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Model and Criticism of Financing in the Agricultural Sector of Bangka Belitung

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ABSTRACT: The agricultural sector is a sector that plays a strategic role in development. There are still some problems that hamper the development of the agricultural sector. One of the main problems is the lack of support and access to finance or capital. Islamic banks as financial institutions actually have good potential for agricultural financing. In Bangka Belitung the agricultural sector is one of the potential contributors to economic growth apart from mining. However, the reality of agricultural financing by Islamic Banks in Bangka Belitung is still very low. This study aims to see the potential and examine the financing of capital support and criticism of Islamic banks for the agricultural sector. The method used in the form of correlational and qualitative descriptive methods, using secondary data. The results of this study aim to provide an overview of the financing of the agricultural sector with alternative financing schemes according to agricultural characteristics based on sharia perspective in Bangka Belitung. As well as providing the delivery of the results of the criticism of Islamic bank financing to improve performance in capital financing.

KEYWORDS: agricultural sector, agricultural financing

I. INTRODUCTION

Agricultural development is best understood not merely as an economic phenomenon, but as a multidimensional process of social transformation. its implementation is aimed not only at improving the economic status and well- being of farmers, but also at fostering the broader development of human capital - economically, socially, politically, culturally, and environmentally - through mechanisms of improvement, growth, and structural change (Hayami & Ruttan, 1985; Todaro & Smith, 2020).

The Agricultural Sector Plays A Pivotal Role In Contributing To Both National And Global Economies. This Is Especially True For Indonesia, Where Agriculture Remains A Major Source Of Employment And Livelihood. Despite Increasing Urbanization And Industrialization, Indonesia Retains Significant Comparative Advantages In Agriculture, Particularly In Terms Of Natural Endowments And Biodiversity. Agricultural Value-Added Has Consistently Contributed To National GDP, Increasing From 13.94% In 2014 To 13.98% In 2015, Reinforcing The Sector's Role As A Foundational Economic Pillar (BPS, 2023).

In Examining Agricultural Development, One Must Also Consider Its Interlinkages With Other Economic Sectors And Institutional Frameworks. A Pertinent Example Is The Province Of Bangka Belitung, Where Agriculture—Including Fisheries And Forestry—Demonstrates A Critical Contribution To The Regional Economy. From 2013 To 2015, This Sector Experienced An Impressive Growth Rate Of 21.44% In Its Contribution To Gross Regional Domestic Product (GRDP), Underlining Its Significance In Local Development (Bappeda Bangka Belitung, 2022).

Given The Strategic Role Of Agriculture In Supporting The Bangka Belitung Economy, Improving Farmers' Access To Capital Emerges As A Key Priority. One Structural Barrier To Agricultural Productivity Remains The Limited Access To Affordable And Inclusive Financing Mechanisms, Particularly For Smallholder Farmers. In This Context, Islamic Finance—Or Sharia-Compliant Financing—Offers A Potentially Transformative Solution. With Its Principles Rooted In Risk-Sharing, Asset-Backing, And Ethical Investment, Islamic Finance Aligns Well With The Socio-Economic Characteristics Of Rural Farming Communities (Kassim, 2022; Obaidullah & Khan, 2021).

This Study Aims To Explore The Role Of Islamic Financing Models In Enhancing Access To Productive Capital For Farmers In Bangka Belitung. Specifically, It Examines How Sharia-Compliant Financial Instruments Such As Murabaha (Cost-Plus Financing), Mudharabah (Profit-Sharing), And Qard Al-Hasan (Benevolent Loans) Are Utilized In Supporting Agricultural Enterprises. The Study Also Critically Evaluates The Outcomes And Limitations Of These Financing Mechanisms, Particularly In Terms Of Sustainability, Default Risk, Institutional Outreach, And Financial Literacy Among Beneficiaries.

The Integration Of Islamic Finance Into Agricultural Development Strategy Is Not Without Its Challenges. Issues Such As

Asymmetric Information, Weak Regulatory Enforcement, And Limited Rural Outreach Of Islamic Financial Institutions Continue To Impede Progress. Therefore, A Critical Appraisal Of Islamic Finance Implementation Must Be Undertaken To Assess Not Only Its Economic Impacts But Also Its Institutional Fit Within The Rural Agrarian Context Of Bangka Belitung.

