

Qanun Of Islamic Financial Institutions Implementation And Cooperatives Responses: Experience From Aceh

Khairil Umuri

Program Studi Ekonomi Islam, Universitas Syiah Kuala, Banda Aceh, Indonesia
khairilumuri@unsyiah.ac.id

Teuku Muhammad Syahrizal

Program Studi Ekonomi Islam, Universitas Syiah Kuala, Banda Aceh, Indonesia
tmsyahrizal@unsyiah.ac.id

Hendra Halim

Program Studi Ekonomi Islam, Universitas Syiah Kuala, Banda Aceh, Indonesia
hendra.halim@unsyiah.ac.id

Junia Farma

Program Studi Ekonomi Syariah, Universitas Islam Negeri Ar-Raniry Banda Aceh, Indonesia
juniafarma@ar-raniry.ac.id

Abstract

Implementing Qanun No. 10 of 2018 concerning Islamic Financial Institutions requires that every financial institution in Aceh must operate according to sharia principles. Cooperatives, a financial institution in Aceh, are also required to convert into sharia cooperatives. In the journey of becoming a sharia cooperative, several obstacles are faced. So, this study wants to analyze how the readiness of cooperatives in Aceh to convert into sharia cooperatives. The research uses a qualitative approach with descriptive analysis in the form of a field (filed research). The results found, firstly, several obstacles faced by cooperatives in the conversion process, such as a lack of understanding of cooperative management towards LKS qanuns, lack of support from local governments, burdensome changes to AD/ART, and the lack of cooperative DPS. Conversion process activities can be carried out by changing AD/ART according to sharia legality, changing managerial, IT and contract systems according to sharia, and providing understanding to cooperative management and members about sharia cooperatives. In addition, training and socialization regarding sharia cooperatives are also needed, as well as encouraging religious activities. So to support the conversion process, support from all related parties is needed, such as the Cooperatives and SMEs service, the Aceh Aceh Sharia Council (DSA), and the cooperative.

Keywords: Cooperative, Qanun, Sharia.

A. INTRODUCTION

Cooperatives are one activity carried out with mutual help and cooperation among members to cover each other's losses. The procedure for implementing cooperatives is regulated in Islam so that every activity carried out does not violate existing provisions. If we look at the background of the emergence of cooperatives, it does not come from Islamic teachings and culture. Cooperatives

emerged from Western thought and began to be practised in countries with capitalist and socialist views. The purpose of cooperatives was initially only to support and strengthen the capitalist and socialist economic system itself (Hasanudin et al., 2022). The development of *Koperasi Jasa Keuangan Syariah* (KJKS) and *Unit Jasa Keuangan Syariah* (UJKS) are starting to become attractive markets to continue to develop. It is because people increasingly understand and need the management of a sharia-based economic system amid the decline of the conventional cooperative system (Sofiani, 2014).

Cooperatives expect to be able to solve economic problems that seem never to resolve. Cooperatives expect to be able to realize the welfare of the community with the principle of helping. If we look at the majority of Indonesian people who are Muslim, this is a strong reason for the importance of the role of sharia-based cooperatives. So, the existence of cooperatives is beneficial for the Indonesian economy. In addition, cooperatives can also help the informal sector, which many Indonesian people are currently carrying out (Marlina & Pratama, 2017).

Table 1. Number of Cooperative in Aceh, 2018-2021

2018	2019	2020	2021
3.950	4.026	4.457	3.535

Source: Dinas Koperasi, Usaha Kecil dan Menengah Aceh, 2021

Based on Table 1, the growth of cooperatives in Aceh is increasing every year. Data Ministry of Cooperatives and Small and Medium Enterprises notes that the number of active cooperatives in Aceh has increased from 3,950 in 2018 to 4,026 as of 31 December 2019. In 2020 the Aceh Small and Medium Business Cooperatives Service also recorded 6,409 cooperatives, but only 4,357 cooperatives are actively operating (Dinas Koperasi dan UMKM, 2021). That proves that cooperatives can be a forum for the community to help improve their economy.

The implementation of Islamic law in Aceh began with Law Number 44 of 1999. This legality strengthens by the enactment of Law no. 11 of 2006 concerning the Government of Aceh. The law is implemented with a derivative rule in the form of Qanun Number 8 of 2004. The existence of Law no. 11 of 2006 provides opportunities and freedom for the people of Aceh to carry out the implementation of Islamic sharia. It also inspires the people of Aceh to implement the Qanun for Islamic Financial Institutions. In 2021, Qanun No. 11 of 2018 concerning Islamic Financial Institutions. The Qanun requires all LKS in Aceh to operate according to sharia principles, including cooperative institutions. Qanun No. 11 of 2018 is effective as of January 4, 2019, and every financial

institution, including cooperatives operating in Aceh, is required to comply with this Qanun no later than 3 (three) years after the Qanun enactment (Iskandar, 2018).

