

Policy Network in The Process of Formulating the Qanun on Islamic Financial Institutions in Aceh

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Abstract

The pros and cons of the implementation of Qanun Number 11 of 2018 concerning Islamic Financial Institutions among the people of Aceh are a strategic problem to be studied because this policy concerns economic activities in Aceh. Some people think that the existence of Islamic banks is not much different from conventional banks. Other people claim that the Aceh Government made a unilateral decision when it decided that all financial activities in Aceh must use sharia principles. However, many also agree with the existence of this Qanun, to save the people of Aceh from the practice of usury that has occurred in conventional banks. This study aims to examine the stages of policy formulation in the formulation of the Qanun on Islamic Institutions in Aceh and to find out what efforts have been made by the Aceh Government in involving actor networks at the stage of formulating the Qanun on Islamic Financial Institutions in Aceh. This type of research is descriptive qualitative with data collection techniques through FGD activities, interviews and document reviews. The results of this study indicate that based on the objective of implementing Islamic law in financial transactions in Aceh, this qanun was formulated, which began with the formation of a PANSUS, the preparation of an academic paper, so that in 2018 the Qanun LKS in Aceh was ratified. Meanwhile, at the actor network stage in the formulation of this Qanun LKS, the elements involved are still very limited, for example the absence of elements from entrepreneurs, civil society, and Dayah scholars.

Keywords:

policy network; policy formulation; Islamic financial institution law

Introduction

The pros and cons of the implementation of the Qanun on Sharia Financials Institutions in Aceh have graced the discourse among the people of Aceh. There are various responses to the implementation of the Qanun have also emerged from the government, business groups, religious leader and the Acehnese people in general. Based Qanun Aceh No. 11/2018 on Sharia Financial Institution, financial transaction in Aceh must be conducted by accordance with sharia principles.

The emergence of the Qanun on Sharia Financial Institutions (LKS) has had a significant impact on the banking structure in Aceh. In addition, non-bank financial institutions and other financial entities are also mandated to adopts sharia principles. The presence of Islamic financial institutions in Aceh aims to make people familiar with the use of financial products and services

that comply with syariah principles, such as *mudharabah*, *musyarakah*, *murabahah*, and so on. This step is part of the effort to realize a just and prosperous economy based on Islamic law. (Ryan Yusuf Pradana, et. Al, 2023).

This dynamic is due to the rejection of some groups towards the implementation of the qanun. Especially the Aceh government, the Financial Services of Authority (OJK), the PPRA faction of the Aceh Party, the business community, and some community groups to encourage the revision of the qanun on Islamic financial institutions with a note not to delete the substance of the qanun, because some articles are still not accommodating the interests of certain groups in running their businesses. This group believes that revising the qanun on the Islamic financial institutions will ensure the sustainability of the business world and the investment climate in Aceh. Especially in encouraging conventional banks to continue operating in Aceh by creating a conditional restriction mechanism (serambinews.com, 2023, accessed August 30, 2024)

According from above phenomenon, the existence of the qanun still has a number of notes and rejections from some community groups. In making every public decision, it should have the principle of prudence in the formulation of every policy. The above is a research gap that researchers found based on the phenomenon of the implementation of the LKS qanun policy in Aceh. Its means that the policies have been formulated must involve various networks of interest actors in order to ensure the principle of justice and according to the stages of the procedure that has been determined.

Many studies of public policy formulation have been carried out such as (Sofianus et al., 2023; Andhika, 2019 Ressa Fitriana et al., 2020; Fitriana et al., 2021; Achmad Nur Fauzi et al., 2018) have proven that the policy stage process must be carried out with community groups. Likewise, in the qanun LKS in Aceh, every formation formulated must go through a networking process of all interest actors in order to produce policies that can be accepted by all levels of society.

Some previous studies have also shown the impact of the implementation of Qanun No. 11 of 2018 on community satisfaction is relatively low, the conversion of conventional bank to Islamic banks has not been able to compete competitively in terms of product services, and the lack of public trust in the implementation of Islamic banks that have not fully implemented sharia principles (Anzira et al., 2022; Alamsyah & Amri, 2021).

In addition, the spirit of the implementation of the LKS system in Aceh is based on the implementation of Islamic law in Aceh, which is known as the concept of “entering Islam in a *kaffah (whole)*”. (Ahmadiy, 2016). But it is not easy to realize because it is hampered by pros and cons in the midst of society. Bell, 2010) cites John Stuart Mill’s view of utilitarianism theory that policy formulation can generate public trust by fully involving the network of policy actors.

