Journal of Islamic Monetary Economics and Finance, Vol. 7, No.3 (2021), pp. 503 - 526
p-ISSN: 2460-6146, e-ISSN: 2460-6618

DESIGNING *SALAM-MUZARA'AH LINKED* WAQF TO FINANCING AGRICULTURAL SECTOR

Rifaldi Majid

Airlangga University, Indonesia, rifaldi.majid-2019@feb.unair.ac.id

ABSTRACT

The main objective of this study is to propose an innovative integrated financing model at the microfinance level for the agricultural sector and how to mitigate the risk associated with the model. In the study, we perform in-depth interviews of experts and gather secondary data from relevant sources. The proposed model is called *Salam-Muzara'ah Linked Waqf* (SMW) as a sharia-compliant scheme that integrates Islamic commercial finance through the *salam* and *muzara'ah* contract with Islamic social finance through the utilization of cash waqf return as well as using the idle waqf land as agricultural lands to be implemented by Baitul Maal wat Tamwil (BMT). In the model, the risk of commodities delivered by farmers to BMT is subsidized or borrowed by *Nazhir* of waqf land while the surplus of cash waqf is distributed to cover *Murabaha* margin of necessary agricultural equipment purchased from BMT. This research is expected to solve the problem of limited land and financing as well as to create innovation and inclusiveness of Islamic financial products through the synergy of all parties in the agricultural sector.

Keywords: Integrated financing model, Salam-muzara'ah linked waqf, Baitul maal wat tamwil, Agricultural sector.
JEL classification: D02; G23; G32; Q14.

Article history:
Received : October 7, 2020
Revised : May 23, 2021
Accepted : June 24, 2021
Available online : August 31, 2021

https://doi.org/ 10.21098/jimf.v7i3.1309

I. INTRODUCTION

1.1. Background

The importance of the agricultural sector in supporting the national economy and food security is well acknowledged, especially for a large economy such as Indonesia. In Indonesia, the agriculture, forestry, and fisheries sector contribute 13.45% of the total employment or 8,233,690 of a total of 61,202,924 workers. The share of the sector in the Gross Domestic Product (GDP) has been above 10%. In the third quarter of 2016, its share reached its peak at 14.44% before it dropped to 10.88% in the fourth quarter of 2018. The latest available figure is 12.84% recorded for the first quarter of 2020 (Badan Pusat Statistik, 2020a).

While the agricultural output needs to further expand to meet increasing food demand, Indonesia has continuously faced the challenge of decreasing cultivated land due to land conversion for other purposes. In 2018, there was a decrease in agricultural land ownership for an area of more than 0.5 hectares both in the number and percentage of farm households (Badan Pusat Statistik, 2018). In terms of land area, from 2014 to 2018 there was a downward trend in the number of all agricultural land types. It was recorded that in the 2017-2018 period (see Table 1), the largest decrease in the amount of land is for rice or paddy, especially irrigated land, amounting to 19.84%, with an average decline in all types of the land of 6.165% (Ministry of Agriculture, 2019).

Table 1.
Land Area in Indonesia from 2014 to 2018

No	Land Type	Year					Growth
		2014	2015	2016	2017	2018	2018 over 2017
1	Wetland	8.111.593	8.092.907	8.187.734	8.164.045	7.105.145	-12,97 %
	Irrigated Wetland	4.763.341	4.755.054	4.782.642	4.745.809	3.804.391	-19,84 %
	Non-Irrigated Wetland	3.348.252	3.337.853	3.405.092	3.418.236	3.301.053	-3,43 %
2	Dry Fied	12.033.776	11.861.676	11.539.826	11.704.769	11.697.807	-0,06 %
3	Shifting Cultivation	5.036.409	5.190.378	5.074.223	5.248.488	5.256.223	0,15 %
4	Temporarily Unused Land	11.713.317	12.340.270	11.941.741	12.168.012	10.770.888	-11,48 %

Source: BPS (2014-2017) and Minister of ATR/BPN (2018) cited from Agricultural Ministry (2019)

The reduction in agricultural land bears far-reaching consequences. With the focus skewed towards other sectors, agricultural productivity and farmers' income likely suffer. The difficulty farmers normally face in getting access to financing or capital (Ridwan, 2016; Moh'd, Mohammed, & Saiti, 2017) together with erratic climate changes, potential crop failure, low selling prices and others (Ridwan, 2016) would worsen further agricultural productivity (Ammani, 2012). These would have a direct impact on the number of farmers thrown into poverty (Sudaryanto & Rusastra, 2006; Agrofarm, 2020). Ultimately, the national food security would be

undermined (Bantacut, 2014; Rondhi, Pratiwi, Handini, Sunartomo, & Budiman, 2018; Benu, Maryunani, Sugiyanto, & Kindangen, 2013).

In resolving these problems, Islamic finance with its uniqueness, fairness, and superiority in its instruments has great potential. To address the limited amount of agricultural land, the implementation of the *muzara'ah* contract to optimize the use of agricultural land (amidst high conversion of agricultural land) as well as of available but presently unproductive waqf land together with the deployment of cash waqf could be an alternative. As an instrument, waqf has great potential to activate idle agricultural land as well as to shape the financial structure and agricultural development (Shafiai, Moi, & Ahmad, 2015). Then, for sourcing capital, *salam* financing can be used to cover the cost of production and cover the daily needs until harvest time for small farmers.

Muneeza, Yusuf, & Hassan (2011) propose a new banking product using *salam*, wherein the implementation of *salam*, farmers play a dual role, namely as sellers and as representatives appointed by banks to sell products on the market after the harvest period. Furthermore, Kaleem & Wajid (2009) further suggest that bank representatives/agencies may not be limited to farmers and may include third parties. Rasheed & Mudassar (2010) propose two implementation models for *salam* in order to mitigate risks. The first model is called the middleman as an agent of partner (MAP) where the bank appoints a middleman using a *wakalah* contract or cooperation whose task is to identify and recommend prospective farmers to receive financing from the bank. The second model is called the Bank's Own Subsidiary (BOS) whereby the bank establishes a subsidiary to act as a representative (agent) to deal with farmers regarding credit recommendations and technical work related to production such as monitoring and collecting farmers' crops. At harvest time, after the goods were received from farmers, both MAP and BOS will sell agricultural products to the market. Atah, Mohammed, Adawiyya, & Adeyemi (2019) integrate the *salam* concept with takaful as an efficient risk management strategy to achieve sustainability, both for farmers and financial institutions.

Putri, Razia, & Muneeza (2019) also propose a parallel *salam* model consisting of a centralized model and a decentralized model, where the parallel *salam* is combined with *wakalah*. The previous models mentioned above only address the problem of limited capital through the *salam* contract with payment in advance, but they have not addressed the limited and declining agricultural production land and risk mitigation in using the *salam* contract in agriculture. In addition, the models are suggested for implementation by Islamic banks, while Islamic microfinance institutions such as Baitul Maal wat Tamwil (BMT) are seen to be more appropriate to finance poor farmers not only due to their vision and philosophy to support micro-scale financing but also due to their presence and operations in rural areas. In short, there is an opportunity to exploit the potency and advantages of BMT in order to practice the *salam* financing scheme at the micro-level.

1.2. Objective

The aim of this paper is to propose an integrated model of Islamic commercial and social financing at the microfinance level through a combination of the uniqueness

of the *salam* and *muzara'ah* contract instruments for using idle waqf land as production land and cash waqf to finance the agricultural sector. It also discusses how to mitigate the risks associated with the proposed model.

The paper consists of five sections. The first section is the background and objectives of the studies. The second section is a literature review, first discussing the concepts and practices of *salam*, *muzara'ah*, cash waqf, and productive waqf and then highlighting previous studies. Section three discusses the research methodology including data sources and analysis. Section four presents the results and validates the proposed model via expert opinions. The section also covers the mitigation of the risks associated with the proposed model. Section five contains conclusions, recommendations to stakeholders, and also suggestions for future research.

