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Innovative Profit-Sharing-Based Financing Innovations in Sharia Financial Institutions in Improving SME Competitiveness: Empirical Study on Business Actors in Aceh After the Implementation of Qanun LKS

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Abstract. *Following the implementation of the Qanun on Islamic Financial Institutions (LKS), this study seeks to examine the innovation of profit-sharing-based funding in Islamic financial institutions in enhancing the competitiveness of small and medium businesses (SMEs) in Aceh. In many districts/cities in Aceh, this study employs a quantitative approach using a survey methodology of SMEs who are clients of Islamic financial institutions. The impact of profit-sharing-based financing innovation on enhancing SME competitiveness was assessed using multiple linear regression models, with productivity, product differentiation, and market growth potential all being used as metrics. According to the findings, profit-sharing-based financial innovation has a clear and beneficial impact on enhancing the competitiveness of small and medium-sized enterprises. Digital Innovation (X_1) has the strongest influence with a regression coefficient of 0. 385 (Sig. 0. 000), to be exact. Hybrid Contracts (X_2) make a substantial contribution with a coefficient of 0. 294 (Sig. 0. 001), and Productive Partnerships (X_3) have a significant impact with a coefficient of 0. 315 (Sig. 0. 000). These advancements account for 45. 6% of the variation in the competitiveness of SMEs in Aceh, as shown by the Adjusted R Square value of 0. 456. Islamic financial institutions that employ creative strategies like digital-based musyarakah financing, hybrid contracts, and productive partnership models are able to improve SMEs' access to capital and operational efficiency. The implications of this study highlight the need to create flexible Islamic financial innovations in Aceh that are based on the demands of the actual sector in order to establish an inclusive Islamic economic environment.*
Keywords: *Profit-Sharing Based Financing, Digital Innovation, Hybrid Contracts, Productive Partnerships, SME Competitiveness*

1. Introduction

The Small and Medium Enterprises (SMEs) sector has an important role in the economy, especially in promoting economic inclusion and resilience in the regions. In Aceh Province, this sector entered a new phase after the implementation of Qanun Aceh Number 11 of 2018 concerning Sharia Financial Institutions (LKS). This rule has driven a total change in Aceh's financial system towards Islamic economic principles that emphasize values such as justice, partnership, and sustainability. This change requires Islamic Financial Institutions to not only switch to a new system but also provide financial instruments that better support the real sector. One of the instruments that best reflects the spirit of the Islamic economy is profit-sharing-based financing. In contrast to the conventional model or purchase and sale contract (murabahah) which has a fixed nature, profit-sharing financing provides flexibility and a more balanced risk sharing between financial institutions and business actors. However, in its implementation, the effectiveness of the profit-sharing system still faces various challenges, such as product innovation, the readiness of business people to adapt, and the efficiency of financial institutions in distributing productive financing.

The difference between the ideal theory of profit sharing and the reality on the ground is an important issue that affects the competitiveness of SMEs in Aceh. Some of the indicators used to measure the competitiveness of SMEs include productivity, product variety, and the ability to expand the market. Innovations in profit-sharing financing—such as the implementation of digital-based musyarakah, hybrid contracts, and productive partnership models—are crucial to improve access to capital and business efficiency for SMEs. The purpose of this study is to analyze how innovations in profit-sharing-based financing in LKS in Aceh can help increase the competitiveness of SMEs after the implementation of Qanun LKS. Using empirical studies on business actors in various regions in Aceh, this study is expected to describe the types of financing innovations that have emerged and evaluate their impact on strengthening an inclusive Islamic economic ecosystem in the Bumi Serambi Mecca.

Innovation in profit-sharing-based financing is an important part of reviving the function of Islamic banking in supporting the real sector. Hidayat and Taufik (2021) stated that financing that relies on profit sharing not only avoids exploitative practices that often occur in conventional systems, but also helps create a more sustainable financial system by sharing risks fairly. However, the implementation of this contract faces operational problems. Munir and Jauhari (2022) emphasized the importance of Islamic financial institutions having an advanced information technology system in order to monitor and supervise customers' business activities directly. Furthermore, Hutagalung and Firdaus (2024) found that mudharabah contracts have great potential to help SME growth, although they are still hampered by high risk views from banks. As a form of innovation, Halim and Safrudin (2024) emphasized that the sharia crowdfunding trend that uses mudharabah and musharakah contracts can be an inclusive funding solution for business actors that have not been reached by formal banks.

