
THE IMPLEMENTATION OF REGIONAL POLICIES RELATED TO SHARIA FINANCIAL INSTITUTIONS IN LHOKSEUMAWE

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Abstract

One of the advantages of the Province of Nangroe Aceh Darussalam is the Shari'a legal framework included in Law No. 11 of 2006 governing Aceh's administration. This study examines the role of the Indonesian Islamic Bank Lhokseumawe Area in the implementation of Qanun Number 11 of 2018 concerning Islamic Financial Institutions. Bank Syariah Indonesia (BSI) Lhokseumawe Area contributed to applying the Qanun for Islamic Financial Institutions starting from account migration, socialization of sharia products, sharia services and also signing of cooperation agreements with partners to use products from sharia banking. One of the focuses of BSI Lhokseumawe Area in the process of integrating service operational systems in the Aceh region is the customer migration process from the original bank to Bank Syariah Indonesia. This migration process can be done online through BSI Mobile or face-to-face. ATM cards, mobile and internet banking. In this process, the convenience and security of customer data are prioritized. The implementation of the qanun does not necessarily go well, there are obstacles faced in the process of implementing the qanun. Implementing Islamic financial services requires the attention and hard work of all parties and not only the bank. Stakeholders and citizens can continue to be patient and continue to encourage, and provide support to these financial institutions in correcting the weaknesses that occur so that with the presence of the Indonesian Sharia Bank, they can improve sharia economic growth and also for the benefit of the people.

Keywords: Implementation; Regional Policies; Sharia Financial Institutions; Lhokseumawe.

INTRODUCTION

Aceh Province is a province in Indonesia that is given special autonomy. Nevertheless, special autonomy still has its advantages because it has a wider portion in implementing regional policies. One of the things that have become a form of autonomy is the Aceh Qanun which has been realized at this time, where this Qanun is a local product of the Acehnese people in making policies based on the special autonomy granted by the government of the Republic of Indonesia (Ananda, 2020).

Law No.44 of 1999 concerning the administration of the privileges of the special province of Aceh was subsequently ratified through Law No. 18 of 2001 which was later replaced by Law No. 11 of 2006 concerning the Aceh government which stated that the government of the Republic of Indonesia provides freedom in terms of governance, flexibility in self-regulating and managing matters related to government and the interests of the Acehnese people (Article 1 paragraph 2 of Law No. 11 of 2006).

Aceh is an area that has special autonomy in government and also with sharia in Aceh. The privileged space in Aceh itself has been opened, marked by the existence of the legal umbrella of Law Number 11 concerning the Government of Aceh. In this case, the Aceh government

can make a special policy for the Aceh region called Qanun. The ratification of Qanun Number 11 of 2018 concerning Islamic financial institutions has had a special impact on the economy and banking in Aceh. With the LKS (*Lembaga Keuangan Syariah*/Sharia Financial Institution) qanun, conventional banks operating in Aceh must migrate to sharia. And no more conventional banking operating in Aceh. Similarly, the formation of Qanun is not instantaneous but rather results through a screening of people's ambitions. When considering the Qanun on LKS, all elements, including financial institutions and banks, were included. The regulation does not only target banks but also other non-formal financial institutions. Applies to every financial institution in Aceh, all people in Aceh, the Aceh Provincial Government and districts/cities in Aceh, as well as financial institutions outside Aceh that have their head office in Aceh.

The LKS Act of Aceh Qanun No. 11 of 2018 was passed on January 04, 2019. This is a major step forward for the growth of the sharia economy in Aceh. Accompanying this fact is the excellence with which Aceh implements Islamic law. Philosophy, sociology, and the law impacted the development of qanun for Islamic financial institutions in Aceh. Philosophically, Qanun is founded on the

Qur'an and hadith, which have become the people of Aceh's guiding principles for executing Islamic law. Sociologically, it relates to the accomplishment of a just and flourishing economy based on Islamic law in Aceh, which necessitates the employment of Islamic financial institutions. Following Law No. 11 of 2006 about the Government of Aceh, the government has granted Aceh the right to formulate and oversee the application of Islamic law.

With the publication of Law No. 7 of 1992 about Banking, which employs the concept of profit sharing, Islamic banking became widely recognized. Bank Muamalat, the first Islamic bank in Indonesia, has been operational since then. With the passage of Law Number 10 of 1998 as an amendment to Law Number 7 of 1992, Islamic banking got stronger. In compliance with modifications to the law, commercial banks and rural credit banks operate traditionally and/or based on sharia principles. Then, in 2008, President Susilo Bambang Yudhoyono brought into law Sharia Banking Law No. 21, which is currently in effect.

The development direction of sharia banking has been prepared in line with several policy directions, both national external policies such as the 2020-2024 National Medium-Term Development Plan (RPJMN) and the 2019-

2024 Indonesian Islamic Economic and Financial Master Plan, as well as OJK internal policies, namely the Sector Masterplan. Indonesian Financial Services and the Indonesian Banking Development Roadmap (RP2I). As part of the RP2I, this roadmap is a strategic step for OJK in aligning the direction of sharia economic development in Indonesia, particularly in the sharia financial services industry sector in the sharia banking sector. The Roadmap for the Development of Indonesian Sharia Banking was prepared as a catalyst for accelerating the process of developing sharia banking in Indonesia by bringing three directions of development. Consists of, strengthening the identity of Islamic banking; sharia economic ecosystem synergy; and strengthening licensing, regulation, and supervision.

