

**PERCEPTIONS OF BUSINESS ACTORS ON THE RETURN OF CONVENTIONAL BANKS IN
THE SHARIA FINANCIAL ECOSYSTEM IN ACEH
(CASE STUDY IN NAGAN RAYA, SOUTHWEST ACEH, AND ACEH JAYA DISTRICTS)**

Cut Nova Rianda¹, Mukhsinuddin²

^{1,2}STAIN Teungku Dirundeng Meulaboh

¹Cut.rianda@gmail.com ²muhmuhsin@gmail.com

ABSTRACT

The implementation of the Qanun on Sharia Financial Institutions (LKS) in Aceh since 2022 has made Aceh the only province in Indonesia that requires a comprehensive Islamic financial system. However, limited financial services, infrastructure and business needs have led to a push to bring back conventional bank services. This article aims to examine the perceptions of businesses towards the reintroduction of conventional banks in the framework of fulfilling financial services in three districts: Nagan Raya, Aceh Barat Daya, and Aceh Jaya. This research uses a qualitative approach with in-depth interviews with business actors and stakeholders. The results show an ambivalence in perceptions: on the one hand, businesses value sharia principles; on the other hand, they need flexibility, speed, and adequate access to credit as offered by conventional banks. Policy implications indicate the need for harmonisation of financial services that are adaptive to the needs of the local economy without neglecting the spirit of sharia.

Keywords: *Islamic finance, conventional banks, business perception, financial services, Aceh*

INTRODUCTION

Aceh Province is the only region in Indonesia that is given special authority to implement Islamic Sharia as a whole, including in the financial and banking sectors. This is outlined in Aceh Qanun No. 11/2018 on Sharia Financial Institutions (LKS), which officially regulates that all financial institution activities in Aceh must be based on sharia principles. The implementation of this qanun marks the beginning of the transformation of Aceh's financial system from a dual banking system (conventional and sharia) to a single system based entirely on Islamic law. (Arifin, Usman, and Fadhilah 2023)

The enactment of this qanun initially received wide support from various elements of society, including religious leaders, academics, and some business actors, as it was considered an important step in realising the sovereignty of the sharia economy in Bumi Serambi Mekkah. However, in its implementation, this policy cannot be separated from a number of challenges. One of them is the readiness of infrastructure, the quality of service of Islamic financial institutions, and the relatively low level of literacy of the community and business actors towards Islamic financial products. As a result, there are various dynamics in the field, especially in the context of financial services and access to capital for local businesses. (Fitria 2024)

Over time, there were voices from some business actors who criticised the implementation of the qanun, especially regarding service limitations, access to business credit, and the slow transaction process. Many businesses feel that the Islamic banking system has not been able to fully replace the efficiency and flexibility that they previously obtained from conventional banks. This creates a new dilemma in the midst of the spirit of implementing Islamic law: on the one hand, there is a commitment to implement Islamic

financial principles in a kaffah manner; on the other hand, there is a real need for businesses to have a banking system that is fast, efficient, and easily accessible (Humaira 2023).

This phenomenon is even more striking in the south-western regions of Aceh, such as Nagan Raya, Southwest Aceh, and Aceh Jaya. These three regions are geographically relatively far from the economic centre of Aceh and have limitations in terms of the number of Islamic banking branch offices, digital banking access, as well as public literacy on the mechanisms of Islamic products such as murabahah, ijarah, and musyarakah contracts. Many businesses in this area experience difficulties in accessing business financing, conducting inter-regional transactions, and meeting short-term liquidity needs. It is not uncommon for them to have to travel tens of kilometres to access bank services, or experience delays in disbursement of funds that have a direct impact on business productivity. (Supriyadi 2015)

In addition to the technical aspects, there are also social and cultural perception factors that influence the views of business actors towards the Islamic financial system. For some, the concept of sharia is still understood symbolically, without a deep understanding of the substance and purpose of the system. This results in the assumption that the sharia system is merely a form of "relabeling" of the conventional system, with longer bureaucracy and more complex processes. Under these conditions, the reappearance of conventional banks is seen by some business actors as a pragmatic solution that can answer their economic needs, even if it has to clash with regional legal regulations.

