

The Role Of The Borsom System In Shaping The Relationship Between Income And Welfare Of Rural Palm Sugar Artisans: An Islamic Economics Perspective

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Abstract

This study examines the mechanisms through which the borsom system shapes the relationship between income and economic welfare among rural palm sugar artisans from an Islamic economic perspective. Using a qualitative approach, data were collected through in-depth interviews, field observations, and documentation involving palm sugar artisans in Banyuwangi Village, Sukabumi Regency. The findings indicate that increased income does not automatically translate into improved household welfare, as most earnings are absorbed by basic consumption needs and production continuity. In conditions of limited access to infrastructure, markets, and formal Islamic financial institutions, the borsom system emerges as an informal economic institution embedded in patron–client relations between artisans and collectors. From an Islamic economic perspective, borsom functions as a short-term economic buffer grounded in the value of mutual assistance (*ta'āwun*), enabling production stability and household survival. However, prolonged reliance on this system reinforces structural dependence, weakens bargaining power, and constrains the achievement of sustainable welfare (*falah*). This study contributes by integrating rural sociological analysis with Islamic economic principles to explain how informal institutions simultaneously support and limit rural economic welfare. Strengthening inclusive Islamic financial institutions and diversifying rural livelihoods are essential for promoting more equitable and sustainable welfare outcomes.

Keywords

Islamic Economics, Borsom System, Income, Economic Welfare, Palm Sugar Artisans

INTRODUCTION

Rural development constitutes a crucial pillar of national development, particularly in efforts to reduce poverty and enhance the quality of life of rural communities. Beyond fulfilling basic needs, rural development is increasingly understood as a process of strengthening local economic capacities, improving productivity, and fostering sustainable livelihoods. In this context, development is not merely an economic expansion, but a social transformation that shapes patterns of production, distribution, and access to resources. From the perspective of Islamic economics, rural development ideally promotes distributive justice, sustainability, and comprehensive welfare (*falah*), ensuring that economic progress benefits rural communities in an equitable manner (Ameliyany et al., 2024).

Despite its strategic role, rural areas continue to experience structural disadvantages compared to urban regions. Limited employment opportunities, restricted market access, and inadequate financial services contribute to persistent income vulnerability among rural households. These constraints are often exacerbated by unequal access to productive resources, low educational attainment, and limited technological adoption, which collectively hinder economic mobility and welfare improvement (Munzir et al., 2023). Within Islamic economic discourse, such conditions reflect the incomplete realization of economic justice and equal opportunity, particularly for small-scale producers who remain embedded in informal economic arrangements.

Previous studies on rural economic development have predominantly emphasized income enhancement as a key determinant of welfare improvement. Increased access to productive resources has been shown to stimulate productivity and rural income growth (Nur & Koliopoulos, 2022), while government interventions such as Village Fund programs have contributed to the emergence of new local economic activities and entrepreneurial initiatives (Raharjo, 2021). Other studies highlight environmentally oriented rural development strategies and sectoral diversification, including manufacturing, tourism, and creative industries, as pathways to improving employment and welfare outcomes (Esthi et al., 2022); (Irawan et al., 2022); (Nurhasanah et al., 2025); (Maulida et al., 2025). However, much of this literature treats income as a primary explanatory variable and pays limited attention to the role of informal economic institutions that shape how income is converted into actual household welfare.

This gap is particularly evident in studies of palm sugar artisans, whose livelihoods remain central to many rural economies yet are rarely examined through an institutional lens. In Banyuwangi Village, palm sugar production constitutes a dominant household economic activity, supported by abundant natural resources and long-established production practices. Nevertheless, artisans face persistent constraints, including limited access to working capital, inadequate technological support, weak market linkages, and the absence of formal financial institutions capable of accommodating rural production cycles. These limitations reinforce reliance on informal arrangements that sustain production but simultaneously shape power relations and economic dependency within rural value chains.