II. LITERATURE REVIEW

II.1 Foundations of Islamic Financing

Islamic finance operates within a normative framework derived from Shariah law, prioritizing ethical, participatory, and real-economy-based transactions. At its core, the prohibition of riba (interest), gharar (excessive uncertainty), and maysir (gambling) shapes a system of financial intermediation distinct from conventional models (Dusuki & Abdullah, 2007).

Key Principles:

- **Asset-backed financing**: All financial contracts must be linked to tangible assets or services.
- **Risk-sharing**: Returns are contingent on the performance of the underlying asset, fostering shared risk between financier and entrepreneur.
- **Prohibition of exploitative contracts**: Islamic contracts must avoid unjust enrichment and uphold principles of fairness (‘adl) and mutual benefit (maslahah).

This conceptualization frames finance not merely as a transfer of capital, but as a partnership in production and social welfare.

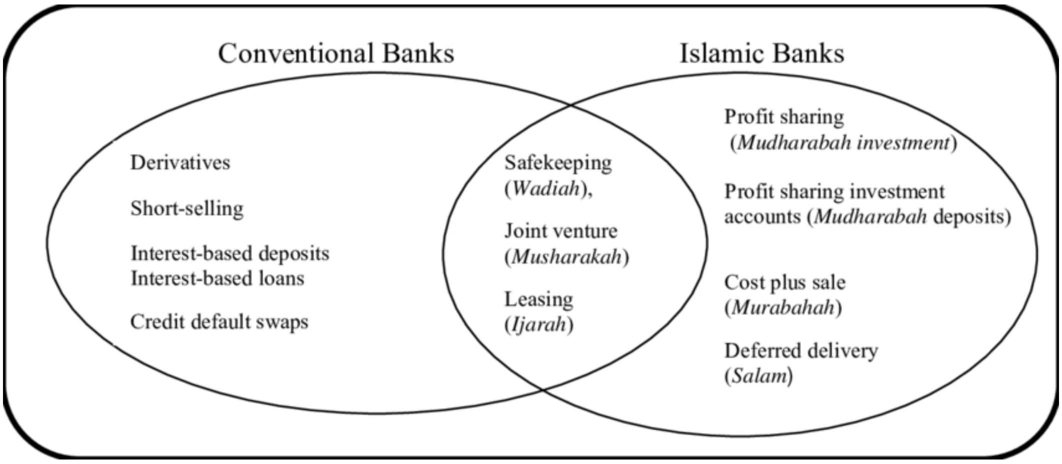

Figure 2.1 (Recommended Diagram) : Contrasting Models – Conventional vs. Islamic Finance

II.2. Islamic Financing Instruments and Agricultural Relevance

Islamic financing contracts are diverse, and their applicability varies depending on sectoral needs. In agriculture, where financing gaps persist due to seasonal income and collateral constraints, Shariah-compliant instruments offer a potentially inclusive and ethical solution.

II.2.1. Profit and Loss Sharing Contracts

- **Mudharabah**: A trust-based partnership where the financier provides capital, and the farmer (entrepreneur) manages operations. Profits are shared according to a pre-agreed ratio, while financial loss is borne by the capital provider (Riwajanti, 2013).
- **Musyarakah**: A joint-venture model wherein both parties contribute capital and share both profit and loss. This is suitable for multi-party farming cooperatives or agro-industry processing ventures.

While ideal from a Shariah perspective, these contracts are underutilized due to the high transaction cost of monitoring and verifying agricultural outcomes (Obaidullah, 2008).

II.2.2. Trade-Based Contracts

- **Murabahah**: In this cost-plus sale contract, the financier purchases agricultural inputs (e.g., seeds, fertilizer) and sells them to the farmer at a disclosed markup, with deferred payment.
- **Salam and Istisna’**: Forward sale contracts particularly relevant in agriculture. Salam enables pre-financing of inputs with the obligation to deliver the produce at harvest, reducing price uncertainty. Istisna’ is used for commissioned infrastructure development (e.g., cold storage, irrigation channels).

These instruments offer flexibility but may require enhanced contractual literacy and supportive institutional frameworks (Wangsawidjaja, 2010).

