

The Role of Islamic Ethic Investment in Aceh

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Abstract

Investment has important role in economic development of Aceh. However, many investors tend to violate the work ethics while working with the entrepreneurs and local government. This study aimed to observe The Role of Islamic Ethic for Synergy Form and Domestic Investment Contribution among the Entrepreneurs and Government of Aceh. This is a qualitative descriptive study using survey method. The respondents were entrepreneurs and local Government of Aceh. The results of this study show that the Islamic ethic has important role in forming work synergy between the entrepreneurs and Aceh Government contributing to the investments in Aceh.

Keywords: Islamic Ethic, Investment

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Introduction

Investment has a close relationship with entrepreneurs and their business. Kaufman defines entrepreneurship as a transformation from an innovation to a valuable and sustainable business (Fathurrahman, 2018, p. 395). It can be said that the entrepreneurs play an important role to develop their region and country. Investment is commitment to resist and withstand in the amounts of fund with the purpose to obtain benefits or advantages in the future (Pardiansyah, 2017, p. 345). Investment is suggested in *Islam* because it helps to equalize income and increase the economic (Putra, 2018, p. 47). *Islamic* investors have a range of choices when constructing a financial portfolio.

These include interest-free bank deposits, investments in Islamic unit trusts and investment companies, private placements in *Muslim* businesses, and investments in conventional institutions or businesses which deploy funding from Islamic investors on *balal* basis. Options regarded as *haram* include conventional bank savings and investment deposits, the purchase of interest yielding bonds, and the acquisition of shares in companies involved in alcohol production or distribution or in pork products.

The Aceh is one of the provinces which has the speciality in running its government, district, and province system. implementation of government system in Aceh provides right for special autonomy according to Law Number 11 in 2006 about Aceh Government Efforts to develop Aceh, one of which is by inviting foreign investors to invest their capital in Aceh. Article 165-chapter 2 Law Number 11 in 2006 mentions that local government of Aceh can proceed foreign investors' interests and allow to manage the legalization or permission related to investments in form of domestic capital investment, foreign capital investment, and export and import by following the norms, standards and nationally procedural laws.

Islamic investment procedures are governed by ethical principles. Since there is no guarantee or protection for investors, they tend to violate ethics between the entrepreneurs and the government due to the substantial costs spent before the investment is made. It is convenient for investors to invest and pay the required erroneous fees, but it is challenging to support the investment due to the bureaucracy. In Aceh, the delay

in starting up the investment is often linked to the bureaucracy matters. Ethical investors are not only concerned about the financial returns on their portfolios and the risks involved, but they also pay attention to the characteristics of the companies in which the funds are placed (Pardiansyah, 2017, p. 339). This involves the nature of the company's goods or services, the location, and the culture. The strategy for ethical investment can either be positive or negative. The former being supportive of companies that are particularly approved of in terms of their products, activities, and business methods (Wilson, 1997, p. 1326; Rahmah & Misbah, 2019, p.31)

Moreover, there will be a party with inappropriate product and business activity which takes benefits from investment as tools to obtain money from the community. According to Irkhami (2010) Islamic ethical investment is a part of investment activities embracing moral and religious values, as well as profit and morality. Basically, it is a way for investors who want to get investment income from the right sources and religiously acceptable (*syar`i*). Hence, the realization of *Shar'iah* values is the main goal. Selection process will remove various stocks with illegal activities such as *usury*, *gharar*, alcohol, gambling, pork, tobacco, and so on.

Indonesian people, that are predominantly Moslem, tend to apply Islamic values in their work lives. These believed values can influence or direct a person's behavior. Work ethics in Islam is known as the Islamic Work Ethics (IWE). Islamic Work Ethics values are positively work-oriented and balance the individual and the social life (Sugiyanto, K, Rahman, & Santoso, 2020, p. 319). Ethics is a part of philosophy discussing values, norms, and morality rationally and critically. Business ethics are a set of guidelines for entrepreneurs based on moral standards that are employed as requirements in decision making and problem-solving (Suryana & Pasundan, 2016, p. 163). Ethic basically is the commitment to conduct what is the right thing and avoid the wrong thing. For better development, the local government of Aceh should change and embrace better investment ethics as they have social responsibility towards the investment in Aceh. Zulfikar (2020, p. 182) highlights that the dilemma of human resources is a classic problem that is mostly found in all sectors of government. Cowton (2009, p. 178) explains that the use of ethical and social criteria in selecting and managing investment portfolio generally consists of company shares. Philosophy of con-

ventional economic investment behavior has more demand on market power which is different from the philosophy of ethical investment.