Access to sharia financing has an important role in increasing the growth and competitiveness of small businesses. In a study conducted by Nofrianto et al. (2021) and Ramadhanty et al. (2025), it was found that financing from Islamic banks has a significant positive influence on economic development, especially in productive sectors such as trade filled by SMEs. Pratiwi et al. (2021) stated that product innovation in Islamic banks is an important element to encourage business diversification and increase the economic resilience of SMEs at the regional level. In addition to capital, Ajustina and Nisa (2024) argue that a sustainable mushararakah financing model can improve business relationships and create a balance of value between banks and business partners. This is in line with the findings of Siregar et al. (2025) who revealed that combining sharia principles with managerial skills can strengthen the sustainability and competitiveness of SMEs in the digital age.

The implementation of Aceh Regional Regulation Number 11 of 2018 has drastically changed the financial order in Aceh. Zulfiyanda (2024) noted that this transition created a special situation where Aceh became the first region in Indonesia to implement a single Islamic banking system, thus forcing business actors to adapt quickly to a different profit-sharing and guarantee mechanism than the conventional banking system. Even so, the Dinas Koperasi, Usaha Kecil dan Menengah (Diskop Aceh) (2025) noted a significant increase in the number of MSME businesses after the Qanun, but still highlighted several structural obstacles, such as a low level of understanding of digital and limited access to capital for micro businesses. Obstacles from within the LKS in

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Aceh are also a concern. Putri and Musa (2025) stated that the lack of experts who are able to manage profit-sharing contracts and the inadequacy of technological infrastructure are the main obstacles in increasing support for local micro, small and medium enterprises. Innovations such as the use of financial technology by Bank Aceh Syariah, according to the analysis of Rozi et al. (2024), are expected to help reduce these disparities in access.

Framework

Based on the discussion that has been explained, the variables that can affect the competitiveness of SMEs in Aceh can be described in full in the framework of thought as shown in figure 1.

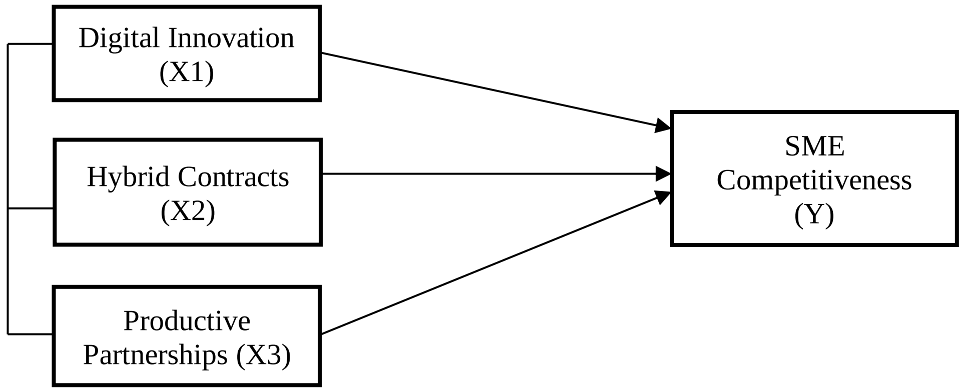

Figure 1. Framework

Research Hypothesis

Based on the theoretical framework and previous empirical studies, the following hypotheses were formulated to be tested:

H1: Digital-based financing schemes (digital innovation) has a positive and significant impact on the improvement of SME competitiveness in Aceh after the implementation of Qanun LKS.

H2: The use of hybrid contracts in profit-sharing financing has a positive and significant impact on the increase SME competitiveness in Aceh after the implementation of Qanun LKS.

H3: Model application productive partnerships between Islamic Financial Institutions and SMEs has a positive and significant impact on the improvement of SME competitiveness in Aceh after the implementation of Qanun LKS.

H4: Profit-Sharing Based Financing (digital innovation, hybrid contracts, productive partnerships, SME competitiveness) simultaneously have a positive and significant impact on the improvement of SME competitiveness in Aceh after the implementation of Qanun LKS.