One prominent informal institution in this context is the *borsom* system, an advance-financing mechanism in which artisans receive loans from collectors prior to production, to be repaid through the delivery of palm sugar at a predetermined arrangement. While this system enables production continuity and household consumption in the absence of formal credit access, it also embeds artisans within asymmetric exchange relations. Empirically, increases in income generated through palm sugar production do not necessarily translate into improved household welfare, as income utilization is constrained by production costs, debt obligations, and limited bargaining power. This indicates that the relationship between income and welfare in rural settings is neither linear nor value-neutral, but is mediated by social and institutional arrangements.

From an Islamic economic perspective, the *borsom* system can be interpreted as an informal economic practice grounded in mutual assistance (*ta'āwun*) that functions as a short-term economic buffer for rural households (Kurnia et al., 2023); (Bramayuda et al., 2025). At the

same time, prolonged dependence on such arrangements risks reinforcing structural dependency, weakening economic autonomy, and undermining distributive justice within rural economic relations. Without adequate institutional alternatives, the ethical values embedded in ta'āwun may coexist with unequal power relations that constrain the realization of sustainable welfare (falah).

Based on these considerations, this study aims to examine the mechanisms through which the borsom system shapes the relationship between income and economic welfare among palm sugar artisans in rural areas from an Islamic economic perspective. Rather than statistically testing moderation effects, this research seeks to explain how informal institutions operate within specific social and economic contexts to simultaneously support and limit rural welfare outcomes. By focusing on Banyuwangi Village, Sukabumi Regency, this study contributes to rural development and Islamic economic scholarship by integrating empirical field data with institutional and ethical analysis. The findings are expected to inform policy discussions on strengthening inclusive rural financial institutions, improving market access, and promoting more equitable and sustainable rural livelihoods.

RESEARCH METHODS

This study employs a qualitative research approach with a descriptive–analytic design (Ratnaningtyas et al., 2023) to obtain an in-depth understanding of the socio-economic dynamics experienced by palm sugar artisans in Banyuwangi Village within the context of rural economic development. A qualitative approach was selected because it allows the exploration of empirical realities that cannot be adequately captured through quantitative measurement alone, particularly those related to social relations, institutional practices, value orientations, and livelihood strategies embedded in everyday economic activities.

The research is oriented toward explaining the mechanisms through which income from palm sugar production is translated into household economic welfare and how the borsom system operates as an informal economic institution shaping this relationship. Rather than testing statistical moderation effects, this study focuses on interpreting how informal institutional arrangements influence production continuity, income utilization, dependency relations, and welfare outcomes from an Islamic economic perspective, particularly in relation to principles of justice, mutual assistance (ta'āwun), and sustainability.

Research Subjects and Sampling

The research subjects consist of two main groups: (1) palm sugar artisans as primary producers who directly experience income dynamics, household welfare conditions, and dependence on the borsom system; and (2) palm sugar collectors as informal economic actors who function not only as market intermediaries but also as providers of advance capital and short-term economic buffers for artisans. Informants were selected using purposive sampling based on the following criteria: (1) a minimum of three years of experience in palm sugar production, (2) active involvement in the production process, and (3) direct engagement with collectors through the borsom system. These criteria were applied to ensure that informants possessed sufficient experiential knowledge and reflective capacity regarding the economic practices under study.

The research population comprises all palm sugar artisans in Banyuwangi Village, totaling 364 individuals organized into eight farmer groups, each consisting of approximately 44 to 48 artisans who market their products through the borsom system. As the study does not aim for statistical generalization, a qualitative sampling strategy was adopted to achieve depth rather than breadth of analysis. From each farmer group, four key informants were selected, resulting in a total of 32 informants. Selection was guided by variation in length of business experience, socio-economic conditions, production capacity, and the ability to articulate detailed and relevant information.

