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The Practice of lawn pawn in bay wafa contract

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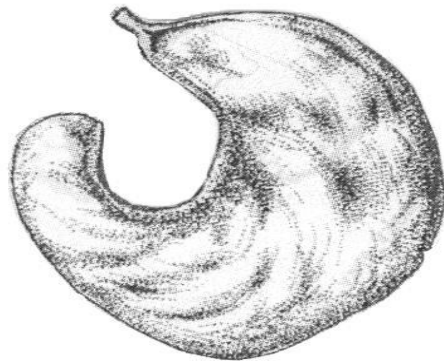
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- AQ5 Please conduct additional reviews on the article's utilization of available white space in all sections
- AQ6 Please leave the article's footer vacant, as it only pertains to the author's name
- AQ7 If this is part of the article's title, please revise and use a different form of writing
- AQ8 Please modify the placement of the paragraph's body, as the content appears to be separated
- AQ9 Please pay close attention to the prescribed citation format
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[AQ1] Please make modifications to the title's writing style

**Akad bay wafa as a land pawn practice in islamic economy:
The Practice of lawn pawn in bay wafa contract**

Sri Sudiarti
Universitas Islam Negeri Sumatera Utara Medan, Indonesia
srisudiarti@uinsu.ac.id

Wahyu Syarvina
Universitas Islam Negeri Sumatera Utara Medan, Indonesia
wahyusyarvina@uinsu.ac.id

Khairina Tambunan
Universitas Islam Negeri Sumatera Utara Medan, Indonesia
khairinatambunan@uinsu.ac.id

[AQ2] Is the format of the writing in accordance with the requirements?

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[AQ4] Please recheck the placement of the title, as the abstract is a component of the article

Abstract – One of the muamalah fiqh contracts, bay al wafa, is still up for controversy among Muslim academics today. However, certain nations, including Indonesia, continue to use this agreement as a means of financing their economies, particularly in the agricultural sector. This study aims to determine the extent of bay al wafa practice in Indonesia. The research approach employed in this study was an in-depth interview. According to the study's findings, many Indonesians employ the idea of bay al wafa in conjunction with expressions like pagang pawn, selling pawns, and taxation to finance their everyday necessities using agricultural land as collateral. People utilize this agreement because it is more convenient and adaptable. Bay al Wafa is one of the contracts that this study suggests Islamic banks adopt to finance the agricultural industry since it is simple and adaptable.

Introduction

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An agreement or bond can be seen as akad or contract. According to Az-Zuhaili (2000), this contract can tighten and enhance relationships between a number of people under some circumstances, and it can be either concrete or abstract on one side or on both sides. This contract is separated into tabarruq (good deeds) and tijarri in Islamic trades (commercial contracts). For instance, tijarri transactions utilized for profit are

36 included in financing and funding, whereas non-profit transactions are included in
37 services (fee-based revenue), social activities, and funding.¹

38 One contract in this tijarri transaction can be found in Bay' al-waf, which
39 emerged in Central Asia after the fourth century of hijra. This agreement was born out
40 of the people's financial struggles at the time.² One of the contracts in Islamic banking
41 that reflects human needs and continues to adhere to the principles and traits revealed in
42 the Qur'an and Sunnah is this one.

43 The Hanafi school holds that even if the bay wafa contract in the tijarri
44 transaction involves stipulations, since the buyer can possess and use the commodities
45 at the same time, it is not a part of the contract that the prophet forbade. By doing this,
46 usury in transactions is avoided. The offer by the IB is still relatively limited since it is
47 thought to pose various threats to Islamic banking, unlike the salam contract where the
48 seller is only limited to clearly specifying the products offered to the buyer because at
49 the time of the transaction the goods are not available in nature (Abrista, 2009³; Adi,
50 2012⁴; Affandi, 2014⁵; Ashari and Saptana, 2005⁶; Muneeza dkk., 2011⁷; Ningsih and
51 Wardayati, 2016⁸; Roziq dkk., 2014)⁹. A condition or agreement that the products sold

[AQ6] Please leave the article's footer vacant, as it only pertains to the author's name

¹ Ascarya dan Diana Yumanita, *Bank Syari'ah: Gambaran Umum* (Jakarta: Pusat Pendidikan dan Studi Kebanksentralan (PPSK) BI, 2005), h. 4.