The conversion of sharia cooperatives is also supported by the Majelis Permusyawarahan Ulama (MPU) Aceh decision, as stated in the Aceh Ulama Consultative Council Decree No. 02 of 2018, regarding the results of the workshop of ulama-umara in the field of muammalah. In this decision, the Aceh government expect to immediately accelerate the formation of sharia cooperatives by converting conventional and establishing sharia cooperatives. That proves that the acceleration of the conversion of conventional cooperatives into sharia cooperatives is the hope of all parties (Jailani & Bin Mohamad, 2018).

Of the 4,357 cooperatives, it is actively operating in Aceh, only around 90 *Koperasi Simpan Pinjam Pembiayaan Syariah* and *Unit Simpan Pinjam Pembiayaan Syariah* (KSPPS/USPPS). That is a challenge how all cooperatives in Aceh can implement the sharia system in their activities. Aceh is the only province in Indonesia that implements Islamic law. The data above found that many cooperatives have not yet switched to sharia principles. Interesting to study the readiness of cooperatives to face the sharia pattern to be implemented in all their activities (Dinas Koperasi dan UMKM, 2021).

Sharia cooperatives are economic business fields that are well organized and social, where they apply ethical principles morally in their operational activities. They must pay attention to the halal or haram of a business that follows Islamic law's teachings (Raisa Fitri et al., 2021). Sharia cooperatives called KSPPS (*Koperasi Simpan Pinjam dan Pembiayaan Syariah*) have developed and become places for people who need a sharia-based management system. Sharia cooperatives are based on the Qur'an and as-Sunnah and based on kinship. In sharia cooperatives, there are elements of mutual help (*ta'awun*) and cooperation (*syirkah*) recommending mutual help for good and prohibiting mutual help that causes sin (Nasfi et al., 2022).

Regarding the author's search, several previous studies on converting Islamic financial institutions, like the research conducted by Apriyana dan Hasbi (2020), looked at the dominant factors that influence the preference of cooperatives in converting into sharia cooperatives. This research is different from the research carried out because it only looks at the factors that influence the cooperative to convert without looking at what is needed when carrying out the conversion process. Adha et al. (2020), examine the impact of converting conventional banks to Islamic banks in Indonesia on corporate governance, bank operations, financial structure and performance, and human resources. This research is different from the research conducted because it examines the impact of

the conversion on management activities, financial performance, and human resources in banking. This research does not explain the things needed in the conversion process.

Rahmawati & Putriana (2020) also researched the procedure for accelerating the conversion of conventional banks to Islamic banks, and the challenges faced. There is a difference in the research because the research object conducts at a banking institution, not a cooperative institution. Then, research from Sofian (2018), talks more about the trend of Islamic finance. Furthermore, Susanto (2019) research, on how sharia cooperatives can operate following the laws in force in Indonesia and remain in the sharia corridor.

To fill this void, it is important to conduct this research to see the readiness of cooperatives to face the sharia pattern, especially in Aceh Province. This research has its own uniqueness because it is the only one who conducts research on things that are needed by cooperatives in Aceh in dealing with *Qanun* No. 11 of 2018 concerning Lembaga Keuangan Syariah to convert into sharia cooperatives. This study is also one of the interesting readings for cooperative institutions that will convert into sharia cooperatives. Therefore, this study is needed to convert conventional cooperatives into sharia cooperatives in Aceh successfully.

B. METHOD

This study uses a descriptive qualitative approach without specific measuring tools and manipulations (Fadli, 2021). This type of qualitative research is a descriptive analysis that aims to see the readiness of cooperatives to face the sharia pattern in Aceh.

This research is sourced from primary data and secondary data. Primary data sources are obtained directly from informants, namely by interviewing the Cooperatives in Aceh, the *Dewan Pengawas Syariah* (DPS) of the Cooperatives, the *Dewan Syariah Aceh* (DSA), and *Dinas Koperasi, Usaha Kecil dan Menengah Aceh*. Secondary data is information obtained indirectly through documents (Sugiyono, 2013).

The data analysis technique used is a qualitative data analysis of the interactive model of Nurlaela dan Zulkarnain (2019), revealing that activities in qualitative data analysis are carried out interactively and take place continuously until completion and the data obtained is saturated. Data or information is saturated when no new data or information is obtained.

