Moderating Influence That Islamic Law Intensity Of Causal Relationship Between Regional Economic Growth And Determinant: Study Empiricalon District / City In The Province Nanggroe Aceh Darussalam (Nad)

Safriadi M Yunus AKS[1*],Dharma Tintri Ediraras[2],Toto Sugiharto[3]

[1,2,3] Faculty Economic Universitas Gunadarma
[*] Corresponding author:
Email: Safriadi04@staff.gunadara.ac.id

Abstract.
policy of the Government of the Republic of Indonesia to grant special autonomy to the Provincial Government of Nangroe Aceh Darussalam (NAD) through the concept of asymmetric decentralization accompanied by the issuance of a law on the implementation of Islamic Sharia in a kaffah manner, opening opportunities for the government and the people of NAD Province to increase the pace of development economy based on faith and piety to Allah SWT. How the impact of the implementation of these policies on regional economic growth in the Province of NAD has not been widely studied.The purpose of this dissertation is to analyze the causal relationship between regional economic growth and its determinants and to analyze the moderating role of the intensity of the application of Islamic law on the causal relationship. The target population is districts/cities in NAD Province and the sample consists of 23 units of analysis (5 cities and 18 districts). Secondary data on a ratio scale to measure research variables, namely HDI, technology investment, population, regional development expenditure, intensity of the application of Islamic Sharia, and regional economic growth for the 2010 - 2019 period, sourced from the Central Statistics Agency and the Regional Office of the Ministry of Religion of NAD Province. The data analysis technique used descriptive statistics and panel data regression analysis to test 10 research hypotheses.The results show that simultaneously capital, HDI, technology investment, population, and regional development expenditures have a very large influence on regional economic growth in NAD Province. Partially, capital, technology investment, population, and regional development expenditure are the determinants of regional economic growth in NAD Province. The four determinant variables have an effect on increasing regional economic growth. Regencies/cities that have large capital, moderate and innovative technology investment accompanied by a high population, and are supported by adequate regional development expenditures, have an impact on high economic growth in NAD Province. The intensity of the application of Islamic law moderates the causal relationship between capital, technology investment and population on regional economic growth, while the intensity of the application of Islamic law has not shown a significant role in moderating the causal relationship between the human development index and regional development expenditures on regional economic growth. This indicates that the intensity of the application of Islamic Sharia in the province of Aceh has given a significant role to all sectors in increasing regional economic growth. further research is suggested to use Economic Well Being Theory and include fiscal and regional retribution variables, education and ICT readiness index and electronic-based service system index.

Keywords: *determinant variable**, regional economic growth; NAD province, intensity of application of Islamic Sharia*

I.   INTRODUCTION

Granting of special autonomy or special authority by the central government to the Aceh Province through the concept of asymmetric decentralization aims to embrace the province of Aceh so that it remains within the Unitary State of the Republic of Indonesia and improves the welfare of the Acehnese people. Through the asymmetric decentralization policy, the Central government has granted broad concessions to Aceh Province by devolving various administrative, political powers, accommodating local identities, to providing financial resources, as regulated in the Aceh Regulations. , the asymmetric decentralization policy could be threatened with failure if in its implementation the performance of the central government and the Aceh provincial government is not optimal in carrying out the mandate of the law.The asymmetric decentralization was carried out because of the peace agreement between the Free Aceh Movement (GAM) and the Government of the Republic of Indonesia on August 15, 2005 or better known as the Helsinki MoU.

The agreement was then set forth in Law No. 11 of 2006 concerning the Government of Aceh (UU PA). Which regulates that Aceh Province has specificity through the concept of asymmetric decentralization but is still within the framework of the national government system of the Unitary State of the Republic of Indonesia (NKRI). Where in the regulation it is stated that the granting of special autonomy to Aceh is not only the granting of rights but also constitutional obligations aimed at the welfare of the Acehnese people. Despite the decentralization that has been implemented in Aceh province, income inequality remains. shows that from the economic aspect, decentralization has not been able to distribute economic growth to reduce inequality in people's income, (Agusalim 2016) One of the features of Aceh Province, known as the Veranda of Mecca which is very synonymous with Islam, was stipulated by the central government in Law Number 11 Year 2006 concerning the Government of Aceh, as a substitute for Law Number 18 of 2001 which mandates the implementation of Islamic Sharia in a kaffah manner. This is very supportive of the growth of people's faith in Allah SWT, which will encourage positive and careful performance.