II.2.3. Agricultural Sector: Characteristics and Financing Needs

Agriculture is a heterogeneous sector comprising subfields with varied risk profiles, investment horizons, and revenue cycles. Nasution (2016) categorizes it into food crops, horticulture, plantations, livestock, and fisheries. Each of these subfields presents a unique financing topology:

- **Food Crops (e.g., rice, maize)**: Require seasonal working capital, low fixed asset investment.
- **Horticulture and Plantation**: Higher input cost, longer gestation period, higher market risk.
- **Fisheries and Livestock**: Require both operating capital and investment in durable equipment (boats, pens, cold storage), with irregular cash flows.

Islamic contracts must therefore be tailored not only to conform to fiqh muamalah but also to accommodate the financial cycle and risk exposure inherent to each subfield.

II.2.4. The Institutional Challenge: Bridging Shariah and Agricultural Realities

Despite the theoretical congruence between Islamic financing and the needs of rural agriculture, empirical studies highlight gaps in implementation. These include:

- **Limited product innovation**: Financial institutions often rely heavily on murabahah due to its legal simplicity, crowding out equity-based models like mudharabah (Khan & Bhatti, 2008).
- **Regulatory and governance asymmetries**: Rural areas face a shortage of trained Shariah scholars, limited legal recourse for contract enforcement, and weak financial literacy among farmers.
- **Information asymmetry**: The agricultural sector's high exposure to climate and market shocks increases monitoring costs, deterring financiers from risk-sharing arrangements.

To overcome these issues, integrated models are needed combining Islamic microfinance institutions with cooperative-based agricultural governance, Shariah training, and digital tools for transparency.

II.2.5. Summary and Research Implication

This theoretical framework posits that Islamic finance, grounded in ethical and risk-sharing principles, is structurally compatible with the characteristics of agricultural financing—particularly in contexts where conventional finance has failed to deliver equitable access. However, the actualization of this potential is contingent upon:

- Contractual alignment with specific subsectoral needs;
- Institutional mechanisms to mitigate risk and enhance compliance;
- Empirical testing of the effectiveness and sustainability of Shariah instruments in diverse agricultural environments.

The present study thus seeks to empirically examine the use and performance of various Islamic financing contracts across agricultural subsectors in Indonesia, building on the conceptual nexus outlined in this framework.

III. RESEARCH METHOD

This research was conducted using descriptive and correlational methods. Descriptive research is a form of study aimed at describing existing phenomena, whether natural or human-made (Sukmadinata, 2006:72). Meanwhile, the correlational method is used to determine the relationship and the degree of association between two or more variables without attempting to influence those variables, thus preventing any manipulation (Fraenkel and Wallen, 2008:328).

The data used in this study are secondary data obtained from Islamic banking statistics and financial reports from Bank Indonesia. The object of this research focuses on issues related to financing in the agricultural sector, particularly concerning capital and the Islamic financing models applied within the sector itself.

IV. DISCUSSION

IV.1 FINANCING MODEL

According to Sutawi's research, the integrated Islamic agribusiness partnership is a solution to overcome capital constraints in agricultural enterprises. KAST (Kemitraan Agribisnis Syariah Terpadu or Integrated Islamic Agribusiness Partnership) is a partnership program that involves large and small businesses, with Islamic banks acting as funders within a cooperative agreement formalized in a memorandum of understanding. The objectives of KAST are to improve the feasibility of plasma farmers, strengthen mutually beneficial linkages and cooperation between core businesses and plasma farmers, and assist Islamic banks in enhancing micro, small, and medium enterprise financing in a safer and more efficient manner. Ashari's research, which focuses on the establishment of agricultural banks, suggests that Islamic financing models can serve as the operational foundation for such banks. Islamic banking offers advantages, including a variety of financing products and resilience against monetary crises due to its non-interest- based system.

The development of Islamic financial institutions as an alternative financing option for the agricultural sector is considered a strategic choice, as it is conceptually aligned with the nature of agricultural enterprises. Specifically, Islamic financing is interest-free and based on profit-and-loss sharing principles, with profit calculations conducted after the transaction period ends. Several Islamic financing products have strong potential for implementation in the agricultural sector, including mudharabah, musyarakah, muzara'ah, murabahah, salam, istisna, and rahn. The wide range of Islamic financing alternatives provides agricultural business actors with the flexibility to choose financing schemes that suit the type of activity and the economic scale of their enterprise.

A. Islamic Bank Financing Schemes for the Agricultural Sector

The types of financing used to meet short-term production needs—whether for food crops or non-food crops—can be classified as working capital. The primary purpose of working capital financing includes funding for the purchase of inputs such as seeds, fertilizers, pesticides, labor, water, and electricity. The contracts commonly used by Islamic banks for this type of financing include murabahah, salam, and parallel salam.

