

Analysis of Implementation of *Murabahah* Contract in Agricultural Financing at Indonesian Sharia Bank Branch Office Jambi (Hybrid Contract Model as Alternative Solution)

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Abstract. This study aims to analyze the application of *murabahah* in agricultural financing at Bank Syariah Indonesia Mattaheer Branch Office Jambi City. Limited capital and difficult access to financing facilities are one of the main problems faced by most farmers in Indonesia. The role of banks as financial intermediary institutions in agricultural financing is still very low. The financing channeled in the agricultural sector is still very minimal, even though Islamic banking has a variety of contracts that have great potential to enter the agricultural business sector. This research is qualitative research conducted at Bank Syariah Indonesia Jambi Branch Office. This research uses an interpretive approach. The instrument of this research used an interview or interview instrument. The data sourced from primary data, namely interviews and secondary data in the form of literature studies. The results of the study indicate that the application of *murabahah* to agricultural financing at Bank Syariah Indonesia Jambi Branch Office is intended for the purchase of agricultural land or agricultural equipment. *Murabahah* are not appropriate to be applied to the agricultural sector because they have not been able to answer the needs of farmers. A more appropriate contract is profit sharing such as *muzara'ah* or *mukhabarah*. Therefore, alternative contracts in the agricultural sector based on hybrid contracts, namely *ba'i al-wafa wal muzara'ah* and *ba'i al-wafa wal mukhabarah* is recommended.

Keywords: Islamic Bank, *Hybrid Contract*, *Murabahah*, Agricultural financing.

1 Introduction

Islamic banks now have a term that is well known not only in the Islamic world, but also in the Western world. This term refers to any form of banking or finance that aims to provide services without benefiting the customer. In essence, Islamic banks have been around since the 1960s, and the Egyptian bank Mit Ghamr, which was first established in 1963, has emerged as

the world's first model for bank existence. Since then, many sharia-based banks have started to emerge, especially after the establishment of the *Islamic Development Bank* in 1975 in Jeddah, Mecca. Followed by several other Islamic banks such as *Dubai Islamic Bank* in 1975, *Faisal Islamic Bank in Egypt* and *Kuwait Finance House* in 1977. (Nurul Huda, 2009).

The position of Islamic banking has become more certain after the enactment of the Banking Law no. 7 of 1992 where banks are given the freedom to determine the type of reward to be taken from their customers, either interest or profit sharing, which was marked by the establishment of Bank Muamalat Indonesia (BMI) in 1992 with the principle of profit sharing. The culmination point has been reached with the ratification of Law no. 10 of 1998 concerning banking which opens opportunities for anyone who will establish a sharia bank or who wants to convert from a conventional system to a sharia system. The issuance of Law No. 10 of 1998 has its own wisdom for the national banking world which is useful for accommodating the aspirations and growing needs of the community. (Muhammad, 2002). The purpose of merging Islamic banks is to encourage larger Islamic banks so that they can enter the global market and become the center of Islamic economic growth in Indonesia. In addition, Islamic bank mergers are considered to be more efficient in fundraising, operations, and spending. Through the merger of Islamic banks, it is hoped that Islamic banking will continue to grow and become a new energy for the national economy and will become a state-owned bank that is on par with other state-owned banks so that it is beneficial in terms of policy and bank transformation. Based on the consideration of the merger, the problem that arises is whether BSI can attract public attention as an alternative to a new financial institution? And what needs to be done by BSI in order to encourage the national economy, especially the Islamic economy in Indonesia. (Al Husain, 2021).

The agricultural sector has an important role in the contribution of the state and the contribution of the world. Indonesia's agricultural sector still has a strong advantage to compete in the global economy. The results of diverse and abundant agricultural resources should always be supported and developed, both in terms of government policies or support from financial institutions in Indonesia. This is done so that the agricultural sector can develop towards a more competitive direction as is the case in the industrial sector. The contribution of agricultural GDP every year has increased, in 2014 by 13.94% and in 2015 reaching 13.98%. This shows that the agricultural sector is still a basic sector that has a comparative advantage to be developed into a competitive advantage.

Head of the Central Statistics Agency (BPS) Suhariyanto said that the contribution of agriculture rose to 15.46 percent in the second quarter of 2020 compared to the contribution in the second quarter of 2019 of 13.57 percent to GDP. This proves that the agricultural sector has a great opportunity if it is maximized in its management in Indonesia. (Economics, 2020).

In addition, Indonesia has the potential for land availability which is quite large and has not been used optimally. Data from an academic study conducted by the Directorate General of Land and Water Management, Ministry of Agriculture in 2006 showed that the total land area of Indonesia was 192 million ha, divided into 123 million ha (64.6%) being cultivated areas and the remaining 67 million ha. (35.4%) is a protected area. Of the total cultivated area, which has the potential for agricultural areas of 101 million ha, includes 25.6 million ha of wet land, 25.3 million ha of dry land for annual crops and 50.9 million ha of dry land for annual crops. Until now, from the area that has the potential for agriculture, which has been

cultivated into an agricultural area of 47 million ha, so that there are still 54 million ha that have the potential for expansion of agricultural area. The total area and distribution of forests, rivers, swamps and lakes as well as a fairly high and evenly distributed rainfall throughout the year is actually a natural potential to meet agricultural water needs if managed properly. Reservoirs, dams, dams and ground water and other surface water have the potential to support the development of agricultural businesses. (Tasrif, 2013).

The role of banks as financial intermediary institutions in agricultural financing is still very low. It was noted that the data on Islamic banking financing in the agricultural sector at the end of February 2016 was recorded at Rp. 7.839 billion or about 3.71% of the total financing of Rp. 211.571 billion. From these data, it can be seen that the financing disbursed in the agricultural sector is still very minimal, even though Islamic banking has a variety of contracts that have great potential to enter the agricultural business sector. (Sharia Finance, 2021).

Indonesia has great potential to optimize the agricultural sector, while farmers in Indonesia are constrained in obtaining sources of financing. This complexity is increasingly felt in the era of increasingly complex modern financial transactions. Therefore, as a financial intermediary institution, Islamic banking must be able to overcome the problems that are currently being faced.

