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Mukhabarah as Sharia Financing Model in Beef Cattle Farm Entrepise

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Abstract

Financing constraints on beef cattle farm nowadays have received attention by the government through distributed various assistance programs and program loans through implementing banks. The existing financing schemes are all still conventional yet sharia-based. The purpose of this research is to formulate financing pattern for sharia beef cattle farm. A qualitative and descriptive approach is used to formulate the pattern by considering the profit-sharing practices of the beef cattle farmers. The results of this study have formulated a financing pattern that integrates government, implementing banks, beef cattle farmers group and cooperative as well as breeders as its members. This pattern of financing is very accommodating of local culture that develops in rural communities. It is expected to be an input, especially in formulating a business financing policy Sharia-based beef cattle breeding.

1. Introduction

Livestock business is one of the sub sectors in the agricultural sector that has a very important role, especially in the fulfillment of animal protein requirements such as meat, eggs, milk, cheese, and others. Therefore, livestock sub-sector contributes to improving the quality of human resources better. Beef cattle breeding business today is important and needs special attention because as a contributor to the availability of meat is increasing along with the increase in the population in Indonesia.

Most of the beef cattle farm in Indonesia is still managed traditionally and classified as a micro-size farm. A lot of challenges faced by rural beef cattle farmers such as low capital ownership and the level of accessibility of financing to formal financial institutions are still relatively low. The low capital ownership itself requires farmers to seek external financing. The external funding source is basically divided into two, namely from formal financing institutions such as banking and government, while informal financing comes from neighbors, friends, relatives and Micro Finance Institutions [3].

Financing sourced from informal institutions is relatively more accessible to beef cattle farmers because it does not require long procedures, it does not need collateral enough with trust capital, and the required funds can be obtained anytime. However, this financing from the side of creditors is relatively risky because precisely in the absence of collateral then there is no risk coverage in case of things that are not desirable. While the formal financing model of the formal institution that has been run nowadays is considered mostly by the beef cattle farmers is not effective because the procedure is long so it takes a relatively long time, the requirements of collateral that is considered burdensome and not well socialized about the information of the financing to the beef cattle farmers[4]. The realization of credit sometimes does not match the time when the funds are needed by the beef cattle farmers. In addition, other disadvantages are the repayment of loan installments is still based on the amount of the loan when the revenue from the sale of cattle fluctuate for example during religious holidays and certain times breeders earn considerable revenue but smaller outside the season [5].

Breeder financing access is also determined by the extent to which the application of local cultural values in everyday life such as honesty, smart, decency, firmness, persistence and self-esteem/embarrassment. The application of the local culture is closely linked to the formation of a character which is one of the creditor's assessments to the prospective borrower in order to approve the proposed credit proposal for capital; business capacity, collateral and economic conditions [9].

The government has provided various assistance to micro, small and medium enterprises in order to help finance farmers such as Food Security and Energy and People's Business Credit. To overcome the collateral constraints for farmers, then its loantoday, in addition, there are those requiring collateral also exists given to prospective borrowers without collateral but enough guarantee with his business. Therefore, the farmer must show seriousness in running his beef cattle farm in order to gain trust from the bank as an executing bank.

On the other hand, some areas in Indonesia including South Sulawesi are quite developed for profit sharing where livestock owners hand over their livestock to farmers who have time and energy but do not have livestock. Where there is anagreement of cooperation for the results of different forms depending on the custom in each region [3], [11]. For many years ago, this practice in the agricultural sector was known as the muzara'ah which had been done between the landowner and the tiller of the land with the share of harvest by half, one-third, or by mutual consent. This is an implication of the concept of sharia-based financing. Recognizing this, shariah-based financing can be an alternative financing to ease the rate of return on installments from financing sources where returns are set based on the results obtained not during harvest (sale of livestock).

In Islamic economics, also known as mukhabarah. Between muzara'ah and mukhabarah is almost the same that is a practice for the results where the landowner gives up his land to others to manage. But the difference is in muzhara'ah, capital is issued by the land owner while mukhabarah, the capital comes from the manager. The implications of muzara'ah and mukahabrah are also found in thelivestock business. In practice, mukhabarah is mostly applied by the farmer community where the livestock owner is analogized as the land owner, while the farmer who keeps and provides the cage and the feed and forage analogized as the manager or tiller of the land. Therefore, the author raised the title of Islamic financing model on the beef cattle farm.

2. Materials and Methods

Research located in Bone regency of South Sulawesi. This area is very potentialas a beef cattle development area. The large population, the largest area in South Sulawesi, the number of breeders and a large number of beef cattle populations, and the very large agricultural land strongly support it. Local cultural values are highly respected, including in relation to veterinary business. The descriptive approach used is descriptive-analytic, is research that aims to reveal, describe and describe an objective problem of the object being investigated. This descriptive study aims to create a description, description systematically, factually and accurately on the facts, properties, and relationships between the phenomena investigated.