II. LITERATURE REVIEW

2.1. Understanding *Salam* Financing

Salam or forward sale agreement (Obaidullah, 2015) is a contract for the purchase of commodities (usually agricultural products) where payment is made in advance and the commodities will be delivered in the future (Usmani, 2002; Iqbal & Mirakhor, 2011; Al-Zuhaili, 2004; Kaleem & Wajid, 2009; DSN-MUI, 2000). *Salam* or *salaf* is usually designed as a pre-production financing mechanism for small farmers. In the *salam* contract, the seller is not required to own the land and the commodity to be delivered is not specifically determined to come from certain land or people (Wahyudi, Rosmanita, Prasetyo, & Putri, 2015). The structure of this contract is very beneficial for both parties. Sellers (farmers) receive an advance payment that can be used for the production and for their daily needs until the harvest season (Kaleem & Wajid, 2009; Muneeza et al.,2011). Meanwhile, buyers (Islamic financial institutions) benefit from discounted prices (Kaleem & Wajid, 2009; Muneeza et al.,2011; Obaidullah, 2015). Moreover, being a Shariah-compliant contract that directly connects sellers and buyers, farmers are free from interest-based transactions and require no middlemen and hence they are able to concentrate on the commodity ordered (Ahmed, Mansoori, & Khan, 2018).

Muslim Scholars specify six elements in the *salam* transaction. These are clear product specifications, the price for goods, the time between payment and delivery of goods, place of delivery, quality in accordance with the order, and the goods to be delivered. There are two basic forms of the *salam* contract – the ordinary *salam* and the parallel *salam*. The ordinary *salam* simply involves two parties agreeing on the purchase of goods with payment in advance and delivery of the goods on a future date. Meanwhile, the parallel *salam* (*salam muwaziy*) involves two separate *salam* contracts. The first contract occurs between the seller of the commodity and the bank as the buyer and the second contract between the bank as the seller and a buyer (Anwer, 2020). In the case of a financial institution implementing a parallel *salam* scheme, both of *salam* contracts must be separated (independent) and not tied to each other (AAOIFI, 2017; Izhar & Hassan, 2013; DSN-MUI, 2000).

2.2. Current Practices of *Salam* Financing: Experience in Some Countries

In the practice of Islamic financial institutions, the *salam* contract is different from the mostly used *murabaha* financing scheme. The existence of the *salam* contract as a form of Islamic financing product is normally recorded and reported as s*alam* financing (even though it is zero percent).

In Sudan, Islamic banks such as the Bank of Khartoum (BOK) have implemented *salam* financing by directly engaging in buying the commodity from farmers and then selling it in the market for cash. There are at least three steps taken by BOK in implementing the *salam* contract. First, BOK buys commodities from farmers at cash prices where full payment is made at the start and delivery of the commodities at a later date. Second, farmers send the specified commodities on the agreed delivery dates. Third, BOK sells commodities using a parallel *salam* mechanism (*salam* muwaziy) to third parties, accepts promises (*wa'ad*) from third parties to buy commodities, and appoints farmers as agents to sell commodities to the market (Saiti, Afghan, & Noordin, 2018).

In Pakistan, *salam* has not been adopted on a large scale for the purchase of farmers' crops. Instead, several Islamic banks have introduced *salam* on a small scale, namely through cooperation with sugar factories, poultry feed producers, and others. However, the practice has not had a substantial impact because it is hampered by shariah views in the country, as well as because it is not directly offered to farmers (Ahmed et al., 2018).

Still, in Pakistan, *salam* has been practiced by a non-profit organization called Wasil Foundation since 2008. The *salam* contract was initiated by the purchase of eight transactions of wheat with a total of 22 tons in 2008. In 2009, Wasil executed 29 *salam* contracts. During the 2012-2013 wheat growing season (November to June), the average *salam* contract value was in the range of US $ 550 to $ 650 for 2,200 kg of wheat (El-Zoghbi & Alvarez, 2015). As of 2016, Wasil had financed around 1200 *salam* contracts with up to 430 farmers each year and had succeeded in building their own warehouse with a capacity of up to 800 tons of plants and can be expanded up to 2,300 tons (Chehade, 2016). Wasil targetted poor farmers for its *salam*. In practice, Wasil takes full responsibility for the storage risks and all the risks arising from for examples price fluctuations and the loss of the crop (El-Zoghbi & Alvarez, 2015). Wasil's *salam* model conforms to the shariah where Wasil has its own storage house to manage inventory and transactions for optimal profits (Ahmed et al., 2018).

In contrast, in Indonesia, the *salam* contract financing is mearge making up a very small percentage of 0.02% (IDR392 million). From 2003 to February 2020, it dropped drastically to nil in financing transactions by Islamic commercial banks and Business Unit in Indonesia (Financial Service Authority, 2020). Likewise, in the case of Islamic Rural Banks (BPRS), the proportion of *salam* financing dropped drastically from IDR90 million in 2005 to merely IDR38 million in 2009 (Tanjung & Devi, 2013). The almost absence *salam* financing in Indonesia is allegedly due to the presence of *gharar* and *riba,* which is embedded in the monthly payment installment to the bank since the start of the agreement. Moreover, the transactions have no detailed provisions regarding the commodities ordered and when the contract is breached, e.g. a shortage of commodity delivery or default (Ahmed et al., 2018; Putri & Dewi, 2011).

2.3. *Muzara'ah* Financing Advantages in Islamic Financial Institutions

Muzara'ah (sharecropping) is an agreement to use and cultivate agricultural land between a landowner and a cultivator where output is divided between them based on a pre-agreed ratio (Al-Zuhaili, 2004; Widiana & Annisa, 2017; Ridwan, 2016; Saqib, Zafar, Khan, Roberts, & Zafar, 2015; Obaidullah, 2015). In terms of profit-sharing, *muzara'ah* is different from the Musharaka contract in that the harvest is not divided based on net profit (in cash). In addition, *ujroh* (fee) for cultivators is not based on a certain volume or nominal value but based on a percentage agreed-upon of the harvest such as one-fourth, one-third, or half (Al-Zuhaili, 2004).

Islamic financing with the *muzara'ah* scheme has enormous potential as a solution to limited agricultural land/fields through the use of idle agricultural land or the land that owners do not want to work on (Ridwan, 2016; Larasati, Fitriyah, Widiastuti, & Berkah, 2017). This potential can be realized and becomes an advantage when Islamic microfinance institutions (IMFs) such as BMT get involved to finance poor farmers who are generally unbankable. *Muzara'ah* also helps farmers in terms of covering production costs with a collateral-free scheme (Moh'd et al., 2017).

Moh'd et al. (2017) state that *muzara'ah* has played a significant role in financing the agricultural sector in the modern banking system. In Sudan, Islamic banks since 1983 have implemented *muzara'ah* through a profit and loss sharing scheme of 75% for farmers, and the remaining 25% for banks. Sudan Islamic Bank (SIB) provided substantial financing to the agricultural sector with with an average of 30.375% of its total financing during the 1985-1988 period. SIB also made acquisitions of fixed assets such as tractors, discs, and water pumps for partnership (musharaka) with small farmers during 1986-1987 (Khaleefa, 1993).

Furthermore, Khaleefa (1993) in his research on Islamic Banking in Sudan's Rural Sector states that there are three kinds of *muzara'ah* financing schemes used by SIB. First, SIB provides capital and farmers give their effort to manage the land they owned. Second, a scheme that involves a third party, where SIB appoints an expert to manage and supervise production on land owned by farmers where basic infrastructure such as water, workers, electricity, etc are provided by farmers (landowners). A third model is a form of *shirkah* where SIB provides tractor engines, water pumps, etc. in production. Based on the financing trials in 1986 and 1987 with the above methods, the result was successful and farmers were able to gain profit (Khaleefa, 1993). The successful implementation in Sudan above shows that there is no doubt that *muzara'ah* can be applied in modern banking (Moh'd et al., 2017).