Agricultural financing has indeed been implemented by Islamic banking. However, the contract used is a sale and purchase contract, namely murabahah and greetings. As it is known that there are various types of financing, namely buying and selling, leasing and also profit sharing. Murabah and Salam contracts are contracts based on buying and selling. In the opinion of the author, this contract is not appropriate to be applied in agricultural businesses. The most appropriate contract is a profit-sharing based contract. Why is that? Financing with the principle of buying and selling is intended to own goods. The principle of buying and selling is carried out in connection with the transfer of ownership of goods or objects (*transfer of property*). The bank's profit rate is determined up front and becomes part of the price of the goods sold. This indicates that agricultural financing using murabahah contracts is not appropriate because agricultural business is not a buying and selling activity but a cooperative business that has advantages and disadvantages.

Various studies have stated that murabahah contracts are not appropriate for agricultural businesses based on the results of previous research conducted by Purwanto with the title "The Contribution of Islamic Banking Sector Financing to the Welfare of Farmers on the Island of Sumatra for the 2016-2017 Period". The results of the analysis prove that the financing of the agricultural sector by Islamic banks on the island of Sumatra in 2016-2017 has a negative effect on the welfare of farmers in Sumatra (Prob value $0.0004 < 0.55$). This negative effect means that the increasing financing of the agricultural sector by Islamic banks on the island of Sumatra will reduce the welfare of farmers in Sumatra. The financing of the agricultural sector by Islamic banks has a negative impact on the welfare of farmers in Sumatra because of the dominance of murabahah contracts in agricultural financing. For Islamic banks, the murabahah agreement can ensure profits, but for farmers it is not necessarily, but they are required to pay a fixed mark-up even though the farmers suffer losses. With this conclusion, Islamic banks need to re-evaluate the appropriate contract in the agricultural sector.

Viewed from the side of the benefit for farmers, agricultural financing at Islamic banks is more appropriate to use a profit-sharing system. This system is a system that includes

procedures for sharing business results between the fund provider and the fund manager. The distribution of the results of this business can occur between the bank and the customer who keeps the funds or between the bank and the customer who receives the funds. The form of the contract based on this principle is *mudharabah* and *musyarakah* financing. For the agricultural sector, the contracts used are *muzara'ah*, *mukhabarah* and *musaqah* contracts, namely cooperation in the agricultural sector where one party is the provider of funds and one party is the manager of funds.

In practice in Islamic banks, there are obstacles in implementing *muzara'ah*, *mukhabarah*, and *musaqah* contracts. One of the main obstacles to the development of this sector is the limited financial resources. The causes of limited financial resources can be seen from two sides, namely the characteristics of agriculture itself and banking as a formal financial institution. Characteristics of agricultural businesses that are the cause, among others, are locations that are outside the reach of banks, traditional management, and the agricultural sector has a high risk. Meanwhile, in terms of financial institutions, the banking sector currently does not fully support the agricultural sector due to the existence of banking regulations, namely the obligation to provide collateral as collateral and procedures for applying for financing so that it is almost impossible for farmers to fulfill. In the end, the banking sector considered the agricultural sector to be unbankable.

For this reason, it is very necessary to have a product innovation in agricultural financing based on profit sharing. It takes a contract design in a form that is not only singular, but combines several contracts, which is then known as a *hybrid contract* (English) or *al-uqud al-murakkabah* (Arabic) or multiple contracts (Indonesia). One of the important pillars in creating Islamic banking and financial products in response to the demands of the community is the development of *hybrid contracts* (multi-contracts). The form of a single contract is no longer able to respond to contemporary financial transactions.

The *hybrid contract* should be a priority in product development. Dr Mabid Al-Jarhi, former director of IRTI IDB once said that the combination of contracts in today's era is a necessity. However, the problem faced is that the existing sharia economic literature in Indonesia has long developed the theory that sharia does not allow two contracts in one transaction (*two in one*). A two-in-one contract occurs when the object, actor, and time are the same. If one of these factors is not met, then the *two-in-one* does not occur, thus the contract becomes valid. This prohibition is interpreted superficially and incorrectly, thereby narrowing the development of Islamic bank products. In fact, sharia allows it in a very broad scope. (Adiwarman, 2010).

There are many problems faced in the agricultural sector and the problems of Islamic banking in channeling the agricultural sector. In terms of the agricultural sector, the utilization of agricultural land is still not optimal, so there are still many unproductive agricultural lands. The agricultural sector is also still underestimated by Islamic banking because it has a high risk in the business world. This can be seen from the low distribution of agricultural financing by Islamic banking.

Agricultural financing, which is currently implemented by Islamic banks, has not yet had a major impact on farmers, as evidenced by the low level of agricultural financing, land that has not been optimized, and the small number of farmers who do financing in Islamic banks. This is one of them influenced by the right contract in its application. The purpose of Islamic

banking is not only to get profit alone, but also balanced with the creation of benefit for the community whose ultimate goal is to achieve *falah*, namely the happiness of the world and the hereafter.

Hybrid contracts are interpreted literally as contracts formed by various contracts. Meanwhile, hybrid contracts in Indonesian are called multi-agreements. The word "multi" in Indonesian means many, more than one, more than two, multiple. Thus, *multiakad* means a contract that is double or more than one. Meanwhile, according to the term *fiqh*, the word *multiakad* is a translation of the Arabic word *al-'uqud al-murakkabah* which means a double contract. (Isfandiar, 2013).

Al-'uqud al-murakkabah consists of two words *al-'uqud* (plural of *'aqd*) and *al-murakkabah*. The word *'aqd* etymologically means to strengthen, ratify and enter into an agreement. Meanwhile, in terminology, *aqd* means entering into an agreement or bond that results in the emergence of obligations. According to Wahbah az-Zuhaili, *'aqd* is a relationship or engagement between consent and *qabul* in accordance with the will of *sharia* which stipulates the existence of legal consequences on the object of the engagement. (Hariyanto, 2020).