For long-term financing in the agricultural sector—particularly in the plantation sub-sector—the focus is on the purchase of agricultural machinery, rental or purchase of buildings, and other forms of long-term investment.

Table 1. Islamic Financing Models

No.	Purpose	Financing Model(s)
1.	Raw material procurement	Murabahah, Salam, Musawamah
2.	Agricultural machinery	Ijarah Muntahiya bit Tamlik, Murabahah
3.	Livestock financing	Murabahah, Istisna, Musyarakah, Ijarah
4.	Poultry financing	Musyarakah, Murabahah, Ijarah, Istisna
5.	Fisheries financing	Musyarakah, Murabahah, Ijarah, Istisna
6.	Establishment of greenhouses, storage warehouses, etc.	Musyarakah, Murabahah, Ijarah Muntahiya bit Tamlik
7.	Empowerment of farmer groups	Mudharabah

Source: Islamic Banking Statistics

1. Profit and Loss Sharing Financing System

Profit and loss sharing is defined as a system that involves the distribution of business outcomes between the capital provider and the fund manager. The contracts used may include mudharabah and musyarakah agreements. Profit sharing appears in the form of returns and investment contracts, which fall under the category of natural uncertainty contracts. Some refer to this system simply as profit sharing. In economic terms, profit sharing is defined as the distribution of a portion of a company's profits to its employees. Additionally, the term is also known as Profit and Loss Sharing (PLS).

In relation to islamic banking this theory states that Islamic banks provide broad financial resources to borrowers based on risk-sharing, which includes both profits and losses. This approach differs from the interest-based financing system in conventional banking, where the borrower bears all the risk.

In general, the profit-sharing principle in Islamic banking is implemented through four main contracts, Al- Musyarakah, Al-Mudharabah, Al-Muzara'ah, Al-Musaqoh. However, the most commonly used contracts are Mudharabah and Musyarakah, while Muzara'ah and Musaqoh are specifically applied to plantation financing or agricultural financing by certain Islamic banks.

Mudharabah is a form of investment in which the capital owner (shahibul maal) provides funds to the fund manager (mudharib) to carry out a specific business activity. The profit is shared between both parties using either the profit and loss sharing method or the revenue sharing method, based on a pre-agreed ratio (nisbah)—which defines each party's share of the business profit. In a mudharabah financing arrangement, the bank acts as the shahibul maal (capital provider), while the customer acts as the mudharib (business manager). The financing period, fund repayment, and profit distribution are determined through mutual agreement between the bank and the customer. Although the bank does not participate in managing the customer's business, it retains the right to supervise and guide the business operations.

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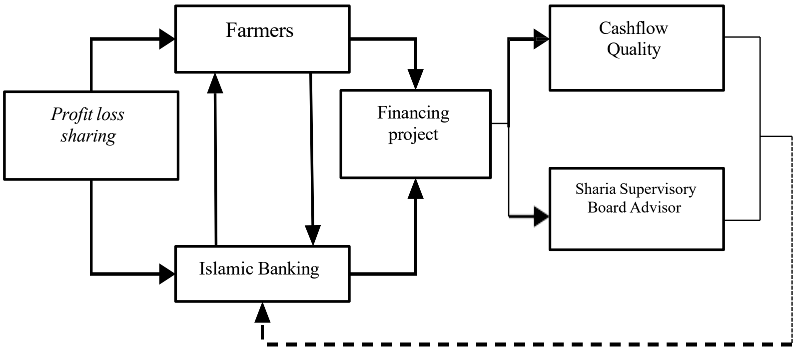

Figure 1. Mudharabah contract scheme

However, in such a scheme, Islamic banks sometimes face difficulties in implementing it due to their limited knowledge of agriculture and their cautious approach toward potential business risks (as noted by Risa Ratna Gumilang in Model Pembiayaan Syariah Bank). Therefore, in developing this model, Islamic banks (shahibul maal) can overcome these challenges through three schemes, namely:

