

The Dialectic of Local Wisdom Based on the Muzara'ah Principle: A Concept of Profit-sharing in the Islamic Economic System

Wardah Yuspin^{a*}, Tommy Adityo Murti^b, Arinta Dewi Putri^c, ^{a,b,c}School of Law, Universitas Muhammadiyah Surakarta, Surakarta, Indonesia, Email: ^{a*}wy204@ums.ac.id, ^bmurti.tommyadityo@yahoo.com, ^carintadp6@gmail.com

This study aims to look at the phenomenon of shifting the concept of profit-sharing which is the basic concept of the Islamic economic system in the Islamic banking system in Indonesia. As we know, Indonesia as an agricultural country has a distinctive form of local wisdom related to the cultivation of agricultural land. The concept of profit-sharing on agricultural land involves the owner of the land, as *shahibul maal* and cultivators as *mudharib*. *Shahibul maal*, will provide full capital in the contract while *mudharib* will work on the farmland by devoting all his thoughts and energy. In agricultural land this concept is called *muzara'ah*, while in Islamic banking the concept is called *mudharabah*. This is a phenomenon of the shift in the concept of profit-sharing which is actually part of local wisdom in Indonesia that can be applied in Islamic banking. This type of research is empirical juridical, in which the data used were primary data and secondary data. The method of collecting data was done by observation and interview consisting of two stages. The first, interviews and observations were done in four sub-districts in the Sragen Regency, namely Plupuh, Gondang, Sidoharjo, and Sambirejo. From the two observations, the result revealed that the *mudharabah* concept that has been applied by BNI Syariah had similarities with the concept of *muzara'ah* in the agricultural sector, but the same concept cannot be fully applied in Islamic banks due to several factors, one of which was the potential for high risk.

Key words: *Muzara'ah, Mudharabah, Local Wisdom, and Profit-sharing.*

Introduction

In this digital era, the sharia banking sector is an important sector to be highlighted, in which it uses a profit-sharing system that makes sharia banking become acceptable to all. Profit-sharing is the distribution of profits between Islamic banks and their customers; this is the main principle that is run by sharia banks (Bank Indonesia, 2006). The existing relationship in profit-sharing is the relationship between the owner of capital (*shahibul mal*) and the worker (*mudharib*). Therefore, business profits are divided according to certain proportions as written in the initial agreement made by both parties, the land owner or capital (capitalist) (*shahibul maal*) with the sharecroppers (*mudharib*) (Yuspin & Wardiono, 2017). The distribution of loss opportunities, where the results are uncertain, causes the *shahibul maal* to experience a reduction or write-off of capital and the *mudharib* to experience a loss of opportunity and time in achieving profits (Muhammad, 2005).

The land use agreement with the original profit-sharing is regulated in customary law based on an agreement between the land owner and the sharecropping farmers in exchange for a yield agreed upon by both parties. In its development, the production sharing agreement then obtained the regulation in the presence of Law No. 2 of 1960 concerning the Profit-sharing Agreement (Parlindungan, 1991). The production sharing agreement is an agreement that is familiar to rural communities, most of whom are generally farmers. The production-sharing agreement is one of the agreements relating to land where the object is not land but rather everything that has to do with land, or which is attached to the land such as plants, working rights, working on, or planting the land and so on. However, land tenure with revenue sharing in each region in Indonesia varies in the name and arrangement (Harsono, 2005).

However, the concept of profit-sharing has not been fully applied in Islamic banking in Indonesia, only about 2% compared to the total financing channelled by Islamic banking, which is dominated by financing with the *Murabahah* contract (www.ojk.go.id was accessed Sunday, October 20, 2019 at 08.00 A.M). In practice, Islamic banks tend to avoid partnerships when investing. They rely heavily on *Shariah* compliant non-partnership contracts to invest funds. In research conducted by Nouman and Ullah (Nouman & Ullah, 2014), Islamic banks rely on non-partnership contracts for investment purposes because partnership contracts have serious practical problems such as asymmetric information, adverse selection, moral hazards, and agency problems in partnership contracts which are the dominant constraints.

The existence of a non-partnership contract does not involve the distribution of profit and loss and entrepreneurs usually have to pay a predetermined return. Non-partnership modes include *Ijarah* (rent), *Murabaha* ('mark-up' or cost plus sales), *Bai Muajjal* (deferred payment),



Istishna (commission for producing), *Salam* (deferred delivery), *Qard Al Hasana* (charity loans) and *Jo'alah* (service fees) (El-Komi & Croson, 2013).

