

The Optimization of Muzāra'ah Contracts in Islamic Financial Institutions for Alleviating Poverty and Empowering the Community's Economy

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Abstract

Poverty is a complex issue that affects various crucial sectors such as education, health, and agriculture. Islamic financial institutions play a significant role in addressing poverty through community empowerment in the agricultural sector. This research aims to examine the contribution of the muzāra'ah contract in economic empowerment and poverty alleviation. The research method used is a conceptual approach. The results show that the use of the muzāra'ah contract by Islamic financial institutions significantly contributes to reducing poverty in the agricultural sector. Additionally, Everett Rogers' Diffusion of Innovation theory can be used to enhance community understanding and acceptance of Islamic financial products. These findings make an important contribution to academic literature and offer effective strategies for economic empowerment through Islamic financial institutions.

Keywords: *Muzāra'ah*; Economic Empowerment; Poverty; Sharia Financial Institutions.

Abstrak

Kemiskinan merupakan masalah kompleks yang mempengaruhi berbagai sektor penting seperti pendidikan, kesehatan, dan pertanian. Lembaga keuangan syariah memiliki peranan penting dalam mengatasi kemiskinan melalui pemberdayaan masyarakat di sektor pertanian. Penelitian ini bertujuan untuk mengkaji kontribusi akad muzāra'ah dalam pemberdayaan ekonomi dan pengentasan kemiskinan. Metode penelitian yang digunakan adalah pendekatan konseptual. Hasil penelitian menunjukkan bahwa penggunaan akad muzāra'ah oleh lembaga keuangan syariah memberikan kontribusi signifikan dalam mengurangi kemiskinan di sektor pertanian. Selain itu, teori Diffusion of Innovation oleh Everett Rogers dapat digunakan untuk meningkatkan pemahaman dan penerimaan masyarakat terhadap produk keuangan syariah. Temuan ini memberikan kontribusi penting dalam literatur akademik dan menawarkan strategi efektif untuk pemberdayaan ekonomi melalui lembaga keuangan syariah.

Kata Kunci: *Muzāra'ah*; Pemberdayaan Ekonomi; Kemiskinan; Lembaga Keuangan Syariah.

Introduction

The phenomenon of poverty is always interesting to discuss because poverty is a social issue that remains consistently relevant for continuous study (Ras, 2013). In modern literature, the issue of poverty is extensively studied by experts from various aspects and disciplines using a variety of measures and concepts (Rodin, 2015). The diversity of studies on poverty is driven by the concern and empathy of academics in observing the increasing number of impoverished individuals each year, which grows both vertically and expansively. This complex issue affects the development and progress of several critical sectors, including education, health, agriculture, and other essential areas.

Based on official statistics in Announcement Number 47/07/Th. XXVI, July 17, 2023, regarding the profile of poverty in Indonesia, it is stated that the number of poor people in Indonesia in March 2023 reached 25.90 million, with the poverty line in March 2023 at Rp. 550,458 per capita per month. Compared to September 2022, the poverty line increased by 2.78 percent. Meanwhile, compared to March 2022, there was an increase of 8.90 percent. Furthermore, a report from the World Bank indicates that although the agricultural sector has successfully reduced poverty in rural areas, many farmers remain poor due to constraints such as low productivity and other factors (Redaksi, 2023). Integrating agricultural data from various sources, including the demographic characteristics of farmers, is considered crucial for addressing poverty in rural areas (Anggorowati, 2023). With such a significant number of people living in poverty, this issue is indeed very serious and requires serious attention. Moreover, with farmers' existence projected as a solution to poverty, they also face complex challenges, including the increasing costs of farming management such as seed prices and fertilizer prices.

The increase in fertilizer prices, especially non-subsidized fertilizers, has been a concern around the year 2023. According to a World Bank report, the global increase in non-subsidized fertilizer prices reached 30 percent in 2022 (Purwanti & Ratri, 2023). With the significant costs that farmers must bear, many of them lack confidence in developing their farming businesses, and many are no longer able to cultivate their fields due to a lack of capital. Therefore, Islamic financial institutions, as financial intermediaries, play a crucial role in alleviating poverty and empowering the economy by providing capital for the agricultural sector through *muzāra'ah* contracts.

