

## Synergy Analysis of Social Intermediation of Sharia Banking KC Kabanjahe and Local Economic Development (LED) in Supporting the Welfare of the Communities of Nari Gunung Village II

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### ABSTRACT

This study aims to synergize Sharia banking social intermediation and Local Economic Development (LED) in supporting the welfare of citrus farming communities, to determine the role and policies of Indonesian Sharia Banks in the welfare of farmer group communities in Nari Gunung II Village, Tiganderket District, Karo Regency. This type of research is qualitative research. The results of this study, namely, the social intermediation of Islamic banking through the distribution of capital to develop community citrus farming businesses obtained good results. Bank Syariah Indonesia Kc Kabanjahe participates in helping citrus farming communities by providing capital for a maximum term of 5 years. Islamic banks also provide policies to citrus farming communities. These policies include channeling funds to the public through soft financing, and praying for customers to always be trustworthy in managing the financing provided. In addition, the results of the questionnaire filled out by the orange farmer group in Nari Gunung II Village, Tiganderket District, Karo Regency obtained an average of 168.33. This shows that the life of the orange farmer group community is increasing and prosperous.

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### INTRODUCTION

Indonesia's economic condition is inseparable from the agricultural sector. The agricultural sector has an important role in the world's contribution. The Indonesian agricultural sector still has a competitive advantage in world competition. The condition of the Indonesian economy is inseparable from the share of the agricultural sector. The position of the agricultural sector which is quite strategic still has obstacles including the lack of access to financing sources, therefore it is necessary to have a financing model that can provide a stimulus to agricultural business actors to increase their production. The majority of farmers in Indonesia who only have small-scale agricultural businesses generally still rely on their capital in developing their businesses. (Veitlzal, 2015)

Apart from capital problems, other problems that are often faced by farmers are bankability problems and the perception of the banking community that considers agriculture as a high-risk industry, which are two factors that are the cause of the low number of bank loans and financing in the agricultural sector. Meanwhile,

the weak access of small farmers to banking financial institutions is caused by procedures and requirements that are not simple that must be met by farmers. (Antonio, 2012)

The people of Nari Gunung II Village, Tiganderket District, Karo Regency, especially citrus farmers, experience many obstacles in managing the orange orchards, especially in terms of capital and sales of crops. Orange farming communities only use the capital they have which affects the yields and income of the people who own oranges. Their orange yields are only sold to one of the traders, apart from that there is also a lack of community relations with the seller or the developer of the orange business. People are afraid to borrow capital because of the high interest and ability to repay the loan. So they choose to develop their business with very minimal capital.

The presence of banks is expected to be a stimulus for the growth and development of citrus farmer businesses. Banks as a means of community facilities are expected to participate actively and support programs aimed at creating and building community welfare. Islamic bank financing management is a process of planning, organizing, and controlling resources carried out by banks that carry out their business activities based on Sharia principles in terms of providing financial/financial facilities based on Sharia principles to support smooth business and for investments that have been made. planned (Silvia Amelia, Raja Sakti and M. Latief, 2022)

Islamic banking not only collects and distributes public funds and drives the real sector through investment, but is also active in social missions. Marketing strategy is decision-making about marketing costs, marketing mix, and marketing allocation about expected environmental conditions and conditions of competitors. (Imsar, 2021)

The role of Sharia banking social intermediary is to build the capacity of farmers so that they are ready and eligible to receive financing assistance or interact with banks such as increasing farmer knowledge, talent, self-confidence, and the ability to access information technology. The activities that are usually carried out by Islamic banking in implementing the role of social intermediary are providing technical guidance to the community or farmers regarding access to capital and establishing cooperation with microfinance institutions such as savings and loan cooperatives.

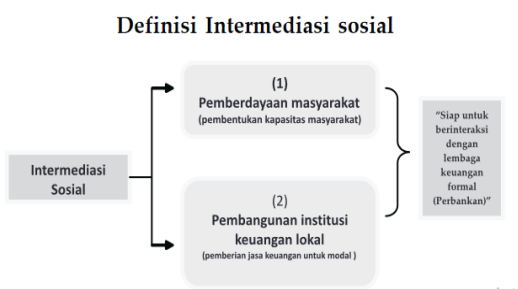
The intermediary synergy that will be developed is by developing Local Economic Development (LED) policies, namely in the agricultural sector group, especially the orange farmer group in Nari Gunung II Village. Why is Local Economic Development (LED) chosen by researchers? Because Local Economic Development (LED) is a local economic development that utilizes local internal factors to develop the local economy, especially the citrus farming business of Nari Gunung II Village, Tiganderket District, Karo Regency.

