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Challenges, Adaptation, and Impacts: A Comprehensive Study of 0BSI Laku Pandai Agents in Providing Islamic Financial Services in Remote Areas

Faizal Daus[1], Yeni Oktaviani[1]
[1]Magister Keuangan Syariah Institut Teknologi Dan Bisnis Ahmad Dahlan Jakarta
maryammunir@unesa.ac.id*

Abstract

This study investigates the implementation of Bank Syariah Indonesia's (BSI) Laku Pandai program as a vehicle of Islamic financial inclusion in three remote sub-districts of Central Bengkulu. The research seeks to identify challenges faced by agents, examine their adaptive strategies, and evaluate the program's economic and social impacts. Using Amartya Sen's Capability Approach, the study applies a qualitative design through interviews, observations, and document analysis. The findings reveal persistent barriers such as poor infrastructure, limited financial literacy, and restricted operational capacity. In response, agents adopt adaptive measures including collaboration with religious leaders, use of Islamic narratives, technological improvisations, and door-to-door services. These strategies help reduce dependence on informal moneylenders, foster trust in formal institutions, expand access to Sharia-compliant finance, and reinforce religious identity within communities. The study argues that financial inclusion should be assessed not only by access to services but by its ability to enhance people's substantive capabilities. It contributes to theory by contextualizing the Capability Approach in Islamic finance and offers policy recommendations for literacy programs, infrastructure improvement, and agent capacity-building.

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INTRODUCTION

The rapid digital transformation has profoundly influenced economic and social structures, with technology-based financial services (fintech) becoming integral to everyday life. These services enable people to conduct transactions, save, invest, and access financing more efficiently, demonstrating the potential of digital finance in promoting economic inclusion (Gao & Jin, 2022; Iqbal et al., 2021).

In Indonesia, financial inclusion has become a national priority. The government, through the Financial Services Authority (OJK), launched the Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif (Laku Pandai) program in 2014. This initiative aims to extend access to banking services, particularly in remote areas where conventional banks are absent (Al Arif & Firmansyah, 2018; Sulistyandari et al., 2022).

Within this program, banks appoint agents to act as intermediaries, offering basic financial services without the need for a physical branch. Bank Syariah Indonesia (BSI), the largest Islamic financial institution in the country, joined this initiative through its BSI Smart Agents. These agents are expected not only to deliver transactional services but also to embody Islamic economic values, ensuring fairness, transparency, and riba-free transactions (Mahyudin et al., 2023; Ritonga et al., 2024).

Despite the program's promise, significant challenges remain. Remote areas often face limited infrastructure, poor internet connectivity, unstable electricity supply, and inadequate transportation. These constraints hinder digital transactions and weaken public trust in formal financial institutions (Ahyani et al., 2025; Payoga & Suwadi, 2024).

Social and cultural barriers also persist. Low financial and digital literacy reduces people's ability to understand and adopt Islamic banking products, while agents themselves often lack sufficient training and resources. Such conditions create a gap between the supply of financial services and the real capacity of communities to utilize them effectively (Ibrahim et al., 2020; Lubis et al., 2023).

The present study focuses on three sub-districts in Central Bengkulu Regency—Bang Haji, Pagar Jati, and Merigi Sakti. These locations represent remote rural areas with unique socio-economic conditions. The majority of residents depend on small-scale agriculture, plantation work, and microenterprises, while access to formal banking facilities remains limited. This makes them a strategic setting to examine the role of BSI Laku Pandai agents in bridging the gap between Islamic financial institutions and marginalized communities.

Geographically, these regions are characterized by challenging terrain and relatively poor infrastructure. Roads are often underdeveloped, telecommunications networks unstable, and public services unevenly distributed. Such conditions make financial access difficult, even when agents are present. Thus, studying these areas provides valuable insights into how structural and geographical constraints shape the delivery of Islamic financial services.

Socially, the communities in Bang Haji, Pagar Jati, and Merigi Sakti maintain strong cultural and religious values. Local leaders, community networks, and religious institutions play an influential role in shaping people's behavior and acceptance of new systems, including financial services. For this reason, agents' strategies for adaptation often involve leveraging cultural proximity and religious legitimacy to build trust with their customers.