Islamic Banking and Economics: Concepts and Instruments, Features, Advantages, Differences from Conventional Banks, and Contributions to Economic Growth

- Abasimel, N.A.
Journal of the Knowledge Economy
- Faculty of Resource Management and Economics, Department of Agribusiness and Value Chain Management, Wollega University, P.O. BOX: 395, Oromia, Nekemte, Ethiopia

² Majallat al-Ahkām al-'Adliyyah, in _Alī Haydar, Durar al Ḥukkām Sharḥ Majallat al-Ahkām (Beirut: Dār _Ālam al-Kutub, 2003), article 32, 1:42..

³ Salam, penawarannya oleh IB masih sangat terbatas karena dianggap menimbulkan berbagai risiko bagi IB (Abrista, 2009; Adi, 2012; Affandi, 2014). ; Ashari dan Saptana, 2005; Muneeza dkk., 2011; Ningsih dan Wardayati, 2016; Roziq dkk., 2014).

⁴ Adi, F. (2012), Analisis Pembiayaan Syariah Bagi Sektor Pertanian Dengan Menggunakan Akad Bai' Salam, Universitas Indonesia, Jakarta.

⁵ Affandi, A. (2014), Makna Pembiayaan Salam Perspektif Perbankan Syariah Dan [Etani di Probolinggo, Universitas Brawijaya Malang.

⁶ Ashari and Saptana (2005), "Prospek pembiayaan syariah untuk sektor pertanian", FORUM PENELITIAN AGRO Ekonomi, Vol. 23 No. 2, pp. 132-147, available at: <http://dx.doi.org/10.21082/fae.v23n2.2005.132-147>

⁷ Muneeza, A., Yusuf, N.N.A.N. and Hassan, R. (2011), "The possibility of application of salam in Malaysian Islamic banking system", Humanomics, Vol. 27 No. 2, pp. 138-147, available at: <https://doi.org/10.1108/08288661111135135>

⁸ Ningsih, W.F. and Wardayati, S.M. (2016), "Modification finance of salam and the implications for salam accounting treatment in Indonesia", Procedia - Social and Behavioral Sciences, Vol. 219, pp. 528-533, available at: <https://doi.org/10.1016/j.sbspro.2016.05.030>

52 may be purchased back by the seller after the stipulated grace period has passed is
53 included in the Bay Wafa contract between two parties (Az-Zarqa).

54 But even today, experts continue to disagree over this agreement. Despite the
55 disagreements among Muslim jurists, bay' al wafa has come to be regarded as standard
56 procedure, much like it was in Turkey during the Ottoman era. A transaction or contract
57 that can still be approved by modern legal authorities is the Bay al Wafa practice (Tyser,
58 1967).¹⁰ Regarding the bay al-wafa (redemption sale) contract, he views it as a
59 guarantee rather than a sale in the Hanafi school.

[AQ7] If this is part of the article's title, please revise and use a different form of writing.

60 **In the Hanafi school, a commitment is preferred than a purchase.**

61 But most academics, both past and present, view this bay al wafa 'as an invalid
62 contract. In its seventh session held in Jeddah (1412 AH/1992 AD), the Islamic Fiqh
63 Academy of the Organization of the Islamic Conference (O.I.C.), now the Organization
64 of Islamic Cooperation, likewise affirmed its prohibition. But there are also academics
65 who approve of this bay al wafa. Ibn Abidin argues that the priority in economic
66 concerns is the eradication of troublemakers and the prohibition of usury. He justified
67 Bay' al Waf's claims after taking this into account¹¹, relying on the authority of al-
68 Bazzāziyyah. According to this agreement, the owner sells his property with the
69 understanding that he will receive it back after paying the buyer the purchase price. In
70 other words, it is a sale contract with a built-in cancellation clause, requiring the buyer
71 **to return the item if the seller returns the money.**

72 [AQ8] Please modify the placement of the paragraph's body, as the content appears to be separated

73 **Bay al wafa is used in a number of Islamic nations, including Malaysia. In**
74 Malaysia, a transaction called bay al wafa, commonly referred to as a sale of promise, is
75 one in which the borrower grants the lender usufructuary rights to the property until the

⁹ Roziq, A., Hisamuddin, N., Wahyuni, N.I. and Purnamawati, I. (2014), "Model pembiayaan salam pada petani singkong dan usaha kecil berbahan singkong di kabupaten jember", Jurnal Akuntansi Universitas Jember, Vol. 12 No. 2, pp. 43-57, available at: <https://doi.org/10.19184/jauj.v12i2.1410>

¹⁰ Tyser, C. R. (Trans.). Article 118. In *The Mejelle* (p. 17). Lahore, Pakistan: Law Publishing Company.