2.4. Productive Waqf and Cash Waqf Management in Indonesia

Waqf refers to a religious endowment based on faith, especially for the voluntary and irrevocable goal of one's wealth or a portion of it- in immovable property or cash in accordance to the shariah (Aziz, 2017). Waqf involves *waqif* (endower), *mutawalli* (trustee), beneficiaries, and objectives. A waqf can be done by an individual, a group of people, a corporation, a non-profit institution, as well as a governmental body (Abdullah, 2018). Apart from land waqf, cash waqf can also be utilized for public purposes. The value of cash waqf can be managed by borrowing it with a *qordhul hasan* (benevolent loan) scheme or investing it to generate profits,

then the benefits of its management can be channeled back to the community (Sadeq, 2002).

In Indonesia, the institution that acts as a regulator in waqf management is the Indonesian Waqf Board (Badan Wakaf Indonesia, BWI). Data from BWI show that currently there are 382,320 waqf land points spread throughout Indonesia with an area of 51,261.22 hectares with a potential of up to IDR2000 trillion (Siwak, 2020). While the country owns the largest waqf assets in the world, the use of waqf land used in Indonesia is predominantly for religious activities, such as for the construction of mosques and prayer rooms (75%), Islamic boarding schools (14.17%), grave (4.45%), and the rest is for socio-economic activities (Siwak, 2020).

The potential for Indonesian cash waqf, which has reached IDR217 trillion, is also huge. This amount is equivalent to 3.4% of Indonesia's GDP. This great potential is accompanied by the strength in the form of *nazhirs* of cash waqf reaching 236 institutions. Interestingly, from this amount, 157 of *nazhir* of cash waqf are BMT and Islamic cooperatives from a total of around 4500 units of BMT/ Islamic cooperatives in Indonesia (KNEKS, 2019). The remaining consists of 39 foundations, 27 institutions that have parent Amil Zakat, 8 institutions and mass organizations, 5 universities and thousands of individual *nazhir*s. There are also 21 Islamic financial institutions that may receive cash waqf (LKSPWU) (Indonesian Waqf Board, 2019; Directorate General of Islamic Community Guidance, 2020).

BMT is one of the Islamic microfinance institutions in Indonesia that carries out two functions simultaneously, namely a social function through the role of the *baitul maal* and a commercial function through the role of *baitut tamwil*. In its function as a baitul maal, the ZIS funds collected will be distributed in the form of *qordhul hasan* without additional requirements for margin/interest/penalty administration (Wulandari & Kassim, 2015). In its capacity as baitut tamwil, BMT focuses on performing commercial functions in the form of financing and developing products as well as investment using such shariah contracts as *mudharaba*, *musharaka*, *murabaha*, *ijarah*, and other commercial contracts (Darsono, Sakti, Suryanti, Astiyah, & Darwis, 2017).

The cash waqf funds collected by BMT in their role as *nazhir* cash waqf can be a source of capital. On the asset side, cash waqf can be used to channel low-risk microfinance products through *qordhul hasan*, or sharia-based investments using *murabaha*, *ijarah*, *salam*, *istishna'*, *mudharaba* and *musharaka* contracts (Ascarya, Rahmawati, & Sukmana, 2017). Furthermore, in accordance with BWI regulation No. 1 of 2020 concerning the management and development of waqf assets stated that the benefits of cash waqf and waqf through money can be directly channeled into community development and empowerment programs in the form of social, education, health, economic and da'wah programs. More specifically in the economic field, the benefits of cash waqf can be channeled in terms of fostering and assisting micro-businesses, structuring traditional markets, and developing agricultural businesses in a broad sense (Indonesian Waqf Board, 2020).

2.5. Previous Studies

The declining use of the *salam* contract to almost nil in Islamic financial institutions is a challenge to especially the agricultural sector. Some experts have proposed a model that integrates the *salam* contract with the takaful, *wakalah*, and *musharaka*

mutanaqisha schemes, or the establishment of a subsidiary as a bank representative in charge of implementing the *salam* contract with the aim of mitigating the high risk of *salam*.

Atah et al. (2019) explore the concept of *bay' salam* and takaful as financial tools to meet farmers' capital needs, then propose a hybrid model of *salam* and takaful as an efficient risk management strategy for the sustainability of farmer capital and Islamic financial institutions. This model encourages farmers to collaborate in one group/association as a guarantor before receiving financing from Islamic financial institutions. This model has implications in reducing poverty levels, encouraging regional development, and helping Islamic financial institutions to achieve socio-economic goals through responsible investment.

Putri et al. (2019) propose two alternative models of agricultural financing using the parallel *salam* agreement for sustainable development goals initiated by the United Nations. The first model is a centralized model, where the United Nations will directly play a role in carrying out two *salam* contracts; Meanwhile, the second model is a decentralized model, namely a parallel *salam* contract combination with a *wakalah* (representative) contract through the appointment of a third party to manage overall operations in order to minimize sovereign, legal and cultural risks.

In line with Putri et al. (2019), Rasheed & Mudassar (2010) propose two implementation models of *salam* through the role of third parties as project implementers and supervisors. The first model is called the Middleman as agent of partner (MAP) model, where the bank appoints a middleman using a *wakalah* contract whose task is to identify and recommend prospective farmers to receive financing from the bank. The second model is called the Bank's Own Subsidiary (BOS) where the bank establishes a subsidiary to act as a representative (agent) that will deal with farmers by providing recommendations for farmers to obtain credit and arranging technical work related to the production including monitoring and collection of crops. At harvest time, after receiving the commodities from the farmers, both MAP and BOS will sell the agricultural products to the market and then hand over the proceeds from the sale to the bank. A similar scheme is also proposed by Kaleem & Wajid (2009) where the bank representative is a third party. They also propose the *musharaka mutanaqisha* scheme, where the bank collaborates with the factory for business ownership, where the factory will buy shares/ownership of the bank and become the full owner at the maturity date of the financing.

Saiti et al. (2018) explore the potential for the adoption of the *salam* contract-based crowdfunding to finance the agricultural sector in Afghanistan. The research is conducted using a literature study, semi-structured interviews, and a review of related documents. The results found that *salam*-based crowdfunding is an investment tool that is in line with the shariah and offers benefits for potential investors, farmers, or entrepreneurs. However, all of the proposed models above have not answered the problem of limited agricultural production land as one of the main problems faced by farmers due to land conversion. In addition, there is also no detailed discussion on the associated risk in the proposed model, such as financial risk, risk of price fluctuation, shortage of commodity, and risk of crop failure.

Some researchers have also proposed the *muzara'ah* scheme as an alternative. Moh'd et al. (2017) propose a sharia-compliant financing integration model called the *Waqf Muzara'ah-Supply Chain Model* (WZMSCM) which combines four dimensions as its essence, namely; waqf, zakat, *muzara'ah,* and Supply Chain. WZMSCM has implications for improving the welfare of small farmers in getting access to finance, encouraging the principles of justice and partnerships in business, and strengthening the agricultural sector in Zanzibar. Abid & Shafiai (2016) formulate a *muzara'ah* scheme as a medium of assistance to farmers through supervision from the agriculture department by involving Amanah Ikhtiar Malaysia. This model involves waqf institutions as providers of agricultural land with sources of funds coming from zakat and waqf institutions, and the government and NGOs will encourage smallholders to collaborate with microfinance institutions through the *muzara'ah* scheme. However, this innovative proposed scheme is limited in terms of the discussion regarding the associated risk of the agriculture sector. Likewise, the model proposed is not supported by confirmation and validation from the opinion of experts.

Apart from the *salam* and *muzara'ah* schemes above, Fakhrunnas & Musta'in (2017) investigate the need for Islamic banks to manage waqf institutions in order to promote and finance the Indonesian agricultural sector. Research shows that Islamic banks are needed to manage waqf funds professionally in Indonesia so that they can act as social intermediaries in improving the quality of farmers' resources. Islamic banks can also act as financial intermediaries that will provide subsidies to farmers to buy fertilizers, seeds, and other inputs as well as a guarantor for farmer transactions through Islamic financial schemes.