With good Islam and high faith, it will foster honesty in carrying out the tasks carried out, as well as upholding the values of togetherness and seeking community welfare. This is what makes the author want to do research related to the implementation of Islamic law in Aceh, the author hopes that there will be positive changes and successes achieved after the government implements the implementation of Islamic law, seeing the level of success, the authors review from several fields, which are considered as growth boosters economy in Nangroe Aceh Darussalam. In the application of Islamic law, the people of Aceh are guided by the Al-Qur'an and As-Sunnah which are the main basis of Islam, bring mercy to all nature and have become the beliefs and guidelines of the Acehnese people. In order to realize economicfair and prosperous Aceh within banner of Islamic Shari'ah Shari'ah require the services of financial institutions, that the needs of the people of Aceh on shari'a financial institution as an instrument of economic importance in the implementation of Shariah, (Qanun Aceh Number 11 of 2018) Since it was officially enacted on January 4, 2019, Aceh Qanun Number 11 of 2018 concerning Islamic Financial Institutions (LKS) has become an important breakthrough for financial transactions in Aceh. Along with the privileged status of Aceh, the issuance of the regulation was implemented in accordance with the follow-up to the Aceh Qanun Number 8 of 2014 concerning the Principles of Islamic Sharia, in which every financial institution operating in Aceh must be based on sharia principles. The implementation of the qanun on Islamic financial institutions has had an impact on the economy in Aceh, one of which is by diverting all activities, products and financial institutions, including banking, to Islamic law within a maximum period of three years after the qanun was enacted.

Therefore, all conventional financial services and business activities that are contrary to sharia principles cannot be applied. Meanwhile, if the community still wants to use conventional bank services, the transaction must be carried out outside Aceh.Aceh province has potential that is not inferior to other provinces, such as abundant natural resources (SDA) and the decline in central government policy towards the Aceh region after the peace MoU between Gam and Indonesia. This will illustrate the opportunity for high economic growth, but due to one of the factors, namely the unpreparedness of human resources (HR) in managing it, it is feared that the existing natural resources will become disastrous. This condition can drag the Aceh region into being weak, not independent and dependent on other regions, eventually appearing a less favorable image for the Aceh region, (Muchlisin, Nazir, and Musman 2012) Muhammad Fajrii, (2016) conducted research related to economic growth and regional openness to inequality between regions, the research period 2009 – 2013. The method used is panel data analysis with a cross-sectional approach. The results of the study show that regional openness in Sumatra is still not open to trade traffic. Regional inequality in Sumatra is still quite high. the provincial government in Sumatra optimizes PAD to address regional inequality. The increase in high economic growth must pay attention to and control the level of regional inequality. There should be a push for the regions to be more active in trade traffic in Sumatra or Nationally, (Muchlisin, Nazir, and Musman 2012) There are many theories of economic growth, but no single theory is comprehensive, which can become a standard, because each theory has its own direction and purpose, according to the background of the theory. This study will describe the theory of economic growth which is considered sufficient to explain the sources of economic growth, namely the Solow-Swan theory.

The theory of economic growth developed by Robert Solow (*Massachussets Institute of Technology*) and Trevor Swan (*The Australian National University*), suggests that economic growth depends on the addition, supply of production factors, such as; population, labor and capital accumulation as well as the rate of technological progress.