This is inversely proportional to the existing agrarian system in Indonesia, since the ancestors had applied the concept of agricultural land sharing, or commonly called *Muzara'ah*. The concept of profit-sharing could be greater or become a mainstay of financing in Islamic banking because it has been developed for a long time (Al-Jarhi, 2017). However, due to the reality of channelling credit to the agricultural sector in general, Islamic banking does not apply the *muzara'ah* contract giving relatively high risk that must be borne by banks. One of the factors causing the low capital distribution in the agricultural sector is the assumption that agricultural credit has a high risk and difficulties in applying contracts for capital loans in the sector. Islam advocates collaborative land management using a profit-sharing system as in the *muzara'ah* system (Alikhan & Nayeem, 2017).

In this case the concept of profit-sharing with *muzara'ah* system is applied in Islamic banking in Indonesia. Islamic bank financing with a *muzara'ah* scheme in the agricultural sector has the potential to be implemented, considering the majority of Indonesia's population are farmers and natural resources in Indonesia have the potential for agribusiness development. In addition, the Indonesian people are familiar with the sharing system in economic activities, especially in the agricultural sector, for example the *maro* system, *mertelu*, *marapat* with a proportion of profit-sharing in accordance with the agreement of the system, which is more fair considering the yields cannot be predicted (Yahuza, 2018).

The pattern of Islamic banking financing has characteristics that are suitable with the agricultural sector, considering that Islamic banking does not apply interest but the profit-sharing is adjusted according to the agreement of both parties. Farmers are not charged with interest every month, but debt payments and profit-sharing will be paid at harvest. In terms of profit-sharing, small-scale farming will certainly be different from large sectors, considering that agricultural businesses have different income levels and harvest periods (Mohamad, Ahmed, & Badri, 2017).

Due to these problems the researchers then conducted research in the Sragen Regency with samples in Jembangan Village, Plupuh District, Grasak Village, Gondang District, Purwosuman Village, Sidoharjo District, and Newung Village, Sambirejo District.

Method

The researchers used empirical juridical methods, where the data used were primary and secondary data. The data collection method was carried out in three stages. The first step was using a library search by looking at secondary data. The second stage was an interview

conducted with two different parties: the first party was the landowner and the cultivators of rice fields in four villages, namely: Plupuh sub-district, Gondang sub-district, Sidoharjo sub-district, Sambirejo sub-district. The second stage was an interview conducted at BNI Syariah to get an overview of how *mudharabah* was implemented in sharia banks in general. After that, the third step was to analyse the data obtained from the previous two stages by using the concept of fairness in the implementation of *muzara'ah*. There will be several obstacles about why the concept of profit-sharing in *muzara'ah* cannot be applied in the concept of profit-sharing in *mudharabah* in the sharia bank (Sibul & Malyuga, 2019).

Findings and Discussion

a. *Understanding the contract of Muzara'ah*

Etymologically the word *Muzara'ah* comes from the Arabic language, *al-zar'u*, which means plant. The word *al-zar'u* itself etymologically has two meanings, namely:

1. It can mean, *torhu al-dzariy'ah* which means sowing the seeds of plants into agricultural land.
2. Or means *al-inbât* which means growth. So, from these two meanings, the first meaning is more *majâzy* (imagery) and the second is the intrinsic meaning (Rahman & Mun'im, 2012).

Whereas, in terminology, the four Ulema Schools differ in their opinion on the definition of the word *Muzara'ah*.

1. Imam Hanafi defines the word *Muzara'ah* as the production sharing agreement for land management in agriculture.
2. Imam Malik believes that *Muzara'ah* implies cooperation in terms of farming.
3. Imam Syafi'i defines the word *Muzara'ah* as a work on an area of land from the owner of the land to the cultivator where the plant seeds come from the land owner.
4. Imam Hanbali said that *Muzara'ah* means the transfer of land and the planting of seeds to be planted by the land manager, then the yield from the land (percentage) is calculated, and then there is a sharing between the two parties. *Muzara'ah* means cooperation in the field of agriculture between the landowners and land tenants (Ghazali, Rahman, dkk, 2010).