Against this backdrop, the study aims to explore three central questions: (1) What challenges do BSI Laku Pandai agents face in providing Islamic financial services in remote areas? (2) How do these agents adapt to the socio-cultural, geographical, and religious conditions of their communities? and (3) What economic and social impacts arise from implementing Islamic financial services in these regions?

By employing Amartya Sen's Capability Approach as its analytical lens, this study moves beyond access as a mere quantitative measure. It emphasizes the extent to which financial services expand substantive freedoms and capabilities for local communities. In doing so, this research contributes to the discourse on Islamic financial inclusion by integrating technical, cultural, and institutional perspectives, while offering insights for policies that aim to make Islamic finance more inclusive, equitable, and context-sensitive.

METHODS

This study employed a qualitative approach with a field research design. The primary aim was to gain an in-depth understanding of the social phenomena experienced by BSI Laku Pandai agents in providing Islamic financial services in remote areas. A qualitative approach was considered appropriate to capture meanings, experiences, and perceptions of research subjects within specific social and geographical contexts—dimensions that cannot be explained solely through quantitative measures.

The research was conducted in three sub-districts in Central Bengkulu Regency, namely Bang Haji, Pagar Jati, and Merigi Sakti.

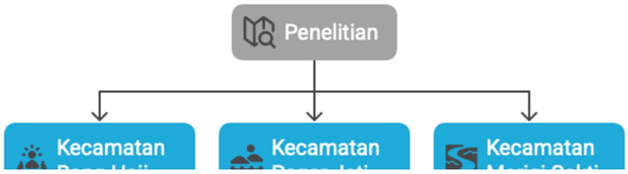

Figure 1. Visualization of Research Location and Context

These sites were selected using purposive sampling because they represent typical remote areas with limited infrastructure, geographical challenges, and low levels of financial literacy. Furthermore, the three sub-districts exhibit variations in the number of agents, transaction volumes, and community participation, offering opportunities to compare dynamics across different localities.

Informants were selected purposively and comprised three main groups:

1. BSI Laku Pandai Agents as the frontline providers of Islamic financial services.
2. Customers and community members to capture their experiences and perceptions of using BSI's services.
3. BSI management or program coordinators to provide institutional perspectives on operational mechanisms, support structures, and challenges encountered.

Three primary techniques were used to collect data:

1. In-depth interviews, conducted with agents, customers, and BSI management. Semi-structured interviews allowed flexibility to explore emerging issues.
2. Field observations, carried out to understand geographical conditions, agent activities, community interactions, and non-verbal constraints not evident in interviews.
3. Documentation, including brochures, service guidelines, activity records, internal reports, and relevant regulatory documents.

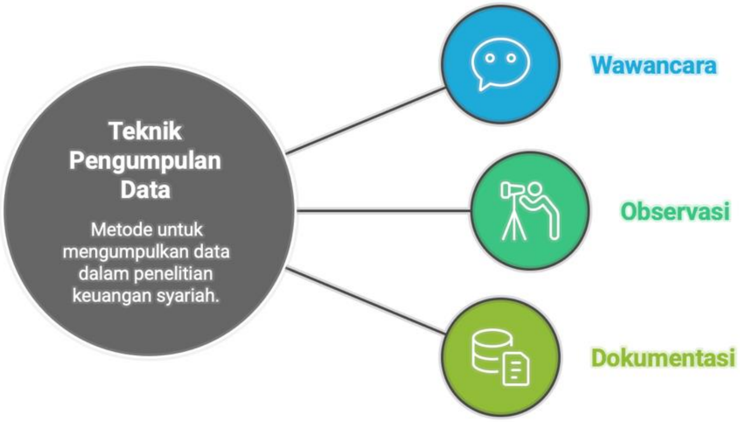

Figure 2. Visualization of Data Collection Techniques

Data were analyzed using thematic analysis, following several steps:

- Transcribing interview and observation notes.
- Coding data to identify recurring patterns and concepts.
- Categorizing themes such as infrastructure challenges, financial literacy gaps, social adaptation strategies, and service impacts.
- Interpreting findings through Amartya Sen's Capability Approach, assessing how structural, social, and cultural constraints affect the ability of communities to benefit from Islamic financial services.

Data credibility was ensured through member checking, whereby interview results were reconfirmed with informants to validate accuracy and consistency. Additionally, triangulation of sources and methods was applied to strengthen the reliability and trustworthiness of the findings.