Bank Syariah Indonesia (BSI), which will commence operations on 1 February 2021, is the result of the merging of three national Islamic banks: Bank Syariah Mandiri, Bank BNI Syariah, and Bank BRI Syariah (Rizal, 2020). BSI altered the constellation of Islamic banking in Indonesia and established a new pillar of strength in Indonesia's Islamic economy. The merger of the three Islamic banks that have gone through the due diligence process, signing the deed of a merger, submission of information disclosure, and approval of operational

permits from the Financial Services Authority (OJK) significantly resulted in the consolidation of the asset value of Bank Syariah Indonesia reaching Rp239.56 trillion which made it an Islamic bank with the largest assets in Indonesia. OJK as the authority for the financial services sector continues to refine the vision and policy strategy for developing the sharia financial sector following the sharia banking roadmap. The direction of the development of sharia banking, which was previously stated in the 2015-2019 Indonesian Sharia Banking Roadmap, has come to an end. It is calculated, that Bank Syariah Indonesia has assets of Rp 245.7 trillion. While the core capital is Rp 20.4 trillion. With this amount, this Islamic bank will immediately enter the top 10 largest banks in Indonesia in terms of assets. Precisely in 7th place.

Bank Syariah Indonesia is a new history for the journey of the Islamic economy in Indonesia. Bank Syariah Indonesia confirmed Indonesia as a country with the largest Muslim population in the world which should have a massive Islamic economic development. This has become a global identity for Indonesia as well as one of Indonesia's great pride and potential to become a leading country in the development of the sharia economy. Furthermore, in 2025, the target is to become a global player. The

target is to penetrate the world's top 10 Islamic banks in terms of market capitalization. In addition, Bank Syariah Indonesia has around 1,200 branch offices and more than 1,700 ATMs.

The total assets owned by the three Islamic banks that make up Bank Syariah Indonesia include fixed assets, non-fixed assets, human capital, partners, customers, and networks including branch offices, automated teller machines (ATMs), banking applications, or other supporting assets. become a reinforcement for the operations of Bank Syariah Indonesia. The existence of the Indonesian Islamic Bank in Indonesia is momentum for strengthening the Islamic economy in Indonesia, as well as the Indonesian government's commitment to developing the Islamic economy in Indonesia.

The conventional banking merger and the presence of Bank Syariah Indonesia in Lhokseumawe City itself have had a significant impact on the community's economy. Starting from account migration from conventional to sharia as well as migration from sharia accounts to BSI accounts. The implementation of the LKS Qanun can be implemented and realized well by the people in Aceh, especially the City of Lhokseumawe with the presence of the Indonesian Sharia Bank. Bank Syariah Indonesia in Lhokseumawe City serves

BSI Syariah Bank customers to create new accounts, deposit cash, withdraw deposit funds, check balances, apply for loans/credit and services, and BSI ATMs on other Indonesian Syariah Bank products. Bank Syariah Indonesia in the Lhokseumawe area covers areas starting from the eastern route from Kuala Simpang to Bireuen. During the rollout process since February 2021, BSI Lhokseumawe Area has had many sub-branches. The list of the number of branch offices owned by the BSI Lhokseumawe Area is as follows:

Table 1.1

Branch Office/Sub Branch office BSI
Lhokseumawe Area

Year	Outlet
2021	67
2022	52

(BSI Lhokseumawe Area, Mei 2022)

Bank Syariah Indonesia Lhokseumawe Area also manages 270 ATMs and 17 Cash Recycling Machines (CRM). The working area of BSI Lhokseumawe Area itself starts from Kuala Simpang, Takengon and also Bireuen. The use of digital transactions during the pandemic has increased in the first quarter of 2021 by 40.85 trillion rupiahs. The biggest contribution came from the use of BSI mobile, which increased by 82.53%. In general, the

increase in transactions using BSI mobile until March 2021 rose by 43.3% YoY, contributed by BSI mobile transactions at 42%, internet banking at 24%, debit/credit cards at 17 %, and ATM at 14% (Walfajri, 2021). The breadth of the working area and the number of branch offices and sub-branches under the Lhokseumawe Area are the triggers for the large number of customers who are helped and served their needs for banking transactions with the existence of BSI in Lhokseumawe City. Based on the background that has been described, this issue is interesting to study and research by focusing on the role of the presence of the Indonesian Sharia Bank in the Lhokseumawe Area in the implementation of Qanun Number 11 of 2018 concerning Islamic Financial Institutions in Lhokseumawe City? and what are the inhibiting factors for Bank Syariah Indonesia in the process of implementing the Qanun on Islamic financial institutions in Lhokseumawe City?

LITERATURE REVIEW

Qanun of Islamic financial Institutions

The Aceh LKS Qanun which has become the subject of the formulation in carrying out all administrative activities and economic transactions in Aceh as an agreement by the government (DPRA), the Ulama Consultative Assembly, the

Regulator in this case Sharia banking and involving the Acehese people, both actors from all sectors. The essence of article no 11 of 2018 concerning the LKS Qanun is: That to realize a just and prosperous Acehese economy under the auspices of Islamic law, the services of Islamic financial institutions are needed. Acehese people's need for Islamic financial institutions as its implementation. Aceh is a provincial area which is a legal community unit that is special and is given special authority to regulate and manage its government affairs and interests of the local community under the provisions of laws and regulations in the system and principles of the Unitary State of the Republic of Indonesia based on the 1945 Constitution.

