Law (Qanun Jinayat).  

The halal trading system, which is regulated by several Aceh Qanun, presents challenges in the implementation of the Islamic law in Aceh. This is due to the historical influence of European law, particularly the Dutch law, and the existing opportunities. The European law has yet to have any established regulations concerning the commerce of halal (lawful) and haram (forbidden) products. The development of legislation in Indonesia is also impacted by the process of globalization, which is interconnected with the influx of trade and investment into the country as governed by international trade agreements established by the World Trade Organization (WTO). Consequently, it is imperative to prevent the enactment of laws that impede trade and investment in Indonesia. The halal trade and financial services in Aceh face a dilemma. On one side, they must adhere to human rights standards, while on the other hand, they are rooted in Islamic law, which aims to safeguard the rights of Muslim customers. The legal politics in Aceh, which are influenced by Islamic law, mandate that trading in commodities and financial services must adhere to halal principles as prescribed by Islamic law.

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7 Undang-Undang Republik Indonesia Nomor 33 Tahun 2014 tentang Jaminan Produk Halal.

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several studies, for example in the study of Syamsuri,\textsuperscript{9} Mawaddah,\textsuperscript{10} Nurdin,\textsuperscript{11} dan Djawas,\textsuperscript{12} This is due to the historical influence of the European law, particularly the Dutch law, and the existing opportunities. Currently, the European law does not have any established regulations for halal and haram trade. The development of legislation in Indonesia is also impacted by the process of globalization, which is interconnected with the influx of trade and investment into the country as governed by international trade agreements established by the World Trade Organization (WTO).\textsuperscript{13} Consequently, it is imperative to prevent the enactment of laws that impede trade and investment in Indonesia.\textsuperscript{14}

The halal trade and financial services in Aceh face a dilemma. While they aim to defend human rights, they are also based on the Islamic law, which seeks to safeguard the rights of Muslim customers. The legal politics in Aceh, which are influenced by the Islamic law, mandate that trade in commodities and financial services must strictly adhere to halal principles as prescribed by the Islamic law. Islamic law incorporates a distinct economic framework that prohibits the inclusion of interest in financial services,\textsuperscript{15} This would establish Aceh as a distinguished and unparalleled paradigm for building a halal trade zone encompassing both goods and financial services.\textsuperscript{16} Hence, the research inquiry pertains to the regulatory framework governing the sale of halal commodities and financial services in Aceh, in accordance with national legislation.

The study was carried out in Aceh, employing content analysis that incorporated both constitutions and Islamic legal frameworks.\textsuperscript{17} The data was collected by literature and document analysis, including examination of legal

\textsuperscript{16} Burhanudin Harahap and Tastaftiyan Risfandy, “Islamic Organization and the Perception of Riba (Usury) and Conventional Banks Among Muslims: Evidence From Indonesia,” \textit{SAGE Open} 12, no. 2 (2022).
\textsuperscript{17} Zainuddin Ali, \textit{Metode Penelitian Hukum}, Jakarta: Sinar Grafika, 2016.

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regulations, scholarly papers, and relevant books. The data was examined through theoretical and conceptual analysis, focusing on statutory theories and Islamic law. Specifically, the study explored the regulation of halal trade in commodities and financial services in Indonesia, with reference to Pancasila and the national legislation. With the goal that Aceh can serve as a testing ground for the governance and execution of halal commerce throughout Indonesia, and even on a global scale in the future.

**Indonesian Trading is governed by Regulations that are Based on Pancasila and the Laws of the Country**

The founders of the Indonesian nation, as expressed in the preamble of the 1945 Constitution, aimed to ensure the safeguarding of their citizens. Hence, it is imperative to establish laws that can ensure the safety of its citizens.\(^{18}\) The 1945 Constitution has significant relevance to the matter of halal trade. It is known as both a political and economic constitution, often referred to as a welfare state constitution. This designation stems from the influence of socialism since the 19\(^{th}\) century.\(^ {19}\)

Currently, the Civil Code (Kitab Undang-Undang Hukum Perdata/KUHPer) and Commercial Law Book (Kitab Undang-Undang Hukum Dagang/KUHD) continue to be in effect in the realm of trade. While these two books contain certain contents that have been invalidated by the national legislation, such as provisions in the Criminal Code pertaining to marriage, property mortgages, and civil registration. Similarly, the regulations in the KUHD have been repealed, specifically pertaining to corporate documentation, limited liability corporations, and insurance.

The restrictions outlined in the Criminal Code and the Commercial Code do not specifically address the commerce of halal items. This is comprehensible, as these two legal texts were first formulated in the Netherlands and were then applied to Indonesia during its colonial period, based on the principle of concordance. The Dutch legal system, which is founded on Christian principles, does not acknowledge the trading of forbidden commodities. During the colonial period in Indonesia, there was a practice of conducting halal trading in products, which was based on the Islamic law principles such as the Qur’an and Hadith. This was due to the fact that the majority of the Indonesians are Muslim.