The word *al-murakkabah* (*murakkab*) etymologically means *al-jam'u* (*mashdar*), which means gathering or gathering. The word *murakkab* itself comes from the word *rakkaba yurakkibu-tarkibun* means to put something on something else which so that it accumulates, some are above and below. While *murakkab* according to the understanding of *fiqh* scholars are as follows: a collection of several things, so that they are called by one name. One who makes several things into one thing (one name) is said to do merging (*tarkib*); Something made of two or more parts, as opposed to something simple (*singular/basith*) which has no parts; Putting something on top of something else or combining something with something else.

These three definitions have their respective advantages and disadvantages to explain the exact meaning of the term *murakkab*. The first definition is more appropriate to use because it contains two things at once, namely the gathering of several things and the union of several things which then become one particular meaning. The second definition does not explain the consequences of the gathering of these things. Although the second definition states that there is a combination of two or several things, it does not explain what and how after the merger occurs. The last definition is closer to the etymological sense, it does not explain the meaning of a particular term.

Nazih Hammad (2005) defines *al-uqud al-murakkabah* as an agreement between two parties to carry out a contract containing two or more contracts (such as buying and selling with leases, grants, *wakalah*, *qardh*, *muzara'ah*, *sharf*, *syirkah*, *mudharabah*, etc.). and so on), so that all the legal consequences of the collected contracts, as well as all the rights and obligations arising from them are seen as a single entity that cannot be separated, as are the legal consequences of one contract. Meanwhile, Abdullah al-Imrani (2006) defines *al-uqud al-murakkabah* as a collection of several material contracts contained in a contract (both jointly and reciprocally) so that all rights and obligations arising from it are seen as legal consequences of one contract.

This type of research is a qualitative research. According to Creswell, qualitative research is an approach or search to explore and understand a central phenomenon. To understand the central phenomenon, the researcher interviewed the research participants or participants by

asking general and broad questions. Information in the form of words or text submitted by participants will be collected. The data in the form of words or text are then analyzed, the results of the analysis can be in the form of a description or description or it can also be in the form of themes. From the data, the researcher makes interpretations to capture the deepest meaning. After that, the researcher made a personal reflection (self-reflection) and explained it with other researches made by other scientists before.

2 Research Methods

This research uses a qualitative research approach with primary and secondary data types. Primary data is the main priority data obtained from the object of research where in this study the authors obtained data from Bank Syariah Indonesia Jambi Branch Office. While secondary data is data that is complementary in nature, namely data obtained from the library in the form of books, journals, articles, and others related to the use of contracts in the agricultural sector. While the data sources used are data sources that come from informants and also from literature studies. Data collection techniques that the author uses in this research are observation, interviews, literature study, intuitive-subjective and documentation. The data analysis approach used in this study is an interpretive approach, namely the method of interpretation, understanding a symptom both verbally and in writing, and aims to find out a symptom of the symptom itself which is studied in depth. The interpretive approach in Smith and Osborn (2009) aims to reveal in detail how participants interpret their personal and social world. The main target is the meaning of various experiences, events, statuses that are owned by participants. As well as trying to explore personal experiences and emphasize the perception or personal opinion of an individual about objects or events. This approach seeks to understand "what it looks like" from the participant's point of view. "Understanding" in this case has two meanings, namely understanding interpretation in the sense of identifying and understanding in the sense of trying to interpret.

3 Research Results

3.1 Application of *Murabahah* to Agricultural Financing at Bank Syariah Indonesia Jambi Branch Office

Islamic banking, in addition to earning profit in its business activities, is also concerned with the welfare of its customers, namely *profit-based and lost-sharing* or better known in Indonesia with a profit-sharing system, which is then known as the *revenue sharing*. This system emphasizes that in every transaction, the possibility of profit and loss is always there. However, in its application, the profit-sharing principle is not easy because this type of profit-sharing financing is full of risks and the results are uncertain, so Islamic banking practitioners are more likely to choose another type of short-term financing that has lower risks and more definite benefits, namely *murabaha*.

The dependence of Islamic banking on *murabahah* is motivated by the certainty of profit which has been determined at the beginning of the agreement. Banking practitioners define *murabahah* as a sale and purchase contract of goods by stating the acquisition price and margin agreed upon by the seller and the buyer. The orientation that is built on the principle of

buying and selling is of course profit-based and not loss-based. This will appear as a trading concept where Islamic banking will always benefit with the assumption that there are still customers who want to buy goods offered by Islamic banking. The selection of *murabahah* as a sharia bank product is legal and permissible, of course by paying attention to matters related to the rules, conditions, and mechanisms of *murabahah* in accordance with Islamic legal principles, where there are limits that must not be violated by the perpetrators, including the prohibition to commit transactions that contain elements of *usury, vanity, maysir, and gharar*.

One of the Islamic financing that is often applied is the agricultural business is *murabahah*. *Murabahah contract* is a contract of sale and purchase of goods at the original price with an agreed additional profit. *Murabahah contract* is a contract that is also used by one of the Islamic banks in Jambi City for agricultural financing, namely Bank Syariah Indonesia Raden Mattaheer Branch Office.

Especially *murabahah*, Bank Syariah Indonesia Branch Office Raden Mattaheer provides terms and conditions that must be provided by customers, namely:

Financing namely, as follows:

1. The customer comes to the office of Bank Syariah Indonesia Branch Office Raden Mattaheer to apply for financing, fill out the financing form and submit the terms of financing.
2. The Islamic bank will check the correctness and completeness of the requirements for the financing application.
3. Sharia Banks conduct *BI Checking* to determine whether the customer has a loan or financing at another bank or not and to find out whether the customer is good or not in completing the financing.
4. Conducting field surveys using 5C analysis of customers. (i) Character, is the nature of a person or prospective customer who is a recipient of financing in his personal life as well as in an organization or environment. (ii) Capital, is a bank's assessment of the potential debtor's ability to pay off its obligations. (iii) Capability, is the customer's ability to manage capital for profit. Capability is carried out with the aim of knowing the customer's ability to manage their business. (iv) Collateral, is a guarantee to guarantee the continuity of paying the financing installments. Guarantee benefits as a safety device if the customer is unable to pay off the financing. (v) Condition of economy, is a political, social, economic, and cultural condition that affects the economic condition of the customer which affects the smoothness of the customer in paying the financing installments.