C. RESULT AND DISCUSSION

Result

The word cooperative is adopted from the Latin, namely cooperation. Cooperative in Indonesian is translated as a form of working together or cooperation (Kumaratih & Tulus Sartono, 2020). Cooperatives are regulated in Law Number 12 of 1967 as social institutions consisting of legal entities and individuals arranged in a socially based economic order. The definition of cooperatives is also regulated in Law Number 25 of 1992, a collection of people or legal entities in a business entity based on the people's economic movement and is familial (Rasyidi, 2018). Therefore, Mundir (2016) states that cooperatives are cooperative activities that help fellow cooperative members realize their economic needs.

The establishment of cooperatives aims to provide economic welfare for its members. Member welfare can be achieved by providing the goods and services needed at a price. Cooperatives also provide production facilities and equipment with affordable financing (Umar et al., 2018). All activities carried out by cooperatives aim to improve the welfare of its members, in particular, and the general public. The presence of cooperatives can also help the national economy to create a prosperous, advanced, and just society (Sunardi et al., 2021).

The definition of cooperative essentially describes activities carried out by a group of people or groups by prioritizing cooperative activities based on equality, rights and obligations. That means that cooperatives are a forum for economic and social democracy. Because cooperatives have a democratic principle, it must be guaranteed that the cooperative belongs to the members and must be regulated and managed according to their wishes. That means that the highest right in cooperatives lies in the joint member meeting.

Based on this definition, it can be seen that in a cooperative, there are at least two interrelated elements. The first is the economic element, and the second is the social element. Cooperatives have a social character. Profit is not the primary goal of cooperatives. As stated by Muhammad Hatta, the priority in cooperatives is to increase the economic welfare of its members (Handayani & Anjani, 2021).

Regarding cooperatives with sharia principles, there was a Regulation of the Ministry of Cooperatives for SMEs RI in 2009. Article 1 states that sharia financial services cooperatives are cooperatives whose business activities are engaged in financing, investment, and savings by the pattern of profit sharing (*sharia*). According Sunardi et al. (2021), sharia cooperative business includes every business activity that is lawful, good and useful (*thayib*) and does not oppress all

parties by implementing a profit-sharing system. Meanwhile, according to Buchori (2012), sharia cooperatives are a well-organized and socially principled field of economic business that, in its implementation, applies sharia principles and is moral.

Principles of Sharia Cooperatives uphold the principles of Islamic economics. Where humans are given freedom in muamalah following the provisions of Islamic law, uphold justice and reject the interest system that harms members. Whereas carrying out its activities is based on the principle of voluntary or open membership. Where at the time of decision making, that carry out in a deliberative and consistent manner, with a professional management system, and distribution of the remaining business results evenly (which adjust to the size of each business), honest, trustworthy, and independent (Marlina & Pratama, 2017).

The business activities contained in Islamic cooperatives are savings and loan units and financing. In the savings and loan unit, the cooperative collects funds from members. Then it will be channeled back into financing by providing loans to members or micro, small, and medium business actors who need capital to develop a business (Nutri & Wahyuningrum, 2019).

Regulation of the Minister of Cooperatives and SMEs No. 11/PER/M/KUKM/XII/2017 concerning the implementation of Sharia Savings and Loans and Financing Business Activities also states that cooperatives can implement sharia principles are only cooperatives that are in the form of savings and loan businesses. UU no. 11 of 2020 concerning the Job Creation Law is also a regulation on cooperative activities that run the sharia system. These government policies identify government support for implementing sharia principles in cooperatives. Therefore, sharia cooperatives must run their business following certification and applicable laws and regulations.

Aceh Province, with its particular autonomous region, has its regulations regarding cooperatives, namely Qanun No. 11 of 2018, concerning Islamic Financial Institutions. Article 65 states that all financial institutions, including cooperatives, must convert into sharia cooperatives. The conversion activity must be completed no later than January 4, 2022. However, the fact is that there are still many cooperatives that have not yet converted into sharia cooperatives.