In terms of terms, *muzara'ah* is a way to make agricultural land productive by cooperating between owners and tenants in producing it, and the results are shared between them both by comparison (ratio) stated in the agreement or based on *'urf* (custom) (Muslich, 2013), while the seeds (seedlings) of plants come from landowners. If in this collaboration the seeds are provided by the workers, this cooperation is specifically called *mukhabarah* (Ghazali, Rahman, dkk, 2010). According to Abdurrahman Isa, as quoted by Masjpuh Zuhdi, the rights and obligations of each land owner and land tenant can be regulated as well as possible

based on a consensus agreement both according to local customs and applicable laws (Zuhdi, 1997).

b. Legal Foundation of Muzara'ah

Muzara'ah is disputed by the jurists. Imam Abu Hanifa and Zufar, and Imam Shafi'i do not allow it. However, some *Shafi'iyah* allow it, for reasons of necessity. They reason with the Prophet's hadith:

From Thabit ibn Adh-Dhahhak, that in fact the Prophet Muhammad forbade to do *muzara'ah* and ordered to do *muajarah* (leasing). (HR. Muslim) (Muslich, 2013).

According to *jumhur* ulama, consisting of Abu Yusuf, Muhammad bin Hasan, Malik, Ahmad and Dawud Azh-Zhahiri, *muzara'ah* is permissible. The reason is the Prophet's hadith: It was from Ibn Umar that the Messenger of Allah (PBUH) cooperated (cultivating the land) with the people of Khaibar in exchange for half of the results that came out of the land, both fruits and plants. (Muttafaq 'alaih) (Muslich, 2013).

In addition, *muzara'ah* is a form of *syirkah*, that is cooperation between capital (assets) with work, and it is permissible as a *mudharabah* contract, because it is needed by the community. With this cooperation the unemployed land can get benefit, and unemployed people can get a job.

c. Basic Concept of Profit-Sharing

Aristotle emphasised his theory on balance or proportion. According to him in the country everything must be directed to the noble ideal of goodness, and goodness must be seen through justice and truth. The emphasis of the balance or proportion on Aristotle's theory of justice, can be seen from what he did, that the equality of rights must be the same among the same people. The point is that on the one hand it is true to say that justice means equal rights, but on the other hand it must be understood that justice also means equality of rights. So Aristotle's theory of justice is based on the principle of equality. In the modern version the theory is formulated with the expression that justice is done when the same things are needed equally and things that are not the same are treated unequally (Ashraf, 2017).

Aristotle distinguishes justice into distributive justice and commutative justice. Distributive justice is justice that demands that everyone gets what is rightfully theirs, so it is proportional. Here what is considered fair is if everyone gets what they are entitled to proportionally. Thus distributive justice is concerned with determining rights and equitable distribution of rights in the relationship between society and the state, in the sense of what the



state should give it's citizens. This concept of justice is the basis for the concept of *muzara'ah* farming (Ariss, 2010).

d. Agricultural Land Management System in the Sragen Regency

In this case the study was conducted in the Sragen Regency where this area has an area of 941.55 Km², which is divided into 20 subdistricts, 208 villages / wards. Of this area 68,902 Ha (73.18%) is agricultural land and 25,253 Ha (26.82%) is non-agricultural land. Out of an area of 68,902 hectares of agricultural land, 39,820 hectares are paddy fields (irrigated fields covering 25,417 hectares, rainfed fields measuring 14,403 hectares), while 29,082 hectares are non-paddy fields (plantations / fields / fisheries / livestock). In the business fields, 136,414 people or around 30.92% work in the agriculture, forestry and fisheries business, which is the highest compared to other business sectors

(<https://sragenkab.bps.go.id> was accessed Saturday, October 05, 2019 at 02.25 P.M)

Agricultural Land Management in Jembangan Village, Plupuh Sub-District, Sragen Regency

In this village there were 750 families (KK), of which around 325 KK worked as farmers. Of the 325 families, 80% of them cultivated their own agricultural land, while 20% of them cultivated other people's land.

For farmers who cultivated other people's land, the system used was the production sharing system with a percentage depending on the type of paddy soil worked and the capital spent (seeds, fertiliser, etc.). The results of interviews with Tuginin, village officials as well as land owners who shared the results with farmers working on rice fields, showed that the production sharing system here was on irrigated paddy land, the percentage of the yield was *maro* or 50% -50% where all costs, seeds, fertilizer, etc. were borne by sharecroppers. Even if there was a loss, all losses would be borne by the sharecroppers. Whereas on rainfed lowland land, they used the *mertelu* system; the division was 2/3 of the portion for the wetland cultivators. The landowner got 1/3 of the land in which the entire system was borne by the smallholder farmers. Even if there was a loss, all losses would be borne by the tiller farmers. In addition to using the *mertelu* system, in rain-fed rice fields there was also a *maro* system. The system was divided into two (*maro*), the cost of seeds, fertilizer, etc. was borne together, and later the results would also be shared between farmers and landowners. If there was a loss, it was borne jointly between the cultivator and the land owner (interview with Tuginin on September 10, 2019 at 04.00 P.M)



Agricultural Land Management in Grasak Village, Gondang sub-district, Sragen Regency

In Grasak village, Gondang sub-district, the systems used by many of them were profit-sharing systems.