Policy networks are relationships formed as a result of coalitions between government, private and community actors, Waarden, 1992, in (Sri Suwitri, 2008). It is based on the principle that public affairs cannot be fully successful if they are conducted by the state alone. This means that multi-partners governance is needed which offers the involvement of government, society, private sector, academics and business actors (Dedy Tardiyo, 2020). Likewise, the implementation of Islamic financial policies in Aceh can be formulated with various involvement of a network of interest actors. So that the qanun is not polemic in the midst of society.

From literature that reviewed above, there is still no specific study that examines policy networks in the formulation of the LKS qanun in Aceh. In previous study have examined the impact and implications of the implementation of the qanun LKS in Aceh. So, this research has novelty values related to policies implementation by the government. Normatively, every public decision must go through a participatory policy formulation process. This means that is we refer to the concept of Eulau & Easton, (1954) in their work The political system that every public policy must go through the stages of a normal process starting from policy input, policy process, policy output and the resulting policy impact.

The implementation of effective govemance requires the involvement of all relevant parties, in order to carry out their obligations as well as possible. And is supported by infrastructure starting from the stage of procedures, processes and supervisory mechanisms. Internal sharia review in Islamic banks, should be link to external auditors and the issuance of opinions on hshariah compliance (Mohamad et al., 2015). Not only that, more standards are also needed that regulate the formal of the hariah review report (Bahari & Bahharudin, 2016)

Thus, this research focuses on policy networks in the formulation of Qanun LKS policy formulation in Aceh is very important to ensure that the resulting policy can have a positive and optimal impact on society. By conducting this research, we can identify various aspects that need to be considered in the policy formulation process, including the opinions of various parties regarding social, economic, environmental implications, as well as other factors that may affect policy implementation. In addition, this research can also help in identifying potential conflicts or constraints in the policy network, so that we can ensure that the resulting qanun LKS policy can effectively and sustainably meet the needs and interests of the people of Aceh.

Methods

This research is a combination of normative and phenomenological research. Phenomenological research is included in the category of qualitative research approaches, because it examines and investigates events both experienced by individuals and groups (Abdul

Nasir et al., 2023). Meanwhile, normative research looks at relevant literature and conducts field studies with a qualitative approach (Lexy. J. Moleong, 2018). This research intends to look at the formulation of policy networks

This research wants to present the expected results realistically and logically. Of course, by linking to the research objectives and research questions that have been formulated. The logic of this research lies in the ability to provide a better understanding of the stages of efforts in involving actor networks in the formulation of qanun LKS in Aceh.

Thus, the novelty of this research lies in its contribution to the formulation of policy networks and the involvement of actor networks in formulating policies. This research can provide policy recommendations that are relevant and have a direct impact on the welfare of the community as well as the development of academic contributions of universities.

The data collection technique was conducted through Focus Group Discussion (FGD) activities, which were held on June 12, 2024. The selected participants represented government, legislative, academic, ulama, religious leader, industry/ business actors, and other parties who could provide information related to the sustainability of the qanun LKS in Aceh. In addition, researchers also interviewed other informants as secondary data, namely the Head of Yayasan Advokasi Aceh (YARA).

Results and Discussion

Based on the results of information netting (data) on Focus Group Discussion (FGD) activities, interviews and document review related to the formulation of Qanun Aceh No. 11 of 2028 concerning Sharia Financial Institutions, it is known that although the process of formulating this qanun is good by starting with the preparation of an academic paper, there are still weaknesses, including in the process of policy networking for the formation of regulations and the involvement of actors.

Aceh Qanun No. 11/ 2018 on Sharia Financial Institutions

The long history of Aceh Province as a region with privileges in the implementation of religious life in the form of the implementation of Islamic law begins with Law No. 44 of 1999 concerning the implementation of the privileges of the special region of Aceh, especially in article 2 paragraph 1 which states that the region is given the authority to develop and regulate its privileges. This was further strengthened by Law No. 11/2006 on the Governing of Aceh (UUPA). This law confirms that the implementation of religious life in the form of Islamic law for its adherents in Aceh while maintaining the harmony of life between religious communities (article 16 paragraph 2). Further related to the authority in the Governor in his position as the

representative of the government, has the duty and authority to coordinate the guidance in the implementation of the specialty and privileges of Aceh

On the basis of this regulation, then in the context of implementing the privileges of Aceh, comes the Aceh qanun No 8/ 2014 concerning principles of Islamic sharia, which is running sharia principles in every line of government, including in the scope of the economy. Economic activity is certainly inseparable from its relationship with banking institutions, where banking is the driving force of the economy. Some concrete functions of bank can maximize the use of finance to drive the economy and the welfare of the people. For this reason, special regulations are needed in Aceh that specifically regulate banking activities according to Islamic law.