Table 2. Recapitulation of Savings and Loans Cooperatives (KSP)/Savings and Loans Units (USP) and Sharia Savings and Loans and Financing Cooperatives (KSPPS)/Sharia Loans and Financing Units (USPPS) in Aceh (2021)

No	Regency/Municipality	Cooperative Type			
		KSP	USP	KSPPS	USPPS
1	Banda Aceh	4	394	3	34
2	Aceh Besar	18	220	4	17

No	Regency/Municipality	Cooperative Type			
		KSP	USP	KSPPS	USPPS
3	Pidie	9	96	0	5
4	Pidie Jaya	0	18	0	3
5	Bireun	13	85	1	0
6	Lhoksumawe	1	194	0	0
7	Aceh Utara	1	38	2	1
8	Aceh Timur	2	45	0	0
9	Langsa	7	344	0	1
10	Aceh Tamiang	26	180	6	1
11	Aceh Tenggara	19	28	0	0
12	Gayo Lues	1	129	0	0
13	Aceh Tengan	3	352	0	0
14	Bener Meriah	5	107	1	0
15	Aceh Jaya	1	14	0	0
16	Aceh Barat	14	43	1	1
17	Nagan Raya	6	73	1	1
18	Aceh Barat Daya	4	172	0	1
19	Aceh Selatan	4	291	3	0
20	Subulussalam	8	51	0	0
21	Aceh Singkil	5	116	0	0
22	Sabang	0	50	0	0
23	Simeulu	1	87	0	0
24	Provinsi	3	6	2	0
	Total	155	3.133	24	65

Source: Dinas Koperasi, Usaha Kecil dan Menengah Aceh, 2021

Table 1. shows significant differences between cooperatives with sharia and conventional systems, where the types of sharia cooperatives are 89 units (24 KSPPS and 65 USPPS) while conventional cooperatives are 3,288 (155 KSP and 3,133 USP). This condition shows that Aceh's conversion process is not easy for cooperative actors.

Cooperative Conversion

The definition of organizational change is inseparable from the reorganization and change of the organization itself (Sunaryo, 2017). In line with the explanation of Simbolon & Anisah (2013), the main goals of change in the organization consist of changes in work attitudes and skills, changes in work roles, changes in technology, and changes in strategy. The need for better processes causes the change itself, changes in industry or market structures, changes in perceptions, changes in regulations, and changes in knowledge which, of course, lead to new things and give rise to new meanings (Rahayuningsih, 2018). Likewise, the conversion activities of Aceh sharia cooperatives are in demand by regulatory circumstances and community groups. So, conversion activities must be supported so that conditions for changing conventional cooperatives to sharia formed that are consistent and strong in implementing all sharia principles but implementing changes still requires

attention to the principle of healthy cooperatives and the precautionary principle (Ramdan et al., 2020).

The conversion of conventional cooperatives into sharia cooperatives see as a mechanism based on comprehensive procedures and regulations. The conversion policy's implementation has implications for cooperatives' authority to design and run financial services according to sharia principles and are consistently obliged to carry out cooperative management according to cooperative regulations. Cooperative conversion policies are not only related to formal legal aspects but also supervisory mechanisms and management functions consisting of corporate governance, bank operational structure, financial performance, and human resources (Muzam et al., 2022).

The conversion of conventional cooperatives into Islamic cooperatives has its requirements and procedures because it has quite basic differences, especially in the characteristics between the calculation of interest and profit sharing. Likewise, regarding the legal consequences that arise after conventional cooperatives are converted into sharia cooperatives, they also have their characteristics.

The mechanism for changing or converting cooperatives into sharia cooperatives is as follows: First, cooperatives can change their business activities to become Sharia Savings and Loans and Financing Businesses (KSPPS) with the approval of the meeting of members. Second, if approval has been obtained, business activities based on sharia principles can be carried out by two years before the amendment to the articles of association. Third, after implementing changes to the articles of association to become KSPPS, it is obligatory to implement and comply with sharia principles. Fourth, complete the changes and be approved by the Minister for KSPPS business activities based on sharia principles within one year. Fifth, KSPPS or USPPS and KSP or USP that have changed their business activities to become based on sharia principles cannot change back to conventional cooperative KSP or USP. In addition, cooperative conversions must also meet several requirements, namely: First, proof of own capital ownership. Second, a work plan for at least three years explaining matters of capital planning, business activity planning, and operational and human resource planning (Apriyana & Hasbi, 2020). For more details, there are the procedures for converting cooperatives into sharia cooperatives.



Figure 1. Converting Procedures from Conventional Cooperatives to Sharia Cooperatives

The following are some obstacles to converting conventional cooperatives into sharia cooperatives, included:

The Cooperative Management's Knowledge of the LKS Qanun is Still Very Limited

With careful consideration, Islamic scholars and legal experts have reviewed the presence of Qanun number 11 of 2018 concerning Islamic financial institutions. The purpose of establishing a Qanun is as a form of freedom given by the Indonesian government to the people of Aceh in establishing rules that identify the specificity of the people of Aceh. Apart from that, Qanun for Islamic Financial Institutions is also a means of advancing the Acehnese people's economy in the times. The people of Aceh trust and believe that the rules made and adhered to by the Muslim community are appropriate in dealing with the current conditions and developments of Islamic financial institutions, including cooperatives.