The results of interviews with Sikan, farmers working on the land, explained that farmers who cultivated other people's land used the production sharing system with a percentage of *maro* and *mertelu* profit-sharing, depending on the season / weather. *Maro* system occurred during the rainy season so there was no need to buy water, while *mertelu* system was used during the dry season, in which to irrigate the fields it was necessary to buy water. The distribution of profit-sharing was also adjusted to the obligations and rights of each party as well as for costs such as fertilizer and seeds, which are usually provided by, or the responsibility of the land owner (interview with Sikan on September 10, 2019 at 04.45 P.M).

Agricultural Land Management in Purwosuman Village, Sidoharjo Sub-District, Sragen Regency

In Purwosuman village, Sidoharjo sub-district, there were +/- 3,500 families (based on 2019 voting data, 6,300 voting rights), of which around 50% worked as farmers, and around 85% processed their own agricultural land while the remainder cultivated agricultural land owned by other people.

For farmers who cultivated paddy land owned by others, almost 95% used a production sharing system and only about 5% used a rental system with an unlimited period of time (rarely or almost no specific term agreement).

The results of the interview with Ahmad Nur, the village apparatus as well as the owner of the land that was shared with the farmers working on rice fields, explained that the farmers who cultivated their agricultural land used the production sharing system. All operational costs (seeds, fertilizers, etc.) were borne by the tiller farmers. The land owner only needed to receive the rice harvest or directly in the form of cash from the sale of the rice harvest (profit and loss for the crop was shared equally). As for the land leasing system, the sharecroppers directly leased agricultural land, then cultivated it themselves and the results were enjoyed by the smallholder farmers themselves. The amount of land rent was Rp. 10 million per year for 3,500 m² of paddy land (interview with Ahmad Nur on September 12, 2019 at 03.50 P.M).

The Concept of Agricultural Land Profit-sharing Systems in Dawung Village in Sambirejo sub-district, Sragen Regency

In Dawung village, Sambirejo sub-district, there were still many agricultural land use management systems for agricultural land management systems. The yield system applied used the *maro* system, where the harvested yields were shared equally with the land owner. The results of an interview with Suparto, a paddy farmer in Dawung village revealed that the production sharing concept was mostly applied using the *maro* system, but even though the initial agreement was to use the *maro* system, the harvests obtained can usually be communicated with land owners, depending on conditions and yields obtained (interview with Suparto on September 12, 2019 at 04.20 P.M).

The Concept of Fair System in Profit-sharing Implemented in Sragen Regency

The implementation of agricultural land-sharing agreements was still common in the Sragen Regency. Most landowners did not have the time and opportunity to work their own land, and take the initiative to offer their land to be done by farm laborers as tenants to get the results divided according to agreement.

The implementation of the profit-sharing has been considered as a fair concept, both by landowners as *shohibul maal* and for farmers as *mudharib*, because the *muzara'ah* system will form a partnership between landowners and smallholder farmers based on a sense of brotherhood between the two parties, and this is also very helpful to those who own land but do not have time to work on it, and those who do not own land but have expertise in farming (Lubis & Indrawati, 2017). So the concept of *muzara'ah* was not solely for business purposes, but rather promoted a sense of brotherhood and was intended to help others. This was stated by Mr. Sikan (one of the smallholder farmers in Grasak Village, Gondang District) who said that the sharing of agricultural land in Grasak Village was considered fair, because the practice of distributing yields was based on the season, usually during the dry season. The harvest obtained was greater than in the rainy season because in the dry season, he must spend additional costs to buy water for irrigating the processed rice fields, while in the rainy season they did not need additional costs to buy water, so the results obtained were also less. So it was considered fair and reasonable, where the costs increased, the harvest obtained later would also increase. The same thing was expressed by Mr. Tugimin (one of the owners of agricultural land in Jembangan Village, Plupuh Subdistrict) who said the implementation of the sharing of the yields obtained was in accordance with the principle of justice between the cultivating farmers and landowners. The system that was often used by Mr. Tugimin was the *maro* system, where as the owner of the land Mr. Tugimin not only prepared his agricultural land, but also helped to incur agricultural costs such as seeds, fertilisers, etc. (shared costs), so that the yields obtained were also shared equally with the sharecroppers. According to Mr.