This strengthening was then followed up by the Aceh government through the enactment of Aceh Qanun No. 11/2018 on sharia financial institutions. It requires financial institutions operating in Aceh to also apply Sharia principles (Article 2(1), Qanun LKS). Sharia Financial Institutions (LKS) referred to in this Qanun are institutions that carry out activities in the banking sector, the non-banking Islamic financial sector and other financial sectors in accordance with sharia principles. Obviously, Sharia principles in banking are different from the management principles of conventional financial institutions.

The Stage of Policy Formulation of Qanun Aceh No. 11/2018 on Sharia Financial Institutions

Policy formulation is concerned with efforts to provide answers to questions about the range of agreed alternatives to problems developed and who participates. This stage is a process that is more focused on solving specific problems. Meanwhile, policy formation refers to more specific dimensions, such as how public problems become the concern of policy makers, how policy proposals for specific problems are formulated, and how these policy proposals are selected among competing alternatives.

The presence of Islamic financial institutions is felt to be very decisive in the form of capital in a business field. Because the financial sector in Indonesia is one of the fields that has an important role in efforts to encourage the improvement of the community and national economy.

Generally, the public policy formulation process consists of five stages; agenda setting, formulation of policy alternatives, policy determination, implementation, and policy assessment or evaluation.

Likewise, the Aceh LKS Qanun has also gone through a series of stages of public policy formulation. The formulation of the Aceh LKS Qanun is unique and new in Indonesia, so Aceh does not yet have examples of similar regulations from other provinces.

Policy Agenda

Determining the policy agenda is a process that aims to make a problem in society become or get the attention of the government. This process begins with problem translation, which is a process related to recognizing and formulating important issues for action.

The initial basis for the selection of this Qanun LKS policy as the author has described above is based on the desire of the people of Aceh to present something good, especially in getting sharia transactions to avoid ribawi practices and supported by regulations that allow Aceh to implement the principles of Islamic law in its government practices. Several considerations, pros and cons have indeed occurred related to presenting Qanun LKS in Aceh. There are doubts about the establishment of sharia principles in economic activities, especially banking, because Aceh is trying to place the practice of Islamic law, but not under an Islamic state, especially since there is no concept related to Islamic law in Aceh that is clearly implemented in the context of the Republic of Indonesia (Nurzahri, DPRA member for the 2014-2019 period). Although in fact the application of sharia principles in the financial world is justified according to Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1998 concerning Banking. It is explained in article 1 paragraph 13 that opportunities are given for the community to establish banks that carry out business activities based on sharia principles, including providing opportunities for Bank Umum Konvensional (BUK) to open branch offices that specifically carry out activities based on sharia principles.

But on the basis of various considerations, especially the conditions when the Batak bank "bank 47" appeared, which was controlled by missionaries in the border areas; Langsa, Aceh Tamiang, Singkil, Subulussalam and Southeast Aceh. In practice, this bank implemented or inserted a missionary mission. For example, it is allowed not to pay (not returning loans) with a note to convert to Christianity, one of which went viral was the case of Cut Fitri Handayani in 2020 (Nurzahri, 2020).

So that the public wants a solution to this problem, plus the enthusiasm at that time (2009-2014) the boom of the Islamic bank system (Bank Muamalah) at that time was known to be very great, and all banks then opened sharia units, including Bank Aceh. Bank Aceh's Sharia service unit at that time achieved a profit-sharing rate almost the same as its parent. Another phenomenon also emerged where Acehese academics who were experts in Islamic economics, campuses in Aceh also began to open Islamic economics majors. These issues and phenomena led to the proposal to establish an Islamic financial institution in Aceh.

Selection of Policy Alternatives

The formulation of policy alternatives is the result of forecasting activities related to conditions that can be realized related to solving policy problems. Objects that can be used as the

substance of forecasting activities are grouped into 4, namely; 1). consequences of current policies, 2). consequences of new policies, 3). content of new policies and 4). stakeholder behaviour. The four substances above the author describes in detail one by one.