Figure 3. Visualization of Data Validity Assurance Techniques

RESULT AND DISCUSSION

Research Site Description

Geography and Village Areas

The three sub-districts Bang Haji, Pagar Jati, and Merigi Sakti are located in Central Bengkulu Regency, Bengkulu Province. The area is characterized by hilly and highland topography, with most villages surrounded by forests and plantation land. Villages are relatively dispersed, and the distance between them is considerable. High rainfall throughout the year strongly influences the community's agricultural patterns.

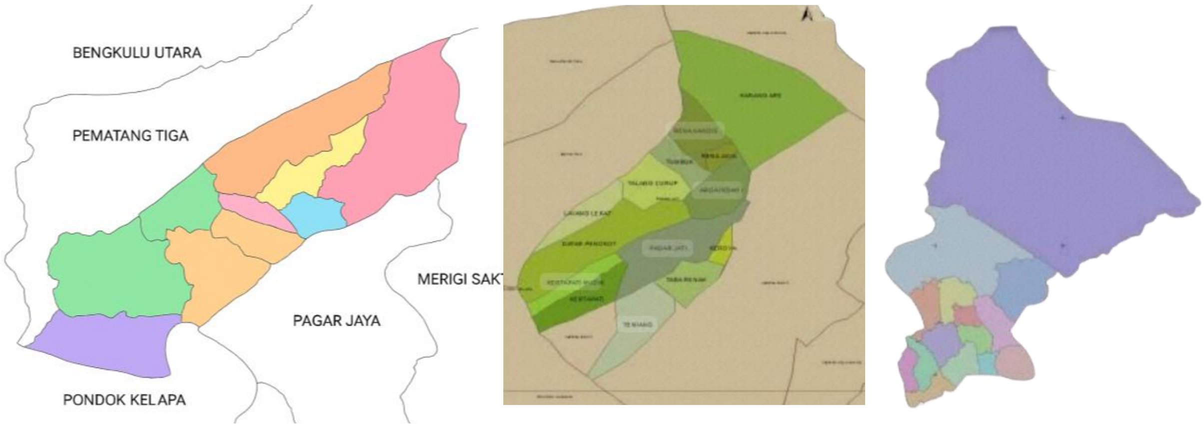

Figure 4. Map of Bang Haji District, Map of Pagar Jati District, Peta Kecamatan Merigi Sakti (Source: BPS)

Demographics

The population in these areas is dominated by people of productive age (15–55 years), with most working in agriculture and plantation sectors. Households tend to be large, with high dependency on a single breadwinner. Mobility in and out of the villages is limited, and most economic interaction occurs locally. The majority of residents are Muslims, and social as well as cultural ties remain strong within the community.

Education and Health

Educational facilities are available only up to junior secondary school level, while students seeking higher education must travel to the regency capital. Participation in basic education is relatively high, but dropout rates increase at the secondary level. In terms of health, services remain limited, consisting mainly of auxiliary health centers (*puskesmas pembantu*) and community health posts (*posyandu*). Medical staff are scarce, and many residents still rely on traditional medicine or travel long distances to urban centers for more comprehensive healthcare.

Economy and Natural Resource Potential

The local economy heavily depends on the primary sector, particularly rice farming, rubber, coffee, and palm oil plantations. Some residents also run small-scale enterprises such as kiosks, handicrafts, and small livestock farming. Although natural resource potential is significant, it remains underutilized due to limited technology, market access, and financial capital. Most agricultural products are sold through middlemen, resulting in low profit margins for farmers.

Infrastructure and Accessibility

Road infrastructure between villages largely consists of dirt or gravel roads, which become difficult to traverse during the rainy season. Electricity has reached most villages but remains unstable. Telecommunication and internet networks are weak and uneven, making digital financial services difficult to access. Public transportation is almost non-existent, so mobility depends on private motorcycles or local motorcycle taxis (*ojek*).

Development Challenges

The main development challenges in these areas include:

- Limited basic infrastructure, particularly roads and internet connectivity.
- Low levels of educational and financial literacy, reducing human resource capacity.
- Economic dependence on agricultural commodities with low market value.
- Restricted access to public services, especially healthcare and higher education.
- Socio economic vulnerability, reflected in reliance on informal lending and low diversification of household income.

