
IMPLEMENTATION OF ISLAMIC ECONOMIC PERSPECTIVE IN THE FISH PROCESSING INDUSTRY IN INDRAGIRI HILIR REGENCY, RIAU, INDONESIA

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Abstract

Indragiri Hilir Regency, Province of Riau, has great marine and coastal potential with various species of fishery resources. The majority of the population adheres to Islam. However, these resources have not been able to improve the welfare of the people living in this area. This study aims to analyse the existing condition of the coastal community's economy in the fisheries sector and the potential for developing the fish processing industry from an economic perspective of Islam. This research was conducted in April-November 2022 in the districts of Tanah Merah, Tembilahan, Concong and Kuala Indragiri. Primary data were obtained from interviews with respondents and field observations. Secondary data was gathered from reports and other scientific publications. As many as 30 fish processors were interviewed as the main respondents. Other respondents were other business fisheries sector (10), community leaders (10), local government officials (8), banks (5), other business sectors (10), and fishermen (315) regarding their perceptions of the presence of Islamic financial institutions. Shrimp crackers, salted fish, shrimp paste and dried shrimp are processed fish products in this area. Economic analysis shows that these businesses are profitable. The objectives of the industries are designed to meet the needs and prosperity of the owners and employees. Economically, these entrepreneurs are independent and have a positive impact on the surrounding community. So far, the business has been run in line with the Islamic economic perspective. Islamic Sharia capital potential to set, where 100% of respondents want Islamic law-based capital, namely Islamic banks, Islamic cooperatives, zakat institutions and others. The Government of Riau Province has changed the status of their bank from Bank Riau Kepri to Bank Riau Kepri Syariah. This policy strengthens support for the development of Sharia in the regions.

Keywords: economy, coastal, communities, business, feasibility

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1. Introduction

Islam is a religion that regulates, basically and thoroughly, all aspects of human life and their role to the Universe. Islam does not distinguish between the worlds of religion, business, society and politics. All facets of human life - religious, social, economic and political - are governed by Islam and the Qur'an. Since the Prophet Muhammad's teachings, Islam has connected religious ideas with socio-political structures [1]. The terms *halal* and *haram* are terminologies commonly used in Islam, namely to determine the category of something *halal* (permitted) or *haram* (forbidden). *Halal* and *haram* cover all aspects of human life. Starting from the types of food and beverages and their processes, trade, business, finance, social relations, and even the relationship between humans and plants, animals and the Nature around them.

Fisheries are all activities related to the management and utilization of aquatic resources, namely all species of fish and other aquatic biota. The business and utilization of aquatic biota resources include catching, cultivating, processing, storing, preserving and marketing them. Materially, all fishery commodities are categorized as *halal* material in Islam. However, considering that this commodity is also managed in a business manner, there is a possibility that the product will turn out to be *haram* or the process will become *haram*. For example, if during handling, processing, transportation, storage and marketing it is mixed or contaminated with *haram* food ingredients and their derivatives (pigs, dogs, dirty or toxic materials) then the status of the fishery commodity will change to become *haram*. It is also possible that the commodity is *halal*, but the process is not *halal*. For example, the processing and storage processes are unhygienic, the business is detrimental to other people, treating animals improperly, using a loan shark system and so on.

Indragiri Hilir Regency has great fishery and marine potential with abundant types of biological resources. However, until now the management of these resources has not been optimal for the prosperity of coastal communities. Therefore, there is a need for sustainable and environmentally sound development efforts as well as increasing the welfare of coastal communities. The sea waters of this regency have a strategic position where it is directly facing the Berhala Strait and the South China Sea which are believed to store a lot of wealth of biological resources, in the form of fish and various types of aquatic animals and other marine plants [2, 3].

It is believed that the economic development of coastal communities based on Islamic economics will be more in line with the local wisdom of the coastal communities themselves. Efforts to strengthen the community's economy are very important to realize an economic situation in a society that is just, balanced, togetherness, progressive and responsible. Efforts to grow these, various community-based businesses will always be developed so that the community's condition will also be more resilient. The economic life of coastal communities, especially in Riau Province, is influenced by Islam as the dominant religion [4, 5].