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2. Methods

Research Approach and Design

This study uses a quantitative approach with a survey method. This approach was chosen in order to be able to test the impact of profit-sharing-based financing innovations on the ability of SMEs to compete. In addition, this study uses descriptive analysis to explain the various forms of profit-sharing based financing that emerged in Aceh after the implementation of Qanun LKS.

Population and Sample

The population in this study includes all small and medium business actors in Aceh Province who are customers of Islamic financial institutions. Samples were taken from business actors in various districts and cities in Aceh who use financing products based on sharia principles. The sampling technique uses *purposive sampling*, which is to select respondents based on certain criteria, such as having been a LKS customer for at least 1 year and using a type of profit sharing contract.

Data Collection

In this study, the data collection stage is very important to objectively understand the influence of Profit-Sharing Based Financing on SME competitiveness after the implementation of Qanun LKS in Aceh. Because this research is empirical, primary data is the main source.

Data Types and Sources

Primary data is data obtained directly from respondents, namely small and medium enterprises in Aceh, through questionnaires and observations in the field regarding the use of profit-sharing financing. Secondary data is supporting information obtained from the annual report of Bank Syariah Indonesia (BSI) in the Aceh region, Bank Aceh Syariah, statistical data issued by the Aceh Cooperatives and SMEs Office, as well as references from various literature that discusses the implementation of Qanun No. 11 of 2018.

Data Collection Techniques

To ensure accuracy and complete coverage, the study used the following techniques:

1. Questionnaire: The main tool consists of a list of pre-arranged questions, compiled using the Likert scale (1 to 5). The questionnaire was distributed in a hybrid manner:
    a. Online: Using Google Form to reach SMEs who have digital capabilities.
    b. Offline: Direct door-to-door visits to MSME centers in Banda Aceh, Aceh Besar, and Lhokseumawe to ensure that the response of the community is high enough.
    c. Guided Interview (Key Informant): Conducted with several important people such as leaders of Sharia Banks in Aceh and administrators of MSME organizations, in order to deepen understanding of the specific obstacles faced in profit-sharing innovation.
    d. Documentation: Collect records, Qanun regulations, and data on the distribution of mudharabah and musharakah financing funds in Aceh during the post-conversion period, namely 2021 to 2025.

2. Research Instruments (Questionnaire Matrix)
   The instrument is made based on the indicators that have been determined in the research method used.
   Data Collection Procedure
   a. Preparation stage: a questionnaire (pilot test) was conducted on 30 respondents in order to test whether the measuring tool was valid and measurable properly.
   b. Implementation Stage: searching for a broadly defined number of respondents according to a predetermined sample (e.g.: 100 to 200 people).
   c. Tabulation Stage: enter the data into a spreadsheet so that it can be cleaned (data cleaning) before regression analysis is carried out.

Data Analysis

Data analysis is the main step to proving the hypothesis that has already been made. Because this study uses quantitative methods, the analysis is carried out in stages with the help of statistical software such as SPSS or SmartPLS to process data from questionnaires given to small and medium enterprises in Aceh. The collected data will be analyzed using statistical software. Data analysis will include the following steps:

1. Descriptive Analysis: To provide an overview of respondent characteristics and the distribution of research variables. This analysis includes statistics such as mean, median, and standard deviation.
2. Classical Assumption Test: Includes normality, multicollinearity, and heteroscedasticity tests to ensure that the regression model used is valid and statistically qualified.
3. Multiple Linear Regression Analysis: This model will be used to test the research hypothesis mathematically. The regression equations to be used are:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Description:
Y : SME Competitiveness
X_1: Digital Innovation
X_2: Hybrid Contracts
X_3: Productive Partnerships
α : Konstanta
$\beta_{1,2,3}$: The regression coefficients of the variables X_1, X_2 and X_3.
ε : Error

3. Results and Discussions

Results

The following are the results of the normality assumption test as shown in Table 1 below.

Table 1. Normality Test (Kolmogorov-Smirnov)

Variabel	Statistics	df	Sig
Residual	0.072	150	0.200

Based on Table 1, the significance value (Sig.) for Residual is recorded at 0.200. Since this number exceeds 0.05, it indicates that the residual follows a normal

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distribution. Therefore, the assumption of normality can be considered fulfilled.