Muzāra'ah is a farming cooperation agreement between landowners and cultivators. In this agreement, the landowner provides seeds and land for cultivation to the cultivator in exchange for a certain share or percentage of the harvest (Mardani, 2012, p. 240). Thus, the presence of Islamic financial institutions in providing agricultural capital through *muzāra'ah* contracts is an important part of efforts to support the economic empowerment of communities in the agricultural sector and reduce poverty. However, Islamic financial institutions still face difficulties in increasing public understanding of their role in the agricultural sector, especially in integrating agricultural-related data. Therefore, to improve public understanding of the products and services of Islamic financial institutions, especially agricultural financing through *muzāra'ah* contracts, continuous promotional and educational efforts are needed.

Therefore, this research will provide a comprehensive study on the role played by Islamic financial institutions in providing agricultural capital through the mechanism of *muzāra'ah*

contracts. This demonstrates the significant role Islamic financial institutions play in supporting the economic empowerment of communities in the agricultural sector and reducing poverty. The research also highlights the challenges in the existence of Islamic financial institutions and enhancing public understanding of Islamic banking products and services in the agricultural sector using a comprehensive and academic research method.

In this context, previous studies have shown that there are several studies on the *muzāra'ah* contract, including: *Firstly*, a study by (Wardani & Faizah, 2020) on "The Welfare of Rice Farmer Cultivators in the Implementation of *Muzāra'ah* Contracts with the Approach of *Al-Maqāṣid asy-Syarī'ah* in Tulungagung." In this case study, the authors sought to understand and analyze the welfare of rice farmer cultivators after implementing *muzāra'ah* contracts, with a focus on Tulungagung Regency.

Secondly, a study by (Prihatin & Sujianto, 2023) on "*Muzāra'ah* Contracts and the Welfare of Farmer Cultivators in Mojorembun Village, Nganjuk Regency." Similar to the first study, Prihatin and Sujianto's research used a case study approach with the research object in Nganjuk Regency. This study aimed to explain the implementation of *muzāra'ah* contracts in improving the welfare of farmer cultivators, measured by the development of the Agricultural Terms of Trade (NTP).

Thirdly, a study by (Abdullah, 2017) on "Sharing in Agricultural Land (*Muzāra'ah*) (Sharia and National Law Analysis)." Abdullah's research is a literature review focusing on the perspective of Islamic law and positive law in the context of sharing in agricultural land through *muzāra'ah* contracts.

Based on the above description, it is confirmed that previous studies have focused more on the welfare of rice farmer cultivators by implementing *muzāra'ah* contracts with the approach of *al-maqāṣid asy-syarī'ah*. The case studies were conducted in Tulungagung and Mojorembun Village, Nganjuk Regency, and discussed sharing in agricultural land (*muzāra'ah*) with Sharia and national law analysis, using a literature review method. In contrast, this research is related to the optimization of *muzāra'ah* contracts in Islamic financial institutions, focusing on poverty alleviation and community economic empowerment, but using a conceptual approach.

This research emphasizes more on the aspects of Sharia finance and conceptual community economic empowerment. Unlike previous studies which focused only on the implementation of *muzāra'ah* contracts for rice farmer cultivators with the approach of *al-maqāṣid asy-syarī'ah* and national law analysis. This research contributes by exploring the potential optimization of *muzāra'ah* contracts in Islamic financial institutions to combat

poverty and empower community economics. It involves conceptual thinking that can serve as a basis for model development or implementation in Islamic financial institutions. However, despite having different focuses, this research can be connected to previous studies in the context of community economic empowerment through *muzāra'ah* contracts. Meanwhile, previous literature-based research can provide legal and Sharia foundations to support the proposed concepts in this research.

Methods

This study is a type of library research that uses a conceptual approach. In library research, a conceptual approach is used to analyze data obtained from literature, such as books, articles, and the internet. This approach focuses on theories and concepts. The method involves understanding the perspectives and beliefs that have developed in the field related to the issues being discussed. By studying these perspectives and beliefs, researchers will discover ideas that shape the understanding, concepts, and principles relevant to the issues being discussed (Sungono, 2009, p. 189). Using a conceptual approach, this study involves the collection and descriptive analysis of data. Data are collected from sources such as books, articles, the internet, and other literature related to the main topic of this study.