Indragiri Hilir Regency has unique potential and advantages, namely the coastal communities in this area are predominantly Muslim. They have their uniqueness and advantages in supporting the economic development of coastal communities. Under these conditions, fishermen's income should be sufficient to meet their daily needs. However, the reality is that poverty still plagues fishermen's lives. This is due to the lack of capital owned by fishermen, pressure from capital owners, an unfair profit-sharing system, trade or fish auctions that are not transparent and controlled by middlemen, and authorities who are unable to regulate and enforce rules. In addition, the lifestyle or work culture of fishermen who are not fully following the culture and religion they adhere to, are still shackled by patterns of capitalism in their economic activities [6-8].

Socio-culturally, the majority of coastal communities in this district are Muslims, who should have an understanding of the values of the religion they adhere to. However, fishermen's poverty is still not resolved due to low access to business capital. The existence of conventional banking facilities that are difficult for fishermen to access is an obstacle. Lack of access to capital, limited infrastructure, and low level of education are systematic processes in this coastal area. With the existence of Sharia financing institutions in coastal areas, it can be an alternative capital for fishermen [9-11].

This problem shows an imbalance between the potential of resources and the welfare of coastal communities. This can have an impact on the economic and social sustainability of coastal communities. Therefore, a model for the economic development of coastal communities is needed in the fisheries sector based on the Sharia economy in the Indragiri Hilir Regency [12]. This model is expected to provide solutions to improving the welfare of coastal communities, namely with fishery resources in a sustainable, fair and in line with the principles of Islamic economics. This study aims to analyse the existing conditions of the coastal community's economy in the fisheries sector and the development potential and policies of the fish processing industry from an economic perspective based on Islamic Sharia.

2. Methodology

2.1. Time and location of research

This research was conducted in April-November 2022. Indragiri Hilir Regency has 20 sub-districts where there are 10 sub-districts that have potential for coastal fisheries, namely; Kuala Indragiri, Tanah Merah, Reteh, Mandah, Sungai Batang, Tempuling, Tembilahan, Tembilahan Hulu, Enok and Concong. Based on potential considerations, the number of fish processor industries, and geographical location, four districts were nominated as samples, namely Tanah Merah, Tembilahan, Concong, and Kuala Indragiri. Total and area percentage, total and population percentage, and total fishing households in each sub-district in Indragiri Hilir Regency in 2021 are presented in Table 1.

Table 1. Total area, population and fishing households in Indragiri Hilir Regency (2021) [2].

No.	District	Total area (km ²)	Percentage area (%)	Population (people)	Population percentage (%)	Fishery household (unit)
1.	Batang Tuaka	406.22	3.00	27,289	4.15	453
2.	Concong	280.38	2.07	11,780	1.79	343
3.	Enok	457.76	3.38	33,959	5.16	531
4.	Gaung	2093.52	15.48	38,407	5.84	440
5.	Gaung Anak Serka	671.48	4.96	22,744	3.46	116
6.	Kateman	491.90	3.64	39,320	5.98	402
7.	Kempas	576.60	4.26	38,955	5.92	381
8.	Kemuning	907.17	6.71	38,782	5.89	322
9.	Keritang	918.96	6.79	63,567	9.66	443
10.	Kuala Indragiri	814.34	6.02	14,697	2.23	1,123
11.	Mandah	1747.39	12.92	34,578	5.25	1,139
12.	Pelanggiran	865.16	6.40	35,354	5.37	136
13.	Pulau Burung	531.68	3.93	20,423	3.10	229
14.	Reteh	529.29	3.91	36,006	5.47	746
15.	Sungai Batang	413.35	3.06	10,080	1.53	813
16.	Tanah Merah	502.07	3.71	25,268	3.84	1,120
17.	Teluk Belengkong	412.92	3.05	09,237	1.40	153
18.	Tembilahan	169.57	1.25	78,605	11.95	488
19.	Tembilahan Hulu	148.71	1.10	47,108	7.16	406
20.	Tempuling	586.62	4.34	31,866	4.84	813
Total		13525.10	100	658,025	100	10,597

2.2. Respondents

The population in this study are people who carry out fish processing businesses and live in four sub-districts (Tanah Merah, Tembilahan, Concong and Kuala Indragiri). The main respondents were the processing community as many as 30 people (100% of the population) as the owner (husband, wife, son, daughter) with ages ranging from 26 years to 70 years. Other respondents were business actors in the fisheries sector (10 people or 71.42% of their population), community leaders (10 people or 50.00% of their population), local government officials (8 people or 53.33% of their population), banks (5 people or 100.00% of their population), and others (10 people 2.52% of their population). In addition, interviews were also conducted with fishermen (315 people or 10.47% of their population) to find out their perceptions of the existence of Islamic financial institutions.