¹¹ Different names of bay' al-wafā': Various jurists who dealt with this type of contract have used different names such as bay' al-'uhdah (custody sale) because both parties pledge to return the substitute or the alternative after a specific period or because the buyer guarantees the item; bay' al-'idah or bay' al-wa'd (promise sale) because the sale happens as a result of a binding promise instead of a condition; bay' al-amānah (trust sale) because the item sold is entrusted with the buyer; bay' al-nās (people's sale) because people used it frequently and became used to it; al-bay' al-jā'iz (allowed sale) because some fuqahā' have legitimized it to the point that there is no other contract being legitimized as such and al-bay' al-mu'ād (the returned sale) because there is a sale and a repurchase. It seems that this kind of sale is as old as the fifth century after hijrah. (Economic Ideas of Ibn 'Abidīn: A Legal Analysis, Islahi, Abdul Azim, MPRA Paper No. 80558, posted 05 Aug 2017 15:10 UTC, 2014)

76 debt is returned. The right to receive income from the land in the form of a lease may be
77 one of the usufructuary rights. Until the loan is fully repaid, these rights will be fully
78 enforceable.¹² Nevertheless, this Bay Al Wafa contract is still used in some areas as one
79 of the Tijarri contracts. [AQ9] Please pay close attention to the prescribed citation format

80 Indonesia, with its majority Muslim community, has a fairly large agricultural
81 area. In the practice of agricultural land lease agreements in Indonesia, the practice that
82 can be found in the midst of the community is the same pattern as bay' al-wafa', the
83 community uses the terms taxation, selling pawns and holding pawns, and the term
84 holding pawns is used by the people of West Sumatra called the "Pagang Janji".

85 Although in the agricultural sector, this salam contract is more in demand by
86 Islamic banks, this contract is seen as more vulnerable to risk than other Islamic
87 commercial contracts used by Islamic banks such as in Malaysia.¹³

88 Because the wealthy do not wish to lend their money to those in need voluntarily
89 (al-qardh al-hasan) without receiving anything in return, the Hanafi school permitted
90 this type of buying and selling with the intention of eliminating the predominance of
91 usury among the populace. The owners of surplus assets will also profit from this deal
92 because their money is being put to good use. As a result, the two parties provide one
93 another with help for a while. According to the Hanafi school, the sale and purchase of
94 bay' al-wafa' is not among those forbidden by the prophet, despite the fact that it is
95 conditional. This is because bay' al-wafa' is carried out through a buying and selling
96 contract where the buyer can own the goods and use them at the same time. In Islamic
97 banking, riba is an act that is against the law of Islam.¹⁴ In order to prevent usury, this
98 bay wafa contract is a legitimate method.¹⁵

99 The transaction of taxing rubber plantations in the province of North Sumatra by
100 using paddy fields and coconut plantation taxes as well as selling pawns of agricultural
101 land where these transactions are common and have been practiced by the community

¹² Kader, S. Z. S. A., & Mohamad, N. A. (2019). *Creating Security to Finance Waqf Property Development in Malaysia: Issues and Solutions. Emerging Issues in Islamic Finance Law and Practice in Malaysia*, 53–68. doi:10.1108/978-1-78973-545-120191010

¹³ Muneeza, A., Yusuf, N.N.A.N. and Hassan, R. (2011), "The possibility of application of salam in Malaysian Islamic banking system", *Humanomics*, Vol. 27 No. 2, pp. 138-147, available at: <https://doi.org/10.1108/08288661111135135>

¹⁴ Suharto, U. (2018). *Riba and interest in Islamic finance: semantic and terminological issue. International Journal of Islamic and Middle Eastern Finance and Management*, 11(1), 131–138. doi:10.1108/imefm-08-2016-0109

¹⁵ Muhammad ali kelayakan bay wafa

102 for a long time can be seen as a representation of the reality on the ground. Vanity and
103 injustice can occasionally lead to the taking of one another's property, which is
104 obviously wrong and requires special attention from Islamic banking institutions. As a
105 result, these institutions must build their products using bay' al-wafa' as a design or
106 manufacturing process. To prevent negative things or the rights of the owner of the
107 garden or land from being violated, the form of the contract signed by the community
108 on the garden or land simply connected the community with banks or Islamic financial
109 institutions through this contract.

110

111 How are bay al wafa contracts used by Indonesian society, why have they
112 become common there, and how can they be built in a way that makes them appropriate
113 for agricultural finance products in Islamic banking?

