

How Can Sharia Cooperatives Alleviate Poverty In Aceh?

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ABSTRACT

Sharia cooperatives have emerged as an alternative solution in poverty alleviation efforts, especially in Aceh Province, which has officially implemented a Sharia-based financial system. This study aims to explore the role of Sharia cooperatives in empowering impoverished communities through a qualitative descriptive approach informed by a literature review. Based on a review of more than 25 national and international academic sources, this study highlights how sharia cooperatives provide inclusive financial access, create employment opportunities, and promote economic independence, particularly for vulnerable groups, including women and Micro And Small Enterprises (MSMEs). The findings demonstrate that sharia cooperatives not only enhance economic welfare but also foster social solidarity, expand access to decent housing, and integrate Islamic values into community life. In addition, sharia cooperatives also support the achievement of the Sustainable Development Goals (SDGs), especially in the aspects of poverty alleviation (SDG 1) and women's empowerment (SDG 5). Despite facing structural challenges such as low managerial capacity and regulatory support, sharia cooperatives still have great potential as a value-based economic instrument in realizing a just and prosperous society. This study recommends integrating sharia cooperatives into the national digital-based economic ecosystem to strengthen their contribution to inclusive and equitable development.

Keyword: Sharia Cooperatives; Poverty Alleviation; Economic Empowerment, Welfare

ABSTRAK

Koperasi Syariah muncul sebagai salah satu solusi alternatif dalam upaya pengentasan kemiskinan, khususnya di Provinsi Aceh yang secara resmi menerapkan sistem keuangan berbasis syariah. Studi ini bertujuan untuk mengeksplorasi peran koperasi syariah dalam memberdayakan masyarakat miskin melalui pendekatan deskriptif kualitatif berbasis tinjauan literatur. Berdasarkan lebih dari 25 sumber akademik nasional dan internasional yang dikaji, studi ini menyoroti bagaimana koperasi syariah menyediakan akses keuangan inklusif, menciptakan lapangan kerja, dan mendorong kemandirian ekonomi, terutama bagi kelompok rentan seperti perempuan dan pelaku UMKM. Temuan menunjukkan bahwa koperasi syariah tidak hanya berdampak pada peningkatan kesejahteraan ekonomi, tetapi juga memperkuat solidaritas sosial, memperluas akses terhadap perumahan layak, dan menginternalisasi nilai-nilai Islam dalam kehidupan bermasyarakat. Selain itu, koperasi syariah turut mendukung pencapaian tujuan pembangunan berkelanjutan (SDGs), terutama dalam aspek pengentasan kemiskinan (SDG 1) dan pemberdayaan perempuan (SDG 5). Meski dihadapkan pada tantangan struktural seperti rendahnya kapasitas manajerial dan dukungan regulasi, koperasi syariah tetap memiliki potensi besar sebagai instrumen ekonomi berbasis nilai dalam mewujudkan masyarakat adil dan sejahtera. Studi ini merekomendasikan integrasi koperasi syariah dalam ekosistem ekonomi nasional berbasis digital untuk memperkuat kontribusinya terhadap pembangunan yang inklusif dan berkeadilan.

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INTRODUCTION

Indonesia as a country with the largest muslim population in the world, has shown rapid progress in the development of the Islamic financial sector in recent decades. This development is reflected in the growth of various Islamic-based financial institutions, such as Islamic banking, Islamic insurance, Islamic fintech, and sharia cooperatives. The growth of Islamic financial institutions not only reflects the increasing public awareness of the importance of the Islamic economic system but also responds to the inequality left by the conventional financial system, which is not fully inclusive, especially for low-income groups (Elfaki & Che Embi, 2023).

In line with Indonesia's evolving development landscape, sharia cooperatives have emerged as strategic entities that play a crucial role in empowering the community's economy, particularly in poverty alleviation efforts (Ramdhani et al., 2024). Sharia cooperatives not only serve as microfinance institutions but also as socio-economic movements founded on the principles of justice, mutual assistance (ta'awun), and equality among members. The Sharia cooperative model is considered more inclusive and sustainable because it encourages the active participation of members in the decision-making process and fair distribution of business results (Rizki et al., 2022).