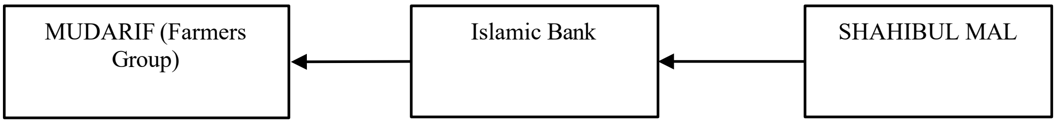

Figure 2. Mudharabah contract scheme

In this scheme, the fund owner deposits money into the Islamic bank in the form of savings or mudharabah deposits with varying durations. The funds from the owner are then channeled by the Islamic bank into other financing—specifically mudharabah financing to farmer groups. The profit-sharing ratio (nisbah) is distributed between the Islamic bank and the farmers, as well as between the Islamic bank and the third-party fund owner, based on the initial agreement.

a. **Musyarakah**

Musyarakah is a form of capital investment in which the fund owners pool their funds into a specific business venture. Profits are shared based on a pre-agreed ratio (nisbah), while losses are borne by each investor in proportion to their capital contribution. In musyarakah financing, the bank is permitted to request collateral or guarantees to mitigate risks in case the customer fails to fulfill their obligations as outlined in the contract. The musyarakah mutanaqisah contract is a profit-sharing partnership model where two parties jointly own an asset. This jointly owned asset may take the form of transportation—such as trucks in the plantation sector, boats in marine fisheries, ponds in inland fisheries, or marine products like shrimp, crab, tuna, and others. The first party owns the capital asset, which is divided into several units.

The asset provided as capital by the first party will then be purchased by the second party, acting as the client, unit by unit, with the purchases made periodically (not all at once). Gradually, the portion owned by the second party will increase over time, and eventually, the asset will become fully owned by the second party.

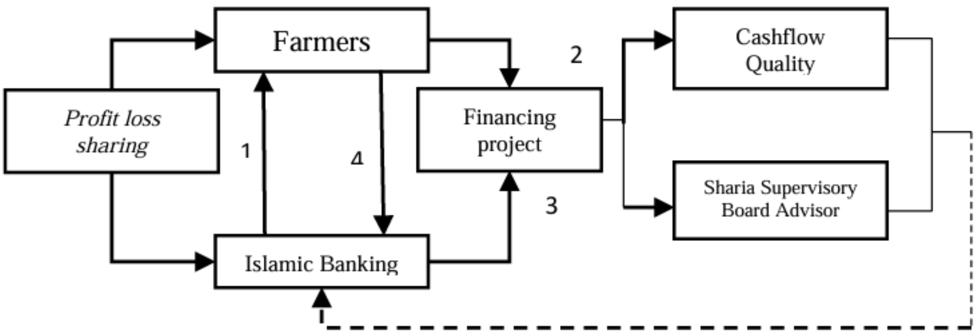

Figure 3: Musyarakah Contract Scheme

Description:

1. The farmer submits a financing request to the bank under a musyarakah contract with a profit and loss sharing scheme.

2. The farmer and the bank jointly manage and supervise the project funded together. The farmer operates the project and produces goods that have been pre-ordered by the bank.
3. Cash flow quality, along with the Sharia Supervisory Board and agricultural extension officers, assist in monitoring the project from the perspectives of Islamic jurisprudence (fiqh), economics, and cultivation practices.
4. At the end of the harvest period, the results are distributed according to the initial contract agreement.

b. Muzara'ah

Muzara'ah is a form of mudharabah applied in agriculture—specifically, a cooperative arrangement between a landowner and a cultivator, where the landowner provides agricultural land to the cultivator to be planted and maintained. In return, the cultivator receives a predetermined share (percentage) of the harvest. Muzara'ah is often equated with mukhabarah, but upon closer examination, there is a fundamental difference, In muzara'ah, the seeds are provided by the landowner. In mukhabarah, the seeds come from the cultivator.

2. Profit Margin Financing System

In managing profit margin financing, Sharia-based margins have become a standard practice in Islamic banking. These margins apply to financing products through business contracts that ensure certainty in both payment amount and timing, such as in murabahah, ijarah, ijarah muntahia bit tamlik, salam, and istisna' financing. Once the bank determines a reference for the profit margin, it proceeds to set the selling price. The selling price is the sum of the purchase price / principal cost / acquisition cost and the profit margin.