2.3. Data collecting

Primary data was collected from interviews with respondents and field observations. While secondary data was gathered from relevant reports and other scientific publications. Observations were made to see the real life of fishing communities that carry out fish processing businesses while collecting data and information obtained from the field needed in the research. Surveys and interviews were carried out by completing the data needed for research directly to the sample in the study using a questionnaire and a predetermined interview guide. Library and literature study (in the Faculty of Fisheries and Marine Sciences Library and Centre Library of University of Riau) was carried out to obtain useful data related to the research where information can be found in reports or research journals that can facilitate research work.

2.4. Analysis of data

2.4.1. Investment

A descriptive analysis was carried out from the tabulation of data from the interview results. Costs incurred for the fish processing business were calculated by using the following formula:

$$TC = FC + VC \quad (1)$$

where: TC = Total Cost, FC = Fixed Cost and VC = Variable Cost.

Total revenue is calculated by the formula:

$$TR = P * Q \quad (2)$$

where: TR = Total Revenue, P = Price and Q = Quantity.

$$NR = TR - TC \quad (3)$$

where: NR = Net Revenue, TR = Total Revenue and TC = Total Cost.

2.4.2. Revenue Cost Ratio (R/C)

The revenue-cost of ratio (R/C), which compares revenue and total costs, is determined using the formula below.

$$R/C = \frac{TR}{TC} \quad (4)$$

With business criteria there are three cases:

- a) $R/C > 1$, the business is profitable and worth continuing;
- b) $R/C < 1$, the business suffers losses and is not feasible to continue;
- c) $R/C = 1$, the business reached a break-even point.

2.4.3. Return of Investment (ROI)

The ability of a corporation to deliver benefits depending on the investment made can be determined using the ROI calculation method. The ratio between receipts and costs in the form of profits related to the investment

invested to obtain these benefits. A business is feasible to continue and develop if the ROI value is > 1 . The formula used to calculate ROI is:

$$ROI = \frac{\text{Benefit}}{\text{Total Investment}} \quad (5)$$

2.4.4. Payback Periods (PP)

The payback period is the amount of time needed to recover investment costs. This technique serves as an evaluation technique for the time frame (period) of a company's investment return according to the following standards:

- the value of the payback period is less than 3 years in the fast return category,
- payback period value of 3-5 years, moderate return category
- the value of the payback period of more than 5 years is slow.

PP is calculated as follows:

$$PP = \frac{\text{Total Investment}}{\text{Profit}} \quad (6)$$

2.4.5. Net Present Value

The difference between the current value of cash inflows and withdrawals over a period of time is known as Net Present Value (NPV). The formula below can be used to calculate NPV mathematically:

$$NVP = \sum_{t=1}^n \frac{(Bt - Ct)}{(1+i)^t} \quad (7)$$

where: Bt = Benefit of the project at year t, Ct = Cost of the project at year t, i = Prevailing interest rate, n = Project duration and t = Project year.

If the NVP is positive, it means that the investment is accepted. If the NVP is negative, it means that the investment is rejected.

3. Result and discussion

3.1. Indragiri Hilir Regency and fisheries sector

Indragiri Hilir Regency is one of 12 regencies/cities in Riau Province. It consists of 25 islands, 56 coastal villages, and a coastline of 356 km. It has great fishery and marine potential with abundant types of biological resources. Fish resources include pelagic and demersal fish that have important economic value (Table 1). Fish that are classified as pelagic include mackerel (*Scomberomerus commersoni*), tuna (*Euthynnus* spp.), mackerel (*Rastrelliger* spp.), trellis (*Selaroides* spp.), mullet (*Mugil* spp.), gulamah (*Sciaenidae* spp.), kuwe (*Caranx* spp.), squid (*Loligo* spp.), senangin (*Polynemus* spp.) and demersal fish, namely: Snapper (*Lates calcarifer*), black pomfret (*Formio niger*), white pomfret (*Pampus argenteus*), stingrays (*Hypanus americanu*) and kurau (*Eleutheronema tetradactylum*), white shrimp (*Penaeus semisulcatus*), barong shrimp (*Penulirus* spp.), dogol shrimp (*Metapenaeus* spp.), crab (*Portunus* spp.), mangrove crab

(*Scylla serrata*), mantis shrimp (*Squilla mantis.*) and many other species of fish [2, p. 15-16; 3, p. 268-270].