The JPH Law incorporates several passages from the Al-Qur’an and Hadith, particularly those related to the concept of halal, thereby establishing a legal framework for the commerce of halal products. Halal Products, as defined


by Article 1 number 2 of this legislation, refer to products that have been officially certified as compliant with the Islamic law. The criteria for determining if something is halal are derived from Islamic jurisprudence, as halal is fundamentally a concept rooted in the Islamic law, which is not accepted in legal systems outside of Islam. The law specifically governs the regulation of halal products, but does not extend to halal services in trade, as stated in Article 1, number 1 of the law.

In relation to the aspiration to ensure halal assurances in the trade of goods in Indonesia, Article 4 of the JPH Law stipulates that product imported, circulated, and traded within Indonesian territory must possess halal certification. Therefore, only halal products are permitted to be imported, circulated, and traded inside Indonesia's territorial jurisdiction, whereas non-halal or haram products are prohibited from being imported, circulated, and marketed. This is due to the inherent impossibility of granting a halal certification to haram goods. Halal certificates are exclusively awarded to items that meet the criteria for being halal, which include both the components used and the entire production process, including sourcing, processing, storage, packaging, distribution, sales, and serving.

Despite the amendment of the JPH Law through Law Number 11 of 2020 on Cipta Kerja, the stipulations of Article 4 of the JPH Law remain unchanged. Government Regulation Number 39 of 2021, known as PP 39, is responsible for implementing the Halal Product Guarantee Sector. This regulation deviates from the norms stated in Article 4 of the JPH Law. Article 2, paragraph (1) of this PP (Government Regulation) continues to underline that product imported into Indonesian territory must have a halal certification. Nevertheless, paragraphs (2) and (3) provide sufficient justification for allowing the import of products derived from elements that are banned for commerce, with the requirement for businesses to disclose non-halal information regarding the commodities in question.

In accordance with Article 2, paragraph (2) and paragraph (3) of this PP, additional regulations have been formed based on the regulations contained in Article 4 of the JPH Law. These regulations do not prevent the importation and trafficking of goods deriving from haram or forbidden materials into Indonesian territory. Therefore, there are no restrictions on the trading of commodities that are illegal and come from imported sources. This freedom exists in order to conform to international trade accords established by the World Trade Organization\(^\text{20}\), The State of Indonesia is one of the signatories of the agreement, and it has been officially approved through the enactment of Law Number 7 of 1994, which ratifies the Agreement Establishing the World Trade Organization.

\(^{20}\) Hambali, “Pemberlakuan Sertifikasi Halal Secara Wajib Terhadap Produk Asing Menurut Persetujuan Tentang Hambatan Teknis Dalam Perdagangan (Technical Barrier To Trade Agreement).”

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(Agreement on the Establishment of the World Trade Organization). This agreement aims to ensure the application of legal parity, with the objective of eliminating any impediments to the importation of goods. Indonesia does not impose restrictions on the trade of non-\textit{halal} commodities within its domestic market. Trading in items sourced from domestically manufactured \textit{haram} materials is allowed, but there are no regulations mandating the disclosure of the non-halal status of commodities made from such materials.

The authorization to import goods made from prohibited materials is determined by the regulations stated in Article 2, paragraph (2) and paragraph (3) of this Government Regulation (\textit{Peraturan Pemerintah}/PP). However, it should be noted that this authorization lacks a legal foundation, as stated in Article 7, paragraph (1) of Law Number 12 of 2011 regarding the Formation of Legislation (Law Establishing Laws). The rules in PP 39 are only derived from the law and do not introduce any new standards or diverge from the law. As per Article 7 paragraph (2) of the Law Establishing this Law, every statutory regulation that contradicts the statutory rules before it is deemed invalid and without legal validity. Each superior legal standard serves as the origin of a subordinate legal norm\textsuperscript{21}.

The Constitutional Court Decision Number 91/PUU-XVIII/2020, which formally reviewed Law Number 11 of 2020 concerning Cipta Kerja, has not established the terms of Article 2 paragraph (2) and paragraph (3) of PP 39 as a legal basis. The Constitutional Court (MK) asserts that Law Number 11 of 2020, often known as the Job Creation Law, contains formal flaws. Hence, the Constitutional Court ruled that the Job Creation Law was constitutionally invalid with certain conditions. Subsequent to the Constitutional Court Decision, the Government has enacted Government Regulation in Lieu of Law Number 2 of 2022, which pertains to Job Creation (The Law of Cipta Kerja). However, the Law of \textit{Cipta Kerja} has not made any amendments to chapter 4 of the JPH Law. It remains unchanged, following the norms stated in the Law of \textit{Cipta Kerja}, which have been deemed conditionally unconstitutional. This further highlight that the provisions of Article 2 paragraph (2) and paragraph (3) of PP Number 39 of 2021 lack formal legality and is legally binding.