Syari'ah investment is an investment conducted based on *syari'ah* principles at the real and finance sectors. Investment provides benefits for many parties, not only a party (Chaidir&Razak, 2019, p.4). Islamic ethical investment is a part of investment activity considered ethical values and religious norms. *Islamic* ethical investment concept has developed *muamalah* concept that is based on both material and immaterial benefits. Besides, *fiqh* of environment (ecology) and *fiqh* of economic-social (eco social) became issues at the beginning as Aceh is the only in region implementing such an investment. This also makes Aceh getting less attention from investors.

Methods

This study used descriptive quantitative aiming to describe the condition objectively by using numbers. The study entailed data collection, data analysis and interpretation, and discussion of the results (Arikunto, 2010, p. 282). The data collection first started by doing an unstructured observation. Then, survey and visitation (participatory) to a number of related agencies which fulfill the requirements as participants were undertaken. Finally, the data of this study were mainly obtained from interview and questionnaires given to 29 respondents involving local government of Aceh and several entrepreneurs' associations which own investment authority in Aceh.

Results and Discussion

The application of *Islamic* ethics towards investment in Aceh is relatively good. The government services for investment have been functioned, and the government's regulatory function has followed national rules, but sometimes there are some regulations that do not please investors/entrepreneurs. Hence, they tend to break the regulations that have been imposed by the government. Besides, the application of regulations is sometimes still overlapping with the national regulations. The government should ensure the efficiency of bureaucracy while the application of *Islamic* ethics should demonstrate good efforts in managing the investment such as the use of investment funds that are in accordance with the plans and the ego-sectoral aspects for both government and entrepreneurs. Furthermore, there are several applications of Islamic eth-

ics such as good waste management to protect the environment despite the existence of conflicts within the community. The government should also terminate cooperation for entrepreneurs who do not pay attention to social and environmental concerns. The research resuted by Ismaeel & Blaim (2012, p.090) explain *Islamic Ethic Invesment in Aceh* Islam allows and accepts different levels of ethical commitment. A multi-level Islamic ethics framework and a multi-level halal certification approach are proposed to facilitate the implementation of Islamic business ethics in a relative context. Two major developments can enrich halal business practices: harmonization of global standards and governance structure, and integrating responsibility and ethical issues in halal standards.

Table 1 describes that Muslim entrepreneur and government has implemented good ethic in the implemetation of investment in Aceh. However, there is still a lack in its implementation. There was 10% of answer mentioning that Aceh government still does not apply the priciple of avoiding bribery or illegal fees in doing investment transaction. This means that there are still corruption practices going on in its implementation and transaction. Although the government attempted to provide better service in the investment implementation, due to birocration matter, many investors tend to feel burden and reluctatant to participate.

According to Revinda (2014, p. 102), theoritically are three functions of birocracy in both local and national government. First, it functions as service provider, where it has direct relationship with the society as they need to provide services. Second, it plays development and adaptive functions, where it collaborates with other governmental units to create development. Third, it plays a role in governance, where it helps to regulate and keep peace. The government should gradually plan, implement, and supervise the system of birocracy involving their resources in order to achieve the goals. Likewise, a study elated to investment service model conducted in Medan also showed similar results. It implemented Top-Down investment model, and was not resposive enough towards the local people's and gender's needs. The services in Medan need improvement in terms of staff's discipline, fast response, and hospitality in providinng services. Besides, there was a gap between the deteminant and requested fees when handling the services. In order to speed up the investment process, the government facilitates

business actors by providing a quick and accurate assistance to investors related to regulations, issuance of permits, and other services.