Tugimin's statement, although the agreement at the beginning of the distribution of the results would be 50% -50% later, but at the time of harvest, the agreement could change depending on the yields obtained and the communication between the two parties. For example the initial agreement between the land owner and the sharecroppers used the *maro* system, but due to extreme weather conditions, and also the presence of pests resulting in small yields or even when crop failure occurs, these crops could all be handed over to the sharecroppers. This was done because there was a communication and a sense of brotherhood and justice, where the tiller farmers were considered more entitled to get the meager crop yields compared to the land owner, because the tiller farmers had taken pains to cultivate agricultural land and also spend capital for seeds. The small yields could be used again as capital to cultivate agricultural land again. The same opinion was expressed by Mr. Ahmad (as the owner of agricultural land in the village of Purwosuman, Sidoharjo Subdistrict), for the distribution of crops, both in a way that was more or less divided equally among the family, based on the conditions of the harvests obtained. The concept of justice in profit-sharing was also expressed by Mr. Suparto, a farmer working in the fields of Dawung village, where the concept of profit-sharing applied was familial and prioritized *ta'awun* (Mazlan, 2018). So whatever the results obtained it can be communicated between the owner and tenants of the land. In fact, it was not uncommon for cultivators who fail to harvest to be freed from the obligation to pay for the results.

The Application of Profit-sharing in Sharia Banking

Sharia banks are banks that carry out their business activities based on sharia principles. Sharia principles are rules or agreements between parties sourced from Islamic Law (Abduh, 2017).

The distribution of profit and loss for financing in Islamic banks is done through *mudharabah* and *musyarakah* contracts. *Mudharabah* is a contract whereby investors, say banks, provide funds to entrepreneurs (companies) to invest in business ventures to share profits in agreed proportions, and losses fall on capital alone (Hasan, 2010). *Mudharabah* according to the *fuqaha* is a contract between two parties (people) bearing each other; one party surrenders his property to the other party to be traded with a predetermined portion of profits, such as half or a third with the conditions specified (Suhendi, 2007). In a *mudharabah* agreement, the owner of capital, in this case the bank, provides 100% funds while the customer provides the skills. Losses that may occur in cooperation using the *mudharabah* agreement, will be borne by the owner of the capital, unless the loss is caused by carelessness or dishonesty of the fund manager. Some recommended uses of *mudharabah* in Islamic banking are financing of small and medium-sized projects, interbank investment, investment deposits, and so on (Zain, Yacob, Ahmad, Zakaria, & Ghani, 2014).

The Concept of Fairness in the Implementation of Muzara'ah in Syariah Banking

The concept of commutative justice according to Aristotle, if observed, has been represented in the practice of *muzara'ah* agricultural land which was carried out in the area of Sragen Regency.

The following is the concept of fairness in the sharing of agricultural land from interviews with landowners and land tenants who practice *muzara'ah*:

1. The attitude of communication. Good communication was needed between the two parties regarding the terms agreed in the profit-sharing agreement.
2. Attitudes please help. Even though the provisions have been regulated and agreed at the beginning, the principle of *ta'awun* or help was still put forward, so that if there were unexpected conditions such as crop failure both parties were willing without the obligation of the cultivator to pay for the agreed yield.
3. The emergence of trust. The attitude of the mandate of the cultivators in working on the paddy land which was handed over to him, led to the emergence of trust between the two parties. So this mutual trust was what made the relationship between smallholders and landowners become like brothers.

The concept of justice emphasised the equal rights carried out proportionally. This was reflected when there was a crop failure in the implementation of *muzara'ah* in Sragen Regency, because even though the agreed profit-sharing ratio was agreed at the beginning of the agreement, in its implementation it still looked at the implementation in the field. If in reality there were undesirable conditions such as crop failure, then the concept of profit and loss sharing was applied. Where there was a sharing of profits and also joint losses, in this case the land owner would experience a loss in the form of loss of capital while *mudharib* would suffer losses in the form of loss of time, energy and thoughts to cultivate the agricultural land (Abozaid, 2016).