This view is based on classical analysis, that the economy will continue to experience*full employment*and capital equipment capacity will remain fully utilized over time (Budiono 2011) (Li and Huang 2021), with the title Dynamic relationship between economic policy uncertainty and growth Substantial economy in China The results show that the provisions on economic policies in China have a significant inhibitory effect on substantial economic growth. The results showed that the relationship between processes that have heterogeneous policies. Fiscal policy determination and monetary policy uncertainty, as the main means of policy in China, have a significant impact on the economic growth rate substantially in various ranges, but the effect time is short. Although trade policy uncertainty had a significant impact on the rate of substantial economic growth only during the financial crisis, the effect lasted for a long time. Referring to the background of the research above, the focus of the research problem in general is how the role of the intensity of the application of Islamic law in moderating the causal relationship between regional economic growth and its determinants which include capital, labor force, technology investment, population, and regional development expenditures. Based on this background, the research formulation is (1) whether capital, labor force, technology investment, population, and regional development expenditure simultaneously affect regional economic growth?, (2) whether capital, labor force, technology investment, population, and regional development expenditures partially affect regional economic growth?, (3) does the intensity of the application of Islamic law moderate the causal relationship of capital, labor force, technology investment, population and regional development expenditures with regional economic growth? (4) Which variable has the greatest contribution to regional economic growth?. In line with the research problem formula above, the objectives of this research are; (1) Analyzing the simultaneous effect of capital, labor force, technology investment, population, and regional development expenditure on regional economic growth., (2) Analyzing the partial effect of capital, labor force, technology investment, population, and regional development expenditure on regional economic growth , (3) Analyzing the moderating effect of the intensity of the application of Islamic Shari'a on the causal relationship between capital, labor force, technology investment, population, and regional development expenditures with regional economic growth, (4) Identifying the variables with the greatest contribution to regional economic growth.

II.   LITERATURE REVIEW
Of Economic Development And Economic Growth

There are two concepts that should not be separated between the notion of economic growth and economic development, which is used as a basic guide for a country in development is a theory and model of economic growth, while economic development is an effort resulting from development. Continuous use of its resources constitutes economic development (Mukhlis 2009). In the concept of development and economic growth discussed in this study is economic development and critical analysis by looking at and adjusting to the context of a city district area. Economic growth*(EconomicGrowth)*is seen as an important part of economic policy in the country as well as any economic system.

Because economic growth is an indicator of increasing people's welfare in the midst of rapid developments in the fields of industry, science and the technological revolution, even though in developed countries, absolute poverty and a number of other economic problems still occur, (Mukhlis 2009) The issue of economic growth has become a concern for many people. expert in the discourse of classical Islamic economic thought. The basic concept has been summarized both explicitly and implicitly in the Qur'an, Sunnah and the thoughts of previous Islamic scholars. The peculiarity of growth and development in Islamic economics is emphasized in very serious attention to the development of human resources as well as natural empowerment to increase human dignity, which is manifested not only in the successful fulfillment of material needs, but also in the needs and preparation for the afterlife (Muttaqim 2018).)

Capital

In the regional financial management guidelines, it explains that capital expenditures are legalized according to the expenditure groups consisting of direct expenditures and indirect expenditures based on Permendagri Number 13 of 2006. Direct expenditures are budgeted activities that are directly related to the implementation of activities and programs, in direct expenditures in grouped by type of expenditure consists of: expenditures for employees, expenditures to buy goods and services as capital. Meanwhile, indirect expenditures are expenditures that have been budgeted, but are not directly related to program implementation in the activities of an area. Based on Permendagri No. 13 of 2006 which was changed to Permendagri No. 59 of 2007 article 53 paragraph (1), all expenditures carried out in the context of procuring tangible fixed assets that have a value of more than one year to be used in government activities are the benefits of more and one year to be used. use in government activities that is contained in capital expenditures. Paragraph (2) the capital expenditure budget must be in accordance with the predetermined budget. Paragraph (3) Regional heads determine the minimum financial limit as the basis for imposing capital expenditures.