3.2. Investment and financing structure of fish processing business

Investment is the cost incurred in conducting a fish processing business. Starting from the initial preparation of the business until the business operates. In this regency there are 4 types of business carried out by fishing communities, namely; shrimp cracker production, salted fish production, shrimp paste production and dried shrimp manufacturing. Processing business investment for each commodity is presented in Table 2.

Table 2. Fish processing business investment in Indragiri Hilir Regency.

No.	Name of products	Total investment (Rupiah)
1	Shrimp crackers	1,625,000
2	Salted fish	48,850,000
3	Shrimp paste	47,860,000
4	Dried shrimp	30,050,000

Table 3. Investment in fish processing business in Indragiri Hilir Regency.

No.	Name of products	Total (Rupiah/ year)
1.	Shrimp crackers	
	a) Total revenue	85,680,000.00
	b) Total investment	8,615,818.18
	Profit per year (Rp.)	77,064,181.82
2.	Salted fish	
	a) Total revenue	272,640,000.00
	b) Total investment	54,141,257.14
	Profit per year (Rp.)	218,498,742.86
3.	Shrimp paste	
	a) Total revenue	316,980,000.00
	b) Total investment	81,878,333.33
	Profit per year (Rp.)	235,101,666.67
4.	Dried shrimp	
	a) Total revenue	141,120,000.00
	b) Total investment	45,596,000.00
	Profit per year (Rp.)	95.524.000.00

The total costs of each business are the sum of its variable costs and fixed costs. Tables 3-6 display these numbers. When a tool is used continuously until it can no longer be used economically and technically, its fixed costs decrease. Variable costs are expenses that are incurred only once throughout a production phase.

Table 4. Revenue Cost Ratio of fish processing businesses in Indragiri Hilir Regency.

No.	Component	Total (Rupiah/year)
1.	Shrimp crackers	
	a) Total profit	77,064,181.82
	b) Total cost	8,615,818.18
	R/C	9
2.	Salted fish	
	a) Total profit	218,498,742.86
	b) Total cost	54,141,257.14
	R/C	4
3.	Shrimp paste	
	a) Total profit	235,101,666.67
	b) Total cost	81,878,333.33
	R/C	3
4.	Dried shrimp	
	a) Total profit	141,120,000
	b) Total cost	45,596,000
	R/C	3

Table 5. Return of Investment (ROI) for fish processing businesses in Indragiri Hilir Regency.

No.	Component	Total (Rupiah/ year)
1.	Shrimp crackers	
	a) Total profit	77,064,181.82
	b) Total cost	1,625,000
	ROI	47
2.	Salted fish	
	a) Total profit	218,498,742.86
	b) Total cost	48,850,000
	ROI	4
3.	Shrimp paste	
	a) Total profit	235,101,666.67
	b) Total cost	47,860,000
	ROI	5
4.	Dried shrimp	
	a) Total profit	95,524,000
	b) Total cost	30,050,000
	ROI	3

From Table 5 it can be seen that this ROI value is in the ROI criteria > 1 .

Because the business operated by a fisherman is in a position of quick payback, or less than three years indicates that it is feasible to continue operating the firm. Processors will have more chances to maximize the current value of the aggregated net benefits with a shorter payback period. The production of shrimp crackers, salted fish, shrimp paste, and dried shrimp by the coastal population of

Indragiri Hilir Regency is realistic to undertake and develop in the future based on these investment criteria.

Table 6. Payback Period (PP) of fish processing businesses in Indragiri Hilir Regency.