Aceh, a province that officially implements Sharia law through the Qanun on Sharia Financial Institutions (LKS), is a particularly relevant area for examining the role of sharia cooperatives in alleviating poverty (Umuri et al., 2023). The implementation of a Sharia-based financial system in Aceh includes the banking, financing, zakat management, and sharia cooperatives sectors (Farma & Umuri, 2024). Sharia cooperatives in Aceh serve not only as a means of economic development but also as an integral part of the community's social and spiritual system.

However, the reality is that Aceh remains one of the provinces with the highest poverty rates in Indonesia (Ali et al., 2024). According to data from the Central Statistics Agency (BPS), the poverty rate in Aceh remains significantly higher than the national average, with the primary challenges including low financial literacy, limited access to capital, and a lack of productive employment opportunities (BPS, 2023). Therefore, sharia cooperatives are an alternative solution that bridges the gap between poor communities and access to formal financial institutions (Hassan, 2015).

Sharia cooperatives are community-based institutions that operate on the principles of profit sharing, anti-riba, and economic justice (Nurdin et al., 2025). The concept of sharia cooperatives is closely aligned with the principles of maqashid al-sharia, particularly in terms of protecting property (hifz al-maal), life (hifz al-nafs), and descendants (hifz al-nasl), which makes economic welfare an integral part of spiritual and social welfare. According to Ali (2024), sharia cooperatives can strengthen the local economy through community-based microfinance, thereby creating a healthy and productive business climate.

Sharia cooperatives play a crucial role in providing microfinance to farmers and MSMEs. Sharia cooperatives can also increase income and reduce dependence on informal financial institutions that tend to be exploitative (Mohieldin et al., 2015). This demonstrates that sharia cooperatives have significant potential to empower economically disadvantaged communities.

In addition, sharia cooperatives are one solution to eradicate poverty and encourage social development through increased economic growth. Sharia cooperatives adhere to the principle of not relying on interest elements, which is prohibited by Sharia. If utilized efficiently, sharia cooperatives

can be a valuable tool in combating poverty and achieving the Sustainable Development Goals (SDGs). Sharia cooperatives can contribute to social protection and reduce poverty (Shuaib & Sohail, 2022).

However, sharia cooperatives in Indonesia, including those in Aceh, still face various structural obstacles, such as weak organizational governance, limited competent human resources, low initial capital, and inadequate government regulatory support and incentives (Jamaluddin et al., 2023). This is reinforced by the findings of Elfaki & Embi (2023) which state that in many member countries of the Organization of Islamic Cooperation (OIC), sharia cooperatives often grow without the support of strong regulations and inadequate sharia supervisory structures.

On the other hand, positive momentum is also being formed at the national level. The Indonesian government, through the ministry of cooperatives and SMEs, is currently initiating the establishment of the Red and White Cooperative (KMP) as a strategic platform to consolidate small and medium-sized cooperatives across various economic sectors. KMP is expected to be the driving force for the transformation of traditional cooperatives towards a modern, technology-based business model that is integrated into the national digital economic ecosystem. This program not only targets efficiency and competitiveness but also makes cooperatives a state instrument of inequitable economic distribution based on the people (Kementerian Koperasi, 2024).

This plan presents a strategic opportunity for sharia cooperatives, particularly in Aceh, to be actively involved in the national cooperative network while upholding sharia principles. The integration of sharia cooperatives into an ecosystem such as KMP, if carried out wisely, can expand the scope of cooperative benefits while increasing the professionalism and competitiveness of sharia cooperatives at the local and national levels.

To date, most studies have primarily focused on the institutional aspects and financial performance of sharia cooperatives (Elfaki & Che Embi, 2023; Jamaluddin et al., 2023; Rizki et al., 2022). However, the social dimensions and experiences of members in running the cooperative have not been studied in depth. In fact, in the context of poverty alleviation, a participatory approach and authentic field experience are necessary to understand the dynamics that occur behind quantitative data alone (Setyaningsih & Asnawi, 2021).

Therefore, this study aims to fill this gap by qualitatively exploring the role of sharia cooperatives in poverty alleviation in Aceh. This study examines the experiences of cooperative members, managerial strategies, and institutional dynamics that influence the effectiveness of cooperatives in enhancing community welfare. The study's focus extends beyond economic output to encompass social aspects, including community solidarity and the empowerment of cooperative members. This study examines how low-income individuals can address their problems, organize, and empower themselves to overcome the challenges of poverty within the framework of sharia cooperation without relying on external sources.