These conditions encourage the importance of scientific studies that explore in depth how business actors perceive the re-presence of conventional banks in the midst of Aceh's Islamic financial ecosystem. This study is not intended to challenge the existence of the qanun, but as a form of reflection on the implementation of policies, especially in the aspect of public services and fulfilment of the economic needs of the community. By understanding the perceptions of business actors, government policies can be more adaptive and responsive to local dynamics without compromising the overall spirit of sharia implementation. (Akbar 2024)

Therefore, this study aims to: (1) identify the perceptions of businesses in the west-south Aceh region towards the reappearance of conventional banks; (2) analyse the factors behind these perceptions; and (3) provide policy recommendations that are solutive and inclusive of the challenges faced in the implementation of the Islamic financial system. The results of this study are expected to be valuable input for policy makers, both at the regional and national levels, in designing a financial system that is not only in accordance with sharia principles, but also able to answer the real needs of the community.

METHODS

This study uses a descriptive qualitative approach to deeply understand the perceptions of business actors towards the re-presence of conventional banks in the Islamic financial ecosystem in Aceh. This method was chosen because it is able to capture social dynamics and subjective views of business actors that cannot be explained quantitatively. The research location focused on three districts in the south-western region of Aceh, namely Nagan Raya, Aceh Barat Daya, and Aceh Jaya. The research informants consisted of micro, small and medium enterprises (MSMEs), cooperative managers, and community leaders who are involved in local economic activities. Data collection techniques were conducted through in-depth interviews, participatory



observation, and documentation studies of local policies and financial reports. (Rahmah 2022)

The data analysis process used the Miles and Huberman interactive model which includes three stages: data reduction, data presentation, and conclusion drawing. Data validity was strengthened through triangulation of sources, methods and time, to ensure consistency and validity of the information obtained. The researcher also applied a member checking approach by confirming the findings with informants to avoid misinterpretation. With this approach, the research not only revealed the perceptions of business actors, but also identified structural and cultural factors that influence the emergence of a preference for the conventional banking system amidst the dominance of Islamic financial regulations.

RESULTS AND DISCUSSION

The Need for Flexible Access to Finance

One of the most prominent findings in this research is the demand from businesses for a financial services system that is more flexible, responsive, and quick to respond to real needs in the field. The need for efficient financial services is becoming increasingly important amidst economic dynamics that demand speed in making business decisions. Businesses, particularly those in the small and medium-sized sector, expressed their concern about the perceived limitations of the current Islamic banking system in Aceh. The majority of informants considered that the Islamic financial institutions currently in operation are not sufficient to address the specific needs of small and medium-sized enterprises, which rely heavily on the speed of capital turnover to sustain their businesses. In practice, delays in disbursement of financing or complicated administrative processes can have a direct impact on business operations, especially in terms of purchasing raw materials, paying labour, or procuring seasonal stocks. When the required funds are not available on time, business actors have to look for other financing alternatives, including borrowing from informal sources, which poses a greater risk.

Informants also highlighted that the process of applying for financing at Islamic banks tends to be longer and more bureaucratic compared to their previous experience with conventional banks. This creates a perception that the Islamic system is less efficient and not fully friendly to small businesses. On the other hand, they recognise the principle of prudence in Islamic banking, but still hope for procedural innovations that can bridge the interests of sharia and the needs of businesses for speed of service.

This criticism shows the gap between regulation and reality, where the implementation of the sharia system has not fully considered the operational context on the ground. Although sharia values are believed to have great potential in creating a fair and ethical financial system, the technical and operational aspects of financial services still need much improvement. Businesses suggest simplifying processes, using digital technology, and increasing the capacity of human resources in Islamic financial institutions so that services can become more efficient and competitive.