To collect data also use some informants as people who will provide information about pattern or model of financing that can be formulated related to accessibility of financial. .More informant in this research are some parties like Bank of The People of Indonesia, Department of animal and Health Service, Village Head, public figure, cultural figure, community, and beef cattle farmers. It's Bank was selected from the banking element because the banking institution has a business network to the rural areas, especially remote villages which are the area where most of the farmers live, and also has channeled loan to abeef cattle farm.

Sources of data in this study can be grouped into two namely:

1) Primary data is a source of data obtained directly from the object of study (not through intermediaries). In this study was conducted by using direct interviews to informants to obtain data and formulate patterns and financing models tailored to the conditions of the community, breeders, local culture, characteristics and capabilities of the breeder.
2) Secondary data, is a source of data obtained indirectly but through intermediary media (obtained and recorded by other parties), which is obtained from the Provincial Livestock Service Office of South Sulawesi, Department of animal and Health Service in Bone District, including data on the number of livestock population, and other relevant data for the business profile of beef cattle farms.

Data collection method using in-depth interview, which is a method of collecting data qualitatively by conducting more in-depth interviews about the pattern or model financing that has been running and the pattern or model that cool and in accordance with the needs and capabilities of farmers in accessing financing.

Descriptive analysis is done in the early stages after the data collection process is done that is about the pattern or model of financing in accordance with the characteristics of farmers, culture, and beef cattle farmers needs. The results are depicted in the form of a chart or pattern.

3. Results and Discussion

The alternative livestock financing scheme proposed by researchers is to integrate the involvement of government, banks, farmer groups and breeders and profit sharing practices in the community. According to Law No. 7 of 1992 concerning banking that has been changed into Law no. 10 of 1998 concerning banking in Article 1 Number 12[10], sharia-based financing is the provision of money or equivalent claims based on an agreement or agreement between the Bank and another party requiring the party financed to refund the money or invoice after a certain period of time in return or profit sharing. It refers to Shariah principles as a rule of covenant under Islamic law between other party banks for the deposit of funds and / or financing of business activities, or other activities stated in accordance with sharia, such as financing based on profit sharing principles (mudharabah), financing based on the principle of inclusion Capital (musharakah), the principle of sale and purchase of goods by obtaining profit (murabahah), or financing of capital goods based on the principle of pure lease without choice (ijarah), or with the option of transferring ownership of leased goods from the bank by another party (ijarawaiqtina).

The results of this study modify the pattern of financing proposed by Nugraha [8] and consider the input of some informants as well as practice for the results that have been running in the community. The scheme of financing pattern of beef cattle farmers can be seen in Figure 1. It is divided into two stages:

1) First phase, describes the linkage between livestock farming groups and cooperatives, the government, and the implementing bank. A member summit Beef cattle farmers and cooperatives apply for financing to implementing banks. But first get recommendations from the Regional Government, in this case, the Department of Animal Husbandry and Animal Health in each region. In addition to providing recommendations, the role of the government also provides guidance or assistance related to the preparation of business recording and feasibility studies of Livestock business so feasible and assessed bankable at the time of proposals proposal.

   The bank then conducts surveys to summits/cooperatives or even to their respective members to assess and evaluate the feasibility of prospective borrowers. The Bank will always coordinate with the relevant agencies before deciding to approve or reject the