The development of Islamic financial institutions in Aceh Province has increased significantly. This increase is supported by forming a qanun for Islamic financial institutions in Aceh Province and has been realized since January 2019. That impacts the attitude and understanding of the community towards cooperatives based on Islamic law (Anzira et al., 2022). However, along the way, many cooperative administrators still do not have an adequate understanding of the LKS Qanun. This situation impacts the conversion process of conventional cooperatives into sharia cooperatives.

This obstacle recognizes by cooperative management. The cooperative management said that

changing the old (conventional) system was quite tricky. The cooperatives feel comfortable with the existing system. The understanding of the cooperative management regarding the sharia system is also minimal, so the management can only partially convert the cooperative system to the sharia system. Understanding among management regarding the sharia system is also an obstacle to obtaining approval for changing the system from conventional to sharia system. That is in line with the statement of the Aceh Cooperative Sharia Supervisory Board (DPS), which states that:

"There are still many cooperative managers who need help understanding the concept of sharia cooperatives. That is also caused because they are comfortable with the existing system. The understanding of the cooperative management regarding the sharia system is also minimal, so the management can only partially convert the cooperative system to the sharia system. Understanding among management regarding the sharia system is also an obstacle to obtaining approval for changing the system from conventional to sharia system."

Likewise, the statement of the Aceh Sharia Council (DSA) explains that:

"The application of the LKS Qanun needs to be socialized a lot more, especially to cooperative managers. Many cooperative managers still need help understanding how to manage cooperatives following sharia principles."

The results of the interview above explain that the understanding of cooperative management regarding the implementation of the LKS Qanun has a crucial role. In line with Putri (2021) research, it is stated that an understanding of a law is essential to achieve the goals and objectives of the regulation. So the cooperative administrators in Aceh must constantly re-learn the intent and purpose of the LKS Qanun so that its implementation can be carried out optimally.

Lack of Support from Regency/Municipalities Cooperatives and UMKM Offices

Regional Governments must carry out ongoing guidance and supervision of cooperatives to increase capital capacity, management standards, and implementation of sharia principles. For this reason, Regional Governments must have a solid commitment to implementing policies for fostering and supervising cooperatives, both in the form of capital development, cooperative human resources, implementation of monitoring, evaluation and reporting, ranking of cooperatives, and KSP/USP assessments (Rozi et al., 2021).

The transformation of cooperatives into sharia cooperatives requires excellent support from all parties, one of which is regional orders (regency/municipalities), in this case by the District/City Cooperatives and Small and Medium Enterprises Office in Aceh. Support can be provided in many ways, including socialization and education about sharia cooperatives. The limited understanding and

knowledge of the community towards sharia cooperatives gave birth to wrong perceptions about sharia cooperatives themselves. That can hinder the conversion process of cooperatives into sharia cooperatives expected by the LKS Qanun. So the local government must often conduct socialization and education regarding the LKS Qanun so that public understanding, especially cooperative management, increases about sharia cooperatives. As stated by the Aceh Sharia Council (DSA):

"There are still many districts/cities that still need to form a Regency/City Sharia Council (DSK). Of the many districts/cities in Aceh, only Banda Aceh City has established a DSK. That proves that many district/city governments still need to pay serious attention to implementing the LKS Qanun."

The statement above is the need for local government support in successfully converting cooperatives. The existence of DSK is a manifestation of DSA in controlling cooperative operations following sharia principles.

The Budget for Amendments to the Articles of Association and Bylaws (AD/ART) of Cooperatives is a burden for some Cooperatives

The mechanism for changing the pattern of cooperative management from conventional to sharia must obtain the approval of the Cooperative Member Meeting, as referred to in Article 11 of Government Regulation Number 4 of 1994 concerning Requirements and Procedures for Ratification of the Deed of Establishment and Amendment to the Articles of Association of Cooperatives. Article 8 of the 2015 Regulation of the Minister of Cooperatives and SMEs also states that cooperatives can be transformed into sharia cooperatives with the approval of the member meeting. This activity needs to be done as a condition for changing conventional cooperatives into sharia cooperatives. Then, the results of the resolutions of the members' meeting are included in the Articles of Association. After that, report the results of the member meeting to the Minister/Governor/Regent according to the Membership area or business license giver (Apriyana & Hasbi, 2020). According to the Aceh Cooperative DPS, several essential components need to be of concern to cooperative administrators and supervisors as follows:

"First, there is the approval of members. Cooperative conversion needs to be known by its members through the Annual Member Meeting or Extraordinary Member Meeting. Second, there is a transition process. The tempo or transition period is permitted for a maximum of two years. Third, there is an amendment to the Articles of Association. Amendments to the Articles of Association need to pay attention to changes in the name of the cooperative, business activities, cooperative, and the sharia supervisory board. Fourth, there is the application of sharia principles. Applying sharia principles means that all cooperative products must comply with the DSN-MUI fatwa (National Sharia Council - Indonesian Ulema Council). Fifth, there is a change in business activities. Social-religious fundraising activities, such as zakat, infaq, and alms, need to complement business activities. Finally, there is a commitment from the management and members not to turn back into a

conventional cooperative when the conversion process has been legalized."