According to the statement of Muhamad Usman (BNI Syariah Branch Manager) (Interview in 02 October 2019 at 5 P.M.), Islamic banking in Indonesia still has difficulty in applying the *mudharabah* profit-sharing principle in accordance with the concept of justice in the practice of *muzara'ah* due to several factors, namely:

1. The principle of high risk

Provision of financing uses the *Mudharabah* profit-sharing system, where the bank provides 100% of its capital to customers (*mudharib*) to manage the funds in a particular project. *Mudharabah* financing has a high risk to the bank, because the bank must spend 100% capital, and if the project or business activity financed fails, the entire loss is borne by the bank. This proves that Islamic banks still prioritise the principle of always obtaining profits, in contrast to the concept of *muzara'ah* where there is a division of profits and losses together (Nasution, 2019).

2. Difficulty in looking for types of businesses and customers that are truly *halal* and safe.

Islamic banks find it difficult to find the type of business and customers who can really do business projects well, with *istiqomah*, and lawful, because the results of the business project profits will be shared.

Banks must be selective and know the ins and outs of the ability or skills of customers, so that projects funded by the bank are not misused by customers for other activities that deviate from the agreement. This also differs in the concept of implementing *muzara'ah*, where landowners and smallholder farmers trust each other, which makes the relationship between smallholders and landowners more like relatives (Sarif, 2019).

3. There is a guarantee

Although using a system of profit-sharing, the bank as *shohibul maal* usually asks for material security (both in the form of land and buildings) from *mudharib*, as a risk mitigation in case of business failure. This makes it an obstacle for *mudharib* (managers), because in general they do not have the fixed assets required by the bank (Hasan, 2014). This is in contrast to the practice of *muzara'ah*, where the landowner does not ask for guarantees from the sharecroppers because of the principle of *ta'awun*, or a helping attitude between the two parties, so that if there are unexpected conditions such as crop failure then both parties have been willing without any obligation of the cultivator to pay the agreed profit-sharing. So no guarantee is needed to replace the risk of loss (Bendob, Bennaceur, & Benahmeddah, 2017). In addition to the aforementioned factors, it can also be understood that *mudharaba* in sharia banking is still far from ideal in practice (Buallay, 2019). If you look at the concept of *muzara'ah* where communication between *mudharib* and *shahibul maal* is very well established, the talk of the magnitude of profit-sharing is discussed in a family way. If there are crop failures, difficulties obtained in the field can be well communicated. Even the predetermined profit-sharing can sometimes change, if it turns out there are conditions that are not planned at the beginning, such as crop failure, then *mudharib* do not have to replace



the losses of *shahibul maal*. Actually the concept is what should be adopted by Islamic banks (Mimoun, 2019).

This proves that the concept of Islamic financial institutions today uses more concepts of pragmatic approaches in terms of product variations. According to the number of existing financing transaction accounts, *murabaha* products control 96% more than all financing transactions in syaria banking (www.ojk.go.id is accessed Sunday, October 20, 2019 at 08.00 A.M). This condition is a proof that Islamic financial institutions still think very pragmatically in launching their financing products. This can be understood because this *murabaha* product is a product that contains a very low risk compared to other financing products such as *mudharabah* or profit-sharing, and profit margins obtained in *murabaha* can already be determined from *ribhun* or additional purchase price of the item (Isa, 2011).

Also the concept of fairness of the implementation of *muzara'ah* on agricultural land cannot yet be adopted or applied by Islamic banks, because Islamic banks in Indonesia today still prioritise business interests only, not based on a sense of justice and help as is the concept of *muzara'ah* on agricultural land.

Conclusion

Based on the above explanation results, the following conclusions can be drawn:

First, regarding the agricultural land management system (*muzara'ah* contract) carried out by the Jembangan village community, Plupuh sub-district, Grasak village, Gondang sub-district, and Purwosuman village, Sidoharjo sub-district, and Dawung village, Sambirejo sub-district, Sragen regency, they still used the profit-sharing system. The implementation of the sharing of agricultural land was carried out in accordance with the initial agreement on the agreement between the land owner (*shohibul maal*) with the cultivating farmers. The implementation of the profit-sharing has been considered as a fair concept, both by landowners as *shohibul maal* and for farmers as *mudharib*, because the *muzara'ah* system will form a partnership between landowners and smallholder farmers based on a sense of brotherhood between the two parties, and was also very helpful to those who own land but do not have time to work on it and those who do not own land but have expertise in farming. So the concept of *muzara'ah* is not solely for business purposes, but rather promotes a sense of brotherhood and help to others.