Finally, the findings underscore the importance of a more pragmatic and contextualised approach to the development of the Islamic financial system, especially in areas such as Aceh where special regulations have been implemented. If Islamic financial services are to become a mainstream option and not just a formal obligation, then policy-making must involve businesses as those directly affected. By hearing the voices of service users directly, the government and financial institutions can jointly create a system that is not only sharia-compliant, but also relevant and functional for economic actors on the ground. (Untari et al. 2014)



For example, in the process of applying for working capital, businesses must go through various stages of contracts, business assessments, and additional collateral, which often hampers the disbursement process. This is a particular challenge for businesses that have urgent needs such as seasonal raw material purchases or emergency needs when market demand increases. Some respondents mentioned that the time needed for fund disbursement could reach two to three weeks, in contrast to previous experiences when using conventional bank services that only took a few days. (Al-Hamdi et al. 2019)

Furthermore, a common complaint voiced by local businesses is the lack of short-term financing products and microcredit facilities that are suitable for their business characteristics. Small businesses in many regions are seasonal, daily needs-based, and highly dependent on fast and flexible cash flow. Under these conditions, financial products that are rigid or too complex in terms of procedures tend to be irrelevant and become an additional burden for businesses that are struggling to maintain their business continuity.

Businesses yearn for Islamic financial products that not only adhere to formal contract principles, but are also responsive to business dynamics and realities on the ground. They want financial solutions that can be implemented immediately, are easily accessible, and have realistic financing schemes that benefit both parties. In this case, the match between product design and practical needs on the ground is crucial for Islamic financial services to be well received by the small business segment.

Without product innovations that are relevant and favourable to the needs of micro enterprises, the Islamic financial system will find it difficult to reach the group that needs financial support the most. Therefore, a more inclusive and participatory approach in the formulation of Islamic finance products is key. Financial institutions need to involve businesses in the policy-making process in order to create solutions that are not only sharia-compliant, but also applicable in daily business practices.

Ambivalence towards Sharia Principles

While businesses in Aceh generally support the implementation of sharia values in social and economic life, there is still ambivalence or hesitation, particularly regarding the application of sharia principles in the financial sector. Many businesses welcome the spirit of ethics, fairness and transparency promoted by the Islamic financial system. However, when these principles are translated into banking services, some feel that the implementation does not fully reflect the promised values. (ZTF 2008)

This is reinforced by the direct experience of business people who consider that the Islamic financial products they use are not much different from conventional banking products. Differences in terms such as murabahah, ijarah, or musyarakah contracts are considered to be cosmetic, while the mechanisms and end results are similar to the conventional system. Some respondents even mentioned that the murabaha contract - which in theory is a sale and purchase with a profit margin - in practice feels the same as a fixed-interest credit system, just packaged with different terms.

This raises fundamental questions among businesses about the authenticity and genuineness of the sharia system implemented by financial institutions. If the bank's profit margin is fixed without considering the dynamics of the business or the risks that may be faced by the customer, then justice, which is the main principle of sharia, has not been achieved. In their view, this practice creates the impression that the sharia system is only formalistic, not substantial, and has not shown enough meaningful differentiation from the conventional system. (Harjianty AR, Bosra, and Bahri 2020)

This criticism also shows that there is a gap between the ideal concept of sharia believed by the public and its implementation at a technical level by financial institutions.



Many businesses feel that there needs to be better transparency in explaining how sharia principles are applied in financial products, including an explanation of the risks, benefits, and obligations that are fair for both parties. Lack of education and communication from banks is one of the main causes of this misunderstanding.

Therefore, to strengthen trust in the Islamic financial system, more serious efforts are needed to build a thorough understanding of Islamic principles, both among businesses and within financial institutions themselves. Education, transparency, and product design that truly reflects sharia values must be prioritised. Without these steps, it is feared that the Islamic financial system will only become a formal alternative that is unable to answer people's expectations for a fairer economic system that is in accordance with Islamic values. (Syamsuri et al. 2021)

When Islamic products do not provide significant added value in terms of efficiency or fairness, businesses begin to question the urgency of the ban on conventional banks. On the other hand, there are also business actors who state that they do not fully understand the basic concepts of sharia contracts offered by banks. Lack of education and assistance from financial institutions is one of the causes of this confusion. Therefore, perceptions of the Islamic financial system are often formed more out of legal compulsion, rather than belief in its principles and benefits (Wicaksono 2021) .