Thus, the results of this study are expected to make meaningful contributions to the development of community-based Islamic economic literature and serve as a policy reference for decision-makers, both at the regional and national levels. A deeper understanding of the contribution of sharia cooperatives in Aceh will strengthen efforts to realize fair, inclusive, and sustainable economic development in line with the spirit of *baladatun thayyibatun wa rabbun ghafur*.

THEORY

Poverty

Poverty refers to a variety of conditions that have various meanings in the context of popular culture. One of the main aspects of the discourse on poverty is the limited material resources needed to sustain life (Wackernagel et al., 2021). The term poverty can be understood in a narrow or broad sense. According to the report (World Bank Group, 2024), a person is categorized as poor if they live on an income of less than 2.15 US dollars per day. In a narrow sense, poverty refers to the absence of income (Ajayi, 2022). However, from a broader perspective, poverty is viewed as a multidimensional condition that encompasses aspects such as access to adequate housing, healthcare services, education, public facilities, and other forms of resource access (Lanau et al., 2020). In addition, poverty can also be associated with limited social capital and access to social power networks (Saracostti, 2007).

The most basic approach to understanding poverty is defined as an individual's inability to survive, even in the short term (Hulme & Shepherd, 2003). A person is considered poor when they have no means to meet their basic needs. Meanwhile, a more comprehensive definition of poverty states that a person is considered poor if they cannot fully participate in community life as a citizen (Ruman, 2014).

Poverty alleviation is an effort that includes various strategies, programs, and initiatives aimed at reducing or eliminating poverty (Singh & Chudasama, 2020). Various forms of intervention are aimed at improving the economic and social conditions of the poor, enabling them to achieve a higher level of welfare and sustainable financial stability. Access to financing, employment opportunities, and improved living standards are crucial aspects (Ayoo, 2022).

Sharia Cooperatives

A cooperative is a group of individuals who organize themselves and gather voluntarily to meet economic, social, and cultural needs and goals together (Webb & Cheney, 2014). Cooperatives aim to serve various aspects of human endeavor. Sharia cooperatives are traditional cooperatives that have been adapted to comply with sharia principles. The concept of syrah mufawadah is the basis for the formation of sharia cooperatives, where each member contributes the same capital and is collectively involved in managing the organization (Ibrahim et al., 2025). No party is allowed to invest more than the other or obtain a higher share of the profits, thus reflecting the principles of justice and equality in economic management (Nawai & Shafii, 2017).

However, the contribution of sharia cooperatives to economic development remains largely unknown or undocumented. This is important considering that sharia microfinance institutions and sharia cooperatives offer relatively similar services, such as interest-free financing, business assistance, and community economic empowerment (Abubakar & Mustapha, 2020).

Sharia cooperatives are viewed as an alternative model within the cooperative system, with the potential to enhance community efficiency while also benefiting the state and national economy (Devi & Isfandayani, 2020). This is due to the basic principles of Islamic finance adopted by sharia cooperatives, such as the profit-and-loss sharing system, the prohibition of interest (riba), the prohibition of uncertainty (gharar), and the prohibition of speculative activities (maysir). These principles are combined with cooperative values, such as voluntary membership, democratic

management, and fair distribution of benefits, making sharia cooperatives efficient and socially just institutions (Jimoh, 2021).

Sharia cooperatives not only avoid exploitative economic activities but also encourage transactions based on goods and services, as well as fair cooperation agreements (Martania et al., 2024). The primary focus of sharia cooperatives is to build an ethical, inclusive, and equitable financial system. This goal aims to establish a wealth redistribution mechanism that can help mitigate long-term social inequality and poverty (Kareem et al., 2018).

Sharia Cooperatives and Poverty Alleviation

Sharia cooperatives are one part of the rapidly growing sharia microfinance institutions. Sharia cooperatives have emerged as a tool for poverty alleviation and a tool to reduce economic inequality and vulnerability (Mamun et al., 2018). According to Kandpal et al., 2023), poverty should not be considered an economic problem but rather a result of unequal access to resources. Therefore, sharia cooperative programs that provide access to financing are crucial in addressing income disparities. This aligns with modern development theory, which posits that sharia microfinance, including cooperatives, can contribute to reducing inequality and promoting socio-economic development, especially in developing countries (Ullah & Khan, 2024).