Table 1. Respondents' Perception about Islamic Ethic Investment in Aceh

No	Statement	Very Good (%)	Good (%)	Good Enough (%)	Not Good (%)
1	Islamic ethics in the bureaucracy of service and documentation of real investment in Aceh province	13	51.7	13.8	3.5
2	Ethics of services at the department of capital investment and Investment Permission of Aceh Province	17.2	62.1	17.2	3.5
3	The ethics of the Aceh government and entrepreneurs regarding discrimination that occurred while the process of documentation service of transactions in the real sector	13.8	55.2	24.1	6.9
4	The transparency of cost/budget at the Department of capital investment and Investment Permission of Aceh Province	17.2	62.1	17.2	3.5
5	The ethics of the Aceh government/ entrepreneur regarding regulationstion that give the easiness and convenience in investment activity	17.6	51.7	17.2	3.5
6	The ethics of the Aceh government are about clear and straight to the target agreement/contract for related parties at the investment permission process.	25.9	59.3	11.1	3.7
7	The ethic of the Aceh government about the principle to avoid the bribery practice or illegal fees ongoing process of real investment transactions in Aceh	10.3	51.7	27.6	10.3

The utilization of natural resources is in accordance with the priority sectors offered by the government to investors. The

investment prospects that the government offers are supported by government policies to achieve Indonesia as a country with a maritime power, with a large maritime area with abundant natural potential. The business actors should also implement *Islamic* ethics during the investment. Entrepreneurs should be reliable, original, people-oriented, result-oriented, future-oriented, and risk taking (Fathurrahman, 2018). According to (Furqani, Adnan, & Mulyany, 2020 p. 449) It is found that the ethical commitment of individuals (as envisaged in the micro-foundations of Islamic economics) would bring socio-macro implications in the practical realm. The micro-foundations of Islamic economics would function as the basis of the economic explanation of the aggregate relationship of individual, state and society. It also serves as the basis in explaining socio-macro dynamics influencing individuals, society, as well as organizations and institutions.

Both entrepreneurs and local government should obey religious norms when investing in Aceh (Prasetyowati, Yunus, Rodoni, & Amilin, 2021, p.92). It is believed that values can influence or direct a person's behavior (Sugiyanto K.Rahman T & Santoso., 2020, p. 319). Religious people are those following the *Islamic* rules: *Al-qur'an* and *Hadits*. When someone is religious, he tends to implement Islamic ethics in every action, including investment. As Acehnese are predominantly Moslem, they tend to apply *Islamic* values in their work lives.

Beside that, the tabel 2 shows the synergy between entrepreneurs' ethics and Aceh local government is balanced, and is very good. A synergy concept is suggested by Penta Helix Model (Lindmark, Sturesson E & Ross M, 2009 p. 29), highlights that a success is determined by synergy and strong commitment among the authorities in doing collaboration (Faridho Awwal, Wahyu, Rini, 2019, p.1 59). Institutional investors devote considerable resources to their stock selection efforts (Ismail, Khalil, Safieddine, & Titman, 2019, p. 344). Therefore, the main deterrents of disclosing synergy values are lack of precise information on synergy values available to bidding firm management, and shareholder litigation risk (Dutordoir, Roosenboom, & Vasconcelos, 2014, p. 89). It can be stated that government and entrepreneurs have good synergy. It

is means that both of them are able to build productive cooperation and partnership in investment. In line with this, define synergy as a process of interaction between two or more agencies to produce a bigger blending.

Table 2. Respondents' Perception about Synergy of Investment in Aceh

No	Statement	Very Good (%)	Good (%)	Good Enough (%)	Not Good (%)
1	Ethics of Aceh government rule and entrepreneurs who gave the positive result for investment in Aceh.	34.5	37.9	24.1	3.5
2	The existing similarity of paradigms between entrepreneurs and a government in the development of investment in Aceh	20.7	51.7	24.1	3.5
3	Good cooperation between the government and entrepreneurs in the development of investment in Aceh	27.6	51.7	17.2	3.5
4	Effectiveness of government an entrepreneur's role in investment in Aceh	27.6	34.5	34.5	3.4
5	The granting of business licensing facilities to investors	27.6	44.8	20.7	6.9
6	The existing technical obstacles in realizing the investment	6.9	55.2	20.7	17.2
7	The Cooperation agreement in the effort to create a good of investment climate	10.3	55.2	31	3.5

The influence of individuality from different paradigms will manifest bigger and more effective results when achieving the goals together. Synergy means appreciating and respecting each other's ideas and opinions and being able to share with each other. It has the purpose to connect the separate parts.

Local government and entrepreneurs should possess strong and good synergy. When two businesses are integrated, the sum of the whole is greater than that of the constituent parts (Mcgee, 2014, p.