Data Collection Techniques

Data were collected primarily through in-depth interviews as the main technique (Sugiyono, 2016), complemented by participatory observation of production activities, distribution processes, and economic interactions between artisans and collectors, as well as documentation and literature review. The interview guide was semi-structured to allow flexibility while maintaining analytical focus. Key interview themes included: (1) sources and stability of production income, (2) structure of production costs and debt obligations, (3) household expenditure patterns related to basic needs and production continuity, (4) mechanisms and terms of borsom transactions, and (5) artisans' perceptions of economic security, dependency, and welfare.

In this study, household economic welfare is operationally defined as the ability of artisan households to meet basic consumption needs, sustain production activities, manage economic risks, and maintain relative economic stability over time. Income data were derived from artisans' accounts of average production output, selling prices, advance financing received through borsom, and routine production costs, which were cross-checked through observation and documentation to enhance data credibility.

Data Analysis and Trustworthiness

Data analysis was conducted using thematic analysis through several stages, including transcription of interview recordings, initial and selective coding, thematic categorization, and interpretative analysis to identify recurring patterns and substantive meanings. The analytical process emphasized linking empirical findings to institutional mechanisms and Islamic economic principles rather than generating numerical generalizations.

To ensure data trustworthiness, triangulation of sources and methods was applied by comparing information obtained from different informants and data collection techniques. Member checking was also conducted by confirming key interpretations with selected informants to enhance credibility and reduce interpretative bias.

RESULTS AND DISCUSSION

RESULTS

Income plays a fundamental role in determining the level of economic welfare of rural palm sugar artisan households. From an Islamic economic perspective, income is not solely interpreted as a nominal value, but as a means to fulfill decent living needs (*kifayah*), ensure fairness, and sustain livelihoods over time (Kurniawan et al., 2025); (Ade Zuki Damanik, 2024); (Norvadewi, 2015). Therefore, examining income dynamics among palm sugar artisans in Banyuwangi Village, Sukabumi Regency, requires a comprehensive analysis that considers production cost structures, income variability, and their implications for household economic stability.

Palm sugar production involves both fixed and variable costs. Fixed costs include expenditures related to production equipment such as cooking pans, stoves, molds, containers, and other supporting tools, which remain relatively constant in the short term. Based on interview data from 32 artisan respondents, the total fixed cost incurred amounts to IDR 20,432,667 per month. Differences in fixed costs among artisans reflect variations in production scale, equipment conditions, and reliance on family labor. In Islamic economic reasoning, these fixed assets are viewed as entrusted resources (*amanah*) that must be managed efficiently to maintain income sustainability and avoid inefficiency that could undermine welfare.

Variable costs constitute the largest portion of production expenses. These costs include supporting production materials, fuel, and transportation, all of which fluctuate depending on production volume and environmental conditions. Interview findings indicate that total variable costs reach IDR 112,720,000 per month, with fuel expenses representing the most significant component. High fuel costs highlight artisans' dependence on traditional energy sources and relatively long distribution routes due to limited rural infrastructure. From an Islamic economic

perspective, high operational costs combined with uncertain output and price conditions expose artisans to economic vulnerability and income instability, potentially weakening fairness within small-scale production systems (Ade Zuki Damanik, 2024); (Budiwati, 2018).

The aggregation of fixed and variable costs forms the total production cost of palm sugar enterprises. As summarized in Table 1, the combined production costs of all respondents amount to IDR 133,152,667 per month, indicating that palm sugar processing is a cost-intensive livelihood activity. Consequently, even minor fluctuations in production volume or selling prices can substantially affect net income. This condition places artisans in a fragile economic position, where income generation does not necessarily translate into long-term economic security or sustainable household welfare.

