

The Resurgence of Two-Tier Mudarabah Financing: An Empirical Exploration of *Beng Mawah's* Impact on Rural Prosperity in Aceh, Indonesia

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Abstrak

Kajian empiris mengenai skema pembiayaan mudarabah dua tingkat (*two-tier mudarabah*) kurang mendapat perhatian, terutama karena absennya institusi keuangan yang merangkul model keuangan Islam yang awalnya diusulkan dan sangat diinginkan. Penelitian ini menggali KSP-Beng Mawah, sebuah koperasi konvensional di Aceh, Indonesia, yang beroperasi sejak tahun 2012. Secara khusus, koperasi ini mengintegrasikan skema pembiayaan mudarabah dua tingkat, dengan penekanan khusus pada masyarakat pedesaan di Saree, Kabupaten Aceh Besar, Provinsi Aceh. Istilah 'Mawah' dalam nama koperasi mengindikasikan tradisi lama mudarabah yang mendalam dalam sejarah sosial-ekonomi Aceh. Secara metodologis, penelitian ini menggunakan pendekatan studi kasus yang secara harmonis menggabungkan metodologi kualitatif dan kuantitatif. Sintesis metodologis ini berperan penting dalam memfasilitasi analisis komprehensif dan konklusif terhadap fenomena sosial-ekonomi. Untuk analisis data, Uji Wilcoxon Signed Rank dan Uji Kruskal-Wallis diterapkan. Uji tersebut digunakan untuk pengukuran berulang yang dikumpulkan dari responden pada dua kesempatan terpisah dan untuk membuat perbandingan antara kelompok. Temuan dari penelitian ini dengan tegas menegaskan bahwa KSP-Beng Mawah memberikan kontribusi substansial untuk meningkatkan kemakmuran di masyarakat pedesaan Aceh. Afirmasi ini didukung dengan kokoh oleh hasil analisis wawancara dan kuesioner yang disebar di antara anggota koperasi, di mana Beng Mawah memainkan peran sentral dalam memfasilitasi inklusi dan perluasan keuangan dalam masyarakat sehingga membawa kemakmuran bagi penduduk pedesaan masing-masing.

Kata kunci: *Two-Tier Mudarabah*, Mawah, Koperasi, Ekonomi Moral Islam

Abstract

The empirical study of the two-tier mudarabah financing scheme has garnered limited attention, chiefly due to the notable absence of financial institutions embracing the originally proposed and highly sought-after model of Islamic finance. This study delves into KSP-Beng Mawah, a conventional cooperative in Aceh, Indonesia, operational since 2012. Notably, it seamlessly incorporates the two-tier mudarabah financing scheme, with a specific emphasis on a rural community in Saree, Aceh Besar District, Aceh Province. The term 'Mawah' in the cooperative's name denotes a longstanding

tradition of mudarabah deeply rooted in Aceh's socio-economic history. Methodologically, this research employs a case study approach that harmoniously fuses both qualitative and quantitative methodologies. This methodological synthesis is instrumental in facilitating a comprehensive and conclusive analysis of socio-economic phenomena. For data analysis, the Wilcoxon Signed Rank Test and the Kruskal-Wallis Test are applied. These tests are utilized for recurring measurements collected from respondents on two separate occasions and for making comparisons between groups. The findings gleaned from this study unequivocally establish that KSP-Beng Mawah makes a substantial contribution to the enhancement of prosperity within the rural community in Aceh. This affirmation is robustly supported by the results emanating from the analysis of interviews and questionnaires disseminated among the cooperative's constituents where Beng Mawah plays a pivotal role in fostering financial inclusion and deepening within the community thus brings prosperity in the respective rural populace.

Keywords: *Two-Tier Mudarabah, Mawah, Cooperatives, Islamic Moral Economy*

INTRODUCTION

For centuries, Aceh has been renowned as the "verandah of Mecca," a title deeply ingrained in the personal lives and institutionalized social structures of its community (Dayyan & Chalil, 2020; Srimulyani, 2010). This prominence is vividly encapsulated in the popular saying, "hukom deungon adat lage zat deungon sifeut," signifying the inseparable unity of Islam (hukom) and customary practices, akin to the intrinsic bond between a substance and its essence within the Acehnese identity (Fauzi, 2019). Notably, Aceh stands as Indonesia's solitary province authorized by Jakarta to enforce Sharia law, despite the nation's protracted historical discourse on the interplay between Sharia and the state (Elson, 2013; Formichi, 2015; Hosen, 2005). The adoption of Sharia law in Aceh transcends a mere nostalgic homage to its illustrious past; it signifies a visionary directive for societal transformation, engineered by the Acehnese themselves (Feener, 2013).

Within the spectrum of Sharia law, the economic domain has garnered global acclaim and recognition, standing in stark contrast to the sometimes contentious reception of public Sharia law. Sharia, often referred to as Islamic economics and finance, offers a palpable advantage from a contemporary standpoint. Anchored by the cornerstone of justice, Islamic economics delineates an alternative path toward social prosperity, harmonizing with its fundamental objectives (Chapra, 1979; Naqvi, 1978). This narrative maintains its timeless relevance across historical epochs,

furnishing a universal paradigm. Consequently, this facet of Sharia law has found more widespread acceptance than its public law counterpart (Brenner, 2011; Muller, 2016). Moreover, in a world that has grappled with systemic financial crises since the previous century, Islamic economics has emerged as a salient alternative to address these systemic failures (Chapra, 2007; Kismawadi, 2023a).

In Aceh, the recently enacted Qanun number 11/2018 serves as the latest Sharia law governing economic affairs. This legislation mandates that all financial institutions operating in the province adhere to Sharia-compliant principles (Utamy & Hasan, 2020). Presently, all conventional financial institutions in Aceh are diligently preparing to transition to Sharia-compliant practices before the qanun takes full effect on January 4th, 2022 (H Furqani & Mulyany, 2020, p. 55). Thus, Aceh, as the sole province in Indonesia where all financial institutions conform to Sharia principles, assumes a pivotal role as a veritable gateway to Islamic finance in Indonesia.