Responding to the problems and proposals at the policy agenda stage to present sharia activities in the form of Islamic financial institutions, a Special Committee (PANSUS) was formed by the Aceh House of Representatives in 2016. So, this Qanun LKS was discussed for 3 years (2016-2018). During that period, all banks in Aceh at that time (BNI, BRI, Mandiri and others) agreed to become sharia, because according to the banks, conventional units and sharia units did not affect their system and business (banking).

Even when this qanun was worked on, the Financial Services Authority (OJK) also responded by forming the Sharia OJK. So, there was no rejection of the formation of the LKS qanun at that time. However, it is possible that this happened because it was not publicized or the public at that time did not really understand the Islamic financial institutions in question. So that at that time the Aceh legislature claimed that if a Public Hearing Meeting (RDPU) was held openly, they believed that all elements would agree, supporting the establishment of a qanun on LKS, especially the image of the Acehnese people when asked about Islamic law, certainly all answered in agreement (Nurzahri, 2024). However, Nurzahri admitted that this agreement could not also be concluded to agree on the understanding of the Qanun LKS, but rather on the approval of its sharia principles.

At that time, politicians in Aceh (DPRA) saw that this qanun was a form of pride from the Muslim side and a benefit to avoid usury practices, or simply to be better. Then for its implementation, the legislature entrusted the Aceh Sharia Supervisory Board (DPS). In the end, by referring to the report of the discussion team, seeing the development in the community since the 3 years of this qanun was discussed, there was even a testimony from a minority in Aceh that he preferred to save in a bank with a Sharia unit rather than in a conventional bank.

In essence, the DPRA admits that they basically do not fully understand the concept of this Islamic bank, especially since there is no national reference, but seeing this issue from the policy side is considered to be able to solve the problem of Christianization, can solve the problem of the desire to implement Islamic law Kaffah. So, on the basis of these good intentions and convinced by scholars, academics with basic sharia, the factions in the DPRA finally agreed to choose to establish this Qanun on Sharia Financial Institutions (LKS).

At the time of the ratification of the qanun, no problems had yet arisen, but the legislature believed that at the implementation stage, problems would definitely arise. Therefore, a period of 3 years was given to the Aceh Government to prepare an analytical study to see the impact when there is a banking conversion, before this qanun is implemented. So, the DPRA at that time

hoped that if there were problems, then they would be borne by the government, which did not harm the banks and did not harm the people.

However, what is unfortunate is that at that time the Aceh Government did not do anything, neither socialization, nor an analysis study of the impacts that would arise if this qanun was implemented. In early 2020, there were no problems yet, because there were still banks such as PT BNI, PT BRI.

Problems arose in 2021 when the government saw the fact that these Islamic banking units could already surpass their parent. In terms of capital, the sharia units of these three banks are considered very great. So, a policy was taken to merge or consolidate the companies (merger) of 3 large bank sharia units (PT. BRI Syariah, PT. BNI Syariah and PT. Bank Mandiri Syariah) which was then named BSI (PT. Bank Syariah Indonesia) through a permit from OJK dated January 27, 2021, Number SR-3 / PB.1 / 2021. With the aim that the amount of capital is even greater than conventional banks.

This issue is beyond the reasoning of the Aceh Government, it was never predicted that this would happen. Because of this merger, the three banks then experienced problems in their systems. The model used is the Bank Mandiri Syariah system, which has a very small server unit, but has to load data that exceeds its capacity, so the system goes down.

Adding to the problems of banking services in Aceh, when the Qanun LKS had been passed for three years, the conventional PT BNI left Aceh without coordination. Its assets were left to BSI in a system different from that of Bank Mandiri Syariah, including its ATM system. So, there was a big problem with these three banks and they didn't have enough time to solve this problem at that time, and this was not because of the qanun LKS, although eventually BSI has solved this big problem over time.

Then PT Bank Aceh also had problems when it was converted, even before the LKS qanun was issued, even though at that time the DPRA still proposed that there be 2 units, namely Bank Aceh Syariah and Bank Aceh conventional, but in the end Bank Aceh was converted as well, purely only PT Bank Aceh Syariah, without conventional. The operational license for the conversion of PT. Bank Aceh was stipulated through the decision of the OJK Board of Commissioners Number. KEP 44 / D.03 / 2016 dated September 1, 2016 Regarding the Granting of Permission to Change Business Activities of Conventional Commercial Banks to Sharia Commercial Bank PT. Bank Aceh.