The Aceh LKS Qanun is an Islamic rule that provides welfare and justice for the people of Aceh along with all other rules in living a sharia life. Efforts to free oneself from usury are the basis of the historical foundation of the Islamic economic path to deliver justice and prosperity, both Islamic and non-Islamic. The juridical basis of the 1945 Constitution is the Special Region of Aceh, which includes regulations on Religion, Education and Customs. This LKS Qanun consensus in Aceh is functions and involved in all enforcement of sharia in Aceh and the law in Aceh

province Decree of Law II of 2006: Aceh in its special way protects and regulates its Qanun covering: Aqidah, Sharia, Akhlq, Worship, Ahwalu Syakhsiyah, Muamalah, Syarikat, and Syiar. Sociological basis: an expression from the data that the Acehese people want to implement the Qanun on LKS.

LKS is a financial institution that is substantively capable of creating a just, noble, dignified and graceful community economy. With a relatively strong regional and central political commitment to realizing the sharia economy and finance under the LKS pillar. Controlled and supervised by the Ulama Consultative Council, the Aceh People's Representative Council, and the Islamic Sharia Council. Awareness of sharia mu'amalah is increasingly showing an encouraging trend, not only among the Muslim community but also among non-Muslims. Making the growth and development of the national halal industry (tourism, fashion, culinary, hospitality, cosmetics and others) is sufficient to encourage the realization and implementation of the LKS Qanun). (Aceh Qanun Islamic Financial Institutions Number 11 Articles 2 and 3, 2018).

Implementation of Qanun No. 11 of 2018 In general, the making of a Qanun is certainly based on the situations and conditions that are becoming a problem in people's lives, and look at the

arrangements listed in the Al-Quran and hadith relating to these problems. As for a Qanun that wants to be published, it must be in line with the edicts of the guidelines for the Indonesian constitution. One of the articles in the 1945 Constitution states that the Indonesian government recognizes the existence of customary law in the region, namely precisely in Article 18B paragraph 2 which says that it recognizes and respects the existence and rights of indigenous peoples. As a basis in the hierarchy of legislation in Indonesia, the legitimacy of the establishment and enforcement of Qanun 11 of 2018 concerning Islamic financial institutions in Aceh has met the standardization of the constitution that was pinned by the Indonesian state. In addition, the implementation based on qanun number 11 of 2018 on banking is very specific and has generated a lot of controversies.

Not only that, as a rule, is made of course there are pros and cons to the rule. Also in the implementation of this LKS Qanun, some people consider this Qanun very appropriate to be applied where Aceh is an area that has very strong Islamic values so it is very suitable if economic problems are also not spared in its affirmation. However, some others feel that the rules in this Qanun are less significant because they are considered to change the business system that has been

used for a very long time and the changes will have a significant impact (Hirsanuddin, 2008).

In the implementation of changes or the application of Qanun number 11 of 2018 concerning Islamic financial institutions, of course, if we want to include Sharia services to the Aceh government, we must carry out a conversion pattern for the conventional bank, while in Indonesia itself there are two ways to change the conversion pattern of conventional banks to Islamic banks. The first is the spin-off or separation of the sharia business unit and its parent, namely conventional commercial banks into sharia banks or by using other steps, namely converting conventional or parent banks and their sharia business units completely into sharia banking services.

Islamic financial institutions (LKS) are institutions that give and impose incentives based on sharia principles, namely buying and selling and profit sharing, in their activities of raising funds and distributing cash. The history of Islamic financial institutions in Indonesia is inextricable from the law passed by the No. 7 administration in 1992. This statute is regarded as the legal framework for the development of Islamic financial institutions. In recent years, the number of Islamic financial institutions has increased, demonstrating their bright prospects. The

expansion in the number of Islamic financial institutions in Indonesia over the past few years is attributable to at least two factors.

The first factor is the external factor. This factor is related to economic developments that occur abroad. Several countries abroad, whether the majority of the population is Muslim or not, have developed a sharia economic system. The rise of efforts to develop sharia economic activities in several countries is very much in line with the emergence of awareness about the importance of having a new identity for their country's economy. This new awareness in turn inspires economic actors in the country to develop an economic system that is by the identity of the majority of Indonesian Muslims.

Meanwhile, the internal factors that trigger the development of Islamic financial institutions in Indonesia are related to the sociological condition of the Indonesian nation, where the majority of the population is Muslim. In addition, Indonesia is also a country with the largest Muslim population in the world. It is this sociological fact that encourages Indonesian Muslim scholars and economic practitioners to establish financial institutions by their religious identity.

In addition to political factors, people's religious factors are also a driving force for the establishment of Islamic

financial institutions in Indonesia. The emergence of a religious and educated urban Muslim middle class is the main attraction for Islamic financial institutions in Indonesia. The awareness of the diversity of this group is not only in the area of mahdlah worship but also towards the realization that diversity must cover all aspects of life, including economic activities.

Supporting Factors for Policy Implementation

The factors that determine the implementation according to George C. Edwards III are as follows:

Communication

Organizational communication is a highly sophisticated and intricate process. It can be held for limited purposes or disseminated. In addition, distinct information sources will generate distinct interpretations. Those responsible for implementing a decision must know if they are capable of doing so for implementation to be successful. The implementation of the policy must be embraced by all staff, who must comprehend its objective and purpose with clarity and precision. If policymakers are aware of the vagueness of the policy requirements, they do not comprehend what will be directed. If policy implementers are obliged to perform

something they are uncertain about, the results will not be ideal. Communication deficiencies with policy implementers harm policy implementation.