This essay, however, does not delve into the operations and potential positive impacts of formal Islamic financial institutions (IFIs). Instead, it scrutinizes how a conventional financial institution, formally non-Islamic in character, inherently adheres to Islamic principles and explores the advantageous contributions it may extend to the community. To this end, this essay examines the operations of a conventional financial institution named KSP Beng Mawah, predating the legalization of the qanun, to elucidate the extent of its Islamic alignment when juxtaposed with formal Islamic counterparts. Thus, the data underpinning this essay's observations hails from a 2017 study.

This study embarks on an exploration of the application of the Mudarabah scheme within the cooperative entity of Beng Mawah. This cooperative model, characterized by its disruptive and collaborative attributes, serves as the focal point of investigation. The primary objective is to dissect its economic ramifications, particularly in its capacity to enhance financial inclusion and bolster the prosperity of the neighboring community. Consequently, this research endeavors to advance a novel perspective within the realm of Islamic economics, founded on an evaluation of the efficacy of the disruptive financing model embodied by Beng Mawah, intricately interwoven with the tenets of Islamic moral economy.

In alignment with these overarching objectives, the following research inquiries are meticulously examined:

- (i) What precise roles does Beng Mawah assume within the disruptive paradigm of Islamic financing, with a special focus on its contributions to the enhancement of microenterprises? This encompasses an in-depth analysis of its impact on critical facets such as sales, net income, asset accumulation, economic activities, and employment.
- (ii) To what extent does Beng Mawah play a pivotal role in fostering financial inclusion within the communal and rural strata of society?
- (iii) In comparison to other institutional counterparts, can Beng Mawah be ascribed the epithet of effectiveness in the realms of economic development and poverty alleviation?

This research assumes a pivotal role in the enhancement of the Islamic economics literature, chiefly due to its meticulous examination of a specific Islamic financing framework. Moreover, it ventures to proffer this framework as a novel model of financing, one that intrinsically encapsulates the overarching social objectives delineated within the maqasid of Islamic economics. This endeavor is profoundly significant in the contemporary milieu, primarily because prevailing Islamic finance paradigms tend to pivot heavily towards financialization, often sidelining the imperative of fostering enduring developmental impacts. This evolving trajectory gives rise to a conspicuous incongruity, as it departs from the moral imperatives foundational to Islamic finance, subsequently manifesting as a discord between professed ideals and empirical realities (Mehmet Asutay, 2007, 2012).

In this context, the current research undertakes a meticulous exploration of a specific institution that is deeply woven into the fabric of everyday life for the Acehnese populace. This institution serves as an exemplar of a disruptive financing and business model, warranting comprehensive scrutiny within the purview of developmentalist objectives. This examination is firmly anchored in the aspiration of nurturing societal capacity within civil society, aligning harmoniously with the overarching developmental objectives.

METHOD

Research methodology, in its essence, is a structured framework encompassing both theoretical underpinnings and a comprehensive structure that serves as a guiding compass for conducting research within a specific paradigm (Sarantakos, 1994, p. 30). Methodology, in the realm of research, unfolds through two principal avenues: qualitative and quantitative. In the context of this inquiry, which endeavors to delve into the subjective realms of participant opinions, perspectives, and predilections, it naturally gravitates towards the qualitative research paradigm. Qualitative research methodology is distinguished by its distinct orientation, one that aspires to portray and scrutinize the cultures and behaviors of individuals and their collectives from the vantage point of the subjects themselves (Bryman, 1998, p. 46). Consequently, qualitative methodology has earned its reputation as a wellspring of intricate details and fresh dimensions, underpinned by an interpretative ethos (Sjoberg, 2000).

It is imperative, however, to underscore that the choice of research methodology is bereft of any intrinsic validity or invalidity. Instead, it emerges as a contingent selection contingent upon the research's overarching aims and objectives, as well as its intended response to the research queries at hand (Silverman, 2001). Furthermore, it is worth noting that, notwithstanding the criticisms leveled at qualitative methodology, such as its perceived limitations in terms of generalizability, reliability, cumulativeness, and comparative analysis (Stall-Meadows & Hyle, 2010), it bears the virtue of enhancing transparency in addressing principled divergences within the realm of quantitative methodology. This transparency is instrumental in illuminating the nexus between theory and empirical data, offering insights into the actualized practices of research and curbing the temptation to manipulate non-results or non-findings (Yom, 2015).

In contexts where research is predicated upon intricate phenomena that unfurl within complex frameworks, and where multiple stakeholders' perspectives are ensconced within a rich social tapestry, the holistic comprehension of these phenomena often eludes quantitatively grounded variables. Consequently, the qualitative approach comes to the fore as the more responsive methodological choice (Montes, 2003; Riwajanti, 2013; Trainor & Graue, 2014). Given that this research

endeavor aspires to capture the perceptions of clients regarding the role of the cooperative Beng Mawah, an institution steeped in Islamic development principles within the purview of a social reality, the employment of qualitative methodology is deemed particularly applied.

The research undertaking here adopts an inductive approach, marked by the observation and analysis of the cooperative Beng Mawah. This method serves as the key to comprehending the intricate social dynamics surrounding the cooperative's role as a disruptive model of financing. As a deliberate research strategy, the inductive method falls within the purview of qualitative methodology.

There are two primary rationales behind the selection of the inductive strategy in this research endeavor. Firstly, there exists no firmly established theoretical framework that elucidates the role of Islamic financial institutions engaging in a comprehensive two-tier mudarabah financing scheme, particularly within the disruptive model context tailored for microenterprises. Secondly, the research commences by collecting primary field data, subsequently progressing to the observation and analysis of client perspectives concerning the cooperative's role. This sequential approach is instrumental in realizing the research's overarching objectives. Nevertheless, it's worth highlighting that the methodology employed in this article gains further robustness through the integration of a deductive research strategy framework. This serves the purpose of evaluating and empirically testing the theoretical framework underpinning financial inclusion and financial deepening, situated within the broader financial development theory.

The amalgamation of qualitative and quantitative approaches is warranted under specific conditions. Firstly, such an integration must be thoughtfully designed and meticulously organized. Secondly, it should be aligned with the research questions at hand, ensuring that it constitutes a more suitable means of investigation. Lastly, it must be cognizant of the imperative to optimize the use of limited research resources (Bryman, 2008, p. 30).