No.	Component	Total (Rupiah/ year)
1.	Shrimp crackers	
	a) Total Investment	1,625,000
	b) Total Profit	77,064,181.82
	PP	0.02108632
2.	Salted fish	
	a) Total Investment	48,850,000
	b) Total Profit	218,498,742.86
	PP	0.22357108
3.	Shrimp paste	
	a) Total Investment	47,860,000
	b) Total Profit	235,101,666.67
	PP	0.203571505
4.	Dried shrimp	
	a) Total Investment	30,050,000
	b) Total Profit	95,524,000
	PP	0.314580629

Table 7. Net Present Value (NPV) of fish processing businesses in Indragiri Hilir Regency.

No.	Component	Total (Rupiah/ year)
1.	Shrimp crackers	
	a) Total profit	77,064,181.82
	b) Total cost	8,615,818.18
	NVP	89,444,995.46
2.	Salted fish	
	a) Total profit	218,498,742.86
	b) Total cost	54,141,257.14
	NVP	40,357,160.95
3.	Shrimp paste	
	a) Total profit	235,101,666.67
	b) Total cost	81,878,333.33
	NVP	28,713,538.38
4.	Dried shrimp	
	a) Total profit	95,524,000
	b) Total cost	45,596,000
	NVP	20,950,083.34

Table 7 shows the criteria for a positive NPV value. Investing in this business is worth it. From the results of calculations using the above formula with the prevailing interest rate of Bank Indonesia at 3.5%, the NPV value of the business is feasible to be carried out and continued. So, based on the points

above, it can be concluded that the business of processing fishery products in Indragiri Hilir Regency is following the production objectives from the perspective of Islamic economic Sharia.

3.3. Production goals in Islamic economics

Producers or processors of prawn crackers, salted fish, shrimp paste or dried shrimp might use the revenues made from processing fishery goods to cover their daily expenses, and some families may even be able to employ others. Therefore, from the standpoint of Islamic economic Sharia, the processing of fisheries products in the Indragiri Hilir Regency achieves the production objectives. Islam has long held the position that it is forbidden for someone who can work to extend his hand to others by begging. Muslims are urged by Islam to rely on themselves rather than place their hope on external circumstances. Producing shrimp crackers, salted fish, shrimp paste and dried shrimp allows processors or manufacturers to meet their demands without having to rely on others. Their daily requirements can be satisfied with the earnings made from processing these fishing products.

This fish processing business does not only provide benefits for processors or producers and their workers but also the local community. This processing shows that the processor or producer has fulfilled the production goals from an Islamic economic perspective. Carrying out fishery product processing activities will create economic independence. And if the production scale is larger, then the economic impact of this processing will also be wider. With the development of the fish processing business, it is hoped that the community in this area will be free from economic dependence on other people.

Carrying out fishery product processing activities will create economic independence. And if the scale of production becomes even larger, the economic impact of this processing will also be wider. With the development of fishery product processing businesses, it is hoped that the people in this area will be free from economic dependence on other people.

All activities of a Muslim can be worth worship, including in the processing of fishery products as well. According to the perspective of Islamic economic Sharia, a Muslim producer will receive a reward from Allah due to his production activities. Regardless of the goal of making a profit, realizing stability, protecting property and developing it or other goals as long as he makes these activities a form of obedience to Allah.

3.4. Islamic production rules

Prawn crackers, salted fish, shrimp paste and dried prawns are all made with halal tools and materials. Islam's production laws include the need to prevent environmental harm, which includes reducing pollution, keeping peace and ensuring the availability of natural resources. Fishing techniques and damage to fishery resources are closely related. Gillnets, tossing nets, sondong nets, crab

traps, gombang, belat, longlines, bubu fish traps, cockles tongkah, togok, kelong, etc. are the fishing tools that fishermen in Indragiri Hilir Regency most frequently employ.

Aside from that, fleet vessels with a size of one Gross Tonnage (GT) are the most commonly used fishing fleet. The sustainability of an organism is progressively being helped and supported by traditional fishing technology. Indragiri Hilir Regency fishermen employ environmentally friendly fishing equipment in their fleet and gear.

To prosper, production tries to satisfy the requirements of both individuals and society. Producers and processors in the Indragiri Hilir Regency can become economically independent by processing fisheries products. Even those who assist in the processing could use it as a source of income. Along with being high in nutrients and halal, the items are made.

In Islam, the pursuit of the ummah's self-sufficiency is inextricably linked to production. The makers or processors of fishery goods such as fish crackers, salted fish, shrimp paste, and dried shrimp are the owners of the equipment and supplies utilized in processing. This is in line with Islamic production laws that enable the ummah to make valuable goods on their own using their skills and efforts, intending to achieve self-sufficiency for the ummah. Furthermore, financial independence from this procedure has been attained [13, 14].