Human Development Index (IPM)

The Human Development Index (IPM) is one of the measuring tools in the success of human development based on a number of basic elements in life on the quality of life. The measure of the quality of life component, made through several basic approaches, the first dimension includes long life, health, knowledge, and a normal and normal life. The three measures have a very broad meaning because they are related to several factors. To measure the view of health, used to measure a person's life expectancy at birth. The human development index is used to measure how big the impact is from increasing the ability of basic human capital. Human development is a component of development through population empowerment that focuses on improving the basic human, which is calculated using the size of the number of education, health and purchasing power. The higher the number obtained, the more the goals of development will be achieved. Development is a process to make changes for the better (Nur Baeti, 2013)

Investment

Investments are expenditures aimed at increasing or maintaining(*capital stockcapital stock*) consisting of factories, office machines, and other durable products. (Dornbusch and Fischer, 2004). Investment is a positive net addition of capital goods. Investment can be divided into two types, namely real investment and financial investment. What is meant by real investment is investment in durable goods (capital goods) that will be used in the production process. While financial investment is an investment in securities, for example the purchase of shares, bonds, and other proof of debt. The main considerations that need to be made in making (choosing) a type of real investment are the prevailing interest rate on loans, the rate of return (*rate or return*), from capital goods, and the prospects (expectations of developing) investment projects, (Eliza 2010). In practice, in an effort to record the value of investments made in a given year, which are classified as investments (or capital formation or investment) include the following expenditures: 1) Purchase of various types of capital goods, namely machinery and equipment other production to establish various types of industries and companies, 2) Expenditures for constructing residential houses, office buildings, factory buildings and other buildings, and 3) Value added stock of unsold goods, raw materials and goods that are still in progress production process at the end of the national income calculation year.

Government Expenditure Government

Expenditure reflects government policies. If the government has established a policy to purchase goods and services, government spending reflects the costs that must be incurred by the government to implement the policy (Mangkoesoebroto, 1993). The development of government spending was developed by Rostow and Musgrave which links the development of government spending with the stages of economic development, namely the early, intermediate and advanced stages. In the early stages of economic development, according to them, the ratio of government spending to national income is relatively large. This is because at this stage the percentage of government private investment to total private investment is large, so the government must provide various facilities and infrastructure such as education, health, transportation infrastructure and so on.(Dumairy, 1997).In the middle stage of economic development,

private government investment is still needed to spur growth in order to take off. However, at this stage the role of private investment has grown. The role of the government remains large in the intermediate stage, because this increasingly large role of the private sector causes many market failures and also causes the government to provide public goods and services in greater quantities and of better quality. The government must also protect workers who are in a weak position in order to improve their welfare, (Eliza 2010)

III.   RESEARCH METHOD

This research was conducted focusing on the Province of Nanggroe Aceh Darussalam, with a sample consisting of 23 (twenty three) districts and cities. There are seven variables that will be used in this study, namely five independent variables, one dependent variable and one moderating variable. The research data used is secondary data, namely reports on the province of Aceh in published figures, from 2010 to 2019, starting in the year after the enactment of Islamic law regulations in Aceh.

Population and sample

The population in this study is the province of Aceh, which consists of 18 districts and 5 cities and the sample in the study is 23 districts and cities of Aceh Province, with related variables, namely: capital, technology investment, labor force, population, development expenditure regions, regional economic growth and variables of the application of Islamic law. The data used for the period 2010 – 2019.

Data Analysis Method The analytical

Technique used in this study is panel data regression which is used to examine the effect of capital, labor force, technology investment, population and regional development expenditure on regional economic growth in Aceh province. For the processing of collected data, the authors use the softwere Eviews, Amos and SPSS as the tool test data analysis. The following are the stages of testing that will be carried out in the study.

IV.   RESULTS AND DISCUSSION

Table of Results of Testing the Effect of Capital, Labor Force, Technology Investment, Population and Regional Development Expenditures on Regional Economic Growth in Aceh Province

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2617074.	1221945.		-2.141728	0.0333
MDL	1.699502	0.160816	0,412	10.56796	0.0000
IPM	21086.34	17453.35	0,027	1.208154	0.2283
ITK	1.260459	0.134408	0,238	9.377843	0.0000
POP	11.46788	0.987037	0,398	11.61850	0.0000
PPD	0.171792	0.042147	0,124	4.076019	0.0001
MDLxIPS	1.258671	0.389182	0,459	3.234145	0.0014
IPMxIPS	1046.748	715.3665	0,620	1.463233	0.1448
ITKxIPS	2.301660	0.345119	0,303	6.669177	0.0000
POPxIPS	5.864150	2.429749	0,392	2.413479	0.0166
PPDxIPS	0.105263	0.095516	0,124	1.102043	0.2716
R^2	0.895				
Adjus. R^2	0.891				
F-Statistics	187.336				
Sign.	0.000				