Table 1. Cost Structure of Palm Sugar Production

Cost Component	Total Cost (IDR/month)	Percentage (%)
Fixed Costs	20,432,667	15.35
Variable Costs	112,720,000	84.65
Total Production Costs	133,152,667	100.00

Net income is calculated as the difference between total revenue and total production costs. The study reveals that total monthly revenue from palm sugar sales reaches IDR 210,800,000, resulting in a combined net income of IDR 77,647,333. At the household level, individual net income varies considerably, ranging from IDR 1,700,000 to IDR 5,500,000 per month. These differences are influenced by factors such as the number of coconut trees tapped, sap yield, and production intensity. Income variation among artisan households reflects unequal productive capacities, which directly shape differing levels of economic resilience and welfare, as shown in Table 2.

Table 2. Income Distribution of Palm Sugar Artisans

Monthly Net Income Range (IDR)	Number of Artisans	Percentage (%)
1,700,000 – 2,500,000	10	31.25
2,500,001 – 3,500,000	9	28.13
3,500,001 – 4,500,000	7	21.88
4,500,001 – 5,500,000	6	18.75
Total	32	100.00

Income instability among artisans is further reinforced by fluctuations in palm sugar prices. Under normal conditions, the selling price averages IDR 10,000 per kilogram; however, during certain periods it declines to IDR 7,500–9,000 per kilogram, largely influenced by arrangements within the borsom system. As a result, increased production does not automatically lead to higher income, since price determination remains beyond the direct control of artisans. From an Islamic economic viewpoint, this situation reflects the weak bargaining position of artisans and raises concerns regarding distributive justice in rural market relations (Almubarak, 2018).

These income conditions are reflected in household welfare patterns, particularly consumption behavior. The findings show that most artisans allocate approximately IDR 700,000 per month for food consumption, while non-food expenditures remain limited at around IDR 400,000 per month. This pattern indicates that the majority of income is still concentrated on meeting basic needs. According to Testa, increases in income generally encourage a shift from primary to non-primary consumption (Testa & Tawfik, 2017). However, the situation in Banyuwangi Village demonstrates that artisans' income levels have not yet reached the threshold required for such a transformation.

Compared with previous studies, this finding contrasts with Abdurahman et al. (2020), who found that relatively stable income and independent management supported the welfare of maize-farming households (Abdurahman et al., 2020). At the same time, it aligns with Erni and Jaya's argument that income is strongly influenced by operational risks and cost-related factors (Erni & Jaya, 2022). In the case of palm sugar artisans, income formation is shaped not only by internal production factors but also by informal economic relations with intermediary actors, which structure market access and price determination.

The income dynamics of palm sugar artisans in Banyuwangi Village indicate that although palm sugar production generates monetary income, such income remains insufficient to ensure sustainable household economic welfare. From an Islamic economic perspective, income primarily functions as a means of subsistence rather than a pathway toward comprehensive welfare (falah). This condition suggests the presence of institutional mechanisms beyond income itself that influence welfare outcomes, which are further explored through the analysis of the borsom system in the following section.

DISCUSSION

Welfare of Palm Sugar Artisans Based on BPS Indicators and the Concept of Falah in Islamic Economics

The welfare of palm sugar artisan households in Banyuwangi Village can be comprehensively examined by integrating the household welfare indicators developed by the Indonesian Central Bureau of Statistics (BPS) with the concept of falah in Islamic economics. BPS welfare indicators emphasize household expenditure structures, consumption patterns, and the ability to meet basic needs as key measures of welfare, particularly in rural contexts. Meanwhile, falah conceptualizes welfare not merely as material sufficiency, but as a condition in which individuals and households can sustain their livelihoods without excessive structural pressure, while maintaining dignity, stability, and long-term security.

According to BPS West Java (2021), households categorized as economically well-off tend to allocate a larger proportion of their expenditures to non-food items than to food consumption. This expenditure pattern indicates that basic food needs have been sufficiently met, allowing households to direct income toward improving quality of life, including education, healthcare, housing, and transportation (Badan Pusat Statistik Provinsi Jawa Barat, 2021). Within the framework of falah, such a condition reflects the attainment of basic welfare (al-ḥayāh al-kāfiyah), where the fulfillment of primary needs no longer constitutes the central economic burden of the household.