3.5. Potential development of Islamic capital

Indragiri Hilir Regency has considerable economic potential, especially in the Sharia-based economy. However, there are still many people who do not fully understand the concepts and benefits of the Islamic economy. From the results of research that has been conducted, it was found that the majority of coastal communities in Indragiri Hilir Regency still rely on non-sharia sources of financing, be it from tauke or boss, conventional banks, or loan sharks. Sharia financing has many advantages, such as the principle of profit and loss sharing which can minimize the risk of loss and also provide equal opportunities for capital owners and entrepreneurs. Therefore, efforts are needed to educate the public about the concept of Islamic economics and its benefits for their economy.

It is necessary to provide easier and more affordable access to Sharia financing. For example, through Islamic financial institutions or Islamic cooperatives in the area. The results showed that 63.4% of fish processing entrepreneurs received financing from tauke (Table 8). In addition, it is necessary to increase accessibility and equitable information on available sources of Sharia financing. This information is obtained through formal Islamic financial institutions or non-formal Islamic financial institutions. With these efforts, it is hoped that the fish processing community in Indragiri Hilir Regency can be more open to the opportunities and benefits offered by Islamic economic financial institutions so that they can help sustainably increase regional economic growth. With these efforts, it is hoped that coastal communities and fish processors in

Indragiri Hilir Regency can better understand the benefits of Islamic finance and take advantage of Islamic financing sources to develop their businesses.

Table 8. Percentage of fish processing business financing in Indragiri Hilir Regency from selected respondents.

No.	Source of Funding	Amount (person)	Percentage
1.	Tauke (boss)	19	63.34
2.	Conventional Banks	6	20
3.	Personal	4	13.33
4.	Islamic Bank	0	0.00
5.	Moneylender	1	3.33
Total		30	100

This breakthrough is also expected to help sustainably increase regional economic growth by optimally utilizing existing resources. With these efforts, it is hoped that coastal communities and fish processors in Indragiri Hilir Regency can better understand the benefits of Islamic finance and take advantage of Islamic financing sources to develop their businesses.

This description of the needs of Islamic financial institutions can also be seen from other respondents (Table 9). Based on the survey results related to the perspective of fish processors, it can be seen that all fish processors in Indragiri Hilir Regency agree that there should be a Sharia-based bank in each sub-district. This is due to the public's trust in the Sharia principles that these financial institutions uphold, such as the existence of proportional profit sharing and the absence of an element of *riba* (usury, is an addition required and received by the lender as compensation from the borrower's debt; usury is haram in Islamic law) in the financing system.

Table 9. Sources of financing for fish processing businesses and others in Indragiri Hilir Regency

No.	Source of Funding	Amount (person)	Percentage
1.	Tauke (boss)	248	78.74
2.	Conventional Banks	38	12.06
3.	Personal	15	4.76
4.	Islamic Bank	0	0
5.	Moneylender	14	4.44
Total		315	100

Many people, especially fishermen/fish processors who use private sources to finance their business, think that borrowing from non-Sharia financial institutions has an element of usury that is against religious principles. Therefore, the existence of Islamic banks is expected to help boost and improve the community's economy, especially for fishermen/fish processors who need business financing.

The main objective of Islamic banking is to build a sound banking system that supports the national economic recovery program. One of the advantages of Islamic banking is its ability to mobilize public funds more broadly, especially from segments previously untouched by conventional banking. In addition, Sharia banking also opens financing opportunities for business activities based on the partnership principle. The types of financial institutions desired by coastal communities (fishermen) in Indragiri Hilir Regency are as in Table 10.

Table 10. Financial institutions desired by coastal communities in Indragiri Hilir District.

No.	Source of Funding	Amount (person)	Percentage
1.	Zakat Institution	7	2.22
2.	Sharia Cooperative	38	12.06
3.	Islamic Bank	270	85.72
Total		315	100

The results of Table 10 indicate that the majority of fishing communities in the coastal areas of Indragiri Hilir Regency, namely 85.72%, really hope for the existence of Islamic banks. In their view, Islamic banks are believed to be the prima donna and the safest lending platform following Islamic principles. In addition, when viewed from the choice of the type of financial institution that the community wants in the fishery processing category, can be seen in Table 11.