When this qanun was discussed, sharia experts also did not explain at that time that the menu available was only *Mudharabah* and *Murabahah*, so the menu was not complete in Islamic banking. So that problems arise such as; the case of master cards, visas, credit cards, these are all issues that have not been resolved in the context of sharia.

Mudharabah is a business cooperation contract in the Sharia economy, between the owner of the funds and the manager to carry out business activities, the profit is divided on the basis of profit sharing according to the agreement of both parties, but if there is a loss, it will be borne by the owner of the funds, unless caused by the negligence of the fund manager. Meanwhile, *Murabahah* is a form of sale and purchase that is *amanah* (sale and purchase contract) for certain goods where in the sale and purchase the seller clearly states the goods being traded including the purchase price and profit taken.

In addition, the implementation stage that has not been maximized is also questioned by the public and the DPRA itself regarding the duties and functions of the DPS (Dewan Pertimbangan Syariah). Dewan Pengawas Syariah (DPS) as one of the key elements of Islamic bank governance, plays a role in supervising the implementation of fatwas in Islamic bank practices, not only at the stage of approving products that comply with sharia principles. This Shariah compliance supervisory role should not be underestimated, given the risk of Shariah non-compliance that may occur in Islamic banks. In addition, the DPS may not have the time to perform this function in detail, so delegation of the task to other governance organs within the organization, such as internal audit or internal shariah review units is common (CISI, 2010).

In MPU's view, there are dynamics in the polemic related to Qanun LKS, this is a natural thing in social life and state administration where Aceh is part of the Republic of Indonesia. In terms of sharia, the MPU agrees that Islamic sharia in Aceh must be upheld, whether or not there is a law or Qanun, it must be the motivation for the legal system in Aceh, so that society must adjust to this source. In Islamic law, there are only 10 or 6 percent that regulate points of worship, the rest are laws in the field of *muamalah*, including the banking system. The qanun explains that after the qanun is passed, all financial transactions in Aceh must be sharia-based. However, if there is a word of expulsion of conventional banks in Aceh, it is not true, but what happens is an adjustment to the applicable Qanun LKS rules. In the implementation of the Qanun LKS, conversion is carried out for three years, so that banks can make adjustments. During the transition period, conventional banks are welcome to adjust, such as the case of BCA Bank which adjusted itself by replacing BCA Syariah. This polemic is important so that we are not complacent and satisfied with the existing rules, so that there are better thoughts to improve and strengthen these rules. Regarding Islamic Sharia, when in Islam there is an order, the order must be obeyed. In MPU's view, from the beginning, the formulation of this Qanun was to implement Islamic Sharia, namely the principle of Sharia, not usury.

Policy Actors

Regarding the policy actors of Qanun Aceh No. 11/2018 on Islamic Financial Institutions in creating a legal framework for the operation of Islamic financial institutions in Aceh are the

Government of Aceh, the sharia supervisory board, and the financial services authority. The Government of Aceh has the role of implementing the Memorandum of Understanding between the Government of the Republic of Indonesia and the Free Aceh Movement in Helsinki on August 15, 2005, the Government of the Republic of Indonesia and the Free Aceh Movement affirmed their commitment to resolve the Aceh conflict in a peaceful, comprehensive, sustainable and dignified manner for all parties, and determined to create conducive conditions so that the Aceh Government can be realized through a democratic and fair process within the Unitary State of the Republic of Indonesia; whereas the provisions of Article 2 of Law No. 44/1999 on the Implementation of the Specialty of the Special Province of Aceh and Article 125, Article 126, Article 127, and Article 154 of Law No. 11/2006 on the Governing of Aceh give Aceh the authority to develop and regulate the implementation of Islamic Shari'a; whereas pursuant to Article 21 of Aceh Qanun No. 8/2014 on the Principles of Islamic Shari'a, financial institutions and sharia transactions are implemented in accordance with the provisions of laws and regulations and stipulated by Qanun.

The limited knowledge of DPRA members as policy actors related to sharia banking practices, then led them to fully rely on ulama, academics/experts in sharia economics alone, and for the socialization of the qanun, they only rely on the Aceh Government. Furthermore, the experts then expect the implementation to be done by the Sharia Supervisory Board.