114

115 **Review of literature**

116 **The concept of Bay Al Wafa**

117 According to Imam Hanafi, the only difference between bay' al-waf and a pawn
118 is their capacity to use goods. Consequently, although if the contract in question is a
119 sale and purchase agreement, it is actually a pledge rather than a sale and purchase since
120 a sale and purchase agreement is made so that the buyer can profit from the items,
121 whereas if the agreement is pawned, this cannot happen.

122 Regarding the legitimacy and permissibility of bay' al-wafa, where the contract
123 is considered legal and is thought to have no limitations, some Hanafiyah and Syafiyah
124 scholars hold the mutaakhkhirin opinion. They claim that this waf's sale and purchase is
125 legal because buying and selling are generally acceptable and that the inclusion of
126 conditions has no negative effects on the contract because it is carried out outside of it.¹⁶

127 In a Bay "al-wafa" sale and purchase agreement, the buyer is free to use the
128 goods he purchases; the only restriction is that he must not resell them to anyone other
129 than the original seller because the goods are held by the debtor as collateral for the debt
130 for the duration of the agreed-upon deadline. The products must be given back to the
131 seller if the owner already has enough cash on hand to pay up the debt and the original
132 selling price of the goods at the designated grace period. By using the bay' al-wafa

¹⁶ Muhammad Amin Barury, *Bay' al-Wafa'*, (Libanon: Daarun Nawadir, 2012), h. 151

133 technique, it seems that usury can be prevented. This is a sort of benefit that is
134 established in the midst of human life for the purpose of rejecting damage, meeting their
135 wants, and fostering healthy relationships amongst people.¹⁷

136 **Akad bay wafa dalam lahan pertanian**

137

138

139 **Research design**

140 In-depth interviews are used in this study's qualitative design to obtain data (Yin,
141 2009). Interviews can give a rich account of an event, events, and the connections
142 between them (Stake, 1995). The nature of the information in study is exploratory as it
143 was at the time the research was undertaken (Ellram, 1996). The research is only
144 conducted in the province of North Sumatra due to the high cost of interviewing
145 participants throughout all of Indonesia. Interviews were performed and kept up until
146 the hypothesis had been fully absorbed (Glaser dan Strauss, 1967)¹⁸. Given that they are
147 still in the Covid-19 epidemic era, interviews were undertaken directly, semi-structured,
148 and in-depth before being performed using normal interview techniques.

149

150 **Participants**

151 13 participants were interviewed for this study, including government-
152 representing village officials and Bay' al Wafa actors who appeared to be local farmers
153 pawning their land.

154

Tabel 1 Participants

No	Pseudonym	Qualification	Interview timeframe
1.	SH	Siamporik Villager	
2.	MS	Siamporik Villager	
3.	AM	Terang Bulan Villager	
4	IS	Siamporik Villager	

¹⁷ *Ibid.* h. 153

¹⁸ Glaser, B.G. and Strauss, A.L. (1967), *Discovery of Grounded Theory: Strategies for Qualitative Research*, Aldine de Gruyter, New York, NY.

5	JA	Kubangan Tompek Villager	
6	AZ	Kubangan Pandan Villager	
7	DH	Kubangan Pandan Sari Villager	
8	MH	Kubangan Tompek Villager / farmer	
9	AN	Kubangan Tompek Villager / farmer	
10	ER	Bengkel Villager / farmer	
11	SU	Bengkel Villager / farmer	
12	GU	Pulau Gambar Villager	
13	JU	Member of farmer community / farmer	

155

156 **Data Collection**

157 In-depth interview techniques were used for the primary data collection, allowing
 158 participants in the study to provide their perspective on drop-shipping (Charmaz, 2014).
 159 Face-to-face interviews were conducted adopting health guidelines, and they lasted
 160 between 20 and 60 minutes per person. Open-ended interview questions were used to
 161 get extensive responses from participants in their own words, as well as a balanced
 162 viewpoint and free of bias (Corbin and Strauss, 2014). The researcher personally
 163 conducted this in-depth interview using a set of questions, and it was taped. The
 164 interviews' findings were then verbatim summarized in a conclusion.

165 These are the steps taken during this in-depth interview:

166 1. Preparation and transcription

167 At this point, preparation and transcription of the interview were done using notes
 168 and key words, and each interview question was then described in the form of a
 169 transcript to ensure the quality of the interview. Every interview transcript will be coded
 170 to make it simpler to distinguish the interview's findings (Miles dan Huberman, 1994)¹⁹.