Local Economic Development (LED) in general focuses on leveraging sectors that have a major influence in improving the regional economic system. This policy is expected to optimize the social intermediary role of Sharia banking through a network expansion system.

## LITERATURE REVIEW

### 1. Sharia Banking Social Intermediation Synergy

Social intermediation is defined as an investment process formed by the development of human resources and financial (financial) providing institutions to increase the self-confidence of disadvantaged groups of people as a preparation for them to use formal financial intermediation. Can be seen in the following image:



There are several types of intermediation, according to Ahmad Gozali, intermediation consists of 6 types, namely 1) Social intermediation, 2) Financial Intermediation, 3) Denomination Intermediation, 4) Risk Intermediation, 5) Maturity Intermediation, and 6) Currency Intermediation.

## 2. Indicators of the Role of Islamic Banking Social Intermediation

Indicators of the social intermediary role of Islamic banking can be seen as follows: (Antonio, 2012); 1) Charity, 2) Soft Loans, 3) Financing, and 4) Savings.

## 3. Syariah banking

According to RI Law number 21 of 2008 concerning Islamic banking. Islamic banks are banks that carry out their business activities based on Sharia principles and according to their type consist of Islamic Banks and Islamic People's Credit Banks.

The roles and functions of Islamic banks include the following: (Imamul, 2015)

- a. Investment Manager Functions  
Islamic banks act as investment managers of fund owners (shahibul mal) terms of these funds must be channeled into productive distribution so that the funds raised can generate profits that will be shared between Islamic banks and fund owners.
- b. Investor Function  
Islamic banks function as investors. Investments made by Islamic banks must be made in productive sectors with minimal risk and not violate Sharia provisions.
- c. Social Function  
This function is inherent in Islamic banks. There are two instruments used by Islamic banks, namely the Zakat, Infak, Alms, and Waqf (ZISWAF) instrument and the careful hasan instrument. The ZISWAF instrument functions to collect ZISWAF from the public, bank employees, and the bank itself as an investor's institution.
- d. Financial Services Function  
This function is no different from conventional banks, such as providing clearing services, transfers, collections, payment of salaries, letters of guarantee, letters of credit, and others. However, Islamic banks use schemes that are by Islamic principles.

## 4. Principles of Islamic Banks

The principles of Syariah Bank are: 1) Stay away from the possibility of usury. As in QS Al-Baqarah verse 278 which means: "O you who believe, fear Allah and leave the rest of usury (that has not been collected) if you are believers". (Q.S Al Baqarah: 278).

## 5. The Role of Islamic Banks in Local Economic Development

The role of Islamic banks, namely Islamic banks as executors of social activities, promotes justice, welfare, and economic equality, as well as Islamic banks as locomotives driving the economy.

## 6. Local Economic Development

Canzanelli (2001) defines local economic development as a process suitable for creating workforce growth and the creation of new small and medium enterprises to support human development and decent work.

The objectives of developing Local Economic Development include: Increasing the utilization of regional potential optimally through partnerships, Improving the quality, quantity, and continuity of export commodity products, and Empowering local stakeholders in a participatory manner to be able to create creativity and productivity in encouraging local economic development, Increasing people's income and creating employment opportunities, evaluate and discuss regional regulations (PERDA) for local economic development activities.

## 7. Public welfare

Welfare according to the Indonesian Language Dictionary comes from a Prosperous word which means safe, secure, prosperous, and safe (despite all kinds of disturbances, difficulties, etc). The word is prosperous contains the meaning of the language Sanskrit "catera" which means umbrella. Material well-being and spirituality is the goal to be achieved in the process of development. (Harry, 2010)

There are several indicators of increasing community welfare, including (1) an increase in cumulative income, (2) qualitatively better family health, and (3) family economic investment in the form of savings.