Service Inequality in the South West Region

Another challenge revealed in this study is the inequality in the distribution and quality of Islamic financial institution services between the central and peripheral regions of Aceh. Districts such as Nagan Raya, Aceh Barat Daya, and Aceh Jaya suffer from limited banking infrastructure, number of branches, and adequate human resources. Many businesses have to travel long distances to access the nearest bank office, and some do not even have stable internet access to conduct digital banking transactions. (JINAYAH n.d.)

In this context, businesses feel that they are victims of a policy that does not consider the overall readiness of the region. They feel that the implementation of a single financial system (sharia monosystem) puts them in an unequal position, especially in accessing facilities that support local economic growth. In addition, there are also complaints about the low availability of non-financing services such as remittances, foreign exchange, or foreign transaction services, which were previously very easy to do through conventional banks. The absence of these services affects businesses that have connections with partners outside the region, especially in terms of exporting agricultural products or home industry goods (Wahyudin 2023) .

Proposed Dual Banking System as an Adaptive Solution

In response to the existing limitations, some business actors expressed the aspiration that the Aceh government reconsider the dual banking system on a limited basis. This proposal is not to reject sharia, but rather to provide alternative services for areas that are not yet ready in terms of infrastructure and financial literacy. The dual banking model in question is a system in which conventional banks can resume operations in a limited space and certain functions, such as micro-credit services and cross-regional transactions, without disrupting the main principles of the implementation of sharia finance. Some business players have also suggested that local governments cooperate with national conventional banks to open specialised non-transactional branches that only focus on certain services. (Mahfudz Junaedi 2023)

These proposals reflect the pragmatic approach of business actors in assessing the sustainability and success of their businesses amidst the dynamics of the existing financial



system. They do not simply reject change, but rather emphasise the importance of a system that is realistic and in accordance with the real conditions on the ground. In their view, the success of financial policy is not only determined by the government's good intentions, but also by its suitability to the practical needs of users in various economic sectors. (Anzira, at el, 2022)

Businesses want an adaptive financial system-one that is able to evolve and adjust to socioeconomic conditions. They believe that a coercive top-down approach without a thoughtful transition process can create uncertainty and inefficiency in practice. Therefore, the involvement of businesses and communities in the policy formulation process is crucial for a truly functional and inclusive system.

If the government still chooses to implement a single financial system, for example only sharia-based, then it must be balanced with strategic steps to improve the quality of Islamic banking services. Reforms must touch on aspects of service, transparency, efficiency, and education to the wider community. Without substantial improvements, it is feared that the sharia system will only be a formal substitute for the conventional system without actually providing added value or better solutions for businesses and the general public.

CONCLUSION

The results of this study show that while businesses in Aceh normatively support the implementation of a sharia-based financial system, in practice they face various barriers, particularly in terms of access, speed of service, and flexibility of financing. Perceptions of conventional banks emerge in response to economic needs that have not been fully served by the prevailing Islamic financial system. Limited banking infrastructure, uneven distribution of services, and low literacy in sharia contracts are the main driving factors behind the desire for conventional bank services, especially in peripheral areas such as Nagan Raya, Aceh Barat Daya, and Aceh Jaya.

Based on these findings, there is a need to evaluate and adjust Islamic finance policies in Aceh to be more responsive to the real needs of local businesses. The Aceh government and banking authorities need to strengthen the quality of Islamic bank services, expand the network, and improve public literacy so that sharia principles can be accepted substantively and not just symbolically. On the other hand, the discourse of reopening conventional banks on a limited basis can be a transitional alternative to bridge the service gap, as long as it remains within the legal framework and respect for the spirit of sharia which is the foundation of financial policy in Aceh.

REFERENCES

- Akbar, M S. 2024. "... THE PERCEPTION OF UMKM ACTORS RELATED TO QANUN NUMBER 8 OF 2014 CONCERNING SHARIA FINANCIAL INSTITUTIONS (CASE STUDY IN PIDIE DISTRICT, ACEH)." ... : *Journal of Islamic Economics and Banking Studies*. <https://ejournal.unuja.ac.id/index.php/profit/article/view/4770>.
- Al-Hamdi, R, D Efendi, B D Kurniawan, and H Latief. 2019. *Inclusive Politics of Muhammadiyah: Narratives of Islamic Enlightenment for Indonesia's Progress*. books.google.com. <https://books.google.com/books?hl=en&lr=&id=eTjsDwAAQBAJ&oi=fnd&pg=PA34&dq=perception+of+business+practitioners+on+the+return+of+conventional+banks+in+the+sharia+financial+ecosystem+in+aceh&ots=58afbtePD8&sig=NN0omec8xKSMUmJjVWJ0f5dHWnI>.