Second, the application of the *mudharabah* profit-sharing principle in accordance with the concept of justice in the *muzara'ah* practice, is still difficult to apply in Islamic banks due to several factors, namely:

1. The principle of high risk

Islamic banks avoid financing that has a high risk such as *mudharabah* financing where losses are borne entirely by the bank. Islamic banks still prioritise the principle of always obtaining profits, in contrast to the concept of *muzara'ah* where there is a division of profits and also losses together.

2. Difficulty in looking for types of businesses and customers that are truly *halal* and safe.

Islamic banks are very selective to know the ins and outs of the ability or skills of customers so that projects funded by banks are not misused by customers for other activities that deviate from the agreement. This is in contrast to the concept of *muzara'ah*, where landowners and sharecroppers trust each other, which makes the relationship between sharecroppers and landowners more like brothers.

3. There is a guarantee

The bank as *shohibul maal* always asks for material security (both in the form of land and buildings) from *mudharib*, as a risk mitigation in the event of a business failure. In contrast to the practice of *muzara'ah*, the landowner does not ask for guarantees from the sharecroppers because of the principle of *ta'awun* or a helping attitude between the two parties, so that if there are unexpected conditions such as crop failure then both parties have been willing without any obligation of the cultivator to pay the agreed profit-sharing

Third, the concept of *mudharabah* in Islamic banking is still very difficult to be applied in full as the concept of *muzara'ah* on agriculture. *Mudharabah* in Islamic banking in practice is still far from ideal. If you look at the concept of *muzara'ah* where communication between *mudharib* and *shahibul maal* is very well established, talk of the magnitude of profit-sharing is discussed in a family way. If there are crop failures, difficulties obtained in the field can be well communicated. Even the predetermined profit-sharing can sometimes change, if it turns out there are conditions that are not planned at the beginning, such as crop failure then *mudharib* do not have to replace the losses of *shahibul maal*. Also the concept of fairness in the implementation of *muzara'ah* on agricultural land cannot yet be adopted or applied by Islamic banks, because Islamic banks in Indonesia today still prioritise business interests only, not based on a sense of justice and help as is the concept of *muzara'ah* on agricultural land.



REFERENCES

- Abduh, M. (2017). Competitive condition and market power of Islamic banks in Indonesia. *International Journal of Islamic and Middle Eastern Finance and Management*, 10(1).132-136.
- Abozaid, A. (2016). The internal challenges facing Islamic finance industry. *International Journal of Islamic and Middle Eastern Finance and Management*, 9(2). 158-165.
- Afka, T. (2017). Influence Analysis of Mudharabah Financing And Qardh Financing To The Profitability Of Islamic Banking In Indonesia, 02(03). 111-113.
- Alikhan, L. U. R. L., & Nayeem, M. M. (2017). Development In Musali By Using Muzara'ah Supply Chain Model. *International Journal of Economic Research*. 14(15). 158-165.
- Al-Jahri, M. A. (2017). An Economic Theori of Islamic Finance. *International Journal of Islamic Finance*, 9(2). 147-1546.
- Amelia, E., & Fauziah, H. E. (2017). Determinant Of Mudharaba Financing: A Study At Indonesian Islamic Rural Banking. *Etikonomi*, 16(1). 188-196.
- Ariss, R. T. (2010). Competitive Conditions in Islamic and Conventional Bnking: A Global Perspective. *Review Of Financial Economics*, 19, 102-112.
- Ashraf, M. A., & Lahsasna, A. (2017). Proposal for a new Shariah risk rating approach for Islamic. *International Journal of Islamic Finance*, 9(1). 147-156.
- Bank Indonesia. (2006). *Kamus Istilah Keuangan dan Perbankan Syariah*. Jakarta: Bank Indonesia.
- Bendob, A., Bennaceur, F., & Benahmeddaho, R. (2017). Does The Profit and Loss Sharing Financing Increase the Performance of Islamic Banks?. *Economics and Applied Informatics*. 158, 158-165.
- Djawahir, H.(2013). *Perbankan syariah, ditinjau dari aspek hukum dan Politik*. Bandung : Fajar Media.
- El-Komi, M., & Croson, R. (2013). Experiments in islamic microfinance. *Journal of Economics Behaviour and Organization*.14, 1470-156
- Ghazali, R., A., dkk. (2010). *Fiqh Muamalat*. Jakarta: Kencana Prenada Media Group.