¹⁹ Miles, M. and Huberman, A. (1994), *Qualitative Data Analysis; an Expanded Source Book*, Sage Publications, Thousand Oaks, CA.

171 2. Report verification

172 At this point, all transcripts were examined once more to spot any inconsistent question
173 answers. Deeper inquiries on the Bay' al Wafa' practice will be posed to the participants.
174 Afterward, evaluating the interview results so that they can reach a trustworthy
175 conclusion.

176 **These are the inquiries:** [AQ10] Please make modifications to the use of the available space

177 1. What motivates Bay Al Wafa's practice?

178 2. What form does North Sumatra's bay al wafa practice take?

179 3. How do you feel after performing Bay Al Wafa?

180

181 **Findings and Discussion: Results of interviews**

182 Reasons for practicing bay al wafa '

183 In practice, bay al wafa 'is done for various reasons, such as meeting the needs of proper
184 education for the family. Following are the results of interviews conducted with the
185 participants.

186 GU said:

187 "... I pawned this coconut plantation to get the money I needed to pay for my son's
188 college tuition in Medan, if I sell the garden it's too much money and I need only a little
189 money and in the next two or three months, *InshaAllah* (God willing) I can pay.
190 (Interview, ...,)

191 Is said:

192 Children need money to continue their education outside of the village because
193 some of them attend the AKPER (Nurse School) in Medan and their siblings also attend
194 universities there. As a result, an enormous amount of money is required and it must be
195 acquired right now. So, this need can be met by taxing it.

196 Fulfillment of daily needs is also one of the reasons used by the participants to do bay
197 wafa. As the following interview results:

198 Is said:

199 "... My frequent taxation of the garden is a habit that is very beneficial to our family
200 life, so through this method of taxation, demands can be addressed."

201 Another participant says the same thing, Ern said:

202 "... Therefore, I may use what I need right now because I have a very urgent need for it.

203 Sut said:

204 If I sell off the money, I receive too much money when I only need a little, and the
205 person who gave the loan doesn't mind holding out the money I need with immediately
206 and quickly I get the money without having to wait for time and a complicated process.
207 If, however, by selling the pawn, the rice field that I sold as a mortgage will return to
208 me.

209 In addition to financing weddings, bay al wafa is sometimes utilized to assist families
210 suffering from misfortunes like illness.

211 Ahmad Hajidin said:

212 ... Because there was a child who wanted to throw a party but didn't have enough
213 money, I levied a tax on this rubber plantation.

214

215 Form of bay al wafa practice in Indonesia

216 North Sumatra as one of the provinces in Indonesia is an area with a lot of agricultural
217 land and many people work as farmers. It is often found that these farmers mortgage or
218 tax their agricultural land to obtain funds. So in muamalah fiqh, this process is referred
219 to as bay al wafa. As for the practice of bay al wafa in North Sumatra, it has various
220 terms such as taxation, Pagang gadai and jual gadai. Some of the participants gave their
221 answers as follows.

222 MS said,

223 "..... Yes... we often pawn our land to people who want to buy it. But we agreed that
224 later our land would be sold to us again. Usually we say taxation here."

225 Another same regard said by ER.

226 Typically, we don't have enough money for a celebration; instead, we charge those
227 who want it. The deal is that we will sell it again if we have money.

228 This bay al wafa practice is also frequently referred to by the term Pagang Gadai.

229 SU said,

230 "... We typically pawn the mortgage to those who wish to maintain our garden if we
231 don't have enough money for school fees. When we have enough cash, we'll eventually
232 buy back our coconut farm. It is a contract with the purchaser..."

233 GU asserted.

234 "...we normally pawn it if we need money for our family. Garden tax, also known as
235 pagai gadang, is mentioned here.

236 The phrase "selling pawns" is frequently used by residents of North Sumatra in addition
237 to the terms "taxation," "pagang gadai," and "garden tax."

238 JU confirmed,

239 "... Our paddy pawns are typically sold as soon as the kids start school. You require that
240 expense."

241 The same thing was said by AN.

242 We typically sell pawns to members of our family or other trustworthy individuals. He
243 can plant rice later, and then sell the harvest. but afterwards sold to us again."

244 This form of funding is preferred by farmers because it is simpler, more adaptable, and
245 safer. Some of the findings from participant interviews are listed below.

246 We are selling this pawn to make things easier, AZ remarked. The guarantee is to
247 simply come to an arrangement with our garden land. so it is safer. "

248 AJ said the same thing.

249 "... We can more easily pawn our land. We'll ask the person who purchased it to extend
250 the period if we believe we won't be able to pay off our loan. Right, the customer is
251 secure because it is his responsibility to resell the field-produced goods.