To ensure the data obtained, this study uses the triangulation technique, which prioritizes the effectiveness of the process and the desired results. Data triangulation is a data collection technique that combines various existing data and sources (Sugiyono, 2017, p. 63). This ensures the strength and validity of the data obtained from this research. The results of this study are expected to explore information and understanding about the principles of Sharia, the role of Islamic financial institutions, and the effectiveness of the *muzāra'ah* contract in alleviating poverty and empowering the community's economy. The results of this study show the effectiveness and efficiency of the *muzāra'ah* contract in Islamic financial institutions in alleviating poverty and empowering the community's economy. This research also provides recommendations for Islamic financial institutions and stakeholders to optimize the *muzāra'ah* contract model in alleviating poverty and empowering the community's economy.

***Muzāra'ah* Contract in the Perspective of Islamic Law**

Muzāra'ah is a transaction concerning land in exchange for a portion of the produce from the cultivated land (Al-Khalafi, 2017). Linguistically, *muzāra'ah* has two meanings. The first, *al-muzāra'ah*, means *tharh al-zur'ah* (throwing seeds), which refers to capital (*al-budzar*). This first meaning is metaphorical, while the second meaning, *al-inbat*, literally means growing

(Suhendi, 2016, p. 153). From the etymological understanding above, it can be inferred that *muzāra'ah* is a cooperation contract in agriculture where the parties involved agree to manage a piece of agricultural land with the goal of generating profit, which will later be shared as agreed upon by both parties.

Terminologically, there are several definitions of the *muzāra'ah* contract provided by various Islamic scholars and jurists. According to Imam Hanafi, the definition is as follows:

عَفْدٌ عَلَى الزَّرْعِ بِبَعْضِ الْخَارِجِ مِنَ الْأَرْضِ.

"Muzāra'ah is a contract for cultivating land in which a portion of the produce from the earth is shared." (Suhendi, 2016).

According to Imam Shafi'i, *muzāra'ah* is a partnership between the landowner and the farmer to cultivate or manage the land, with a wage or compensation being a portion of the produce from the cultivation. In this context, the seeds or seedlings are provided by the landowner, while the farmer is responsible for preparing the land, planting, and maintaining it until the harvest (Putra et al., 2018). In this context, the *muzāra'ah* contract can be practiced between the Islamic financial institution as the provider of capital including fertilizers, seeds, and all necessary inputs for land management and the other party (in this case, the community) as the manager who legally and fully takes responsibility for properly managing the land.

The legal basis for the permissibility of applying the *muzāra'ah* contract can be found in several verses of the Qur'an, including Surah Az-Zukhruf (43) verse 32:

أَهُمْ يَقْسِمُونَ رَحْمَتَ رَبِّكَ نَحْنُ قَسَمْنَا بَيْنَهُمْ مَعِيشَتَهُمْ فِي الْحَيَاةِ الدُّنْيَا وَرَفَعْنَا بَعْضَهُمْ فَوْقَ بَعْضٍ دَرَجَاتٍ لِيَتَّخِذَ بَعْضُهُمْ بَعْضًا سَخِرِيًّا وَرَحْمَتُ رَبِّكَ خَيْرٌ مِمَّا يَجْمَعُونَ.

"Are they the ones who apportion the mercy of your Lord? It is We who have apportioned among them their livelihood in the life of this world and have raised some of them above others in degrees [of rank], that they may make use of one another for service. But the mercy of your Lord is better than whatever they accumulate." (QS. Az-Zukhruf (43): 32)

Islam places significant emphasis on encouraging its followers to strive to achieve happiness in both this world and the hereafter (Hamzah, 2021). In the context of the *muzāra'ah* contract, the verse above guides Muslims to make good use of all the mercy, blessings, and sustenance granted to them. The sustenance provided is not merely for enjoyment, followed by neglecting one's afterlife. This means that the hereafter should also be considered and prioritized, so that the sustenance brings happiness in the afterlife, not just in this world. In this regard, Islam encourages Muslims to share their wealth justly and wisely. Especially when wealth is obtained through cooperation with others, the benefits should be shared, and the positive impact should be mutually experienced by those involved in the cooperation.

