

## INCOME ANALYSIS OF OIL PALM FARMERS IN IMPROVING THE ECONOMIC WELFARE OF FARMERS ISLAMIC ECONOMIC PERSPECTIVE IN LANGGA PAYUNG VILLAGE

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### Abstract

This study aims to find out whether the income of oil palm farmers can meet the economic welfare of the family and to find out the fulfillment of the economic welfare of oil palm farmers in terms of income in Langga Payung Village. The research method used in this study is qualitative using the field research method. Field research is a research conducted in the field or at a research location to investigate the objective symptoms of what occurs in the location. The results of the study show that the income of oil palm farmers in Langga Payung Village is used to meet basic needs. Some farmers are looking for additional work because they feel that their income is lacking. From the perspective of Maqasid Syariah, it can be seen that the religious, physical, educational, and social needs of farmer families have been well met. Although most of the farming children do not continue their parents' palm oil business, they prefer to pursue higher education. Most farmers have also paid zakat or infaq from their income.

**Keywords:** Oil Palm Income, Farmers' Economic Welfare, Islamic Economy

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### INTRODUCTION

The agricultural sector is a very strategic sector to grow the country's economy, especially for developing countries in the Southeast Asian region. Indonesia is a developing country that has always occupied a very vital position in the agricultural sector, so that the mainstay of national development is placed in the agricultural sector to become an important part of economic development. Development in the agricultural sector at a certain stage will create great opportunities, because it rests on the basis of comparativ

advantages in producing various raw materials in the form of plantation commodities, horticulture, livestock and fisheries as well as opportunities both at home and abroad. Agricultural development aims to increase farmers' income and welfare by increasing agricultural production. This increase in production is not only to meet the growing needs of raw materials for domestic industries, but also to increase state revenue through the export of agricultural products. One of the steps that can be taken to increase the contribution of this agricultural subsector is to increase the production of plantation crops. One type of plantation crop whose results are exported and currently make a significant contribution to the country's foreign exchange earnings is the palm oil commodity. Oil palm plantations are a type of long-term business. As a perennial crop (Perennial Crop), oil palm has a period of unproductive crops (TBM) whose duration varies, which is about 2-4 years depending on factors that affect oil palm growth. (Susilawati, Yurisinthae, & Kusri, 2022)(Yanti, Nuraeni, & Rasyid, 2022)(Yanti, Nuraeni, & Rasyid, 2022)

Agriculture in Indonesia is considered a strategic sector in the structure of national economic development, considering that around 55% of the population is involved in agricultural activities, especially as oil palm producers. These oil palm plantations are so profitable that most of the agricultural land and forests have been converted into oil palm plantations. Palm oil is a commodity that contributes to the provision of food in the country and the global market. The exploration and development of oil palm plantations in Indonesian islands has made oil palm a prima donna among other plantation commodities such as rubber, cocoa, and sugarcane which are declining in popularity.(Lestarina, 2022)(Wahyudi, Sissah, & Ifazah, 2023)

Langga Payung Village is one of the villages in Sungai Kanan District, Labuhan Batu Selatan Regency, North Sumatra Province, Indonesia. The main occupation of the residents of Langga Payung village is such as rubber farmers and oil palm farmers. Plantations in Sei Kanan sub-district are mostly rubber plantations with an area of 19 065.00 hectares and oil palm plantations with an area of 10 745.00 hectares. Land owned by smallholder oil palm farmers can be land owned by individuals who have been owned for a long time or managed on behalf of others. However, farmers who own oil palm plantations in Langga Payung sub-district do not fully have a fixed income. This happens because the price of palm oil goes up and down every year, which causes the income of oil palm farmers to also vary every month. The selling value of palm oil in Langga Payung sub-district also varies greatly. Around Rp 1,800-2,080 per kg. Palm oil prices tend to rise when oil palm fruit production is small, and conversely, prices tend to fall when oil palm fruit production is abundant. This is a common phenomenon and is considered a proven law of nature. When the price of Fresh Fruit Bunches (FFB) drops and the production of oil palm fruit increases, this becomes a problem for smallholder oil palm farmers because they are dissatisfied with the price and yield of their oil palm. This price instability is an obstacle in efforts to increase farmers' productivity and income. When palm oil productivity is low, income also becomes small, which will ultimately hinder the achievement of welfare for farmers. That way, the income of oil palm farmers often experiences price fluctuations, where at one time the price can drop to reach Rp 500 per kilogram, which causes farmers to suffer losses.