The implementation will be effective if the person responsible for accomplishing the policy objectives comprehends the measures and policy objectives. Clarity regarding the scope and objectives of the policy must be effectively communicated to the implementers. So that policy implementers are aware of the precise scope and objectives, it is necessary to explain the consistency or uniformity of the fundamental measurements and objectives.

Resource

It makes no difference how clearly and consistently the program is implemented or how precisely the communications are sent. This resource component includes the number of staff, the expertise of the implementers, relevant and sufficient information to implement policies and the fulfilment of related resources in program implementation, the existence of authority to ensure the program can be directed as anticipated, and the existence of supporting facilities that can be used to carry out the program.

Inadequate human resources (number and skills) prevent the program from being implemented perfectly since they are unable to provide adequate

oversight. If the quantity of staff implementing the policy is limited, then the implementers' abilities and/or ability to carry out the program must be enhanced. For this reason, effective human resource management is required to enhance program performance.

Disposition or Attitude

The mindset of the implementer is one aspect that determines the effectiveness of policy implementation. If the implementers agree with the policy's content, they will joyfully implement it, but if their opinions differ from those of the policymakers, the implementation process will be fraught with difficulties.

There are three types of implementer attitude/reaction to the policy: awareness of the implementer, instructions/directions for the implementer to accept or reject the program, and the strength of the response. Implementers may comprehend the program's goals and objectives, but they frequently fail to implement the program effectively because they reject the program's objectives to deflect and prevent program implementation. In addition, the assistance of implementing officials is crucial for attaining program objectives.

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Bureaucratic Structure

The discussion of a policy's implementing agency cannot be divorced from its bureaucratic structure. Bureaucratic structures are recurring traits, conventions, and patterns of relationships in executive bodies that have both potential and actual relationships with the resources they have for implementing policies. Van Horn and Van Meter illustrate several factors that may influence an organization's policy execution.

Sharia Bank Merger

Islamic Bank Merger According to Tampubolon (2013) a merger is a combination of two or more corporations into one corporation; where the acquiring company (acquiring company) retains its identity. Meanwhile, according to Wiyono & Kusuma (2017), a merger is a form of absorption by one company against another company, for example, if two companies A and B merge, there will only

be one company, namely A or B. Tampubolon (2013) explains that one of the reasons why companies choose to merge is to obtain synergies and improve capabilities in raising funds, as well as obtain a better return on investment (ROI). This statement is in line with research conducted by (Perwito et al., 2020) which states that mergers and acquisitions are carried out as a process of saving from financial difficulties and uniting forces in facing threats and competition from the presence of a financial system based on financial technology.

According to Article 1 of Law No. 21 of 2008, Sharia Banking encompasses all aspects of Sharia Banks and Sharia Business Units, including institutions, commercial activities, as well as methods and processes for conducting their business activities. According to previous research, the merger of Islamic commercial banks has had a good effect, allowing Bank Syariah Indonesia to compete globally by focusing on more comprehensive services, wider reach, and increased capital (Atikah et al., 2021). The merger of Bank Syariah Indonesia during the COVID-19 pandemic is expected to produce good performance so that it will be able to contribute to the national economic recovery (PEN) which is predicted by the government, especially related to the growth of the halal industry

ecosystem. Yundi & Sudarsono (2018) reported that financial reports including statements of financial position, income statements, cash flow statements, and equity statements can be used to evaluate the financial performance of Islamic banks. Financial statements in the form of balance sheets provide information about the financial condition of banks to outside parties, such as Bank Indonesia, the public and investors. While the income statement provides information about the financial development of the bank to all parties, both owners, bank management, the public, and other parties. Information about bank finances can be used to assess the performance of the bank in implementing the prudential principles and applicable regulations.

Syariah banking

Sharia Banking The financial system is an order in the economy of a country that has a role in providing services in the financial sector by other supporting financial institutions, such as the capital market and money market. The Indonesian financial system is divided into two types, namely the banking system and the system of non-bank financial institutions. In practice, banking financial institutions have a very dominant role. National banks manage around 94.4% of national financial assets (Irmayanto, 2011)

which reached IDR 8,000 trillion in 2018 (Larasati, 2021). A bank is a business that collects public funds in the form of savings and distributes loans/credits and or other forms to the community to improve people's living standards (Irmayanto, 2011). The function of Islamic banking, like conventional banking, is to be an intermediary between parties with surplus funds and those with a deficit of funds through raising funds and distributing credit or financing, which can increase economic activity (Mankiw, 2007). The role of the bank is very important in the economy because it facilitates the share of economic actors who have a surplus of funds to those who have a deficit of funds, including in improving the business world, economic growth, and supporting the government, to assisting the government's monetary policy.

Banks are essentially entities that collect funds from the general public in the form of finance or perform financial intermediation. There are two types of banking operational systems in the Indonesian banking system: conventional banks and Islamic banks. Islamic banks are banks that conduct business based on sharia principles, or Islamic legal principles regulated in the fatwa of the Indonesian Ulama Council, such as justice and balance ('adl wa tawazun), benefit (maslahah), universalism (natural), and do

not contain gharar, maysir, usury, injustice, and unlawful objects (OJK, 2021).