After the 5C principles are met, these conditions will be inputted by the bank. Then the leadership re-checks and provides the financing decision. In making a financing decision there are two decisions, namely approved or rejected. If the financing is approved, the operational division will make letters or contract agreement forms to the customer.

From the description above, it can be said that the financing application process at Bank Syariah Indonesia Raden Mattaheer Branch Office has a fairly easy procedure and does not take long from the application for financing to disbursement of financing. Financing terms and conditions do not make it difficult for customers who want to apply for financing. Operational Manager of Bank Syariah Indonesia Branch Office Raden Mattaheer said that:

The *murabahah* contract is the most suitable contract to be applied in agricultural financing, while other contracts, such as profit sharing based, are less suitable to be applied in agricultural financing. The question is why should a *murabaha* used? Because this contract is used to finance goods and must be seen from various sides, from the customer who wants to be given financing, as well as from the risk of the business itself. Agriculture has a high risk, so it is not suitable to apply a profit-sharing based contract. (Mukhti Wibowo, 2021).

The implementation of *murabahah* on agricultural financing, based on the results of interviews that the author conducted with Bank Syariah Indonesia Raden Mattaher Branch Office Jambi City, the bank will provide financing for goods or tools that support agricultural businesses, for example the purchase of agricultural land or agricultural machinery/tools. In this case, the bank will meet the seller directly to buy the goods, and the bank will set a margin or profit from the cost of goods to the borrowing customer.

Murabahah *contract* is a sale and purchase contract between the Bank and the Customer where the customer needs an item and the Bank looks for the item to the producer and the Bank sells it to the customer at the cost plus the Bank's profit. Regarding the policy for determining profit or margin on murabahah contracts at Bank Syariah Indonesia Jambi branch office, it is 7% to 11% per year. The of calculating the margin is as follows: $\text{Margin (\%)} = (\text{Instalment} \times \text{Months} - \text{Loan Principal}) : \text{Total Financing} \times 100\%$

In the practice of *murabahah* on agricultural financing products at Indonesian Sharia banks at the Raden Mattaher Branch Office, the Bank is not a pure seller who provides goods needed by customers before entering into a *murabahah* to customers. The Bank's position is as a financing institution. Bank Syariah Indonesia will only purchase goods as a condition of the *murabahah* to customers if there are customers who will buy back. In this case, it can be seen that Bank Syariah Indonesia is a financing institution, not as a seller of goods.

All contract signings are carried out in stages within one day, without coercion based on mutual agreement without harming either party. After signing the contract no later than 3 working days, the customer can withdraw the funds according to the proposed financing. When the contract has been signed by the customer, the customer's obligation to the bank has begun, namely paying the financing installments with the amount and time period that has been mutually agreed upon.

Akad or agreement can be interpreted as a commitment that is framed with sharia values. In terms of Fiqh, in general, a contract means something that is someone's determination to carry out whether it comes from one party or comes from two parties. In particular, the contract means the relationship between *ijab* (statement, offer) and *qabul* (statement of acceptance of ownership) within the scope of what is prescribed and has an effect on something. There are three pillars in the contract, namely: 1) Contract actor, 2) Contract object, 3) *Shighat* or statement of contract actor.

Contract actors or contract subjects in agricultural financing are banks and customers, the bank as the party providing capital while the customer as the party requiring capital. In the contract process, of course, there are expressions of *consent* and *qabul* or what is called *shigat*. The *Shigatis* in written and oral form. Previously, the bank would provide a contract form to the customer which contained all matters relating to the contract in agricultural financing. The bank will provide an explanation of each item related to the contract as clearly

as possible until the customer understands and understands. When the customer does not agree to the contract, the bank will condition it such as *ascanceling* the contract or canceling it. This is the purpose of *shigat* which is to provide an explanation regarding all matters regarding the contract.

In the contract process, of course there is also such a thing as the object of the contract. From the results of interviews with the authors of this bank, the object of the contract that is financed in agricultural financing is the tools or facilities that support agricultural businesses such as machinery or agricultural land. After entering into the contract, there will be rights and obligations between the two parties, namely the bank and the customer. The *operational* manager of Bank Syariah Indonesia explained that the bank provides requirements, namely the rights that can be exercised or rights that cannot be exercised by customers, such as customers not being allowed to sell or pledge goods. Meanwhile, the bank's obligation to remind customers and the bank's rights will get a *margin*.

After looking at the terms of the application of contracts in agricultural financing, the author also looks at the sources of funds used. Sources of funds used by Bank Syariah Indonesia Branch Office Raden Mattaheer in providing financing for the agricultural sector are derived from third party funds, namely as follows:

Current accounts, namely deposits based on *wadi'ah* contracts or other contracts that do not conflict with sharia principles which withdrawals can be made at any time by using cheque, bilyet giro, other means of payment orders, or by book transfer orders. Current accounts that are justified by sharia are demand deposits based on the principles of *wadi'ah* and *mudharabah*.

Savings, namely deposits based on *wadi'ah* or investment funds based on *mudharabah* contracts or other contracts that do not conflict with sharia principles whose withdrawals can only be made according to certain agreed terms and conditions, but cannot be withdrawn by cheque, bilyet giro, and / or other equivalent tool.

Deposits, namely investment funds based on a *mudharabah* contract or other contract that does not conflict with sharia principles, the withdrawal of which can only be made at a certain time based on an agreement between the depositing customer and the sharia bank and/or UUS.

In general, the sources of funds used to finance all financing sectors are the same, namely from third party funds in the form of demand deposits, savings and time deposits. The contracts used are *wadi'ah yad dlamana* and *mudharabah mutlaqah contracts* in which the bank may take advantage of customer funds by investing them in business activities that are justified in Islamic law, and customers will get bonuses or profit sharing from sharia banks.