\textbf{Regulation of Halal Financial Services Trading in Indonesia}

Since 1991, Indonesia has begun a new era of \textit{halal} financial services, characterized by the adoption of \textit{sharia} principles in banking. This began with the establishment of Bank Muamalat Indonesia. The legal foundation for regulating the financial services sector according to \textit{Sharia} principles was established with


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the enactment of Law Number 10 of 1998, which amended Law Number 7 of 1992 on Banking. This Law is complemented by a decision letter issued by the Board of Directors of Bank Indonesia on 12 May 1999, numbered 32/33/KEP/DIR regarding Commercial Banks, 32/34/KEP/DIR regarding Commercial Banks Based on Sharia Principles, 32/35/KEP/DIR regarding Rural Credit Banks, and 32/36/KEP/DIR regarding Rural Credit Banks.

Sharia banking is subject to legal regulation by Law number. 21 of 2008, also known as the Sharia Banking Law (UUP Syariah). According to Article 1, number 7 of this law, sharia banks are financial institutions that conduct their operations in accordance with Sharia Principles. These banks can be classified into two types: Sharia Commercial Banks and Sharia Rural Banks. As to Article 1, number 12 of the Sharia UUP, Sharia principles refer to the principles of the Islamic law that govern banking activities. These principles are derived from fatwas given by authoritative entities in the field of sharia.

The establishment of the Sharia Law has established a legal framework for the operation of two distinct banking systems the conventional banking system, commonly referred to as the western law system, and the Sharia banking system which is rooted in the Islamic law and draws upon Islamic legal sources. Financial services, as defined by statutory requirements, encompass not just banking firms but also other types of businesses. However, Sharia banking businesses serve as the foundational step in implementing Sharia principles into the financial services industry in Indonesia. The scope of financial services is extensive, encompassing non-bank financial services as well. According to Article 1 number 4 of Law Number 21 of 2011, the Financial Services Authority (Undang-Undang Otoritas Jaminan Keuangan/OJK) defines non-bank financial services organizations as entities that encompass capital markets, insurance, pension funds, financing institutions, and other financial services institutions. Financial market for buying and selling long-term securities such as stocks and bonds.

1. The Capital Market

The Capital Market is governed by the Law Number 8 of 1995, which is the Capital Markets Act (UUPM). As per this legislation, capital markets refer to the activities associated with Public Offerings and Securities Trading, Public Companies involved in issuing securities, and the institutions and professions connected to securities. Capital market activities, like the banking industry, operate under two legal systems: the normal system and the Sharia system. According to the UUPM, the sharia capital market is not an independent system.

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but rather an integral part of the overall capital market system. Sharia Capital Market activities, in essence, resemble conventional capital markets. However, there are distinct features of the Sharia Capital Market that ensure its goods and transaction processes align with sharia principles. The capital market refers to the financial market where long-term securities such as stocks and bonds are bought and sold. It is a platform where individuals and institutions can raise capital and invest in various financial instruments.

The Capital Market and Financial Institution Supervisory Agency (Bapepam and LK), which serves as the regulator for the capital market, has implemented many specific regulations pertaining to the sharia capital market. These regulations are outlined below:

a. Regulation II.K.1 outlines the specific criteria and procedures for the issuance of the Sharia Securities List.

b. Regulation IX.A.13 pertains to the issuance of Sharia-compliant securities.

c. Regulation Number IX.A.14 pertains to the utilization of contracts in the issuance of Sharia-compliant securities.

The inception of the Sharia Capital Market in Indonesia may be traced back to the introduction of the Sharia Mutual Funds by PT. Danareksa Investment Management was established on July 3, 1997. In addition, the Indonesian Stock Exchange partnered with PT. The Jakarta Islamic Index was introduced by Danareksa Investment Management on July 3, 2000. This index offers investors the opportunity to invest in shares that align with sharia principles. The National Sharia Council of the Indonesian Ulema Council (DSN-MUI) issued a fatwa on April 18, 2001. This fatwa, known as Fatwa Number 20/DSN-MUI/IV/2001, provides guidelines for the implementation of investments in Sharia mutual funds. Moreover, the number of sharia investment products in the capital market is growing due to the establishment of PT Sharia Bonds. Indosat Tbk was established in September 2002. The mudharabah contract was utilized for the issuance of the inaugural Sharia Bond. The advancement of the Sharia Capital Market achieved a significant milestone with the approval of Law Number 19 of 2008, which pertains to State Sharia Securities.25

The sharia capital market offers three types of products: sharia mutual funds, sharia shares (also known as the Jakarta Islamic Index or JII), and sharia bonds (sukuk). Sukuk refers to long-term securities that adhere to sharia rules. These securities are issued by issuers to sukuk holders, who are sharia bond holders.


