

ANALYSIS OF FARMERS' PERCEPTIONS OF THE NEED FOR AGRICULTURAL FINANCING PRODUCTS AT ISLAMIC BANKS (Study on The Community of Serba Jadi Subdistrict, East Aceh Regency)

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Abstract

Financing agricultural products in Serba Jadi District is a need for pre and post-harvest farmers in increasing product excellence. The existence of Islamic banks which are far away and difficult to access has not made a significant contribution in increasing financial inclusion. This study aims to identify the level of farmers' perception of agricultural financing needs. Quantitative approach with associative research type and probability sampling technique with cluster random sampling type of 94 farmers in 18 villages in Serba Jadi District, East Aceh Regency. The results of simple linear regression data analysis prove that the level of farmer perception has no effect on agricultural financing needs.

Keywords: Perception, financing decisions

Abstrak

Pembiayaan produk pertanian di Kecamatan Serba Jadi merupakan kebutuhan petani pra dan pasca panen dalam meningkatkan keunggulan produk, keberadaan bank syariah yang jauh dan sulit di akses belum memberi kontribusi yang signifikan dalam meningkatkan inklusi keuangan. Kajian ini bertujuan menganalisis tingkat persepsi petani terhadap kebutuhan pembiayaan pertanian. Pendekatan kuantitatif dengan jenis penelitian asosiatif dan teknik probability sampling dengan jenis sampel cluster random sampling terhadap 94 petani di pada 18 desa di Kecamatan Serba Jadi Kabupaten Aceh Timur. Hasil analisis data regresi linier sederhana membuktikan bahwa tingkat persepsi petani tidak berpengaruh terhadap kebutuhan pembiayaan pertanian.

Kata Kunci: Persepsi, keputusan pembiayaan

INTRODUCTION

The Islamic financial system has existed since the time of Rasulullah Salallahu 'Alaihi Wassalam. Financing carried out with sharia-compliant contracts has become part of the Muslim tradition (Ilahi & Fajeri, 2021). The existence of agreements on property entrustment, lending contracts for business purposes, and making money transfers was practiced during the Prophet's time. This Islamic financial model characterizes the Islamic economic system, which is also being implemented and continuously developed in Indonesia.

In an effort to strengthen the Islamic financial sector, there are a series of key steps being taken in Islamic banking. Most notably, there has been a significant increase in access to financial services, including Islamic social financial services that open up financial encouragement to a wider group of people. In addition, there is a deep focus on improving Shariah compliance and governance, which are important cornerstones of conducting financial activities based on Shariah principles (OJK, 2023).

The fundamental difference between Islamic and conventional financing systems lies

in the distribution of business risks. The conventional system is interest based (*riba*) with the return on capital determined based on a certain percentage of the risk fully borne by one of the parties. The main principle of sharia contracts is justice between capital providers and capital users, where this principle applies to debtors and creditors (Ismail, 2016: 53-54). In the macro context, the difference in the application of this financial system is related to the economic system adopted by the country that uses the basis of conventional economics or Islamic economics.

The main difference between Islamic and conventional economics lies in the source of the operational foundation of the two systems. The conventional economic system is based on the principles of the market economy, while the Islamic economy is based on the basic principles of Islamic law/Sharia. Then the other important difference is also in the objectives to be achieved from the two economic systems. Conventional economics aims to maximize profits, while Sharia economics aims to create social justice and independence (Chandra et al., 2023).

Financing the agricultural sector is conceptually very appropriate to do with sharia because of the profit sharing element with the calculation carried out after the end of the harvest period in agriculture and can be sustainable. Islamic financing for the agricultural sector, according to Aidah & Anugrah (2021) is a form of funding for agricultural business activities that can be applied based on sharia law. Funding required for capital for agricultural activities is carried out according to the appropriate sharia agreement/contract or contract. Sharia contracts for agricultural financing follow the characteristics of the process in each agricultural sub sector being financed.

The application of contracts in agricultural financing is suitable in all financing schemes

according to the characteristics of farming needs. In the capital scheme, using a cooperation contract between two parties with an agreement to share profits, such as in a *mudharabah* or *musyarakah* contract. In management, a *muzara'ah* contract can be used, as an agreement between the landowner and the cultivator in return for the agricultural products obtained. Even for the equipment needed to work on the land, farmers can use a sale and purchase contract such as *murabahah*, *bai 'salam*, or *bai 'Istishna* (Ilahi & Fajeri, 2021).