III. METHODOLOGY

3.1. Data

This study uses primary data gathered through in-depth interview with six experts as well as secondary data from scientific journals, books, news, and reports from official authorities such as the Financial Services Authority (OJK), the National Sharia Board-Indonesian Ulama Council (DSN-MUI) and The Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) as complementary sharia information, the Indonesian Waqf Board (BWI), the Central Bureau of Statistics (BPS), the Waqf Information System provided by the Ministry of Religious Affairs (SIWAK) and the Ministry of Agriculture. Information is compiled from the above institutions is to provide in-depth analysis in accordance with applicable regulations.

3.2. Method

This paper uses an analytical library research/literature review approach. Library research is a research approach by researching and utilizing documents to analyze texts from the past and present, taking into account sources, ranging from personal archives to online documents, including journals, books, reports, official documents, and printed media (McCulloch, 2004, p. ii). While the instrument used is an in-depth interview with the experts in order to get a comprehensive view. All of the above documents are then analyzed inductively using content analysis.

There are six respondents in this study consisting of academics, regulators, and sharia scholars**.** An interview with sharia scholars/ /advisors is needed to confirm and validate the shariah compliance of both the proposed integrated contract and the risk mitigation. The view of waqf regulators namely the Indonesian Waqf Board and BMT practitioners (who also act as *nazhir* of cash waqf) is to confirm the legality of the model, especially the regulation about the distribution of surplus of cash waqf to the agricultural sector. Likewise, the role of academics is needed to ensure and validate the alignment of the concept of contracts that underlie the proposed model with the practice of BMT and management of waqf as an innovation that is in line with the shariah and to add to scientific treasures, both within the scope of institutions (BMT) and innovation in financing products.

Table 2.
List of Respondents

No	Work Institution (s)	Respondent Code	Positions
1	Islamic Cooperative/ BMT, Islamic Business and Finance Consulting, University	R1	Sharia Scholars/Advisor, Partner, PhD holder in Ushul Fiqh, Senior Lecture in Fiqh Muamalah
2	Islamic Bank and Microfinance	R2	Sharia Advisor
3	University/Islamic Microfinance Institution	R3	Senior Lecturer in Fiqh Muamalah/ Sharia Advisor
4	University/Islamic Economy Community	R4	Senior Lecturer in Islamic Financial Management, Head of Islamic Economy Community.
5	Regulator	R5	Head of Division in Indonesian Waqf Board
6	Baitul Maal wat Tamwil (also as *Nazhir* of cash waqf)	R6	Practicioner/Operational Manager

IV. RESULTS AND ANALYSIS

4.1. *Salam-Muzara'ah Linked Waqf*: A Proposed Model

The present paper proposes a model called *Salam-Muzara'ah Linked Waqf* (SMW), which integrates the potentials and advantages of each of the Islamic commercial and social finance contracts. The purpose of SMW is to overcome the basic problems faced by farmers namely the problem of limited access to capital and land tenure. The commercial financial instruments used are the *salam* contract which is known as the right instrument to finance the agricultural sector due to its advance payment and *muzara'ah* contract as a solution to have idle agricultural land owned by the farmers, landlord, or waqf bodies cultivated. In this condition, it is necessary that the *muzara'ah* contract applied to the waqf land managed by *Nazhir* be clear in the initial *sighoh*/pledge of waqf that it is for agriculture/plantations, and not for other purposes.

> "Before performing a *muzara'ah* contract, you have to confirm the status of the initial waqf pledge. It depends on the *shighoh/lafadz* of *waqif* at the beginning. Previously, the waqf pledge allowed management of agricultural

production, or the waqf pledge was the land product that was handed over to the community. In this condition, if the waqf land was originally used for the construction of a mosque or Islamic schools, then *muzara'ah* should not be carried out on it". R1

The social financial instrument in SMW is the use of waqf land and the benefits of cash waqf, not the principal of the cash waqf itself. The land waqf will be used as an object for production land using the *muzara'ah* contract between *Nazhir* and farmers. Agricultural equipment such as seeds, hoes, and tractors can be provided by farmers or the landowner or subsidized by the government. The composition of capital in the form of land and agricultural equipment from each party will certainly affect the share of the results of the harvest.

The integration of *salam* and *muzara'ah* contracts which is carried out on waqf land as long as it is performed separately and not tied to one another, especially both are not considered as debt-based contracts which are prohibited to merge commercial (sale and purchase) with a debt agreement based on the hadith explanation. This is confirmed by the following expert statements.

"There is no overall problem. What needs to be paid attention to is precisely the steps and consequences of each contract that are combined in the proposed model". R1

"It's good, there is no sharia problem in the proposed model (*Salam-Muzara'ah Linked Waqf*)". R3

"This scheme is possible to do". R5

"In general, a model like this can be done, there is no problem". R4

In the SMW model, there are two *nazhirs*, namely productive waqf *nazhir* as the manager of the waqf land and BMT as cash waqf *nazhir* that has obtained a license from the Indonesian Waqf Board. The return from cash waqf management in the SMW model would be integrated directly with commercial contracts driven by Islamic Microfinance Institutions (IMFIs) which in this case is the BMT. Larasati et al. (2017) suggest the urgency for model innovation from BMT as an effort to eliminate the gap in access to finance by small farmers.

In addition, BMT also plays a dual role, namely as a social institution (*baitul maal*) which also can collect cash waqf as *nazhir*, and as a commercial institution (*baitut tamwil*). This innovation is in line with BWI's efforts to synergize the potential for productive waqf and innovation in channeling cash waqf as well as in making idle waqf land productive.

"BWI as a regulator of waqf in Indonesia encourages and motivates *nazhir* of the cash waqf (including BMT) and *nazhir* of productive waqf to do synergy/ collaboration to optimize the waqf land that is idle to become productive waqf land. The funds use here are cash waqf funds, it can be used for ponds, agriculture or hotels, or rented in another form". R6

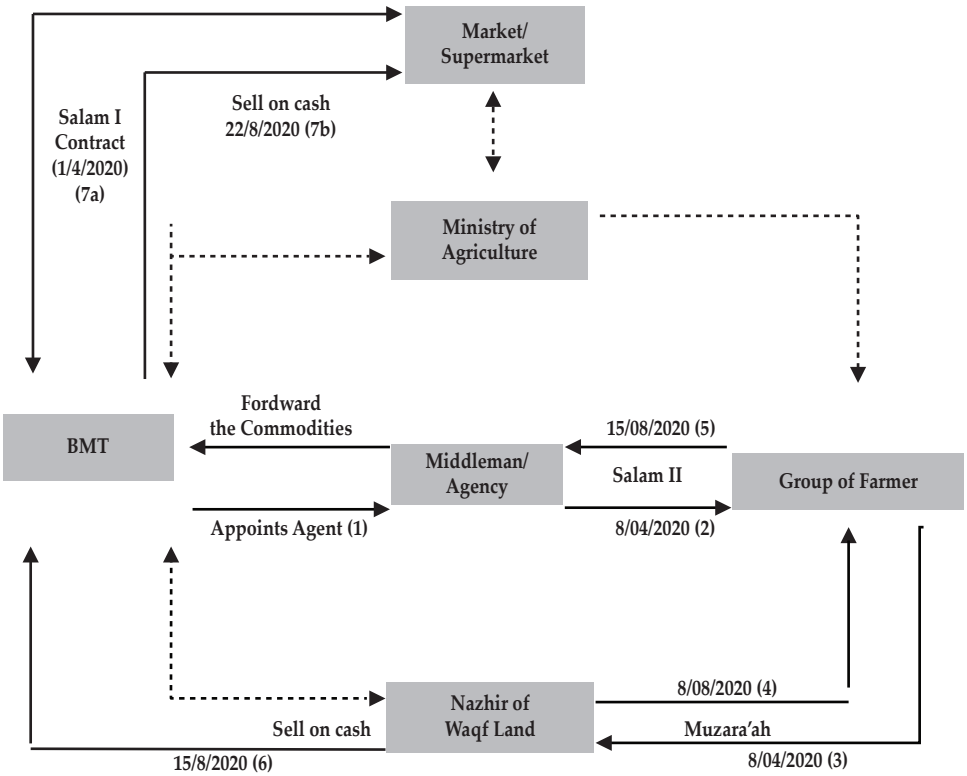
Likewise, the implementation of *muzara'ah* contracts on idle waqf land is an innovation effort and does not violate sharia provisions.