Research Findings

The BSI Laku Pandai Program in Indonesia

Concept and Background

BSI Laku Pandai is part of the *Branchless Banking for Financial Inclusion* (Laku Pandai) program launched by the Financial Services Authority (OJK) in 2014. The program was designed to expand access to formal financial services in remote areas underserved by bank branches. As the largest Islamic bank in Indonesia, BSI implements this initiative based on Islamic finance principles: riba-free, fairness-oriented, and inclusive.

Regulatory Foundation

The program is governed by OJK Regulation No. 19/POJK.03/2014 on Branchless Banking, along with specific guidelines for Islamic banks. These regulations emphasize that agents are responsible for providing safe, transparent, and sharia-compliant financial services as the bank's official representatives.

Coverage and Demographics

Nationally, BSI Laku Pandai has reached thousands of agents across various provinces, including Bengkulu. The main targets are low-income households, the unbanked, and residents of remote communities. The demographic profile of customers primarily consists of farmers, small traders, plantation workers, and housewives.

Operational Mechanism

The program operates through a branchless banking model, where agents are equipped with electronic devices such as EDC machines, mobile banking applications, and internet access. Agents handle account opening, deposits and withdrawals, bill payments, and money transfers. They earn commissions from transactions, while the bank benefits from increased Islamic financial inclusion.

Products and Services

Services include sharia savings accounts, microfinance deposits, money transfers, bill payments (e.g., electricity and mobile credit), and sharia-based financing products such as *Qardhul Hasan*. The presence of agents is expected to make Islamic financial services closer, faster, and more relevant to local needs.

Profile of BSI Laku Pandai Agents in Remote Areas (Bang Haji Sub-District, Central Bengkulu)

Agents in Bang Haji typically come from local communities, with backgrounds as small shopkeepers, traders, or village officials. Their social proximity allows them to gain trust more easily from local residents. However, most agents operate with limited working capital, unstable internet connectivity, and insufficient digital literacy. Despite these constraints, agents show strong commitment to serving their communities, perceiving their role not only as a business but also as a social service.

Challenges Faced by BSI Laku Pandai Agents

The study identified three major challenges:

1. Infrastructure constraints: weak internet coverage, unstable electricity supply, and poor road access hinder smooth service delivery.
2. Low financial literacy: many community members are unfamiliar with Islamic banking products, or even basic financial concepts such as savings and non-cash transactions.
3. Limited agent capacity: agents often lack sufficient training, face liquidity constraints, and carry heavy administrative burdens.

Adaptation Strategies of BSI Laku Pandai Agents

To overcome these limitations, agents adopted several adaptive strategies:

- Socio-cultural adaptation: collaborating with religious and community leaders to build trust and raise awareness about Islamic finance.
- Technological adaptation: using alternative internet sources (tethering, public Wi-Fi, or backup providers) to keep services operational.
- Religious adaptation: framing services through Islamic narratives, such as the prohibition of riba and the virtue of saving for worship, to encourage acceptance.
- Geographical adaptation: offering *door-to-door services* by visiting customers who find it difficult to reach agent locations.

Impacts of the BSI Laku Pandai Program on Remote Communities

Economic Impact

Communities gained access to savings and sharia-based financing, reducing reliance on informal moneylenders. Local microenterprises benefited from small-scale financing, strengthening business sustainability. Transfer services also facilitated remittances from family members working outside the village, improving household cash flow.

Social Impact

The program enhanced trust in formal institutions and reinforced community solidarity. Agents became new social figures who connected villagers with modern financial systems. Moreover, communities experienced greater spiritual comfort, perceiving their transactions as free from riba.

Local Development Impact

The program increased cash circulation within villages, reduced dependence on urban centers, and opened opportunities for strengthening the local economy. Although still limited in scale, BSI Laku Pandai has proven to be an entry point for inclusive Islamic finance in remote regions.

DISCUSSION

Capability Approach Analysis of the Challenges Faced by BSI Laku Pandai Agents

The findings revealed that agents in remote areas face significant constraints in delivering Islamic financial services, including unstable internet connections, unreliable electricity supply, limited working capital, and weak financial literacy among the population. From the perspective of Sen's *Capability Approach* (Sen, 1999; Robeyns, 2005), these challenges represent critical conversion factors that determine whether available resources and opportunities can be transformed into actual functionings. For instance, although financial access exists through agents, low literacy prevents communities from effectively converting that access into the capability to save, borrow, or manage household finances (Iqbal et al., 2021; Ibrahim et al., 2020). Similarly, inadequate infrastructure reduces the *capability set* of both agents and customers, limiting the range of choices available to them. This demonstrates that measuring financial inclusion solely by the number of accounts or agents is insufficient (Al Arif & Firmansyah, 2018). Instead, inclusion must be assessed in terms of whether services expand people's substantive freedoms to live the lives they value (Gao & Jin, 2022).