Based on the explanation of the background of the above problem, this study aims to find out whether the income of oil palm farmers can meet the economic welfare of the family and to find out the fulfillment of the economic welfare of the oil palm farmer family in terms of income.

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## RESEARCH METHODS

In this study, qualitative research was conducted using the *field research*. Field research is a research conducted in the field or at a research location to investigate the objective symptoms of what occurs in the location. (Nursapiah Harahap, 2020)

The data used in this study are primary data and secondary data. Primary data is information obtained by mentioning facts that can be observed in the field, through direct interviews with respondents at the research site. (Hikmawati, 2020). In accordance with the problem raised above, in collecting information, the researcher uses 4 methods of information collection, namely observation, interview, literature study and documentation. The three analysis techniques used are, data reduction, data presentation, and conclusion drawn.

## RESULT AND DISCUSSION

### Demographic Circumstances of the Study Location

The location of the research is in Langga Payung village, which is one of the villages located in Sungai Kanan District, South Labuhan Batu Regency. This village has an area of around 6,935 hectares which is mostly used as settlements, agricultural land, etc. The location of this village is very strategic because it is located on the side of the highway and the means of transportation are quite adequate with available road facilities so that transportation is not difficult to obtain at any time.

#### 1. Population

**Table 1 Number of Population by Gender**

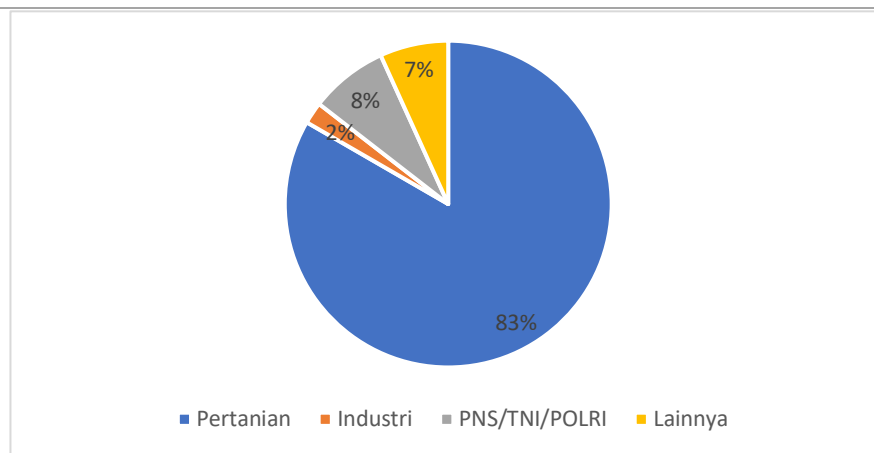
| It | Gender | Sum  |
|----|--------|------|
| 1  | Man    | 6215 |
| 2  | Woman  | 6037 |

*Source: BPS Sungai Kanan 2021*

It can be seen from the table that the population of Langga Payung Village is male with a total of 6215 people. Meanwhile, the number of female population is 6037 people. The total population of Langga Payung Village is 12252 people.

#### 2. Livelihood

We can see the socio-economic condition from the livelihood of the population or a business created by the population. In Langga Payung Village, the livelihood of the population is mostly in agriculture which can be seen in the following picture:



**Figure 1 Langga Payung Village Procurement**

Source: BPS Sungai Kanan 2019

From the figure above, it shows that the highest workforce is in the agricultural sub-sector, which is 83%. The second is in other sub-sectors, which is as much as 7%, and the third is in the sub-sector of civil servants/TNI/Polri, which is as much as 8%.

### 3. Population Welfare Facilities

The level of welfare of the residents of Langga Payung Village is good. This can be seen from several indicators used to measure a level of population welfare. The indicators of population welfare are as follows: (Lestarina, 2022)

#### a. Economic Facilities

To meet daily needs, there are many stalls or stalls on the side of the road and in some neighborhoods there are also already there.

#### b. Transportation

The transportation used by the residents is very complete. There are people who have bicycles, motorcycles, pedicabs and cars for their daily vehicles in carrying out their activities.

#### c. Means of Communication

Communication facilities are quite adequate. This can be seen that people already have radios, televisions, mobile phones and others.