Sharia cooperatives serve as a financial solution designed to meet the needs of the muslim community by providing financial services that align with Islamic principles (Nadeem et al., 2024). Sharia cooperatives offer interest-free financing based on a profit-and-loss sharing system, as outlined in sharia provisions. In Islamic teachings, unethical practices are prohibited; therefore, both borrowers and fund providers must comply with sharia principles. This is different from the practices of conventional financial institutions (Fan et al., 2019). Sharia cooperatives are present to replace the role of conventional microfinance institutions in efforts to alleviate poverty among underprivileged muslims (Ahmad et al., 2020). Additionally, sharia cooperatives have been demonstrated to expand access to economic opportunities and enhance the livelihoods of the poor (Seman & Ariffin, 2017).

Based on a literature review, sharia cooperatives, which are part of sharia microfinance institutions, have been shown to have a significant impact on reducing poverty levels (Ribeiro et al., 2022). Additionally, sharia cooperative services play a crucial role in promoting the socio-economic advancement of low-income groups, particularly women (Hassan, 2015). Furthermore, sharia cooperatives have been proven to provide opportunities for people to earn additional income, which has a positive impact on reducing poverty rates (Selim & Farooq, 2020). Research by Awwalunnisa (2021) also indicates that sharia cooperatives make a positive contribution to poverty alleviation indicators, ultimately increasing people's welfare and income.

RESEARCH METHOD

This study aims to gain a deeper understanding of how sharia cooperatives contribute to alleviating poverty in Aceh. To achieve this goal, the approach used in this study is a descriptive qualitative method with an emphasis on library research. This method was chosen because it enables researchers to conduct a systematic review of various existing scientific publications, thereby building a conceptual and empirical understanding of the issues being studied (Nasution & Junaidi, 2024).

Literature reviews are not only helpful in mapping the main themes in a particular field of study but also help in identifying research gaps and developing a strong argumentative basis for further exploration.

Data collection in this study was carried out through a comprehensive literature review of various relevant national and international academic publications. These sources were obtained from online databases, reputable scientific journals, and scientific articles from other credible institutions. During the search process, keywords such as "sharia cooperatives," "Islamic finance," and "poverty alleviation," along with their synonyms and other relevant terms, were used to capture literature that aligned with the research focus.

In order for the selected literature to truly support the research objectives, several criteria were applied: (1) Relevance, namely literature that directly discusses sharia cooperatives and their role in poverty alleviation or economic empowerment of the people; (2) Novelty, namely publications that present the latest perspectives and in-depth discussions on the development of sharia cooperatives in Indonesia; and (3) Methodological quality, namely research that is compiled using strict and reliable scientific methods. Based on the screening results, at least 25 primary sources were utilized in the final analysis process.

To analyze the data collected from the literature, thematic analysis techniques were employed. This process was carried out with the help of qualitative coding software, Qualitative Data Analysis (QDA) Miner Lite, to map and extract key themes that emerged from the literature (Lewis & Maas, 2007). The analysis focused on issues related to the role of sharia cooperatives in providing access to microfinance, developing productive businesses, and forming social and economic solidarity among the poor. Additionally, the analysis process examined the relationship between Islamic economic principles and the success of sharia cooperatives in promoting community welfare.

The final stage of this research involves synthesizing the findings, which entails uniting and arranging the results of the analysis into a comprehensive conclusion regarding the contribution of sharia cooperatives to poverty alleviation in Aceh. This synthesis is based on the themes identified and the conceptual patterns that emerge from the reviewed literature. Through this approach, a more holistic understanding of sharia cooperatives as part of the Islamic social financial system can be achieved, which not only impacts the community's economy but also supports sustainable and equitable social development.

RESULT AND DISCUSSION

Sharia Cooperatives as an Inclusive Instrument in Financial Access

Sharia cooperatives in Aceh possess unique characteristics that render them an inclusive instrument for providing financial access to the poor and marginalized (Umuri et al., 2023). Unlike conventional financial institutions, sharia cooperatives are designed based on community principles and Sharia law, which include the prohibition of usury, a profit-sharing system (mudharabah, musyarakah), and principles of distributive justice. These principles strengthen the function of sharia cooperatives as social and economic institutions that aim to achieve collective welfare (Nurdin et al., 2025).