- Harsono, B.(2005). Hukum agraria Indonesia, Sejarah Pembentukan Undang-Undang Pokok Agraria, Isi dan Pelaksanaan. Jakarta : Djambatan.
- Hasan, Z. (2010). "Islamic banks: Profit-sharing equity and credit control". J.KAU: Islamic Econ, 23(1). 111-119.
- Isa, S. (2011). Dilema Skim Murabahah Pada Perbankan Syariah. MIQOT. Vol. XXXV (2).
- Lubis, D., & Indrawati, I. R. (2017). Analisis Pendapatan Petani Penggarap Dengan Akad Muzara'ah dan Faktor yang Mempengaruhinya. Jurnal Kajian Ejonomi Islam. Vol 2(1). 111-123.
- Masjufuk, Z. (1997). Masail fiqhiyah. Jakarta: Toko Gunung Agung.
- Mazlan, N. S., & Khairudin, W. M. K. F. W. (2018). The concept ta'awun in the scientific writing according to al-quran. International Journal of Academic Research in Business & Social Sciences. DOI: 10.6007/IJARBS/v8-i11/4970
- Mimoun, M. B. (2019). Islamic banking and real performances in a dual banking system. Management, 12(3), 426-447. <https://doi.org/10.1108/IMEFM-07-2018-0223>
- Mohamad, S., Ahmed, M. U., & Badri, M. B. (2017). Preference shares: analysis of Shari'ah Issues. International Journal of Islamic Finance, 9(2). 188-196.
- Muhammad. (2005). Manajemen pembiayaan syariah. Yogyakarta : UPP AMP YKPN.
- Muslich & Wardi. A. (2010). Fiqih muamalat. Jakarta: Mizan.
- Nasution, N., Unti. L., Gugus, I., & Zaki, B. (2019). Ta'awun pattern of governance of hajj funds in the ministry of religion of the republic of Indonesia. International Journal of Accounting and Bussines, 27(1). 114-116.
- Nouman, M., & Ullah, K. (2014). Kendala dalam Aplikasi Kemitraan di Indonesia Islam Bank: Itu Menyajikan Kontribusi dan Masa Depan Petunjuk Arah. Bisnis & Tinjauan Ekonomi, 6. 147-156.
- Nugraha, J. P. (2016). Sistem Muzara'ah Sebagai Alternatif Pembiayaan Pertanian di Indonesia. IQTISHODIA | Jurnal Ekonomi Syariah, 1(2).122-139.
- Parlindungan, A. P. (1991). Landrerorm di Indonesia (Suatu Studi Perbandingan), Medan : Mandar Maju.14, 188-225
- Rohmân, M. A., & Mun'im, A. (2012). Mu'jam al-Mustolahât wa al-Alfâdz al-Fiqhiah. jilid 3 .Dâr al-Fadhilah. Kairo. Mesir.



- Sarif, S. A. (2019). Strategic Ta'awun And Fastabiqul Khairat Partnerships For Sustainable Competitive Advantage Among Small And Medium Enterprises In The Muslim World. *Asian Academy of Management Journal*, Vol. 24(1). 256-269.
- Sibul, V., & Malyuga, E. (2019). Linguistic and cultural analysis of politeness forms fixed in language consciousness and their role in corporate communication. *Modern Journal of Language Teaching Methods (MJLTM)*, 9(11), 0-0.
- Statistik Perbankan Syariah www.ojk.go.id diakses hari Minggu, 20 Oktober 2019 pukul 08.00 WIB.
- Suhendi, H. (2007). *Fiqh Muamalah*. Jakarta: PT.Raja Grafindo Persada.
- Syafei, R. (2001) *Fiqh Muamalah*. Bandung : Pustaka Setia. 2001.
- Syafii, A .(2001). *Islamic banking: Bank Sharia dari Teori ke Praktek*. Yogyakarta: Gema Insani.
- Yahuza, B. S. (2018). Viability of muzara'ah contract on agro-financing in alleviating rural poverty in Kano State, Nigeria. *Jurnal Al-Muzara'ah*. Vol. 6(2). (ISSN p: 2337-6333; e: 2615-7659). DOI: 10.29244/jam.6.2.91-102
- Yuspin, W., & Wardiono, K. (2017). Islamic banking trajectories of Indonesia: Dealing with the present and shaping the future. *International Journal of Economic Research*, 14(16). 142-156.
- Zain, M. N. M., Yaacob, S. E., Ahmad, A. A., Zakaria, Z., & Ghani, N. A. R. N. A. (2014). "Gold Investment Application through Mudarabah Instruments in Malaysia: Analysis of Gold Dinar as Capital". *Asian Social Science*, 10(7). 147-1459.