Capability Approach Analysis of the Agents' Adaptation Process

Despite these barriers, BSI Laku Pandai agents exhibit adaptive strategies that function as social and cultural conversion factors, enabling communities to translate financial access into tangible outcomes. Collaborating with religious leaders and local community figures enhances trust, aligning services with the population's moral and religious values (Mahyudin et al., 2023). This reflects Sen's argument that freedom of choice is deeply influenced by social and cultural contexts (Sen, 2004). Technological improvisations, such as using alternative internet connections or mobile hotspots, expand the real opportunities for service delivery, demonstrating the dynamic interaction between structural constraints and human agency (Lubis et al., 2023). Moreover, door-to-door service provision illustrates how agents actively enlarge the capability set of marginalized groups, ensuring that distance and geography do not completely exclude them (Payoga & Suwadi, 2024). Religious narratives, such as the prohibition of riba, also serve as cultural enablers that strengthen community acceptance of Islamic financial services (Ritonga et al., 2024). These findings affirm that adaptation is not merely technical, but a multidimensional process that expands substantive freedoms through social trust, cultural legitimacy, and institutional creativity.

Capability Approach Analysis of the Impacts on Economic and Social Well-being

The impacts of the BSI Laku Pandai program go beyond transactional convenience to affect the broader capabilities of households and communities. Economically, access to sharia-compliant savings and financing reduces dependence on informal moneylenders, enables microenterprises to sustain operations, and enhances household cash flow through remittance services (Ahyani et al., 2025). This widens people's economic opportunities, allowing them to achieve valuable functionings such as investing in education, improving food security, or expanding businesses. Socially, the program strengthens community trust in formal institutions and reinforces religious identity, generating not only material but also spiritual well-being (Sulistyandari et al., 2022). As Sen (1999) emphasizes, true development is the expansion of freedoms, and in this case, Islamic finance provides both economic security and moral reassurance. However, these benefits are unevenly distributed. Households with higher financial literacy convert access into meaningful advantages more effectively than those with low literacy, illustrating that capabilities are relational and context-dependent (Robeyns, 2017). This underscores the need for complementary policies such as financial literacy programs, infrastructure investment, and continuous training for agents to strengthen the conversion of access into capabilities (World Bank, 2022).

In sum, applying the *Capability Approach* to the BSI Laku Pandai program highlights that financial inclusion cannot be reduced to supply-side indicators. Challenges faced by agents constrain the conversion of opportunities into functionings; adaptive strategies expand capability sets through social and cultural resources; and the impacts manifest not merely in economic gains but also in enhanced social and spiritual well-being. Yet, the persistence of structural barriers implies that without systemic interventions, financial inclusion will remain partial. Thus, the study reaffirms Sen's thesis that development is ultimately about enlarging people's real freedoms, and Islamic financial inclusion must be pursued through policies that address infrastructure, education, and institutional support alongside financial access (Sen, 1999; Nussbaum, 2011).

CONCLUSION

This study demonstrates that the BSI Laku Pandai program plays a crucial role in expanding Islamic financial inclusion in remote areas, yet its success is constrained by structural and contextual barriers. Applying the Capability Approach highlights that access to financial services alone is not sufficient; conversion factors such as infrastructure, literacy, and social trust determine whether opportunities can be transformed into real capabilities. Agents face significant challenges but also act as adaptive intermediaries who creatively bridge gaps through social, cultural, and religious resources.

The findings suggest that while BSI Laku Pandai has generated tangible economic and social benefits—such as reducing dependence on informal lenders, supporting microenterprises, and strengthening religious identity—these impacts remain unevenly distributed. To ensure that financial inclusion translates into substantive freedoms, complementary measures are required, including financial literacy programs, digital infrastructure development, and continuous capacity-building for agents. Strengthening these enabling factors will allow the program to move beyond symbolic access and contribute more effectively to sustainable socio-economic transformation in Indonesia's remote communities.

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