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holders. The issuers are obligated to provide income to the sukuk holders through profit sharing, margin, or fees. Additionally, the issuers must repay the bond funds when they mature.\(^{26}\)

2. Insurance

In Indonesia, insurance operates in the same manner as conventional insurance as outlined in the Commercial Code, which is derived from Dutch law and is relevant in Indonesia through the concept of concordance.\(^{27}\) During Indonesia's independence, insurance was governed by Law Number 2 of 1992, which also covered insurance based on the conventional system.

The regulation of insurance based on innovative concepts is governed by Law Number 40 of 2014, which specifically addresses the insurance industry. Law Number 2 of 1992 has been repealed by the existence of this law. Law Number 40 of 2014 specifically incorporates both the conventional and Sharia insurance systems that are implemented in Indonesia. Article 1 number 1 of this law defines insurance as an agreement between two parties, namely the insurance company and the policy holder, which is the basis for receiving insurance rate by the insurance company in exchange for: a) providing compensation to the insured or policyholder due to loss, damage, costs incurred, lost profits, or legal liability to third parties that may be suffered by the insured or policy holder due to the occurrence of an uncertain event; or b) provide payments based on the death of the insured or payments based on the life of the insured with benefits whose amount has been determined and/or based on the results of fund management.

Sharia insurance, as defined in Article 1 number 2 of this law, refers to a set of agreements between sharia insurance companies and policyholders, as well as agreements among policyholders. These agreements aim to manage contributions based on sharia principles, with the purpose of providing mutual help and protection:

a) Compensate participants or insurance holders for any losses, damages, costs, lost profits, or legal liability to third parties that they may suffer as a result of an unpredictable incident, or

b) Offer compensation in the event of the participant's demise or give payments during the participant's lifetime, with the number of benefits established and/or based on the outcomes of fund management.

3. Financial Institution

Financing refers to the provision of funds from one party to another in order to finance planned investments, whether undertaken by the recipients themselves

\(^{26}\) Fatwa Dewan Syariah Nasional MUI No 33/DSNMUI/Ix/2002).

or by institutions. Regarding this matter, there exist multiple regulations that oversee financial institutions, such as Presidential Decree No. 61 of 1988 pertaining to Financing Institutions and Minister of Finance Decree no. 1251/KMK.013/1988 regarding the Regulations and Procedures for Executing Financing Institutions. As per Article 1 number (2) of Presidential Decree no. 61 of 1988, financing institutions are commercial entities that engage in financing activities by supplying funds or capital goods without directly withdrawing monies from the public. Additionally, according to Article 2 paragraph (1), financing activities encompass several business sectors, including but not limited to: 1. Venture capital; 2. Leasing; 3. Factorization; 4. Credit card industry; 5. Securities Trading (business specializing in the trading of securities); and 6. Consumer financing.

This financing institution is controlled by the Financial Services Authority Regulations in terms of its operations. The Financial Services Authority oversees two financing systems within this agency, specifically the conventional system and the Sharia system. The conventional system is governed by Financial Services Authority Regulation Number 35 /POJK.05/2018, which pertains to the execution of financing company operations. The Sharia finance institutions are subject to regulation under Financial Services Authority Regulation Number 10/POJK.05/2019, which specifically addresses the operations of Sharia financing companies and their business units.

According to Article 2 of POJK Number 10/POJK.05/2019, it is stated that Sharia Financing activities must adhere to the principles of justice (‘adl), balance (tawazun), benefit (maslahah), and universalism (alamiyah). These activities should not involve elements of uncertainty (gharar), gambling (maysir), excessive interest (usury), oppression (zhulm), bribery (risywah), or forbidden objects (haram). Sharia funding, as defined in Article 4, encompasses: Acquisition and Disposition Financing; b. Investment financing; and/or c. Financing services.

Regulatory Framework for Halal Financial Products and Services in Aceh

1. Organizing the Halal Goods

In Aceh, there are specific regulations that explicitly forbid the manufacturing and trade of certain items. This includes the prohibition of importing goods made from restricted materials from outside of Aceh. Therefore, trading in goods that originate from these prohibited materials is strictly prohibited. The prohibition is a result of the enforcement of the Islamic law in Aceh, which is derived from Article 125 of the UUPA. Article 125 mandates the implementation of the Islamic law in Aceh, encompassing the enforcement of sharia, among other aspects. According to Article 125 paragraph (3) of the Aceh Government UUPA, the Aceh Government has the power to expressly govern the Aceh Qanun in the implementation of the Islamic law. The Aceh Qanun Number
8 of 2016, also known as the *Halal* Product Guarantee System (Qanun SJPH), has been officially enacted, specifically addressing the trading of *halal* goods.

According to Article 35 of Qanun SJPH, company operators in the Aceh Province area are forbidden from manufacturing and/or selling products that are not *halal* or do not have *halal* certification. This restriction encompasses not just non-*halal* items imported from outside Aceh but also forbids the production of things within Aceh that are derived from *haram* ingredients. Similarly, trade of commodities obtained from *haram* ingredients is forbidden. Consequently, there is no evidence of any commerce in Aceh involving commodities derived from forbidden substances.