The purpose of agricultural sector financing, among others, is to provide access to finance to farmers or business actors in the agricultural sector by minimizing financing risks. It is also intended to support the availability of the best agricultural production inputs and to obtain the best market price (*fair price*) for farmers' agricultural products. This will ultimately make the business climate in the agricultural sector integrated, safe, and inclusive-collaborative for the parties involved in various regions (OJK, 2022). However, several challenges stand in the way of this goal, as many farmers still do not have access to Islamic financing.

In the development of Islamic banks and Islamic business units, there is still an imbalance in the distribution of financing in the agricultural sector, compared to other economic sectors (Maulana & Iskandar, 2018). This can be seen from the statistical data of Islamic banks for financing in the agricultural sector is still very small, with contributions ranging from 6.27%–6.40% per yoy September 2023–September 2024 (OJK, 2024). This figure is paradoxical or contrary to the position of agriculture as the main support for the economic activities of the people in Indonesia.

This condition is a challenge faced by Islamic banking in Indonesia. Some of the

challenges faced by Islamic banking in general are due to the lack of optimal *political will* (financing policy) which has hampered the development of Islamic agricultural financing. In addition, there are also limited human resources in the field of Islamic finance for agriculture. Another important inhibiting factor is the lack of socialization of Islamic financing services and products for the agricultural sector, resulting in a paradigm of competition with conventional banks (Saragih, 2017).

Kecamatan Serba Jadi, located in East Aceh District, has a large area and is an agricultural area with a population of around 7,668 people (Statistics Indonesia, 2023). The majority of the population in this sub-district work as farmers, either in the cultivation of oil palm, rubber, vegetables, fruits, corn, or rice. There are around 1,450 farmers who depend on the agricultural sector, with a total agricultural land area of 2,399.50 ha (East Aceh District Agriculture Office, 2023). However, despite the large number of farmers, knowledge about banking is still very limited and there are minimal transactions in banks.

The phenomenon of farmers' perceptions of the need for farm business financing can be seen in the lives of people in Serba Jadi District, East Aceh Regency, who find it very difficult to access financing from Islamic banks. The results of observations show that for the farming community in Serba Jadi Subdistrict to find the existence of Islamic banks, farmers must go to neighboring sub-districts with difficult road terrain for 40-80 minutes in a difficult road mileage of about 40 km. Of the 10 (ten) farmers or residents that researchers met, all of them admitted that no one had obtained financing from Islamic banks. The majority of smallholder farmers who are well aware of the financing available around them are limited to middlemen or loans from relatives. This is evident from the

recognition of 7 (seven) farmers who admitted to borrowing funds from toke for farming purposes, while 2 (two) other farmers borrowed from their relatives.

LITERATURE REVIEW

The good perception of farmers is described from the results of research by Yoko & Prayoga (2019) which found that the perception of access factors can increase the opportunity for Central Lampung Regency farmers to access Islamic agricultural financing due to the distance from home to the BMT office is affordable and the *cost of funds* is low. Farmers' strong perception that the credit interest system is prohibited according to religion is a strong value that tends to access financing to BMT. Likewise, the perception of services, facilities and infrastructure, and agricultural financing from BMT is quite good.

The results of Setiadi's research (2018) which resulted in negative perceptions of farmers towards the operations of Islamic financial institutions (LKS) in Sukopuro Village, Jabung District, Malang Regency. The findings show that farmers' perceptions of LKS in the village are not free from maghrib (maysir, gharar, haram, usury and batil) whose financing procedures are still the same as conventional. Likewise, the perception of the contract at the LKS is considered not sharia and considers that the LKS only uses the sharia label, but ignores the principles of sharia.

Setiadi & Deviawati above, research by Fauziah, et al (2022) which analyzes public perceptions of Islamic banking, shows the results that people in Maracang village, Purwakarta Regency are still not interested in transacting in Islamic banks. This is due to unfavorable perceptions of Islamic banks due to objective public attention. There are still many people who do not know all aspects of Islamic banks

including savings or financing products, the location is also not strategic, and the assumption that services in conventional banks are still better than Islamic banks.