The use of the word "*Rabbika*" (your Lord) in this context refers to the Prophet Muhammad (peace be upon him). The phrase "*ma'isyatahum*" (their livelihood) is derived from the word "*'aisy*," which refers to the livelihood that is related to animals and humans in this world. The phrase "*ba'dhuhum ba'dhan*" (some of you over others) encompasses all human beings. For example, the wealthy may need the physical strength of the poor, while the poor may need the money of the wealthy (Shihab, 2010, pp. 240–241).

In the context of applying the *muzāra'ah* contract, there are several pillars that must be fulfilled by the contracting parties (Mardani, 2014), namely: *First*, the cultivator and the landowner (*akid*). A person who enters into a contract as a cultivator or landowner is called *akid*. *Akid* is considered valid if the parties involved are individuals who have reached the age of maturity, are of sound mind, and are capable of effort. *Second*, the object of *muzāra'ah* (*ma'qud ilaih*). *Ma'qud ilaih* is the subject matter of the contract or the object designated in the contract. This is considered a pillar because both parties have known the form, nature, price, and profit of the object. *Third*, the presence of *Al-'aqd wa al-qabūl*. If there is an offer and acceptance, whether in the form of words or conditions, indicating the agreement of both parties on how to implement the contract, then the contract is considered valid.

The pillars and conditions in the implementation of contracts in the context of transactions are crucial, where if any of the pillars or conditions are not fulfilled in the contract, the contract is considered null and void. Therefore, it is very important for the contracting parties to pay close attention to fulfilling these pillars properly, as well as meeting the specified conditions.

The Role of Islamic Financial Institutions in Supporting Poverty Alleviation Through the *Muzāra'ah* Contract Model in the Agricultural Sector

Indonesia is like a field that will become fertile ground for the development and advancement of Islamic economics (Hamzah & Rohmaniyah, 2022). With this, the Indonesian government has taken important steps to expand banking services to meet the needs of the Muslim community and increase their participation in national development. With approximately 87% of Indonesians being Muslim, their presence is very valuable for the advancement of the country's economy. Therefore, it is very important to meet the desires of the Muslim community in every aspect of development, as this resource has great potential to improve the welfare of society and the economy as a whole. The seriousness of the government in addressing this can be seen in its efforts to introduce or establish Islamic financial institutions in the midst of Indonesian society, where these institutions have been designed and conceptualized in such a way that they can operate effectively within society.

Islamic financial institutions are companies operating in the financial sector that focus on the ethics of trade and economic transactions, both in the form of banks and non-bank entities (Muheramtohad, 2017). The establishment of Islamic banks or Islamic financial institutions is a sign of the growth of the Islamic economic system (Syauqoti & Ghozali, 2018). In Indonesia, the establishment of Bank Muamalat Indonesia (BMI) in 1991 marked the development of Islamic economics, as it was the first Islamic financial institution in Indonesia, even though it only began operating in 1992 (Irawan, 2018). Thus, the presence of Islamic financial institutions in Indonesia for more than three decades has brought a breath of fresh air to the development of the Indonesian economy, especially for the Muslim community. With the operation of these Islamic financial institutions, the Indonesian people, especially Muslims, can conduct economic transactions that adhere to Sharia principles, thereby minimizing transactions involving *riba*, *maysir*, *gharar*, and other transactions prohibited in Islam.

As an organization offering financial services, Islamic Financial Institutions (*Lembaga Keuangan Syariah*) are responsible for conducting their operations in accordance with Sharia principles, as outlined in several Fatwas issued by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) (Afrelian & Furqon, 2019). In this context, IFIs have the ability to engage in business transactions to meet human needs and achieve prosperity through intermediary functions (Kristianti, 2020). Generally, Islamic financial institutions operate by applying the principles of *fiqh muamalat* to avoid prohibited elements such as *riba*, *maysir*, *gharar*, and invalid contracts (Harahap, 2017). In this regard, the function of Islamic Financial Institutions as intermediaries can be seen in the definition of IFI as a business entity or institution engaged in Islamic finance activities by collecting funds and distributing them to the public (Rodoni & Hamid, 2008, p. 5).