The findings of this study reveal that the expenditure structure of palm sugar artisan households in Banyuwangi Village remains predominantly food-oriented. The majority of respondents (79%) allocate approximately IDR 700,000 per month to food consumption. This figure falls within the rural per capita expenditure range for West Java Province, as defined by BPS indicators, namely IDR 500,000–750,000 per month. Although nominally consistent with regional standards, the dominance of food expenditure suggests that household income is still largely absorbed by basic subsistence needs. From the BPS perspective, a higher proportion of food expenditure is commonly associated with lower welfare levels, as it reflects limited capacity to allocate resources toward non-food needs.

This condition indicates that the welfare of palm sugar artisans in Banyuwangi Village remains at a subsistence-oriented stage. From an Islamic economic standpoint, such a welfare level does not yet fully embody falah, as households remain vulnerable to income shocks and lack sufficient economic space for long-term planning, productive investment, or sustained improvements in human capital. The absence of economic buffers exposes artisan households to structural insecurity, particularly in the face of fluctuating production and market conditions.

This vulnerability is further evidenced by the pattern of non-food expenditures. Most respondents (85%) are only able to allocate approximately IDR 400,000 per month for non-food consumption. These expenditures are primarily used for clothing, housing installments, and

motorcycle credit payments. Such allocations do not yet reflect productive investment or welfare-enhancing expenditures oriented toward human capital development, such as education and healthcare. According to BPS indicators, low non-food expenditure signifies limited household capacity to enhance quality of life. Within the *falah* framework, this condition indicates that the welfare achieved remains partial and fragmented rather than holistic.

Interview data further demonstrate that the welfare of palm sugar artisan households is highly sensitive to fluctuations in production. When coconut sap yields decline, artisans are often unable to cover operational costs and may experience periods of zero income. This directly affects household consumption quality, forcing families to reduce food diversity and rely on minimal dietary intake. From an Islamic economic perspective, the inability to maintain stable livelihood conditions contradicts the principles of *ḥifẓ al-nafs* (protection of life) and *ḥifẓ al-māl* (protection of wealth), which emphasize safeguarding both survival and economic security.

The dependence of palm sugar artisans on collectors through the *borsom* system also carries significant welfare implications. The *borsom* system functions as a short-term economic buffer, particularly in situations of limited capital and restricted market access. From the perspective of *falah*, this function can be interpreted as a form of *ta'āwun* (mutual assistance), as it helps artisans meet immediate consumption needs and sustain daily production activities. However, this assistance operates within an informal economic structure that lacks clear mechanisms for empowerment and independence.

These findings resonate with the study by Mugiono et al. (2014), which shows that palm sugar production contributes significantly to total household income, accounting for 81.02 percent, and that economic institutions such as cooperatives play a crucial role in shaping farmers' income levels (Mugiono et al., 2014). Nevertheless, the dynamics observed in Banyuwangi Village differ substantially. The *borsom* system does not function as a formal economic institution like a cooperative, but rather as an individual actor possessing relatively strong financial capital. The relationship between *borsom* and artisans is more accurately characterized as an informal patron–client relationship, in which *borsom* provides operational financing and consumption support, while artisans are bound to sell their output exclusively to the *borsom*.

Although this relationship contributes to short-term consumption stability, it simultaneously generates economic dependence that constrains business autonomy, weakens artisans' bargaining positions, and limits long-term welfare improvement. Consequently, when assessed through both BPS welfare indicators and the concept of *falah* in Islamic economics, palm sugar artisan households in Banyuwangi Village remain within a category of low to vulnerable welfare. This condition underscores that welfare enhancement cannot rely solely on income increases, but requires equitable access to capital, reduced dependence on the *borsom* system, and livelihood diversification strategies to support sustainable rural economic development.