The restriction on trading commodities sourced from banned materials is based on the regulations outlined in QS. Al-Maidah verse 3 of the Al-Quran. Meaning: Forbidden to you are carrion, blood, and swine; what is slaughtered in the name of any other than Allah; what is killed by strangling, beating, a fall, or by being gored to death; what is partly eaten by a predator unless you slaughter it; and what is sacrificed on altars. You are also forbidden to draw lots for decisions.¹ This is all evil. Today the disbelievers have given up all hope of 'undermining' your faith. So do not fear them; fear Me! Today I have perfected your faith for you, completed My favour upon you, and chosen Islam as your way. But whoever is compelled by extreme hunger not intending to sin then surely Allah is All-Forgiving, Most Merciful.

In the contract law, for a trade agreement to be valid according to Article 1320 of the Civil Code, it must fulfil certain requirements. These include the agreement of the parties involved, the competence of the parties, and the presence of specific objects. Additionally, if the goods being traded are prohibited, the agreement may not be considered valid. The commercial agreement must exclusively involve commodities that are neither forbidden nor have *halal* reasons. An action is deemed illegal if it is in violation of legal statutes, moral principles, and societal norms²⁸.

Therefore, creating a trade agreement that involves commodities produced from prohibited materials is inherently faulty, rendering the agreement invalid and without legal effect. Trade agreements involving commodities derived from *haram*/forbidden elements are not granted legal protection in Aceh. This notion aligns with the principles of *muamalah* law, which also prohibits making agreements with banned matters, as such actions are considered sinful.²⁹

In Aceh, the regulation of trade in commodities derived from *haram* materials falls under the jurisdiction of public law, specifically criminal law and

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state administrative law, in addition to civil law or *muamalah*. In Aceh, both the Criminal Code, which is a colonial relic, and the *Jinayat* Law, controlled by Aceh Qanun Number 6 of 2014, are applied in criminal cases. Article 1 point 15 of Qanun *Jinayat* highlights that *Jinayat* law specifically pertains to the legal framework governing *Jarimah* (criminal offenses) and *'Uqubat* (penalties). Moreover, Article 1 number 16 of the Qanun *Jinayat* elucidates that *jarimah* refers to behaviors that are forbidden according to Islamic Sharia.\(^\text{30}\)

The *jarimah*, as stipulated in Article 3 paragraph (2) of this Qanun, encompasses various behaviors, one of which is the prohibition of consuming *Khamar*. This aligns with the reference to *khamr* (intoxicants) and gambling mentioned in Surah Al-Baqarah verse 219. The phrase “Allah SWT says” is a reference to a statement made by Allah, the Supreme Being, in Islamic belief:

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	ext{۞يَسَّ أَنَّكُم مِّن نَّفْسِكُمْ عَلَىٰ مَدَّةٍ عَظِيمَةٍ وَيَنفِقُونَ فِيهَا إِنَّمَا إِنَّمَ يُنِضِّفُ اللَّيْلَةَ وَالْإِيَامَ وَإِنَّمَا أَكْثَرُ مِنْ نَفْعٍ.}
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Meaning: They ask you ’O Prophet’ about intoxicants and gambling. Say, “There is great evil in both, as well as some benefit for people—but the evil outweighs the benefit.”\(^1\) They also ask you ’O Prophet’ what they should donate. Say, “Whatever you can spare.” This is how Allah makes His revelations clear to you ’believers’, so perhaps you may reflect. (QS. Al-Baqarah: 219).

*Khamar*, as defined by the Qanun, refers to a beverage that possesses intoxicating properties and/or comprises an alcohol content of 2% (two percent) or more. The regulations pertaining to this ban are outlined in Article 15, paragraph (1). Engaging in the production, storage, trading, or possession of alcohol is strictly forbidden, as stated in Article 16, paragraph (1). Producing *Khamar* refers to any activity or process involved in creating, preparing, processing, making, preserving, packaging, and/or transforming something into *Khamar*.

Violators of the alcohol ban face the punishment of *'Uqbat Hudud*, which involves being whipped 40 times. Similarly, engaging in the activities of manufacturing, stockpiling, trading, or entering *Khamar* is punishable by *'Uqbat Ta'zir*, which may involve a maximum of 60 lashings, a fine of up to 600 grams of pure gold, or imprisonment for a maximum of 60 months.

The prohibition on consuming alcohol and engaging in activities such as production, storage, trade, or importation of alcohol in Aceh is based on the territorial concept. This prohibition applies not only to the Muslim population but also to the non-Muslim community. Consequently, Aceh has successfully

\(^{30}\) Qanun Aceh Nomor 6 Tahun 2014 tentang Hukum Jinayat (Qanun Jinayat).