3. Murabahah

Murabahah is a sale contract agreed upon between an Islamic bank and a customer, in which the bank provides financing for the purchase of raw materials or other working capital needed by the customer. The customer repays the bank based on the bank's selling price—which consists of the bank's purchase price from the supplier plus a profit margin—at a time agreed upon by both parties. In a murabahah contract payment method and duration are mutually agreed upon and can be made either as a lump sum or through proportional installments. The bank has the right to request collateral from the customer to mitigate risks in case the customer fails to fulfill obligations stated in the contract. The bank may also request an advance payment (urbun) from the customer at the beginning of the contract. As long as the sale contract is still valid, the selling price cannot be changed. If any changes occur, the contract becomes void. Murabahah is commonly used in home financing (Islamic mortgage/KPR).

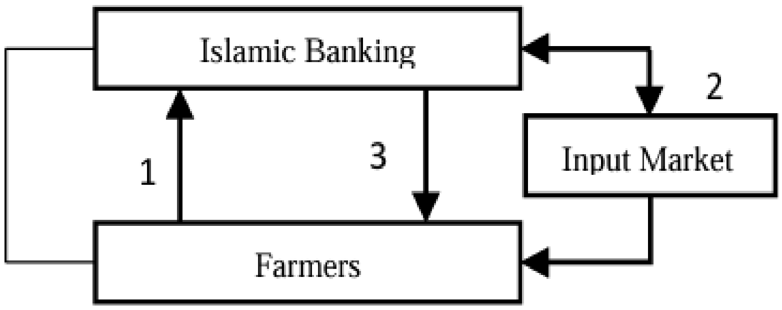

Figure 4: Murabahah Contract Scheme

Description:

1. The farmer and the Islamic bank enter into a purchase order contract with the bank, involving either production inputs or agricultural machinery.
2. The bank collaborates with input suppliers to purchase goods according to the farmer's request.
3. The bank delivers the goods as agreed upon, including the price and payment terms. The murabahah contract can be applied to financing in the agricultural sector when the goods are already available, do not require processing, and have a short-term duration—typically not exceeding 6 months.

4. Salam

Salam is a sale contract between a bank and its customer for a specific item, where the price is paid immediately by the bank, while the goods are delivered later by the customer (producer) within an agreed timeframe. Afterward, the bank may resell the goods either to another buyer or back to the original customer (producer) through installment payments. The key conditions of a Salam contract are the type, category, size, quality, and quantity of the goods must be clearly defined and beneficial. The bank earns a profit from the price difference between the amount paid to the producer and the resale price to the buyer. Salam is commonly used in agricultural financing, especially when farmers need upfront capital before harvest.

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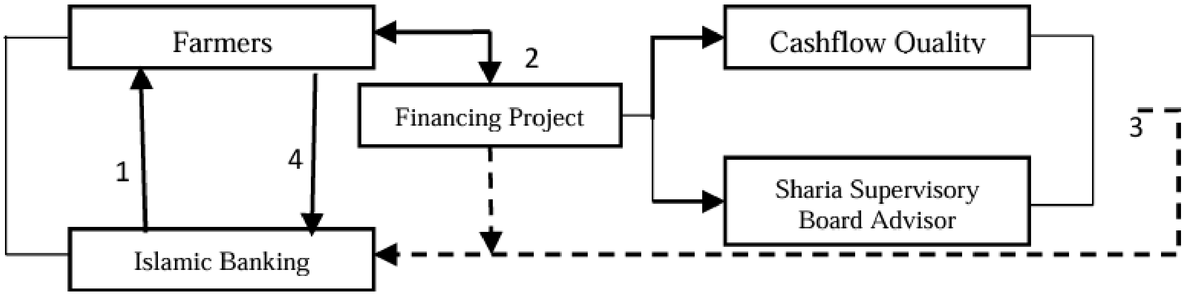

Figure 5: Salam Contract Scheme

Description :

1. The bank acts as the buyer, entering into a Salam contract with the farmer by making payment according to the agreed terms.
2. The farmer manages the project and produces the goods that have been ordered by the bank.
3. The quality of cash flow, along with oversight from the Sharia Supervisory Board and agricultural extension officers, ensures compliance from the perspectives of Islamic jurisprudence (fiqh), economic viability, and agricultural practices.
4. The delivery time and type of goods are fulfilled according to the contract agreement.

5. Istisna'

Istisna' is a sale contract between a customer as the buyer/orderer (mustasni) and an Islamic bank as the seller/producer (sani), in which the seller (the bank) agrees to manufacture or construct goods ordered by the customer. To fulfill the customer's order, the bank may subcontract the work to a third party. The goods to be sold must be produced first, based on clearly defined specifications. Istisna' financing is commonly used for construction projects, such as buildings, infrastructure, or custom-made equipment.