The Islamic banking system is an integral component of the national banking system. The National Development Planning Agency has compiled a Masterplan for the Indonesian Islamic Economy 2019-2024, which outlines five strategies for the development of the Islamic economy in Indonesia: (1) strengthening the halal value chain; (2) strengthening the Islamic finance sector; (3) strengthening micro-, small-, and medium-sized enterprises; (4) development and strengthening of the digital economy; and (5) strategic ecosystem policies. Based on this plan, one of the pillars of Indonesia's Islamic economy is the Islamic finance sector, which includes Islamic banking. The Islamic banking industry is expanding in Indonesia. 14 sharia commercial banks and 20 sharia business units will be active in the sharia economy and finance by the end of 2020.

The Ministry of Finance assessed that the performance of Islamic banking in Indonesia was relatively stable during the COVID-19 pandemic, compared to conventional banking, especially during the crisis, for example in 2008. Conventional banking intermediation generally tends to decline, but Islamic

banking performance tends to be stable and grow more rapidly. higher than conventional banking. From January to September 2020, Islamic bank assets grew 10.97%, higher than conventional banking which only grew 7.77%. Sharia banking third-party funds grew by 11.65%, slightly above conventional banking at 11.49%. Disbursement of Islamic banking financing grew 9.42%, much higher than conventional banking which only grew 0.55% (Hidayat, 2021).

Indonesian Islamic Bank

BSI is a bank emerging from the merger between PT Bank BRI Syariah Tbk, PT Bank Syariah Mandiri and PT Bank BNI Syariah. The Financial Services Authority (OJK) issued an official merger permit for the three sharia banks on January 27, 2021, via letter SR-3/PB.1/2021. BSI is a sharia-compliant financial institution that was founded on 1 February 2021. PT. Bank Syariah Mandiri (Persero) Tbk holds 51,2% of BSI's shares, followed by PT. Bank Negara Indonesia (Persero), Tbk with 25%, PT. Bank Rakyat Indonesia (Persero) Tbk with 17.4%, DPLK BRI-Syariah Shares (2%), and the general public (4.4%). This merger will combine the benefits of the three Islamic banks to provide a more comprehensive service, have a broader reach, and have a larger capital base. Bank Syariah Indonesia

is pleased to be able to compete on a worldwide scale thanks to synergies with its parent firms (Mandiri, BNI, and BRI) and the government's commitment through the Ministry of SOEs. The merging of the three Islamic banks is an attempt to build a Sharia bank that is the pride of the people, which is anticipated to become a new force for national economic development and contribute to the general welfare of the community. The existence of Bank Syariah Indonesia reflects the modern, universal, and beneficent nature of Islamic banking in Indonesia.

The system itself has been separated from each parent, which was originally BNI Syariah as the parent of BNI, BRI Syariah from BRI, and Bank Mandiri Syariah from Bank Mandiri and has become separate, the largest Islamic bank in Indonesia. It is hoped that in the future the migration and roll-out process will run smoothly because currently it is still scheduled for the customer migration process. After all, there are many customers for each bank, so from February to October 31, 2021, the migration process will be after October, in November there will be none. again BNI Syariah, BRI Syariah, and Bank Mandiri Syariah. Because everything has been collected and has become a legacy of Bank Syariah Indonesia. The merger process of three major Islamic banks in Indonesia is a

milestone that will open up many new opportunities in supporting the national economy. Each Islamic bank has its background and history, thereby strengthening BSI's position in the future.

As the nation with the biggest Muslim population in the world, the prospects for the Islamic financial sector are highly bright. This can occur if there is a symbiotic relationship between policyholders and public awareness of sharia-based halal transactions that continue to be implemented in economic principles. In recent years, the number of sharia-based products and services in Indonesia has increased significantly, prompting the government to recognize this as a crucial moment in the development of the sharia economy in Indonesia. PT Bank Syariah Mandiri Tbk, PT Bank BNI Syariah Tbk, and PT Bank BRI Syariah Tbk, three significant Islamic banks formed by state-owned firms, have been merged into a new company entitled Bank Syariah Indonesia due to the government's hopeful outlook.

Bank Syariah Indonesia is committed to satisfying customers by improving services to the community. According to Sophia (2020). With the Electronic Delivery Channel facility, banking services have become relatively unlimited, both in terms of time and area coverage. The level of trust, security, and

ease of use are points of consideration for customers to conduct financial transactions. However, the most influential factor for the level of competition that occurs between banks is the facilitation factor for bank services in providing transaction convenience for its customers. When other factors have provided satisfactory results for customers, then what customers are looking for is how sophisticated and the number of facilities that provide convenience in transactions.

This condition can be used by the bank to continue to innovate for better service quality. The quality of the e-banking system is defined as the customer for the advantages or privileges of a system as a whole. The quality of the e-banking system is a customer's thorough evaluation process of system opportunities. The quality of the e-banking system, in particular, is always identified as the quality of the tools built into the system itself. The quality of the e-banking system is centred on efforts to fulfil needs and desires as well as the power to match customer expectations. Quality must start from customer needs and end in customer perceptions. Consumer satisfaction is one of the goals of business activities, besides that consumer satisfaction is also seen as one of the best indicators of future profits (Tjiptono, 2016).