#### d. Health Facilities

Health facilities can be said to be quite good because there are already public hospitals, health centers, clinics, doctors' practices and others to support the health of the community.

### Agriculture and Plantations in Langga Payung Village

The following is a table describing the area of harvest and plantation crop production by type of plant in Langga Payung Village:

**Table 2.** Plantation Crop Harvest Area in Langga Payung Village

| It | Plant Type | Luas Panen (Ha) | Production (Tons) |
|----|------------|-----------------|-------------------|
| 1  | Oil palm   | 2 217,00        | 31 703,10         |
| 2  | Rubber     | 3 678,00        | 17 173,00         |

Source: BPS Sungai Kanan 2019

Based on the table, it can be known that the total oil palm harvest area is 2217.00 Ha and the total rubber harvest area is 3678.00 Ha. Meanwhile, the total oil palm production is 31,703.10 tons and the amount of rubber production is 17,173.00 tons. It can be seen that oil palm has a smaller harvest area than rubber, but has a much higher production. This suggests that oil palm may be more efficient in producing yield tonnage per hectare. Although rubber has a larger harvested area, its production is much lower than that of palm oil, suggesting that productivity per hectare may be lower in the case of rubber.

### **Land Area and Status of Oil Palm Ownership in Langga Payung Village**

The oil palm plantation managed by farmers in Langga Payung Village, Sungai Kanan District, Labuhan Batu Selatan Regency is a self-owned plantation with a varying land area, ranging from 4 to 25 hectares per head of family. The following is a list of oil palm plantation owners and their identities in Langga Payung Village, Sungai Kanan District, Labuhan Batu Selatan Regency.

#### **Oil Palm Plantation Owner and Identity of Oil Palm Plantation Owner in Langga Payung Village, Sungai Kanan District, Labuhan Batu Selatan Regency**

The identity of farmers who own gardens ranges in age from 38 years to 78 years. "Ilham G Siregar, a 56-year-old farmer, owns an area of 6 hectares. M. Haris Hsb, who is 48 years old, owns an area of 5 hectares. Aris Dly, 52 years old, has a fairly large land area of 25 hectares. H. Sahman Sir, who is 62 years old, cultivates an area of 20 hectares. Meanwhile, H. Amin Rambe, 51 years old, also has the same land area as Aris Dly, which is 25 hectares. Arkanuddin Lbs, who is 45 years old, owns a land area of 4 hectares. Edy Simbolon, also 45 years old, manages a larger area of land, which is 10 hectares. H. Madah Hrp, at the age of 61, owns an area of 25 hectares. H. Saipul Hrp, who is 60 years old, cultivates an area of 5 hectares. H. Zulkarnaen, who is 68 years old, owns an area of 6 hectares. Jamil Dasopang, at the age of 52, manages 10 hectares of land. Maratua Hrp, 55 years old, owns 4 hectares of land. Gamel Sir, who is younger at 38 years old, cultivates 5 hectares of land. Saripuddin Hrp, at the age of 55, manages 10 hectares of land. Finally, Hj. Juraibah Rambe, who is 57 years old, has an area of 7 hectares".

Source: Processed by the Author (2024)

Based on the data mentioned above, there is a significant variation in the land area owned by each farmer. Starting from farmers with only 4 hectares of land to those with 25 hectares. This illustrates differences in production scale and possible differences in revenue and resource management needs. The source of income for farmers is farmland, although it does not always directly reflect the level of welfare. Land as a medium for developing crops is a key production factor in the management of agricultural businesses. The larger the area of land planted, the higher the production that can be produced. On

the other hand, the more limited the land available, the lower the production yield that can be achieved.

### **Analysis of the Income of Oil Palm Farmers in Langga Payung Village in Meeting Family Economic Needs**

The oil palm farming business carried out by farmers aims to meet the living needs of their families. Therefore, the economic value of this agricultural business has a significant role in increasing the income of oil palm farmers. This smallholder plantation sector also creates wide employment opportunities for rural residents.

The high income potential from the oil palm business is the main attraction for farmers to start and develop the plantation business. The income aspect plays an important role because income is the result obtained by farmers from the agricultural business they run.

The income of oil palm farmers in Langga Payung Village has experienced significant variations. This variation is influenced by the difference in the area of oil palm land owned by each farmer in the village. In addition, the income level of farmers is also greatly influenced by the production yield and production costs of oil palm, as well as the selling price of fresh fruit bunches (FFB). Price fluctuations that often change and vary every month cause people's income to be unstable and often unpredictable.