The research method can be succinctly defined as a comprehensive model that encompasses both theoretical underpinnings and a structured framework, furnishing guidance for the execution of research endeavors within a specific paradigm (Sarantakos, 1994, p. 30). Data collection strategies can manifest in various forms,

encompassing quantitative approaches via surveys and qualitative methods, involving interviews (Saunders, Louis, & Thornhill, 2009). A contemporary phase in research development has recognized the amalgamation of both these approaches, termed triangulation, as a burgeoning methodology (Massis & Kotlar, 2014; Saunders et al., 2009). This innovative approach stems from the acknowledgment of "the complexity of social phenomena" (Riwajanti, 2013, p. 149).

In alignment with the multifaceted objectives inherent to this article, which are firmly rooted in the intricate social reality, data collection is executed through the judicious integration of both qualitative and quantitative techniques. The qualitative facet is meticulously structured via interviews conducted with the upper echelons of Beng Mawah. In contrast, the quantitative dimension employs a meticulously designed questionnaire distributed to 50 cooperative clients.

Non-probability sampling is employed in this study, characterized by its absence of predetermined selection probabilities for the entire population, is emblematic of this choice (Sarantakos, 1994, p. 138; Sekaran & Bougie, 2009, p. 276). Despite the inherent limitations associated with this sampling method, chiefly in terms of reliability in comparison to other sampling techniques, a measure of generalization remains attainable.

In the qualitative domain, semi-structured interviews were employed as the data collection technique, facilitating flexibility by not pre-determining the questions or their sequence (Jankowicz, 2000). These interviews incorporated a combination of open-ended and closed-ended questions, with the latter being provided a designated period between August 8 and 11, 2017, for completion. The interviewees consisted of prominent figures within the cooperative's upper management: Mr. Juanda Djamal (Chairman of the Supervisory Board), Mr. Husaini Ismail (Manager of the Executive Board), and Mr. Rizal Ayub (Secretary). The interview questions were purposefully designed to address the three principal questions posed in the article and were categorized into four sections, encompassing organizational profiling, financing products and services, client outreach, and organizational outreach.

Parallel to the qualitative approach, the quantitative technique, which in this article took the form of questionnaires, featured both closed-ended and open-ended questions. Closed-ended questions were underpinned by four distinct types of scales:

dichotomous scales for queries necessitating binary responses (Yes or No), category scales for questions comprising multiple items to solicit a singular response, Likert scales for inquiries assessing the strength of respondent agreement with a statement, and ratio scale questions that demanded numerical responses (Sekaran & Bougie, 2009, p. 270). Open-ended questions were included to accommodate areas not encompassed by closed-ended queries. To address the principal inquiries of the article, the questionnaire was divided into seven sections, encompassing demographic information, microenterprise profiling, employment, financial aspects, financing experiences, economic impacts, and social impacts. This questionnaire was dispensed to a cohort of 50 respondents residing in the rural expanse of Saree subdistrict, Aceh Besar, Aceh, Indonesia. To reach these respondents, the questionnaires were disseminated via email. These 50 respondents were selected at random from a larger pool of 201 clients. The survey was conducted from August 8, 2017, to August 25, 2017.

For the analysis of qualitative data obtained from interviews, three primary techniques are employed: data reduction, data display, and drawing conclusions (Sekaran & Bougie, 2009, p. 290). These techniques are seamlessly integrated with descriptive analysis. The overarching aim of descriptive analysis is to furnish a comprehensive profile that encapsulates the "pertinent facets of the phenomena of interest from various vantage points, such as individual, organizational, or industry-oriented perspectives" (Sekaran, 2003, p. 122). In the analysis of interview data, a thematic approach, known as thematic analysis, is leveraged. This method entails the organization of thematic transcripts into tables, thereby presenting the data in a more structured, concise, and meaningful manner. Subsequently, this meaningful information is subject to further exploration and interpretation within the interpretative framework. All qualitative data findings are subsequently elucidated.

It is imperative to highlight that statistical testing employing SPSS version 20 has been instrumental in generating empirical insights, with the results expounded upon in the ensuing section. The apt statistical tests harnessed here encompass the Wilcoxon Signed Rank Test and the Kruskal-Wallis Test, employed for recurring measurements acquired from respondents on two distinct occasions and for comparisons between groups. "The Wilcoxon test converts scores to ranks and

subsequently compares them at Time 1 and Time 2" (Pallant, 2020, p. 223). On the other hand, the "Kruskal-Wallis Test, akin to the Mann-Whitney U-Test, is applicable when several continuous variables entail more than two groups" (Pallant, 2020, p. 226). Before that, the assumption of normality is presented as to why both non-parametric tests are employed in this study. Finally, Linear Regression serves as the vehicle to gauge the impact on income. In this research, respondents were tasked with completing a questionnaire that solicited information regarding sales, income, employment, and assets before and after securing financing. The aim is to discern whether discernible improvements transpired as a result of the financing.

RESULTS AND DISCUSSION

In October of 2012, a group comprising 18 women from Saree (Lembah Seulawah) Sub-District in Aceh Besar came together with the intent to establish a microfinance institution. Their primary goal was to achieve financial autonomy, reducing their reliance on external parties or institutions such as the Saree School, which had provided them with financing programs during the post-conflict and natural disaster recovery phase. These women received support from 12 men, and on the 19th of November in the same year, they officially inaugurated the microfinance institution. The cooperative's headquarters are situated at Jl. Merak No. 46 D Neusu Aceh, Banda Aceh. It is noteworthy that the cooperative's name, Koperasi Simpan Pinjam/KSP (Saving and Lending Cooperative) Beng Mawah, does not overtly connote an Islamic cooperative. Instead, it adopts the nomenclature of a conventional cooperative. The term "Beng" is a phonetic adaptation of the word "bank" in Bahasa Aceh. However, it's essential to highlight that one of the cooperative's core objectives is to provide financing options that align more closely with the principles of Shariah. This objective is motivated by the belief that the conventional banking model does not fully embody the spirit of Shariah-compliant financing (Data source: (KSP-BM, 2017)).