Islamic Banking

Islamic banking has characteristics that operate with a system based on the principle of profit sharing. This system can provide a mutually beneficial alternative for the community and banks (OJK, 2017). The principles of Islamic banking emphasize aspects of justice, prioritize the values of togetherness and brotherhood and avoid speculative activities in financial transactions. So that in its operations pay attention to ethics for transactions, both in saving, financing and other investments in accordance with Islamic sharia.

The purpose of Islamic banking based on Law Number 21 of 2008 is to support the implementation of national development carried out in order to increase justice, togetherness, and equity and the welfare of the Indonesian people. Islamic banking provides a variety of schemes and financial products that are more varied, Islamic banking is an alternative banking system that is credible and can be enjoyed by all groups of Indonesian society without exception (OJK, 2017).

Farmer and Business Needs Agriculture

Farmers and agriculture are both names for the actors and the activities carried out. Both designations come from the same verb, tani. According to the Indonesian dictionary, tani is referred to as a livelihood done by farming or also a source of livelihood by cultivating land by planting (BPPB, 2024). According to Eirin (2020), the words tani and farmer also have different definitions, although there is an assumption that tani stands for farmer. The word tani is indeed related to agriculture because of its activity in planting. Tani is the work done in

planting activities on various kinds of plants, from land preparation, planting, maintenance to harvesting, which the cycle continues to repeat.

The role of the agricultural sector is very important because most members of the community depend on the agricultural sector for their livelihood. One way is to increase food crop production or increase the price of farmers' agricultural products (Rompas, et al., 2015). In providing data on the structure of agriculture down to the smallest administrative units, the Indonesian Central Bureau of Statistics, describes several agricultural sectors in Indonesia (BPS, 2023). The contribution or services of the agricultural sector to economic development has provided several enormous benefits for human needs in the world.

Some of the benefits of agriculture include the following:

1. To provide for the growing food surplus due to the increasing population
2. Maintain demand for industrial products from agricultural products
3. Can increase foreign exchange earnings for the import of capital goods for development through continuous export of agricultural products.
4. Can increase the income of the village community
5. Can improve the welfare of the village community

Perception Farmers

Perception is an internal process of the individual that allows to select, organize, and interpret stimuli from the environment. This process can have an influence on individual behavior and allows analysis of the capture of information through the thinking process so that an understanding arises. Fauziah, et al (2022) describe that perception begins with the process of absorption/reception of stimuli by all five

senses, which are then managed and interpreted by the individual so that an understanding or understanding is formed. Individual judgment occurs after understanding or understanding is possessed from the previous process. Judgment by individuals is carried out by comparing based on their criteria so that it becomes a perception.

Based on the above understanding, it can be concluded in this context that the perception of farmers on agricultural financing needs is a process of recognizing or viewing farmers on something related to Islamic financing in their environment based on the interpretation of the criteria in their understanding. So that the perception of each person or farmer will vary depending on the understanding and point of view. In this context, farmers' perceptions are highly dependent on their attention, experience and understanding as well as their interaction with their circumstances and environment.

METHODOLOGY

The research was designed using quantitative methods that emphasize objective conditions and phenomena and then studied quantitatively (Siyoto and Sodik, 2015: 15). Objectivity is maximized from quantified source information with control from statistical testing and structures that have been built from the initial objectives of this research. Quantitative research in order to provide an objective assessment of the researcher and not be bound by the situation under study.

This quantitative method is analyzed descriptively or descriptive statistics as the purpose of this research is to explain the data obtained and presented in the results later (Afatih, 2021:3). Descriptive in research is part of the discussion to describe, show or summarize data in a constructive way that refers to a statistical description that helps understand the

details of the data by summarizing and finding patterns from a particular data sample.

The subjects of this research were farmers in the Serba Jadi sub-district of East Aceh District. While the object of this research is the perception of financing for agriculture and access to such financing. This research was conducted in Serba Jadi Sub district, East Aceh District, Aceh Province. The selection of this location was based on the research phenomenon which shows that this area has a fairly large and diverse population of farmers. On the other hand, there is no commercial bank or Islamic finance bank operating in this location. The time of this research has started since the beginning of the year or January 2024, which has begun with initial observations of the research phenomenon. The completion time of this research is expected to end in December 2024.