In the agricultural sector, the level of competition is not too high because the agricultural sector is a high-risk *business* and is not a contested segment. The profits in this sector are also not too high. In contrast to other sectors such as the trade sector, the profits obtained in the trade sector can be every month, while in the agricultural sector you have to wait for the harvest first. From a social perspective, the provision of financing in the agricultural sector is beneficial for customers who want to do agricultural businesses. The bank will also be fully responsible in the event of an error or bad credit. Therefore, banks must have a strong capital structure. And the bank will coordinate with the parties concerned.

3.2 Weaknesses in the Implementation of Agricultural Financing using Murabahah Contracts at Bank Syariah Indonesia Jambi Branch Office

Islamic banking financing has been seen in the Islamic financial system in Indonesia which is still in the growth stage (*infant industry*) which still has many weaknesses in various ways, including: operational weaknesses, such as the low level of *equity-based*, such as *mudharabah* and *musyarakah* (profit sharing), and the dominance of debt-based financing, such as *murabahah* (sale and purchase), which makes Islamic banking similar in nature to conventional banking.

Product development of Islamic banking is one of the important and fundamental things in the Islamic banking industry. This is in accordance with the vision and targets as stated in the blueprint for the development of Islamic banking. This development vision reflects the hope that Islamic banking will have a firm position in providing support to the real sector. One of the serious challenges in product development in Islamic financing is the extent to which this institution can produce Islamic banking products that can meet the needs of the real sector. The more Islamic banking products that can meet the real sector, the stronger its position in supporting the real sector.

Islamic sharia, Islamic banking in its operations must comply with applicable law. Knowledge and positive perceptions of Islamic banking towards the agricultural sector will encourage banks to provide adequate financing allocations to the agricultural sector or vice versa. There are several allegations of the reason for the sluggish growth of Islamic banks at this time, including the application of prudential rules to Islamic banks which are the same as those applied to conventional banking. In fact, Islamic banks in principle must be willing to bear the high risk of financing because they rely on profit sharing contracts. Forced by strict prudential rules, Islamic banks in practice use more buying and selling contracts similar to conventional credit. This resemblance creates a problem where people who care about sharia become indifferent to Islamic banks.

Financing in the agricultural sector which is the real sector should use a profit-sharing-based contract scheme such as *mudharabah*, *musyarakah*, *muzara'ah*, or *mukhabarah*, but in practice agricultural financing uses a buying and selling contract scheme such as *murabahah* which is used to finance goods or tools that support agricultural businesses. . In the opinion of the author of this contract, it is not appropriate to be applied to the agricultural sector.

Islamic banks have not been able to implement a profit-sharing-based contract scheme such as *mudharabah*, *musyarakah*, *muzara'ah*, or *mukhabarah* in the agricultural sector because the agricultural sector is a business that has a high risk, and Islamic banks do not want to bear big risks in the future, meanwhile Islamic banks have to wait when the harvest arrives to get a share of the results. This is the reason why the agricultural sector is less ogled by Islamic banks, even though the agricultural sector has good prospects in Indonesia as described previously. This complexity makes the authors view that current financial transactions require a contract design (*akad*) in a form that is not only singular, but combines several contracts, which is then known as a hybrid contract

3.3 Alternative Solutions for Agricultural Financing Contracts in the Perspective of Hybrid Contracts

In this study, the recommended contract based on a *hybrid contract* is the *ba'i al-wafa* contract with *muzara'ah* and *mukhabarah.*, *ba'i* means buying and selling and *al-wafa* means debt repayment. Terminologically, *ba'i al-wafa* means a conditional sale and purchase in which the goods sold can be redeemed if the grace period arrives. Buying and selling in *ba'i al-wafa* usually involves immovable goods such as land and houses. The *ba'i al-wafa contract* has been confirmed as a sale and purchase, so the buyer is free to use the goods. It's just that the buyer may not sell the goods to anyone other than the original seller, because the collateral in the hands of the debtor is a guarantee of the debt during the agreed grace period. If the debtor already has the money to pay off the debt at the original selling price at the time of maturity, the goods must be returned to the seller.

The second contract is *muzara'ah* which is to hand over the land to the person who will cultivate or help him, while the plant (the yield) is divided by between the two. While the *mukhabarah* contract is a contract in agriculture between the land owner and the cultivator in which the plant seeds come from the land cultivator.

With the formulation of a hybrid contract in agricultural financing, it is hoped that it can encourage the development of the agricultural sector in Indonesia. Agricultural land in Indonesia is very wide and has not been optimally produced. Meanwhile, farmers in Indonesia find it difficult to obtain sources of financing because they are constrained by capital. Therefore, a hybrid contract can answer the challenges and problems faced by the community, because the ultimate goal of designing a contract in this Islamic banking application is to optimize the agricultural sector in Indonesia through the Islamic financial services industry, in this case, Islamic banking.

There are several things that need to be considered in implementing this alternative solution, namely in terms of human resource needs, regulations or regulations from interested parties or support in the form of fatwas related to this hybrid contract model.

To support the model proposed by this author, a strategy is needed to attract public attention. One of the strategies that determine the success of a sharia banking is with a service quality improvement program that is supported by competent human resources who are able to meet customer needs and satisfaction and are able to communicate sharia bank products and services to customers correctly and clearly, while still complying with the principles of sharia banking, sharia principles.

According to Bariah et. Al (2015), there are 3 indicators of competence based on Islamic values in Islamic banking, namely:

1. Islamic characters; responsibility, commitment, ethics moral and intellectuality (emotion, spiritual, intellectual).
2. Banking knowledge (Islamic, conventional, fiqh muamalah) and, c. Skills; communication, managerial skills, and analytical thinking. These three indicators must be owned by human resources in Islamic banks to achieve common goals. But in reality, there are still many human resources in Islamic banks that do not have all of these indicators, such as they still do not understand and have more knowledge related to

Islamic banks, the contracts contained in fiqh muamalah, sharia principles and so on. What is known by Islamic bank HR is only limited to general contracts that have been applied in Islamic banks, such as wadiah and murabahah. This is also proven when researchers conduct research with Islamic banks, the existing human resources still do not understand related to profit-sharing-based contracts, especially in this agricultural sector, namely muzara'ah, mukhabarah, and musaqah. As research conducted by the University of Indonesia (UI), Wahyu Dwi Agung, M. Syakir Sula, stated that more than ninety percent of Islamic bank human resources currently do not have a sharia economic education background. Only ten percent of human resources with Islamic economics education graduates are available in the Islamic banking industry, while the remaining ninety percent have a background from the conventional banking industry who are transferred to work in Islamic banking.