The Borsom System as an Informal Economic Institution in the Perspective of Islamic Economics

The discussion of palm sugar artisans' welfare in Banyuwangi Village demonstrates that household economic conditions remain within a vulnerable category. However, from the perspective of Islamic economics, welfare (*falah*) is not solely measured by material income levels, but also by the fairness of distribution, business sustainability, and the realization of *maslahah* within economic relations. Accordingly, the welfare of palm sugar artisans cannot be separated from the structure of local economic relations, particularly the interaction between artisans and collectors through the *borsom* system. This system functions not merely as a marketing mechanism, but as an informal economic institution that moderates the relationship between income and household welfare in rural economic practices.

Compared to previous studies, such as Agustin et al. (2023), significant differences emerge in the degree of economic autonomy among agricultural producers (Agustin et al., 2023). In the rice farming sector, farmers generally retain autonomy in determining sales timing, managing income, and accessing formal financial institutions or cooperatives. More stable farm income in

that context contributes positively to household welfare. In contrast, palm sugar artisans in Banyuwangi Village exhibit a high level of dependence on the borsom system, encompassing capital provision, production continuity, and market access. From the perspective of Islamic economics, excessive dependence on a single economic actor risks creating imbalance (*ikhtilāl al-tawāzun*) in *mu‘āmalah* relations, particularly when bargaining positions are structurally unequal (Ismail Pane et al., 2022).

In terms of production and price control, the operational space of palm sugar artisans is relatively constrained. Selling prices, production volumes, and distribution patterns are largely determined by the primary collectors operating within the borsom system. Consequently, the exchange value of artisans' output does not fully reflect the labor input and production risks borne by producers. In Islamic economic thought, *mu‘āmalah* ideally rests upon the principles of justice (*‘adl*), mutual consent (*an-tarāḍin*), and transparency (*bayān*). When prices and transaction terms are unilaterally determined by actors with superior capital power, economic relations may deviate from distributive justice, even if they do not formally violate Islamic jurisprudential rules.

Despite these limitations, the borsom system also performs several positive economic functions. First, guaranteed absorption of production reduces the risk of unsold output, which could directly undermine household consumption security. Second, the system simplifies distribution channels, enabling artisans to avoid high transaction costs. Third, sales certainty provides short-term household cash flow stability, which in Islamic economics can be interpreted as an effort to safeguard *ḥifẓ al-māl* (protection of wealth). Nevertheless, this stability remains short-term in nature and does not necessarily translate into sustained welfare improvement.

Conversely, the dominance of the borsom system in marketing generates significant negative implications. Dependence on a single distribution channel weakens artisans' bargaining positions and eliminates pricing flexibility. In Islamic economics, sound *mu‘āmalah* relations require balance between rights and obligations among contracting parties. When artisans lack market alternatives and are structurally bound to one collector, economic relations tend to become asymmetric. This finding aligns with Agustin et al. (2023), who note that dependence on cooperatives or informal collectors may stabilize short-term income while simultaneously constraining control over prices and distribution (Agustin et al., 2023).

Beyond its marketing role, the borsom system also functions as a household economic buffer. Collectors not only provide market access, but also extend operational financing and consumption assistance to artisan households. From an Islamic economic perspective, such practices can be understood as manifestations of *ta‘āwun* (mutual assistance), arising from artisans' limited access to formal financial institutions. In the absence of effective support from formal Islamic financial institutions, the borsom system emerges as an informal economic mechanism that enables artisans to continue production and sustain household livelihoods.

The buffering role of the borsom system becomes particularly evident during periods of declining coconut sap production or unstable palm sugar prices. Collectors provide financial support to maintain production continuity and household consumption. These findings are consistent with Irawan (2023), who emphasizes that intermediaries in rural economies function as stabilizing mechanisms for product flows and household income (Irawan, 2023). Similarly, Alemu (2015) finds that informal financial mechanisms often serve as household coping strategies in rural areas when access to formal financial institutions is limited (Alemu, 2015).