"When it comes to waqf, this is only a matter of using the waqf land, there is no problem. Conceptually, a scheme like this doesn't matter". R4

Thus, the SMW model is an innovation that is in line with the policy of the Indonesian waqf body where there are no violations of the shariah in the combination of contracts used.

4.2. Modus Operandi and The Scheme of *Salam-Muzara'ah Linked Waqf*

The operational implementation of the SMW model is shown in the following figure.



Source: Authors Analysis

Figure 1.
The Proposed Model of *Salam-Muzara'ah Linked Waqf*

Information about the steps:

1) BMT appoints an agent as a middleman who will recommend potential farmers. Middleman is also in charge of carrying out technical functions related to guidance and supervision during production. In terms of reducing risk, *salam* financing is only given to farmers who are members of a farmer group/association which also acts as a *Kafil* (guarantor) for member farmers who receive financing.
2) Middleman/agency on behalf of BMT conducts *salam* transactions with farmers for agricultural commodities with certain detailed specifications. This *salam* transaction is the second *salam* scheme where previously, BMT had received orders for commodities using the *salam* scheme (first *salam*) from market/ supermarket (see step 7a).
3) Farmers who have no land or limited land conduct a *muzara'ah* contract with the *nazhir* to use waqf land as production land facilitated by BMT (for example

it was held 8/4/2020). This *muzara'ah* scheme is the advantage of the *Salam-Muzara'ah linked Waqf* model as an integrated model that is not found in the previous model proposed by Atah et al. (2019), Putri et al. (2019), Rasheed and Mudassar (2010), as well as Kaleem & Wajid (2009).

In this *muzara'ah* scheme, the provision of tools, machines, seeds, and agricultural equipment could come from *nazhir* of waqf land or from farmers. Both of these schemes are in line with the concept of *muzara'ah* explained by Muhammad and Abu Yusuf (Al-Zuhaili, 2004). If provided by the farmers, they can use cash that come from the *salam* price obtained from BMT. In this case, farmers could also get the subsidies to consist of the above equipment from the government as the implementation of the ministry of the agriculture program.

Since the number of commodities that will be delivered to BMT depends on yields, several important things that must be noted in using waqf land to produce agricultural commodities

(1) The type of commodity to be planted on the waqf land should be the same as the commodity ordered by BMT through the *salam* contract. Likewise, product quality which includes type, color, size, and shape must be as specified.
(2) The estimated quantity of harvest that will be produced on waqf land is to exceed or at least double the amount of BMT ordered. The goal is that the amount of harvest owned by farmers after being shared with the *Nazhir* is more than the number of commodities ordered by BMT.
(3) The harvest time on the waqf land is earlier than the time for delivery of the commodities ordered by BMT.

The three main things above are forms of risk management efforts to prevent delays or shortages in the delivery of commodities ordered by BMT. However, the *salam* contract does not require that commodities are from a particular land so that if there is a shortage of crops, the rest can be obtained from markets without reducing the quality of the commodity ordered. Furthermore, farmers should estimate the total harvest that can be produced when using the *muzara'ah* agreement with *nazhir* before agreeing to the *salam* transaction with BMT.

> "Farmers must estimate the harvest from *muzara'ah* contract conducted with *nazhir* of waqf land before selling (through *salam* contract) to BMT". R1

4) Farmers use the waqf land to produce crops according to the specifications ordered by BMT. At this stage, it is hoped that the harvest obtained will exceed the quantity ordered by BMT. The harvest is divided between the farmer and the *nazhir* of waqf land based on the agreement. In this case, the farmer can get in the form of a third, a quarter, a fifth, or even a half of the harvest (8/08/2020).
5) Farmers deliver the ordered commodity to BMT according to the time specified in the contract (15/08/2020).
6) In the event of shortage, BMT could buy from *nazhir* of waqf land in cash on the same day farmers deliver the commodities (15/08/2020).
7) After receiving and owning the commodity according to the order forwarded by the middleman/BMT's agency, BMT has two options to sell the commodities (step 7a).

(a) The first option is using a parallel *salam* (*salam muwaziy)* scheme, which is preceded by the first *salam* transaction from the market (Hypermarket/ Supermarket), then BMT performs a second *salam* transaction with farmers (see step 1). The commodities that have been received from farmers by BMT then are handed over to the market.
(b) The second option is BMT appoints a middleman/agency to sell in cash to market (step 7b) for example within a week after the commodities are received from farmers.

4.3. Financial Risk Mitigation Model of *Salam-Muzara'ah Linked Waqf*

It cannot be denied that risk is inherent in any transaction. The inherent risk indicates that the principle of "*al khoroju bidh dhoman*" or "*al ghunmu bil ghurmi*" applies. These two principles, which indicate that the benefits obtained must be proportional to the risks borne, demonstrate justice and fairness in Islam that must be adhered to in an effort to achieve wealth creation, (Iqbal & Mirakhor, 2011). Therefore, the position of BMT which acts as an intermediary institution needs a solution on how to convert its commodities into liquid funds. In this case, there are two approaches.

1) BMT appoints middlemen from the beginning of the contract to act as its agents/representatives responsible for monitoring, evaluating, and receiving the commodities ordered on the behalf of BMT then selling them to the market. This scheme is in line with the *Salam-Wakalah* model proposed by Putri et al. (2019) and Kaleem & Wajid (2009) also Rasheed & Mudassar (2010) in terms of involving the role of middlemen.
2) BMT bound-potential buyers, which in this case, are Supermarkets/markets by using a parallel *salam* scheme, where the commodity received from the farmers (sellers) in the second *salam* (15/08/2020) is then handed over by BMT (as the seller) to market in first *salam* contract (22/08/2020). It is important to note that each *salam* transaction is separate and independent of one another (Wahyudi et al., 2015; AAOIFI, 2017).

Furthermore, in terms of anticipating the risk of failure to deliver the ordered commodities, BMT may require the existence of assets as collateral (*rahn*) or a guarantor from a third party (*kafil*) namely in this case is Farmer Association. In addition, BMT can also ask for a deposit in terms of *hamisy jiddiyah* (security deposit as a form of guarantee for any financial damage that may occur) which can be used in the event of default risk (AAOIFI, 2017; Wahyudi et al., 2015).

4.4. Market Risk Mitigation Model of *Salam-Muzara'ah Linked Waqf*

4.4.1. Price Fluctuation Risk

Even though in the *salam* transaction it was agreed at the beginning of the contract that the price of the commodity to be purchased, it does not mean that the price of the commodity would be the same at the time of delivery of the goods. Price fluctuations are very likely to occur. At the time of delivery of the commodities, if the market price is higher than what was agreed at the beginning of the contract, BMT would gain since it can sell the commodities at a higher price than the contract

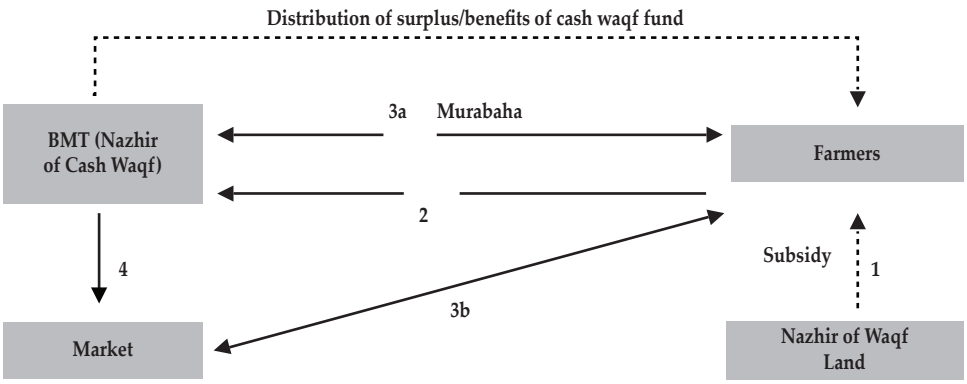
price. The sellers (farmers) in this case suffer a relative loss because the potential to sell a commodity at a higher price to the market is lost (Wahyudi et al., 2015). Conversely, if the market price is lower than the contract price, then BMT would suffer (relative) losses because commodity prices have fallen. In this case, there is no such thing as an actual loss, only potential loss and this is a consequence in the midst of the many advantages of using the *salam* contract financing.