Beng Mawah has persistently pursued its mission of empowering rural communities, with a particular focus on enhancing productivity within the agriculture and agribusiness sectors. However, it's important to note that they also extend their services to various other micro-enterprise sectors, with agriculture and agribusiness

taking precedence due to the predominantly agrarian nature of the community they serve. The services provided by Beng Mawah can be categorized into two main facets: liabilities and assets. On the liability side, Beng Mawah offers five distinct types of savings accounts:

- i. Simpanan Masyarakat (SIMAS): A savings account tailored for individuals.
- ii. Simpanan Pendidikan (SIDIK): A savings account designed for educational purposes.
- iii. Simpanan Hari Raya (SIHAR): A savings account intended for religious festival expenses.
- iv. Simpanan Qurban (SIQUR): A savings account specifically for qurban contributions.
- v. Simpanan Masa Depan: A savings account created for pension funds.

Additionally, Beng Mawah facilitates an investment account that allows individuals to invest in entrepreneurs and farmers by purchasing shares priced at Rp 100,000 each, with a limit of 100 shares per person. Two other types of accounts include a membership account, costing Rp 50,000 per person, and investments from third parties, sourced from individuals, groups, or other institutions. As of 2016, these services had accumulated a total fund of Rp 321,311,120. The profit-sharing ratio between the savings or investment accounts and Beng Mawah stands at 40% for the account holder and 60% for Beng Mawah. On the asset side, Beng Mawah extends financing to entrepreneurs and farmers through a single financing scheme based on *mudarabah* (*mawah*). The total funds disbursed for these financing programs amounted to Rp 176,812,811, which represents 55% of the total funds raised on the liability side. The profit-sharing ratios for entrepreneurs and Beng Mawah are set at 30% for the entrepreneur and 70% for Beng Mawah, while for farmers and Beng Mawah, it stands at 25% and 75%, respectively. In the case of livestock financing and Beng Mawah, the profit-sharing ratio is 40% for the livestock owner and 60% for Beng Mawah. It's noteworthy that all these profit-sharing ratios are applicable only once profits are realized. Moreover, the Non-Performing Financing (NPF) ratio has been consistently maintained below 5% for four consecutive years since the inception of the institution (Data source: (KSP-BM,

2017)).

Both these service categories align with the two-tier Profit and Loss Sharing (PLS) financing scheme, which was originally proposed by early Islamic economists as an ideal model for Islamic financing institutions. This scheme is meant to be implemented by Islamic financial institutions, as envisioned by earlier Islamic economists (Nagaoka, 2009). The structure of this scheme is illustrated in Figure 1 below:

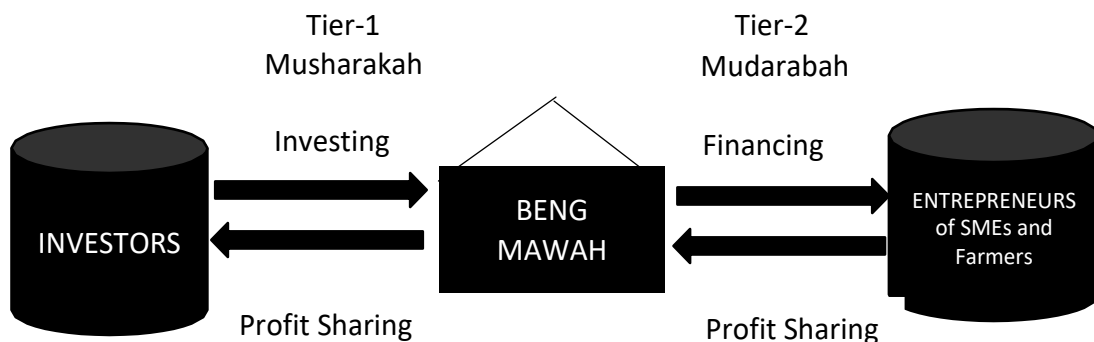


Figure 1. Financing Scheme of Two Tier *PLS* at Beng Mawah

Figure 1 illustrates that the operational framework of Beng Mawah closely aligns with the principles of the two-tier Profit and Loss Sharing (PLS) system. In Tier 1, savers and investors direct their capital towards the establishment of a cooperative, essentially engaging in a musharakah arrangement. In parallel, in Tier 2, Beng Mawah operates as the rabb al-mal (principal), while entrepreneurs from small and medium-sized enterprises (SMEs) and farmers assume the role of mudarib (entrepreneurs). Consequently, the two-tier PLS scheme of financing applicable to cooperatives materializes as a combination of the musharakah and mudarabah financing schemes.

It's noteworthy that the funds invested in cooperatives are not regarded as external third-party contributions since the shareholders simultaneously hold stakeholder status in this setup, thus fostering active equity within the musharakah structure. This active equity is subsequently channeled into Tier 2, represented by the mudarabah (passive equity) arrangement. Such a structural configuration serves to mitigate the inherent drawbacks associated with passive equity, commonly observed

in traditional mudarabah partnerships (Nagaoka, 2009).

The profit-sharing ratio, as described, deviates from the conventional practice of mawah, which traditionally stands at an equal distribution of 50% for each party. This departure signifies that Beng Mawah has transcended the principle of equal partnership, emphasizing instead the equitable empowerment of the mudarib. Intriguingly, the consistent application of mudarabah, driven by the integrated tenets of Islamic economics, was implemented even before the enforcement of Qanun number 11/2018, which mandated that all financial institutions in Aceh adhere to Islamic finance principles. This serves as concrete evidence that, despite the absence of a formal Shariah/Islamic framework, Beng Mawah operates as, essentially, an Islamic financial institution in practice. Consequently, it can be discerned that Beng Mawah represents an indigenously, Islamically, and intrinsically developed Islamic finance institution, deeply ingrained within the societal fabric. This underpins the assertion that the evolution and operation of Beng Mawah are firmly rooted in the framework of moral economy.

Moreover, it's essential to highlight that Beng Mawah is committed to promoting sustainable ecological preservation through the implementation of a zero-waste policy within its business operations. Waste generated from agricultural activities and livestock is ingeniously recycled to produce organic fertilizers, which are subsequently made available to their clientele at competitive prices. (Interview with Mr. Rizal Ayub, Saree, Aceh Besar, August 8th, 2017).