2). It is popularly described as “ $2+2=5$ ”. However, the concept lost its credibility when expected synergistic effects were found to be elusive, and in many situations, it became “ $2+2=3$ ”. In this case, the stronger the synergy between the local governments and entrepreneurs, the better and more investment will emerge. highlights that group performance outperforms the best group member working alone. Thus, the local government and entrepreneurs should work hand in hand for a better investment in Aceh. Every investment decision has three basic characteristics. First, the investment cannot be canceled and the costs incurred cannot be recovered. Second, the investment environment is uncertain or dynamic and changes over time. Third, the decision to invest or not, how long to invest, and how much to invest are important. People invest and trade more when they trust the parties. When individual or corporate investors are uncertain about the future of their investment, they do not want to invest their money (Ali, 2013, p. 1) . There are also some mistakes in synergy that cause the government and entrepreneurs to not be able to carry out their investments properly. According to Ficery, Herd, & Pursche (2007, p. 29) the six most common mistakes that acquiring executives make are: defining synergies too narrowly or broadly; missing the window of opportunity; incorrect or insufficient use of incentives; not having the right people involved in synergy capture; mismatch between culture and systems; and using the wrong process.

It is necessary to acquire government and private companies in carrying out this investment so that the synergy between the government and companies. According Holtström & Anderson (2021, p. 28) synergy is used as a concept in business networks. The framework offers a more dynamic perspective on acquisition processes and extends the view of acquisition performance beyond more financial and company internal aspects of acquisition processes. Further, the findings show that related companies such as customers and suppliers, play important roles in synergy realization. This synergy between entrepreneurs and the government must also be supported by social networks and good work networks in collaborating. Synergy indicators and social network analysis (SNA), as practical tools, provide the possibility of explaining the pattern

of scientific collaboration and visualization of network relations (Riahinia N, 2022).

Investment Contribution in Aceh

In terms of investment, entrepreneurs have made various forms of contributions to Aceh government. There are events and meetings held to remind each party of their obligations. The contributions have existed for a long time and the local government has prepared land and several buildings and industries that are still in the process. The government has provided alternative options where investors can invest with a more efficient analysis.

Table 3. Respondents' Perception about contribution at Investment in Aceh

No	Statement	Very Good (%)	Good (%)	Good Enough (%)	Not Good (%)
1	Participation of government and entrepreneurs in developing investment in Aceh	20.7	55.2	20.7	3.4
2	The role of government and entrepreneurs in investment design in Aceh	10.3	58.6	27.6	3.5
3	The Role of government and entrepreneurs in investment implementation in Aceh	10.3	48.3	34.5	6.9
4	The professionalism of government and entrepreneurs in investment implementation in Aceh.	10.3	44.8	37.9	6.9
5	The leadership of the Aceh government in managing the investment implementation	6.9	41.4	37.9	13.8
6	Increasing local government and central government coordination about investment.	18	55.2	27.6	3.4
7	Guarantee of business certainty for the investment climate which is efficient and supportive.	6.9	37.9	44.8	10.3

The table 3 shows good response as it has quite high score in each given question. Foreign investment gives significant contribution in the investment. It also affects local investment. Government and entrepreneurs have good contribution to the investment in Aceh,

meaning that the ethics have been well-implemented between by entrepreneurs and Aceh Government in increasing the real investments. When entrepreneurs and governments play their roles effectively, it will contribute to the increase of investment in Aceh. The contribution can be in the forms of avoiding *maysir*, *gharar*, and interests while doing the investment. There are many differences about whether or not speculation is allowed (Qizam, Ardiansyah, & Qoyum, 2018, p. 275). In *al-quran*, what is clearly forbidden is the activities of *maysir* and *gharar*. Investing companies may benefit from technology by participating in technological activities and by using appropriate technology or research and development (R&D) facilities in a host country (Zhao, Liu, & Zhao, 2010, p. 122). In addition, the government also maintains security stability, including maintaining applicable taxes. The Aceh government must provide the best service in its public governance, including investment so as to increase the level of public trust as in research (Hartanto, Dalle, 2021) policymakers and researchers regarding the public's perception of good governance and their expectations from the government, which further lead toward trust in local governments.

Conclusions

Islamic Ethic has important role in forming synergy and in domestic investment contribution between the entrepreneurs and Aceh Government. The research findings showed that Aceh has implemented Islamic syari'ah in a good way particularly in Economic sector. Islamic ethics in government and business investment has an impact on the smoothness of the investment itself. Investment will run very well if the government and entrepreneurs have a sense that investment is not only through the construction of facilities and infrastructure in the world but also accountability to God. Everything that is done in investment is for the benefit of the community at large so that the welfare of the people can be carried out.

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