## RESEARCH METHOD

- a. Types of research  
The type of research used in this research is case study research. A case study is one type of research that focuses on examining the background, interactions, and conditions of certain communities.
- b. Research methods  
The method used in this research is the qualitative method. This research was conducted at Bank Syariah Indonesia which is located at Kabanjahe, Karo Regency, North Sumatra.
- c. Research Data Sources  
Sources of data in this study are divided into two, namely primary data and secondary data. Primary data is data that the researcher obtained from the first respondent or source in the form of unprocessed information resulting from interviews with the head of the Indonesian Sharia Bank and citrus farming communities. While secondary data sources are data sources obtained by reading, studying, and understanding through other media sourced from literature, books, and company documentation.
- d. Data collection technique  
Data collection is done by observation, interviews, and documentation.

## RESEARCH RESULTS AND DISCUSSION

This study aims to determine the synergy of Sharia banking social intermediation and Local Economic Development in supporting community welfare, especially citrus farming communities in Nari Gunung II Village. To achieve the objectives of this study, data collection was carried out using interview techniques. It can be explained some of the findings obtained at Bank Syariah Indonesia Kabanjahe District and the people of Nari Gunung II Village, namely as follows:

### a. The Role of Islamic Banking Social Intermediation in Supporting the Welfare of Citrus Farmers

The role of Bank Syariah Indonesia Kc Kabanjahe is divided into 2, namely from a social and business perspective.

The role of Bank Syariah Indonesia Kc Kabanjahe in terms of society can play a very important role in establishing harmonious relations with the community. This is as carried out by Bank Syariah Indonesia Kc Kabanjahe, namely holding sacrificial animal sacrifices every Eid al-Adha, building mosques and making drilled wells, providing assistance to people who have experienced disasters such as fires, floods, landslides, and so on, as well as providing groceries to the community during the fasting month of Ramadan. This is one form of the role of Bank Syariah Indonesia Kc Kabanjahe in introducing itself to the community, especially the people of Karo district, North Sumatra. Thus, a good relationship will be established between the people of Karo district and the Kabanjahe Kc Sharia Bank.

The role of social intermediation of Bank Syariah Kc Kabanjahe in terms of business, namely: Intermediation can be said to be an intermediary, meaning that social intermediation of Islamic banking is a financial intermediary and financing to be distributed to the community. In addition, the role of the social intermediary for Bank Syariah Indonesia, Kabanjahe branch, in channeling curricular financing using the sharia system, is carried out using a Murabaha contract.

Based on this, it can be seen that the role played by Bank Syariah Indonesia Kc Kabanjahe is by promoting BSI products to the public and there is a distribution of coconut financing with a sharia system so that people are interested and can use these products in developing their citrus business.

In terms of business, Bank Syariah Indonesia Kc Kabanjahe conducts outreach to the surrounding community, especially the people of Nari Gunung II Village. The socialization was carried out not only by introducing the objectives of Bank Syariah Indonesia itself but also socializing by promoting the products of Bank Syariah Indonesia and the financing facilities available at Bank Syariah Indonesia.

Bank Syariah Indonesia Kc Kabanjahe uses a special strategy in conducting intermediation. One of these strategies is marketing. The marketing strategy is a series of plans that aim to market a product to the public so that the product reaches the public. The marketing strategy is carried out by Bank Syariah Indonesia Kc Kabanjahe to introduce Sharia Bank products. Due to the location of the existence of Bank Syariah Indonesia which is in the center of Kabanjahe, of course, the Bank strives to provide good service and knowledge to the public about Bank Syariah Indonesia and give full confidence to the community.

The financing provided by Bank Syariah Indonesia to citrus farmers is then used as well as possible and managed in a good system. Orange farmers are grateful and increasingly enthusiastic about developing their capital and financial assistance provided to Bank Syariah Indonesia Kcp Kabanjahe. With this financing capital, orange farmers experience development in their businesses. Citrus farmers can provide fertilizers, pesticides, and intensive planting care so they can produce dense fruit that is in demand in the sales market.

Based on this, it can be seen that the social intermediary role of Bank Syariah Indonesia can support the welfare of the community through the financing capital provided.