*"The area of oil palm land that I own is 4 hectares of oil palm plantations with a monthly income of 6,000,000 million rupiah to 8,000,000 million per month, depending on the selling price of palm fruit at the time of sale, because every month the price of palm oil can be high or even low up to 500 per kilo"* (Results of an interview with Mr. H. General).

*"The land area I own is around 25 hectares and my income from oil palm harvest every month is 37,500,000 million"* (Interview with Mr. Aris Daulay).

It can be observed that the larger the area of oil palm land owned by farmers, the greater the income obtained. Thus, the economic needs of families tend to increase and become more stable. As income increases, family economic needs such as household appliances also tend to be more met. The income level of farmers is influenced by the agricultural production itself. Farmers' income will be high if agricultural production is also high, because there is a one-way relationship between production and farmers' income.

In meeting the economic needs of oil palm farming families, such as clothing, food, and board needs, it all depends on the income obtained from oil palm products. However, when the price of palm oil decreases, the stability of clothing, food, and board needs can be slightly disrupted. This is due to declining income, so that oil palm farmers are forced to reduce their daily consumption expenses. This action was taken so that oil palm farmer families could survive and still be able to achieve oil palm harvest the following week.

### **Analysis of the Economic Welfare of Oil Palm Farmer Families in Langga Payung Village Based on Maqashid Sharia**

According to the provisions of Law Number 10 of 1992, Part 1 Article 1 Paragraph 11, a prosperous family is a family formed through a legal marriage, able to meet needs both spiritually and materially. The level of family well-being is measured by ensuring

that the basic needs and development of individuals in the family are met, which in turn will reflect the level of faith, devotion, devotion, as well as dynamic interaction between family members and society.(Lestarina, 2022)

Welfare is a measuring point for the community which means that it has been in a prosperous condition. Economists see well-being as an indication of an individual's income (*flow of income*) and purchasing power (*purchasing of power*) community. Based on this understanding, the concept of welfare has a narrow meaning because by only looking at income as an indicator of economic prosperity means that welfare is seen as opposed to a condition of poverty.(Yanti, Nuraeni, & Rasyid, 2022)

In an Islamic perspective, the concept of well-being cannot be separated from the values set by Islamic teachings, especially the Qur'an and Hadith. The Qur'an firmly states that human happiness depends on a good relationship with God and his neighbor. Islam rejects the separation between aspects of religion and social life, so it establishes a set of rules that include individual or group boundaries that must be followed in human behavior.

Oil palm farmers in Langga Payung Village can be said to be prosperous. It can be seen that every two weeks they can harvest oil palm fruits and get quite satisfactory results, especially if at that time the selling price of palm oil is high. However, if the price of palm oil is low, the income of oil palm farmers will certainly also decrease and make oil palm farmers complain and even suffer losses.

### **Results of Interviews with Oil Palm Farmers in Langga Payung Village**

"Through the results of interviews with 20 oil palm farmer respondents obtained, 6 farmers have an income from their palm oil every month, which is in the range of Rp. 6,000,000 with an average expenditure of Rp. 3,000,000-Rp. 5,000,000 per month. 3 Farmers with an income of Rp. 7,000,000-Rp. 8,000,000 with expenses ranging from Rp. 4,000,000-Rp. 5,000,000 per month. 3 farmers with an income of Rp. 9,000,000 – Rp. 11,000,000 per month with expenses ranging from Rp. 3,000,000 - Rp. 5,000,000. 6 farmers have an income from their palm oil every month which is Rp. 15,000,000 per month and with a monthly expenditure of around Rp. 5,000,000 - Rp. 12,000,000 per month. and 4 oil palm farmers with a monthly income ranging from Rp.30,000,000-Rp.38,000,000 with an average expenditure of around Rp.10,000,000-Rp.20,000,000. Every farmer has varied needs and expenses. Source: Processed by the Author (2024)

In general, well-being is the feeling of peace and tranquility that a person feels because they feel safe, protected, and their rights and obligations are fulfilled in their interactions with others. The concept of welfare tends to be subjective and does not have a definite standard. However, in the context of the family economy, welfare is often measured by the fulfillment of basic needs of family members, such as clothing, food, and shelter. Here is data on respondents who have clothing, food, and board as basic needs, as well as whether they have a side job or not.