Conceptually, the relationship between artisans and the borsom system can be understood through a patron–client framework within the informal economy. From the perspective of Islamic economics, this relationship is inherently ambivalent. On the one hand, it supports household survival and production continuity (*masalah ḍarūriyyah*). On the other hand, when sustained without alternative institutional strengthening, it risks undermining economic independence, perpetuating dependency, and distancing artisans from the ultimate objective of equitable welfare (*falah*).

Thus, the borsom system in the economic life of palm sugar artisans in Banyuwangi Village carries dual implications within Islamic economics. It plays a positive role as an informal

economic institution that supports short-term household production and consumption. However, excessive dependence on the borsom system constrains business autonomy, weakens artisans' bargaining power, and inhibits long-term welfare improvement. These findings affirm that, within Islamic economics, welfare enhancement cannot be assessed solely through income levels, but must also be evaluated in relation to fairness in economic relations, benefit distribution, and institutional strengthening that promotes sustainable rural economic independence.

The Moderating Role of the Borsom System in the Relationship between Income and Household Welfare: An Islamic Economic Perspective

In this study, the borsom system is not positioned merely as an economic buffer, but is analytically framed as a moderating institutional mechanism that shapes the relationship between palm sugar artisans' income and household welfare. This moderating perspective is essential to explain why increases in income do not automatically translate into improved welfare outcomes, particularly in rural economic contexts characterized by informal economic relations and weak formal institutions. Within Islamic economics, welfare is not reduced to material income growth, but understood as the realization of *falah*, encompassing economic sufficiency, justice, and sustainability of livelihoods.

Empirical findings indicate that the moderating role of the borsom system is context-dependent and heterogeneous across artisan households. Among households possessing alternative income sources or additional institutional support, the borsom system primarily functions as a marketing channel and temporary source of working capital. In such cases, borsom does not become the dominant determinant of household welfare, but rather complements existing livelihood strategies. Income derived from palm sugar production can still be partially converted into welfare improvements, albeit gradually and within limited scope. From an Islamic economic perspective, this condition reflects a degree of autonomy that allows households to allocate income toward *darūriyyah* and *hājiyyah* needs (Saragih et al., 2022).

Conversely, for households that are fully dependent on the borsom system, where nearly all income is derived from palm sugar sales to a single collector, the moderating role of borsom tends to weaken the linkage between income and welfare. Although nominal income may increase with higher production volumes, structural dependence on the borsom system constrains household flexibility in managing income. A substantial portion of earnings is absorbed by basic consumption needs and obligations to collectors, leaving minimal space for productive investment, savings, or human capital development. From an Islamic economic standpoint, this condition reflects an incomplete realization of distributive justice, as income growth fails to generate proportional *maslahah* for artisan households.

These findings suggest that the borsom system emerges as a response to the limited effectiveness of formal economic institutions at the local level. The absence of active cooperatives, restricted access to banking services, and suboptimal government intervention in providing productive financing have created a structural vacuum within the rural economic system. In this context, the borsom system *de facto* assumes functions typically associated with formal institutions, including capital provision, market guarantees, and household consumption support. However, unlike cooperatives or Islamic financial institutions that explicitly aim to promote empowerment and collective welfare (Hastuti, 2017), the borsom system operates through personalized relationships and individual interests. Consequently, while it contributes to short-term economic stability, it lacks the capacity to foster long-term structural transformation toward economic independence.

From an Islamic economic perspective, the moderating role of the borsom system in shaping household welfare is inherently ambivalent. On the one hand, it functions as a protective economic mechanism that safeguards production continuity and household consumption amid production and price fluctuations. This role aligns with the principles of *ta'āwun* (mutual assistance) and *hifz al-māl* (protection of wealth). On the other hand, prolonged dependence on

the borsom system may impede the achievement of *falah*, as the resulting economic relations do not sufficiently promote autonomy, justice, or balanced distribution of benefits.