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eradicating the trade of commodities derived from illicit resources. The prohibition on the production and commerce of alcohol differs from the prohibition on the trade of narcotics. In the case of narcotics, trade is permitted as long as it is sourced from the government, as specified in Law Number 35 of 2009 on Narcotics. Narcotics, as defined in Article 1 paragraph (1) of Law Number 35 of 2009 on Narcotics (Narcotics Law), refer to substances or drugs derived from plants or non-plants, including synthetic and semi-synthetic substances, that have the potential to induce a decrease or alteration in consciousness, loss of taste, pain reduction or elimination, and can lead to dependency. The restriction of narcotics commerce is not limited to Aceh, but extends to all provinces of the Republic of Indonesia. Unlawful trafficking of narcotics can result in a criminal conviction.

Administrative law ensures that trade in products is guaranteed to be halal by mandating that the goods being exchanged must possess a halal certificate. There are two levels of urgency regarding halal certification: (1) The moral aspect, which represents the producer's responsibility towards the consumer. (2) Regarding the business element, it serves as a method of marketing that enhances consumer trust and happiness. Halal certification is an ethical practice that producers should implement to provide customers with a guarantee of halal compliance.

The halal label offers several economic advantages for producers, including: (1) Enhancing consumers trust by providing a guaranteed halal certification, (2) Establishing a Unique Selling Point (USP), (3) Facilitating entry into the global halal market, (4) Enhancing the marketability of products, (5) Offering a cost-effective investment with potential revenue growth.

According to the JPH Law, a halal certificate serves as a confirmation of a product's compliance with halal standards. Article 35 letter an of Qanun SJPJ states that the halal certificate serves as a legal document, allowing the trade of goods that are sourced from permissible materials. This article strictly prohibits business actors from producing or trading non-certified halal products. This ban is necessary to prevent the violation of Muslim consumers' rights, as the circulation of food and drinks without the halal label is considered a violation.

Nevertheless, the prohibition on manufacturing and/or selling items that lack halal certification is classified as an administrative penalty rather than a criminal penalty. Administrative sanctions, as opposed to criminal sanctions, can be imposed on business actors according to Article 36 of the SJPJ Qanun. These sanctions include: a) verbal reprimand; b) written warning; c) denial or revocation of production permit; d) denial or revocation of distribution permit in Aceh; e)

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denial or revocation of business permit; and/or f) imposition of administrative fines.

Nevertheless, the implementation of the provisions stated in Article 35 letter an of the SJPH legislation has not been enforced, despite the intended purpose of ensuring compliance with the legislation.\(^\text{34}\) This significantly affects the limited number of applications for halal certificates from the Food, Drug and Cosmetics Assessment Institute (LPPOM) of the Aceh Ulema Consultative Council. The table below displays the halal certificates awarded by LPPOM MPU Aceh from 2018 to 2022, covering a span of five years:

**Table 1: The Halal Certificate issued by LPPOM MPU Aceh**

<table>
<thead>
<tr>
<th>Year</th>
<th>Processing industry</th>
<th>Slaughterhouse/poultry</th>
<th>Restaurant and catering</th>
<th>Other groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>150</td>
<td>7</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>2019</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>2020</td>
<td>139</td>
<td>2</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>2021</td>
<td>196</td>
<td>2</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>2022</td>
<td>55</td>
<td>6</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>555</td>
<td>19</td>
<td>47</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: LPPOM MPU Aceh, January 2023.

According to the data, LPPOM MPU Aceh issued a total of 633 halal certificates during the past five years. Out of that total, the majority of halal certificates are held by enterprises in the processing industry group, specifically in the food and beverage processing sector. This includes 555 culinary spices, which account for 87.68% of the certificates. The restaurant and catering business groups accounted for 47 or 8% of the total, followed by animal/poultry slaughterhouses with 19 or 3%, and other company groups (such as household soap) with 0.15%.

Multiple studies indicate that not all food and beverage businesses possess halal certification, leading to a compromised halal quality of numerous traded food and beverage products.\(^\text{35}\) Multiple studies indicate that not all food and beverage businesses possess halal certification, leading to a compromised halal quality of numerous traded food and beverage products,\(^\text{36}\) Multiple studies indicate that not all food and beverage businesses possess halal certification,


leading to a compromised halal quality of numerous traded food and beverage products. Article 58 of Law Number 18 of 2009 regarding Animal Husbandry and Animal Health stipulates that the Government and Regional Governments are responsible for overseeing, inspecting, testing, standardizing, certifying, and registering animal products to ensure their safety and health. This article also addresses the issue of halalness. Unharmed and permissible according to Islamic law.

The requirement of halal products for Muslims should be upheld through a halal assurance. Nevertheless, there is no assurance that all products available in Indonesia adhere to halal standards. The presence of a significant number of products lacking halal labels or non-halal information poses a disadvantage to Muslim buyers. A halal certificate is essential for a product created from halal materials, as the employment of non-halal methods can render goods sourced from halal materials non-halal, despite the materials themselves being halal. The procedure to ensure halal certification encompasses a sequence of actions, such as sourcing ingredients, processing, storing, packing, distributing, selling, and displaying products.