252 It's secure if we use an arrangement like this pawn sale, MS stated. Additionally, our
253 land is secure because the buyer can't simply sell our fields to other people without first
254 getting our consent.

255 **Its social impact**

256 Bay al wafa practice has an effect on people's needs in Indonesia, particularly in North
257 Sumatra.

258 GU explains: "... The coconut plantation that I pawned had fruit that the person who
259 took the pawn could take as payment for enabling me to fulfill my immediate
260 requirements. I frequently do this since I feel tremendously helped in a short period of
261 time. receive the funding I require.

262 The same issue is also stated in IS: "... I frequently tax my garden when I need money,
263 and the garden will be handled and the garden's results will be taken by the person who
264 provided me the loan as long as the money I borrowed cannot be returned"

265 **Bay Wafa as Indonesian agricultural financing product**

266 Sharia Finance Products for Agriculture, including mudharabah, musyarakah,
267 muzara'ah, mukhabarah, musaqah, bai' murabahah, istishna, salam, and rahn are some
268 sharia-compliant schemes that enable the realization of agricultural sector financing.

269 While Bay al Wafa is a form of indigenous knowledge that enriches Islamic
270 Economics' scientific riches. The sale and purchase agreement is fulfilled subject to the
271 buyer returning the purchased item to the seller along with the amount (the money)
272 (haidar, tt).²⁰ According to Zahrah, the bay al Wafa first appeared among the tenth-
273 century populations of Bukhara and Balkh. As a result of the presence of a aversion, the
274 person who is selling the item has to give money to someone who needs it if they don't
275 give an offer. For the population that is in need, this situation is likely to be quite
276 upsetting. This phenomenon causes the aforementioned population to develop an
277 independent akad in order to meet its needs. This is intended to protect the local
278 population from riba practice.²¹

279 In North Sumatra, the bay al-wafa contract is used differently than it is
280 generally. But this transaction's goal and the contract's structure are both the same.
281 People in North Sumatra use a variety of phrases to refer to financial transactions for the
282 agriculture sector.

283

284 1. Taxation

285 In the North Labuhanbatu region of North Sumatra, this term is used. As for the
286 example of this taxation, someone who needs money/funds for a child's or family's
287 school fees taxes the garden to receive the money, with the understanding that the

²⁰ Ali Haidar, *Durar al-Hukkam Syach al-Ahkam*, Juz I, (Beirut: Dar al-Kutub al-Ilmiyyah, t.t), hal. 97.

²¹ Muhammad Abu Zahrah, *Tarikh al-Maahib al-Islamiyah*, (Mesir dar al-Fikri al-'Araby), hal. 243.

288 garden used as the transaction's object will be returned to the garden owner if the money
289 obtained earlier can be returned. The garden's owner is permitted to use the garden
290 during that time as long as the money hasn't been returned by them. They believe that
291 what these people are doing is acceptable since there is no evidence of gharar or fraud
292 among them, and instead, they are very helpful and will help them with their affairs,
293 which will benefit them and prevent damage from coming into their lives—this is the
294 goal of the law. Islam. Here, it is possible to say that this taxing policy is another way of
295 saying bay al-wafa.

296

297 2. *Pagang Gadai*

298 North Sumatran residents in the Mandailing Natal region use this term. When a person
299 needs money or cash for their children's school tuition or other family requirements,
300 they come into a *pagang* agreement, or what some refer to as a garden tax like coconut
301 plantation land. They came to an agreement that the coconut plantation would be given
302 up as a pledge item from the loan he acquired in exchange for the funds/money needed,
303 which would be a debt for him. The coconut plantation is returned to the owner of the
304 coconut plantation if the prior funds can be recovered. During the term of the
305 agreement, the money cannot be returned by the owner of the plantation, during which
306 time the creditor can take the benefits or proceeds from the coconut plantation.
307 According to the local community, transactions with this type of agreement may be
308 carried out because according to them there is no element of gharar or fraud between
309 them, even the community feels very helped by this transaction and will facilitate their
310 affairs. And this agreed contract is a contract agreement that creates benefit and rejects
311 harm in the life of the community. The purpose of benefiting and rejecting harm is what
312 is the purpose of Islamic law.