The Sharia Supervisory Board is an institution that oversees sharia financial activities in Indonesia so that they run in accordance with the principles of Islamic law. The DPS members are recommended by the National Sharia Council (DSN) which is under the auspices of the Indonesian Ulema Council (MUI) to ensure that all products, services and operations of Islamic financial institutions are based on Islamic principles or sharia. In general, DPS has two functions, namely as an advisor and requesting a fatwa to DSN for the latest Islamic financial products that do not yet have a fatwa.

The Consensus

The consensus already dates back to the emergence of Aceh Qanun No. 11/2018 on Sharia Financial Institutions, which mandates the establishment of implementing regulations derived from the Qanun on the Principles of Islamic Sharia. Government agencies such as the Aceh People's Representative Council (DPRA), the Islamic Sharia Office, the Financial Services Authority, the Legal Section of the Aceh Regional Secretariat, the Aceh Ulema Consultative Assembly have committed to establishing regulations for Islamic financial institutions in Aceh. Mutual support between these state elements is a good asset for creating good public policy.

In addition to the state elements, the active involvement of non-state elements such as academics, businessmen and civil society also shows that there is broad support for this qanun.

There are no political and transactional practices in the formation of Islamic financial institution regulations, because Islamic financial management emphasizes more on pure sharia principles and has no significant political and economic elements for policy makers, especially bureaucrats. This is because this qanun boils down to the implementation of Islamic sharia so that there are no groups that refuse in the endorsement of qanun, but in the implementation there are groups that refuse because of the merger system of large banks which is a little difficult for the community and there is no solution until now if there are problems with people who have to use outside sharia banks. This was conveyed by Nurzahri as a supporter of the Qanun LKS when in DPRA, namely: "This Qanun has no political content so it is supported because initially it was to avoid usury practices, for example the emergence of bank 47, people borrowed at 4am, returned at 7pm otherwise they would be subject to interest and others, so from there must be legal force, namely the governing qanun". So, in the DPRA itself all support because there are no deals with the interests of the members themselves against this qanun. Then the real problem was when the merger of large banks such as BNI, BRI and Mandiri into BSI, the real problem was not the qanun but the implementation of BSI bank services. So, the function of the DPS, namely the Sharia Supervisory Board, must be strengthened".

The Resources

Some scholars define policy networks as complexes of organizations that are connected to each other and tied to the availability of resources. Resource dependency is central to the definition of policy networks. Thus, the impact of policy networks is the emergence of actor dependency; administrators need political support, legitimizing information, assistance in implementation. Because public policy is the result of interactions between many organizational actors, each of which depends on the other for the exchange of resources to survive and achieve its goals. Meanwhile, interest groups want access to policymaking and implementation as well as concessions for their interests.

As the policy networking process varies greatly, so does the policy networking in Aceh Qanun No. 11/2018 on Sharia Financial Institutions, including;

1. The number and type of actors involved, in the formulation of this Qanun LKS, it is known that it only involves the government, DPRA, academics and experts in Islamic economics and ulama. However, it does not involve business actors who are certainly users of Islamic financial institutions as well. Then the public hearing was not conducted openly either, in order to capture the aspirations of the community.
2. The function of each actor in the policy network, the legislature (DPRA) passed the Qanun LKS on the basis of good faith to present sharia transactions and efforts to avoid Muslim communities from missionary bank practices. Meanwhile, ulama, academics and sharia

economic experts provide input related to the laws/rules of financial transactions based on sharia principles. However, in its implementation, the involvement of the executive in terms of educating the public regarding this qanun is very lacking.

3. The structure or pattern of relationships between actors, the pattern formed at the beginning of the formulation of the Qanun LKS policy was that the legislature admitted that they did not understand sharia principles in financial institutions, so then opened space for ulama, sharia economic experts and academics to provide input related to sharia principles that would be applied in Aceh in the economic sector, especially Islamic financial institutions.

The Policy Implementation

Although in 2021 the government had merged three large banks into BSI and had experienced various technical problems, in the end this could be overcome slowly, although sometimes there were still weaknesses in terms of, for example, when people needed to withdraw funds from ATMs, it turned out that the ATM machines were problematic or empty.

Other problems that arise in the current practice of Islamic banks in Aceh include; in the *Mudharabah* service; there is no fatwa from the National Sharia Council (DSN) in this unit, so there are no banks even though sharia provides support or loans to farmers, due to fears of crop failure so they are unable to pay. In addition, in the principles of Islamic banking that *mudharabah* is a cooperation in business to strengthen the community, and it is not allowed to eliminate the borrower's ability to pay, so it is not allowed to take collateral.