The population in the study is this object, namely the entire number of farmers in the Serba Jadi sub-district of East Aceh Regency, which amounts to 1,450 people out of a population of 7,668 people (BPS, 2023). To determine the number of samples of farmers in the Serba Jadi District of East Aceh, this study used the Slovin formula in Sugiyono (2020:85) as follows:

$$n = N / (1 + N e^2)$$

Description:

n = Number of Samples

N= Total Population

e = Error Level (error level) is generally used 1% or 0.01, 5% or 0.05 and 10% or 0.1 In this study researchers used a 10% error rate.

$$\begin{aligned} n &= N / (N \cdot e^2) + 1 \\ &= 1.450 / (1.450 \times 0.1^2) + 1 \\ &= 1.450 / (1.450 \times 0.01) + 1 \\ &= 1.450 / 14.5 + 1 \\ &= 1.450 / 15.5 \end{aligned}$$

= 93.55 which was rounded up to 94 samples.

Secondary data in research in the form of data or conditions of the people of East Aceh and major developments regarding sharia. In this case, the questionnaire used in collecting primary data was first tested for validity and reliability of questions or statements. To be understood by farmers or respondents and get answers in accordance with what is expected. Furthermore, the questionnaire was distributed to respondents in accordance with the provisions of the sample in this research, namely farmers in 18 gampong in Serba Jadi District. The instrument in this study used a questionnaire, which contained 15 (fifteen) items/statement items. So that this questionnaire is valid and *reliable*, the researcher will conduct a validity and reliability test.

RESULTS AND DISCUSSIONS

Influence of Farmers' Perceptions on the Need for Agricultural Financing in Serba Jadi

Based on the results of the statistical test research that has been carried out, it can be seen that the farmer's perception variable has no influence on the need for agricultural financing at Islamic banks in Serba Jadi District with a significant probability value of 0.310 or greater than 0.05 ($\alpha > 5\%$), this result does not meet the provisions of the problem formulation of the terms of influence previously stated, namely the alternative hypothesis (H_a) previously proposed is rejected and accepts (H_o). It can be concluded that the independent variable such as the level of perception of farmers on Islamic banks (Multipurpose community) has no effect on the dependent variable (agricultural financing needs).

It is known that the perception of farmers in fulfilling Islamic bank financing does not apply to village communities in Suka Jadi Subdistrict, that farmers have not relied on financing from Islamic banks but rather financing that is a temporary loan that has a

maturity based on an agreement. Financing provided is sourced from "Toke" or merchants and financing funds are also sourced from among local farmer relatives. It can be proven by the results of the study, namely the characteristics in the data of financing farmers in Suka Jadi District, East Aceh Regency, the average access to financing/loans for agriculture that has been obtained before, shows that out of 94 or 100% there are characteristics of respondents accessing agricultural financing, namely the average loan to Toke as much as 93.6%, the remaining 6% accessing loans from relatives for their agricultural needs. It can be said that most farmers who do financing to the Toke who have excess funds in their respective villages so that very rarely the farmers know/use financing in Islamic financial institutions.

Discussion of Correlation and Determination of Perceived Financing Needs

Both values have not shown a high causality obtained by the correlation value of only 10.6%, the closeness of the relationship between variables is very low, while the coefficient of determination R Square of 0.011 shows that only 1.1% can explain the variance of the farmer's perception variable on agricultural financing decisions in Serba Jadi District choosing an Islamic bank. While the remaining 98.9% is influenced by other variable factors that are not included in this research model, such as farmer knowledge (Deviawati & Wulandari, 2021); access (Yoko & Prayoga (2019).

CONCLUSION

The results showed that the level of perception of farmers did not affect the need for agricultural financing in Islamic banks that occurred in the villages of Serba Jadi District, East Aceh Regency. Financing is not done with Islamic banks, but with merchants and relatives

with a joint pre-harvest agreement. The variant contribution of farmer perception variables to the need for agricultural financing in Islamic banks does not have a close correlation of 10.6% and determination is only 1.1%, the remaining 98.9% is not included in this research model.

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