313

314 3. *Jual Gadai*

315 North Sumatran residents also use this phrase, particularly in the Serdang Bedagai
316 region. The method of practice is compared to someone who desperately needs money
317 to pay for a child's education or other family needs, so this person sells his or her rice
318 field or field to raise the money, with the understanding that the rice field or field that
319 was the subject of the transaction can be returned to the owner if the money can be

320 recovered. a field's or fields' proprietor. The owner of the rice field or fields cannot
321 return the payments during the duration of the agreement; thus the buyer of the rice field
322 may benefit during that time. The residents of Serdang Bedagai claim that all of these
323 activities are legal because there is no chance of fraud and because everything is simple.
324 Additionally, they made Serdang Bedagai residents' lives better and rejected doing them
325 any damage.

326 We can draw the conclusion that a large portion of these finance operations take
327 place in North Sumatra, which can be viewed as the region's expertise in the financing
328 of agricultural. In fact, this transaction is just another way of saying Bay Al Wafa.

329

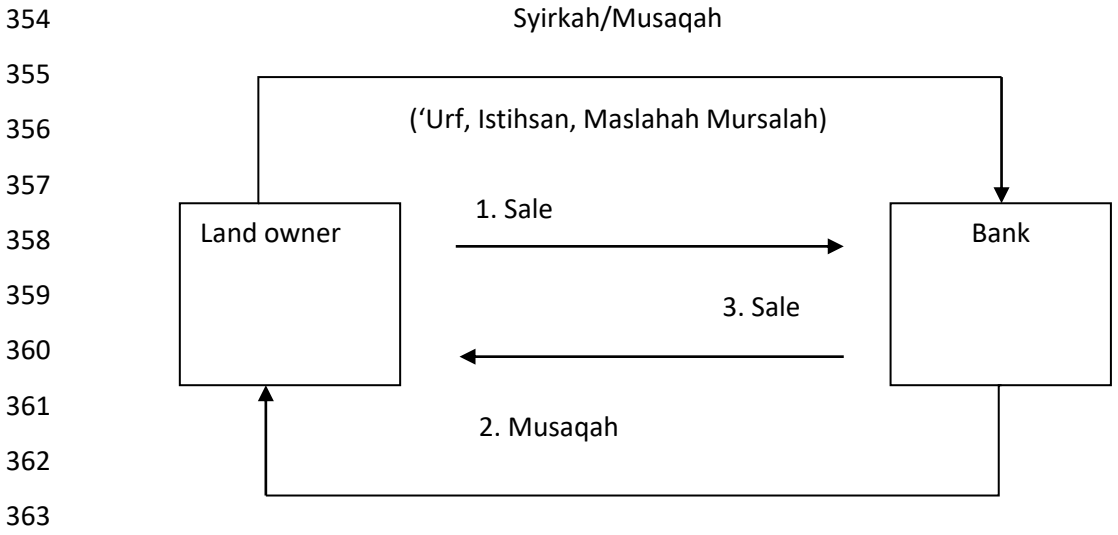
330 **Building Models for Agricultural Financing Products in Islamic Banking**

331 In terms of sharia funding, there are numerous programs available, including
332 mudharabah, musharakah, muzaraah, ukharabah, musaqah, bay murabahah, istishna ',
333 salam, and rahn.

334 When considered from a sharia viewpoint between the commercial (real) and
335 financial (monetary) sectors, some of these cooperation models must be interrelated,
336 which would be undoubtedly distinct from traditional economic methods. The monetary
337 sector in a capitalist conventional economy moves more quickly and is overextended, so
338 what happens there does not always reflect the true state of the economy. The issue with
339 Islamic financial institutions today is how much of a role they play in promoting the
340 expansion of the real sector. Islamic financial institutions, in contrast to conventional
341 financial institutions, forbid the possibility of a decoupling between the financial and
342 real sectors.

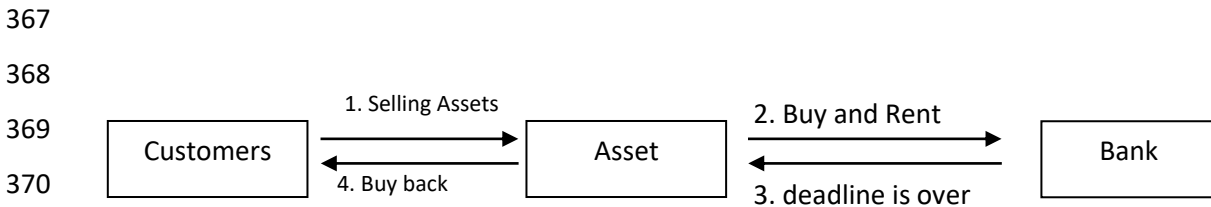
343 Despite the fact that in present practice, Islamic banking has implemented
344 financing products in the agriculture sector utilizing a salam contract in which the
345 money is provided at the beginning and the goods are delayed until a specific grace
346 period. Even if the DSN MUI fatwa was issued in 2000, in reality there hasn't been a
347 single Islamic bank that has selected this strategy. This parallel greeting scheme's design
348 is unrealistic and does not meet the needs of the buying public. Because of the risks,
349 challenges, and strict implementation requirements in the agricultural sector, Islamic

