

Fitting Islamic Financial Contracts in Developing Agricultural Land

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Abstract

The Islamic finance industry is one of the fastest growing industries in the world. However, many potential Muslim customers, particularly in rural areas, have unfulfilled banking needs and lack access to financing. Meanwhile, entrepreneurial projects in the agricultural sector are presumed to optimize economic growth. In addition, some scholars have expounded that the financial problems faced by the agricultural sector are caused by the risks of debt financing and lack of access to the capital market. In Islamic law, *al-muzara'ah* and *al-musaqah* can be considered as forms of partnership contract in farming. Therefore, using descriptive analysis, this paper attempts to portray how Islamic financial principles are closely related to the agricultural sector in developing Islamic agricultural finance. This study found that the application of the modes of Islamic financing in the agricultural sector through financial institutions could be very effective in providing financing to ensure that the partnership progresses effectively and efficiently. As a result, there is an urgent need to develop a sound agricultural financial system based on Islamic contracts in order to increase and sustain the income of farmers and landowners and to reduce poverty.

Keywords: Agricultural land development; *al-muzara'ah*; *al-musaqah*; Islamic financial contracts; Islamic partnership

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