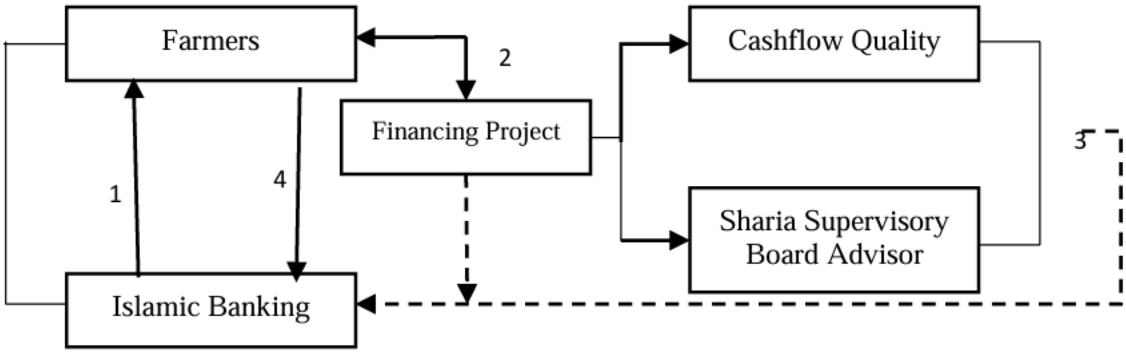

Figure 6: Istisna' Contract Scheme

Description :

1. The bank acts as the buyer, entering into an Istisna contract with the farmer and making payments according to the agreed terms.
2. The farmer manages the project, producing the commodities ordered by the bank.
3. The quality of cash flow, along with oversight from the Sharia Supervisory Board and agricultural extension officers, ensures proper supervision from the perspectives of Islamic law (fiqh), economic feasibility, and agricultural practices.
4. The delivery time and type of goods are fulfilled according to the contract agreement.

IV.2 Criticism of Islamic Banks Regarding Agricultural Financing in Bangka Belitung

The first criticism, based on the findings of the 2018 Agricultural Census, reveals that the number of agricultural enterprises in the Bangka Belitung Islands Province reached 169,150, all managed by households. These are distributed as follows rice farming: 19,815 households, secondary crops (palawija): 8,303 households, horticulture: 31,083 households, plantations: 143,554 households, livestock: 13,902 households, fish farming: 1,087 households, fishing: 17,303 households, forestry: 4,940 households. When this agricultural census data is compared to the allocation of financing and credit in the agricultural sector, the amount is extremely minimal. This discrepancy can be seen in the table below.

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Table 2: Credit Share by Economic Sector in Bangka Belitung (November 2019)

Economic Sector	Credit Share (%)
Mining	41.01%
Trade	13.95%
Manufacturing Industry	8.25%
Agriculture	3.85%
Non-Business Activities	26.62%
Others	6.32%

Based on economic sectors, the largest portion of credit distribution in Bangka Belitung is absorbed by four main sectors, Mining and quarrying: 41.01%, Wholesale and retail trade: 13.95%, Manufacturing industry: 8.25%, Agriculture: 3.85%. Meanwhile, credit to non-business sectors accounts for 26.62% of total credit. Credit in the main economic sectors is predominantly allocated for productive financing (working capital and investment credit), whereas credit in non-business sectors is mostly consumption-based. From the table above, credit allocated to agriculture was only 3.85% (IDR 66.514 billion), significantly lower than credit to the trade sector, which reached 13.95% (IDR 118.580 billion) in the same year. This is concerning, considering that agriculture is a key sector for driving development and ensuring national food security. In essence, current banking practices tend to focus on sectors that offer higher and faster returns, while neglecting strategic sectors like agriculture that require long-term commitment and support.

Bank financing tends to concentrate more heavily on profitable sectors such as property and general trade. In contrast, financing for agribusiness, especially infrastructure, is relatively rare due to its high risk and long-term nature, which makes it difficult to generate quick returns. The credit distribution by conventional banks, as outlined in Table I, is not proportional when compared to the financing provided by Islamic banking in Bangka Belitung.