a. Dependent Variable: Pertumbuhan Ekonomi Regional

From the table of test results shows that, capital, labor force, technology investment, population and regional development expenditure simultaneously affect regional economic growth, the equation is obtained: PER = -1171965,761 + 1.779 + 0.814 + 0.264 +11,169 +0.223. It can be interpreted that: Every time there is

an increase in the amount of capital once, the economic growth of the province of Aceh will also increase by 1.6995, assuming other variables, such as HDI, technology investment, population and regional development expenditures are constant. Every time there is an increase in the human development index once, the economic growth of Aceh province will increase by 21086, assuming other variables, such as capital, technology investment, population and regional development expenditures are constant. Every time there is an increase from one-time technology investment, the economic growth of Aceh province will increase by 1,260, assuming other variables, such as capital, HDI, population and regional development expenditures are constant.

Every time there is an increase in the population once, the economic growth of the province of Aceh will increase by 11.46788, assuming other variables, such as capital, HDI, technology investment and regional development expenditures are constant. Each there is an increase of spending one regional development, economic growth Aceh province will increase by 0.171792, assuming other variables, such as capital, IPM, technology investment and the population is constant. Obtained F_{count} value of 375.3485 with a significance value of 0.000 <0.05, then the hypothesis is accepted, statistically it can be concluded that there is a simultaneous significant effect, capital, HDI, technology investment, population and regional development expenditures on regional economic growth in Aceh province.The *Adjusted R-squared value* obtained is 0.891 or 89.1%, which means that simultaneously the regional economic growth of Aceh province can be explained by capital, HDI, technology investment, population and regional development expenditures of 89.1%, while 10.9 % again is explained by other factors, which the authors did not include in this study. Partially, capital has a positive and significant effect on regional economic growth, the t_{count} value is 10,56796 and the significance value is 0.0000, the value is <0.05. IPM positive but not significant effect on the growth of the regional economy, the obtained values of 1.208154 and t_{hitung} significance value of 0,2283, the value is> 0.05. Technology investment and significant positive effect on the growth of the regional economy, the obtained values of 9.377843 and t_{hitung} significance value of 0,0000, the value of <0.05. The population has a positive and significant effect on regional economic growth, the t_{count} value is 11.61850 and the significance value is 0.0000, the value is <0.05.

Regional development expenditures have a positive and significant effect on regional economic growth, the value of t_{count} is 4.07609 and a significance value of 0.0001, the value is <0.05. it can be concluded that partially capital, population, technology investment and regional development expenditures have a positive and significant impact on regional economic growth, while the HDI partially has a positive but not significant effect on regional economic growth in the province of Aceh in the period 2010 – 2019. The intensity of the application of Islamic sharia moderates the causal relationship between capital and regional economic growth, the t_{count} value is 3.234145 and the significance value is 0.0014, the value is <0.05. The intensity of the application of Islamic sharia does not moderate the causal relationship between the human development index and regional economic growth, the t_{count} value is 1.463233 and the significance value is 0.1448, the value is > 0.05. The intensity of the application of Islamic sharia moderates the causal relationship between technology investment and regional economic growth, the t_{count} value is 6.669177 and the significance value is 0.000, the value is <0.05. The intensity of the application of Islamic sharia moderates the causal relationship between population and regional economic growth, the t_{count} value is 2.413479 and the significance value is 0.0166, the value is > 0.05. The intensity of the application of Islamic sharia does not moderate the causal relationship between regional development expenditures and regional economic growth, the t_{count} value is 1.102043 and the significance value is 0.2716, the value is > 0.05, reviewed in the period 2010 – 2019.