Within this context, livelihood diversification emerges as a critical strategy for strengthening the relationship between income and household welfare in rural areas. Diversification emphasizes the development of multiple income sources, both agricultural and non-agricultural, to reduce economic vulnerability (Chambers, 1983); (Ellis, 2000). Such strategies may include alternative commodities, home-based non-farm enterprises, informal employment, seasonal labor, or migration (Zhang et al., 2023). From an Islamic economic viewpoint, livelihood diversification represents a form of *ikhtiar* aimed at safeguarding livelihood sustainability and expanding economic *masalahah*.

Empirical studies consistently support the effectiveness of diversification strategies. Alemu (2015) demonstrates that rural households in South Gondar, Ethiopia, adopt diversification as an adaptive response to economic risk, positively influencing household welfare (Alemu, 2015). Ellis (2000) similarly argues that combining farm and non-farm activities significantly improves rural living standards (Ellis, 2000); (Asry et al., 2023); (Ariasih & Suarmanayasa, 2024). Determinants such as education, household size, irrigation access, extension services, asset ownership, and infrastructure play crucial roles in diversification success. Comparable findings are reported in South Asia and Indonesia, where non-farm income diversification, internal migration, and informal employment contribute to welfare stability (Ojha, 2021); (Hubeis et al., 2019).

In contrast to these contexts, the present study finds that palm sugar artisans in Banyuwangi Village remain highly dependent on a single primary livelihood, palm sugar production. This dependence is reinforced by the borsom system as the dominant market and capital provider. In this setting, the borsom system moderates the income–welfare relationship by stabilizing short-term income and consumption, while simultaneously dampening incentives for livelihood diversification and long-term economic independence.

Thus, the moderating role of the borsom system in the relationship between income and household welfare is inherently dualistic. The system may strengthen the income–welfare linkage in the short term through production and consumption stabilization, yet weaken it in the long term by reinforcing dependency and constraining economic autonomy. From an Islamic economic perspective, improving the welfare of palm sugar artisans therefore requires an integrated approach that combines the strengthening of Islamic-based formal economic institutions, the development of artisan organizations, and the promotion of livelihood diversification strategies. Such an approach is expected to reduce reliance on informal patron–client relations, enhance household economic independence, and support the realization of equitable and sustainable rural development.

CONCLUSION

This study demonstrates that the relationship between income and household welfare among palm sugar artisans in Banyuwangi Village is not linear but is contextually moderated by the Borsom system as an informal economic institution. The main novelty of this research lies in positioning the Borsom system not merely as a marketing intermediary or a temporary source of capital, but as a structural moderating variable that simultaneously stabilizes and constrains welfare outcomes. In the short term, the Borsom system functions as an economic buffer that sustains production continuity and household consumption amid limited access to formal financial institutions and markets. However, from an Islamic economics perspective, this finding reveals a welfare paradox, whereby increases in income do not automatically lead to the achievement of *falah*, as the existing economic relations have not fully embodied principles of distributive justice, economic independence, and long-term *masalahah*.

The findings further indicate that improving the welfare of palm sugar artisans cannot rely solely on income growth or the continued operation of the Borsom system, but requires structural transformation through inclusive and empowerment-oriented economic institutions. This study

highlights the urgency of strengthening Sharia-based economic institutions, such as Islamic cooperatives or Baitul Maal wat Tamwil (BMT), grounded in the principles of ta'awun, justice, and empowerment, alongside the implementation of livelihood diversification strategies to reduce structural dependence on patron–client relations. By doing so, this research contributes to the literature on Islamic rural economics by offering a new analytical framework for understanding informal economic institutions as moderators of welfare, while also providing a conceptual basis for formulating more equitable and sustainable rural economic development policies.

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