### **b. Local Economic Development (LED) Policy in Supporting the Welfare of Citrus Farmers**

Bank Syariah Kc Kabanjahe as a social intermediary institution has a role in the social life of the surrounding community. To improve the welfare of farmers, especially citrus farmers, the policy implemented is to assist citrus farmers who need financial assistance. This can be seen from the results of the following interviews:

"Bank Syariah Indonesia Kc Kabanjahe whose function is to collect and distribute zakat, infaq, and alms funds. The funds are then used to help the community, especially citrus farmers who need financial assistance to develop their orange businesses. (Interview with Mr. Taufik Head of BSI Kaban Jahe)

In this study, the policies implemented can be seen from the convenience provided by banks in the financing process.

Policies provided by Bank Syariah Indonesia Kc Kabanjahe by providing convenience in the financing process. Loans given to the public consist of 2, namely soft loans and capital financing. Soft loans are given to citrus farming communities with easy conditions, orange farmers who wish to make soft loans must complete personal administration letters and letters from the village head.

Soft loans are one of people's choices because the process and conditions are easy to fulfill. This convenience makes the public's interest in Bank Syariah Indonesia Kc Kabanjahe increasingly in demand, especially in the farming community. Most of the residents of Nari Gunung II Village earn from managing the farming land they own. Adequate and sufficient capital certainly has a big influence on the management of the farmland.

The second policy, namely the provision of financing. Provision of working capital financing based on Sharia principles. In providing financing to members, Bank Syariah Indonesia Kc Kabanjahe has several considerations. This is due to the prudence of Islamic financial institutions in providing financing. The existence of this consideration will affect the selection of contracts used in financing members. It is believed that financing using profit-sharing instruments guarantees the principle of fairness and is more suitable for the characteristics of micro-enterprises. (Sugianto, n.d.)

The type of financing provided by Bank Syariah Indonesia Kc Kabanjahe is murabahah financing. Murabahah financing is financing using a sale and purchase agreement. The purpose of this is for working capital and used by the needs of the benefits of lawful.

The presence of Bank Syariah Indonesia Kc Kabanjahe policy has a positive influence and ease in managing and developing the businesses that farmers have. The process is easy and safe, and based on Sharia principles.

When a customer experiences bad financing, the bank has prepared a settlement plan to overcome the problems that will occur. When a customer carries out a transaction at a bank, the bank has prepared a settlement that will be faced in the future, such as non-performing financing.

### **c. Sharia Banking Social Intermediation Synergy and Local Economic Development (LED) Able to Support the Welfare of Citrus Farmers**

A synergy is a form of cooperation from a process or interaction that produces a harmonious balance to produce something optimum. Synergy Bank as a social intermediary institution pays full attention to the community to expand access to social services and production factor provider services through community empowerment. Types of intermediation that can influence the success of implementation are 1) Marketing synergy, 2) Operational synergy, 3) Investment synergy, and 4) Management synergy.

#### **1. Marketing Synergy**

Marketing synergy can be created through collaboration between distribution, salespeople, and storage. An example is the business of an orange juice factory with oranges. Synergies through joint promotion programs can multiply profits at relatively lower costs.

#### **2. Operational Synergy**

Operational synergies can be obtained through the use of shared workforce and facilities or through purchasing large quantities of joint operational needs. In this case, it means that there is sharing of overhead costs together.

#### **3. Investment synergy**

Investment synergies can be created through joint use of production facilities in factories, joint purchase of raw material supplies, joint use of processing equipment and machinery, and so on.

#### **4. Management synergy**

Competent management is a rarity, so the addition of new business units or new products can enhance overall performance.

Based on the presentation and results of the research conducted, it is known that the synergy carried out by Bank Syariah Indonesia Kabanjahe is through marketing synergy. Bank Syariah Indonesia Kc Kabanjahe through marketing synergy creates cooperation with the citrus farmer group community of Nari Gunung II Village through a promotional program.

The next process of social intermediation is to build public confidence through programs to increase public confidence, including basic accounting and financial management training for members as a business strategy to ensure the viability and sustainability of life for the financial services offered. The social intermediation synergy of Bank Syariah Indonesia Kc Kabanjahe has extraordinary potential in serving the community. This is useful for the people of Nari Gunung II Village in managing their finances so that they are well organized and orderly, starting from the capital, and expenses to income.