Regarding Beng Mawah's role as a disruptive model within Islamic finance, it initially encompasses three key objectives. Firstly, it aims to empower those farmers who are averse to seeking financial assistance from traditional banks. Secondly, it strives for financial inclusion within rural communities. Lastly, it endeavors to aid in the healing process for individuals affected by post-conflict and natural disaster traumas. Concerning the objective of empowering farmers who eschew conventional bank financing, the cooperative plays a pivotal role in providing an alternative avenue for farmers and individuals who harbor reservations regarding the conventional banking model, including that of Islamic banks. Implicitly, the objectives of fostering financial inclusion within rural society and aiding in post-conflict and disaster recovery also hold relevance, as the cooperative emerges as a viable alternative for

individuals facing these particular circumstances. However, in terms of geographical outreach, its impact is somewhat limited, given its absence in other community locations (Interview with Mr. Juanda Djamal, Saree, Aceh Besar, August 10th, 2017).

The interviews conducted underscore that Beng Mawah presents a promising opportunity for entrepreneurs to enhance various aspects of their businesses and overall economic well-being. This is substantiated by the fact that the shared profit ratio for entrepreneurs and farmers can be as high as 70%. Furthermore, this opportunity is complemented by technical mentoring, supervisory services, and the establishment of a community business center, all of which are provided and developed by the cooperative. Additionally, the findings demonstrate that the cooperative's performance is commendable, as evidenced by an average growth rate in outstanding loans over the past three years. Moreover, the recorded Non-Performing Financing (NPF) ratio has remained relatively stable, consistently below 5% (specifically at 4.64%) (Interview with Mr. Juanda Djamal, Saree, Aceh Besar, August 10th, 2017).

Insights gleaned from the interviews further shed light on the management's concerted efforts to broaden the cooperative's outreach. This expansion is achieved through the development of small entrepreneur groups and community-based initiatives, with a keen focus on securing market access. Importantly, the cooperative takes into account market demands during the planning and production phases of its microenterprise activities. Additionally, in order to foster positive relationships with clients, the management actively cultivates personal connections, constructs business maps and guidance systems, and endeavors to build trust within the community. Their active participation in the social fabric of the community further emphasizes their commitment. Collectively, these proactive and creative strategies denote a positive approach towards fulfilling the role of a disruptive financing model (Interview with Mr. Juanda Djamal, Saree, Aceh Besar, August 10th, 2017).

The top officers of the cooperative express a positive outlook regarding the potential positive impact of the provided financing on the economic development aspects of their clients. Furthermore, their optimism extends to the future prospects of the sector as a whole. However, the persistent challenge of ensuring fund sustainability remains a significant concern for future development (Interview with

Mr. Husaini Ismail, Saree, Aceh Besar, August 11th, 2017).

The management emphasizes that financial inclusion is explicitly outlined in the cooperative's objectives. This underscores their unwavering commitment to playing a pivotal role in fostering financial inclusion from the very inception of the cooperative, and this commitment remains unchanged to this day. It's worth noting that the target demographic for financial inclusion comprises individuals from rural communities, those affected by natural disasters, and individuals actively seeking an alternative financing model apart from traditional banking. From their perspective, the management believes that the performance of the cooperative's financing endeavors is positive and holds the potential to effectively contribute to the objectives of financial inclusion (Interview with Mr. Husaini Ismail, Saree, Aceh Besar, August 11th, 2017).

To expand their reach to clients, the cooperative has also been actively developing small groups of entrepreneurs. This approach enhances financial inclusion by providing opportunities for individuals who may not be able to engage in business activities independently for various reasons. The management acknowledges that fund availability and sustainability are common challenges faced by financial institutions, including the cooperative. Nevertheless, they identify positive impacts in terms of economic development resulting from their financial inclusion objectives (Interview with Mr. Rizal Ayub, Saree, Aceh Besar, August 8th, 2017).

Cooperatives such as Beng Mawah, in contrast to other Islamic financial institutions like Islamic banks, operate with fewer constraints. Due to their less stringent regulatory framework compared to the banking sector, cooperatives are more accessible to individuals who face limitations in obtaining financing through traditional banking channels. Typically, these individuals comprise economically disadvantaged populations. Consequently, cooperatives assume a pivotal role in facilitating financial inclusion, a role that can have a profoundly positive impact on economic development and poverty reduction. Additionally, it's noteworthy that the non-performing financing (NPF) rate of the cooperative stands significantly lower than that of Islamic rural banks, specifically in the year 2016. While Islamic rural banks reported an NPF rate of 8.63%, the cooperative recorded an NPF rate of merely 4.64% (OJK, 2017). This study demonstrates that the cooperative's financial inclusion efforts, targeting impoverished communities, yield positive outcomes for economic

development, and this outcome is underpinned by the optimism and convictions of the cooperative's top management.

In light of the preceding discussion, several conclusions can be drawn. Beng Mawah assumes a pivotal role as a disruptive model of Islamic financing, contributing positively to the economic development of rural communities in the Subdistrict of Lembah Seulawah, Aceh Besar District, Aceh, Indonesia. Consequently, it has the potential to make substantial contributions to poverty alleviation in rural areas. Furthermore, the *mudarabah* financing scheme adopted by the cooperative offers competitive advantages in terms of performance when compared to the banking model. Given its community-based orientation, it effectively mitigates constraints associated with *mudarabah* arrangements in the banking sector. Likewise, the cooperative's focus on providing financial access to impoverished individuals surpasses the capabilities of the traditional banking model in the broader campaign against poverty eradication.

The survey encompassed 50 respondents, although five of them clarified that they held membership in the cooperative but had never availed financing, reducing the effective sample size to 45 individuals. Impressively, a substantial 82.22% of this sample cited Beng Mawah as their primary source of income. This statistic strongly implies that Beng Mawah plays a noteworthy role in deepening the financial landscape within the community.

Among those whose primary income did not originate from financing, three respondents declined to provide specific details. The remaining five individuals derived their main income from various sources, including government employment, teaching, and retirement backgrounds. Notably, the survey unveiled a surprising trend: none of the respondents reported a divorced status. This initial observation suggests that a majority of community members originate from harmonious family settings (Budiman, 2021), a topic that will be further explored in the examination of financing's impact on family life.

A gender-based comparison of individuals receiving financing reveals a slight disparity, with males constituting 53% of the population. To frame this within the context of productive ages, typically defined as spanning from 18 to 65 (T. J. Woofter, 1973), it becomes evident that all financing recipients fall within this

productive age bracket. Additionally, more than 67% of respondents are categorized as individuals of reproductive age (Canudas-Romo, 2014). In light of the potential positive impact of financing, this demographic distribution could potentially lead to an increase in natality rates.