The certification requirement applies to all business entities engaged in the production or trading of food and beverages using permissible ingredients. The necessity of possessing a certificate differs from the necessity for business actors to obtain a permit prior to commencing a business. Business entities are required to get government authorization prior to commencing operations, resulting in the possibility of government-enforced closure of established firms. According to the JPH Law and JPH Qanun, it is not mandatory to get a certificate in order to commence a business. Consequently, the process of acquiring a certificate is typically undertaken after the business has already been initiated. Business entities engaged in the production and trade of food and beverages are required to fulfil these two duties. The requirement for a business license and the requirement for a halal certificate are not mutually dependent. Hence, the food and beverage production and trading business possesses a business license, but is now lacking a halal certificate.

This indicates a lack of integration in the halal licensing and certification procedure. The reason for this discrepancy lies in the distinct legal frameworks that govern each process. Specifically, the issuance of halal certificates is regulated by the JPH Law and JPH Qanun, whilst business permits are governed by Government Regulation Number 24 of 2018, which pertains to Electronically Integrated Business Licensing Services. This government regulation currently only encompasses the integration of permits. The reason for this integration is the existence of multiple permit types that are under the jurisdiction of various

agencies at both the central government level and the regional governments at the provincial, district, and city levels. Hence, in order to ensure that all food and beverage establishments in Aceh are certified halal, denoted by the possession of a halal certificate, it is imperative to enhance and integrate the management of halal certificate services with the business licensing procedure. This complies with the regulations stated in Article 6 of Qanun JPH, which mandates the Aceh Government to regulate and promote economic entities to guarantee the production of halal products. As per Article 7, paragraph (1), this process encompasses the entire supply chain from sourcing raw materials to promoting and selling halal products. According to Article 8, paragraph (1), business actors must get a halal certificate when applying for business authorization.

If a product's halal status is substantiated by a halal certificate, the absence of such certification for the production and trade of food and drinks in Aceh might be used as evidence that not all of these products are guaranteed to be halal. Conversely, if all food and beverages manufactured and exchanged possess halal certification, it may be confidently asserted that the food and beverages produced and traded in Aceh are unquestionably halal, both in terms of the materials used and the production methods employed. This establishes the perception that Aceh is a prominent trading hub for commodities that are certified as halal.

This image has the potential to serve as a compelling draw for tourists to visit Aceh. Tourists that visit a destination are typically drawn to specific attractions, such as the historical significance, cultural richness, natural beauty, or the implementation of the Islamic law, among other factors. The presence of assured halal food and beverages presents a potential for Aceh to establish itself as a halal tourism destination.

Implementing halal certification for all food and beverages traded in Aceh is a direct response to the perception that Islamic legislation hinders the tourism business. Within the realm of commerce, every product possesses a distinct portion of the market. The segment of customers that partake in the halal tourist market differs from those who engage in other forms of tourism. In order to establish a market share in halal tourism, Aceh must proactively capture it by developing a distinct market segment that offers tourism services featuring assured halal food and beverages. The topic has become a concern for tourists from Malaysia, aligning with the significant level of attention that Malaysian individuals devote to this matter. The United Arab Emirates, Malaysia, and Indonesia are widely acknowledged as the primary export destinations for
European food that has been certified as halal in the context of international trade.\(^{38}\)

2. The Halal Financial Services

The UUPA grants the Province of Aceh the power to enforce Islamic law. The jurisdiction specified in Article 125 paragraph (1) of the UUPA encompasses syar’iyah, which includes muamalah (civil law) among other matters. Additionally, Article 125 paragraph (3) explicitly highlights those additional regulations governing the application of the Islamic law in the realm of muamalah are stipulated by the Aceh Qanun.

The promulgation of Aceh Qanun Number 11 of 2018, which pertains to Sharia Financial Institutions, is based on the authority to regulate. Sharia Financial Institutions (LKS) refer to institutions that engage in banking, non-banking financial, and other financial operations in conformity with Sharia principles. Moreover, Qanun's Article 7, paragraph (1) underscores that LKS encompasses Sharia Banks, Sharia Non-Bank Financial Institutions, and other financial institutions. Additionally, paragraph (3) of this qanun highlights that non-Sharia banking financial institutions encompass various entities such as Sharia insurance, Sharia capital markets, Sharia pension funds, Sharia venture capital, Sharia pawnshops, Sharia financing cooperatives, Sharia financing institutions, and factoring. Sharia-compliant microfinance institutions, Sharia-compliant financial technology, and other Sharia-compliant non-bank financial organizations. Similarly, paragraph (4) highlights those other forms of financing encompass non-formal financial institutions and non-formal pawnshop institutions.