Table 11. Financial institutions wanted by fish processors in Indragiri Hilir Regency.

No.	Source of Funding	Amount (person)	Percentage
1.	Zakat Institution	0	0
2.	Sharia Cooperative	0	0
3.	Islamic Bank	30	100,
Total		30	100

Table 11 describes the preferences of fishery product processors for the desired type of financial institution. The table consists of three categories of financial institutions, namely Zakat Institutions, Islamic Cooperatives, and Islamic Banks. Based on the data in Table 11, it can be seen that out of a total of 30 fishery product processors participating in the survey, all respondents (100%) wanted an Islamic bank as the financial institution they used. However, it should be noted that none of the respondents wanted Zakat Institutions or Sharia Cooperatives.

The Provincial Government of Riau has taken the initiative to change the status of a conventional bank from Bank Riau Kepri to Bank Riau Kepri Syariah. This policy strengthens support for the development of Sharia economic financing in the regions, including for coastal communities. With the existence of Sharia banks, it is hoped that they can provide solutions for coastal communities that need Sharia-based financing to improve their economic

conditions. This can also help strengthen the potential of the regional economy, as well as improve the welfare of society as a whole. Therefore, support from all parties is needed in efforts to develop Sharia economic financing in the regions, especially to strengthen the implementation of new policies and regulations that have been made. Table 12 contains the rules and policies for Islamic economic financing in Indragiri Hilir Regency.

Table 12. Rules for financing the economy of coastal communities in Indragiri Hilir Regency.

No.	Category	Financing policy
1.	Tauke (boss)	Refunds are made according to a set schedule. In addition, the catch must be sold to the tauke and will be deducted directly from debts and loans. There is no need for guarantees because the automatic catch will be a permanent guarantee.
2.	Conventional Bank	Refunds will be made monthly and with monthly interest rates as well. Home letters, KTP, and other important cards will be used as collateral.
3.	Private loaner	Refunds and amounts are made according to the schedule set by the lender. A number of interests can be applied according to the terms of the lender. Late fees can be imposed according to the initial agreement. The borrower's assets can be confiscated if they cannot return them according to the provisions made by the lender.
4.	Syaria Bank	Based on mutual trust and mutual assistance for both parties. The return of financing must be in accordance with the agreement with the guarantee that has been made, namely Sharia guarantee. There is no loan interest and no late repayment fines, but it is replaced with a profit sharing system. The risk is shared between the lender and borrower.
5.	Loan shark	Refunds will be made monthly and subject to interest. House certificates, identity cards and other important cards will be used as collateral.

In addition to seeking profit and expanding Indonesia's banking industry, finance based on Sharia principles also aims to foster a secure business environment. Some of them help the poor who are not helped by conventional banks because they are unable to meet the requirements set by conventional banks, as well as economically weak communities who are always victims, by providing financing with Sharia principles that apply a fair profit-sharing system and are not burdensome to debtors. Loan sharks' business tactics are supported by funding [15].

The strengths of Islamic financial institutions include: a) Support from the majority of the population who are Muslims. b) Sharia financing encourages togetherness between financial institutions and their customers in facing business risks and sharing profits or losses fairly. c) Distribution of funds to Islamic

financial institutions in the form of financing that does not prioritize material guarantees, either in the form of certificates of ownership of fixed or fiduciary assets. Islamic banks generally apply a system like this. d) The use of al-mudharabah contracts in sharia financing will not burden customers with fixed costs that are beyond their reach. e) Sharia financing is independent and not directly affected because the operational activities of Islamic financial institutions do not use an interest or usury system. f) Islamic financial institutions provide low-cost and fee-free loans called al-qardul hasan, which are deposited in people's fund accounts on behalf of foundations, mosques and so on. These funds are collected from zakat, infaq and alms, before being distributed to those who are entitled. g) Competition between Islamic financial institutions does not kill each other but feeds each other, namely by competing to provide a higher portion of profit share to customers [16-18].