"Most of the respondents, such as respondents number 1, 2, 4, 6, 7, 8, 10, 13, 15, 16, and 17, have clothing, food, and board as basic necessities, but do not have a side job. Meanwhile, respondents number 3, 5, 9, 11, 14, 18, and 20 also have clothing, food, and board as basic needs, but they have a side job. Meanwhile, respondents number 12 and

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19 have clothing, food, and board as basic needs, and do not have a side job."Source: Processed by the Author (2024)

Based on the data above, it can be seen that all respondents have access to or are involved in clothing and food needs, indicating that their basic needs in terms of clothing and food are met. Most of them are also involved in the housing or residential aspect, but there are some who seem to have no involvement in this. However, what is interesting is the variation in involvement in side hustles. Although most respondents were involved in additional work activities, there were also those who were not involved.

The welfare of oil palm farmers in Langga Payung Village based on a review of maqashid sharia is as follows:

#### 1. Hafidz Al-Din

In hifdz al-din, it can be seen that oil palm farmers in Langga Payung Village have carried out worship according to Islamic religious rules. Some oil palm farmers have already gone on the hajj. This includes the pillars of Islam.

*"Alhamdulillah, I have performed Hajj and Umrah"* (Interview with Mr. H. Amin Rambe)

*"I have not had the opportunity to perform the hajj, but I have succeeded in carrying out other worships, Alhamdulillah"* (Interview with Mr. M. Haris Hsb)

It can be observed that some oil palm farmers have performed the hajj, although not all of them are able to do so due to the high cost. However, they have carried out other worship services in Langga Payung Village.

#### 2. Hifdz al-nafs

A person's livelihood is highly dependent on meeting basic needs such as clothing, food, and housing. To achieve the pleasure of Allah SWT, good physical health is very important. Optimal health is necessary for a person to be active in living life

#### 3. Hifdz al-‘aql

Intellect is a core part of Maqasid Sharia because reason distinguishes humans from other creatures. Parents in the village are able to send their children to secondary school and even higher education. So it is important to note that not all parents can afford to send their children to higher education.

#### 4. Hifdz al-nasl

This study explores whether oil palm farmers' children continue their parents' farming business. The results of the study show that the children of oil palm farmers in Langga Payung Village tend not to continue their family's oil palm business. They prefer to pursue higher education rather than take over their parents' oil palm plantations. However, during the oil palm harvest season, farmers' children also help in the garden.

#### 5. Hifdz al-mal

Based on the income from oil palm plants, farmers are required to pay zakat or infaq as a form of obedience to Allah SWT and to help people in need.

Through interviews with oil palm farmers, it can be observed that they have carried out their obligation to pay infaq or zakat from the proceeds of oil palm fruit income. This action confirms that oil palm farmers in Langga Payung Village have carried out their religious obligations as Muslims.



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From the results of interviews with 20 oil palm farmers in Langga Payung Village, it can be seen that their welfare has reflected the perspective of Islamic economics. The goal of the sharia economy, which includes providing a balance between life in this world and the hereafter, seems to have been achieved for these farmers.

## CONCLUSION

Based on the explanation of the Income Analysis of Oil Palm Farmers in Improving the Economic Welfare of Farmers According to the Islamic Economic Perspective in Langga Payung Village that has been presented by the researcher and the results of interviews with oil palm farmers, it can be concluded that in meeting the economic needs of oil palm farmers' families such as clothing, food and board needs, they all use income from oil palm products. However, when the price of palm oil decreased, the need for clothing, food and board was slightly disrupted. The economic welfare of oil palm farming families in Langga Payung Village based on a review of maqashid sharia shows that the religious, physical, educational, and social needs of farming families have been well met. Although most of the farming children do not continue their parents' palm oil business, they prefer to pursue higher education. Most farmers have also paid zakat or infaq from their income. The author's suggestions are as follows: 1, For oil palm farmers in Langga Payung Village, they should increase their income both from oil palm farming and other side jobs. So that when the price of palm oil decreases, the need for clothing, food and board, oil palm farmers continue to meet their food and non-food needs even at higher prices. 2. For the next researcher, it is hoped that they will be able to research the income of oil palm farmers in improving the economic welfare of farmers according to the perspective of Islamic economics by selecting or adding data and other variables so that they can provide different research results.

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