In contemporary times, various Islamic financial institutions have been established in different regions and areas in Indonesia, both in the form of banks and non-bank entities. These include Islamic banks, Islamic People's Financing Banks (BPRS), Islamic Insurance (*takāful*), Islamic Financing Companies, Islamic Capital Markets, Islamic Pawnshops, Islamic Pension Funds, Baitul Mal wat Tamwil (BMT), Capital Markets, Zakat Management Institutions, and Waqf Institutions, among others. In this regard, Islamic Financial Institutions in their operations are not only obliged to be responsible for the calculation of profit, but also because they believe that they will be accountable to Allah after conducting IFI activities. These institutions must also be consistent in applying Sharia principles within the existing Sharia framework in society.

By positioning themselves as financial institutions offering Sharia-compliant products and services, Islamic financial institutions must have a governance system that can guarantee

the implementation of Sharia values in every economic activity they undertake (Hariyanto & Hamzah, 2022). The term "Sharia governance" or often known as shariah governance was introduced by international standard-setting bodies such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and IFSB (Islamic Financial Services Board) as a form of governance system for Islamic financial institutions (Badruzaman, 2019). In striving to implement Sharia values in every economic transaction they undertake, Islamic financial institutions offer various products and services that are all oriented towards the welfare of the community. One example is financing products based on the *muzāra'ah* contract, where the contract is designed to provide maximum benefit to farmers and contribute to the welfare of the community.

According to Kahfi and Fahim, *muzāra'ah* is a form of agricultural cooperation between farmers and capital owners where profits are shared according to the agreement (Effendi & Wardhani, 2016). In this regard, one of the purposes of *muzāra'ah* is mutual assistance between farmers and landowners with a fair and equitable profit sharing for both parties (Kolistiawan, 2017; Lubis & Indrawati, 2017). Since *muzāra'ah* is participatory, the capital provider acts as a partner and has the right to oversee the funded activities. The participation of the capital provider can minimize losses and fraud from the farmers (moral hazard). Many studies conclude that *muzāra'ah* financing is the most compatible model in the field of agriculture for both short and long term.

Based on the above facts, a *muzāra'ah* contract can uplift small farmers (rural) to cultivate land with the assistance of Islamic banks (Ngasifudin, 2016). Therefore, the *Muzāra'ah* product in the agricultural sector is crucial to be implemented in Islamic banking as a flagship product in Indonesia, as a tangible form of Islamic economic jurisprudence that benefits society because the agricultural sector is a sector that can absorb a large workforce and has a significant impact on food commodities and the global economy. However, many things need to be improved in preparing Land Cultivation Resources to achieve maximum results and provide welfare impacts to cultivators and landowners.

Most research has shown that increasing access to financial services has a significant effect on poverty alleviation efforts (Katman & Firawati, 2021). In this regard, Islamic financial institutions play a significant role in poverty alleviation efforts through the implementation of the *muzāra'ah* contract model in the agricultural sector. *Muzāra'ah* is one of the concepts in Islamic law that underpins cooperation between landowners (*shahibul māl*) and managers or farmers (*muzāri*). In the context of its application in Islamic financial institutions, the *muzāra'ah* contract model allows for the joint use of land, where the Islamic financial

institution provides land assets such as seeds, fertilizers, and others, while the farmers are responsible for management, production, and sharing of the yield.

One of the main roles of Islamic Financial Institutions is to act as a facilitator in providing capital for farmers who have limited access to financial resources. Through the *muzāra'ah* contract, Islamic financial institutions can provide financing to farmers for working capital, seeds, fertilizers, farming tools, and other necessities needed for agricultural activities. The *muzāra'ah* contract model has several advantages that can support economic growth and the welfare of society, including: *First*, this model allows for financial inclusion for farmers who previously had difficulty accessing conventional financial institutions due to limited collateral or accessibility. *Second*, through this model, profit-sharing based on the principle of justice becomes the main focus, where profit-sharing is based on a fair agreement between landowners and farmers, unlike conventional lease systems that tend to burden farmers.

Furthermore, the role of Islamic financial institutions in implementing the *muzāra'ah* contract model also involves education and mentoring for farmers. These institutions not only provide financing but also offer technical assistance, training, and guidance related to sustainable and efficient farming practices. This helps to improve the knowledge and skills of farmers in managing land optimally, thereby increasing the potential for production yields. In a social context, the implementation of the *muzāra'ah* contract model can also strengthen social relations between Islamic financial institutions as financial intermediaries and farmers. With clear agreements on profit-sharing, good cooperation between the two parties can be established, creating a harmonious and mutually beneficial working environment.