METHODS

The research method used is a descriptive qualitative research method. This study focuses on explaining the role of the Indonesian Islamic Bank in the Lhokseumawe Area in the Implementation of Qanun No. 11 concerning Islamic Financial Institutions in Lhokseumawe City and the inhibiting factors encountered in the process of implementing the

Qanun of Islamic Financial Institutions in Lhokseumawe City. The researcher also collected data documents related to Bank Syariah Indonesia in the implementation of this Qanun at Islamic Financial Institutions in Lhokseumawe City. The data obtained were collected and processed according to the topics of the research questions to be answered. For this reason, various notes on the results of studies and interviews were transferred and arranged according to the topics that had been designed. Furthermore, the data that has been compiled according to the topic is studied and analyzed in depth using a qualitative approach.

RESULTS AND DISCUSSION

The Role of Indonesian Sharia Banks in the Lhokseumawe Area in the Implementation of the Qanun for Sharia Financial Institutions Aceh is a province that is strong in the value of Islamic teachings. Aceh has rules that are marked

by and supported by Islamic teachings. If traced back, it is the historical background that has shaped the characteristics of the Acehese people, full of Islamic nuances. History is like a mirror that becomes a reflection of part of life because from there the identity of certain community groups is formed. Islam has become a guide and at the same time a life guide for the people of Aceh in navigating life and living in Aceh Province.

Aceh also has authority with local regulations known as Qanun. One of the qanuns that are currently the subject of heated debate is Qanun No. 11 of 2018, which addresses Islamic Financial Institutions. The outlook for Islamic banks in Aceh is excellent, as the adoption of the Qanun on Islamic Financial Institutions in Aceh will allow conventional banks' assets to be transferred to Islamic banks, which will become one of the foundations. As a result of the merger, workers of the three banks must also complement one another to advance.

For the first phase of implementing the Qanun on Sharia Financial Institutions (LKS), which has been in effect since the end of 2019, the Aceh government anticipates that all banks will convert to Islamic banks by 2021, then followed by other financial institutions until all of them are 100% Sharia, until 2023 or 2024. The obligation of financial institutions to

implement Sharia principles in Aceh has several sanctions if they are not implemented. According to the Qanun on Sharia Financial Institutions (LKS), there are administrative sanctions according to the level of violation. For example, starting with fines, written warnings, business freezes, until production stops, and revocation of business licenses. Qanun on Islamic Financial Institutions (LKS) will not necessarily bring positive results. Many internal and external obstacles have emerged in the implementation of Qanun Number 11 of 2018 concerning Islamic Financial Institutions.

The government, in this regard and in communicating Qanun number 11 of 2018 by inviting bank heads in Aceh to conduct socialization in early 2019. In this meeting, the government gave an understanding to bank heads about the urgency of implementing Qanun Number 11 of 2018. Then the Bank, through media communication, carried out socialization to the public about the Islamic banking system. The people of Aceh must be fully prepared to use Islamic financial products. The positive impact, apart from providing economic growth, can also create jobs for the Acehese themselves.

Since the enactment of Qanun Number 11 of 2018, in early 2020, many banks in Lhokseumawe City have started to apply this Qanun and are in the process

of converting to Sharia. The implementation of this Qanun must also have an active role from the Acehnese themselves to make it a success. The initial plan of banking in Lhokseumawe city was to conduct an initial survey of customers and conventional banks to find out whether they were ready and present in the Qanun of Islamic Financial Institutions. Employees and customers have completed a survey on the migration of conventional banking to Islamic banking as part of the initial step.

To meet the needs of Human Resources (HR), conventional banks and Islamic banks work together to form a Qanun Project Team. This team consists of Islamic banking experts from banks in Aceh. This team supports preparing human banking resources after migration to Sharia. Conventional bank employees are given intensive training for several months on Islamic banking. With this, the quality and quantity of human resources in the fulfilment of training and implementation of Qanun Number 11 of 2018 can run smoothly.

Several banks in Lhokseumawe City have begun to use this Qanun and are in the process of converting to Sharia since the confirmation of the Qanun at the beginning of 2020. To ensure its success, the implementation of this Qanun must also play an active role in its

implementation. The people of Aceh must be prepared to use Islamic financial instruments in their entirety. In addition to delivering economic growth, the good impact can also produce jobs for the Acehnese. The initial strategy for conventional banking in the city of Lhokseumawe was to conduct a preliminary survey of clients and conventional banking employees to see whether they were prepared for and in favour of the presence of the Qanun on Islamic Financial Institutions. As a first step in spreading the news, staff and customers have completed a poll regarding the transition from conventional to Islamic banking.

All conventional banks in Lhokseumawe City have carried out the conventional migration process to sharia since the beginning of 2020 and until the end of the year. Although the Covid-19 pandemic that has been experienced by Indonesia since the beginning of 2019 has not hampered the migration process to sharia, currently the migration process has been going well and people who have conventional accounts, financing and also EDC machines have been replaced with Sharia, both BRI Syariah customers, BNI Syariah and Mandiri Syariah.

The form of government commitment in implementing Qanun Number 11 of 2018 is very visible from

the disposition of conventional banking to become sharia by merging 3 sharia banking BNI Syariah, BRI Syariah and Mandiri Syariah, to become Bank Syariah Indonesia. Bank Syariah Indonesia is a manifestation of the government's commitment through the merger of the 3 largest state-owned Islamic banks to advance the Islamic economy as well as a strategic step to make Indonesia one of the centres of Islamic finance in the world. The dedication of Bank Syariah Indonesia is proven by successfully recording a fairly positive performance in the first quarter of 2021 amid the Covid-19 pandemic, which is still not over. The merger of three state-owned Islamic banks recorded a profit of Rp 987.68 billion, an increase of 33% compared to the same period in 2021, based on financial reports published by Bank Syariah Indonesia.