This is a problem faced by the world of Islamic banking. Therefore, there are several things that need to be done to recruit human resources in Islamic banks in accordance with the indicators above, namely as follows:

1. Conducting recruitment through job fair programs or collaboration with universities on Islamic campuses that are truly according to the field of competence, namely Islamic economics or Islamic banking. This is done so that the human resources of Islamic banks already have a strong foundation related to Islamic knowledge and Islamic banking. In this case the indicators of Islamic characters, banking knowledge will be fulfilled.
2. The second recruitment can also be done with student activists of Islamic economics. In Indonesia, there is an Islamic economic organization, namely the Forum for Silaturrahim for Islamic Economic Studies (Fossei) in which each campus also has an organization under the auspices of the Fossei, namely the Islamic Economics Study Group (KSEI). Every year, month, week, and day, Islamic economic activists always make an agenda of Islamic economic activities such as the Islamic Economics Olympiad, Scientific Papers, Studies on Islamic Economics, national seminars and international seminars related to Islamic Economics. In addition to understanding the principles of Islamic sharia, the activist has been trained in an organization that can be a strong capital to work in a sharia banking company.
3. After the recruitment process is carried out and the best human resources have been selected, the training and coaching process will still be provided by parties who truly understand all matters related to Islamic banking. In this way, the authors believe that the selected human resources in Islamic banks are truly on target and competent.
4. The need to develop Islamic Economics curriculum in educational institutions. Conduct regular assessments of the curriculum in the field of Islamic Economics for educational institutions that carry out the field of study.
5. Establish a faculty/department of Islamic Economics with various fields of study tailored to the needs of the Islamic banking market at every university in Indonesia, not only at the State Islamic University.
6. Cooperation between educational institutions, banking institutions, government and society. To improve the quality of human resources in the short term, organize socialization and training on sharia economics, particularly sharia banking. Meanwhile, in the long term, develop education that synergizes three very important indicators, namely banking institutions, universities and the government.

To prepare human resources who understand Islamic economics, all elements of banking and non-bank Islamic financial institutions must work together to realize socialization through symposiums, workshops, seminars, open dialogues and other training courses that are held on an ongoing basis. Sharia economic advisors and training centers also need to be established so that they can function as human resource factories ready to take on roles in the banking sector and other Islamic financial institutions. It needs to be reflected and synergized multilaterally with human resources with countries whose Islamic finance industry has developed and developed.

In addition, from a regulatory perspective, support from the government itself or interested parties is needed in supporting this alternative solution, for example the DSN MUI fatwa related to hybrid contracts. The fatwa issued by the MUI DSN follows the type of contract that has been determined by classical scholars. In addition, there are also innovative fatwas, which are a combination (synthesis) of contracts or hybrid contracts. Hybrid contract is a type of contract which is a combination of two or more types of contracts. Indeed, there are differences of opinion regarding the merging of contracts. Whether the merging of contracts causes the cancellation of a contract or not.

One of the DSN MUI fatwas which is classified as a hybrid contract is fatwa Number: 27/DSN-MUI/III/2002 concerning al-ijarah al-muntahiyah bi altamlik (IMBT). The IMBT contract is a financial product. sharia which is the area of activity for sharia commercial banks (article 19 of the PBS Law). In addition, there is also a National Sharia Council fatwa No: 73/DSN-MUI/XI/2008 concerning musyarakah mutanaqisah. The two fatwas are fatwas that support the hybrid contract model.

The process of drafting a DSN-MUI fatwa begins with the stage of requesting a fatwa related to problems in the economic and financial fields from the public or financial authorities to DSN-MUI. Furthermore, the daily implementing agency (BPH) of DSN-MUI discussed the problem in depth and thoroughly. This is to prepare a draft fatwa related to the problem. Drafting involves practitioners/experts in related fields by extracting the

Legal basis from classical and contemporary fiqh books. The draft that has been made, submitted and discussed in the plenary meeting of the DSN-MUI which was attended by all members of the DSN-MUI. After it is approved, it will become a DSN-MUI fatwa and signed by the DSN-MUI leadership.

The majority of Hanafi scholars, some of the opinions of Maliki scholars, Syafi'iyah scholars and Hanabillah are of the opinion that the multi-contract law is valid and permissible according to Islamic law, on the grounds that the original law of the contract is permissible and valid, not forbidden and not canceled as long as there is no evidence that forbids or cancel it. Ibn Taymiyyah, the original law of all muamalah in the world is permissible except what Allah and His Messenger have forbidden, nothing is forbidden except what Allah has forbidden, and there is no religion except that which is prescribed by law. The original law of sharia is that it is permissible to carry out multi-contract transactions, as long as each contract that builds it when carried out separately is legal and there is no argument forbidding it. When there is an argument that prohibits it, then the argument is not applied in general, but except for cases that are prohibited according to that argument. bnu al-Qayyim, according to him that the original law of the contract and the terms of the contract are valid, except those that are canceled or prohibited by religion. Because the original law is permissible, then any contract

and conditions that have not been explained as haram by Allah cannot be declared haram by haram. Al-Syathibi explained that the original law of worship and muamalah is to carry out what he ordered and not to interpret the law. Meanwhile, the original law of muamalah is based on the substance, not the practice. In this case, new discoveries cannot be made of worship, because the basic principle is allowed, not implemented.