- Anzira, Raudhatul, Junia Farma, and Khairil Umuri. 2022. "Analysis of Perceptions and Impacts of the Implementation of Qanun on Islamic Financial Institutions on Banking in Aceh." *AT-TASYRI': SCIENTIFIC JOURNAL OF MUAMALAH STUDY PROGRAMME* 14(1): 75–85.
- Arifin, M, I Usman, and A Fadhilah. 2023. "Perception of Dayah Ulama towards Conventional Bank Conversion (Case Study in Banda Aceh City)." ... *Economics and Islamic Business*. <https://jim.ar-raniry.ac.id/JIMEBIS/article/view/422>.
- Fitria, Milda. 2024. "The Practice of Critical Group Resistance to the Enactment of Islamic Sharia."
- Harjianty AR, Suci Nurul, Mustari Bosra, and Bahri Bahri. 2020. "Islamic Banking of Sharia People's Financing Surya Sejati Palleko Takalar, 1994-2019." *Attoriolog Journal of Historical Thought and History Education* 18(2): 58–70.
- Humaira, A. 2023. *Policy Implementation in the Restructuring of Indonesian Islamic Bank Financing in Aceh Province*. repository.ar-raniry.ac.id. <https://repository.ar-raniry.ac.id/id/eprint/32125/>.
- JINAYAH, SIYASAH DEPARTMENT. "Analysis of the Political Role of Women in the Legislative Institution of Rembang Regency in 2004-2009."
- Mahfudz Junaedi, M H. 2023. "Chapter 3 Sharia Financial System." *Sharia Economic Law* 27.
- Rahmah, S. 2022. "... THE METHOD OF RESOLVING PROBLEM FINANCING IN MURABAHAH MICROFINANCE AT PT BANK SYARIAH INDONESIA KC. PEJANGGIK." [https://etheses.uinmataram.ac.id/6097/1/Siti Rahmah 170502184.pdf](https://etheses.uinmataram.ac.id/6097/1/Siti%20Rahmah%20170502184.pdf).
- Supriyadi, B. 2015. *Territorial Development in Regional Autonomy*. eprints.ipdn.ac.id. [http://eprints.ipdn.ac.id/2391/2/Lembar ISBN Regional Development.docx](http://eprints.ipdn.ac.id/2391/2/Lembar%20ISBN%20Regional%20Development.docx).
- Syamsuri, Syamsuri, Nirhamna Hanif Fadillah, Amir Reza Kusuma, and Jamal Jamal. 2021. "Analysis of Qanun (Islamic Financial Institutions) in the Implementation of Islamic Economics through Islamic Banking in Aceh." *Scientific Journal of Islamic Economics* 7(3): 1705–16.
- Untari, D T, R Avenzora, D Darusman, and ... 2014. "Culinary Ecotourism Development as a Challenge for Tourism Sector Development in Indonesia." *Creative Economy Guna* https://www.researchgate.net/profile/Suraya-Mansur/publication/324559711_Seminar_Nasional_Pariwisata_dan_Kewirausahaan_Tahun_2014/links/5ad56cfd458515c60f5472ab/Seminar-Nasional-Pariwisata-dan-Kewirausahaan-Tahun-2014.pdf#page=60.
- Wahyudin, M Haryadi. 2023. "The Role of Political Leadership of TGB. Muhammad Zainul Majdi in the Implementation of Sharia Economic System in West Nusa Tenggara."
- Wicaksono, D. 2021. *The Effect of Brand Image and Price on Xiaomi Smartphone Purchasing Decisions: Study on Students in Malang City*. etheses.uin-malang.ac.id. <http://etheses.uin-malang.ac.id/id/eprint/57581>.
- ZTF, Pradana Boy. 2008. *Fikih the Middle Way: Dialectics of Islamic Law and Problems of Modern Society*. PT Grafindo Media Pratama.