Migration from conventional to sharia also affects the bureaucratic banking structure in Aceh. After switching to sharia, banking in Aceh was directly supervised by the Sharia Supervisory Board under the Aceh Financial Management Agency and Commission III of the Aceh DPR. With direct supervision by the Sharia Supervisory Board, the implementation of Qanun number 11 of 2018 can run smoothly. During the transition from conventional to sharia in 2021, banks in Aceh have made thorough

preparations starting from socialization to the community, resource development, inter-bank cooperation and understanding of the new bureaucratic structure.

In terms of implementing the Qanun on Sharia Financial Institutions, Nirwan Purnama Area Manager BSI Lhokseumawe says :

“BSI in the Lhokseumawe area acts as a driver of the sharia economy in Lhokseumawe City and has integrated the service operational system in the Lhokseumawe work area. BSI will migrate 544.8 thousand customers from former BNI Syariah and BRI Syariah. The migration process carried out by BSI is still using their respective systems from ex-legacy. This process is supported by the number of outlets at 67 BSI offices in Lhokseumawe.” (Interview Area Manager BSI Lhokseumawe, 5 June 2021).

The integration aims to provide the best service to customers and standardize operational and service models at all BSI. The integration of the Bank Syariah Indonesia system is one part of the rollout process. With this system integration, customer service has become one system to BSI, marked by an auto migration process that will be carried out on June 7, 2021. The integration of the service system in the Lhokseumawe Regional Aceh Area is the company's commitment to encouraging the development of sharia finance and improving public literacy.

One of the focuses of BSI Lhokseumawe Area in the process of integrating service operational systems in the Aceh region is the process of customer migration from the original bank to Bank Syariah Indonesia. This migration process can be done online through BSI Mobile or face to face. The unification of this service system includes the migration of customer accounts, and ATM cards, to mobile and internet banking. In the migration process, BSI Area Lhokseumawe also ensures that the process prioritizes the convenience and security of customer data. BSI Area Manager Lhokseumawe Nirwan Purnama said:

“His party would continue to inform the public to take advantage of the grace period until December 2021 to transfer accounts to BSI. In September 2021 conventional bank customers in Aceh will no longer be able to make transactions. Therefore, people who have not migrated their accounts to BSI Lhokseumawe can come directly to BSI Lhokseumawe or digitally with the BSI Mobile application.” (Interview Area Manager BSI Lhokseumawe, 5 June 2021).

BSI Area Lhokseumawe continues to strive for accelerating the migration of customer accounts to Islamic Bank accounts through online media socialization, sending SMS blasts and chain WhatsApp to email so that notification of information related to the migration schedule is conveyed to

customers correctly. Customers can also migrate accounts digitally with the BSI Mobile application, or attend directly to BSI branch offices. As for the account migration via digital, it can also be done through the 14040 call centre, Whatsapp Business BSI, and live chat Asiyah.

The role of the Lhokseumawe Area BSI in the implementation of the qanun is also continuously improving and accelerating. From an internal perspective, BSI Lhokseumawe Area provides socialization regarding the use of the system from BSI to employees and also socializes BSI products to inform customers and serve customer needs. This socialization is carried out every day at the morning briefing to strengthen BSI products and is also carried out once a month by every branch office under BSI Lhokseumawe Area with sharing sessions. Not only efforts to customers but internal employees and BSI workers are also carried out to achieve sharia services per qanun Number 11 of 2018 concerning Sharia Financial Institutions.

In addition, on November 1, 2021, BSI simultaneously held Customer Day 1 which was a series of activities as a form of appreciation to all stakeholders, including the government, regulators, customer associations and the public, who had been loyal to BSI and supported the migration process of BSI into a single

system, meaning using one system in customer service transactions that previously still used the legacy system of 3 sharia banks, subsidiaries of state-owned enterprises. A series of BSI Customer Day 1 activities were carried out simultaneously by all BSI outlets and also carried out at all BSI outlets in the LHokseumawe Area by cutting the cone simultaneously through zoom due to the Covid-19 pandemic and also giving gifts to customers who made transactions and opened accounts at the Outlet. . In addition to these series of activities, customers can also enjoy attractive promos and giveaways to give rewards to customers.

Furthermore, BSI Lhokseumawe Area strengthens relations with Partners by entering into previous cooperation agreements with ex-legacy banks, signing a Cooperation Agreement (PKS) with partners aiming to facilitate partners in conducting transactions and also payments at Bank Syariah Indonesia, starting from payroll transactions, multi-host payment of tuition fees, clearing to other banks, checks or current accounts. This is also an effort made by BSI Area Lhokseumawe in applying the sharia system for transactions and financing.

Financial institutions, especially banking, have switched to the sharia system in Aceh faster than the Qanun decrees. Deputy Chairperson of the Aceh

Ulama Consultative Council (MPU) Tgk Faisal Ali said:

“Aceh should be grateful because the obligations stipulated in the LKS Qanun only fell in 2022. We need to give high appreciation and for this, we need to be patient and continue to encourage and provide support to Islamic banks to migrate their services and systems. Cooperation and support from the people of Aceh do not easily put pressure on Islamic financial institutions. Because the process of changing the system is not something that is easy to do and requires tremendous energy. Implementing Islamic financial services requires the attention and hard work of all parties and not only the bank.” (cited from readers.id, 2021)

Community participation to be patient and continue to encourage and provide support to these financial institutions in correcting weaknesses. Bank Syariah Indonesia Lhokseumawe Area is also committed to continuing to improve systems and resources for comfort and peace in conducting transactions with Islamic banking.