In addition to seeking profit and expanding Indonesia's banking industry, finance based on Sharia principles also aims to foster a secure business environment. Some of them help the poor who are not helped by conventional banks because they are unable to meet the requirements set by conventional banks, as well as economically weak communities who are always victims, by providing financing with Sharia principles that apply a fair profit-sharing system and are not burdensome to debtors. The implementation of IFI means that it is obligatory according to sharia to maintain not only that the practice in IFI is usury-free but also must be free from elements of maysir/gambling and Ghoror/speculation/gambling. Islam orders us to stay away from these things because it is considered as committing injustice or damage. IFI organizers are required to have not only a Sich business vision aimed at making the highest profit by setting aside Sharia but also a Sharia vision. The process so that IFI remains following Sharia principles when operating is a shared responsibility, including IFI managers and state institutions appointed to carry out processes and procedures so that IFI remains in the corridor it should be and does not do hilah/tricks just as camouflage under the guise of sharia in practice and operational [19, 20].

The prevalence of the majority of the Muslim population in an area has a significant impact on the development of the Islamic finance industry. The majority of the population who are Muslim tend to have preferences and beliefs in financial products and services that comply with Sharia principles. This encourages the development of the Islamic finance industry in the area, including the Indragiri Hilir Regency. The development of the Islamic finance industry makes an important contribution to the regional economy and local communities. The Islamic Banking Industry has a strategic role in the development of the people's economy, contributing to transforming the economy into productive, value-added, and inclusive economic activities [21].

The development of the Islamic finance industry in Indragiri Hilir Regency has the potential to meet the financial needs of the community in line with Sharia principles, including micro and small financing, fisheries financing and Sharia-based investments. On the other hand, it can have a positive impact

on the local economy, create jobs and increase the welfare of local communities. The development of the Sharia finance industry in rural areas, such as the Sharia-based agricultural financing sector, can provide better access to finance for farmers and small entrepreneurs in the agricultural sector. This can support local economic growth, increase productivity and reduce economic disparities between urban and rural areas [22, 23].

Islamic financial institutions do have advantages in terms of Sharia principles, which are the main foundation of every transaction made. The products offered by Islamic financial institutions are also adapted to Islamic principles so that customers can feel safe in transacting with Islamic financial institutions. Meanwhile, in conventional financial institutions, financial gain takes precedence over moral and ethical aspects. The profit-sharing system implemented by Islamic financial institutions has a better goal than the interest system implemented by conventional banks. This profit-sharing system can result in a more equitable relationship between customers and financial institutions, as well as ensure business and economic continuity sustainably. In addition, Islamic financial institutions also tend to be more careful in channelling funds to business sectors that require funding. This is because Islamic financial institutions have strict supervisory mechanisms to ensure that the products and contracts implemented are truly following Sharia principles [24, 25].

The application of Islamic sharia principles in the development of the fishery business provides benefits for all parties. Starting from business management, business implementation processes, cleaning and hygiene of the business to raising and using the business. For this reason, the establishment of Islamic financial institutions and the application of Islamic economic principles is a new challenge and hope in Indragiri Hilir Regency.

Access to transportation is the main obstacle in this area, where transportation from place to place is carried out by water transportation. Conditions are perceived as the main obstacle in this study. The operational activities of the fishermen's business are generally carried out in the middle of the sea so that data collection is forced to adjust to the rhythm of the fishermen's fishing activities. Long distances between production centres are also felt to be another obstacle in this study. Fishery production bags are generally located in isolated places. This location is generally only reachable by water transportation in the form of a small boat without any protection and is also very dependent on tidal conditions.

4. Conclusions

Businesses in this region process fish produce dried shrimp, salted fish, shrimp paste and shrimp crackers. This company is quite profitable, according to economic research (revenue cost ratio, return on investment, payback period, and net present value investment criterion). Production operations in this sector have been designed to satisfy societal and individual requirements and lead to wealth. Processors became economically independent. It can even make a source

of income for workers and the environment. So far, this fish processing business has been carried out following an Islamic economic perspective. Sharia capital has the potential to be developed, where 100% of respondents want Islamic law-based capital, namely Islamic banks, Islamic cooperatives, zakat institutions and others. The Provincial Government of Riau has taken the initiative to change the status of a conventional bank from Bank Riau Kepri to Bank Riau Kepri Syariah. The establishment of Islamic financial institutions and the application of Islamic economic principles is a new challenge and hope in the Indragiri Hilir Regency.

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