Strategy for Enhancing Public Understanding of Agricultural Products (*Muzāra'ah* Contracts) in Islamic Financial Institutions

As a country with the largest Muslim population in the world, Indonesia should rightfully become a pioneer and a leader in the development of the global Islamic finance industry (Hariyanto et al., 2023). This is not an impossible dream because Indonesia's potential and opportunities to become a global player in Islamic finance are substantial. These opportunities can be seen from several advantages and potentials that Indonesia possesses, including: 1) the large Muslim population which represents a significant potential customer base for the Islamic finance industry; 2) a promising economic outlook, reflected by relatively high economic growth (ranging from 6.0%-6.5%) supported by solid economic fundamentals; 3) the increase in Indonesia's sovereign credit rating to investment grade, which will boost investor interest in investing in the domestic financial sector, including the Islamic finance industry; and 4)

abundant natural resources that can be used as underlying assets for transactions in the Islamic finance industry.

Therefore, with the establishment of Islamic banking in 1991, which has now been in existence for more than three decades in Indonesia, and the emergence of many new Islamic financial institutions, this certainly represents one of the initial steps by the government to realize Indonesia's potential as a global player in Islamic finance in the future. However, despite the significant opportunities mentioned above, there is still much work to be done, particularly in building public perception regarding the operational effectiveness of Islamic financial institutions and enhancing public understanding of the products and services provided by these institutions. One example is financing products in the agricultural sector, especially in the context of the *muzāra'ah* contract. This contract serves as a product of Islamic financial institutions to provide cooperative land management services, where the Islamic financial institution competently provides capital to farmers, and the resulting produce is shared as agreed upon.

It is also noteworthy that the development of Islamic financial institutions has seen significant growth in recent times. This is evidenced by the establishment of numerous Islamic financial institutions, ranging from micro to macro levels. Additionally, many conventional financial institutions have opened new units within their organizations based on Sharia principles, especially in banking, as evidenced by the numerous conventional banks that have opened Sharia branches (Budiono, 2017). The intermediation function of Islamic financial institutions is more varied compared to that of conventional financial institutions. This is because the profit-generating systems in Islamic financial institutions are diverse, including profit and loss sharing, profit margin from buying and selling price differences, and profits through fees (Kristianti, 2020). This means that the rapid growth of Islamic banks is closely linked to the advantages and benefits they offer. Therefore, it is crucial that the significant growth in Islamic financial institutions is accompanied by an increase in public participation in conducting transactions or economic activities with these institutions.

A series of literature has proven that increased access to financial services has a significant impact on poverty alleviation efforts (Katman & Firawati, 2021). Therefore, enhancing public understanding of agricultural products, particularly in the context of the *muzāra'ah* contract in Islamic financial institutions, is a crucial aspect in developing public awareness and adoption of Islamic financial principles. Discussing strategies to enhance public understanding of these products requires a comprehensive approach, involving several important steps.

A strategy involves defining the company's mission, setting organizational goals by linking external and internal strengths, formulating specific policies and strategies to achieve these goals, and ensuring their proper implementation so that the main objectives of the organization are achieved (Antonio, 2001, pp. 153–157). A strategy indicates the general direction an organization intends to pursue to reach its goals. This strategy constitutes the grand plan and essential roadmap that every organization possesses to achieve its objectives. Every well-managed organization has a strategy, even if it is not explicitly stated (Ghofur et al., 2021). In this endeavor, Everett Rogers' Diffusion of Innovation Theory can serve as a strong theoretical foundation for designing effective strategies to expand public knowledge and acceptance of these products.

The Diffusion of Innovation Theory by Everett Rogers is a theory that explains how, why, and at what rate new ideas and technologies spread. This theory was first introduced by Everett Rogers in his book titled "Diffusion of Innovations" in 1962 (Hidayat, 2023). The theory outlines the stages of adoption by various segments of society, starting from innovators to end-users. This theory can be applied in various fields, including agriculture. In the context of enhancing public understanding of agricultural products with the *muzāra'ah* contract in Islamic financial institutions, this theory can aid in designing appropriate communication strategies and approaches to introduce innovations related to agricultural products and Islamic finance to the public. This involves identifying different societal groups in the adoption of innovation and the factors that influence the adoption process, such as the sustainability, usefulness, and compatibility of the innovation with the values and beliefs of the local community.