Bank Syariah Indonesia Lhokseumawe Area hopes that the presence of BSI will be a new energy in driving the economy of the Acehnese people. This banking is expected to meet the needs of various consumer segments, ranging from banking transaction services to digital transactions and also including MSMEs. BSI Area Lhokseumawe

continues to synergize well and can improve services for sharia bank customers. Bank Syariah Indonesia Lhokseumawe Area is committed to supporting the smooth implementation of the Sharia Qanun by the people of Aceh for the benefit of the people.

Inhibiting Factors in the Implementation of Qanun

There are several inhibiting factors for Indonesian Islamic Banks in the implementation of the qanun for Islamic financial institutions (LKS):

1. Internal factors

The internal inhibiting factor comes from the banking sector itself. The internal barriers include:

a. Weak Systems and Technology

The merger of 3 systems of SOE subsidiaries is still not as effective as the previous ex legacy and the new system at Bank Syariah Indonesia is not yet fully optimized, both in the transaction system and also in ATMs which are often offline.

Problems with ATMs that often have errors and unavailability of money are the most complaints from customers. There are many BSI ATMs and they are managed by ATM vendors. Improvements, technology development and innovations continue to be carried out and Bank Syariah Indonesia has to standardize Islamic technology in Indonesia. It is

hoped that the digital technology promoted by BSI can become a benchmark for Sharia-based information technology systems on a national scale. In terms of technology, BSI creates an online-based website and application for Bank Syariah Indonesia that makes it easier for the public to access them.

b. Human Resources

The merging of these 3 banks has made human resources in the BSI Lhokseumawe Area increase, both from permanent employees, contracts and outsourcing who must be able to compete and give the best contribution in their work. This is also one of the obstacles because of the large number of workers, making it increasingly difficult to map employees according to their expertise in their respective fields. And the next challenge that must be faced by BSI is the effort to produce quality Human Resources and understand the sharia bank business, to be able to enlarge the sharia market in the financial and banking industry. Currently, not many banking human resources understand the essence and pattern of the sharia system, so this is a challenge in itself. For this reason, Bank Syariah Indonesia job vacancies or career opportunities need to be opened to attract competitive quality resources.

c. Service Quality

The quality of service is still not able to satisfy all customers. In terms of the Lhokseumawe Area BSI offices, there are indeed many. However, because the system is still not fast, a queue pile occurs. Face-to-face service is also sure to win. Because there were three banks merged into one. However, digital services must be addressed. Because not all areas of Indonesia can be reached by face-to-face services, especially during the Covid pandemic. So, customer education to use digital applications must be continuous to reduce the crowds of customer queues, the frontline as the vanguard of banking must always educate customers to be able to transact digitally.

2. External factors

a. Covid-19 pandemic

The pandemic conditions that hit the world also affected the performance of Islamic banks in the country. This makes BSI, which has just been established amid a pandemic, must restructure financing for the next three years. It is expected that the business growth of Islamic banks will increase by around 5%-6% per year. However, BSI is optimistic because many Islamic investors are looking at BSI as an investment field during the pandemic. In addition, services to customers are limited due to the time and place of service that requires us to social distance and also to

maintain health during the Covid-19 pandemic.

b. Customer Loyalty to Indonesian Sharia Bank

Customer loyalty to the presence of Bank Syariah Indonesia is still very minimal because it is still new. In the development of customers who use sharia banking services, they are divided into two customer segments, namely the first is customers who are loyal to sharia banking, where they use sharia banking services because of their enthusiasm to enforce sharia. So he will not question the percentage of profit sharing provided by Islamic banks when compared to the number of interest rates offered by conventional banks. This type of customer is often referred to as an emotional customer, namely using sharia banking services based on the implementation of sharia rules.

The second customer segment is customers who are not loyal to Islamic banking, where they save in Islamic banks by comparing the percentage of profit sharing in Islamic banks with interest rates in conventional banks. With a difference of about two per cent (from the interest rate of conventional banks), this customer segment is still loyal to Islamic banks, but more than that, this customer segment can switch to conventional banks. This type of customer is often referred to as a rational

customer, namely transacting with Islamic banks based on the profits. Although the dichotomy between emotional customers and rational customers is not entirely correct, because loyal Islamic bank customers are rational customers who see everything not only for short-term benefits but also take into account long-term benefits. Likewise, disloyal customers are emotional customers who only pursue short-term profits.

CONCLUSION

Bank Syariah Indonesia Lhokseumawe Area plays a very important role in the implementation of the Qanun for Islamic Financial Institutions in Lhokseumawe City. This can be seen from the increase in performance and also the number of customers who have migrated to BSI accounts. Although not yet fully implemented, Bank Syariah Indonesia Lhokseumawe Area continues to innovate and improve both in terms of sharia services to customers, system improvements to increase customer satisfaction and continue to collaborate with partners to transfer conventional products used previously to sharia. The Sharia services provided since the initial merger in 2021 have continued to increase both in terms of TPF (Third Party Funds), and also the profit sharing obtained by BSI. Although in the process of

implementing the Qanun on Islamic Financial Institutions there are still many internal and external obstacles, Bank Syariah Indonesia Lhokseumawe Area continues to provide the best for the benefit of the people and also for customer satisfaction.

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