Based on a review of various literature, sharia cooperatives in Aceh facilitate microfinance to the informal sector, including traditional market traders, farmers, fishermen, and MSME actors. This group is generally classified as unbankable and lacks access to conventional banks due to limited collateral and poor credit track records. Sharia cooperatives serve as an alternative, offering a more flexible mechanism, simple processes, and close social relations between administrators and members (Wulandari et al., 2021).

Some sharia cooperatives in Aceh employ a mobile service approach and family-based services, enabling members to receive direct services at their homes (Rohanah et al., 2025). This model facilitates interaction and strengthens emotional relationships, trust, and a sense of security in transactions. Additionally, the profit margin of sharia cooperatives is considered more rational than that of informal loans, such as those from loan sharks. However, it is slightly higher than that of commercial banks (Wulandari et al., 2021).

The Role of Sharia Cooperatives in Local Economic Transformation and Poverty Reduction

Sharia cooperatives make a real contribution to local economic transformation. Sharia cooperatives in Aceh have successfully encouraged the establishment and growth of Sharia-based microenterprises. One indicator of this success is the increasing number of productive business units, such as grocery stores, handicraft businesses, halal livestock, and other sectors, which are fostered by sharia cooperatives (Rizki et al., 2022).

As shown by the research of Khairunnisa et al., (2025), sharia cooperatives can provide entrepreneurship training, sharia financial management, and marketing strategies for their members. This assistance promotes economic independence and enables members to adapt to market dynamics. Training activities are also carried out periodically by sharia cooperatives, utilizing an informal and community-based approach, which makes them more easily accepted and internalized.

In addition to acting as financial institutions based on Islamic values, sharia cooperatives also play a strategic role in creating employment opportunities and increasing household income, particularly in rural areas (Ulum et al., 2024). The participatory business model of sharia cooperatives encourages the active involvement of members in productive activities, such as agriculture, trade, and home industries, which have a direct impact on creating local job opportunities. Sharia cooperatives have even become the central pillar of the community economy, replacing the role of conventional financial institutions that are difficult for small communities to access due to administrative requirements and interest systems that are considered inconsistent with Islamic principles (Jamaluddin & Abdullah, 2019).

Furthermore, sharia cooperatives also offer interest-free financing services based on a profit-sharing system that provides fairness in the distribution of profits and minimizes the risk of exploiting the poor (Abubakar & Mustapha, 2020). The high level of public trust in sharia cooperatives indicates that this institution serves not only as an economic means but also as a social and cultural instrument that fosters community solidarity and economic independence among the people (Riwajanti, 2019).

Impact on the Empowerment of Women and Poor Households

Sharia cooperatives have made a significant contribution to the empowerment of women, particularly those who were previously economically marginalized, such as housewives, female heads of households, and impoverished widows (Khairunnisa et al., 2025). Sharia cooperatives not only provide financial access to sharia principles but also become a strategic means to create economic independence for women at the community level.

One of the primary characteristics of sharia cooperatives is their approach, based on Islamic values such as justice, equality, and mutual assistance (ta'awun (Rizki et al., 2022). Through financing schemes such as card Hasan (interest-free loans) and mudharabah (profit-sharing), female cooperative members can start micro-businesses, including culinary businesses, laundry services, and local craft production, without being burdened with interest, as is commonly found in conventional financial institutions (Selim & Farooq, 2020). So, the economic barriers that previously limited women's participation in the business world have been gradually overcome.

Sharia cooperatives also serve as a forum for strengthening the personal and social capacities of women (Riwajanti, 2019). The training programs provided by cooperatives include financial literacy, business management, and an understanding of the basics of sharia in business. This contributes to shaping the entrepreneurial character of women who are not only technically strong but also uphold ethical and social values. Women are not only economic actors but also agents of change in their families. Women are more confident in decision-making, are more likely to start new businesses, and can serve as role models in managing household finances wisely (Farma et al., 2024).

The Aceh region, which formally implements the sharia financial system through the Qanun LKS, makes sharia cooperatives a strategic instrument in realizing community-based economic justice. Sharia cooperatives can effectively reach vulnerable segments of society and support the achievement of the Sustainable Development Goals (SDGs), particularly in the areas of women's empowerment (SDG 5) and poverty reduction (SDG 1).