The statement above explains that after making adjustments to the preparations for several aspects of the cooperative. The legal steps that must be taken are changes to the articles of association to a notary, including the name, business activity, type, and organizational structure, with the provisions of a joint agreement in an extraordinary meeting that forms the common ground.

The long process that cooperative management must go through in amending the articles of association and household budgets is burdensome. Even though this process is fundamental, the activities to be carried out follow sharia principles. According to the Head of the Aceh Small and Medium Enterprises Cooperative Service:

"Changes to the AD/ART are a burden for cooperative management. These changes require money, while some need to be financially improved."

The statement above explains that the many steps that cooperatives must take in the conversion process are a problem that must be considered. To feel blessed for cooperative management, many cooperative administrators need to become more familiar with this process.

Limited Existence and Number of Sharia Supervisory Boards (DPS)

The Sharia Supervisory Board (DPS) has a crucial role in sharia financial institutions to provide services to customers or their members that do not conflict with sharia provisions. Because the services provided are not only aimed at earning profits as conventional financial institutions do, Islamic financial institutions apply sharia principles following the Qur'an and as-Sunnah.

Every Islamic financial institution should comply with all the rules set out in Islam. Therefore, the Sharia Supervisory Board (DPS) form has the authority to provide oversight regarding the implementation of sharia compliance in Islamic financial institutions, namely the Sharia Supervisory Board (DPS). The sharia supervisory board ensures and supervises that sharia financial institutions carry out their activities following sharia provisions—the Sharia Supervisory Board task with providing routine supervision of Islamic financial institutions under its supervision. In addition, the Sharia Supervisory Board reports the product development and operations to the National Sharia Council at least two times in 1 fiscal year, and the Sharia Supervisory Board formulates issues that require assistance and explanation to the National Sharia Council (Absor et al., 2019).

The number of cooperative DPS in Aceh is minimal compared to the number of existing cooperatives. According to Aceh Cooperatives and SMEs Service data, in 2019, the Cooperative DPS totalled 88 people. The minimum number of DPS contributes to slowing the sharia system

implementation in Aceh cooperatives. In an interview with the Aceh Small and Medium Enterprises Cooperative Office stated that:

"The Small and Medium Enterprises Cooperative Office of Aceh has coordinated with local district/city governments, the Aceh Sharia Council, and other relevant institutions in accelerating the fulfillment of the number of Sharia Supervisory Boards (DPS). However, obtaining a DPS that meets the desired criteria or characteristics takes time and effort. A good understanding of the Sharia system is needed for potential DPS members. Potential DPS members receive training and undergo a series of selections to catch the desired DPS well. Therefore, only those who pass the selection are eligible to become DPS."

Similarly, the Aceh Sharia Council (DSA) stated that:

"The implementation of the LKS Qanun (Aceh's sharia-based bylaw) needs to be disseminated further, especially to cooperative managers. Many cooperative managers still need to understand how to manage cooperatives according to sharia principles. The DSA acknowledged that the appointment of DPS needs to be done selectively and not arbitrarily. That is because DPS plays an essential role in monitoring the sharia compliance of cooperative units."

The statement above states that many cooperatives still need DPS. That is due to the need for DPS certified by the Indonesian Ulema Council (MUI), which becomes a constraint in converting cooperatives to sharia-compliant.

Discussion

Readiness of Cooperatives to Face Sharia Patterns in Aceh

Steps required by cooperatives when converting into sharia cooperatives include: First, the existence of legality, such as changing the cooperative's Articles of Association and Bylaws (AD/ART) into sharia cooperatives. This step is needed so that later sharia cooperatives have directions and goals following sharia principles. Qanun No.11 of 2018 concerning LKS in article 8 explains that all Islamic financial institutions in their establishment must have a legal entity, either in the form of a limited liability company, cooperative, or legal entity/particular business entity formed by the Aceh Government.