This can be overcome by using a parallel *salam* scheme, where previously BMT collaborated with prospective buyers/collectors in the market. In this case, the price of the first *salam* where BMT as the buyer is lower than the price of the second *salam* when BMT acts as the seller. Thus, the price agreed in the transaction is locked and the price difference is the margin of BMT.

The second alternative, however, if there is a condition where BMT suffers relative losses, risk mitigation could be done by preparing a capital reserve. This is done by the Central Bank of Bahrain by issuing regulations to prepare capital reserves due to market risks caused by price fluctuations. The reserve value is 15 percent of each net position on each commodity, plus 3 percent of each gross position. This 3 percent is also used to cover operational costs that arise when the sellers are late in handing over the commodity at maturity (Wahyudi et al., 2015).

4.4.2. Risk of Shortage of Commodity at Harvest

The risk of crop shortages could be mitigated by optimizing the role and utilization of the surplus of cash waqf managed by BMT and from the *nazhir* of waqf land. These schemes of risk mitigation become the uniqueness of the author's proposed model, as well as complement the previous model proposed by Abid & Shafiai (2016) and Moh'd et al. (2017) where discussion of related risks is absent. Another advantage is that the following risk mitigation is carried out by the surplus optimizing/benefits of waqf management, both cash waqf and land waqf.



Source: Authors Analysis

Figure 2.
Risk Mitigation of the Lack of Delivered Commodities

Nazhir of waqf land who has received a share of the harvest from farmers (based on the *muzara'ah* contract) could provide subsidies. In this case, *Nazhir* distributes the profits from the management of the waqf land in the form of hibah or by borrowing a number of commodities (*'ariyah*) that are lacking which the farmers should deliver to the BMT. This is possible due to the principles of the social economy of waqf as long as the distribution of cash waqf benefits is addressed to farmers who are included in the *mauquf 'alaihi*.

"The result of *muzara'ah* shared to *nazhir* of waqf land could be subsidized to the farmer if they meet the criteria as *mauquf 'alaihi*. There is no problem for small farmers getting subsidies because the funds of cash waqf benefits are more flexible". R3

"The most likely thing when there is a crop shortage is that the farmer borrows (for example rice) the harvest owned by *nazhir*" R1

"Two alternatives can be used, either by borrowing or by providing subsidies (grants)". R5

Other risk mitigation efforts in accordance with the sharia principles are BMT distribute the surplus of cash waqf to farmers on two conditions below.

(a) Optimizing production and minimizing constraints related to the availability of agricultural tools and equipment, BMT can provide economic stimulus for productive farmer activities. For example, during the planting period, farmers need additional agricultural equipment and supplies. Farmers can carry out *murabaha* transactions (cost plus margin, where the goods ordered by farmers will be bought and resold in installment payment mode) with BMT (Step 3a). Here, the benefits of cash waqf funds could be channeled to farmers, then used to cover *murabaha* margins so that farmers only pay the principal in installments.
(b) Covering to fulfill the daily consumption activities of poor farmers. In this case, if it turns out that the farmers lack agricultural products to be delivered to BMT at maturity, the farmers can use the funds (of cash waqf benefits) received to buy the lack of commodities in the market (step 3b).

These two alternatives are in line with the Indonesian Waqf Board Regulation (BWI) No. 01/2020 concerning Guidelines for the Management and Development of Waqf Assets Chapter X, the second part of the distribution of the benefits resulting from the management of cash waqf and waqf through money as stated in article 26 paragraph 1 that this surplus can be channeled to community development and empowerment programs as long as based on sharia principles.

In more detail, paragraph 2 of the article states that community development and empowerment programs in the economic sector can be carried out through fostering and assisting micro-business capital, structuring traditional markets, and developing agricultural businesses in a broad sense. Article 23 of this regulation states that the distribution of the net proceeds from the management of cash waqf is at least 50% earmarked for *mauquf alaihi*. This means that the agricultural sector and its actors as (poor) farmers have the potential to be empowered by using the return of cash waqf funds. This solution is also in line with the statements of the experts.

"If it is not the principal of (cash waqf) that is distributed but the benefits of the cash waqf fund so that it is good. Its use is flexible, including the need for

social goals, in the sense that farmers who meet the criteria can get a grant from BMT/*nazhir*. I agree that even though in this case the farmer also acts as a seller, it doesn't matter, because the contract used is *salam*. In principle, the use of cash waqf benefits is looser than zakat, fund so that BMT/*nazhir* can set aside the proceeds from the management of cash waqf for farmers in the form of grants, apart from a moral hazard when using the *salam* contract". R3

The mechanism of using cash waqf return/surplus is also sometimes done by BMT to cover losses on *mudharaba* projects managed by farmers (*mudharib*).

"The benefits of cash waqf are distributed if there is a loss on the implementation of the *mudharaba* contract. For example, the amount of the *mudharaba* financing is IDR 5 million and the sales proceeds for agricultural products are only IDR 4 million, which means minus IDR 1 million. Well, 1 million-plus fee (*ujroh*) to farmers is provided from the cash waqf fund "R6

4.4.3. Risk of Crop Failure

The worst risk is the risk of crop failure where farmers are not able to deliver all the commodities ordered by BMT at maturity. In this case, farmers are still obliged to provide ordered commodities, and BMT is expected to give time until farmers through farmer groups can fulfill orders, either by buying from the market or borrowing from farmer associations which in the SMW model acts as a guarantor (*kafil*). Another solution is to cancel the contract and the farmer should return the *salam* price that has been paid to the BMT or replace it with another commodity agreed upon by the buyer (BMT). This is as stated in the AAOIFI sharia standard No. 10 chapter *salam* and parallel *salam* points 5/8 as follows (AAOIFI, 2017).

5/8 In case all or part of al-Muslam Fihi is not available to the on the due date, the buyer shall have the following options:

5/8/1 To wait until al-Muslam Fihi is available.

5/8/2 To cancel the contract and recover the paid capital. It is also permissible for the parties to agree to replacement of al-Muslam Fihi by other goods. [see item 4/2]

"Farmers are still obliged to provide commodities (payable), or they can replace ordered commodities with other agreed commodities". R2

Overall, the efforts are undertaken in mitigating the risk of a shortage of commodity delivery and when crop failure occurs. These include product innovations that are solutive, integrated, and worthy of development in line with sharia rules.

"This risk management is innovative and unique. From the sharia side, everything is good. I don't think there is a problem. From the model proposed, it is clear about the position and authority of each party ". R3

4.5. Significance and Implications of the Model on the Development of Islamic Financial Institution and Product

The SMWmodel is expected to be a solution of the product innovation for the development of Islamic finance as well as strengthening the agricultural sector in Indonesia. Following are the implications of this model for the development of Islamic finance.