Education-wise, the majority of the population, a substantial 78%, reported no university education. Notably, 4% of respondents did not even complete their primary education. Furthermore, it is unsurprising that all respondents identified with the Islamic faith, given Aceh's reputation as the province with the highest Muslim population in Indonesia.

The reliability of the data utilized in this study was assessed using Cronbach's alpha, a measure commonly employed to gauge the internal consistency of questionnaire items. The resulting reliability statistic for all items in the questionnaires was calculated at 0.743. This value, surpassing the threshold of 0.7, indicates that the data was indeed reliable (Riwajanti, 2013).

Table 1. Reliability Test

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.743	.759	72

It is evident that the skewness ratio is calculated as $1.681/0.354 = 4.749$, while the kurtosis ratio is calculated as $3.930/0.695 = 5.655$. Since both the skewness and kurtosis ratios do not fall within the range of $-2 < x < 2$, it can be concluded that the assumption of normality is not satisfied as showed. Thus, the Normality Assumption test indicates that the appropriate statistical test to be employed is a Non-Parametric Test.

Table 2. The Assumption of Normality

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	45	-1.87790	4.09989	.0000000	1.20359689	1.681	.354	3.930	.695
Valid N (listwise)	45								

Further this study delves into the examination of the disruptive financing model offered by Beng Mawah through the utilization of two statistical tests and one regression model. The non-parametric tests, namely the Mann-Whitney U Test (MWU) and the Kruskal-Wallis Test, have been employed to scrutinize the potential correlations between specific subgroups or control variables and the business challenges faced. Additionally, a linear regression model has been applied to investigate the relationship between the prosperity of the community and the role of Beng Mawah.

While the preceding section unearthed indications of noteworthy business challenges, the primary objective of this section is to elucidate these correlations within the confines of the available space. As depicted in Table. 3, the results of both tests, conducted at a confidence level of $p=.05$, unveil statistically significant differences exclusively within the subgroup of total workers after financing ($p=.031$) concerning production issues. In the context of financial problems, Table 4 demonstrates that, at a confidence level of $p=.01$, statistically significant differences are also observable in the subgroup of total workers after financing ($p=.009$).

Furthermore, with regard to marketing challenges, Table 5 discloses statistically significant differences at a confidence level of $p=.10$, once more within the same aforementioned subgroup ($p=.067$). It is noteworthy that both tests fail to identify any statistically significant differences among subgroups categorized by business area, alternative sources of income, and the field of business, in relation to production, finance, and marketing issues. Moreover, across all subgroups, no statistically significant differences are discernible in response to bookkeeping and management difficulties. Additionally, it is essential to highlight that the highest mean rank signifies the least pronounced problems (refer to Tables 6 and 7).

Table 3. MWU Test and KW Test: Production Problems

Variable	Subgroup	N	Mean Rank	z,	Asymp. Sig. (p)	Effect size
Production	Area of Business					
	Rural	42	22.38	-1.388	0.165	-0.207
	Urban	3	31.67			
	Total N	45				
	Other Sources of income					
	Civil Servant/Government Officials	0		0.669	0.539	0.247
	Employee in Private company	0				
	Private Teacher/Lecturer	2	3.25			
	Professional	1	2.00			
	Retired	3	4.17			
	Others	0				
	Total N	6				
	Business Field					
	Trade/shops/retail	20	23.70	-0.795	0.416	0.040
	Manufacturing/craftsman	6	27.50			
	Services	0				
	Transportation	0				
	Agriculture					
	services/forestry/stock breeder	19	20.84			
	Food production	0				
	Total N	45				
	Number of Labour After Financing					
	< 2 persons	24	24.83	-2.161	0.031	0.348
	2-3 persons	7	33.43			
	4-5 persons	2	16.75			
	6-7 persons	5	17.50			
	8-9 persons	3	11.83			
	> 10 persons	4	12.13			
	Total N	45				

Table 4. MWU Test and KW Test: Finance Problems

Variable	Subgroup	N	Mean Rank	z,	Asymp.Sig. (p)	Effect size
Finance	Area of Business					
	Rural	42	22.38	-1.200	0.230	-0.179
	Urban	3	31.67			
	Total N	45				
	Other Sources of income					
	Civil Servant/Government Officials	0		0.424	0.753	0.114
	Employee in Private company	0				
	Private Teacher/Lecturer	2	3.25			
	Professional	1	2.50			
	Retired	3	4.00			
	Others	0				
	Total N	6				
	Business Field					
	Trade/shops/retail	20	23.95	-0.498	0.876	0.006
	Manufacturing/craftsman	6	23.17			
	Services	0	0			
	Transportation	0				
	Agriculture services/forestry/stock breeder	19	21.95			
	Food production	0				
	Total N	45				
	Number of Labour After Financing					
	< 2 persons	24	25.06	-1.890	0.009	-1.890
	2-3 persons	7	31.00			
	4-5 persons	2	5.75			
	6-7 persons	5	22.40			
	8-9 persons	3	15.17			
	> 10 persons	4	11.88			
	Total N	45				

Table 5. MWU Test and KW Test: Marketing Problems

Variable	Subgroup	N	Mean Rank	z,	Asymp. Sig. (p)	Effect size
Marketing	Area of Business					
	Rural	42	22.37	-1.260	0.208	-0.188
	Urban	3	31.83			
	Total N	45				
	Other Sources of income					
	Civil Servant/Government Officials	0		0.424	0.311	0.467
	Employee in Private company	0				
	Private Teacher/Lecturer	2	3.25			
	Professional	1	2.00			
	Retired	3	4.17			
	Others	0				
	Total N	6				
	Business Field					
	Trade/shops/retail	20	21.95	0.461	0.882	0.882
	Manufacturing/craftsman	6	23.92			
	Services	0	0			
	Transportation	0	0			
	Agriculture services/forestry/stock breeder	19	23.82			
	Food production	0				
	Total N	45				
	Number of Labour After Financing					
	< 2 persons	24	24.75	-1.766	0.067	0.234
	2-3 persons	7	31.93			
	4-5 persons	2	24.75			
	6-7 persons	5	12.70			
	8-9 persons	3	14.00			
	> 10 persons	4	15.63			
	Total N	45				