Sharia cooperative institutions in the Regulation of Cooperatives and SMEs No. 16 of 2015 must also meet the provisions: (1) Every activity/change is required to obtain approval from the members' meeting, (2) Changes in business activities, as referred to in paragraph 1, are carried out through amendments to the articles of association by stating that business based on sharia principles is the only cooperative business activity proposed to the Minister, (3) The provisions that bind cooperatives that have converted their business into sharia cooperatives can no longer be changed back to conventional cooperatives, (4) The obligation to have a Sharia Supervisory Board (DPS) is at

least two people, and half of them have DSN-MUI certification, and (5) The conversion process period is one year after obtaining approval from the Minister of Cooperatives and SMEs. Changes in the pattern of cooperatives to sharia are still constrained by the following factors:

Knowledge of the Cooperative Board of Qanun LKS

The conversion of managers and members is a critical stage because it will change the management and members of the cooperative into a sharia understanding and behavior of muamalah. That requires solid and continuous efforts to change the mindset of managers and members accustomed to the interest system (Sofian, 2018). The first thing to do is to change the intention to migrate to sharia. The intention of this migration is solely to earn the pleasure of Allah and leave Allah's prohibitions on its business activities, not because of business trends but because of institutional demands. After setting the intention by giving workshops, training, and lectures about motivation and why one has to migrate, the next step is to understand sharia practices in cooperatives and everyday life. The key to successful conversion is to change behavior towards sharia with various rules, both Standard Operating Procedures and other rules that aim to change employee behavior to become syar'i and carry out continuous supervision and education (Fuadi, 2020).

Cooperative management who carry out the transition process to sharia must improve the quality of human resources who understand cooperative management according to sharia principles. That can be done through education and training and organizing routine internal cooperative meetings to discuss obstacles that occur in the field. In addition, cooperative administrators must utilize information and communication technology in cooperative management in the framework of operational effectiveness and efficiency of cooperative activities and improving services to cooperative members (Rozi et al., 2021).

Cooperative management's understanding of the implementation of the LKS Qanun has a crucial role. In line with Putri's research (2021) states that an understanding of a law is essential so that the purpose and intent of the regulation can be achieved. So the management of cooperatives in Aceh must constantly review the aims and objectives of the LKS Qanun so that its implementation can be carried out optimally.

Support from the District/City Office of Cooperatives and UMKM

Cooperatives are non-bank financial institutions that are present in helping the community's economy, especially the members of the cooperative itself. The obligation of cooperatives in Aceh to operate according to sharia requires the support of all parties, especially the district/city cooperatives

and MSME offices. This support is needed because currently, the management of cooperatives is still done traditionally. So the role of the cooperative and UMKM services is needed, especially in converting activities into sharia cooperatives.

Only now, many cooperatives in Aceh still need to carry out the conversion process to sharia legally. That is due to the many obstacles faced by cooperative management. The presence of district/city cooperatives and MSME offices is additional energy for the cooperative itself. As stated by Kumaratih & Sartono (2020) the government's role is urgently needed as a facilitator, regulator, and catalyst, which shows that the Office of Cooperatives and MSMEs has a role in empowering sharia cooperatives. Support can be provided through training and policies that facilitate cooperatives in the conversion process.

Changes to the Articles of Association and Bylaws (AD/ART) of Cooperatives

Cooperatives going to convert must first change the AD/ART following the principles of sharia cooperatives. These changes require several essential components that management and supervisors of cooperatives must consider. First, there is the approval of members. Cooperative conversion needs to be known by its members through the Annual Member Meeting or Extraordinary Member Meeting. Second, there is a transition process. The tempo or transition period is permitted for a maximum of two years. Third, there is an amendment to the Articles of Association. Amendments to the Articles of Association need to pay attention to changes in the name of the cooperative, business activities, type of cooperative, and the sharia supervisory board. Fourth, there is the application of sharia principles. Applying sharia principles means that all cooperative products must comply with the DSN-MUI fatwa (National Sharia Council - Indonesian Ulema Council). Fifth, there is a change in business activities. Social-religious fundraising activities, such as zakat, infaq, and alms, need to complement business activities. Finally, there is a commitment from the management and members not to turn back into a conventional cooperative when the conversion process has been legalized. After making adjustments to the preparations for several aspects of the cooperative, the legal steps that must be taken are changes to the articles of association to a notary, including the name, business activity, type, and organizational structure with the provisions of a joint agreement in an extraordinary meeting which forms a common ground (Rozi et al., 2021).

This long change has become a different obstacle for Aceh cooperatives wishing to convert. Many Aceh cooperatives are constrained in changing this AD/ART because it requires a large amount of money. Most of the cooperatives in Aceh still need to be financially expanded. That is supported by the statement of Nasfi et al. (2022) that the conversion process requires several processes to be

passed. So that indirectly also requires costs to be incurred.