1) Encouraging the deepening of the Islamic financial product, especially in the field of Islamic microfinance product innovation in the agricultural sector. Moreover, the *salam* contract with its uniqueness and strength in the agricultural sector is expected to be implemented in Islamic financial institutions (especially BMT) to empower micro and informal sectors.
2) Deepening as well as innovating and integrating Islamic commercial and social finance. This model seeks to solve the problem of poverty among farmers as well as the main problem in the agricultural sector, namely the limitation and conversion of agricultural land, by integrating the uniqueness, strength, and advantages of the *salam* and *muzara'ah* contracts and waqf. Furthermore, it can be an innovative product at the scope of Indonesian Islamic microfinance completing the previous integrated product such as cash waqf linked Sukuk at the macro level practiced in the capital market.
3) Encouraging innovation in the utilization and distribution of benefits from the management of cash waqf and productive waqf. The distribution of the proceeds from the use of cash waqf in the SMW scheme is channeled in the form of productive activities, namely to cover the margin of the *murabaha* for the purchasing of agricultural equipment and products between farmers and BMT. On the other hand, idle waqf land in rural areas or which is usually used for consumptive activities, through this scheme can be used for productive goals whose benefits can also be channeled back to rural communities, especially poor farmers.
4) Encouraging innovation in efforts to mitigate the risk of financing in the agricultural sector through using of benefits of cash waqf. In the SMW model, it is channeled to farmers, where these funds can be used in addition to daily living needs, as well as reserve funds when farmers are unable to provide the entire commodity order, then the funds can be used to buy the rest from market.

V. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Salam-Muzara'ah Linked Waqf (SMW) is a sharia compliance-financial model that integrates commercial and social finance in one financing scheme purposed for BMT to overcome the problem in the agricultural sector. The commercial contract used in SMW is *salam* financing to overcome the limited access of small farmers by providing advance payment and *muzara'ah* contract for the use of idle waqf land to solve the limited agricultural land due to land conversion. The Islamic social finance instrument used in this scheme is by the utilization of return/benefit of waqf land and cash waqf distributed to farmers as subsidy and hibah to mitigate the risk during the planting period.

In order to mitigate the risks associated with *salam* financing, SMW is designed to solve the problem through the utilization of benefits from cash waqf fund. Farmers who need seeds and other agricultural equipment and tools could use *murabaha* transactions through BMT by only paying the principal, while the *murabaha* margin is covered by the funds from the benefits of cash waqf. Likewise, the risk of a shortage in the number of commodities that the farmers would deliver

to the BMT will be solved by providing subsidies in the form of a hibah scheme or by borrowing the commodities from the crops produced by the farmers on waqf land. In the worst case that farmers experience crop failure, it can be overcome by giving additional time for farmers to provide the ordered commodities, or replace them with other commodities, or borrow from groups of farmers, or by returning the entire *salam* price that has been received by farmers at the beginning of the transaction. It is expected that this model become a bridge to expand Islamic finance scope while at the same time encourage Islamic financial inclusion through product innovation and deepening the Islamic commercial and social financial markets, especially in the agricultural sector. However, this research is limited with access to information about data/reports on the results of the distribution of the benefits of cash waqf management by BMT as one of the *nazhir*s of cash waqf especially to the agricultural sector and the details of economic empowerment activities provided to small farmers through the benefits of cash waqf. Thus the next research can gather these data to enrich the analysis.

5.2. Recommendations

Following are some policy recommendations to the Islamic financial authorities/ regulators in Indonesia:

1) The Government in particular the ministry of agriculture can engage Islamic microfinance institutions, especially BMT, in empowering and financing small farmers in order to solve the problem of poverty due to lack of financing and agricultural land conversion.
2) The Financial Services Authority (OJK) especially for the Directorate of Islamic non-Bank Financial Industry which supervises the BMT as microfinance institutions need to encourage BMT roles to optimize its social functions in the utilization of Islamic social funds (in this case is cash waqf) to be integrated with the commercial contract. In this case for example BMT can distribute the benefits of cash waqf fund to cover the *murabaha* margin as a stimulus of productive financing of procurement of agricultural equipment and fittings or using it to cover the loss from *mudharaba* contract performed by small farmers.
3) BMT which also acts as *nazhir* of cash waqf can synergize and collaborate with *nazhir* of waqf land to make idle waqf land productive through the *muzara'ah* scheme so that it provides benefits to both farmers and *nazhir* of waqf land. Furthermore, the proposed SMW model can be considered to be applied as an innovative financing model that integrates commercial and social instruments. The implementation of the *salam* scheme is also potential for certain commodities (according to the conditions of each region) with a fast harvest period (less than six months) and prices that do not fluctuate, while still calculating, handling, and mitigating potential risks that arise during production.
4) DSN-MUI could issue a specific fatwa on the implementation of the *muzara'ah*, (and *mukhabarah*, *musaqa*, as well as *mugharasah*) contract as a land optimization solution (including idle waqf land) in Indonesia. Another fatwa that can be considered for issuance is specific and detailed discussions regarding the integration of commercial and social contracts/schemes in Islamic financial institutions.

5) The SMW scheme can be considered for application in a larger scope by Islamic financial institutions, namely the Islamic commercial banks/Islamic rural bank/Islamic business units where the objectives are to increase the financial inclusiveness of farmers and the amount of financing in the agricultural sector as well as to deepen Islamic financial products and markets.

REFERENCES

AAOIFI. (2017). *Shari'ah standards.* Manama: The Accounting and Auditing Organization for Islamic Financial.

Abdullah, M. (2018). Evolution in waqf jurisprudence and Islamic financial innovation. *Journal of Islamic Monetary Economics and Finance, 4*(1), 161-182.

Abid, A., & Shafiai, M. H. (2016). Islamic Microfinance for Rural Farmers: A Proposed Contractual Framework for Amanah Ikhtiar Malaysia. *Jurnal Hadhari, 9* (1), 33-47.

Agrofarm. (2020, March 21). *Moeldoko: Ketersediaan Lahan Jadi Tantangan Pertanian Indonesia [Moeldoko: Land Availability is a Challenge for Indonesian Agriculture]*. Retrieved May 18, 2020, from agrofarm.co.id: https://www.agrofarm.co.id/2020/03/22000/

Ahmed, N., Mansoori, M. T., & Khan, A. (2018). Exploring the scope and socio-economic benefits of bay' salam for the agriculture sector in Pakistan. *Islamic Banking and Finance Review, 5*(1), 39–56.

Al-Zuhaili, W. (2004). *Al-fiqh al-Islami wa adillatuh [Islamic jurisprudence and its evidence]* (4th Edition ed.). Damascus: Dar al-Fikr.

Ammani, A. A. (2012). An investigation into the relationship between agricultural production and formal credit supply in Nigeria. *International Journal of Agriculture and Forestry, 2*(1), 46-52.

Anwer, Z. (2020). Salam for import operations: Mitigating commodity macro risk. *Journal of Islamic Accounting and Business Research, 11*(8), 1497-1514.

Ascarya, Rahmawati, S., & Sukmana, R. (2017). Cash waqf models of baitul maal wat tamwil in Indonesia. *Al-Awqaf Jurnal Wakaf dan Ekonomi Islam, 10* (Special Edition), 115-126.

Atah, U. I., Mohammed, M. O., Adawiyya, E. R., & Adeyemi, A. A. (2019). Proposed secured bay-salam model for financing agriculture by Islamic banks. *International Journal of Management and Applied Research, 6*(4), 181-195.

Aziz, M. R. (2017). Developing Islamic waqf bank as a mechanism for financial system stability. *Journal of Islamic Monetary Economics and Finance, 3*(1), 61-80.

Badan Pusat Statistik (Central Bureau of Statistic). (2018). *Hasil survei pertanian antar sensus (SUTAS).* Jakarta: Badan Pusat Statistik.

Badan Pusat Stasitik (Central Bureau of Statistic). (2020a). *PDB Indonesia berdasarkan lapangan usaha.* Jakarta: Badan Pusat Stasitik.

Bantacut, T. (2014). Agenda pembangunan pertanian dan ketahanan pangan 2014-2019. *Jurnal PANGAN, 23*(3), 278-295.

Benu, N. M., Maryunani, Sugiyanto, & Kindangen, P. (2013). Analysis of land conversion and its impacts and strategies in managing them in City of Tomohon, Indonesia. *Asian Transactions on Basic and Applied Sciences, 3*(2), 65-72.

Chehade, N. (2016, January 2016). *Salam: Both a greeting & innovative agricultural financing option*. Retrieved December 8, 2020, from cgap.org: https://www.cgap.org/blog/*Salam*-both-greeting-innovative-agricultural-financing-option

Darsono, Sakti, A., Suryanti, E. T., Astiyah, S., & Darwis, A. (2017). *Memberdayakan Keuangan Mikro Syariah [Empowering sharia microfinance].* Jakarta: Tazkia Publishing.