Table 6. MWU Test and KW Test: Bookeeping Problems

Variable	Subgroup	N	Mean Rank	z,	Asymp. Sig. (p)	Effect size
Bookeeping	Area of Business					
	Rural	42	23.32	-0.633	0.527	-0.094
	Urban	3	18.50			
	Total N	45				
	Other Sources of income					
	Civil Servant/Government Officials	0		-0.637	0.519	0.263
	Employee in Private company	0				
	Private Teacher/Lecturer	2	4.50			
	Professional	1	2.00			
	Retired	3	4.00			
	Others	0				
	Total N	6				
	Business Field					
	Trade/shops/retail	20	21.25	0.842	0.701	0.016
	Manufacturing/craftsman	6	23.58			
	Services	0	0			
	Transportation	0	0			
	Agriculture services/forestry/stock breeder	19	24.66			
	Food production	0				
	Total N	45				
	Number of Labour After Financing					
	< 2 persons	24	25.85	-2.007	0.264	0.147
	2-3 persons	7	27.29			
	4-5 persons	2	14.75			
	6-7 persons	5	16.70			
	8-9 persons	3	18.00			
	> 10 persons	4	14.13			
	Total N	45				

Table 7. MWU Test and KW Test: Management Problems

Variable	Subgroup	N	Mean Rank	z,	Asymp. Sig. (p)	Effect size
Management	Area of Business					
	Rural	42	23.26	58.000	0.609	-0.094
	Urban	3	19.33			
	Total N	45				
	Other Sources of income					
	Civil Servant/Government Officials	0		-1.273	0.133	0.808
	Employee in Private company	0				
	Private Teacher/Lecturer	2	5.50			
	Professional	1	1.50			
	Retired	3	2.83			
	Others	0				
	Total N	6				
	Business Field					
	Trade/shops/retail	20	20.38	1.342	0.409	0.041
	Manufacturing/craftsman	6	22.67			
	Services	0	0			
	Transportation	0	0			
	Agriculture services/forestry/stock breeder	19	25.87			
	Food production	0				
	Total N	45				
	Number of Labour After Financing					
	< 2 persons	24	26.06	-1.784	0.254	0.150
	2-3 persons	7	24.00			
	4-5 persons	2	13.25			
	6-7 persons	5	11.50			
	8-9 persons	3	22.83			
	> 10 persons	4	22.25			
	Total N	45				

To assess the relationship between the cooperative and the enhancement of community prosperity, a linear regression model has been employed. Table 8 presents the Durbin-Watson statistic, which stands at 2.286 with a significance level of $p=.000$, signifying a correlation among subsequent observations (Karadimitriou & Marshall, 2017). Furthermore, the adjusted determinant coefficient, valued at 0.503, indicates that over 50% of the variation in community prosperity can be attributed to Beng Mawah.

The findings showcased in Table 9 reveal statistically significant correlations, at a confidence level of $p=.001$, between net income and both net income before financing ($p=.000$) and money borrowed ($p=.067$), based on a confidence level of $p=.010$. These results suggest that Beng Mawah indeed plays a constructive role in augmenting community prosperity

Table 8. Observation Summary of the Impact of Beng Mawah on Prosperity
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.725 ^a	.526	.503	1.23523	.526	23.275	2	42	.000	2.286

Predictors: (Constant), Net Income after financing, money borrowed (financed)
Dependent Variable: Net income after financing

Table 9. Linear Regression of the Impact of Beng Mawah on Prosperity

Coefficient s ^a													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.944	.561		3.469	.001	.813	3.076					
	Money borrowed	.306	.163	.216	1.878	.067	-.023	.636	.451	.278	.200	.853	1.172
	Net income before financing	.683	.128	.614	5.340	.000	.425	.942	.697	.636	.567	.853	1.172

a. Dependent Variable: Income after financing

As evidenced by the empirical findings in this section, Beng Mawah assumes a pivotal role in fostering financial inclusion and deepening within the community.

Notably, since its inception, Beng Mawah has been instrumental in advancing financial inclusion for women. This disruptive financing model, characterized by its absence of collateral asset requirements, has been a catalyst for financial inclusivity among rural inhabitants. Furthermore, it serves as an alternative financing avenue for those seeking instruments aligning more closely with Shariah principles.

In tandem, Beng Mawah's disruptive financing role contributes to the diversification of business sectors, thereby expanding the conventional practice of the Mawah concept. Additionally, Beng Mawah plays an integral part in enhancing the economic and social well-being of the community, thus aligning with the objectives of the Sustainable Development Goals (SDGs). These findings underscore the conclusions drawn from the qualitative analysis presented in the preceding section. Nevertheless, notable business concerns persist, necessitating a reinforced commitment to strengthening human resources and providing enhanced social provisions for the community.

CONCLUSION

An empirical investigation into the Two-Tier Mudarabah, or Profit and Loss Sharing (PLS) scheme of financing, has encountered limited enthusiasm due to the dearth of financial institutions aligning with the initially proposed and coveted Islamic financing model. In the province of Aceh, Indonesia, Mudarabah, locally known as Mawah, has been institutionalized within the cooperative framework, fashioning a structure known as Beng Mawah. The primary objective of this article is to scrutinize the multifaceted role of Beng Mawah as both a disruptive and collaborative business model, delving into its intricate economic ramifications while contributing substantively to the cause of financial inclusion and the broader economic advancement of the contiguous community. In pursuit of these objectives, this article embarks upon an extensive exploration, commencing with two comprehensive sections of literature review. These sections are dedicated to the profound themes of Islamic moral economy and the trajectory of Islamic finance development, spotlighting Indonesia and, with particular emphasis, the province of Aceh.