V.   CONCLUSIONS AND SUGGESTIONS
Conclusions

Overall Simultaneous capital, human development index, technology investment, population, and regional development expenditures have a very large effect on the economic growth of NAD Province. Partially, capital, technology investment, population, and regional development expenditure are the determinants of the NAD Province's economic growth. These four variables have an effect on increasing

regional economic growth in Aceh Province. The indication is that districts/cities with large capital, moderate and innovative technology investment, high population, and supported by adequate regional development expenditures can increase regional economic growth.The level of religiosity moderates (strengthens) the causal relationship between capital, technology investment and population on regional economic growth. However, the level of religiosity has not shown a significant role in moderating the causal relationship between the human development index and regional development expenditures on regional economic growth.

Suggestion

The empirical implication obtained is that this research model provides a very significant contribution both simultaneously, partially and in a moderating role in the causal relationship model of this dissertation. Only the HDI variable is not a determinant of regional economic growth. The largest determinant variable is capital and the smallest determinant variable is local government spending on regional economic growth.The theoretical implication of this dissertation is that Neo Classical and Transformational Economic Growth Theory is still relevant to explain regional economic growth.The pragmatic implication is that with a variety of processes and the presence of manufacturing companies, it will be able to provide a large economic impact, it needs to be balanced with a better processing industry, so that it can not only rely on raw material commodities, but can also be sent for the production of semi-finished goods to finished products. so, which will be able to improve Aceh's economy and open new jobs for the community. Then the fact that the increase in population has contributed to the economic growth of NAD Province, the Aceh regional government must continue to pay attention, balance the number of people with potential human resources (productive workforce) available, provide training related to HR competencies, and improvement of public health services, especially opening up to meet the Revoltion of Industry 4.0 & society 5.0 and the 2030 Sustainable Development Goals. Only HDI is not a determinant of regional economic growth and the results of this study cannot be generalized, so further research is recommended to use Economic Well Being Theory and include fiscal variables and regional retribution, education and ICT readiness index and electronic-based service system index.

REFERENCES

[1] Agusalim, Lestari. 2016. "Pertumbuhan Ekonomi, Ketimpangan Pedapatan Dan Desentralisasi Di Indonesia." *Kinerja* 20 (1): 53. https://doi.org/10.24002/kinerja.v20i1.697.

[2] Budiono, Sidik. 2011. "Teknologi, Perdagangan Internasional Ekonomi Klasik Ke Perdagangan Internasional" 6.

[3] Dumairy. 1997. Perekonomian Indonesia, Penerbit Erlangga, Jakarta. Dornbusch, Rudiger & Fischer. (2004). Macroeconomics (9th ed). Mc Graw – Hill Companies. New York

[4] Eliza, Yulina. 2010. "Pengaruh Investasi, Angkatan Kerja Dan Pengeluaran Pemerintah Terhadap Pertumbuhan Ekonomi Di Sumatera Barat," 200–210.

[5] Li, Junchao, and Shan Huang. 2021. "The Dynamic Relationship between Economic Policy Uncertainty and Substantial Economic Growth in China." *Marine Economics and Management* ahead-of-p (ahead-of-print). https://doi.org/10.1108/maem-04-2021-0003.

[6] Muchlisin, ZA, Muhammad Nazir, and Musri Musman. 2012. "Pemetaan Potensi Daerah Untuk Pengembangan Kawasan Minapolitan Di Beberapa Lokasi Dalam Provinsi Aceh: Suatu Kajian Awal." *Depik* 1 (1): 68–77. https://doi.org/10.13170/depik.1.1.29.

[7] Mukhlis, Imam. 2009. "Eksternalitas , Pertumbuhan Ekonomi Dan Pembangunan Berkelanjutan Dalam Perspektif Teoritis." **Jurnal Ekonomi Bisnis**, no. 3: 191–99. Muttaqim, Rizal. 2018. "Pertumbuhan Ekonomi Dalam Perspektif Islam Economic Growth in Islamic Perspective." **Maro, Jurnal Ekonomi Syariah Dan Bisnis** 1 (2): 117–22. http://jurnal.unma.ac.id/index.php/Mr/index.

[8] Mangkoesoebroto. 1993. Ekonomi Publik (Edisi 3). Yogyakarta : BPFE UGM