The practice that has occurred so far downstream if the borrower is unable to pay is considered detrimental to the state, and the applicable law is the regulations on the OJK financial system. So that it develops among the public that Islamic banks are still the same as conventional banks. The current paradigm of the community, the difference between conventional banks and Islamic banks is only limited to changes in terminology (for example changing the word interest to margin) in financing or taking credit.

Islamic banking is different from conventional banking because of interest (usury) which is prohibited in Islam, where banks are not allowed to charge interest on loans on the principle of Sharia Compliance in Islamic banks is very important and is the level of compliance with sharia principles in Islamic banks that must be considered in their operations.

Therefore, it is necessary to oversee the implementation of this Qanun LKS. There are a number of demands from the Qanun LKS that must be ensured to be implemented, including;

1. Oversight of articles mandated in the Qanun LKS, for example; the qanun requires the portion of *mudharabah* (profit sharing based) financing to be 40% of total financing.

2. The minimum financing ratio of 40% for MSMEs and the productive sector, the mandate of this qanun also needs oversight, because this is different from the TUPOKSI of the Sharia Supervisory Board (DPS) which only oversees the sharia section.
3. Fair recruitment of DPS, appropriate criteria or selected according to ability, so that its function can be utilized properly and correctly
4. It should be dayah and able to become ex officio
5. DSA recruitment criteria must also be fair, so far, the DSA seems only among academics
6. Implementation of Qanun LKS in Aceh must also be socially oriented, not just profit and integrated with Baitul Mal Aceh, zakat infaq sadaqah and waqf, also in the MSME sector
7. Socialization and education, can be done by the Aceh government allocating funds to the education office, for example, to conduct socialization to the community, then in the field the office can collaborate with the ulama.

Qanun LKS is a DPRA initiative. In Qanun No 11 of 2018, there is nothing that contradicts Law No 21 of 2008, when it was considered that all people agreed, so this Qanun LKS was easily passed. What makes this Qanun LKS different from the Sharia Bank Law is the requirement for conventional banks in Aceh to adjust to sharia principles and there is no requirement for conventional banks to leave Aceh. The controversy occurred because after the adjustment from conventional to Sharia, there was a merger of the three state-owned banks into BSI, which caused many facilities to be lost. The merger was done for various reasons, including capital strengthening and operational expansion. The abruptness of the merger meant that the community was not well served by Sharia banking services, especially BSI, where previously there were many ATMs in Aceh, but now there are none. So this is also very disturbing to the community because the service is not because of the sharia. This can be seen from the perception of non-Muslim entrepreneurs, who claim that there is no problem with Islamic banks in Aceh, because what matters is service. This is in accordance with research in Malaysia, namely from a sample of 150 non-Muslim Islamic banking customers, research by Haron, Ahmad, and Planisek (1994) published in the *International Journal of Bank Marketing* states that non-Muslims have chosen Islamic banks in Malaysia because of the attitude of polite employees, efficient and fast service, reputation and image of Islamic banks, and maintaining customer confidentiality. Non-Muslims choose Islamic banks not because of religious factors, but rather service factors (Shabri, et al, 2022).

In the view of representatives from the DPRA also explained, the idea of revising the Qanun LKS gained momentum when BSI was hacked and unable to provide services. What should be strengthened in the Qanun LKS is the existence of the Aceh Government to facilitate the existence of Islamic banks, especially to invite outside Islamic banks to take part in Aceh. In

addition, what must be done now is that the Aceh Government does not only protect Bank Aceh. Article 14 of the Qanun LKS that may need to be revised is the requirement for Islamic banks to no longer provide consumptive but productive financing. Currently, the question is whether there is competence in Islamic banks to have an HR division to see potential customers. Now always the mechanism applied is *murabahah*, the Natural Certainty Contract (NCC) mechanism, without any risk. *Mudharabah musyarakah* is the most certain risk. Islamic banks that exist today only take simple steps so as not to lose money. Because they are intermediary institutions. In addition, the most important thing is to strengthen the Qanun LKS not to restore the dual banking system in Aceh. The revision is done for the welfare of the community.

Public Relations

Communication is an effort to get a two-way relationship between the government and the community, whether it is in the form of discussion forums or socialization of policies. In the formation of Aceh Qanun No. 11/2018 on Sharia Financial Institutions, a discussion forum, namely a public hearing, was used to connect with the public and absorb their aspirations. The role of the community in the formation of this Qanun was mainly at the public hearing stage. Ideally, the role of the community can go further than just the public hearing.