Table 2. Multicollinearity Test

Variabel	Tolerance	LIVE
Digital Innovation (X_1)	0.785	1.274
Hybrid Contracts (X_2)	0.812	1.232
Productive Partnerships (X_3)	0.750	1.333

Table 2 shows that the Tolerance obtained for the three independent variables (X1), (X2), and (X3) is greater than 0.10. At the same time, the VIF (Variance Inflation Factor) value remained below the 10 mark. These findings confirm that there is no multicollinearity issue in this regression model.

Table 3. Heterokesdasity Test

Variabel	Say.	t-statistic	Regression Coefficient
Digital Innovation (X_1)	0.124	1.524	0.085
Hybrid Contracts (X_2)	0.452	0.754	0.042
Productive Partnerships (X_3)	0.231	1.201	0.063

According to Table 3, the Significance value (Sig.) for all independent variables is above 0.05. This means that heteroscedasticity is not an issue within this model, so regression models can be considered valid for predicting dependent variables in the absence of disturbances in unstable residual variance.

Table 4. ANOVA Test

Model	Sum of Squares	df	Mean Square	F	Say.
Back	145.250	3	48.417	42.658	0.000
Residula	165.750	146	1.135		
Total	311.000	149			

Referring to Table 4, the Fcal value obtained is 42.658 with a significance level of 0.000. Since this significance value is well below 0.05, it can be concluded that simultaneously, Digital Innovation, Hybrid Contracts, and Productive Partnerships have a significant influence on increasing the competitiveness of SMEs in Aceh.

Table.5 Partial Test

Model	Unstandardized Coefficient (B)	Standard Error	t-statistic	Say.
(Kontanta)	2.540	0.820	3.097	0.002
Digital Innovation (X1)	0.385	0.092	4.184	0.000
Hybrid Contracts (X2)	0.294	0.085	3.458	0.001
Productive Partnerships (X3)	0.315	0.088	3.579	0.000

The interpretation of the results of the partial test in the study is as follows:

1. Digital Innovation (X_1): There is a significant value of 0.000, which is smaller than 0.05. This indicates that digital-based financing schemes, such as digital musyarakah, have a positive and significant impact on the competitiveness of SMEs in Aceh after the existence of Qanun LKS.

2. Hybrid Contracts (X_2): The significance value is recorded at 0.001, which is also less than 0.05. This shows that the implementation of hybrid contracts in profit-sharing financing has significantly increased the competitiveness of SMEs in Aceh after the existence of Qanun LKS.
3. Productive Partnerships (X_3): There is a significant value of 0.000, which is smaller than 0.05. This proves that the productive partnership model between Islamic Financial Institutions and SMEs has a positive and significant influence on increasing the competitiveness of SMEs in Aceh after the existence of Qanun LKS.

Therefore, the results of this t-test show that the three forms of Digital Innovation are important factors in increasing productivity and expanding the SME market under the Qanun LKS regulation.

Discussions

Based on the results of statistical testing that has been presented, this study reveals that innovation in profit-sharing financing plays an important role in increasing the competitiveness of SMEs in Aceh after the implementation of Qanun LKS. The implementation of Qanun Aceh Number 11 of 2018 has spurred a comprehensive change in the financial system towards the principles of justice and partnership.

1. The Impact of Digital Innovation on the Competitiveness of SMEs
   The results of the partial test showed that Digital Innovation (X_1) had the greatest influence with a regression coefficient of 0.385 and a significance value of 0.000. This confirms that the implementation of schemes such as digital-based musharakah significantly increases access to capital and efficiency for SMEs. The use of more sophisticated information technology by Islamic financial institutions allows the monitoring of customers' business activities in a more transparent and efficient way. These findings are supported by the argument that the fintech integration carried out by Bank Aceh Syariah is a strategic step to reduce the gap in access to capital in the digital era.
2. The Role of Hybrid Contracts in Business Adaptation
   The Hybrid Contract variable (X_2) made a significant contribution with a coefficient of 0.294 (Sig. 0.001). The establishment of hybrid contracts provides convenience for business actors when adapting from the conventional system to the full sharia system. Although the transition to single Islamic banking in Aceh forced businesses to adapt quickly, the flexibility offered by hybrid contracts has proven to alleviate the risk of profit sharing that is often considered high by banks. This innovation is a solution to the rigid nature of the usual purchase and sale contract (murabahah).
3. Synergy of Productive Partnerships for the Real Sector
   Productive Partnership (X_3) showed a significant influence with a coefficient of 0.315 (Sig. 0.000). This proves that the relationship between LKS and SMEs in Aceh is not just a debtor-creditor relationship, but a partnership that emphasizes sustainability. This partnership model is very effective in increasing the productivity and ability of the SME market to grow. Simultaneous Analysis and Ecosystem Implications
4. At the same time, the Fcal value of 42,658 proves that all aspects of Digital Innovation have a real influence in strengthening the competitiveness of SMEs in Aceh after the existence of Qanun LKS. With an Adjusted R Square value of 0.456, these innovations are able to explain 45.6% of the increase in SME competitiveness. Despite structural constraints such as low understanding of digital technology and lack of experts in the management of profit-sharing contracts, the results of this study confirm that