The examination of Beng Mawah's multifarious roles as a disruptive financing model, vis-à-vis its impact on financial inclusion and economic development within the

community, unfolds in the ensuing two sections, employing a blended methodology that encompasses qualitative and quantitative approaches. The discernible impacts are outlined as follows:

- i. Beng Mawah emerges as a pivotal catalyst in advancing financial inclusion and instigating financial deepening within the community.
- ii. Remarkably, Beng Mawah has been a steadfast contributor to the cause of financial inclusion for women from its inception.
- iii. The disruptive financing model, characterized by its remarkable departure from the traditional collateral asset requisites, substantially bolsters financial inclusion within the rural community.
- iv. This financial inclusion role assumes a compelling identity as an alternative financing avenue for those who seek instruments more attuned to Shariah compliance.
- v. The disruptive financing role undertaken by Beng Mawah extends to diversifying the ambit of business domains within the conventional purview of the Mawah concept.
- vi. Notably, Beng Mawah has effectuated a tangible upliftment of the poverty threshold among its community members.
- vii. Concomitantly, Beng Mawah significantly contributes to enhancing the economic and social prosperity of the community, firmly anchoring its development endeavors within the overarching framework of the Sustainable Development Goals (SDGs).
- viii. It is worth highlighting that despite its formal characterization as a non-Islamic financial institution, Beng Mawah intrinsically embodies the tenets of Islamic finance, meriting recognition as an indigenous and commendable model of an Islamic finance institution.

The findings of this investigation substantiate the proposition that disruptive enhancements in financial inclusion, particularly targeting the underprivileged segments of the community, yield discernible positive repercussions vis-à-vis the amelioration of prosperity, the advancement of economic development, and the mitigation of poverty (M Asutay, 2010; Riwayatanti, 2013; Riwayatanti & Asutay, 2015). In effecting these improvements in prosperity, economic development, and poverty

alleviation within rural communities, this intrinsically Islamic model of financial practice possesses the potential to mitigate pronounced inequality, particularly in the context of Indonesia, and, by extension, on a global scale. It is noteworthy, however, that this ethos runs counter to the tenets of mainstream neoclassical economics, which have historically eschewed the promotion of equity as a foundational objective (Chapra, 2003).

It is incumbent upon us to acknowledge that Beng Mawah is confronted with an exigent need to bolster its human resources base to fortify its management capabilities. This exigency is placed in a broader context, recognizing that in Indonesia, cooperative institutions do not wield the same allure for highly qualified graduates as their counterparts in countries such as Germany (Sukidjo, 2008). Furthermore, it is imperative to underscore that pressing concerns related to business challenges demand our earnest consideration and proactive addressal.

Upon reflection, it is prudent to recommend that Beng Mawah steadfastly adhere to its core objectives, which are primarily centered on community-driven financing endeavors. Furthermore, it is imperative that Beng Mawah undertake measures to enhance its managerial capabilities, ensuring the acquisition of sufficient resources to facilitate its operations effectively. Additionally, the provision of comprehensive training and support services for the community is a salient recommendation aimed at mitigating the myriad challenges faced by local enterprises.

In alignment with these suggestions, it is highly advisable for the government to fortify the cooperative sector's role, thereby addressing the prevalent issues concerning financial inclusion and community economic development. Cooperatives, by their very nature, resonate with the ideals enshrined in national constitutions, particularly in the pursuit of social justice and the equitable distribution of prosperity.

Given Indonesia's ambitious vision to establish itself as a global hub for Islamic finance, there exists a compelling need to glean insights from the current practices of Islamic financial institutions (IFIs). These practices have garnered criticism from numerous scholars due to their perceived deviation from the noble objectives of Islamic economics (Hamid, Majid, & Khairunnisah, 2017; Kismawadi, 2023b). Transactions rooted in debt-based paradigms, as borrowed from conventional banking practices, have failed to align with the overarching goal of fostering equally

prosperous communities as espoused by Islamic economics (Hafas Furqani, Fuad, & Hamid, 2015). Consequently, whether on a global or national scale, yawning disparities among citizens have engendered a profound threat to sustainable development. This introspective failure compels Indonesia to undertake a fundamental reevaluation of its approach to Islamic finance.

Beng Mawah, by successfully resuscitating the erstwhile model of two-tier *mudarabah*, as exemplified by Egypt's *Mit al-Ghamr* (M Asutay, 2013), provides a noteworthy illustration of this paradigm shift. Remarkably, while not overtly professing itself as an Islamic institution, it intrinsically aligns with the aspirational tenets of Islamic economics. Thus, it is imperative that a concerted effort be made to delve deeper into the indigenous reservoirs of traditional Islamic financial practices, such as *mawah*, which have enduringly underpinned business transactions among the Acehnese people (Kamal, Muslem, Mulyadi, Kassim, & Zulkifly, 2022). Beng Mawah stands as a tangible testament to the potential of civic initiatives in reimagining and implementing these authentic Islamic modes of financing in a contemporary milieu. Furthermore, Beng Mawah serves as a poignant exemplar, demonstrating how this practice has been instrumental in elevating the prosperity of rural communities, despite grappling with the constraints inherent to non-governmental entities, including limitations in both financial and non-financial resources.

It is incumbent upon the government, endowed with abundant resources, to seize this opportune moment and reignite the objectives championed by Islamic economics. By reintroducing this authentic mode of Islamic financing, the government can effectively catalyze economic growth in alignment with the fundamental ideals espoused by Islamic economics.

Numerous constraints were encountered during the course of this research, which somewhat constrained the in-depth exploration of the objectives delineated within this article. These constraints primarily encompassed issues related to scheduling, spatial considerations, and geographical impediments, all of which collectively contributed to the limitations that have been observed within this study.

In light of the geographical context governing the survey's sampling locations, concerted efforts were earnestly undertaken to optimize the utility of the

questionnaires. Regrettably, these arduous endeavors did not yield the anticipated level of optimal output. Consequently, it is strongly advocated that future research endeavors should be undertaken to further enhance the responsiveness and efficacy of the questionnaire-based data collection process. This imperative represents an avenue for potential improvement in subsequent research initiatives.

Moreover, future research endeavors hold the promise of extending and amplifying the investigative scope initially broached in this article. These prospective studies may delve into additional facets of economic factors, with particular emphasis on the intricate realm of risk management. Such inquiries have the potential to furnish valuable insights into the cooperative's performance and the attainment of sustainable financing, thereby enriching the existing body of knowledge in this domain.

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Interviews with top officers:

Interview with Mr. Rizal Ayub, Saree, Aceh Besar, August 8th, 2017

Interview with Mr. Juanda Djamal, Saree, Aceh Besar, August 10th, 2017

Interview with Mr. Husaini Ismail, Saree, Aceh Besar, August 11th, 2017