350 banks do not risk engaging it. Therefore, it appears that the Bay Al Wafa contract is one
 351 of the most adaptable ones that can be used to meet the demands of agricultural
 352 financing products in Islamic banking. These examples will help to illustrate the Bay Al
 353 Wafa scheme.



364 Picture 1. Bay al wafa scheme applied in bank

365
 366 Following are some additional alternatives to this Bay Al Wafa scheme.



371
 372
 373 Picture 2. Alternative scheme of bay al wafa in banking

374
 375 Islamic doctrines include the directive to be just, particularly with regard to
 376 rulers or umara, the directive to provide zakat, infaq, and alms to the wealthy, the law of
 377 inheritance, the recommendation to lead a simple life, and the prohibition of excess.
 378 Baitul Maal is evidently heavily laden with the ideals of justice, particularly distributive
 379 justice and the values of shared prosperity, and is being implemented by the state and
 380 others to aid the needy (*social welfare*).

381 A derivative in the world of finance (finance) is a bilateral contract or payment
382 exchange agreement whose value is derived or derived from the product that is the
383 "principal reference" or also known as the "underlying product." Rather than trading or
384 physically exchanging an asset, market participants make an agreement to exchange
385 funds, assets, or a value in the future with reference to the asset that is the main
386 reference.

387 Derivatives can be used as a mechanism to shift risk, among other things. For
388 instance, producers can offer purchasers futures contracts on their crops before they are
389 harvested. The buyer accepts this risk transfer in the hopes of still receiving a reward or
390 profit, while the farmer uses it to hedge against rising or declining crop prices. The
391 buyer will profit if the selling price rises, but he will suffer a loss if the selling price
392 falls. The farmer can forecast the selling value of the produce that he will receive later.

393 Similarly, Islamic banking can apply agricultural finance products with a
394 contract or futures contract model; the contract that will be employed in fiqh words or
395 contexts is known as a bay al-Wafa' contract. When we consider the use of contracts
396 that have persisted for a while and developed into social norms, the application of the
397 bay al-Wafa' contract in Islamic banking makes perfect sense. This way, there won't be
398 any questions about the legality of the transaction and people will feel secure. It's fine;
399 in fact, the community benefits enormously from this in terms of providing for their
400 family. Following are some examples of contracts that can be used as agricultural
401 finance instruments in Islamic banking:

402
403 As an example of the previously described schemes, it can be seen that the
404 garden owner sells his land to the bank as a customer who needs financing from the
405 bank. Once the bank has control of the garden, the bank then enters into an agricultural
406 syirkah contract with the garden owner through the use of musaqah. When the musaqah
407 occurs, the garden owner or client can receive a portion of the harvest in exchange for
408 the upkeep of the garden, and with the money earned, he can pay the bank loan that is
409 due in installments. As a result, both parties sign into an agricultural syirkah contract
410 known as a musaqah during which the garden owner can settle his bank debts as long as
411 he is the garden's caretaker. Following the settlement, the bank sells the garden to the
412 original owner or client it had financed. With a contract like this, it goes without saying

413 that the community will face less fraud or injustice related to the taxation, selling, or
414 holding of pawns—practices known as bay al-wafa' in fiqh—that they engage in.

415

416 CONCLUSION

417 This contract is still not widely used because of the Bay Al Wafa Debate on financing
418 deals in the agriculture sector. Despite the fact that other nations, like Malaysia, have
419 used this procedure for a long time. This bay al wafa is known by a variety of names in
420 Indonesia, including taxation, *pagang gadai*, and *jual gadai*. In banking itself, financing
421 products in the agricultural sector use salam contracts. Although it already has a DSN
422 MUI fatwa regarding the use of this salam contract for financing the agricultural sector,
423 it turns out to be less attractive to Islamic banks because of the many risks, complicated
424 and rigid if practiced. So the author recommends bay al wafa as an alternative
425 mechanism for financing Islamic bank products.

426

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