Based on the arguments in the form of the Qur'an, Hadith, fiqh rules and the opinions of these scholars, it can be used as a basis for establishing regulations in the form of a DSN-MUI fatwa related to the proposed contract based on this hybrid contract model in agricultural financing at Islamic banks. this model is as follows:

1. This model was created to realize the values and principles of sharia contained in Islam in carrying out economic activities. Islam recommends to carry out business activities in the real sector, especially in the agricultural sector. Based on the study of fiqh muamalah that cooperative business activities use the principle of profit sharing which is a characteristic of sharia financing. Islamic banks that are not only profit-oriented but also socially oriented with the aim of creating benefit for the people should consider this model so that it can have a positive impact on the welfare of farmers.
2. It is hoped that this model will improve the welfare of small farmers who have difficulty in terms of capital, help them to access financing and funding and increase their income from the results of agricultural business activities in collaboration with Islamic banks.
3. This model is participatory and therefore, will help to encourage a sense of belonging and a spirit of partnership between the parties. Cooperation and partnerships between farmers and Islamic banking will have a special impact on the economy, especially the real sector and is a feature of Islamic financing.

3.4 The Advantages of Hybrid Contract Formulation as an Alternative for Agricultural Financing that was studied Based on the Theorem

The *ba'i al-wafa contract* was created in order to avoid usury, as well as a means of helping between capital owners and people who need money within a certain period of time. Therefore, this contract is very suitable for use in Islamic banking. In addition to realizing its social goals in the context of *ta'awun* or help, Islamic banking can also take advantage of these (immovable) goods in agriculture, namely by utilizing the land for farmers using *muzara'ah* or *mukhabarah contracts*.

Muzara'ah contract is a contract in agriculture between the land owner and the land manager. In this case, the land manager is the farmer, where the plant seeds are provided by the land owner. Meanwhile *mukhabarah* is a contract in agriculture in which plant seeds come from land cultivators.

In this case, why did the author combine the *ba'i al-wafa* contract with the *muzara'ah* and *mukhabarah* in agriculture? The reason is, basically Islamic banks do not look at the agricultural sector for fear of facing too big a risk because they have to give land in the form of land to farmers. However, in *hybrid contract*, the Islamic bank as the land owner in the *muzara'ah* and *mukhabarah* does not need to bear too big a risk if at any time there is a loss or crop failure, because the land used to be managed as agricultural land comes from another party. which this party is bound to the bank through a *ba'i al-wafa*. In addition, financing in the agricultural sector should use a profit-sharing based contract, namely *muzara'ah* or

mukhabarah.

As previously explained, in this *ba'i al-wafa*, the land sold will be returned after the recipient of the loan is able to repay the loan within a predetermined period of time. In that period of time, the bank as the buyer of goods (land) can use it in agriculture. For example, within a period of 3-6 years, then during that time the bank can use the land in the agricultural sector by using a *muzara'ah* or *mukhabarah*.

But on the other hand, after the author discussed with one of the Islamic banking practitioners, according to him, this contract is difficult to implement for several reasons; First, if you want to implement a *ba'i al-wafa*, it means that the source of funds used by Islamic banks comes from third parties, namely demand deposits, savings and deposits. Customers who save money in the bank certainly want to get profit sharing, while the funds are invested in the agricultural sector with a profit sharing agreement, so they have to wait when the harvest arrives. It is impossible for customers to want to wait months to get a share of the results.

Second, in recording financial statements, fixed assets are not allowed to be recorded in the financial statements by BI. Third, related to the character of the customer who manages the land, it is feared that the customer will quit the business and not want to farm anymore. Fourth, products circulating in Islamic banks must pass *screening* from the National Sharia Council (DSN). It must be seen from the elements of sharia as well as from its fiqh. This is the basis for Islamic banking practitioners to view that it is difficult to apply *bai' al-wafa wal muzara'ah* and *ba'i al-wafa wal mukhabarah* -based contracts.

In responding to this, in the opinion of the author, this thought is interpreted narrowly. There are several basics on which the author's foundation is based, namely first, the funds did come from a third party, then they were given financing with a *bai' al-wafa* and the goods purchased by the bank (land) were invested in the agricultural sector for a certain time with a *muzara'ah* or *mukhabarah*. To wait for the harvest, Islamic banks can invest in other financing sectors to provide profit sharing to saving customers. Islamic banks must also be able to see the potential of the agricultural sector, this sector is a real sector plus the natural conditions in Indonesia are very good and Indonesia is also an agrarian country.

Second, Islamic banks can list the land (fixed assets) into the assets of Islamic banks in the financial statements. As is known, there are various kinds of Islamic bank assets, such as offices, office equipment, and others. Land purchased by Islamic banks can be included in the assets of Islamic banks.

Third, related to the character of customers who manage agricultural land in this case are farmers. Most farmers in Indonesia are tenacious, diligent, and hardworking. They also want to fulfill their needs. Moreover, farmers in Indonesia are still not paid attention in terms of finances. Therefore, Islamic banks must take part in helping farming communities who have limitations in terms of the economy even though these farmers have expertise in farming. According to the author, farmers in Indonesia who do not have limited capital will be willing to cooperate as land managers with Islamic banks.

Fourth, this contract can also go through a screening by the National Sharia Council (DSN) if it is approved by all parties. In terms of fiqh, some scholars allow *bai' al-wafa* -based hybrid contract. Single contracts are currently difficult to respond to contemporary financial transactions, therefore a contract is needed that is not only single but combines several

contracts. While the bai'al-wafa has existed since the time of the Prophet, which was created in order to avoid usury. Islamic banking in Indonesia should be able to implement this contract. discussion of Bai' al-Wafa' in the study of fiqh, especially muamalah fiqh are laws related to the actions of fellow human beings and material rights such as buying and selling, leasing, pawning, and others. In buying and selling contracts, there are many forms or schemes that have been implemented as products in Islamic banking, such as murabahah, salam and istishna. In addition to the sale and purchase, there is a form of buying and selling that ever existed and appeared in the middle of the fifth century Hijriyah known as Bai' al-wafa'.

Bai' al-wafa' appears according to human needs and continues to apply the principles and characteristics of its disclosure in the Qur'an and as-Sunnah. The development of the types and forms of muamalah carried out by humans from the past until now is in line with the development of human needs and knowledge. Therefore, it is found in various ethnic groups with various types and forms of muamalah, the essence of which is mutual social interaction in an effort to meet their needs.