The strategies for enhancing public understanding of agricultural products with the *muzāra'ah* contract in Islamic financial institutions include identifying adopter groups, using appropriate communication media, tailoring the innovation to meet the needs and values of the community, integrating timing into the diffusion model, and preparing the social environment.

Identifying adopter groups

The strategy of identifying adopter groups is an approach that refers to Everett Rogers' Diffusion of Innovation Theory. This theory categorizes society into five different groups based on their openness to innovation. These groups include innovators, early adopters, early majority, late majority, and laggards (Tamitiadini & Pradheksa., 2022, p. 22). In the context of agricultural products with the *muzāra'ah* contract in Islamic financial institutions, this strategy involves a thorough introduction and understanding of the characteristics of each adopter group. Innovators, being the earliest group to accept innovation, tend to be open to changes and new innovations in agricultural products offered by Islamic financial institutions.

Early adopters are the group that follows innovators and usually have significant social influence within their community (Palm, 2020; Wang et al., 2016). They are relatively quick to accept innovations if there is evidence of their benefits. The early majority is a large group that represents the majority of society, adopting innovations after seeing concrete evidence from early adopters. The late majority is another large group representing the majority of society, characterized by higher uncertainty and requiring convincing proof before adopting innovations. Laggards, typically not open to innovation, are the last group to accept new ideas (Septiana, 2020).

By understanding the roles and characteristics of each adopter group, Islamic financial institutions can design communication strategies and approaches that are more effective and tailored to the preferences and needs of each group. This will help enhance public understanding of agricultural products with the *muzāra'ah* contract in Islamic financial institutions.

Indeed, this strategy emphasizes the importance of adapting communication, marketing, and educational approaches for each adopter group. The introduction of agricultural products with the *muzāra'ah* contract in Islamic financial institutions should be designed considering the characteristics and specific needs of each group. This enables a more precise, effective, and focused approach in communicating the benefits, advantages, and relevance of the product according to the varying understanding and acceptance of each adopter group.

Using appropriate communication media

The strategy of using appropriate communication media in the context of enhancing public understanding of agricultural products with the *muzāra'ah* contract in Islamic financial institutions is an approach that focuses on selecting and utilizing effective communication media to disseminate information and educate the public about these agricultural products.

In this regard, Islamic financial institutions can use several specific steps and strategies to effectively educate the public about agricultural products with the *muzāra'ah* contract through these communication media, including selecting media that are relevant to the needs and understanding of the public. This strategy focuses on identifying and selecting communication media that are relevant to the characteristics and preferences of the public. For example, using social media such as Instagram, Facebook, or other digital platforms can be effective in reaching younger generations or early adopters. On the other hand, utilizing print media, local television, or community exhibitions may be more efficient in reaching a wider and more diverse audience.

The implementation of strategies using appropriate communication media in Islamic financial institutions can significantly contribute to increasing public understanding and

awareness of agricultural products with the *muzāra'ah* contract. This strategy is key to expanding public knowledge of agricultural products offered by Islamic financial institutions. By using the right communication media, the message conveyed can be more effectively reached and understood by the public. Ultimately, the public will better understand the advantages and Sharia values embedded in *muzāra'ah* financing, encouraging them to utilize this financing to meet their needs in managing agricultural land.

Tailoring innovations to community needs and values

In the context of adapting innovations to the needs and values of the community, it is a crucial approach in enhancing public understanding of agricultural products with the *muzāra'ah* contract in Islamic financial institutions. This adaptation includes efforts to ensure that the agricultural products offered meet the needs, values, and preferences of the target market. Adapting innovations to the needs of the community requires a deep understanding of the preferences and needs of the community in land management or agriculture. This involves careful research to understand the social, economic, and cultural conditions of the community that will use or receive agricultural products with the *muzāra'ah* contract from Islamic financial institutions.