Direktorat Jenderal Bimbingan Masyarakat Islam (Directorate General of Islamic Community Guidance, Ministry of Religious Affairs). (2020, May 1). *Kontribusi dan solusi zakat wakaf di masa pandemi [Contributions and solutions for zakat waqf during the pandemic].* Retrieved May 3, 2020, from bimasislam.kemenag.go.id: https://bimasislam.kemenag.go.id/materiliterasi/Sesi1-1.pdf

DSN-MUI. (2000). *Fatwa DSN-MUI No: 05/DSN-MUI/IV/2000.* Jakarta: Dewan Syariah Nasional Majelis Ulama Indonesia.

El-Zoghbi, M., & Alvarez, K. (2015). *Understanding costs and sustainability of sharia-compliant microfinance products.* Retrieved December 8, 2020, from documents1.worldbank.org: http://documents1.worldbank.org/curated/fr/406481468127791733/pdf/952130BRI0Box30ce0Products0Feb02015.pdf

Fakhrunnas, F., & Musta'in, J. L. (2017). the role of Islamic banks managing waqf institutions to promote the indonesian agriculture sector. *Journal of Islamic Finance, 6*(1), 031-041.

Financial Service Authority. (2020). *Statistik perbankan syariah (Sharia banking statistics).* Jakarta: Financial Service Authority, Republic of Indonesia, Banking Licensing and Information Department.

Indonesian Waqf Board (BWI). (2019, October). *Daftar Nazhir Wakaf Uang-Update Oktober 2019 [List of Nazhir Waqf Money-Update October 2019].* Retrieved May 3, 2020, from bwi.go.id: https://www.bwi.go.id/3912/2019/10/pengumuman-bwi/daftar-nazhir-wakaf-uang-update-oktober-2019/

Indonesian Waqf Board (BWI). (2020). *Peraturan Badan Wakaf Indonesia No. 1 tahun 2020 tentang pedoman pengelolaan dan pengembangan harta benda wakaf [Regulation of Indonesian Waqf Board no. 1 of 2020 concerning guidelines for the management and development of waqf assets].* Jakarta: Badan Wakaf Indonesia.

Iqbal, Z., & Mirakhor, A. (2011). *An introduction to Islamic finance: Theory and practice 2nd Ed.* Singapore: John Wiley & Sons (Asia) Pte. Ltd.

Izhar, H., & Hassan, Z. S. (2013). Applying core principles of risk management in Islamic banks' operasitonal risk analysis. *Afro Eurasian Studies, 2*(1 & 2, Spring & Fall), 15-40.

Kaleem, A., & Wajid, R. A. (2009). Application of Islamic banking instrument (bai salam) for agriculture financing in Pakistan. *British Food Journal, 111*(3), 275-292.

Kementerian Pertanian (Ministry of Agriculture). (2019). *Statistik lahan pertanian Tahun 2014-2018 [Agricultural land statistics 2014-2018].* Jakarta: Pusat Data dan Sistem Informasi Pertanian, Sekretariat Jenderal Kementerian Pertanian.

Khaleefa, M. U. (1993). Islamic banking in Sudan's rural sector. *Islamic Economics Studies, The Islamic Research and Training Institute (IRTI), 1*(1), 37-55.

KNEKS. (2019, April 1). *Sharing Platform Keuangan Mikro Syariah Berbasis Baitul Maal Wat Tamwil (BMT).* Retrieved June 8, 2020, from knks.go.id: https://knks.go.id/isuutama/8/sharing-platform-keuangan-mikro-syariah-berbasis-baitul-maal-wat-tamwil-bmt

Larasati, P. P., Fitriyah, S., Widiastuti, T., & Berkah, D. (2017). Pembiayaan syariah di sektor pertanian: Solusi permasalahan riba dalam perspektif sosial dan ekonomi. *Jurnal Ekonomi dan Bisnis Islam, 3*(2), 139-157.

McCulloch, G. (2004). *Documentary research in education, history and the social sciences.* London: Taylor & Francis Group.

Moh'd, I. S., Mohammed, M. O., & Saiti, B. (2017). The problems facing agricultural sector in Zanzibar and the prospects of Waqf-Muzar'ah-supply chain model: The case of Clove Industry. *Humanomics, 33*(2), 1-28.

Muneeza, A., Yusuf, N. N., & Hassan, R. (2011). The possibility of application of Salam in Malaysian Islamic banking system. *Humanomics, 27*(2), 138-147.

Obaidullah, M. (2015). Enhancing food security with Islamic microfinance: Insights from some recent experiments. *Agricultural Finance Review, 75*(2), 142-168.

Putri, A. K., Razia, E. T., & Muneeza, A. (2019). The potential of bai salam in islamic social finance to achieve united nations' sustainable development goals. *International Journal of Management and Applied Research, 6*(3), 142-153.

Putri, M. A., & Dewi, M. K. (2011). Developing salam-based financing product: Indonesian Islamic rural bank. *Business and Management Quarterly Review, 2*(4), 103-112.

Rasheed, H., & Mudassar, M. (2010). Research on innovative models of Islamic banking product for Pakistani farmers. *Proceedings of the 7th International Conference on Innovation & Management*, 562-567.

Ridwan, A. A. (2016). Implementation Akad *muzara'ah* in Islamic bank: Alternative to access capital agricultural sector. *Iqtishoduna, 7*(1), 34-48.

Rondhi, M., Pratiwi, P. A., Handini, V. T., Sunartomo, A. F., & Budiman, S. A. (2018). Agricultural land conversion, land economic value, and sustainable agriculture: A case study in East Java, Indonesia. *Land, 7*(4), 148.

Sadeq, A. H. (2002). Waqf, perpetual charity and poverty alleviation. *International Journal of Social Economics, 29*(1/2), 135-151.

Saiti, B., Afghan, M., & Noordin, N. H. (2018). Financing agricultural activities in Afghanistan: A proposed Salam-based crowdfunding structure. *ISRA International Journal of Islamic Finance, 10*(1), 52-61.

Saqib, L., Zafar, M. A., Khan, K., Roberts, W. K., & Zafar, A. M. (2015). Local agricultural financing and Islamic banks: Is qard-al-hassan a possible solution?. *Journal of Islamic Accounting and Business Research, 6*(1), 122-147.

Shafiai, M. H. M., Moi, M. R., & Ahmad, R. (2015). The potential of waqf in activating idle agricultural land. *Jurnal Pengurusan*, *44*(2015), 141–147. doi:10.17576/pengurusan-2015-44-13

Siwak. (2020). *Data tanah wakaf [Waqf land data]*. Retrieved June 3, 2020, from siwak.kemenag.go.id: http://siwak.kemenag.go.id/

Sudaryanto, T., & Rusastra, I. W. (2006). Kebijakan strategis usaha pertanian dalam rangka peningkatan produksi dan pengentasan kemiskinan. *Jurnal Litbang Pertanian, 25*(4), 115-122.

Tanjung, H., & Devi, A. (2013). *Metodologi penelitian Ekonomi Islam [Research Methodology of Islamic Economics].* Bekasi: Gramata Publishing.

Usmani, M. T. (2002). *An introduction to Islamic finance.* Netherlands: Kluwer Law International.

Wahyudi, I., Rosmanita, F., Prasetyo, M. B., & Putri, N. I. (2015). *Risk management for Islamic banks: Recent developments from Asia and the Middle East.* Singapore: John Wiley & Sons Singapore Pte. Ltd.

Widiana, & Annisa, A. A. (2017). Menilik urgensi penerapan pembiayaan akad salam pada bidang pertanian di lembaga keuangan syariah di Indonesia. *Muqtasid, 8*(2), 88-101.

Wulandari, P., & Kassim, S. (2015). Issues and challenge in financing the poor: Case of Baitul Maal Wa Tamwil in Indonesia. *International Journal of Bank Marketing, 34*(2), 215-234.

This page is intentionally left blank