The Role of Sharia Cooperatives in Alleviating Poverty in Aceh

Sharia cooperatives based on Islamic values, such as justice, honesty, and togetherness, have great potential to overcome poverty problems, especially in Aceh. Cooperative members, who are typically business owners and managers, will directly benefit from the profits obtained, as they will have a significant impact on the welfare of cooperative members (Grashuis & Su, 2019). Sharia cooperatives ensure that profits are not only enjoyed by a small group of investors but also by all members (Junaidi, 2024).

One of the advantages of sharia cooperatives is a business system based on the needs of its members (Frida, 2023). The goods and services produced are typically consumed by the cooperative members themselves, allowing them to obtain more affordable prices and avoid excessive markup practices. This encourages economic efficiency and increases welfare surplus among members. Sharia cooperatives also provide job opportunities for members, especially those from poor groups (Devi & Isfandayani, 2020). The cooperative business is run by its members, and a portion of the income is saved as a reserve within the cooperative. Through this scheme, members who previously lacked a steady income can gradually escape the poverty trap.

Sharia cooperatives can be formed from the village to national levels. Sharia cooperatives in Aceh play an important role in reaching people who are unable to access formal financial services. This initiative is also in line with the Indonesian government's plan to establish the Red and White Cooperative (KMP) at the village level, making the presence of sharia cooperatives a key factor in alleviating poverty in Aceh.

Sharia cooperatives can also expand their role by providing housing programs for their members. Schemes such as Qard Hasan (interest-free loans) or ta'awun (cooperation) financing allow members to obtain decent housing fairly and without the pressure of usury (Selim & Farooq, 2020b). Along with the success of the sharia cooperative program, the participation of the poor has increased (Setyaningsih & Asnawi, 2021). More affluent communities also contribute through investments in the form of zakat or alms, which are then managed by cooperatives for the economic empowerment of the poor (Rifki et al., 2024). This approach is particularly relevant for the people of Aceh, where many residents still lack decent housing.

Learning from practices in countries such as Finland, which have successfully overcome homelessness through a "housing first" approach (Quilter-Pinner, 2018), sharia cooperatives in Aceh can integrate socio-economic support with the provision of basic needs, including housing. This reinforces the role of cooperatives as social institutions that not only provide business financing but also prioritize the holistic well-being of their members. By prioritizing Islamic values and the principles of social justice, sharia cooperatives in Aceh have the potential to become a crucial pillar in sustainably overcoming poverty.

CONCLUSION

This study confirms the strategic role of sharia cooperatives in poverty alleviation in Aceh through an approach that encompasses not only economic aspects but also social and spiritual dimensions. Sharia cooperatives have proven to be an inclusive financial instrument that can reach poor and vulnerable groups of people who were previously untouched by the conventional financial system. Through sharia principles such as justice, profit sharing, anti-riba, and mutual assistance (ta'awun), sharia cooperatives offer affordable microfinance, create employment opportunities, and foster the development of community-based micro-enterprises.

The study's results demonstrate that sharia cooperatives contribute to women's empowerment, enhance household economies, and foster the capacity of cooperative members through entrepreneurship education and financial literacy. In addition, sharia cooperatives play a crucial role in fostering social solidarity and instilling Islamic values in society's economic life, such as honesty, trustworthiness, and collective responsibility.

However, there are still challenges that must be overcome, including limited capital, low managerial capacity, and inadequate regulatory and technological support. Therefore, collaboration among the government, Islamic financial institutions, and civil society is necessary to strengthen the sharia cooperative ecosystem, particularly in the context of inclusive policies, fiscal incentives, and digital integration. The implications of these findings are multi-dimensional. For policymakers, the results of this study are an important basis for designing an economic empowerment program based on sharia cooperatives as part of a fair and sustainable poverty alleviation strategy. For academics, this

study opens up space for further research using a participatory empirical approach to explore the experiences of cooperative members in improving their welfare. Meanwhile, for sharia cooperative actors, these results serve as a reference for continuing to improve governance, enhance service innovation, and expand their reach to the poor. Through Islamic values and based on community strength, sharia cooperatives in Aceh have great potential to become the central pillar in realizing fair, inclusive, and sustainable economic development, in line with the vision of *baldatun thayyibatun wa rabbun ghafur*.

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