According to Article 65 of the Aceh Qanun, financial services in Aceh are restricted to be conducted exclusively by financial institutions that adhere to Sharia principles. This requirement is due to the fact that only licensed financial institutions that operate based on Sharia principles are eligible to carry out Sharia-compliant financial activities. Conventional financial institutions are currently forbidden from engaging in traditional financial services activities. Therefore, financial institutions that do not adhere to Sharia principles are required to cease their operations in Aceh.

The Aceh Qanun specifically governs institutions related to LKS, but the operational procedures of these institutions must adhere to the legal provisions outlined in the respective laws, in alignment with the specific financial services they provide. Due to the exclusive presence of Sharia Financial Institutions in Aceh, the financial services system in the region solely operates on principles derived from Islamic law. Financial services in Aceh exclusively adhere to the


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sharia system, which differs from the nationwide system. This is a framework for integrating Islamic law in a comprehensive manner across the financial services industry.

This model is not inclusive, as it does not cater to the interests of non-Muslim members of the public. Therefore, this Qanun does not forbid the implementation of Sharia rules on individuals who are not Muslim. In order to cater to the financial needs of non-Muslim minorities, the Aceh Government has implemented a specific provision that allows individuals who are not Muslim to adhere to the Sharia system. The information can be found in Article 6, namely in letter b of LKS Qanun.

Submission to specific regulations has been a customary practice in the legal system of Indonesia, dating back to the era of the Dutch East Indies. Legal plurality was present during the Dutch East Indies, enabling specific groups, like the locals, to be governed by European law. During that period, as indicated by Stb. In 1917, there are four distinct sorts of submission, namely:

a. Application to all legal systems based on the civil law tradition in Europe;

b. The Foreign East group is subject to the application of European Civil Law, namely in relation to property law.

c. Legal act submission

d. Silent acquiescence.39

The financial services sector in Aceh is exclusively governed by Sharia principles, as outlined in the academic work Qanun LKS, which serves as an enactment of Islamic law. This is due to the Islamic religion's prohibition on usury practices. Hence, the Aceh Government perceives the matter of usury as not solely an individual concern within the community, but also as the obligation of the government to ensure that its people refrain from engaging in usurious activities that are forbidden by Islamic law.

However, the implementation of the sharia system in Aceh not only safeguards the people from any endeavors to finance activities that are forbidden in Islam. Islamic financial institutions exclusively engage in investments that adhere to halal norms and avoid any form of harm, ensuring compliance with Islamic principles. Similarly, the Sharia financial system should be founded on the objective of mutual assistance, reflecting the fundamental principle of kinship that serves as the cornerstone of the Indonesian national economy.40 This principle is enshrined in the constitution, specifically in Article 33, paragraph (1) of the


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Constitution of the Republic of Indonesia. Jimly Asshidiqy thinks that this notion is crucial and should be incorporated into the Indonesian economic system.\(^\text{41}\)

The introduction of the Sharia financial system represents a significant departure from the prevailing principle of freedom of contract, which is a fundamental tenet of contract law in Western legal systems.\(^\text{42}\) In the Sharia framework, contracts are governed by the fatwa issued by the Indonesian National Sharia Council, also known as the Indonesian Ulema Council. Freedom of contact is a manifestation of the advancement of the free-market system introduced by Adam Smith in the 19\(^{\text{th}}\) century.\(^\text{43}\) This system tends to marginalize the disadvantaged, which contradicts the cultural values of the Indonesian nation that prioritize spiritual principles. In Indonesia, ensuring economic justice has become a legal aspiration based on Pancasila.\(^\text{44}\) The essence of this law aligns with the Islamic perspective that economic activity should not aim solely to create homo economicus, but rather to foster homo Islamicus.\(^\text{45}\) In this context, the purpose of engaging in charitable acts is not only to enhance one's own financial gains, but also to benefit others, with the expectation of being rewarded with success in the afterlife or deserving a reward.

Conclusion

The halal trade has become an integral part of commercial practices in Indonesia, driven by the increasing public consciousness to abstain from engaging in trade activities that are forbidden by Islamic principles. The halal trade encompasses not only the exchange of physical things, but also the provision of financial services, in which the act of charging interest is forbidden according to the teachings of the Al-Qur'an. The commerce of commodities and financial services in Aceh Province is governed by regulations that are in accordance with the principles of the Islamic religion. These regulations are based on the existing regulatory framework outlined in the Aceh Qanun. In Aceh, the trading of halal goods and financial services is not only seen as a strictly personal affair for individuals in the community, but it has also become a subject of governmental legislation. This is because engaging in trade with goods and services that go against Sharia principles can have detrimental effects on one's religious beliefs.

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This arrangement serves as an exemplary example for the implementation of Islamic law in a comprehensive manner. It is supported by a robust legal foundation, as trading in products and services is deemed permissible according to the law. The essence of this statement is that Pancasila and the legal system ensure the freedom of citizens to practice Islamic law, including the regulation of halal trade in commodities and financial services, as exemplified in Aceh and in accordance with national legislation.

References

Journals and Books