In the public hearing process, it is used as a medium to absorb the aspirations of the community. There were several inputs from the community for the draft Qanun on Sharia Financial Institutions, including socialization and supervision of Qanun implementation. It is hoped that this Qanun will not only become a regulation but also be able to change people's behaviour in adopting the principles of Islamic finance. Effective socialization and active participation of the community in overseeing the implementation of the Qanun are expected to increase understanding and acceptance of Islamic financial institutions in Aceh.

The intended follow-up is not only to establish good communication with the community through socialization and public policy discussion forums, but also to take concrete actions based on the results of the communication. In realizing the aspirations of the community, not all aspirations can be accommodated. A careful evaluation is needed to determine which aspirations can be realized. In following up on community aspirations related to Qanun Aceh No. 11/2018 on Sharia Financial Institutions, in-depth studies need to be conducted because government resources are limited while community aspirations are many and varied. Aspirations that are considered urgent and reasonable will be prioritized for follow-up. Socialization and supervision desired by several community groups and non-governmental organizations in public hearings have not been fully implemented, even though they consider this very important. People need to understand the basics of Islamic financial institutions and this can only be achieved through effective socialization. A policy community can be understood as a network characterized by its

level of integration, membership, resources and relationship with the public. These values can only be created through long-term intensive interaction among policy actors, which generates trust and commitment and ensures policy sustainability.

It can be concluded that policy communities are born with a primary commitment to upholding the sustainability of public policies. Policy communities and networks are important tools to facilitate consultation within government, facilitate the policy-making process, reduce conflict, avoid politicization of public issues, increase policy predictability, and connect government organizations with extra-bureaucratic actors in almost all policy processes. In addition, the presence of policy communities and networks promises legitimacy, sustainability and quality of policies related to Islamic financial institutions in Aceh. In this study, it was also found that the broad support from the policy network because it was considered that this Qanun was not politically charged but merely wanted to implement the principles of Islamic Sharia in accordance with the mandate of the Law.

Conclusion

The formulation stage of Qanun Aceh Number 11/2018 on Sharia Financial Institutions in Aceh starts from agenda setting, which is based on several considerations including; the issue (case) of banks controlled by missionaries, Aceh Province as an area that provides special autonomy, especially in implementing Islamic law, the intention to be better towards kaffah Islamic practices in every line of government, and to avoid *ribawi*, *gharar* and *maysir* practices. Based on these strategic issues, the DPRA factions agreed to draft a qanun that regulates the practice of Islamic financial transactions in Aceh. Then at the stage of selecting policy alternatives, PANSUS was formed and began with the preparation of an academic paper as a scientific consideration for the formulation of this Qanun LKS. The formation process lasted for 3 years (2016-2018). Furthermore, the establishment of this qanun was carried out on December 31, 2018, so it came into force in January 2019. However, the process of adjusting the practices of financial institutions with this qanun is allowed for 3 years before implementation. At the beginning of the implementation of the qanun on LKS, there were no major technical problems. However, problems arose when the government decided to merge the three major banks, namely PT BNI, PT BRI and PT Bank Mandiri into PT BSI in 2021. In addition, problems also arise that are considered necessary for improvement (revision) of this qanun, for example; a minimum financing ratio of 40% on *murabaha* products, the absence of oversight of the 13 demands contained in the Qanun LKS and the absence of education to the public regarding the differences between conventional banks and Islamic banks, so that public arguments arise that there is no

difference between Islamic banks and conventional banks. Based on these shortcomings and problems, it was agreed that the Qanun LKS needs to be revised (evaluated) to strengthen the Islamic financial system and for the benefit of the public.

The Aceh government's efforts to involve a network of actors in the formulation of the Qanun LKS in Aceh are still very limited. This is evidenced by the exclusion of entrepreneurs (including MSME players), civil society, and dayah scholars. This has led to different perceptions among the people of Aceh, starting from the assumption that there is no difference between sharia banks and conventional banks, they think that the name of the bank is still usury. This may not have happened if the ulama dayah as the mouthpiece of information in the community were involved, so that through them it is hoped that the message related to the intent and purpose of this Qanun LKS is conveyed to the middle to lower levels of society. Businesses that are involved in transactions outside Aceh will also be affected by the implementation of this Qanun, as well as other elements of society such as farmers, fishermen and others.

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