Table 3: Average Monthly Financing by Islamic Rural Banks Based on Type of Use (in billions of rupiah)

Type of Financing	2017	2018	2019
Working Capital	15.25	14.26	13.21
Consumption	12.47	12.01	10.25

The table above shows that working capital financing is significantly higher than consumption financing. This can be seen from the average monthly working capital financing, which declined from IDR 15.25 billion in 2017 to IDR 13.21 billion in 2019. Moreover, this working capital financing is distributed across various sectors, raising questions about how much of it actually contributes to agriculture. This suggests that, in essence, Islamic banks are not fundamentally different from conventional banks, operating as Investor-Oriented Firms (IOFs) whose primary goal is to maximize profit, treating money as the main commodity. Modern banks today tend to avoid agricultural contracts, such as Salam, because under such agreements, they would receive specific commodities from clients rather than cash, which limits their flexibility and profit potential. This indicates that Islamic banks are currently driven purely by profit motives, rather than by the spirit of economic justice and empowerment that underpins Islamic finance.

Second Critique, In marketing theory, location influences consumer interest—this concept also applies to how Islamic banks choose the placement of their offices. For example, in the Bangka Belitung province, the number of Islamic banking offices is only 9, including headquarters, branches, and cash offices. In contrast, conventional banks have 15 offices. It's also evident that Islamic bank offices are mostly located in urban areas. This highlights the importance of promotion, which serves to introduce the product name, its benefits, pricing, and where it can be accessed. Without strategic promotion and broader geographic coverage, Islamic banks risk limiting their reach and failing to engage potential customers in rural or underserved regions.

The fact that Islamic bank offices are predominantly located in urban areas reflects a market orientation toward the elite segment, rather than toward the lower-middle class or the poor. While it is true that establishing physical branches involves significant operational costs, the strategic decision to target wealthier clientele raises questions about the social role of Islamic banking in serving marginalized communities. In contrast, banks like BRI and Mandiri have demonstrated a strong commitment to supporting micro and small enterprises, which directly benefit lower- income groups. This inclusive approach is something Islamic banks should emulate if they aim to uphold the ethical and social justice principles embedded in Islamic finance.

V. CONCLUSION

Based on the explanation above, it can be concluded that Islamic banks provide financing to various economic and industrial sectors in Bangka Belitung without interest, but rather through a profit-sharing scheme between the bank and its clients. The financing model for both food and non-food crops can be classified as capital financing. The primary purpose of working capital financing includes the purchase of inputs such as seeds, fertilizers, pesticides, labor, water, and electricity. Common contracts used by Islamic banks include Murabahah, Salam, and Parallel Salam. For long-term financing in the agricultural sector—particularly in the plantation sub-sector—the funds are typically used for purchasing agricultural machinery, renting or acquiring buildings, and other forms of long-term investment.

According to the 2018 Agricultural Census, there were 169,150 agricultural enterprises in the Bangka Belitung province, all managed by households. These include 19,815 rice farms; 8,303 secondary crop farms; 31,083 horticulture farms; 143,554 plantations; 13,902 livestock farms; 1,087 aquaculture businesses; 17,303 fishing operations; 4,940 forestry businesses. When compared to the allocation of financing and credit in the agricultural sector, the data shows that funding remains extremely limited. The agricultural sector continues to face several challenges, particularly the lack of capital among farmers and agricultural entrepreneurs, as previously discussed.

In theory, national banks have significant potential to support agricultural financing, as they are legally recognized as financial intermediary institutions. However, in practice, the distribution of credit to the agricultural sector remains very low—below 6 percent.

VI. RECOMMENDATIONS

1. Agricultural enterprises should become the primary target of financing. Funding should be channeled directly to farmer groups in need of capital for their farming activities, considering the significant role agriculture plays in the economy of Bangka Belitung.
2. Provide guidance and support to clients engaged in agricultural businesses. Islamic banks should not only offer financial assistance but also mentorship to ensure the sustainability and growth of farming operations.
3. Expand the operational network of Islamic banking, especially since the majority of farmers reside in rural and remote areas of Bangka Belitung. A wider reach would improve access to financial services for underserved communities.
4. Simplify financing services for farmers, taking into account the generally low level of human resource capacity among farmers in Bangka Belitung. Accessible and user-friendly services are essential to ensure that financing truly benefits those who need it most. These are the key recommendations we propose to Islamic banks in enhancing their role in agricultural financing across Bangka Belitung.

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