In practice, in Islamic financial institutions, adapting innovations also relates to compliance with Sharia principles in the products and services offered. Agricultural products must meet Sharia requirements, which include aspects of justice, transparency, and environmental sustainability. Additionally, the aspect of adaptation is also related to the values of the community that the agricultural products with the *muzāra'ah* contract aim to accommodate. These values may include social benefit aspects, environmental sustainability, or ethical values that are important to the community targeted to receive the innovation.

The implementation of this strategy certainly requires cooperation between Islamic financial institutions and the community to ensure that the products offered are relevant to the needs of the community and able to fulfill Islamic values. Adapting innovations to the needs and values of the community is a continuous effort that requires ongoing evaluation so that agricultural products can always be relevant and able to meet the needs and respect the values that exist within the community. This can also serve as a strong foundation in supporting sustainable economic growth and increasing acceptance and adoption of agricultural products with *muzāra'ah* contracts in Islamic financial institutions.

Integrating time in the deployment model

Based on the Theory of Diffusion of Innovation by Everett Rogers (Buchanan et al., 2011; Weil, 2018), emphasis on time management plays a key role in planning and implementing

strategies to introduce agricultural products through *muzāra'ah* contracts in Islamic financial institutions to the community. This strategy emphasizes the importance of understanding the right time to introduce agricultural products with *muzāra'ah* contracts.

According to the diffusion of innovation model, innovators and early adopters are usually more open to innovation early on. Therefore, good timing planning will allow Islamic financial institutions to gradually introduce this product to early adopter groups in the innovation acceptance chain.

However, these innovations can change over time. This strategy also considers changes in society or the environment that affect innovation acceptance. Therefore, Islamic financial institutions must be prepared to make adjustments or changes in strategy at certain times to maximize innovation acceptance. By integrating time into the diffusion model, Islamic financial institutions can optimize the launch of agricultural products with *muzāra'ah* contracts. This will enable Islamic financial institutions to plan a targeted, effective approach that is in line with the characteristics and level of openness of the community to the innovations offered.

Preparing the social environment

Preparing the social environment in the Theory of Diffusion of Innovation is an effort to change the attitudes, norms, and behaviors of society through the formation of a social environment that supports the acceptance of innovation (Tolba & Mourad, 2011, pp. 1–17; Zanello et al., 2016). With the right approach to the social environment, it is hoped that society will be more open and receptive to agricultural products with a *muzāra'ah* contract in Islamic financial institutions more broadly. The social environment includes social structures, cultural values, social interactions, as well as norms and beliefs in society. In this regard, the focus will be more on actions taken to improve, rearrange, or adjust the elements of the social environment to better support the acceptance of agricultural products based on *muzāra'ah* contracts in Islamic financial institutions.

Strategic steps that can be taken to prepare this social environment include: First, identifying and involving stakeholders who have influence and interests in the community related to Sharia agricultural products. This may involve scholars, academics, local leaders, farmers, and other institutions in the introduction and approach of products with *muzāra'ah* contracts. Second, understanding the cultural values of the local community and the dominant religion in the targeted community. Communication and marketing of agricultural products must be adapted to Sharia principles and local values respected by the community. Third, efforts to socialize the benefits, advantages, and legality of agricultural products based on *muzāra'ah* contracts to increase public awareness of the importance of applying these products.

Conclusion

The use of the *muzāra'ah* contract model in the agricultural sector by Islamic financial institutions has significantly contributed to poverty alleviation. Through this approach, it is hoped that agricultural production and farmers' incomes can be increased, and it is seen as part of a reform of the economic system towards greater inclusivity and justice for society, ultimately playing a role in reducing poverty levels. Therefore, enhancing the public's understanding of agricultural products, particularly in the context of *muzāra'ah* contracts in Islamic financial institutions, is a crucial aspect of developing public awareness and adoption of Islamic financial principles. In this effort, Everett Rogers' Theory of Diffusion of Innovation can provide a strong theoretical basis for designing effective strategies to expand knowledge and acceptance of these products among the public. Strategies that can be used to enhance public understanding of agricultural products with *muzāra'ah* contracts in Islamic financial institutions include identifying adopter groups, using appropriate communication media, adapting innovations to the needs and values of society, integrating time into the diffusion model, and preparing the social environment.

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