innovation in accordance with the needs of the real sector is the main key to the successful implementation of Qanun LKS in the Mecca Porch.

4. Conclusions

This study determined that changes in the financial system in Aceh through the implementation of Qanun Aceh Number 11 of 2018 concerning Sharia Financial Institutions (LKS) have had a significant effect on the economic structure of the region. Through multiple linear regression analysis conducted on business people in Aceh, it is empirically proven that profit-sharing-based financing innovation variables can increase the competitiveness of SMEs. Here is a summary of the results of the statistical tests performed:

1. Digital Innovation (X_1): The implementation of digital-based financing schemes, such as digital-based musharakah, shows a significant positive impact with a regression coefficient of 0.385 and a significance level of 0.000. This indicates that strengthening technology infrastructure by LKS is very important to provide better access to capital for SMEs.
2. Hybrid Contract (X_2): The utilization of hybrid contracts is shown to be significant with a coefficient of 0.294 and a significance value of 0.001. This innovation provides flexibility to business actors to overcome business risks after the implementation of Qanun LKS.
3. Productive Partnership (X_3): The partnership model between LKS and SMEs makes a resilient contribution with a coefficient of 0.315 and a significance of 0.000. This relationship improves business efficiency and builds long-term cooperation between financial institutions and partners in the real sector.
4. Simultaneous Analysis and Determination: The three innovation variables had a significant influence simultaneously, with a Fcal value of 42,658 ($p < 0.05$). The Adjusted R Square value of 0.456 shows that innovation in profit-sharing financing is able to explain 45.6% variation in the increase in the competitiveness of SMEs in Aceh, based on productivity indicators, product variety, and market expansion.

Overall, these findings emphasize the importance of Islamic finance innovations engineered to meet the needs of the real sector. The policy recommendations from this study recommend increasing digital literacy among SMEs, as well as strengthening expertise in LKS to manage profit-sharing contracts, in order to create a more inclusive and competitive Islamic economic ecosystem in Aceh.

Based on statistical analysis that shows the significant impact of financing innovations on the competitiveness of SMEs, here are some practical recommendations:

1. Strengthening Digital Infrastructure: With the significant influence of the Digital Innovation variable of 0.385, it is important for Sharia Banks in Aceh to immediately integrate more quickly between fintech and musyarakah-based digital platforms. This aims to facilitate access to capital for SMEs who have technological capabilities.
2. Standardization of Hybrid Contracts: Given the value of the coefficient of 0.294 in the Hybrid Contract variable, Islamic banking is advised to make operational standards of procedures more flexible, but still follow sharia principles. This will serve to reduce adaptation difficulties for micro business actors after the implementation of Qanun LKS.
3. Managerial Assistance Program: Since the Productive Partnership variable has a significant influence of 0.315, Islamic financial institutions should not only play a role

in the distribution of funds, but also should provide managerial training on a regular basis. The goal is to improve business efficiency and market expansion capabilities for local SMEs.

4. Education on the Introduction of Qanun LKS: It is important for regulators and financial institutions to be more intense in socializing the profit-sharing mechanism. It aims to reduce the gap between theory and reality on the ground, which is often a challenge for business people.
5. Optimization of Productive Capital Disbursement: With an Adjusted R Square of 0.456, it is expected that financial institutions are more focused on providing productive financing, such as mudharabah and musyarakah. This focus is important to encourage indicators of productivity and competitiveness of SMEs in Aceh.

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