Social changes that need attention and consideration are positive ones. In this case, according to Izzuddin ibn Abd as-Salam, a fiqh figure from the Shafi'i school stated that if there is benefit, then that is what Allah's law is aiming for. If an indicator of benefit is found, that is where Allah's law is, and in any way that benefit can be achieved, the procedure is also prescribed. To anticipate the negative values contained and brought about by social change in the issue of muamalah, Islamic law put forward various principles and rules that are used as benchmarks for the validity of a form of muamalah created as a result of these social changes.

This kind of buying and selling was created by the community and approved by the Hanafi school with the aim of preventing the prevalence of usury among the people, because the rich do not want to lend their money to people in need voluntarily (*al-qardh al-hasan*) without getting anything in return. And the owners of excess assets will also get a benefit from this transaction, because their money is productive. Thus there is mutual assistance between the two parties for a certain period of time. The sale and purchase of bai' al-wafa' according to the Hanafi school is not included in the prohibition of the prophet even though it is conditional, because this bai' al-wafa' is through a sale and purchase agreement where the buyer can own the goods and at the same time use it, this is done in order to avoid the public perform a transaction that contains usury.

In the author's opinion, the purpose of the *bai' al-wafa'* is to give the borrower the opportunity to take advantage of the right way, and to provide the opportunity for the borrower of money to be able to take advantage of the goods he sells as well as the desire to own it again after a certain period of time the lease expires. *Bai' al-wafa'* from the beginning was contracted as a sale and purchase, then the buyer was free to take advantage of the goods. It's just that there is an agreement from both parties that the buyer may not sell the goods other than to the original owner. Because the item is essentially a guarantee for a debt that must be returned within the agreed time. If the owner of the property already has a debt, the seller must return the debt and the buyer must return the goods.

Mukhabarah is a form of *ta'awun* between farmers and rice field owners and is mutually beneficial for both parties. Often there are people who are experts in agricultural matters but do not own land, and conversely there are many people who have land but cannot afford to cultivate it. So Islam prescribes mukhabarah as a middle way for both. That's what has been

exemplified by the Prophet and became a tradition among his companions and the Muslims years. Ibn 'Abbas relates that the Messenger of Allah cooperated (*mukhabarah*) with the residents of Khaibar to share the results of the harvest, food and fruit. Even Muhammad Albakir bin Ali bin Al-Husayn said that no emigrants would move to Medina unless they agreed to divide agricultural produce by a third or a quarter. The companions who were recorded as doing mukhabarah included Ali bin Abi Talib, Sa'ad bin Malik, Abdullah bin Mas'ud and others.

From the explanation that has been described regarding the legal basis of each of these contracts, according to the author's analysis, it can be concluded that the contracts that build *hybrid contract* are allowed, namely *bai' al wafa*, *muzaraah* and *mukhabarah*. As explained by Ibn Taymiyya, the original law of all muamalat in the world is permissible except what Allah and His Messenger have forbidden, nothing is forbidden except what Allah has forbidden, and there is no religion except that which is prescribed. The original law of sharia is that it is permissible to carry out multi-contract transactions, as long as each contract that builds it when carried out separately is legal and there is no argument that forbids it. When there is an argument that prohibits it, then the argument is not applied in general, but except for cases that are forbidden according to that argument. Therefore, the case is said to be an exception to the general rule that applies, namely regarding the freedom to carry out contracts and carry out agreements that have been agreed upon.

4 Conclusion

After conducting research and analysis, the authors can obtain the following conclusions. *Murabahah contract* applied by Bank Syariah Indonesia Jambi Branch Office on agricultural financing is used to finance goods, tools, or agricultural land that supports the agricultural business itself, and customers will pay to the Islamic bank in monthly installments with a *margin* set by the Islamic bank in accordance with the agreement with the customer. According to banking practitioners, *Murabahah* are most suitable for financing agriculture that has a high risk.

The weakness of the application of *murabahah* in agricultural financing at Bank Syariah Indonesia Jambi Branch Office is that it has not been able to answer the needs of farmers. One of the factors causing it is the lack of precise application of *murabahah* to be applied in the agricultural sector. The right contract to be used in the agricultural sector is a profit-sharing-based contract such as *muzara'ah* or *mukhabarah*. However, the obstacle is that Islamic banks have not been able to implement this contract because the capital required is quite large and the risks faced are very high in this agricultural sector.

The alternative solution to the contract based on a hybrid contract, the author calls it *ba'i al-wafa wal muzara'ah* and *ba'i al-wafa wal mukhabarah*. This contract is a combination of the *ba'i al-wafa* with *muzara'ah* and the combination of the *ba'i al-wafa* with *mukhabarah*. With the formulation of a *hybrid contract* in agricultural financing, it is hoped that it can encourage the development of the agricultural sector in Indonesia. Agricultural land in Indonesia is very wide and has not been optimally produced. Meanwhile, farmers in Indonesia find it difficult to obtain sources of financing because they are constrained by capital. Therefore, a *hybrid contract* can answer the challenges and problems faced by the community, because the

ultimate goal of designing a contract in this Islamic banking application is to optimize the agricultural sector in Indonesia through the Islamic financial services industry, in this case, Islamic banking.

The advantage of *hybrid contract* is that it can answer the needs of farmers, this contract is a means of helping fellow human beings and in order to avoid usury. The contract study is carried out based on the existing arguments that the contract that builds *hybrid contract* is allowed, namely *bai' al wafa*, *muzaraah* and *mukhabarah*. As explained by Ibn Taymiyya, the original law of all muamalat in the world is permissible except what Allah and His Messenger have forbidden, nothing is forbidden except what Allah has forbidden, and there is no religion except that which is prescribed. The original law of sharia is that it is permissible to carry out multi-contract transactions, as long as each contract that builds it when carried out separately is legal and there is no argument that forbids it. When there is an argument that prohibits it, then the argument is not applied in general, but except for cases that are forbidden according to that argument. Therefore, the case is said to be an exception to the general rule that applies, namely regarding the freedom to carry out contracts and carry out agreements that have been agreed upon.

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