Role of the Sharia Supervisory Board (DPS)

National Sharia Council (DSN) has a significant role in supervising sharia cooperatives through the DPS to realize sharia compliance. The Aceh government has also formed the Aceh Sharia Council (DSA), which functions as an extension of the National Sharia Council at the Aceh level. The Aceh government has also formed a Regency/City Sharia Council (DSK), which functions as a DSA representative at the Regency/City level. Therefore, every Islamic financial institution must have a sharia supervisory board, including Islamic cooperatives.

According to Muslimah et al. (2021), the existence of the Sharia Supervisory Board in sharia cooperatives has a vital role in examining all forms of engagement or contracts that are carried out. Legality in the form of developing sharia contracts or contracts following Islamic law is essential for the image and credibility of Islamic financial institutions in the eyes of the public. For this reason, the role of the Sharia Supervisory Board is optimally needed, both in its role as management supervisor and in administration related to sharia principles.

Nurhisam (2016) states that the sharia supervisory board (DPS), which has the authority to supervise sharia compliance, has duties regulated by strict legal regulations. That is also in line with Sultoni's research (2019) that the existence of a Supervisory Board at each Islamic Financial Institution head office is a must because this institution's function distinguishes Conventional Financial Institutions from Islamic Financial Institutions.

Internalization of Sharia Principles in Cooperatives in Aceh

Conversion to sharia is a form of hijrah in the Islamic concept which has implications for spiritual and spiritual values that must be carried out comprehensively so that sharia values are reflected in all aspects of life, both in attitude, speech and behaviour (Fuadi, 2020). Efforts to internalize and actualize sharia principles in cooperatives use several ways: First, training and socializing the understanding and practice of sharia cooperatives. A business implementation following sharia principles in sharia cooperative financial service institutions is necessary. That is explained in the Minister of Cooperatives and SMEs No. 14/Per/M.KUKM/IX/2015 Regarding: Guidelines for Accounting for Savings and Loans Business and Sharia Financing by Juncto Cooperatives Permen Cooperatives and SMEs No. 15/Per/M.KUKM/IX/2015 Regarding Savings and Loans Business by Cooperative Juncto Permenkop UKM No. 16/Per/M.KUKM/IX/2015 Regarding Implementing Sharia Savings and Loans and Financing Business Activities by Junction Cooperatives

Permenkop UKM No. 17/Per/M.KUKM/IX/2015 concerning Cooperative Supervision. The Cooperative Regulations above stipulate that sharia principles must be applied in sharia cooperative activities regarding the legality, business, supervision, and accounting records.

The training materials that can be provided include understanding prohibited practices in muamalah, such as maisir, gharar, and usury. Other materials needed include the principle of monotheism, the principle of balance and honesty, the principle of responsibility, and virtue.

Second, to promote religious activities. Internalization and application of sharia principles in cooperatives can also be made by activating religious movements, whether religious, social, individual or congregation. Among these activities are conducting congregational prayers, especially during dhuhr and asr at the office mosque, holding recitations and studies of the Qur'an every Friday, holding gatherings for slaughtering sacrificial animals, halal bi halal and other religious observances. Furthermore, socially, cooperative institutions can provide activity or financial assistance such as disaster assistance, assistance for religious activities, mosque assistance, and establishing foundations as part of the distribution of cooperative CSR funds.

D. CONCLUSION

The existence of the Qanun in Islamic Financial Institutions is necessary to ensure the running of economic activities with sharia principles. Cooperatives with the principles of cooperation and mutual assistance are non-banking institutions in direct contact with the community. Therefore, ensuring sharia in the cooperative system indirect guarantees the benefit of the world and the hereafter. The study's results found several obstacles cooperatives faced when converting into sharia cooperatives. These obstacles include the lack of understanding of the cooperative management towards the LKS qanun, the lack of support from the local government, burdensome changes to the AD/ART, and the lack of a cooperative Sharia Supervisory Board (DPS). The conversion process activities can be carried out by changing the AD/ART according to sharia legality, changing the managerial, IT and contract systems according to sharia, and providing understanding to the management and cooperative members regarding sharia cooperatives. In addition, training and socialization regarding sharia cooperatives are also needed, as well as encouraging religious activities. So to support the conversion process, support from all parties is needed. Affiliated institutions include the Cooperatives and MSMEs, Aceh Aceh Sharia Council (DSA), and cooperative parties. It is also hoped that other researchers will examine more deeply the readiness of cooperatives to convert into sharia cooperatives.s

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