Based on this, it can be seen that Bank Syariah Indonesia Kc Kabanjahe not only builds the confidence of the Nari Gunung II Village community group by cultivating skills that can help develop long-term business relationships but also minimizes costs through informal supervision and the creation of a system of coercion in long-term.

Another thing that encourages the development of the citrus farmer business is marketing or sales that are increasingly widespread. This can be seen in the picture:



The establishment of the orange farmer group in Nari Gunung II Village aims to prosper the orange farmer group. Bank Syariah Indonesia Kc Kabanjahe in a week or once a month conducts socialization and observes the progress of these farmers. The capital owned and the collaboration between citrus farmer groups in developing their agricultural business produced unexpected results. Previously, the citrus farming community of Nari Gunung II Village only received income from sales that were carried out independently by only one toke. However, with the advancement of supporting information and marketing systems, the orange farmer groups of Nari Gunung II Village have been able to market their crops to other cities such as Bandung, Jakarta, and Surabaya.

The output of social intermediation is a community that is ready to run it so that people's welfare is achieved. Affiliate ways of marketing citrus products are carried out by the community in various ways including:

1) Word of Mouth

Citrus farmer groups offer their oranges by talking to other people, telling them the advantages of the oranges they have. From one person to the next pass on the results of the offer made.

2) Online Marketing

Along with the times and advances in information and communication technology, of course, it is not uncommon for people to easily find all information from all directions. One of the steps taken to increase the results of marketing oranges is by making offers online. This is intended so that the reach and interest of other people in buying will certainly increase and of course, be able to establish good cooperation.

3) Marketing Emails

Orange marketing is done by creating marketing emails, this aims to make it easier to get customers who are interested in becoming orange marketing agents owned by the community.

After the affiliation is done, the next step is to make advertising which is done by direct selling, through resellers and retailers. Direct sales can be made by the people of Nari Gunung II Village to agents who usually

collect the crops. In addition, selling crops to resellers to form good relationships and cooperation to extend business relationships. The next step is to deliver the oranges to retailers for resale.

The level of marketing distribution for farmers' citrus products certainly affects the income they have. Previously, some people were only able to meet their daily needs. However, with the presence of Bank Syariah Indonesia Kc Kabanjahe, the community has been able to improve the standard of living of their families. Not only are they able to meet their daily needs, but the community also has savings for the future of their children and family.

Questionnaire results obtained an average value of 168.33. Of course, as a whole, the community of farmer groups in Nari Gunung II Village can prosper in their lives and lives. Communities can fulfill starting from:

- a. income aspects which include earning at least once a month, being able to meet family needs, having future savings, and getting information from various media such as TV, newspapers, the internet, etc.
- b. Aspects of consumption and expenditure include that families can eat at least twice a day, the amount of money to pay garden workers can be met, and buying clothes at least once a year.
- c. Aspects of the state of residence, including the condition of a decent house to live in.
- d. Aspects of the health of family members, including family conditions in good health.
- e. The aspect of ease getting health services, namely facilities and treatment when sick is easy to get, there is BPJS for families.
- f. Aspects of the ease of entering children into education, including the education of family members reaching 12 years of compulsory education, having good relations in the community, family members will/have already taken higher education (university)

Based on these several aspects, the average result is that the people of Nari Gunung II Village are fulfilled for each aspect. Thus it can be seen and concluded that the community of farmer groups in Nari Gunung II Village through Sharia banking social intermediation can prosper the lives of the community of farmer groups in Nari Gunung II Village by developing and managing capital. This certainly gets enthusiasm from the community to always and always use Islamic Banks as a solution to community problems.

## CONCLUSION

- 1 The financing provided is curricular using Sharia principles and knowing the purpose and use that will be used by the community.
- 2 The policy implemented by Local Economic Development in support of the welfare of citrus farming communities is to provide soft loans.
- 3 The synergy of Sharia banking social intermediation and Local Economic Development can support the welfare of citrus farming communities. This is shown by the questionnaire filled out by the community farmer groups of Nari Gunung II Village with an average score of 168.33.

## Suggestion

1. Bank Syariah Indonesia Kc Kabanjahe should continue to strive to help the community in helping to improve their lives and lives and support every community activity that has positive and halal values.
2. Citrus Farming Community of Nari Gunung II Village

Further, develop the business that is owned with the assistance of capital provided

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