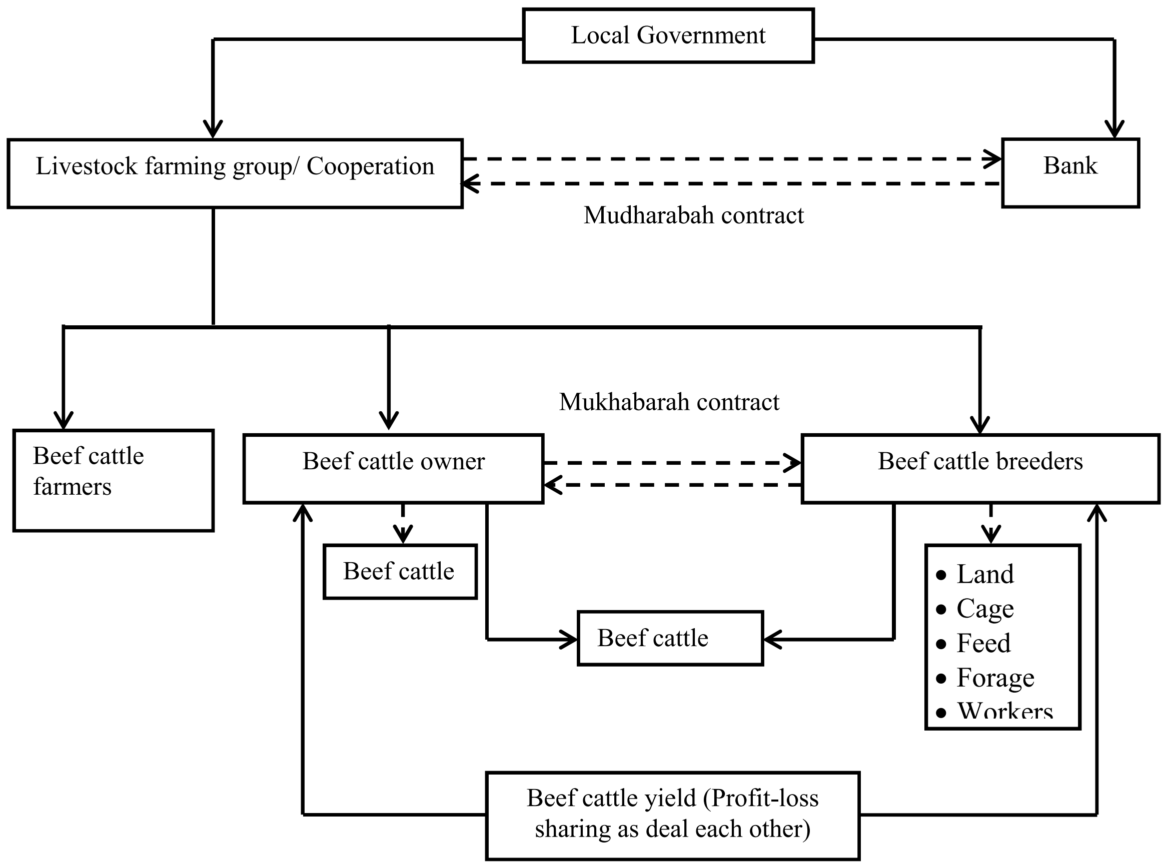

Figure 1. Sharia-based Beef Cattle Farm Financing Scheme

proposed financing. At this stage, the bank will explain to summits and cooperatives about the amount of acceptable fund platform, financing risk, required collateral, term, and method of payment and sharing of revenue sharing and others related to it. If the local government recommends recommending the summit and cooperative, and between the summit/cooperative has agreed the bank then approves and provides financing.

At this stage, the contract between the summit and the cooperative is mudharabah because in this contract the bank is the provider of capital (shahibulmaal) and the Cattle Beef and Cooperative Summit as the capital manager (mudharib) responsible for its management [12] used in beef cattle breeding business. It is asserted by [7] that the profit mudharabah is divided according to the agreement set forth in the contract, while the loss borne by the owner of capital during the loss is not due to the negligence of the manager. If the loss is due to the manager's fraud or negligence, then the manager shall be liable for the loss.

2) The second phase describes the relationship of cooperation contract between the summit and cooperative with the farmer. Breeders in terms of grouped in three namely: individual breeders, breeders as livestock owners and ranchers as cattle rearing. A number of funds available at summits and cooperatives will be distributed to each member according to their needs.

Especially for the practice of sharing the results that have been developed in the community may be said to use the contract mukhabarah. This is because livestock owners only provide and give away their livestock to be reared but the farmers who raise the livestock provide labor, feed, forage, and cage. Revenue shares are set depending on the deal.

Basically, this mukhabarah agreement is much explained for the profit sharing on your agricultural land between the landowner and the manager or the cultivator. Where landowners give up their land to be managed and their capital such as seeds, fertilizers and labor come from managers or cultivators. This is in contrast to the muzara'ah[1] which is a contract of cooperation between the landowner and the tenant in which the rewards of a certain part correspond to the preceding one whether each is one-third, one-third or two-thirds, smaller or greater. Differences with mukhabarah that for muzara'ah all necessary capital in the form of seeds, fertilizers and so forth issued to the land owner.

Looking at the explanation, the practice of sharing in the concept of sharia has not been explained in detail other than on agricultural land. However, the implications of mukhabarah are almost the same as those that developed in the midst of asociety so far.

At this stage, the livestock owner will hand over the cattle to the breeder initiated by the profit-sharing agreement and capitalize on trust [11]. With this concept, it will alleviate the burden of breeders which in conventional financing the amount of credit interest is determined based on the amount of credit proposed by the debtor with the percentage of interest that has been determined with certainty. Unlike the case with the concept of Islamic financing were interest-free, principled profit sharing and calculation for the results are done at the end of the transaction [2]. This relieves beef cattle farmers, especially in paying the financing installment due to deposits through Livestock Farmers Group and Cooperatives depending on when the beef cattle farmers receives the proceeds from the sale of cattle.

4. Conclusion

Sharia-based beef cattle breeding is an alternative financing pattern that combines local government involvement, implementing banks, Livestock Farming Group and Cooperatives and farmers. Between executing banks and livestock farmers' groups and cooperatives using mudharabah contracts. Contracts between livestock owners and cattle ranchers who are entrusted to raising cattle use the implications of a mukhabarah contract because the livestock owners only have and give away their livestock to be maintained while the nursing farmer must provide forage, feed, water, land, and labor.

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